



October 27, 2021

The 2nd Quarter of FY2021 (Ended September 30, 2021) Financial Results Briefing

 Hitachi Transport System, Ltd.

I . 2Q of FY2021 Financial Results

Overview, Breakdown by Group,
Detail of variations for revenues/operating income,
Overseas results by region

II . Progress of the Mid-term Management Plan: LOGISTEED 2021

Conception of next mid-term management plan,
Topics (Domestic and global business, ESG, etc.)

【Supplementary Material】

Financial status, Cash flow, Key financial indicators/operation cost, etc.)



I . 1H of FY2021 Financial Results



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

	FY2020		FY2021				
	1H		1H			Full year	
	Results		Results	Y o Y		Plan (as of Apr.28)	Y o Y
				%	change		
Revenues		3,064	3,601	117%	+536	6,900	106%
Operating income*	<5.0>	154.0	<5.3> 189.1	123%	+35.1	<5.4> 375.0	102%
EBIT (Earnings before interest and taxes)	<7.8>	238.4	<4.9> 174.6	73%	-63.8	<5.4> 372.0	84%
Net income attributable to stockholders of the parent company	<4.3>	131.7	<2.5> 90.8	69%	-40.9	<3.0> 205.0	90%

*Operating income in this document represents "Adjusted operating income."



1H of FY2021 Results (Breakdown by Group)

Toward New Dimensions

LOGISTEED

(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	<57>	1,824	100%	115.5	101%	
	Global Logistics	Overseas	<34>	1,076	151%	51.1	139%
		Allocated to domestic companies(forwarding and others)	<7>	216	165%	6.4	(+6.5)
	Total	<41>	1,291	153%	57.5	157%	
	Others (logistics-related businesses, etc.)	<2>	73	92%	6.6	124%	
Total		<100>	3,188	116%	179.6	115%	
VTC Group	Domestic logistics	<63>	280	116%	11.9	(+12.1)	
	Overseas	<37>	164	130%	2.3	145%	
	Total	<100>	444	121%	14.2	1008%	
Consolidated adjustment/Amortization of customer-related intangible assets of VANTEC Group, etc.		-	-31	+12	-4.7	(-0.7)	
Total	Domestic logistics	<58>	2,089	102%	123.1	112%	
	Global Logistics	Overseas	<34>	1,236	150%	53.0	138%
		Allocated to domestic companies(forwarding and others)	<6>	209	176%	6.4	(+6.5)
	Total	40%	1,445	+9% 154%	31% 59.5	+7% 155%	
	Others (logistics-related businesses, etc.)	<2>	66	89%	6.6	124%	
Total		<100>	3,601	117%	189.1	123%	

Indicates a ratio of Global logistics.



1H of FY2021 Results (Detail of variations for Revenues)

1H of FY2021 Revenues (results)

(100 million yen)

- Expansion of existing operations: +46
- Increase in customer logistics, others: +346 (includes COVID-19 impacts)

Environmental/volume changes, etc.

+392

1H of FY20 → 1H of FY21

- USD: ¥107 → ¥110
- EUR: ¥121 → ¥131
- CNY: ¥15.3 → ¥17.0

Effect of exchange fluctuation

+78

Implementation of portfolio strategy

-28

- Domestic : +28
- Global : +45

New orders

+74

New collaborative innovation

+21

+95

3,601

3,064

+536

	Enviornental/volume changes, etc.			Effect of exchange fluctuation	Implement of portfolio strategy	New orders	New collavorative innovation	Total
	Expansion of exsiting operations	Increase/decrease in customer logistics (includes COVID-19 impacts)	Subtotal					
Domestic	41	-39	2		-5	28	14	40
Global	6	393	399	78	-24	45	6	504
Others		-9	-9				1	-8
Total	46	346	392	78	-28	74	21	536

