

October 28, 2014

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

 **Hitachi Transport System, Ltd.****HITACHI**
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(Unit: billion yen, rounded off to the nearest billion yen, parentheses are profit ratios (%))

	FY2014				
	1H			Full-year	
	Results	Yo Y	vs Initial plan	Plan	Yo Y
Service Revenues	329.3	+12%	+3%	660	+6%
Operating Income	(2.3) 7.6	-4%	-28%	(3.4) 22.5	+7%
Ordinary Income	(2.5) 8.1	+11%	-21%	(3.4) 22.5	+13%
Income before income taxes	(2.3) 7.5	+3%	-26%	(3.1) 20.2	+30%
Net Income	(0.9) 2.9	-3%	-44%	(1.5) 10	+84%
Dividends per share	¥ 14	+ ¥ 1	-	¥ 28	+ ¥ 2

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1H of FY2014 Results (Breakdown by group)

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

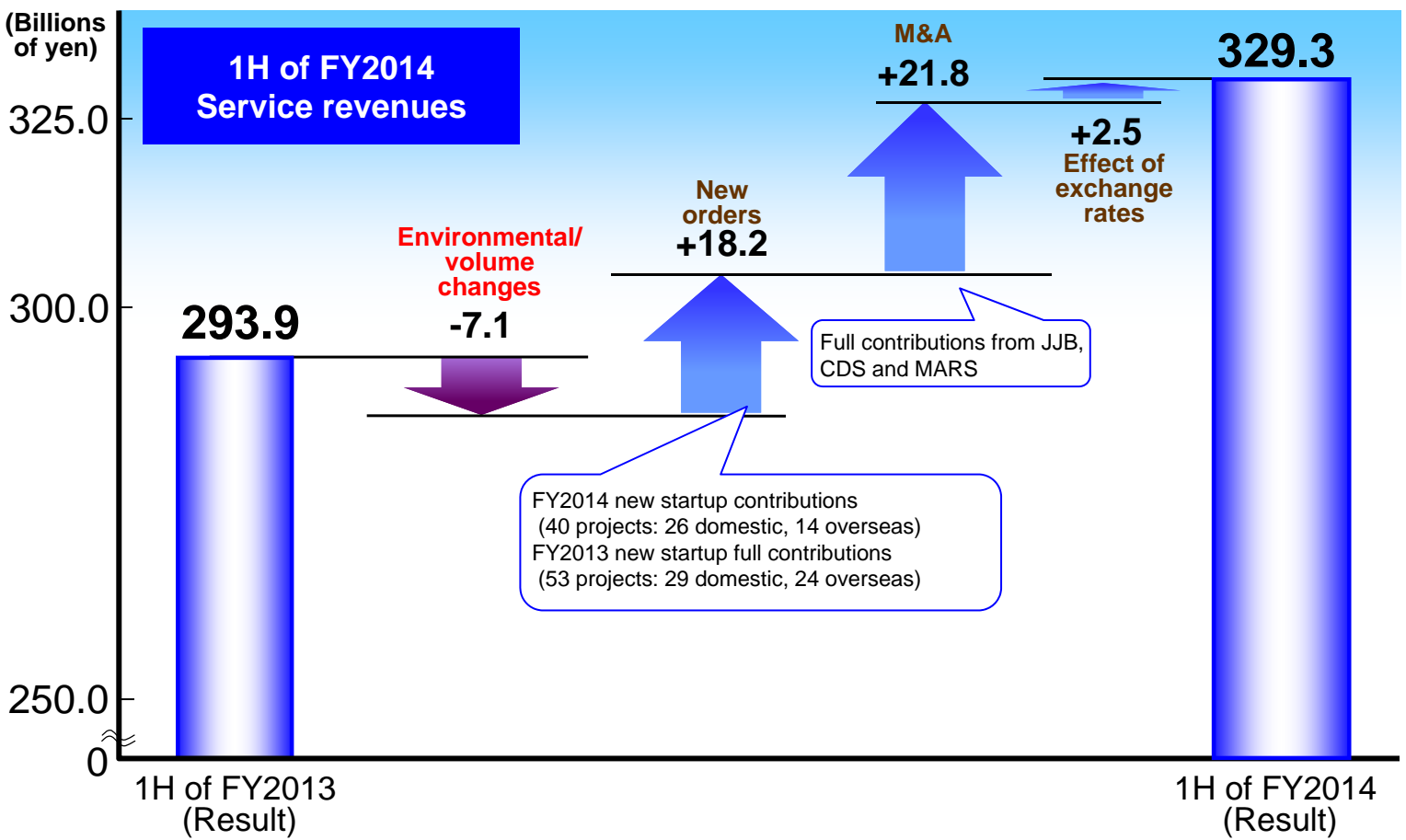
		Service Revenues		Operating Income			
		1H	Yo Y	1H	Yo Y		
Organic *1	Domestic logistics	<60>	1,573	+4%	106.0	-18%	
	Global logistics	Overseas	<33>	867	+61%	22.2	+206%
		Other	<4>	95	-5%	-1.7	(+0.7)
		Total	<36>	962	+50%	20.5	+327%
	Other	<4>	105	+2%	13.8	+10%	
	(Elimination or corporate)	-	-	-	-67.5	(-0.9)	
	Total	<100>	2,640	+17%	72.8	-8%	
VANTEC Group	Domestic logistics	<52>	377	-4%	5.6	-17%	
	Global logistics	Overseas	<20>	149	-5%	5.8	+105%
		VHF *2	<28>	202	+2%	5.0	+54%
		Total	<48>	351	-1%	10.7	+78%
	Total	<100>	728	-3%	16.4	+28%	
Consolidated adjustment		-	-75	(-14)	-	-	
Goodwill amortization, etc.		-	-	-	-12.7	(-0.1)	
	Total	<100>	3,293	+12%	76.5	-4%	

