

May 11, 2015

# **FY2014**

## **(Year Ended March 31, 2015)**

# **Financial Results Briefing**

© Hitachi Transport System, Ltd.

**HITACHI**  
Inspire the Next

## **Contents of Today's Briefing**



1

### **I. FY2014 results**

**[Summary of Financial Results]****Breakdown by group, breakdown of changes in service revenues and profits, deviation factors, overseas results by region, quarterly operating income****[FY2014 Topics (Domestic and Overseas)]****[HTS Global Network]**

### **II. FY2015 plan**

**[Revenues and Income Plan][Priority Measures][New Organization Structure][Domestic Business][Overseas Business (Regional Strategy/Forwarding Business)][One Hitachi][Smart Logistics]**

### **III. Toward next Mid-term Management Plan (FY2016 - FY2018)**

# Summary of FY 2014 Results



2

(Unit: billion yen, rounded off to the nearest billion yen, < >: profit ratios (%), ( ): year-on-year changes)

	FY2013 Results (JGAAP)		FY2014 Plan (JGAAP)		FY2014 Results (JGAAP)		YoY	VS. initial plan
<b>Service Revenues</b>	624.5		660.0		677.1		+8%	+3%
<b>Operating Income</b>	<3.4>	21.0	<3.4>	22.5	<3.1>	21.2	+1%	-6%
<b>Ordinary Income</b>	<3.2>	20.0	<3.4>	22.5	<3.2>	21.6	+8%	-4%
<b>Income before income taxes</b>	<2.5>	15.5	<3.1>	20.2	<2.9>	19.6	+27%	-3%
<b>Net Income</b>	<0.9>	5.4	<1.5>	10.0	<1.6>	10.9	+101%	+9%
<b>ROE</b>	3.2%		—		6.3%		(+3.1%)	—
<b>Stock Price (closing price)</b>	(March 31, 2014)	¥1,676	—		(March 31, 2015)	¥1,817	(+¥141)	—
<b>Dividends per share</b>	¥26		¥28		(*) ¥28		(+¥2)	(±¥0)

\*To be resolved at the board of directors' meeting in late May

© Hitachi Transport System, Ltd. 2015. All Rights Reserved.

# Summary of FY 2014 Results (Breakdown by Group)



3

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

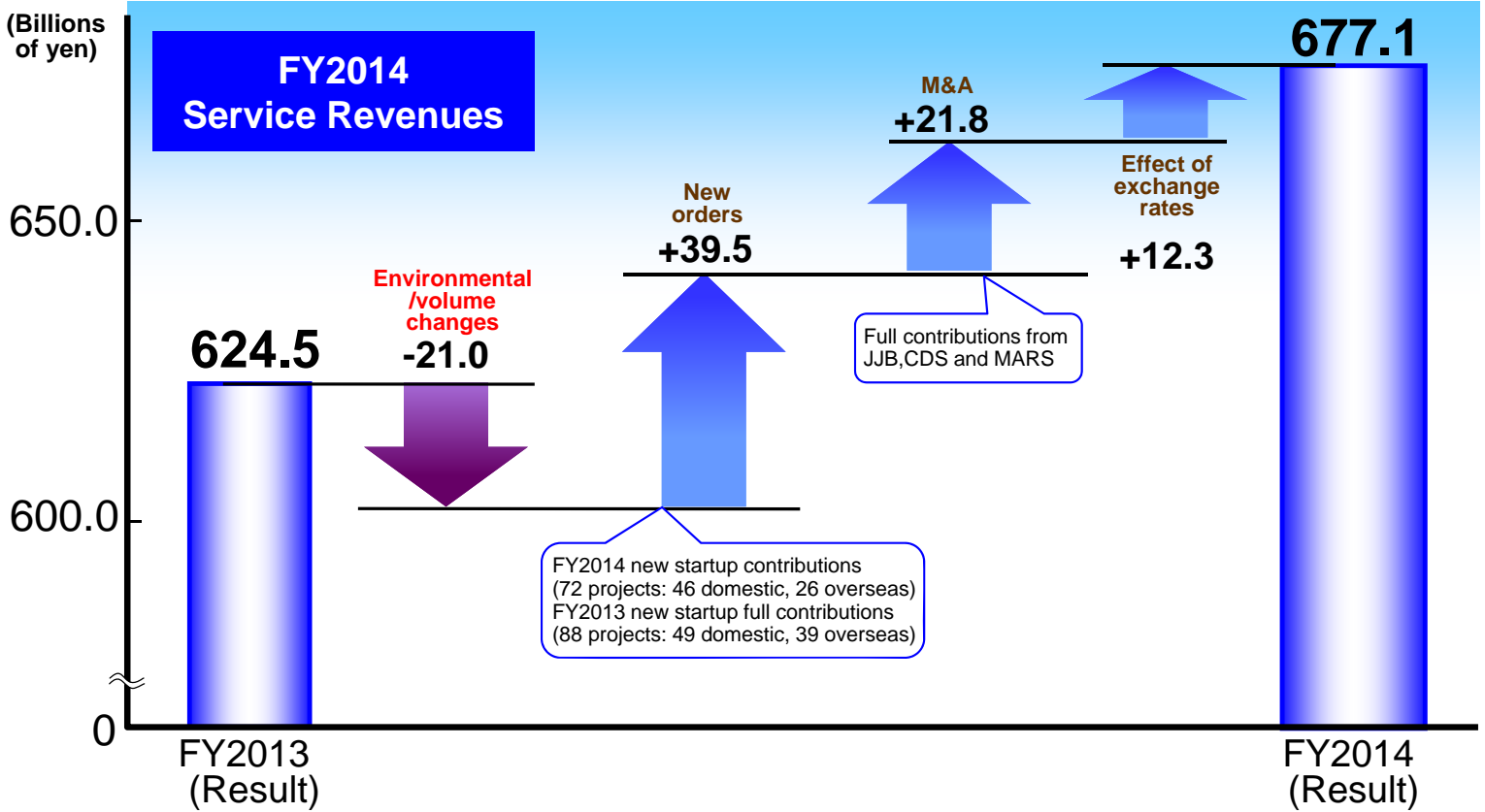
		Service Revenues		Operating Income			
		Full-year	YoY	Full-year	YoY		
Organic*	Domestic logistics	<59>	3,242	+5%	249.6	-10%	
	Global logistics	Overseas	<33>	1,817	+35%	46.7	+61%
		Forwarding and others	<3>	191	-7%	-3.4	(+1.3)
		Total	<37>	2,008	+30%	43.3	+78%
	Others	<4>	214	+1%	28.8	+5%	
	(Elimination or Corporate)	-	-	-	-136.6	(-4.8)	
<b>Total</b>		<100>	5,464	+13%	185.1	-6%	
VANTEC Group	Domestic logistics	<51>	749	-6%	22.5	+10%	
	Global logistics	Overseas	<21>	302	-6%	15.8	+83%
		Forwarding and others	<28>	418	+4%	13.8	+37%
		Total	<49>	720	(-3)	29.6	+59%
	<b>Total</b>	<100>	1,469	-4%	52.2	+33%	
Consolidated adjustment		-	-162	(-33)	-	-	
Goodwill amortization, etc.		-	-	-	-25.3	(-0.1)	
<b>Total</b>		<100>	6,771	+8%	212.0	+1%	

\* Hitachi Transport System Group, excluding VANTEC Group

© Hitachi Transport System, Ltd. 2015. All Rights Reserved.

