



January 29, 2021

The 3rd Quarter of FY2020 (Ended December 30, 2020) Financial Results Briefing

 Hitachi Transport System, Ltd.

I . 3Q of FY2020 Financial Results

Overview, Breakdown by group, Quarterly change, COVID-19 impact, Revenues/Operating income, Overseas results by region, Trend of New orders/New startups, Collaborative innovation

II . Progress of the Mid-term Management Plan

DX strategy, SSCV, CDP evaluation



I . 3rd Quarter of FY2020 Financial Results



3Q of FY2020 Results

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

	FY2019		FY2020				
	3Q (9 months)		3Q (9 months)			Full-year	
	Results	Results	Y o Y		Forecasts (As of Jan.29)	Y o Y	
			%	Change			
Revenues	5,105	4,745	93%	-360	6,400	95%	
Operating Income ^{*1}	<5.1> 259.0	<5.6> 265.8	103%	6.8	<5.3> 340.0	102%	
EBIT (Earnings before interest and taxes)	<5.9> 301.4	<7.3> 346.2	115%	44.8	<6.6> 420.0	106%	
Net income attributable to stockholders of the parent company	<3.2> 162.5	<3.9> 187.4	115%	24.9	<3.4> 220.0	102%	
ROE	^{*2} 9.5%	^{*2} 13.0%	-	(+3.5%)	11.4%	(+1.9%)	

*1. Adjusted operating income is stated for Operating Income.

*2. Annualized rate.

<Increase/Decrease from the original plan>
 Revenues : -11 billion yen
 Operating Income : +2.5 billion yen
 EBIT : +3.45 billion yen
 Net income : +0.5 billion yen



3Q of FY2020 Results (Breakdown by Group)

(Unit: 100 million yen, rounded off to the nearest integer. (): year-on-year change.)

		Revenues		Operating Income		
		3Q (9 months)	Y o Y	3Q (9 months)	Y o Y	
Organic	Domestic logistics	2,752	98%	176.0	100%	
	Global logistics	Overseas	1,128	90%	63.1	130%
		Allocated to domestic companies(forwarding and otehrs)	216	89%	3.0	124%
	Subtotal		1,344	90%	66.1	130%
	Others(logistics-related businesses, etc.)		119	85%	9.4	93%
Total		4,215	95%	251.5	106%	
Vantec Group	Domestic logistics	392	79%	15.5	63%	
	Global logistics(overseas)		211	88%	3.9	88%
	Total		603	82%	19.4	67%
Consolidated adjustment/amortization of customer-related intangible assets of VANTEC Group, etc.		-73	(-2)	-5.2	(+2.3)	
Total	Domestic logistics	3,129	95%	185.5	95%	
	Global logistics	Overseas	1,311	89%	67.8	132%
		Allocated to domestic companies(forwarding and others)	195	88%	3.0	124%
	Subtotal		32% 1,507	-1% 89%	27% 70.8	+6% 131%
	Others(logistics-related businesses, etc.)		110	83%	9.4	93%
Total		4,745	93%	265.8	103%	

Indicates a ratio of Global logistics.

3Q of FY2020 Results (Quarterly changes in breakdown by group) **LOGISTEED**

(Unit: 100 million yen, rounded off to the nearest integer. ():year-on-year change.)

		FY2020								
		1Q		2Q		3Q				
		Results	Y o Y	Results	Y o Y	Results	Y o Y			
Revenues	Organic	Domestic logistics		902	98%	917	97%	934	99%	
		Global logistics	Overseas		321	74%	390	94%	417	102%
			Allocated to domestic companies(forwarding and otehrs)		66	79%	64	78%	85	114%
			Subtotal		387	75%	455	92%	502	104%
		Others(logistics-related businesses, etc.)		39	89%	41	84%	39	83%	
	Total		1,327	90%	1,412	95%	1,475	100%		
	Vantec Group	Domestic logistics		112	69%	129	77%	151	89%	
Global logistics(overseas)		53	64%	73	90%	84	112%			
Total		166	68%	202	81%	235	96%			
Operating Income	Organic	Domestic logistics		62.9	116%	51.7	90%	61.5	95%	
		Global logistics	Overseas		12.2	73%	24.5	144%	26.3	180%
			Allocated to domestic companies(forwarding and otehrs)		-1.2	(-1.6)	1.1	146%	3.1	236%
			Subtotal		11.1	65%	25.7	144%	29.4	185%
		Others(logistics-related businesses, etc.)		1.7	40%	3.6	145%	4.1	120%	
	Total		75.6	100%	81.0	104%	94.9	113%		
	Vantec Group	Domestic logistics		-3.5	(-8.5)	3.4	38%	15.7	146%	
Global logistics(overseas)		-0.6	(-2.2)	2.2	137%	2.3	180%			
Total		-4.1	(-10.7)	5.5	54%	18.0	149%			