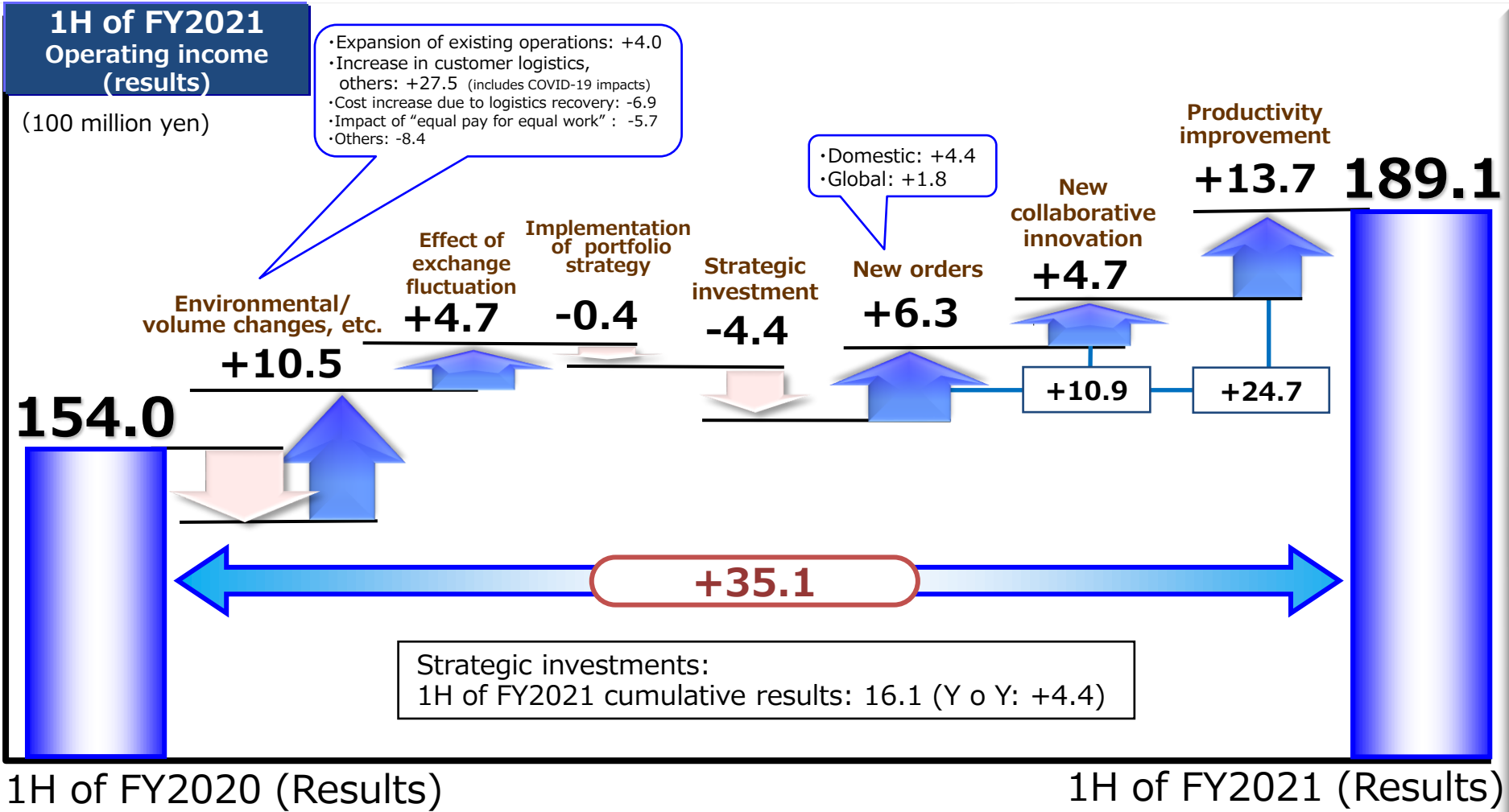
1H of FY2020 (Results)

1H of FY2021 (Results)



