The First Half of FY2014 (Year Ending March 31, 2015) Financial Results Briefing

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II. FY2014 plan
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   [FY2014 financial forecasts]
   [Domestic and overseas business strategies by region]
   [Hitachi Smart Transformation Project]
   [Smart Logistics]
   [Topics (domestic and overseas)]]
## 1H of FY2014 Results

(Unit: billion yen, rounded off to the nearest billion yen, parentheses are profit ratios (%))

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th></th>
<th></th>
<th>FY2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>Yo Y</td>
<td>VS Initial plan</td>
<td>Full-year</td>
<td>Plan</td>
</tr>
<tr>
<td>Service Revenues</td>
<td>329.3</td>
<td>+12%</td>
<td>+3%</td>
<td>660</td>
<td>+6%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>(2.3)</td>
<td>-4%</td>
<td>-28%</td>
<td>(3.4)</td>
<td>22.5</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>(2.5)</td>
<td>+11%</td>
<td>-21%</td>
<td>(3.4)</td>
<td>22.5</td>
</tr>
<tr>
<td>Income before</td>
<td>(2.3)</td>
<td>+3%</td>
<td>-26%</td>
<td>(3.1)</td>
<td>20.2</td>
</tr>
<tr>
<td>income taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>(0.9)</td>
<td>-3%</td>
<td>-44%</td>
<td>(1.5)</td>
<td>10</td>
</tr>
</tbody>
</table>

Dividends per share: ¥ 1 + ¥ 1

### 1H of FY2014 Results (Breakdown by group)

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

<table>
<thead>
<tr>
<th></th>
<th>Service Revenues</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
<td>Yo Y</td>
</tr>
<tr>
<td>Domestic logistics</td>
<td>&lt;60&gt; 1,573</td>
<td>+4%</td>
</tr>
<tr>
<td>Global logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;33&gt; 867</td>
<td>+61%</td>
</tr>
<tr>
<td>Other</td>
<td>&lt;4&gt; 95</td>
<td>-5%</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;36&gt; 962</td>
<td>+50%</td>
</tr>
<tr>
<td>Other</td>
<td>&lt;4&gt; 105</td>
<td>+2%</td>
</tr>
<tr>
<td>(Elimination or corporate)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt; 2,640</td>
<td>+17%</td>
</tr>
<tr>
<td>VANTEC Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic logistics</td>
<td>&lt;52&gt; 377</td>
<td>-4%</td>
</tr>
<tr>
<td>Global logistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overseas</td>
<td>&lt;20&gt; 149</td>
<td>-5%</td>
</tr>
<tr>
<td>VHF *2</td>
<td>&lt;28&gt; 202</td>
<td>+2%</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;48&gt; 351</td>
<td>-1%</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt; 728</td>
<td>-3%</td>
</tr>
<tr>
<td>Consolidated</td>
<td>-75 (-14)</td>
<td>-</td>
</tr>
<tr>
<td>adjustment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill amortization, etc.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>&lt;100&gt; 3,293</td>
<td>+12%</td>
</tr>
</tbody>
</table>

*1: Hitachi Transport System Group, excluding VANTEC Group
*2: VANTEC HTS FORWARDING, LTD.
### 1H of FY2014 Results
#### (Breakdown of changes in service revenues)

**1H of FY2014 Service revenues**

- **293.9 Billion yen**
  - **Environmental/volume changes**: -7.1
  - **New orders**: +18.2
  - **M&A**: +21.8
  - **Effect of exchange rates**: +2.5

Full contributions from JJB, CDS and MARS

FY2014 new startup contributions:
- 40 projects: 26 domestic, 14 overseas
FY2013 new startup full contributions:
- 53 projects: 29 domestic, 24 overseas

### 1H of FY2014 Results
#### (Breakdown of change in operating income)

**1H of FY2014 Operating income**

- **8.0 Billion yen**
  - **Environmental/volume changes**: -1.7
  - **New orders**: -0.1
  - **Structural reforms**: +0.8
  - **M&A**: +0.7
  - **Elimination or Corporate**: -0.1

FY2013 new startup full contributions: +1.2 billion yen
FY2014 new startup contributions: -1.3 billion yen
1H of FY2014 Results (Deviation factors)

**Service Revenues**

+ 9.3 billion over initial plan: domestic and overseas new orders covered the drop from the backlash

1. New and full scale operations +6.0 billion yen
2. Overseas business expansion +7.7 billion yen
   (Increase in freight volume, effect of exchange rates, etc.)
3. Environmental changes (drop from the backlash, etc.) -3.5 billion yen

[Startup of large projects (January – September 2014)]

- Over approx. one billion/year

**Operating Income**

- 3 billion yen against initial plan: main factor was increase dstartup cost

<Domestic deviation factors: -2.9 billion yen>

1. Higher startup costs - 1.7 billion yen
   (Changes in plan: startup timing, work requirement, chartering vehicle cost, etc.)
2. Drop from backlash - 0.7 billion yen
3. Increase in chartering vehicle cost - 0.6 billion yen
4. Collection of increased costs + 0.4 billion yen
5. Impact of bad weather - 0.1 billion yen
6. Others - 0.2 billion yen

(Increase in work costs including workers dispatching costs, etc.)