3Q of FY2020 Results (the COVID-19 impact)

(Units : million yen)

		FY2020								
		1Q		2Q		3Q		3Q (9 months)		
		Revenues	Operating Income	Revenues	Operating Income	Revenues	Operating Income	Revenues	Operating Income	
Organic	Domestic	-32	-6.8	-24	-5.7	-14	-3.3	-70	-15.7	
	Global	North America	-33	-3.5	0	0.7	0	-0.0	-33	-2.8
		Europe	-25	-6.3	-10	-1.3	-6	-0.9	-41	-8.6
		Asia	-6	-1.5	-7	-0.6	-4	-0.4	-18	-2.5
		China	3	1.4	0	0.6	1	1.1	4	3.2
		Other	-61	-9.9	-17	-0.6	-9	-0.2	-88	-10.8
		VHF *	-9	-2.0	-7	-1.5	-3	-0.6	-19	-4.1
	Other	-2	-0.4	0	0.0	-2	-0.3	-5	-0.8	
Total	-104	-19.1	-49	-7.8	-28	-4.4	-181	-31.3		
Vantec Group	Domestic	-33	-12.1	-19	-5.2	-6	-1.2	-58	-18.5	
	Global	-18	-2.9	-8	-2.0	-4	-1.3	-31	-6.2	
	Total	-52	-15.0	-27	-7.2	-11	-2.4	-89	-24.6	
Total (simple sum)		-156	-34.1	-76	-15.0	-39	-6.8	-270	-56.0	

*1 The above figures are estimates on a business basis (before the impact of IFRS reclassification (including lease) and some company-wide cost allocation).

*2 Abbreviated name of Hitachi Transport System Vantec Forwarding Co., Ltd.

Approximately 1.3 billion yen was recorded for subsidiaries (mainly overseas) in "other income" in the consolidated statement of income, and approximately 1.6 billion yen for fixed costs associated with non-operation of distribution centers and vehicles in "other expenses" Accounting.



3Q of FY2020 Results (Detail of Variations for Revenues)

3Q(9 months) of FY2020 Revenues (Results)

(100 million yen)

5,105

COVID-19 impact -270

- Domestic/Others : -194
- Overseas/Forwarding: -84
- Expansion of existing operations: +47

Environmental/volume changes, etc. -231

- 3Q(9 months) of FY2019 → 3Q(9 months) of FY2020
- USD: ¥ 109 → ¥106
 - EUR: ¥ 121 → ¥122
 - CNY: ¥ 15.6 → ¥15.4

- Consolidation of PALENET CO.,LTD., and Hitachi Transport System East Japan Distribution Services Co., Ltd.
- Deconsolidation of HTB-BCD Travel Ltd., etc.