1H of FY2021 Results (Detail of variations for Operating Income) LOGISTEED

Toward New Dimensions



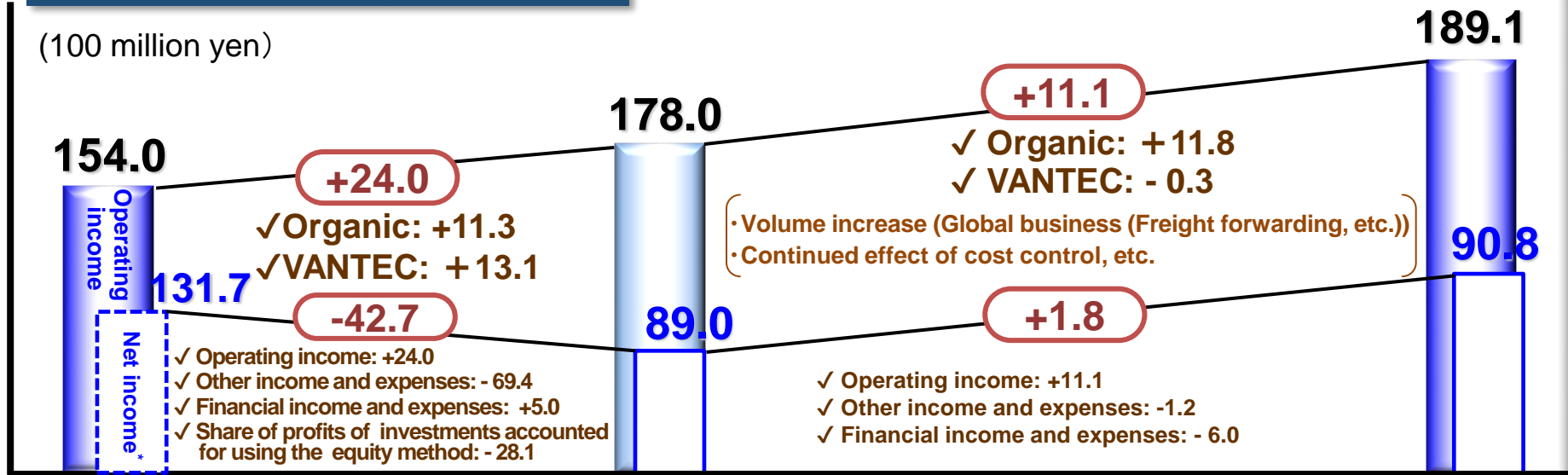
[Revenues] Plan: 3,411 → Result: 3,601 (+190)
(100 million yen)

[Operating income] Plan: 178.0 → Result: 189.1 (+11.1)

Exceeded the plan due to volume increase in Global business (Freight forwarding, etc.)

Deviation in Operating income and net income

(100 million yen)



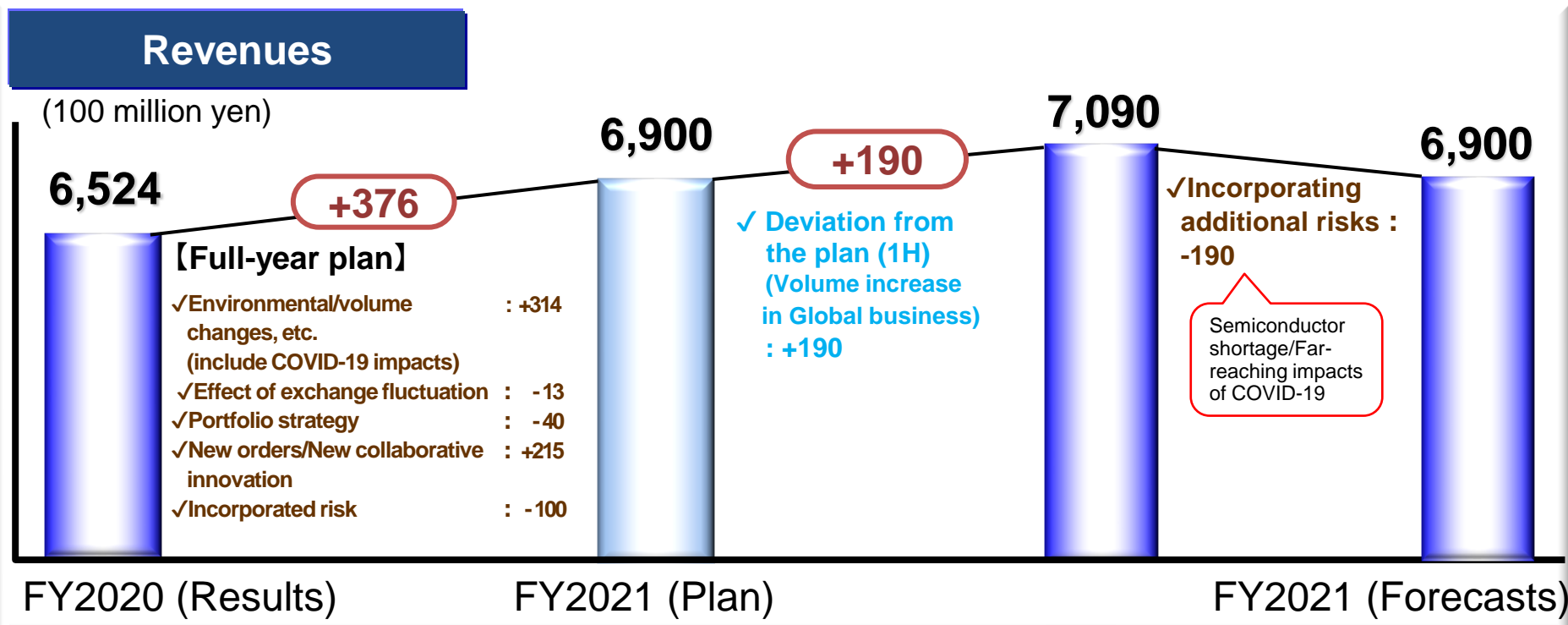
1H of FY2020 (Results)