Global: from sowing to reaping (overseas)

(+2 billion yen year-on-year)

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1H of FY2014 Results (Overseas results by region)

**Service revenues**
- North America: 14.4
- Europe: 14.5
- Asia: 17.3
- China: 22.5
- Oceania, etc.: 0.9

**Operating income**
- North America: 17.7
- Europe: 31.5
- Asia: 18.8
- China: 32.2

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1H of FY2014 Results (Overseas results by region)

<table>
<thead>
<tr>
<th>Region</th>
<th>Service Revenues (Billions of yen)</th>
<th>Operating Income (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>14.4</td>
<td>17.7</td>
</tr>
<tr>
<td>Europe</td>
<td>14.5</td>
<td>31.5</td>
</tr>
<tr>
<td>Asia</td>
<td>17.3</td>
<td>18.8</td>
</tr>
<tr>
<td>China</td>
<td>22.5</td>
<td>32.2</td>
</tr>
<tr>
<td>Oceania, etc.</td>
<td>0.9</td>
<td></td>
</tr>
</tbody>
</table>

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1H of FY2014 Results (Monthly operating income)

- May: 2.7
- June: 2.8
- July: 1.01
- August: 0.56
- September: 0.57

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*VANTEC amortization of intangible assets has not been excluded from the operating income figures above.*

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Growth strategy and Issues
(Growth model of the HTS Group)

1. FY2011:
   - Record high operating income (23.1 billion yen)
   - Organic growth + Business expansion through M&A

2. FY2012 - FY2013
   (Changes in the business environment — structural reforms)
   - Decline in added value of business model
   - Develop new business model
   - Sluggish growth of M&A companies
   - Enhance PMI
   - Low growth of global business
   - Dissolve unprofitable business
   - Decline in competitiveness of domestic 3PL business
   - Shift revenue base to group companies/restructuring

3. Current business environment/management issues
   - Concentration of large projects, extrabudgetary startup,
     increased costs due to phased startup
   - Steep rise of outsourcing costs (Fuel and labor costs)
   - Shortage of transportation capacity and labor

4. Develop new growth strategy
   - Promote/accelerate structural reforms
   - Business transformation
   - Enhance domestic transportation capacity
   - Improve global profitability
   - Reduce man-hour and labor and differentiation by smart logistics

Actions for 3Q and 4Q of FY2014

1. Stabilize new business
   - Eliminate startup loss cost
   - Promote appropriate fee collection

2. Complete structural reforms
   - Promote domestic transformation
   - Enhance domestic transportation capacity
   - Restructure organization/group companies, eliminate and integrate overseas locations

3. Improve global profitability

4. Accelerate realization of smart logistics
   - Develop new business model/tool
**Financial Forecasts for FY2014 (Operating income)**

**FY2014 operating income (actions for 3Q and 4Q)**

Full-year net sales: forecast “660 billion yen” by reflecting the increase in 2Q to the initial plan of 655 billion yen.

- **Volume increase:** 2.8
- **Structural reforms:** 4.0
- **Transformation:** 0.5

**Improve profitability**
- Stable operation of large startup projects
- Improve operating efficiency and productivity
- Collection of appropriate fee

**Domestic Business Expansion (Restructure business revenue base)**

Create service business model to enhance customer satisfaction and achieve sustainable growth.

- **HTS**
  - Restructure sales divisions (Sales headquarters + 4 divisions)
  - Restructure group companies (12 + 10 companies)

- **VANTEC**
  - Function-oriented (transport/automobile/industrial distribution)
  - Region-oriented (3 regions)

**Major actions**

- **Promote and accelerate structural reforms**
  - Management under appropriate human resources
  - Reorganization of group companies, etc.