*1: Hitachi Transport System Group, excluding VANTEC Group

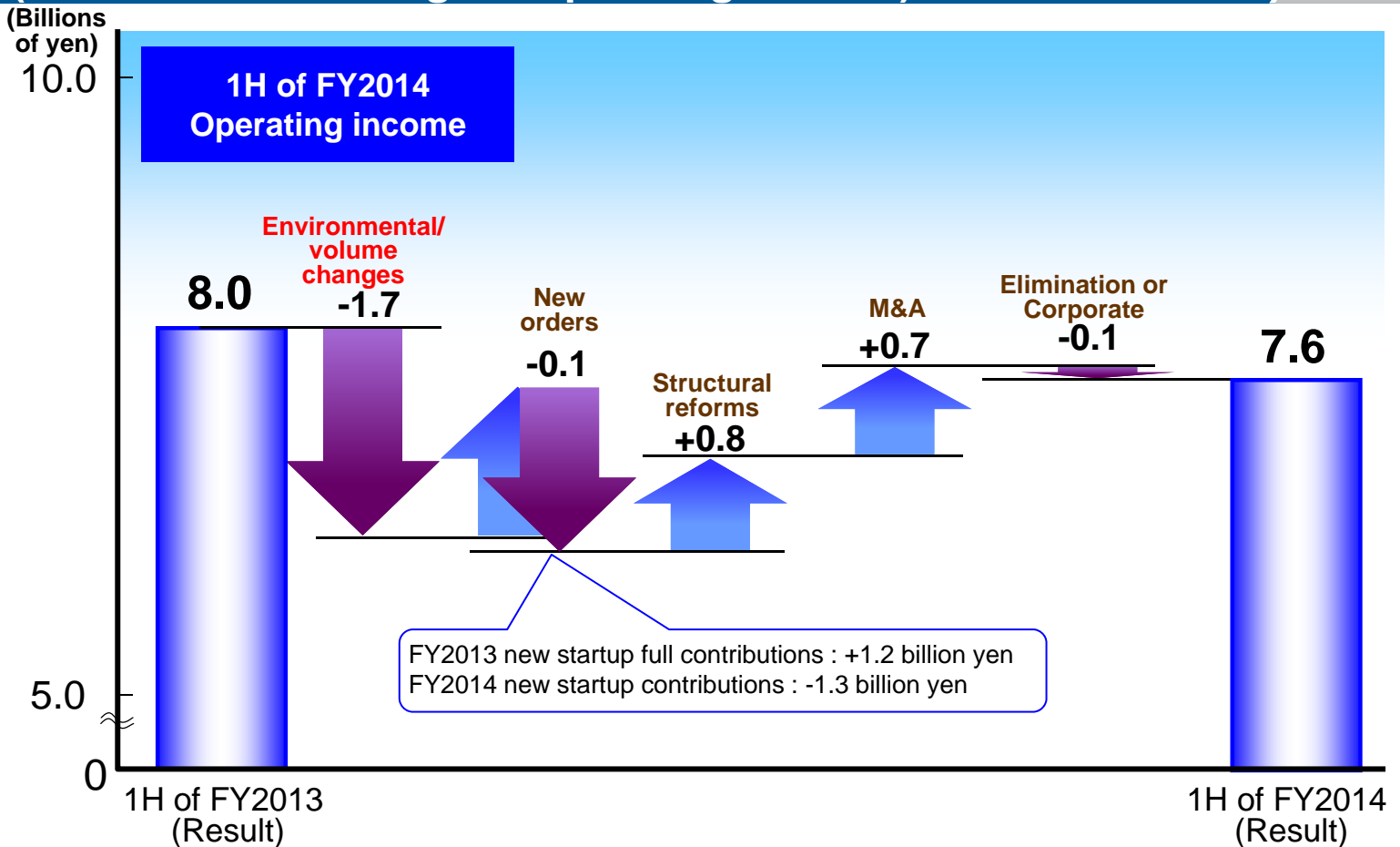
*2: VANTEC HTS FORWARDING, LTD.

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1H of FY2014 Results (Breakdown of changes in service revenues)