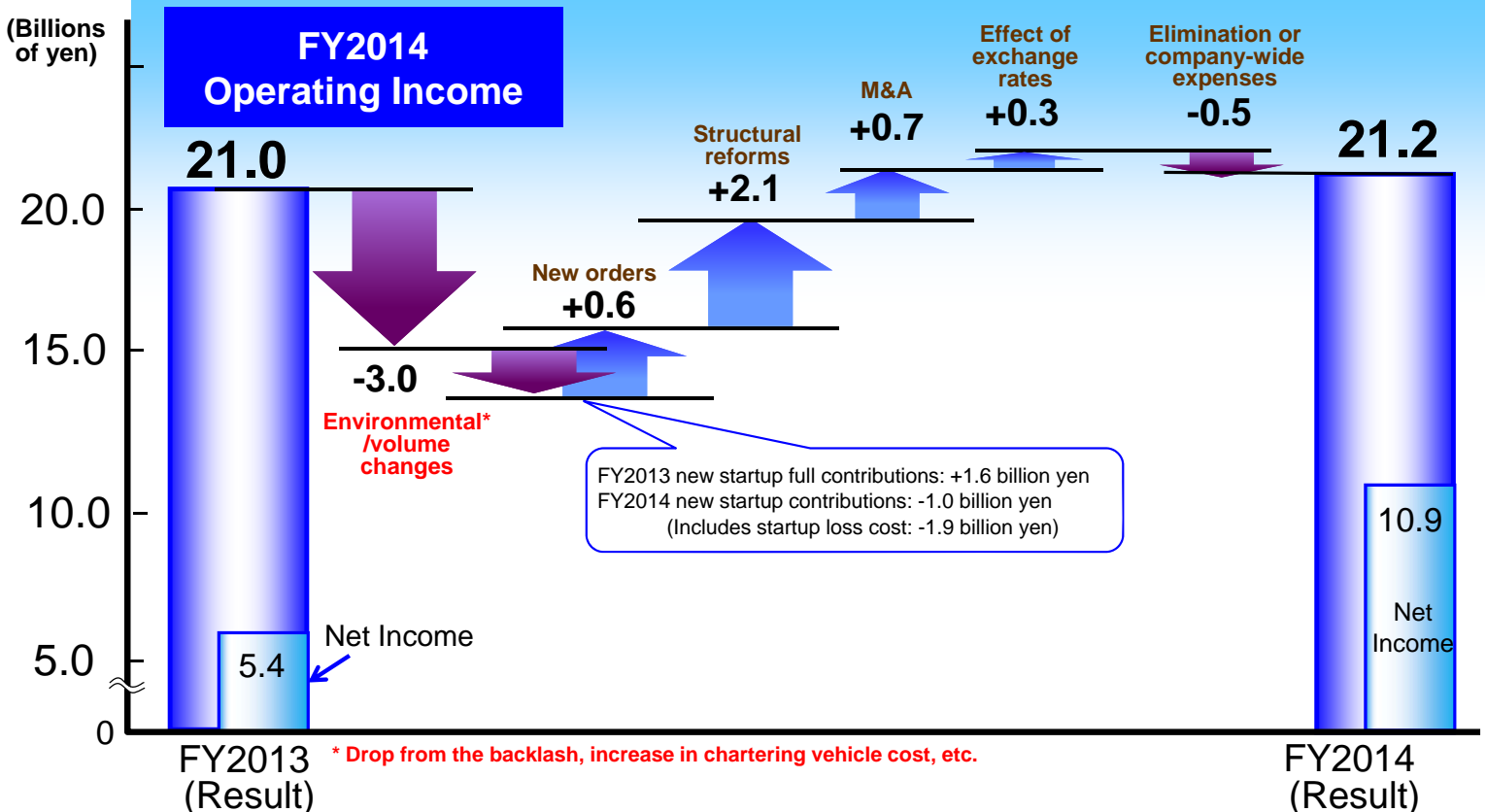
# Summary of FY 2014 Results

## (Breakdown of changes in Service Revenues)



# Summary of FY 2014 Results

## (Breakdown of change in Operating Income)



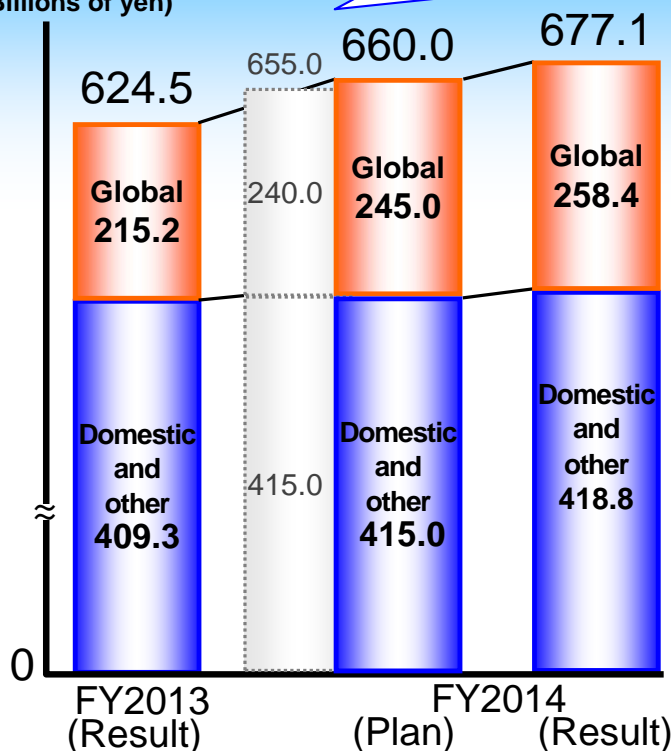
# Summary of FY 2014 Results (Deviation Factors)



## Service Revenues

Forecast was revised up to 660 billion yen based on 2Q variance of +5 billion yen (Global +5 billion yen) against the plan

(Billions of yen)



## Variance against the plan

**+17.1 billion yen**

**Global: Overseas business expansion  
(Effect of exchange rates, etc.)**

**+13.4 billion yen**

**Domestic: New and full scale operations**

**+3.8 billion yen**

\*Over approx. one billion/year

FY2013 4Q	<ul style="list-style-type: none"> <li>Precision instruments (Kanto area)</li> <li>Retail (Kanto area)</li> </ul>	<ul style="list-style-type: none"> <li>Automobile parts (United States)</li> </ul>
FY2014 1H	<ul style="list-style-type: none"> <li>High-functional materials (Kansai area)</li> <li>Electronic equipment (Kanto &amp; Tohoku area)</li> <li>Automobile related (Europe)</li> <li>Construction machinery (Kanto area)</li> </ul>	<ul style="list-style-type: none"> <li>Retail (Chubu area)</li> <li>Daily commodities related (Indonesia)</li> <li>Retail (Kanto area)</li> <li>Retail (Chubu area)</li> </ul>
FY2014 2H	<ul style="list-style-type: none"> <li>Chemicals (wide area within Japan)</li> </ul>	<ul style="list-style-type: none"> <li>Retail (Kansai area)</li> </ul>

**Annual service revenues: approx. 22 billion yen  
(Warehouse capacity: 270,000m<sup>2</sup>)**

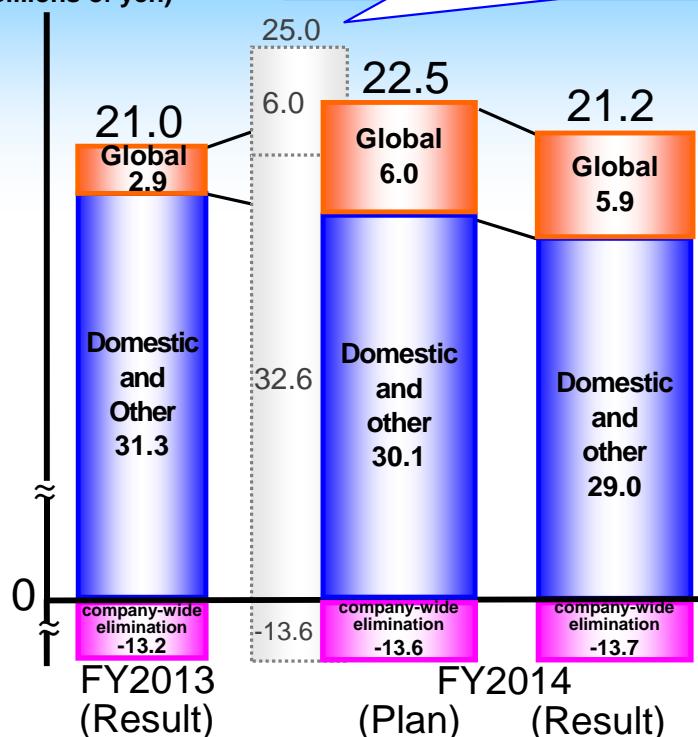
# Summary of FY 2014 Results (Deviation Factors)