- **Promote domestic business transformation**
  - Shift revenue base to group companies
  - Enhance by transferring regional sales
  - Develop region-based sales and businesses

- **Increase transportation and operation capacity**
  - Strengthen relationship with local leading logistics companies
  (Business support/promote alliance)

**Service Revenues** (Billions of yen)

- FY2013 (Result): 388.8
- 1H of FY2014 (Result): 194.3
- FY2014 (Forecast): 394.0

**Distribution Center Area** (As of September 30, 2014)

- FY2013: 4,610,000㎡
- 1H of FY2014: 4,840,000㎡
- FY2014: 4,930,000㎡
Global Business Expansion (Forwarding Business)

Enhance and expand offshore business with the concept of “One Hitachi Transport System”

Service Revenues (Billions of yen) *Before consolidated adjustment

<table>
<thead>
<tr>
<th></th>
<th>FY2013 (Result)</th>
<th>1H of FY2014 (Result)</th>
<th>FY2014 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>104.0</td>
<td>63.0</td>
<td>135.0</td>
</tr>
<tr>
<td>Overseas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VANTEC (Enhance functions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JJB-CDS-MARS (enhance functions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish VANTEC HTS FORWARDING, LTD. (VHF) (Integrate domestic business and enhance functions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring /Integration</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Freight volume trends

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>1H of FY2014</th>
<th>FY2014 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air</td>
<td>170,000 tons</td>
<td>100,000 tons</td>
<td>210,000 tons</td>
</tr>
<tr>
<td>Sea</td>
<td>240,000 TEU</td>
<td>160,000 TEU</td>
<td>320,000 TEU</td>
</tr>
</tbody>
</table>

Establish Forwarding Strategy Headquarters (planned in 2015)

| Establish Promotion Committee consisting of regional business managers (December 2013) |
| (1) Enhance price competitiveness
  * Establish new function for global procurement (sea) function in Hong Kong |
| (2) Prepare for system integration
  * Complete integration of all B/L data into one data base |
| (3) Develop new services
  * Sea/Air: start new private joint delivery service |
| (4) Prepare for One HTS brand (e.g. B/L integration, etc.) |
| (5) Prepare to establish Forwarding Strategy Headquarters in Hong Kong |

Global Business Expansion (Regional Strategy: Asia / China)

Asia

Respond to market growth and accelerated deployment of global accounts within regions

Service Revenues (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>1H of FY2014</th>
<th>FY2014 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3PL within the region (cold chain/cross-border)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delivery to convenience stores [Thailand] (from Mar. 2014)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC operation for retail related [Malaysia] (from Sep. 2014)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy machinery construction business for new companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrate overseas subsidiaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrate HTS and VANTEC (FWD) [Thailand] (Planned in Jan. 2015)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Distribution Center Area (As of September 30, 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>600,000m²</td>
</tr>
</tbody>
</table>

Number of companies 32

China

Develop Japanese-style 3PL and enhance forwarding business

Service Revenues (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>1H of FY2014</th>
<th>FY2014 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3PL within the region (cold chain/cross-border)</td>
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<tr>
<td>Delivery to convenience stores [Thailand] (from Mar. 2014)</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Distribution Center Area (As of September 30, 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>570,000m²</td>
</tr>
</tbody>
</table>

Number of companies 39

Major actions

| In plant distribution of local home appliances maker (from May 2014) |
| DC operation for automobile parts (from Aug. 2014) |
| DC operation for cosmetics related (from Jan. 2015) |
| GWPF/PF plan (refer to page 17) |

GWPF (gateway platform): XD/DC for import/export
PF (Platform): shared storage, logistics DC
**Global Business Expansion**

(Regional Strategy: North America/Europe)

**North America**

- Expand business through M&A partner growth and group companies fusion

**Major actions**

- **Strengthen and expand logistics business for automobile parts**
  - Shared Milk Run
  - NAFTA pipeline
  - Mexico Business Segment

- **Cultivate new customers outside automobile field**
  - Beverages/food products/daily commodities related

**Service Revenues** (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>North America</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013 Result</td>
<td>30.9</td>
<td>45.1</td>
</tr>
<tr>
<td>1H of FY2014</td>
<td>17.7</td>
<td>31.5</td>
</tr>
<tr>
<td>FY2014 Forecast</td>
<td>36.0</td>
<td>64.0</td>
</tr>
</tbody>
</table>

**Distribution Center Area** (As of September 30, 2014)

<table>
<thead>
<tr>
<th>Area</th>
<th>North America</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>190,000m²</td>
<td>250,000m²</td>
<td>260,000m²</td>
</tr>
</tbody>
</table>

**Europe**

- Enhance network and operation system by strengthening collaboration with M&A partners

**Major actions**

- **Expand intermodal business and enhance 3PL within the region**
  - Automobile parts logistics between Germany and Turkey (From April 2014)
  - DC operation for chilled foods [the Czech Republic] (phased startup from May 2014)
  - Warehouse operation for power tool [the Netherlands] (from October 2014)

**Service Revenues** (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>North America</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013 Result</td>
<td>40.0</td>
<td>45.1</td>
</tr>
<tr>
<td>1H of FY2014</td>
<td>23.5</td>
<td>31.5</td>
</tr>
<tr>
<td>FY2014 Forecast</td>
<td>40.0</td>
<td>64.0</td>
</tr>
</tbody>
</table>