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

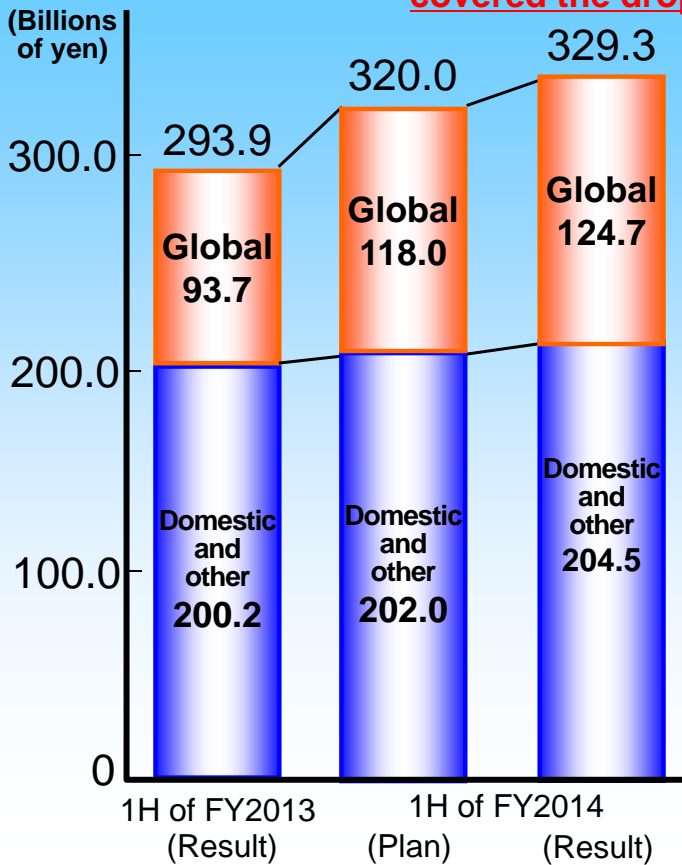


1H of FY2014 Results (Deviation factors)



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 **+6.7 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

FY2013/4Q	FY2014/1Q	FY2014/2Q
<ul style="list-style-type: none"> · January: precision instruments (Kanto area) · January: automobile parts (United States) · March: retail (Kanto area) 	<ul style="list-style-type: none"> · April: high-functional materials (Kansai area) · April: electronic equipment (Kanto & Tohoku area) · April: automobile related (Europe) · May: construction machinery (Kanto area) · June: retail (Chubu area) 	<ul style="list-style-type: none"> · July: daily commodities related (Indonesia) · July: retail (Kanto area) · August: retail (Chubu area)

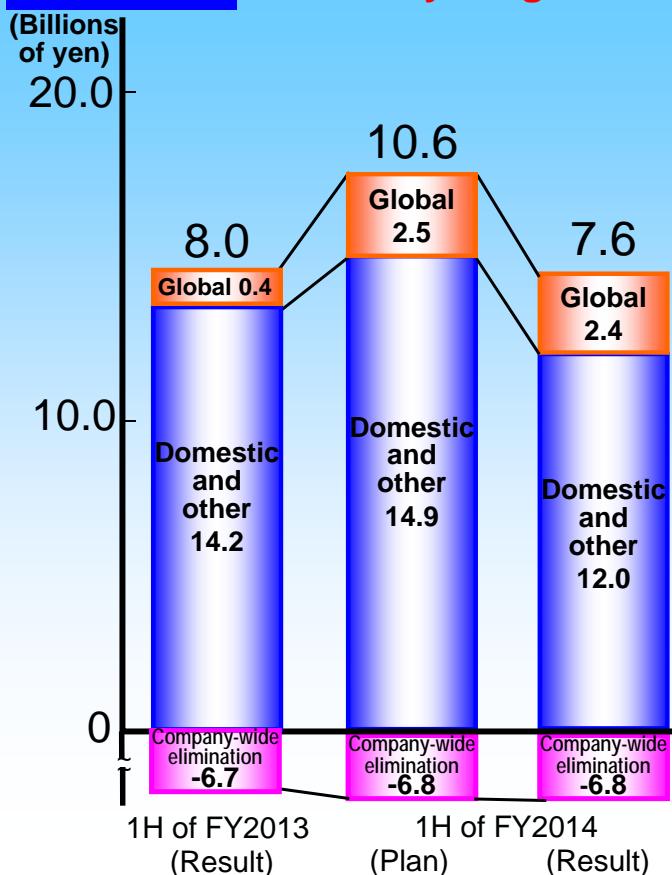
Annual service revenues: approx. 18 billion yen (Warehouse capacity: approx. 240,000m²)

1H of FY2014 Results (Deviation factors)