- Domestic : +78
- Global : +63

Effect of exchange fluctuation -25

Implementation of portfolio strategy +2

New Orders +141

New collaborative innovation +24

+165

4,745

-360

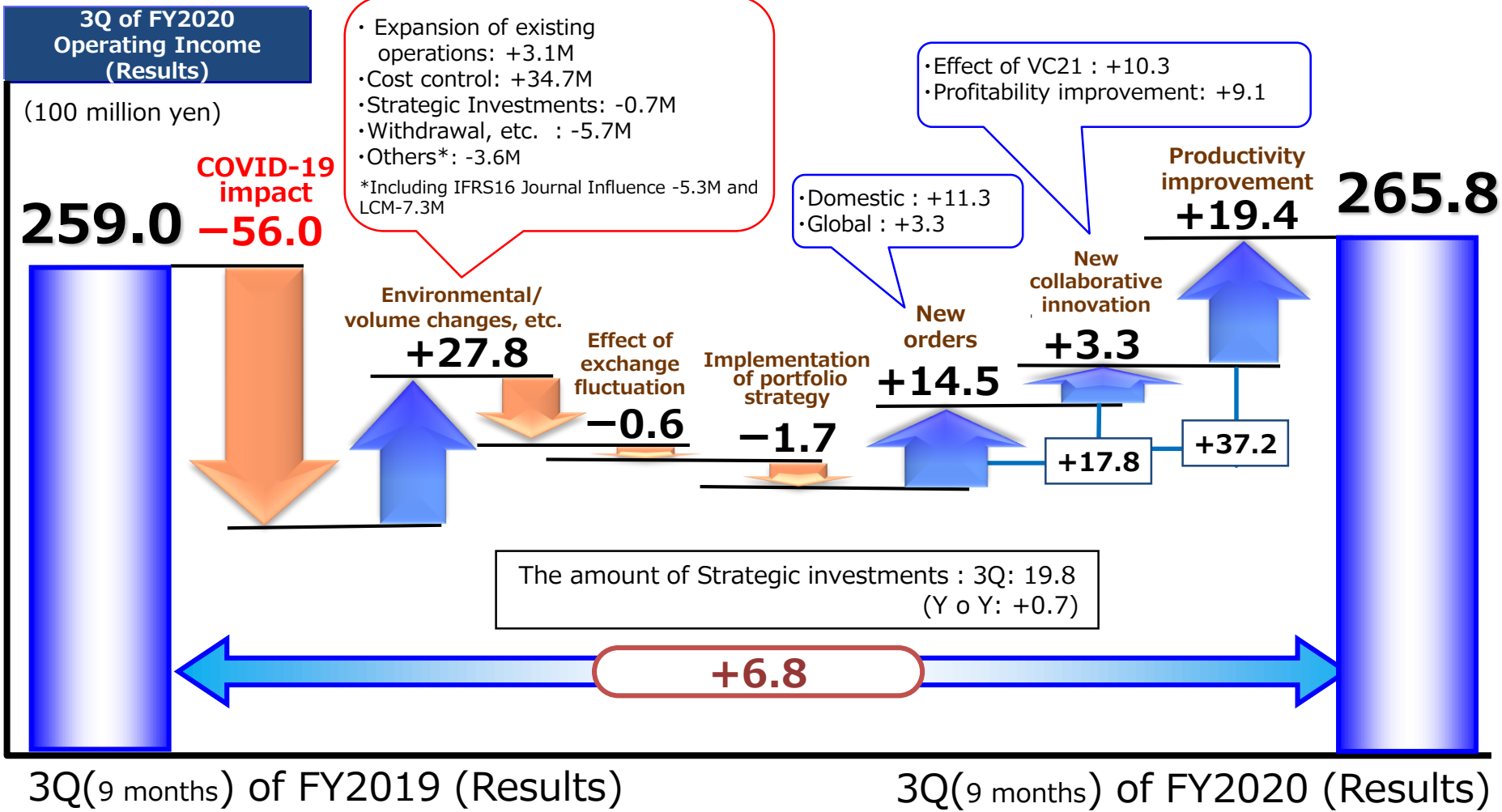
	COVID-19 Impact	Enviromental/volume changes, etc.			Effect of exchange fluctuation	Implement of portfolio strategy	New orders	New collaborative innovation	Total
		Other volume changes, etc.	Expansion of existing operations	Subtotal					
Domestic	-128	-184	36	-148		24	78	20	-154
Global	-138	-84	11	-73	-25	-14	63	4	-184
Others	-5	-10		-10		-8		1	-22
Total	-270	-278	47	-231	-25	2	141	24	-360

3Q(9 months) of FY2019 (Results)

3Q(9 months) of FY2020 (Results)