## Operating Income

Forecast was revised down to 22.5 billion yen based on 2Q variance of -3 billion yen (Domestic -2.9 billion yen) against the plan

(Billions of yen)



**2Q (Cumulative): Result**

**7.6 billion**

(Plan) (Result)

## 3Q and 4Q

14.9 billion 13.6 billion

3Q and 4Q (Basal figure)

7.6 billion

### Profitability Improvement

4.0 billion 3.3 billion

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

(1.6 billion) (1.2 billion)  
(1.6 billion) (1.3 billion)  
(0.8 billion) (0.8 billion)

### Structural reforms (Additional measures)

0.5 billion 0.5 billion

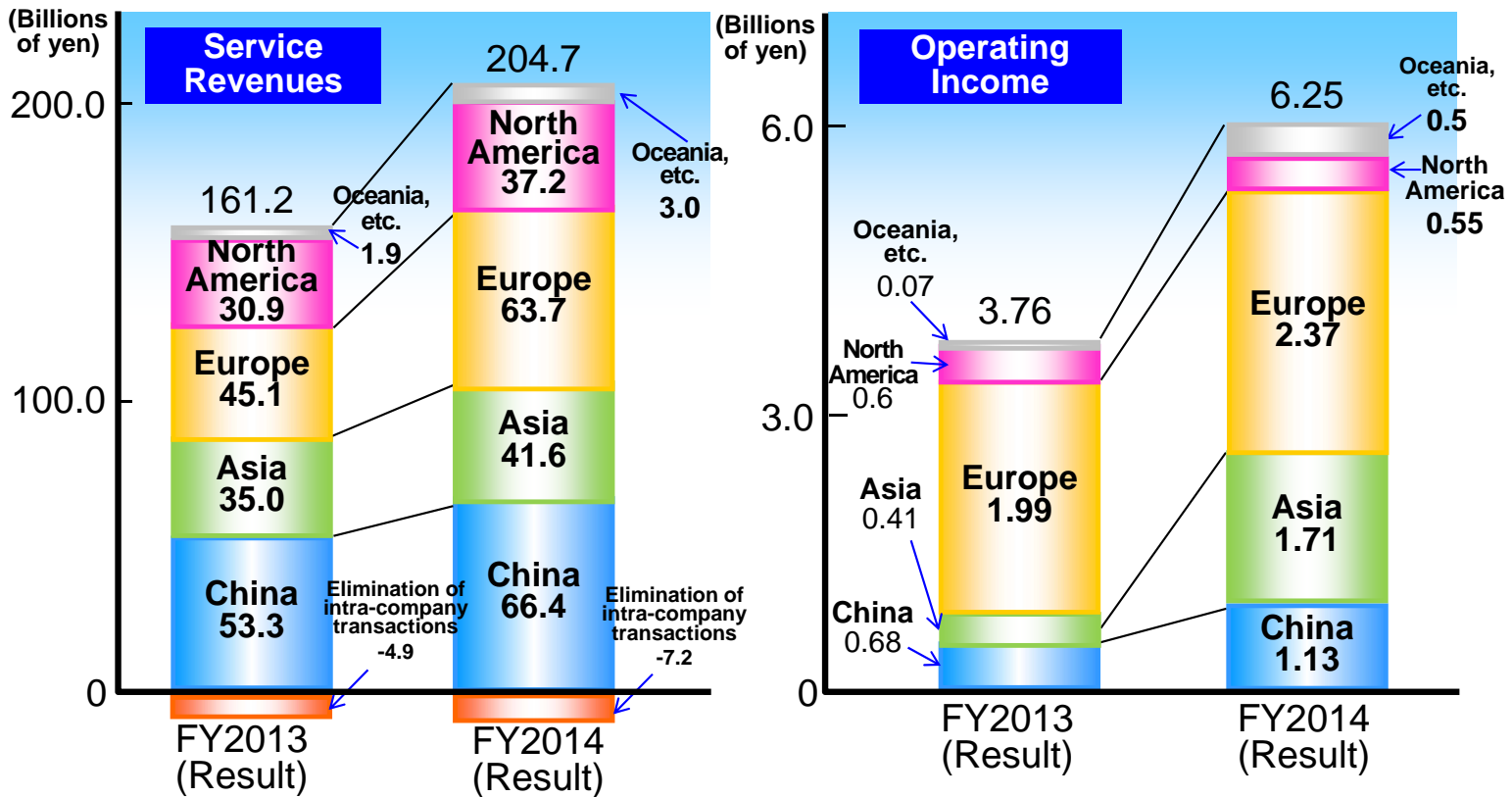
### Volume increase (Seasonal factors / New orders)