Operating income

- 3 billion yen against initial plan: main factor was increased startup cost

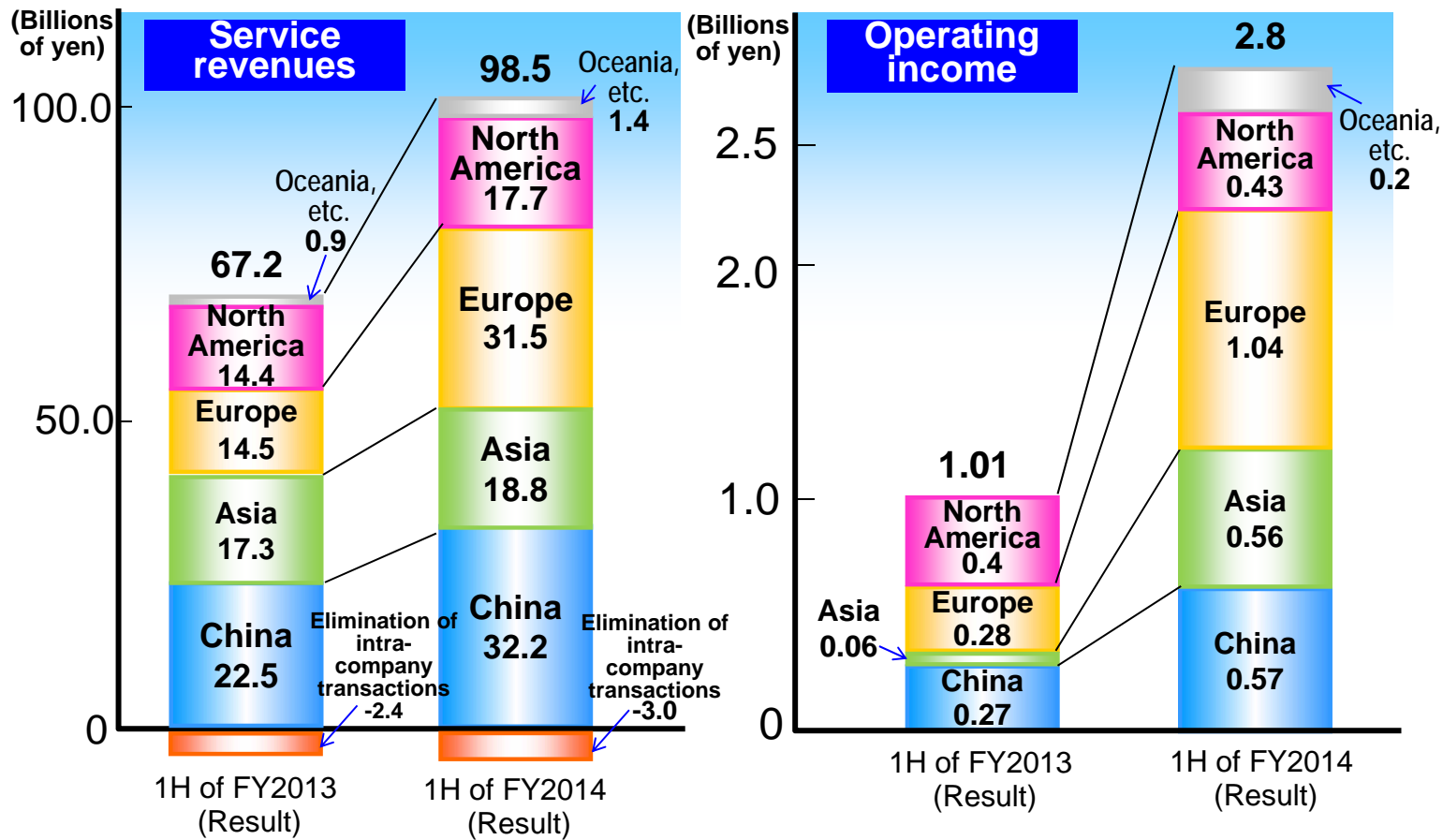


<Domestic deviation factors: -2.9 billion yen>

- 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.)

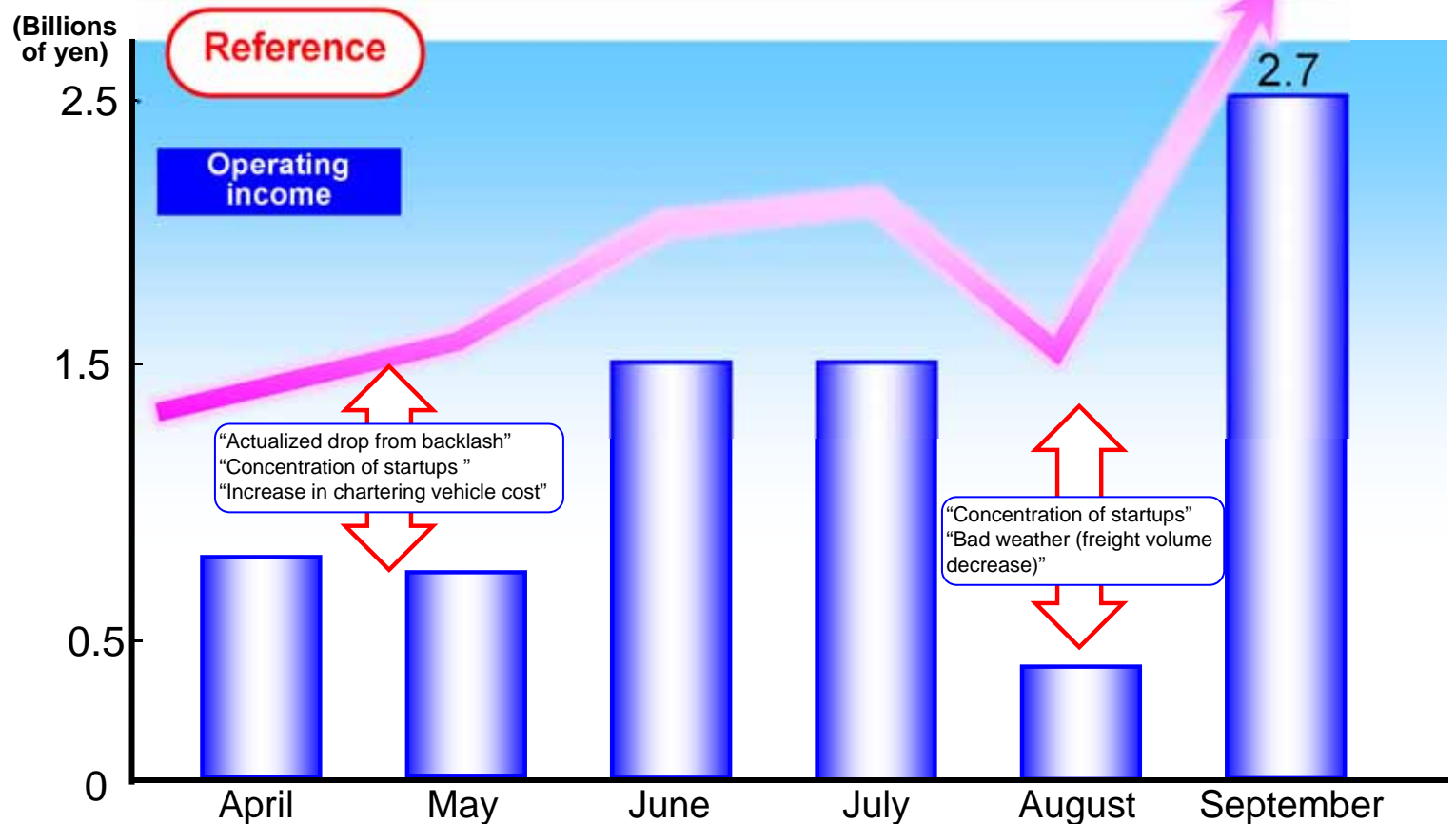
Global: from sowing to reaping (overseas) (+ 2 billion yen year-on-year)