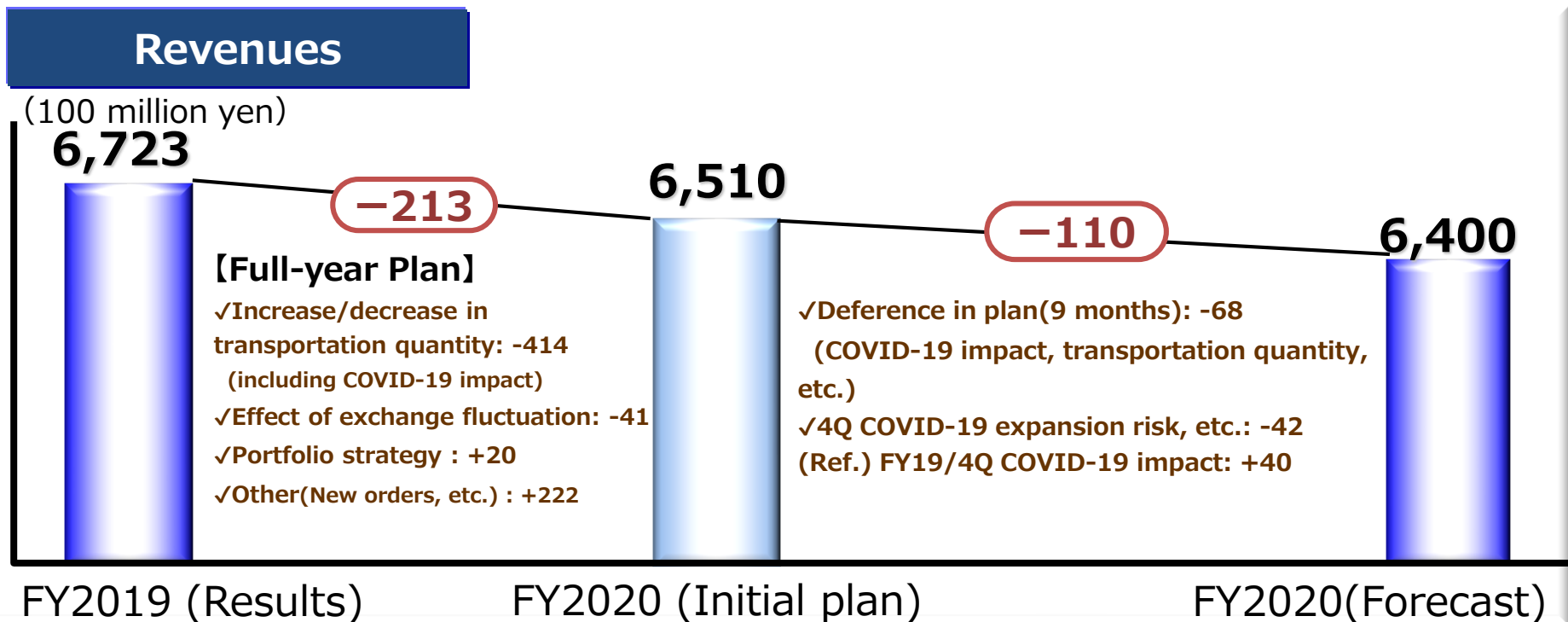


3Q of FY2020 Results (Detail of Variations for Operating Income)