1H of FY2021 (Plan)

1H of FY2021 (Results)

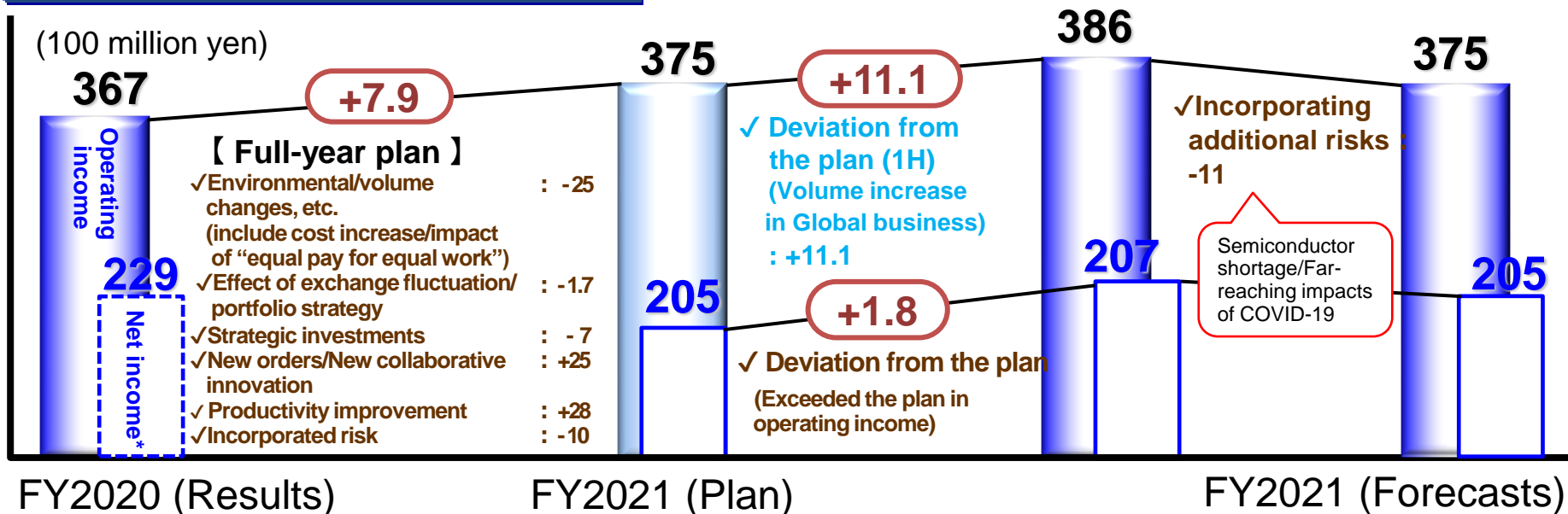
* Net income attributable to stockholders of the parent company

- 1H (Results): Exceeded the plan due to volume increase in Global business (Freight forwarding, etc.) (+190 above plan) (100 million yen)
- Full-year (Forecast): No change in full-year plan considering various business risks (semiconductor shortage, far-reaching impacts of COVID-19)



- 1H (Result): Exceeded the plan due to volume increase in Global business (Freight forwarding, etc.) (+11.1 above plan) (100 million yen)
- Full-year (Forecast): No change in full-year plan considering various business risks (semiconductor shortage, far-reaching impacts of COVID-19)

Operating income/Net income



*Net income attributable to stockholders of the parent company



1H of FY2021 Results (Overseas results by region)