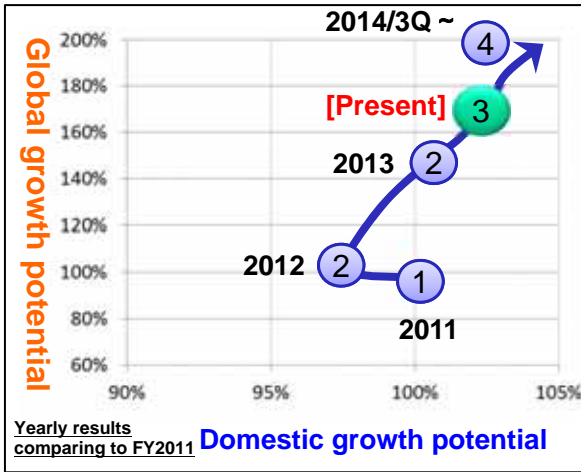
1H of FY2014 Results (Overseas results by region)



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

1H of FY2014 Results (Monthly operating income)





1 FY2011:
Record high operating income (23.1billion yen)

Organic growth + Business expansion through M&A

2 FY2012 - FY2013
(Changes in the business environment structural reforms)

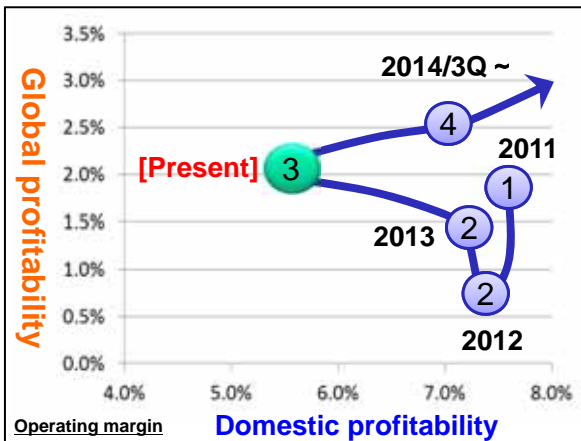
Decline in added value of business model
Develop new business model

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

Step rise of outsourcing costs (Fuel and labor costs)