*LCM : Life Cycle Management

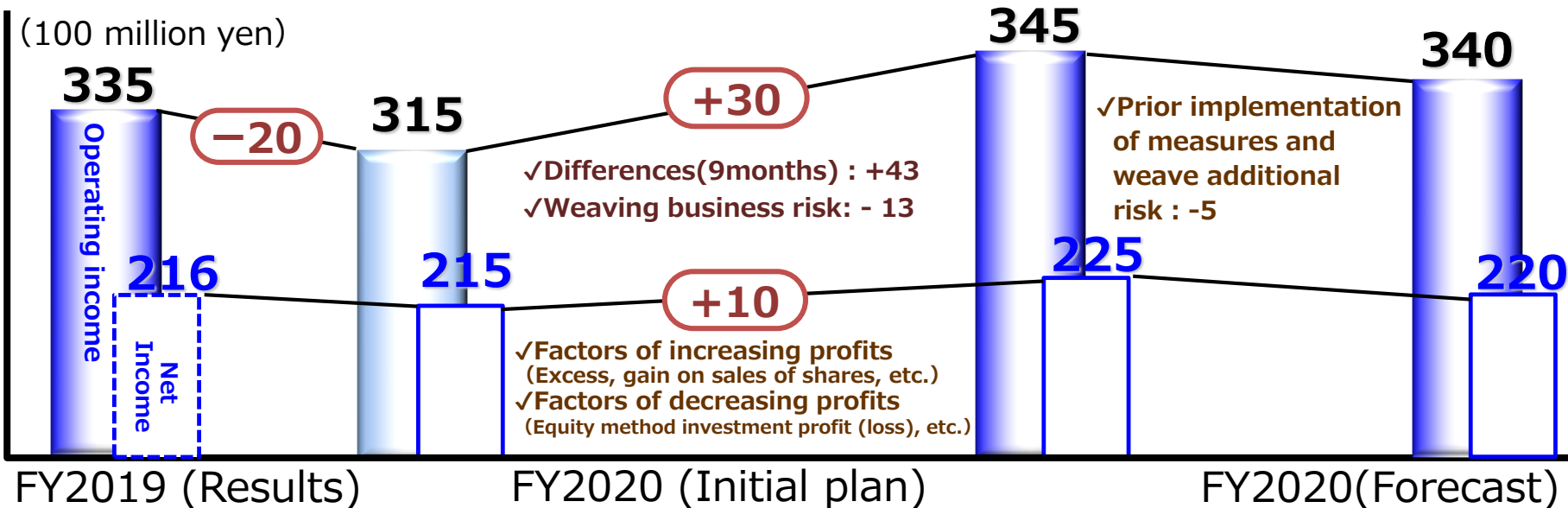
- 9 months (Results): Trend in downside due to COVID-19 impact and decrease in transportation quantity (Deference in plan -68M).
- Full-year (Forecast): Downward revision of -110M from the full-year forecast based on expansion risk of COVID-19 and semiconductor risk. Revised the full-year revenues forecast from the 3Q initial plan.





- 9 months(Results) : Trend in upside due to business centered on China·North America has exceeded the plan (Deference in plan +43M).
- Full-year (Forecast) : Revised upward. Expected to exceed the initial plan although it incorporate business risk of COVID-19 and semiconductors business (+25M).

Revenues·Operating Income





3Q of FY2020 Results (Overseas Results by Region)

(Unit: 100 million yen, rounded off to the nearest integer. ():year-on-year change.)

	Revenues					Operating Income				
	FY2020					FY2020				
	1Q	2Q	3Q	3Q (9 months)		1Q	2Q	3Q	3Q (9 months)	
	Results	Results	Results	Results	Y o Y	Results	Results	Results	Results	Y o Y
North America	67	110	115	291	91%	-2.9	6.5	4.5	8.0	80%
Europe ^{*1}	118	164	171	453	91%	5.2	12.9	14.2	32.3	93%
Asia (excluding China)	78	85	99	263	87%	2.5	3.9	4.7	11.1	112%
China	98	93	105	297	87%	5.6	5.3	6.8	17.7	1312%
Others	13	11	11	35	114%	0.9	1.5	1.4	3.8	187%
Elimination of intra-company transactions, etc. ^{*2}	-6	-9	-12	-28	(-3)	0.6	-3.5	-2.2	-5.1	(+1.5)
Total	368	455	489	1,311	89%	11.8	26.6	29.4	67.8	132%

*1. Turkey is treated as an Europe country.

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



3Q(9 months) of FY2020 : Trend of New orders/New startups (Units: projects)

		FY2019	FY2020	
		3Q (9 months)	3Q (9 months)	Y o Y
New Orders	Domestic	14	7	-7
	Global	5	9	4
	Total	19	16	-3
New Startups	Domestic	15	12	-3
	Global	5	8	3
	Total	20	20	0

(Reference1) New startups in 3Q

Domestic: [Shoes] Warehouse operation

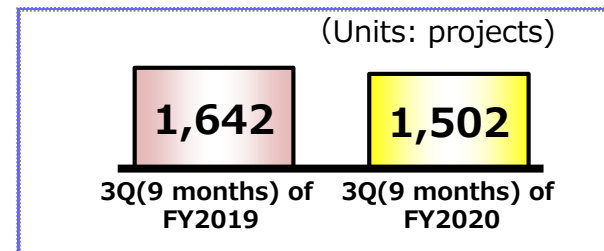
[Sports apparel] Warehouse operation

Global: [Hygiene projects] Transportation business(Asia)