Toward New Dimensions

LOGISTEED

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

	Revenues			Operating income		
	FY2020	FY2021		FY2020	FY2021	
	1H	1H		1H	1H	
	Results	Results	Y o Y	Results	Results	Y o Y
North America	177	273	154%	3.6	9.1	256%
Europe*	282	400	142%	18.1	21.2	117%
Asia (excluding China)	164	250	152%	6.4	14.3	223%
China	191	289	151%	10.9	12.0	110%
Others	24	29	122%	2.4	2.5	107%
Elimination of intra-company transactions, etc.	-15	-4	(+12) 100Million yen	-2.9	-6.0	(-3.1) 100Million yen
Total	822	1,236	150%	<4.7%> 38.4	<4.3%> 53.0	138%

* Turkey is treated as an European country.



II . Progress of the Mid-term Management Plan: LOGISTEED 2021

Toward “LOGISTEED 2021” goals and the next Mid-term Management Plan Create/expand ecosystem across regions and businesses

Our strength

<Ability to accomplish operation>
<Logistics engineering capability>
<Global network>

+

[Collaborative innovation strategy]
[Strategic investments]



Goal of “LOGISTEED 2021”

Stable orders/Accumulate new projects/
Flexible cash generation
“Secure stable profits” “Lay groundwork
for future competitive advantage”

Next Mid-term Management Plan: Increase topline for the next growth

Rapid **paradigm shift** in social/customer needs to prepare for the New Normal and decarbonization

- Logistics and ancillary services alone cannot meet requests from customers and society
- Need to create new added value in addition to simply accommodating customers’ requests
- Customers and society expect our contribution to supply chains and elsewhere (horizontal/vertical)

Accumulate end-to-end capabilities to grapple with logistics paradigm shift

Domains to be enhanced for topline growth

Industry vertical

• **Enhance industry vertical (upper stream)**
(Contribute with logistics insights in each industry and subindustry)

Digital

• **Establish HTS brand in DX field (CPS)**
(WMS/RCS platform/SSCV/SCDOS, etc.)

Finance

• **Logistics/Commerce/Information + One (Financial solution)**
(Facilities/Machinery and equipment/Vehicles/IT, etc.)

Region

• **Developing the business in North America, India and Turkey as Growth Vehicles**
(Potential for market expansion and capability)

Culture

• **Structural and cultural reform**
(Shake off traditional inertial force)

Toward “LOGISTEED 2021” goals and the next Mid-term Management Plan

Create/expand ecosystem across regions and businesses

Our strength

<Ability to accomplish operation>

<Logistics engineering capability>

<Global network>



[Collaborative innovation strategy]

[Strategic investments]



Goal of “LOGISTEED 2021”

Stable orders/Accumulate new projects/

Flexible cash generation

“Secure stable profits” “Lay groundwork
for future competitive advantage”

Next Mid-term Management Plan: Increase topline for the next growth

(1) Strategic investments

- DX: WMS/RCS platform/SSCV/SCDOS, etc.
- Overseas business: [North America] Truck business + 3PL business (for manufactures)
[India] 3PL business
- Environmental investments: [Europe] Intermodal/EV/Zero-emission center

(2) M&A strategy

- Enhance region-contained business: North America/Europe/Asia
- Enhance domestic transport business: Increase transport resource by n times
- Enhance freight forwarding business

(3) Collaborative innovation strategy to realize the above:

PE funds/Business companies (Industry peers/DX)

**To become a leading 3PL company
in Asia**

- Establish a strong position in Japan
- Establish and enhance a solid management base
- Evolve into a regional leader in Asia

Opened Hazardous Substances Warehouse in Kita-Kashiwa (July 2021)

[Warehouse overview]

Location: Kashiwa City, Chiba

Building spec: Steel construction
(low-floor flat building)

Total floor space: Approx. 1,000m²

Stored products: Category 4
hazardous substances



- To respond to increasing needs for warehouses for hazardous substances (Alcohol sanitizer, etc.)
- Expand services by combining functions with regular warehouses
- Share facilities among multiple customers

<The Group's hazardous substances warehouses>

- No. of locations: Approx. 40 nationwide
- Stored products: Category 4, 2, and 5 hazardous substances and poisonous and deleterious substances, etc.

**Increase the number of hazardous substances warehouses to meet various customer needs
(Plan: In 2H of FY2021 in western Japan, etc.)**

Transfer of “Hitachi Drivers School” business (October 2021)

- Overview: Transferred the driving school business operated by our subsidiary* as part of portfolio strategy
- Transferee: Driving School NAKA Co., Ltd.
(A group company of Omiya Driving School Co., Ltd.)
- Transfer date: October 1, 2021

*Hitachi Transport System East Japan Co., Ltd.