Shortage of transportation capacity and labor

Declining profitability in domestic business

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

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

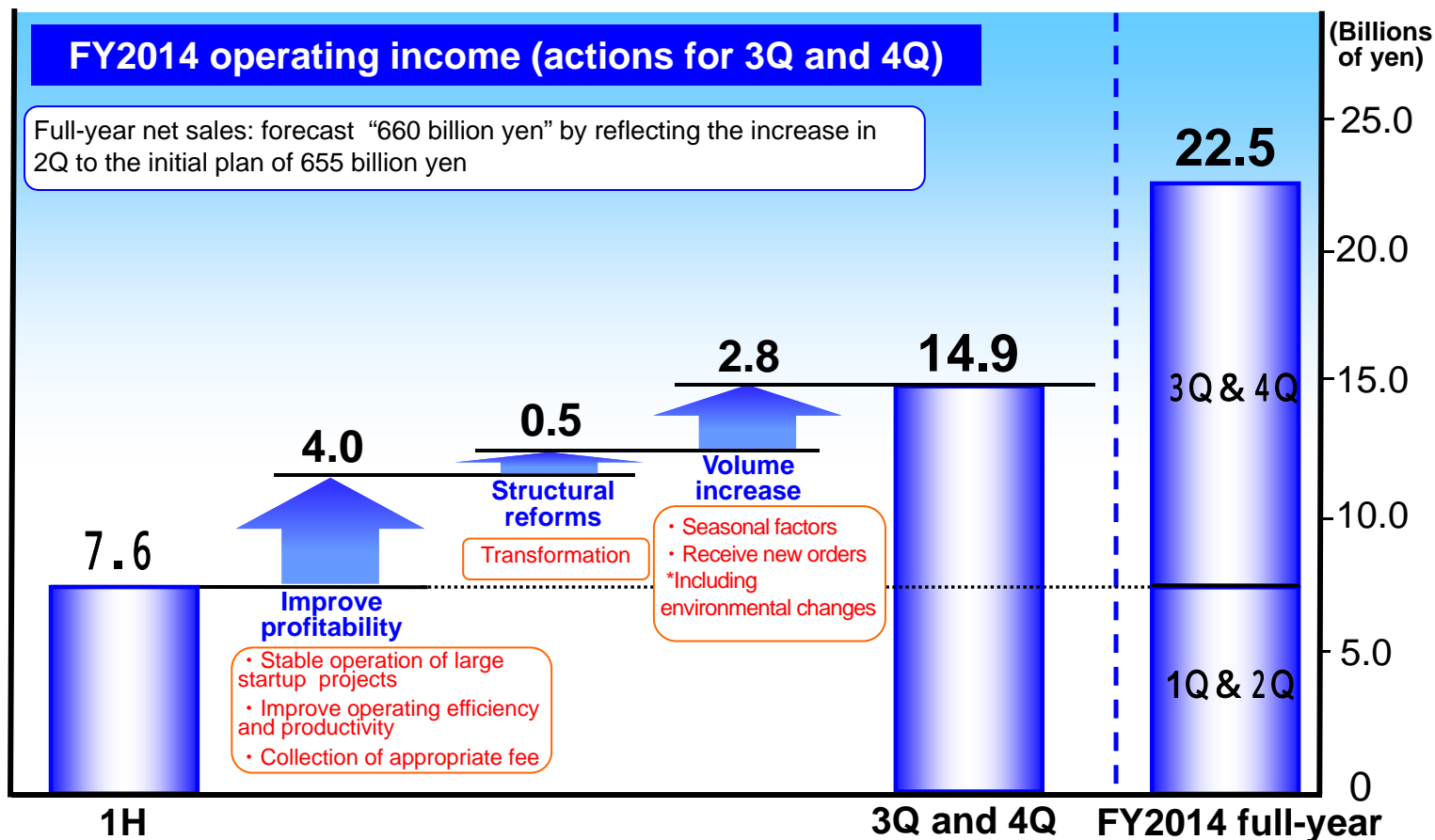
3 . Improve global profitability

4 . Accelerate realization of smart logistics

- * Develop new business model/tool

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

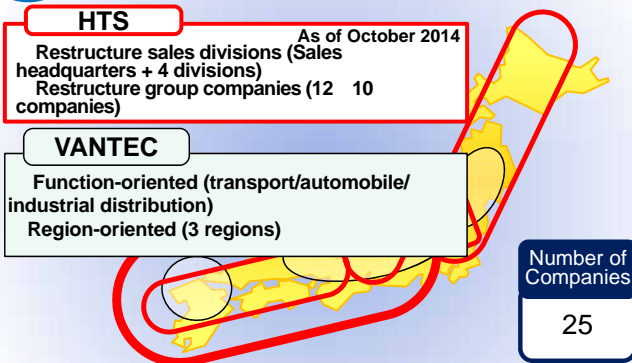
Full-year net sales: forecast “660 billion yen” by reflecting the increase in 2Q to the initial plan of 655 billion yen



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Domestic Business Expansion (Restructure business revenue base)

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



Major actions

Promote and accelerate structural reforms

- Management under appropriate human resources
- Reorganization of group companies, etc.

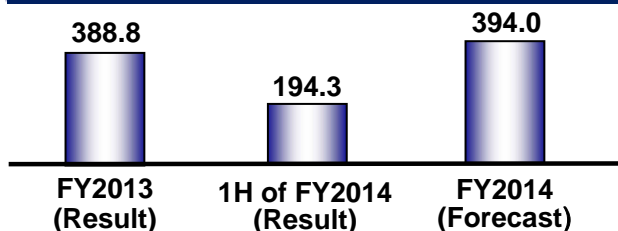
Promote domestic business transformation

- 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)



Distribution Center Area (As of September 30, 2014)

4,610,000m² 4,840,000m² 4,930,000m²

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Actions for Forwarding Business Enhancement

2007
2010
2011
2012
2013
2014

Domestic ■ Transfer operations to region (Functional regional)

VANTEC (Enhance functions)

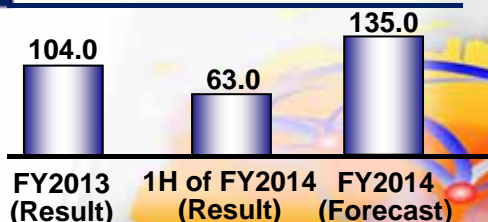
Established VANTEC HTS FORWARDING, LTD. (VHF) (Integrate domestic business and enhance functions)

Overseas Flyjac (Enhance functions)

JJB · CDS · MARS (enhance functions) Restructuring /Integration

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

Service Revenues (Billions of yen) *Before consolidated adjustment



Establish Forwarding Strategy Headquarters (planned in 2015)

Established 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

Freight volume trends

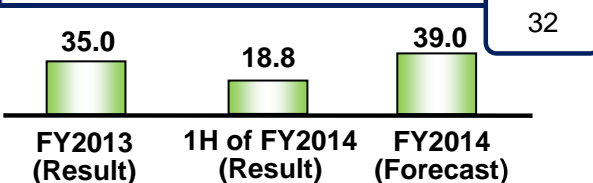
	FY2013	1H of FY2014	FY2014 (Forecast)
Air	170,000 tons	100,000 tons	210,000 tons
Sea	240,000 TEU	160,000 TEU	320,000 TEU

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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) Number of companies



Distribution Center Area (As of September 30, 2014)

600,000m² 650,000m² 700,000m²

Major actions

Enhance 3PL within the region (cold chain/cross-border)

- Delivery to convenience stores [Thailand] (from Mar. 2014)
- DC operation for retail related [Malaysia] (from Sep. 2014)

Heavy machinery construction business for new companies

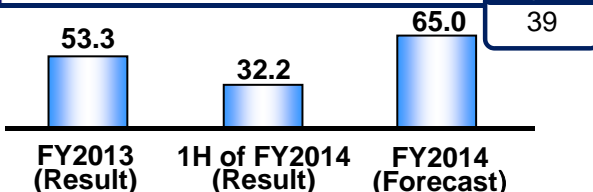
- Transport/install plant facilities [Vietnam] (Apr. 2014 to Oct. 2015)

Integrate overseas subsidiaries

- Integrate HTS and VANTEC (FWD) [Thailand] (Planned in Jan. 2015)

China Develop Japanese-style 3PL and enhance forwarding business

Service Revenues (Billions of yen) Number of companies



Distribution Center Area (As of September 30, 2014)