2.8 billion 2.2 billion

**FY2014 Full-year**

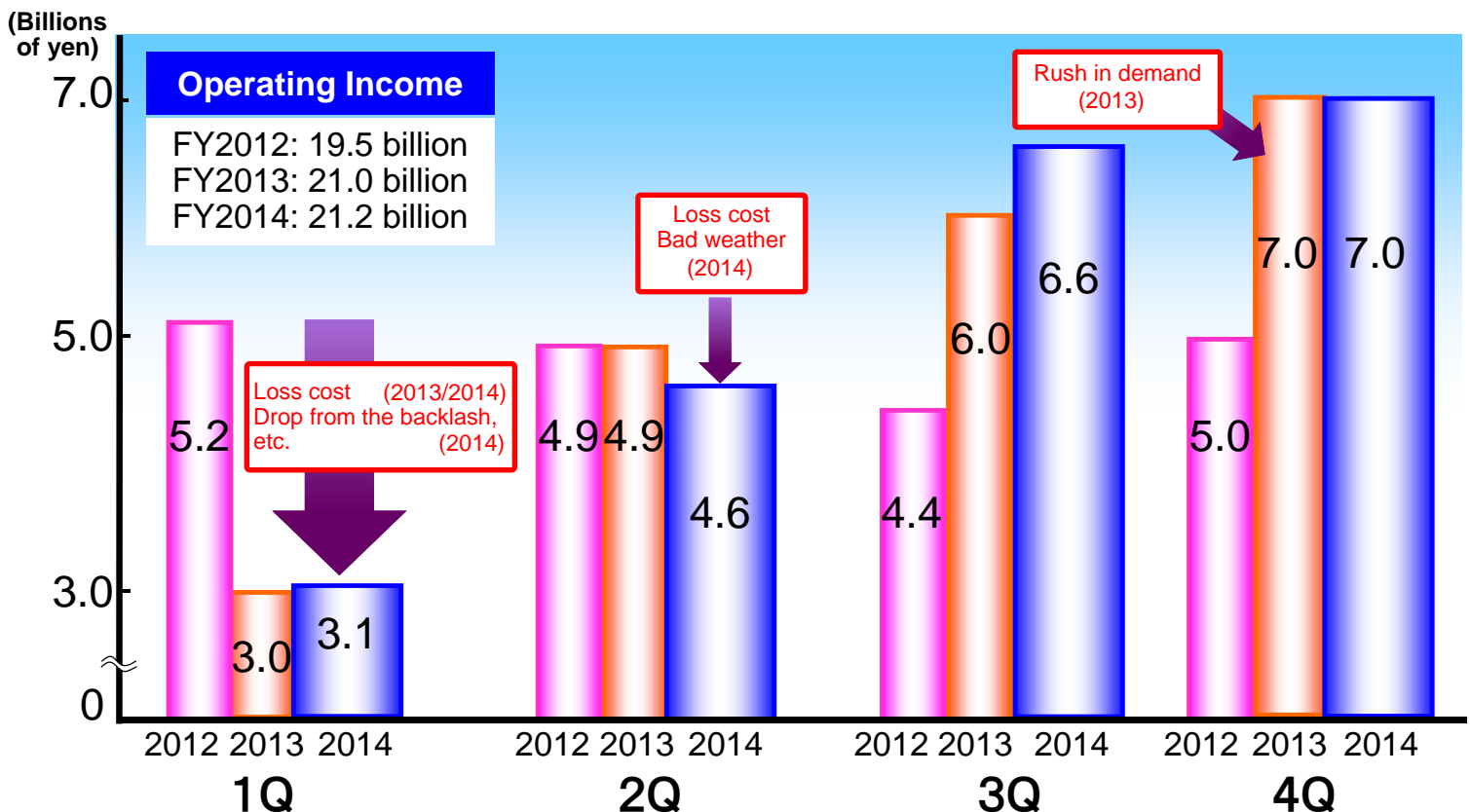
22.5 billion 21.2 billion

# Summary of FY 2014 Results (Overseas Results by Region)




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

# Summary of FY 2014 Results (Quarterly Operating Income)







Tsukuba DC	Toyama Phase IV DC	Kawaguchi XD	Takegawa DC	Kyotanabe DC
 <ul style="list-style-type: none"> <li>➢ Tsukuba City, Ibaraki Prefecture</li> <li>➢ Operations started April 2014</li> <li>➢ Construction equipment parts, etc.</li> </ul>	 <ul style="list-style-type: none"> <li>➢ Shin-Nakaniikawa county, Toyama Prefecture</li> <li>➢ Operations started June 2014</li> <li>➢ Medical supplies, etc.</li> </ul>	 <ul style="list-style-type: none"> <li>➢ Kawaguchi City, Saitama Prefecture</li> <li>➢ Operations started July 2014</li> <li>➢ Food products, etc.</li> </ul>	 <ul style="list-style-type: none"> <li>➢ Takegawa City, Shizuoka Prefecture</li> <li>➢ Operations started August 2014</li> <li>➢ Drugstore-related products</li> </ul>	 <ul style="list-style-type: none"> <li>➢ Kyotanabe City, Kyoto Prefecture</li> <li>➢ Operations started January 2015</li> <li>➢ Daily commodities/ food products, etc.</li> </ul>

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr

<b>Reorganize domestic group companies (merge)</b> <ul style="list-style-type: none"> <li>➢ Higashinippon area: July 2014                             <ul style="list-style-type: none"> <li>▪ Higashinippon Hitachi Transport Service</li> <li>▪ Hitachi Frontier Transport System</li> </ul> </li> <li>➢ Tokyo area: October 2014                             <ul style="list-style-type: none"> <li>▪ Shutoken Hitachi Transport Service</li> <li>▪ Hitachi Orientlogi Transport System</li> </ul> </li> </ul>	<b>Entrusted with logistics operation of Hitachi Chemical</b> <ul style="list-style-type: none"> <li>➢ Started from October 2014</li> </ul>	<b>National Truck Driver Contest</b> <ul style="list-style-type: none"> <li>➢ October 2014</li> <li>➢ 11-ton category: 1st prize (The Prime Minister's Prize)</li> <li>➢ 4-ton category: 1st prize (monopolized top 4 prizes)</li> <li>➢ 7 entrants from the Group became higher ranking winners</li> </ul> 	<b>Ranked No.1 at "Environmental Management Survey" by Nikkei</b> <ul style="list-style-type: none"> <li>➢ January 2015</li> <li>➢ Ranked No.1 for six consecutive years in the Transportation category</li> </ul>
	<b>Reorganize domestic sales divisions</b> <ul style="list-style-type: none"> <li>➢ October 2014</li> <li>➢ Established Nishinippon Area Management Headquarter</li> </ul>		<b>Selected as "Diversity Management Selection 100" by MET*</b> <small>*Ministry of Economy, Trade and Industry</small> <ul style="list-style-type: none"> <li>➢ Selected in March 2015</li> </ul>
			<b>Awarded "Excellent Business Entities Working on Modal Shift" by Japan Federation of Freight Industries</b> <ul style="list-style-type: none"> <li>➢ March 2015</li> <li>➢ Awarded in the new market category</li> </ul>

© Hitachi Transport System, Ltd. 2015. All Rights Reserved.

<b>Kunshan DC</b> <ul style="list-style-type: none"> <li>➢ Kunshan City, China</li> <li>➢ Operations started May 2014</li> <li>➢ Automobile parts, etc.</li> <li>➢ Set up education center together</li> </ul>  <p>Logistics center (external appearance)</p>  <p>Training at education center</p>	<b>High-speed railways transportation in the UK</b>  <ul style="list-style-type: none"> <li>➢ For IEP* of UK Department for Transport</li> <li>➢ Started transportation in January 2015</li> <li>*IEP (Intercity Express Programme)</li> </ul>	<b>East Java Logistics center (Phase I)</b>  <ul style="list-style-type: none"> <li>➢ Djawa Timur, Indonesia</li> <li>➢ Operations started January 2015</li> <li>➢ Daily commodities related</li> </ul>
--	--	--

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr

### Established Hitachi Transport System (China) (Enhanced business structure)

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

### Established Nisshin International Trading (Shanghai)

- Started operation in February 2015
- Nisshin International Trading (Shanghai) Co., Ltd
- Trade settlement agency service, etc.

### Reorganized overseas group companies (Created group synergy)

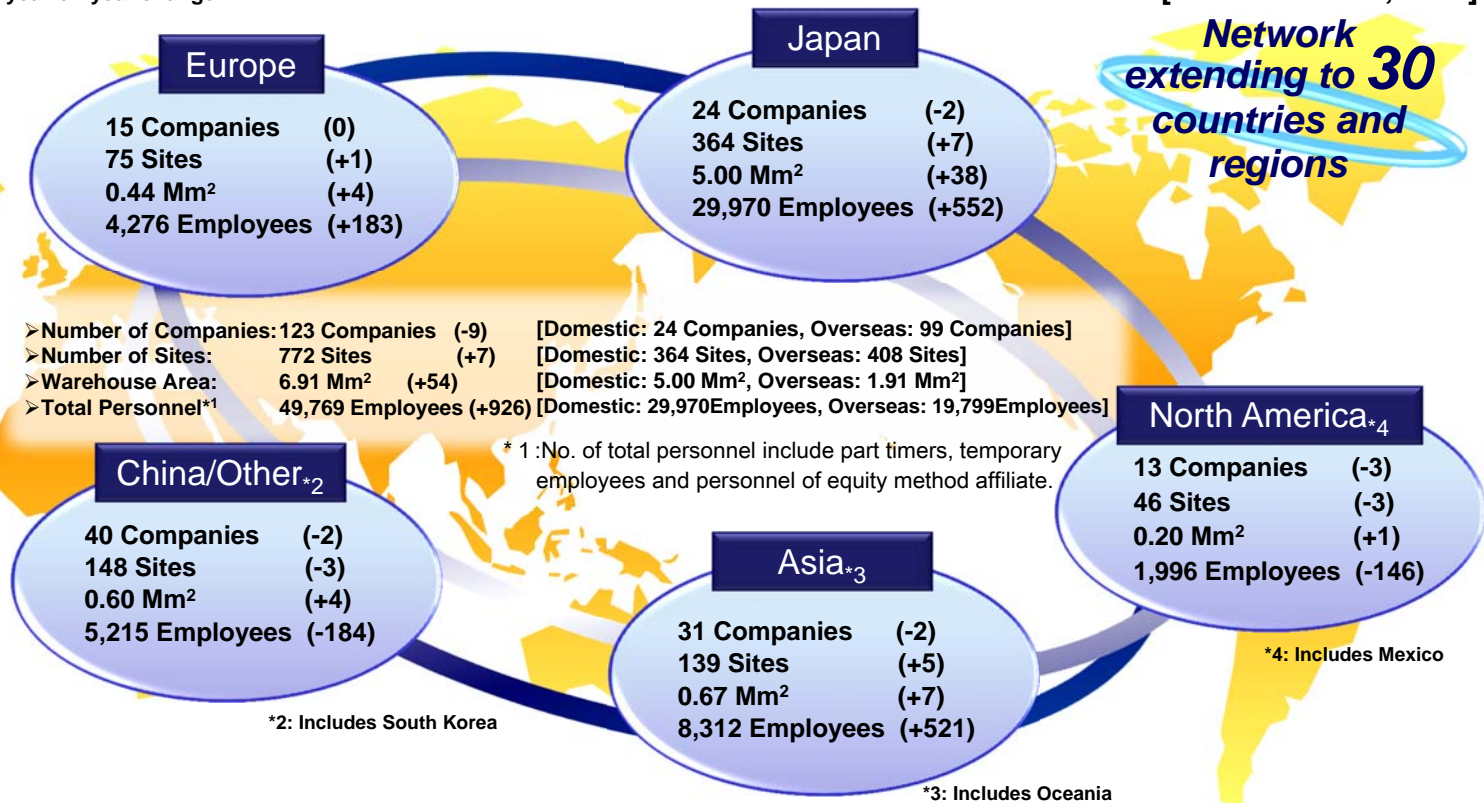
- |  |  |   |
|--|--|---|
| <ul style="list-style-type: none"> <li>➢ Merged Singapore subsidiary: April 2014</li> <li>▪ Hitachi Transport System (Asia) Pte. Ltd.</li> <li>▪ VANTEC WORLD TRANSPORT (S) PTE. LTD.</li> </ul> | <ul style="list-style-type: none"> <li>➢ Integrated Thailand subsidiary: January 2015</li> <li>▪ Hitachi Transport System (Thailand), Ltd.</li> <li>▪ Vantec World Transport (Thailand) Co., Ltd.</li> </ul> | <ul style="list-style-type: none"> <li>➢ Integrated Malaysia subsidiary: January 2015</li> <li>▪ Hitachi Transport System (Malaysia) Sdn. Bhd.</li> <li>▪ Vantec World Transport (M) Sdn. Bhd.</li> </ul> |
|--|--|---|