Joint verification experiment by 5 companies to improve supply chain efficiency (September 2021)

<Points of verification experiment>

- Automation of “Receiving” and “Shipping” using automated forklifts
- Data linkage between operators (Cargo owners/ Material handling manufacturers/Logistics, etc.)
- Reduction of truck waiting time between receiving/shipping owners

- Improve efficiency of the entire supply chain to reduce energy consumption and waiting time



Co-awarded at Japan Packaging Contest 2021 (August 2021)

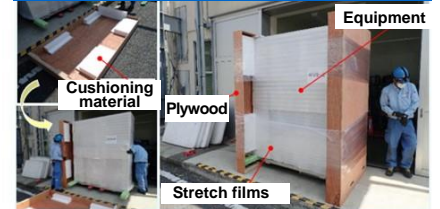
[Development of packaging materials for domestic transport of large equipment] METI Minister’s Award (Japan Star Award)

Before (without packaging)



➤ Loading image (6 suites of equipment/car)
Need to secure with lashing belts
Extra space [Large]

After (with packaging for domestic transport)



➤ Loading image (10 suites of equipment/car)
Packaging for domestic transport (No need to secure individual equipment)
Extra space [Small]

<Improvement effect>

- Man-hours: down 30%
- CO₂ emissions: down 43%
- Loading ratio: up 70%

[Redesigned under-tray of washing machine: Curve shaped edges by circular cutting]

Technical Packaging Award (Packaging Technology Award)

Initiatives in North America and Europe

[North America: Businesses related to customers' factories]



Huntsville Cross-docking Center

- Shared bases of Company A and B
- Bases of Company A's suppliers
- Bases of Company B's suppliers



- Undertake upstream processes of automobile production
- Shared Milkrun (Reduce environmental load)
- Cross-docking base operation

<Other> Increase in 3PL orders from manufacturing customers in North America (south area) (from 2H of FY2021)

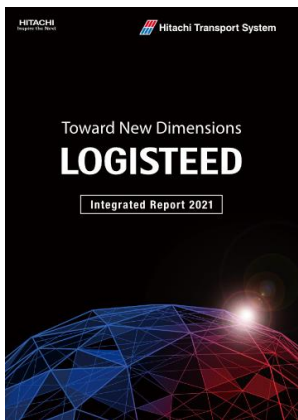
[Europe: Intermodal rail transport business]



- Expand business to Turkey-Eastern Europe area
- Purchase 90 railway wagons
- Environmentally-friendly business model (Reduce CO₂ emissions by 70%)

Issued “Integrated Report 2021” (September 2021)

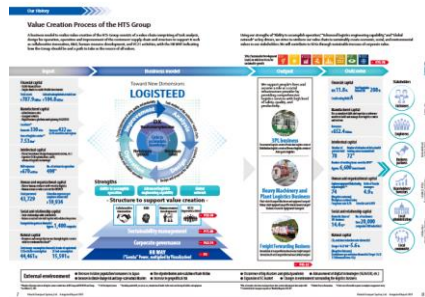
- Initiatives for “Mid-term Management Plan: LOGISTEED 2021”
- Enhanced disclosure on ESG management including our response to TCFD



Message from the President



Integrated Report 2021 (online version) is available on our Website (Japanese version only)



Value Creation Process

Endorsement of TCFD Recommendations (September 2021)

- Promote management and financial disclosures taking into account the impact of climate change, based on TCFD recommendations



Participation to “My Jinken Declaration (Declaration of Human Rights)” project (July 2021)

- Participate in “My Jinken Declaration” project advocated by the Ministry of Justice
- Promote further understanding of respect for human rights



The 53rd National Truck Driver Contest (October 2021)

**Our Group's drivers won the
"Prime Minister's Prize"**

Also won in "4-ton" and "Trailer" categories



**Mr. Shimamura won
"Prime Minister's Prize"
and won in
"4-ton category"**

**Mr. Seita won in
"Trailer category"**

The 36th National Forklift Driving Contest (October 2021)

**Our Group's forklift operators won both
"General" and "Women's" categories**



**Mr. Imamura won in
"General category"**

**Ms. Taji won in
"Women's category"**

Application for selection of the “Prime Market” (August 2021)