570,000m² 580,000m² 580,000m²

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)

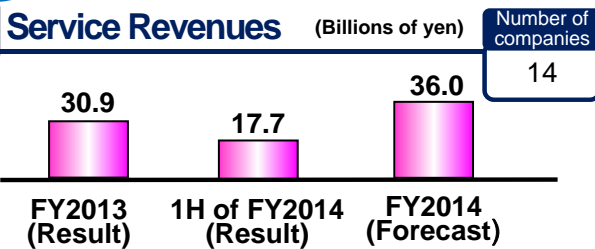
- GWPF(gateway platform): XD/DC for import/export
- PF(Platform): shared storage, logistics DC

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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

Enhance and expand private transportation capacity, and combine 3PL and FWD

Cultivate new customers outside automobile field

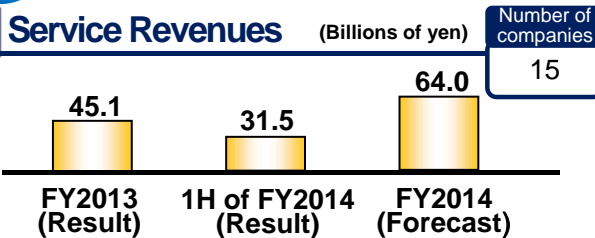
- Beverages/food products/daily commodities related



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)

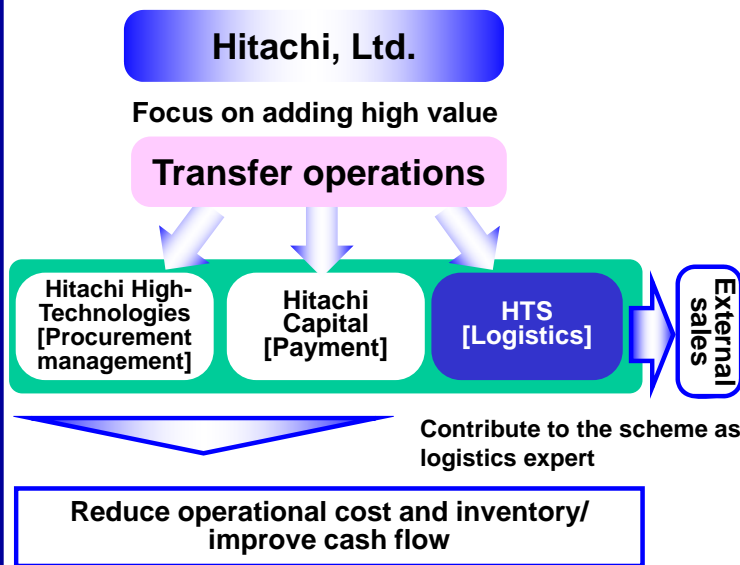


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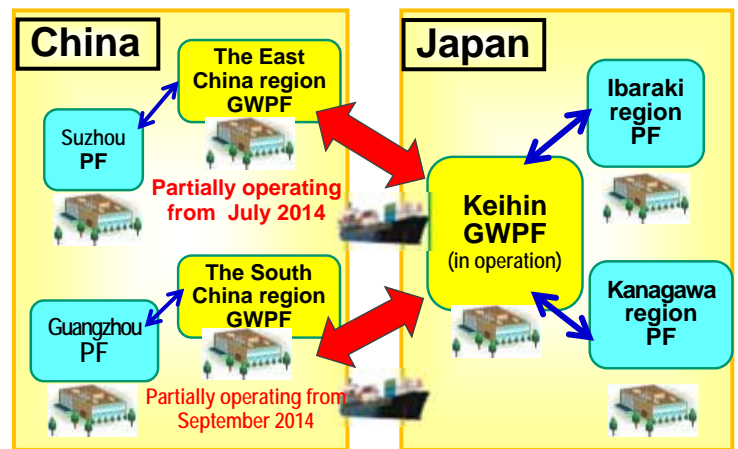
Hitachi Smart Transformation Project