© Hitachi Transport System, Ltd. 2015. All Rights Reserved.

( ): year-on-year change

[As of March 31, 2015]

Network  
extending to 30  
countries and  
regions



© Hitachi Transport System, Ltd. 2015. All Rights Reserved.

## FY2015 Plans (Summary)

(Unit: billion yen, rounded off to the nearest billion yen, < >: profit ratios (%), ( ): year-on-year changes)

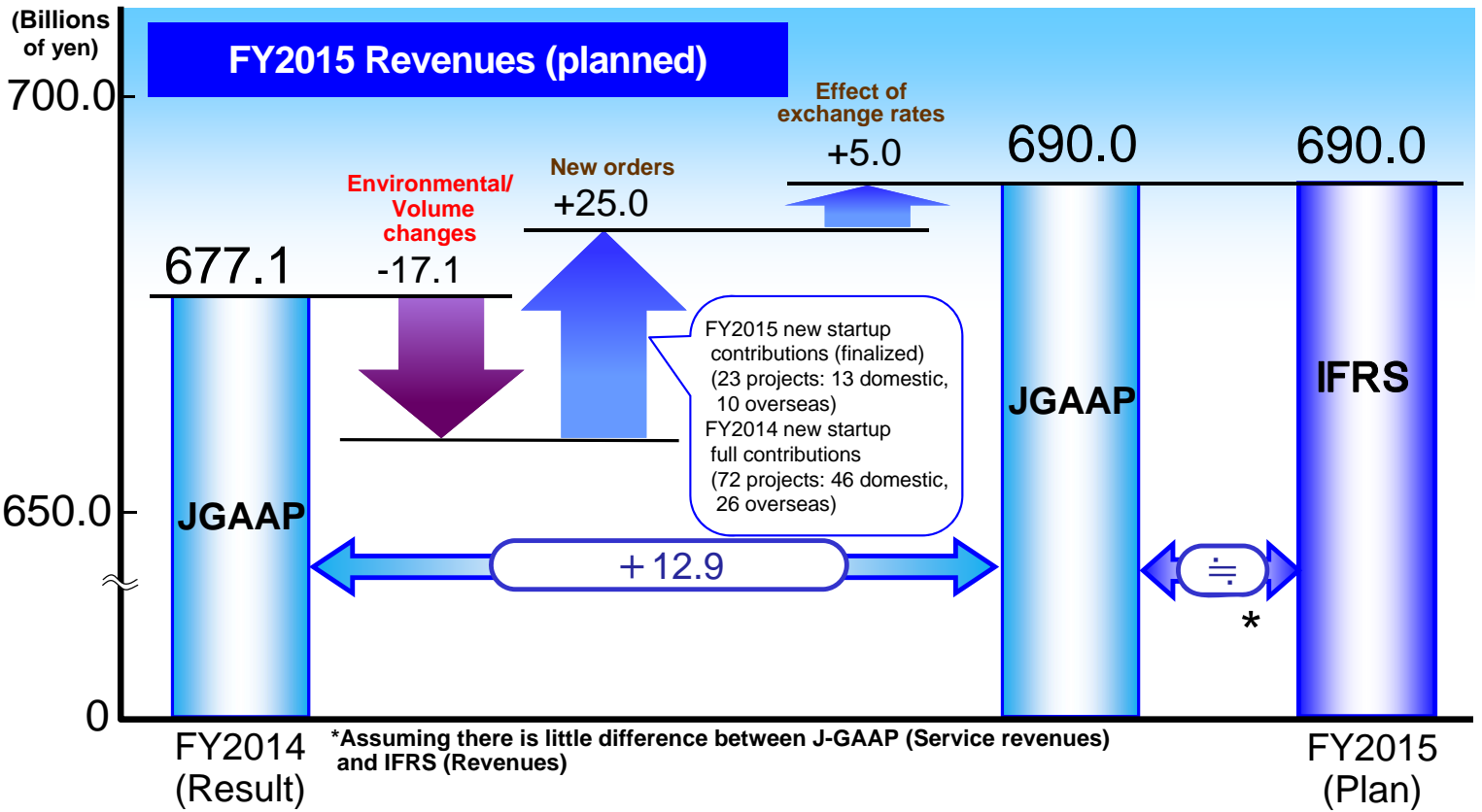
	FY2014 Results (JGAAP)	FY2014 Estimated Results (IFRS)	FY2015 Plan (IFRS)	YoY (IFRS)
Revenues <sup>*1</sup>	677.1	678.0	690.0	+2%
Operating Income	<3.1> 21.2	<3.2> 21.5	<3.9> 27.0	+26%
Net income for the Year <sup>*2</sup>	<1.6> 10.9	<2.0> 13.3	<2.2> 15.0	+13%
ROE	6.3	7.4	7.9	(+0.5)