■ July 30, 2021:

Received the second assessment result
(Compliant with the continued listing criteria on
the Prime Market)

■ August 19, 2021:

Resolved on application for selection of the
“Prime Market”

Proceed with procedures to apply for selection
of the new market in accordance with the
schedule set by TSE

<Reference>

Application deadline for selection: December 30, 2021

Date of transfer to new market: April 4, 2022 (planned)

Cancellation of treasury shares (September 2021)

[Outline of the cancellation of treasury shares]

- **Number of shares cancelled: 20,699,214 shares**
(19.8% of the total number of issued shares
before the cancellation)
- **Date of cancellation: September 3, 2021**
- **Purpose: Improve capital efficiency and
shareholder value**

< Reference >

- **Total number of issued shares after the
cancellation: 84,101,714 shares**
- **Number of treasury shares after the
cancellation: 228,308 shares**
- **HTS’s tradable share ratio: Approx. 46%**
(HTS’s estimate)

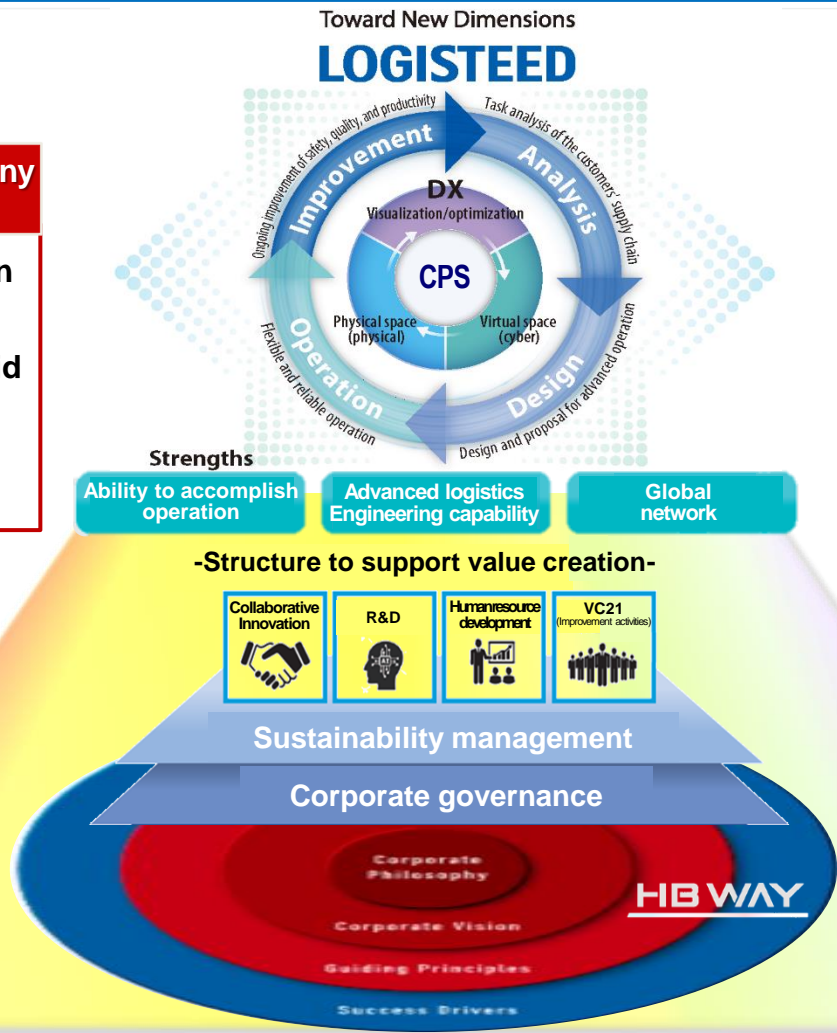


To become a leading 3PL company in Asia

- Establish a strong position in Japan
- Establish and enhance a solid management base
- Evolve into a regional leader in Asia

Realize next-generation logistics to support sustainable society

- New growth through DX
“New supply chain that is strong and creates values”
 - Transform site operation expertise into explicit knowledge using CPS*
- *CPS (Cyber-Physical System)



From Integrated Report 2021



Supplementary Material

<Financial position, Cash flows, etc. >



(100 million yen)