Hitachi global procurement scheme

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

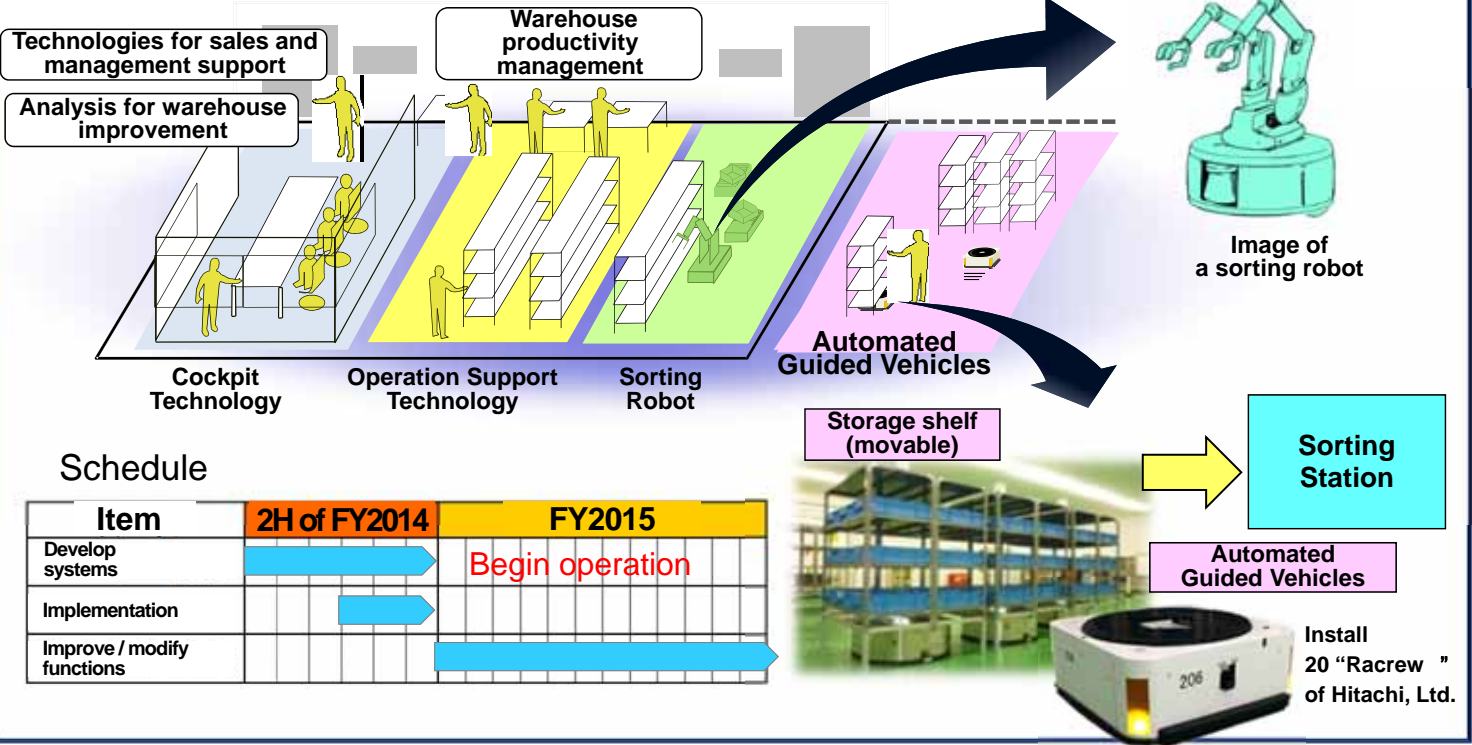
- Chemicals (wide area within Japan)
- Operation: from October 2014

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Smart Warehouse [Joint research with Hitachi, Ltd.]

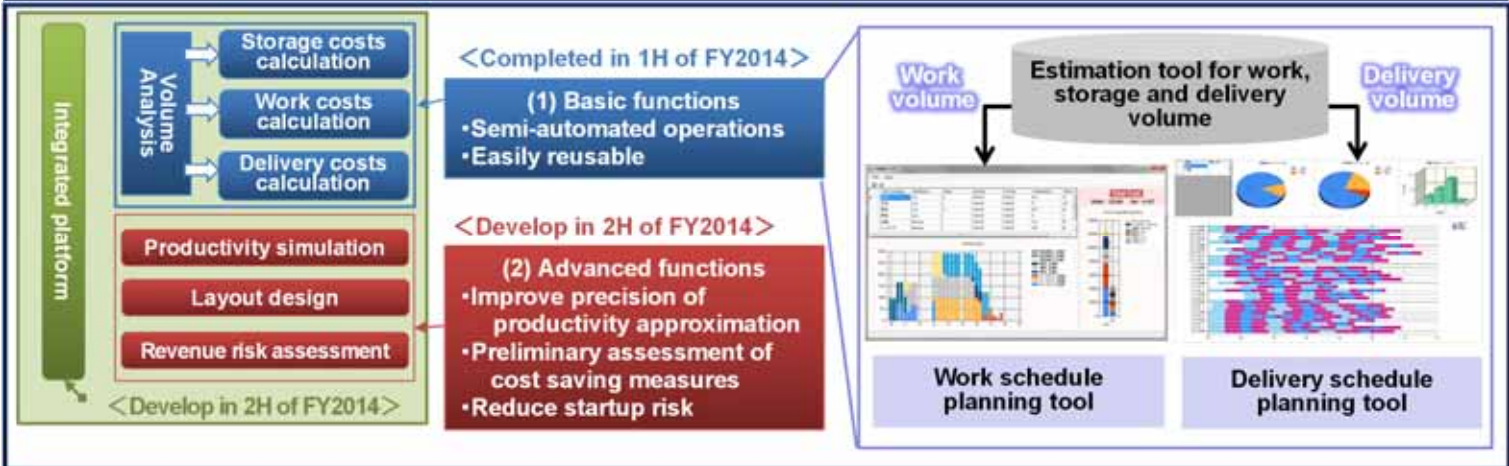
Research and Development Area

Under development at DC in Tokyo area (South Kanto) for distribution processing of apparel-related products



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Smart Logistics Configurator (propose/quote/design)



Development / realization plan [collaboration with Hitachi, Ltd.]

Completed **Ongoing, planned**

Item	FY2013	FY2014	FY2015
Smart Warehouse development	Progress bar	Cosmetics PF center / sports DC (Tokyo area)	Deploy to domestic and overseas centers
Smart Logistics Cockpit development	Progress bar	Cosmetics PF center / sports DC (Tokyo area)	Deploy to domestic and overseas centers
Model system construction (practical realization/ commercialization)		Progress bar	Deploy to existing/new DCs, major domestic and overseas centers
Smart Logistics Configurator development		Progress bar	Deploy to new DCs, domestic and overseas centers

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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

May

June

July

August

September

Kawagoe DC



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

Tsukuba DC



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

Toyama Phase IV DC



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

Kawaguchi XD



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

Takegawa DC



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

Reorganize 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

Reorganize 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