[Air conditioning equipment] Transportation within EU

(Reference2) 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>



New and existing projects in 3Q of FY2020

■ New projects in 3Q of FY2020



Location : Fukuoka Pref.
Time: From Oct. 2020

Warehouse operation for industrial equipment



Location : China
Time: From Oct. 2020

Warehouse operation for eyeglass maker

■ Existing projects

Location : Osaka
Time: From May. 2017



Warehouse operation for eyeglass maker

Location : Saitama Pref.
Time: From Oct. 2018



Warehouse operation for food maker

■ 3Q(9 months) of FY2020 New Contributions

(Units: million yen)

	Revenues	Operating Income
Domestic	20	2.3
Global	4	0.8
Other	1	0.1
Collaborative Innovation Effects	24	3.3

Contributions to earnings through steady additions of new projects and continuous operation of existing projects

Progress rate against the full-year plan **80%** **83%**

Collaborative innovation effect with AIT is included in figures above.



Reference

Results by Business Category (estimated)

(Unit: 100 million yen)

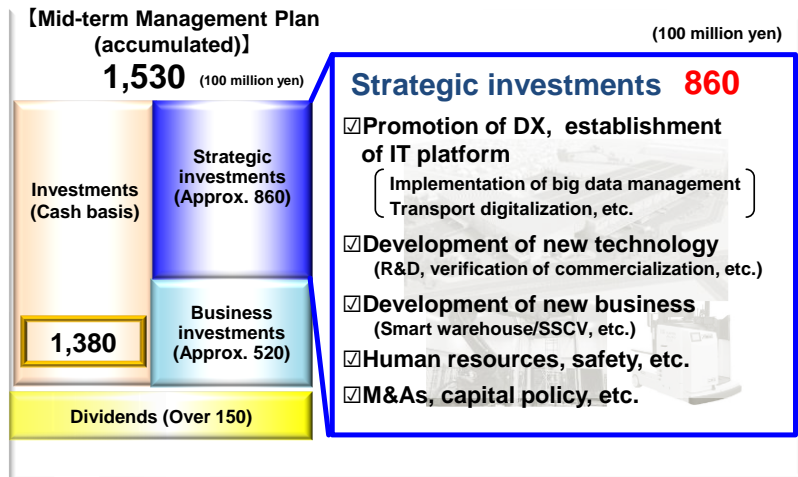
		3Q (9 months) of FY2019 results			3Q (9 months) of FY2020 results		
		Revenues	Operating Income	Operating Margin	Revenues	Operating Income	Operating Margin
	Domestic	2,819	172.3	6.1% (6.1%)	2,748	173.9	6.3% (6.4%)
	Global	598	39.9	6.7% (7.2%)	554	38.9	7.0% (7.5%)
3PL		3,417	212.2	6.2% (6.3%)	3,302	212.8	6.4% (6.6%)
	Domestic	220	2.9	1.3% (2.8%)	196	2.6	1.3% (3.0%)
	Global	522	2.2	0.4% (0.9%)	476	18.3	3.8% (4.2%)
Forwarding		742	5.2	0.7% (1.5%)	673	20.8	3.1% (3.9%)
	Domestic	481	16.8	3.5% (4.8%)	383	9.4	2.4% (4.1%)
	Global	331	9.0	2.7% (2.9%)	276	11.2	4.1% (4.1%)
Automobile		812	25.8	3.2% (4.1%)	659	20.6	3.1% (4.1%)
Other services		134	15.9	11.1% (11.9%)	111	11.6	10.4% (10.4%)
Total		5,105	259.0	5.1%	4,745	265.8	5.6%

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



II. Progress of the Mid-term Management Plan

■ Investment plan (Cash basis)



☑ Cumulative investment total* (cash basis)

Remaining funds:
Over ¥70 billion

- Business investments: ¥36 billion
- Strategic investments: ¥30 billion

(Including M&As, capital policy, etc.: ¥22 billion)

“PALENET,” “Hitachi Transport System East Japan Distribution Services,” “Acquisition of treasury stock,” and “SSCV-Safety external sales,” etc.