<sup>\*1</sup> Equivalent to "Service Revenues" under JGAAP

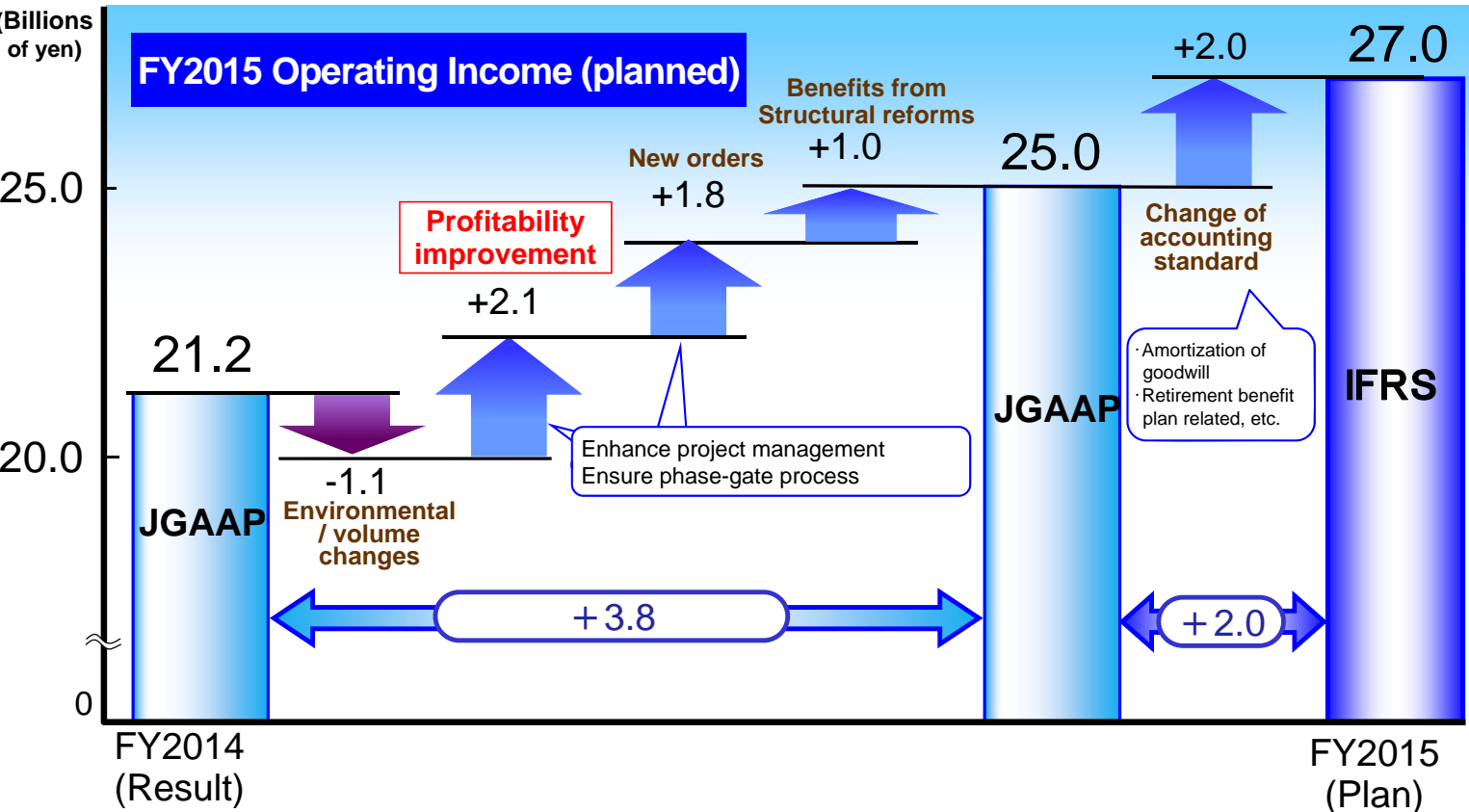
<sup>\*2</sup> Equivalent to "Net income" under JGAAP and "Net income attributable to owners of the parent" under IFRS

© Hitachi Transport System, Ltd. 2015. All Rights Reserved.

# FY2015 Plans (Revenues)



# FY2015 Plans (Operating Income)





**Proactive response toward  
Global Supply-Chain Solutions Provider**

**1. Improve domestic profitability (prevent unprofitable projects, etc.)**

- \* Ensure phase-gate process
- \* Established new “PM (Project Management) Office”

**2. Complete structural reforms (Phase1: complete in FY2015)**

- \* Promote domestic transformation
- \* Restructure organizations/group companies, eliminate and integrate overseas locations

**3. Improve global profitability**

- \* Enhance forwarding business
- \* Cultivate global accounts

**4. Realize and accelerate implementation of smart logistics**

- \* Develop new businesses and transform existing businesses with new technologies

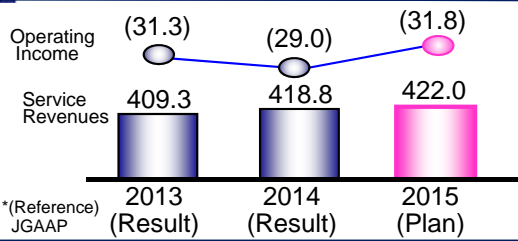
**Organization and execution system to address management issues**

[Appoint executive officer in charge, clarify responsibility and take prompt actions to issues]

- \* Established PM (Project Management) Office
- \* Established Global Business Management Headquarters and appointed executive officer in charge of forwarding business
- \* Established management headquarters system in eastern and western areas in Japan (Management headquarters – Sales divisions – Regional divisions)



## Service Revenues / Profit plan (Billions of yen)



## Platform business



➢ Yachiyo City, Chiba Prefecture  
(Operations start July 2015)



➢ Kashiwa City, Chiba Prefecture  
(Operations start August 2015)

## Priority measures: Improve profitability and develop new growth strategies

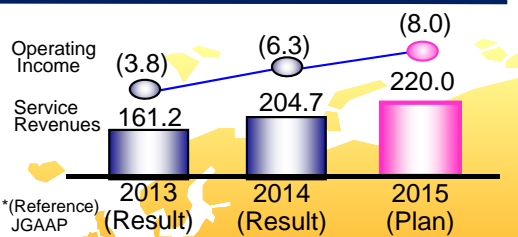
### ■ Improve domestic profitability

- \* Verify profitability using phase-gate process and maximize investment effects
- \* Improve on-site operational capability and differentiate with new technology of Smart Logistics
- \* Visualize resources (warehouses/employees/vehicles) and improve efficiency by interchanging resources

### ■ Complete domestic transformation

- \* Transfer regional business and revenue base to group companies
- \* Implement region-based sales and business development by transferring regional sales
- \* Establish business structure to survive and win the regional competition (cooperate with competitors)

## Service Revenues / Profit plan (Billions of yen)



## Overseas 3PL business



➢ Construction equipment parts  
(Operations started May 2015)

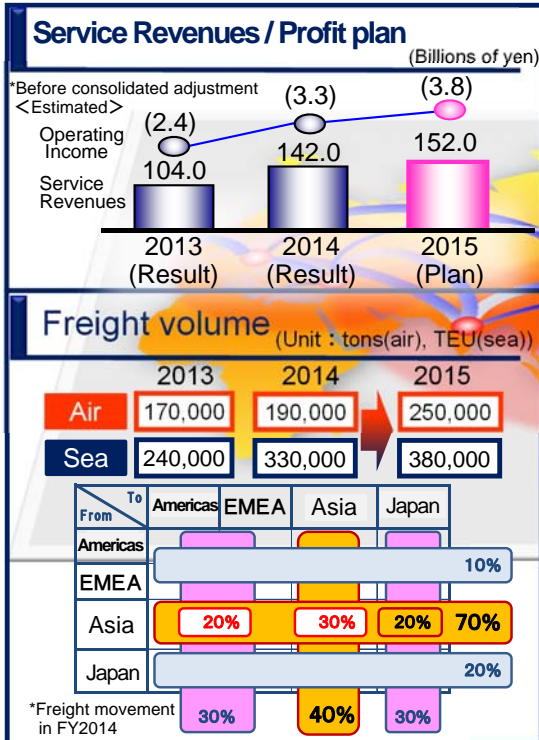


➢ Power tool  
(Operations started April 2015)

## Priority measures: Establish an autonomous decentralized global management structure

- |                      |   |
|----------------------|---|
| <b>North America</b> | Establish a new integrated company following structural reform<br>Expand 3PL business for automobile parts and expand non-automotive business   |
| <b>Europe</b>        | Expand business in Western/Eastern Europe based in the growing market (Turkey as a gateway for arrival and departure) (Intermodal and cross-border)   |
| <b>Asia</b>          | 3PL business: Cope with expanding business with existing accounts and cultivate new global accounts<br>Expand truck network in Southeast Asia (expand cross-border logistics within the area departing from Thailand, etc.) |
| <b>China</b>         | Expand domestic transportation/Increase logistics volume of consumer products (refrigerated products, etc.)   |