**Distribution Center Area** (As of September 30, 2014)

<table>
<thead>
<tr>
<th>Area</th>
<th>North America</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>400,000m²</td>
<td>420,000m²</td>
<td>420,000m²</td>
</tr>
</tbody>
</table>

**Hitachi Smart Transformation Project**

**Hitachi global procurement scheme**

- Focus on adding high value
- Transfer operations
- Hitachi High-Technologies [Procurement management]
- Hitachi Capital [Payment]
- HTS [Logistics]
- Contribute to the scheme as logistics expert
- Reduce operational cost and inventory/improve cash flow

**China - Japan GWPF/PF plan**

- GWPF (Gateway Platform): Import and Export XD/DC
- PF (Platform): DC for joint storage and distribution

**Orders from Hitachi Group companies**

**Hitachi Kokusai Electric**

- Video/wireless system (Kanto/Tohoku)
- Operation: from April 2014

**Hitachi Metals**

- High-function materials (Kansai)
- Operation: partially from April 2014

**Hitachi Chemical**

- Chemicals (wide area within Japan)
- Operation: from October 2014
Smart Logistics
(New Model Development / Realization Plan (1))

Smart Warehouse [Joint research with Hitachi, Ltd.]

- **Research and Development Area**
  - Technologies for sales and management support
  - Analysis for warehouse improvement
  - Warehouse productivity management

- **Schedule**
  - **Item**
    - Develop systems
    - Implementation
    - Improve / modify functions
  - **2H of FY2014**
  - **FY2015**
  - **Item**
    - Develop systems
    - Implementation
    - Improve / modify functions
  - **Begin operation**

- **Automated Guided Vehicles**
  - **Image of a sorting robot**
  - Install 20 "Racrew®" of Hitachi, Ltd.

- **Smart Logistics Configurator (propose/quote/design)**
  - **Storage costs calculation**
  - **Work costs calculation**
  - **Delivery costs calculation**
  - **Volume Analysis**
  - **Productivity simulation**
  - **Layout design**
  - **Revenue risk assessment**
  - **Completed in 1H of FY2014**
  - **Develop in 2H of FY2014**
    - (1) Basic functions
      - Semi-automated operations
      - Easily reusable
    - (2) Advanced functions
      - Improve precision of productivity approximation
      - Preliminary assessment of cost saving measures
      - Reduce startup risk

- **Development / realization plan [collaboration with Hitachi, Ltd.]**
  - **Item**
    - Smart Warehouse development
    - Smart Logistics Cockpit development
    - Model system construction (practical realization/ commercialization)
    - Smart Logistics Configurator development
  - **FY2013**
  - **FY2014**
    - **Cosmetics PF center / sports DC (Tokyo area)**
    - Deploy to domestic and overseas centers
  - **FY2015**
  - **Completed**
  - **Ongoing, planned**

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FY2014 (1H) Topics

Reorganized overseas group companies

- Merged Singapore subsidiary
  - Hitachi Transport System (Asia) Pte. Ltd.
  - VANTEC WORLD TRANSPORT (S) PTE. LTD.
- April 2014 (Created group synergy)

Established Hitachi Transport System (China)

- Changed company name of Dahang International Transportation to Hitachi Transport System (China)
- April 2014 (Enhanced business structure)

Kunshan DC

- Kunshan City, China
- Operations started May 2014
- Automobile parts, etc.

April

Kawagoe DC

- Kawagoe City, Saitama Prefecture
- Operations started March 2014
- Food products, etc.

May

Tsukuba DC

- Tsukuba City, Ibaraki Prefecture
- Operations started April 2014
- Construction equipment parts, etc.

June

Toyama Phase IV DC

- Shin-Nakagawa county, Toyama Prefecture
- Operations started June 2014
- Medical supplies, etc.

July

Kawaguchi XD

- Kawaguchi City, Saitama Prefecture
- Operations started July 2014
- Food products, etc.

August

Kakegawa DC

- Kakegawa City, Shizuoka Prefecture
- Operations started August 2014
- Drugstore-related products

September

Reorganized domestic group companies (merge)

- Higashinippon area: July 2014
  - Higashinippon Hitachi Transport Service
  - Hitachi Frontier Transport System
- Tokyo area: Oct 2014
  - Shutoken Hitachi Transport Service
  - Hitachi Orientlogi Transport system

Entrusted with logistics operation of Hitachi Chemical

- Started from October 2014

Reorganized domestic sales divisions

- Established Nishinippon Area Management Headquarters (October 2014)

National Truck Driver Contest

- October 2014
- 11-ton category 1st prize
  - (The Prime Minister’s Prize)
- 4-ton category 1st prize
  - (monopolized top 4 prizes)
- 7 entrants from the Group became higher ranking winners