*Forecasts for FY2020 except dividends

Toward LOGISTEED 2021 goals Create/expand ecosystem across regions and businesses

☑ Strategic investments

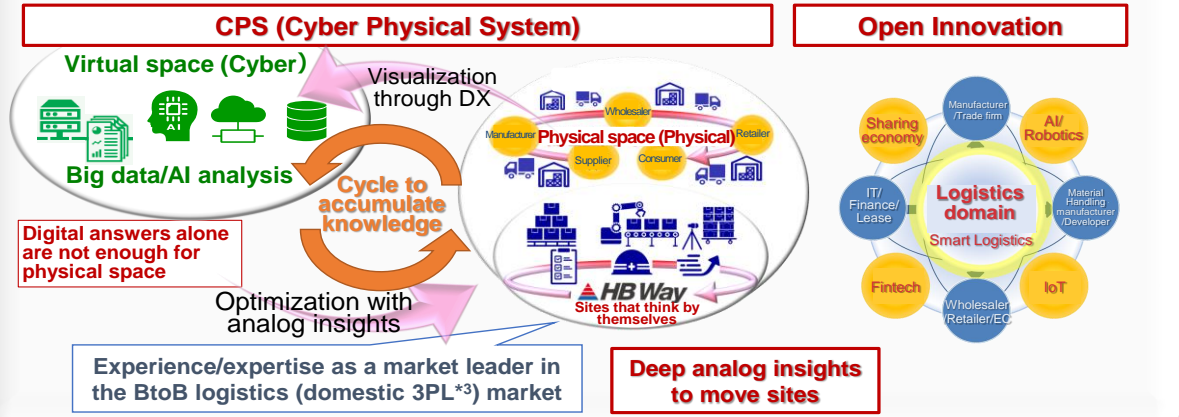
- DX (SWH/SSCV/SCDOS, etc.)
- Overseas business (North America: Truck business, India: 3PL business)
- Heavy Machinery and Plant Logistics business
- Freight Forwarding business
- Environmental investment (Medium-to-long-term environmental targets)

Flexible use of
treasury stock and cash

■ **Vision: Visualize through DX^{*1}. Create solutions by adding analog insights and realize shared value with society**

For details of DX strategy, please visit our website.
<https://www.hitachi-transportssystem.com/jp/ir/corporate/vision/dx/>

【Policy】 Value creation through CPS^{*2} and collaborative innovation



- 1) **Collect various data** in logistics sites (physical space)
- 2) Use AI to **analyze** big data and **turn them into knowledge**
- 3) **Provide information and values to the logistics sites**

- ✓ **Further strengthen “Gemba” power**
- ✓ **Vitalize open innovation with various collaborative innovation partners**

Create new businesses and business models

【 Priority measures 】

- **External DX**
- SCDOS^{*4} (Visualization and analysis of information/Simulation)
 - SWH^{*5} (Automation and labor saving/Sharing/Pay-per-use)
 - SSCV^{*6} (Open transport digital platform)

- **Internal DX**
- Digital business platform
 - Warehouse digital platform
 - Core system renewal
 - Introduction of RPA^{*7}
 - Establishment of a portal site

- **Development of an organization and human resources to realize DX**
- **Enhancement of IT Governance (Establishment of IT Governance Code, etc.)**
- **Continuation of DX investments**
- **Establishment of a PDCA cycle for DX by setting and managing KPIs**

^{*1} Digital Transformation ^{*2} Cyber Physical System ^{*3} Third Party Logistics ^{*4} Supply Chain Design & Optimization Services ^{*5} Smart Warehouse
^{*6} Smart & Safety Connected Vehicle ^{*7} Robotic Process Automation

Build an open digital platform (SSCV land) through the transport business and contribute to solving social issues through collaborative innovation with various partners

Share and solve issues for business continuity



Provide open SSCV service

Pursue CSV through collaboration with different industries



Create data-driven new services

SSCV Land





(Healthcare)