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



## Strategies to expand forwarding business

- **Appointed an executive officer in charge of forwarding business** (April 2015)
  - \* President of VANTEC HTS FORWARDING, Ltd (VHF) is appointed concurrently ⇒ Unify management strategies and business operations (June 2015)
- **Establish Forwarding Business Strategy Headquarters (Japan)** (2015)
  - \* Integrate organizations within the Group ⇒ Consolidate strategy formulation and promotion functions
  - \* Enhance horizontal business collaborations across the Group (Clarify responsibilities of business planning and quantitative control)
  - \* Expand coverage by entering new areas and network enhancement
- **Relocation of Forwarding Business Strategy Headquarters (Hong Kong)**
  - \* Enhance price competitiveness: Absorb global (sea) procurement function in Hong Kong
  - \* Change to a new main system of global forwarding
  - \* Integrate overseas forwarding business (One company per country/region)
  - \* Organize sales team with full-time national staff
  - \* Promote e-forwarding: Implement new technologies of Smart Logistics

# Actions under “One Hitachi”

## Orders from Hitachi Group

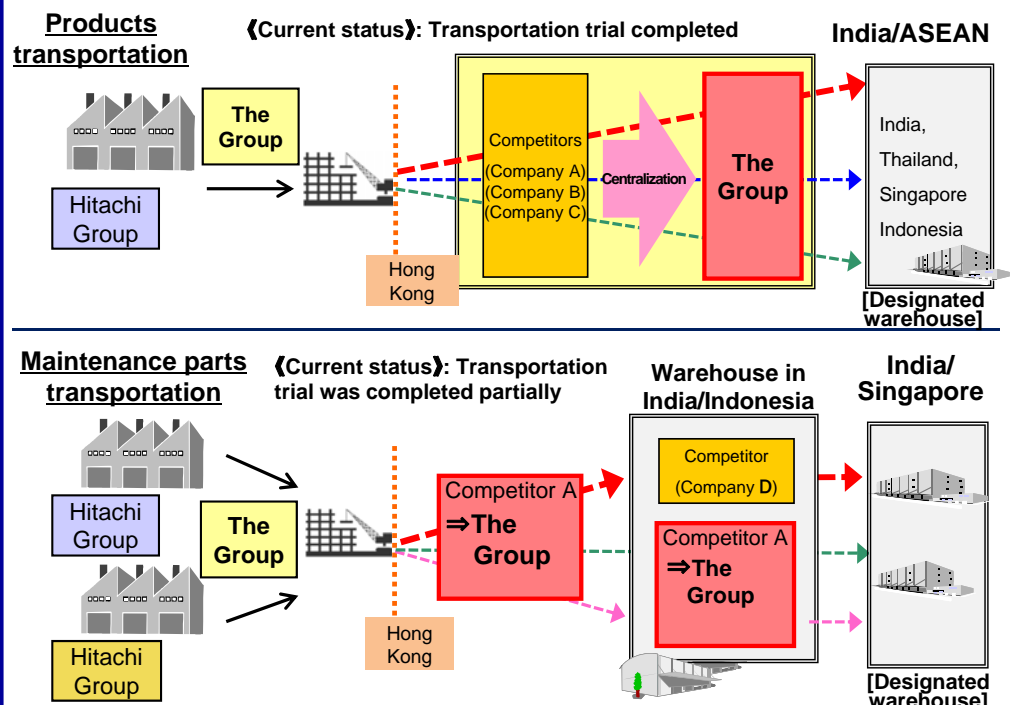
### Logistics operations (Total entrustment)

- **Hitachi Kokusai Electric Inc.**  
➢ Operation: from April 2014
- **Hitachi Metals, Ltd.**  
➢ Operation: partially from April 2014
- **Hitachi Chemical Company, Ltd.**  
➢ Operation: from October 2014

### Logistics operations (Logistics center)

- **Hitachi Construction Machinery Co., Ltd.**  
➢ Parts center (Tsukuba/Shanghai)
- **Hitachi Koki Co., Ltd.**  
➢ Europe center

## Centralize transportation in India and ASEAN/ Establish warehouse productivity management (ATM)

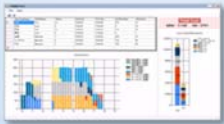
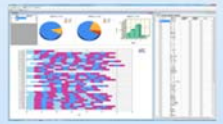


■ Purpose: Develop new businesses and transform existing businesses with new technologies

Enhance design capability

**Smart Logistics Configurator (SLC)**

Optimal design of logistics site

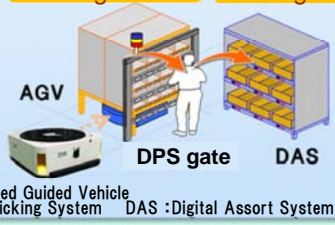
Work schedule planning
Delivery schedule planning

Improve operating efficiency

**Smart Warehouse (SWH)**

Implement new operation system/Improve operation/Implement new optimization technology


Storage side
Sorting side



AGV :Automated Guided Vehicle  
DPS :Digital Picking System    DAS :Digital Assort System


■ Using new technologies (Safety and Preventive maintenance systems)

\*Collision prevention assist system



Alert with sound and visual display when detecting vehicles ahead or pedestrians, etc.

\* "Surround Eye" system (by Clarion Co., Ltd.)



Eliminate blind spots (left back side) and prevent accidents

\*Collision warning device, etc.

Promote preventive maintenance by improving facilities and using the latest technologies

Visualization of revenues/expenditures

Human Centered Design (HCD)

Visualization of logistics management

**Smart Logistics Cockpit (SCP)**

Centrally control and use management information

[R&D expenses/Investment]