	FY2020	FY2021	
	As of Mar.31,2021	As of Sep.30,2021	Y o Y
(Assets)			
Current assets	2,474	2,347	-127
Non-current assets	5,406	5,314	-91
Total	7,879	7,661	-218
(Liabilities)			
Current liabilities	1,567	1,560	-7
Non-current liabilities	4,692	4,417	-275
Total	6,258	5,976	-282
(Equity)			
Equity attributable to stockholders of the parent company	1,552	1,614	62
Non-controlling interests	69	71	2
Total	1,621	1,685	64
Total liabilities and equity	7,879	7,661	-218



(100 million yen)

	FY2020	FY2021	
	1H	1H	YoY
Net cash provided by operating activities	294	351	57
Net cash used in investing activities	780	-87	-867
Net cash provided by (used in) financing activities	-1,394	-298	1,096
Effect of exchange rate changes on cash and cash equivalents	4	2	-2
Net increase in cash and cash equivalents	-317	-32	284
Cash and Cash equivalents at beginning of year	1,390	1,048	-342
Cash and Cash equivalents at end of year	1,074	1,016	-58



Financial indicator etc.

		FY2020	1H of FY2021
Total equity attributable to stockholders of the parent company*1	(100 million yen)	19.7 1,552	21.1 1,614
Total equity per share attributable to stockholders of the parent company	(Yen)	1,854.01	1,928.18
Basic earnings per share attributable to stockholders of the parent company (EPS)	(Yen)	240.02	108.52
Return on equity (ROE)	(%)	11.8	11.5*2
Return on assets (ROA)	(%)	2.7	2.3*2
Price book-value ratio (PBR)	(Ratio)	2.01	2.58

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

Major operating expenses

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

	FY2020		FY2021			
	1H		1H		Y o Y	
					%	changes
Subcontract Expenses	(48.2)	1,478.4	(51.3)	1,848.8	125%	370.3
Personal Expenses	(25.1)	770.0	(22.9)	825.5	107%	55.5
Rent Expenses	(2.8)	85.6	(2.9)	103.4	121%	17.8
Depreciation Expenses	(8.5)	259.4	(7.0)	250.4	97%	-9.0



Capital expenditures

(Unit: 100 million yen)

	FY2020		FY2021
	1H	Full year	1H
Purchased assets	118.4	240.8	90.3

*Based on fixed assets recorded in the balance sheet.

Trend of new orders/new startups

(Unit: project)

		FY2020	FY2021	
		1H	1H	Y o Y
New Orders	Domestic	4	7	+3
	Global	4	4	0
	Total	8	11	+3
New Startups	Domestic	7	5	-2
	Global	5	6	+1
	Total	12	11	-1

(Ref.) Number of employees*1

(Unit: person)

	FY2020		FY2021
	As of Sep.30,2020	As of Mar.31,2021	As of Sep.30,2021
Regular Employees	23,069	22,682	22,749
Part time/temporary/ other employees*2	21,187	21,047	21,843
Total	44,256	43,729	44,592

*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)

(Unit: 100 million yen)

		1H of FY2020				1H of FY2021			
		Revenues	Operating income	Operating margin		Revenues	Operating income	Operating margin	
	Domestic	1,826	115.0	6.3%	(6.3%)	1,830	115.3	6.3%	(6.3%)
	Global	356	22.4	6.3%	(6.8%)	447	25.2	5.6%	(6.1%)
	3PL	2,182	137.4	6.3%	(6.4%)	2,277	140.5	6.2%	(6.3%)
	Domestic	120	-0.4	-	(1.5%)	209	6.2	3.0%	(4.0%)
	Global	291	10.6	3.7%	(4.1%)	549	23.7	4.3%	(4.5%)
	Forwarding	411	10.2	2.5%	(3.3%)	758	29.9	3.9%	(4.4%)
	Domestic	227	-4.9	-	-	261	5.9	2.3%	(3.9%)
	Global	169	5.2	3.1%	(3.2%)	237	4.9	2.1%	(2.2%)
	Automobile	397	0.3	0.1%	(1.2%)	498	10.8	2.2%	(3.1%)
Other services	75	6.1	8.1%	(8.1%)	67	8.0	11.8%	(11.8%)	
Total	3,064	154.0	5.0%		3,601	189.1	5.3%		

(): Excluding amortization of customer-related intangible assets.



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 Hitachi Transport System, Ltd.



Toward New Dimensions

LOGISTEED