Implement health and labor management to keep aging drivers safe and healthy

(Education)



Provide coaching and education based on individual driving data to improve safe driving skill

(Gender)



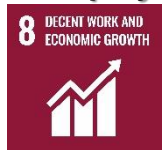
Create a female driver-friendly environment by promoting DX of transport operation

(Energy)



Promote eco-driving and reduce fuel consumption by improving delivery efficiency and visualizing driving behavior

(Growth/Employment)



Strengthen logistics infrastructure that is vital to society and improve status of transporters and drivers through DX of transportation and delivery

(Innovation)



Enhance infrastructure with IoT technologies of transport business and aim at industrialization using accumulated data

(Cities)



Contribute to realization of accident-free cities and society by popularizing safety support system using comprehensive digital data

(Climate change)



Reduce greenhouse gas emission by improving transportation/delivery efficiency (by sharing or increasing loading ratio)

(Means of implementation)



Create new social and economic values by creating an ecosystem through collaborative innovation with various business partners using open digital platform





Received “leadership level” score of “A-” in CDP Climate Change Report

1. About Carbon Disclosure Project (CDP)

- CDP is an international non-profit organization that globally evaluates and discloses corporate efforts on climate change, water security, etc.
- Score band: Eight grades (from “D- (lowest)” to “A (highest)”)
- In the CDP Climate Change Report 2020, 75 Japanese companies received “A-” and HTS was the only land transportation company of the companies.



2. Our main environment-related measures

- Business strategy/Financial plan Set medium-to-long-term environmental targets, implement SSCV initiatives
- Governance Strengthen the management system for climate-related issues (including BOD level)
- Risk management Identify climate-related risks/opportunities, estimate financial impacts and consider and implement countermeasures
- CO₂ emission reduction efforts Promote capital investment for expansion of renewable energy use, etc.

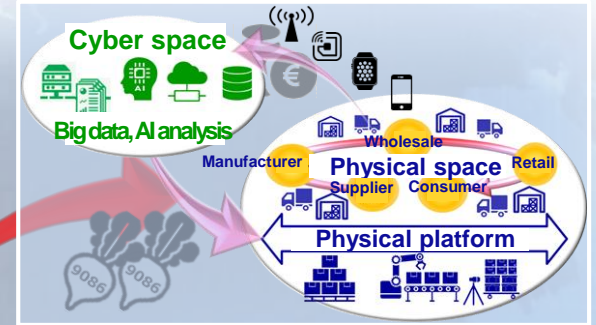
SSCV
Smart & Safety Connected Vehicle

Smart Operational efficiency improvement Legal compliance	Safety Safety driving management Zero-accident society	Vehicle Optimization of vehicle maintenance Failure prediction/ Preventive maintenance
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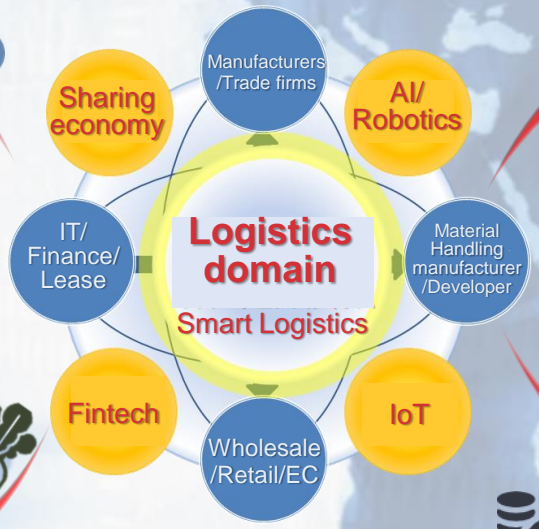
Use treasury stock

Use cash

← The picture of a radish. A radish is called "KABU" in Japanese, but it has the same pronunciation as stocks.



Enhance freight forwarding business



SMART:WAREHOUSE



Next-generation logistics centers (large sites)

SCDOS
Supply Chain Design & Optimization Services

Supply chain design by SCDOS promoted by HTS

Create and expand ecosystem across regions and businesses



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 **Hitachi Transport System, Ltd.**



Toward New Dimensions

LOGISTEED