Approx.  
0.4 billion  
yen

FY2014  
Result

➔


Approx.  
1 billion  
yen

FY2015  
Plan

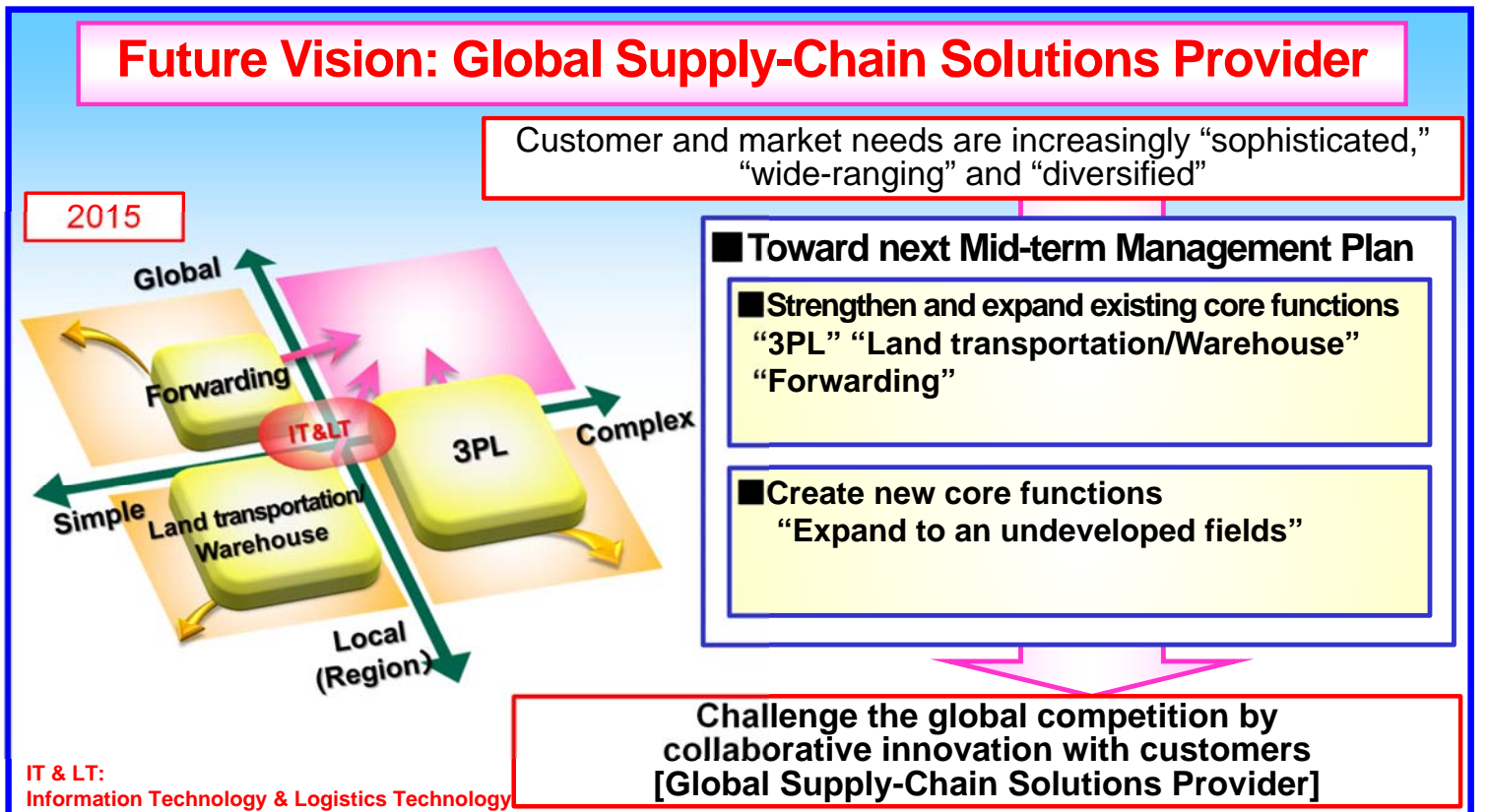
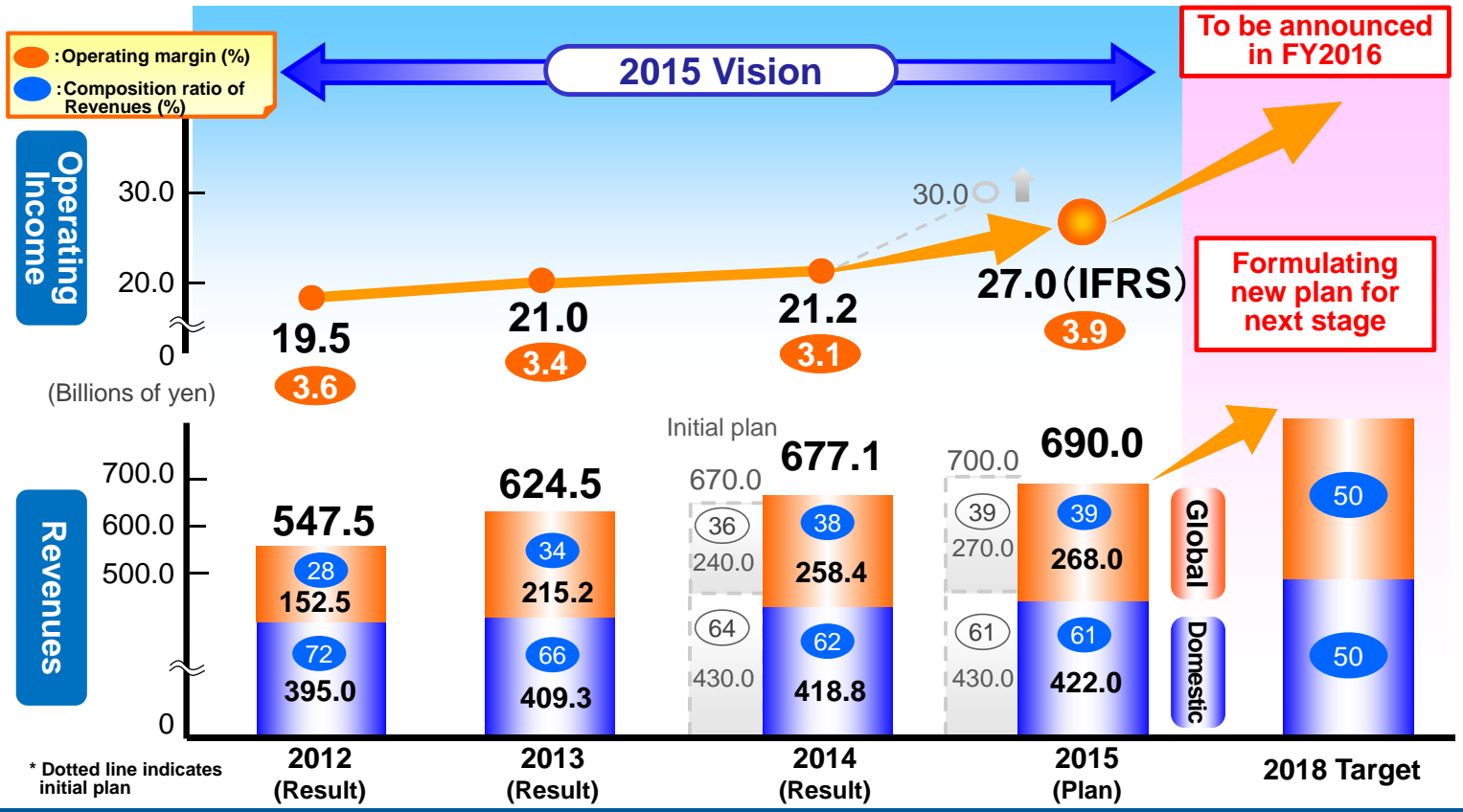
Revenues and expenditures control  
(Partially implemented)

Warehouse status control  
(Under consideration)

Shipping forecast control  
(Under consideration)



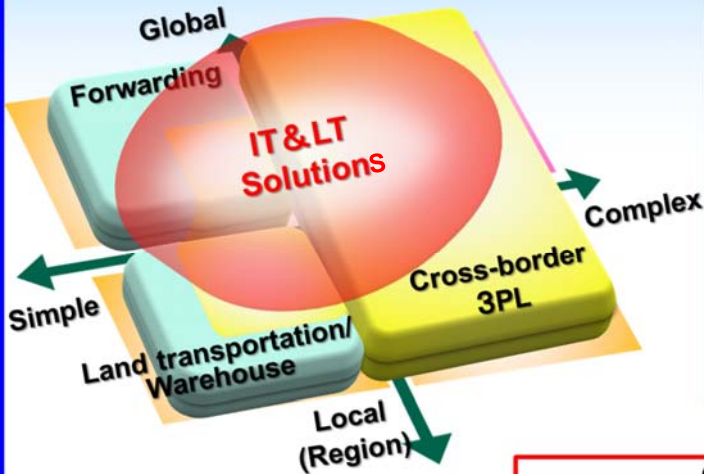
Smart Logistics Cockpit



## Future Vision: Global Supply-Chain Solutions Provider

Customer and market needs are increasingly “sophisticated,” “wide-ranging” and “diversified”

Next Mid-term Management Plan



### ■ Toward next Mid-term management plan

■ Strengthen and expand existing core functions  
 “3PL” “Land transportation/Warehouse”  
 “Forwarding”  
 Strengthen competitiveness in existing fields (markets) including collaboration (M&As, etc.)

Pull type 3PL  
 + Push type 3PL

■ Create new core functions  
 Establish core functions in cross-border markets by utilizing IT&LT Solutions

Challenge the global competition by collaborative innovation with customers  
 [Global Supply-Chain Solutions Provider]

© Hitachi Transport System, Ltd. 2015. All Rights Reserved.

Challenge the global competition by collaborative innovation with customers

協創で世界に挑む

We Challenge the Global Competition by Collaborative Innovation

协作创新 挑战世界

