

May 24, 2019

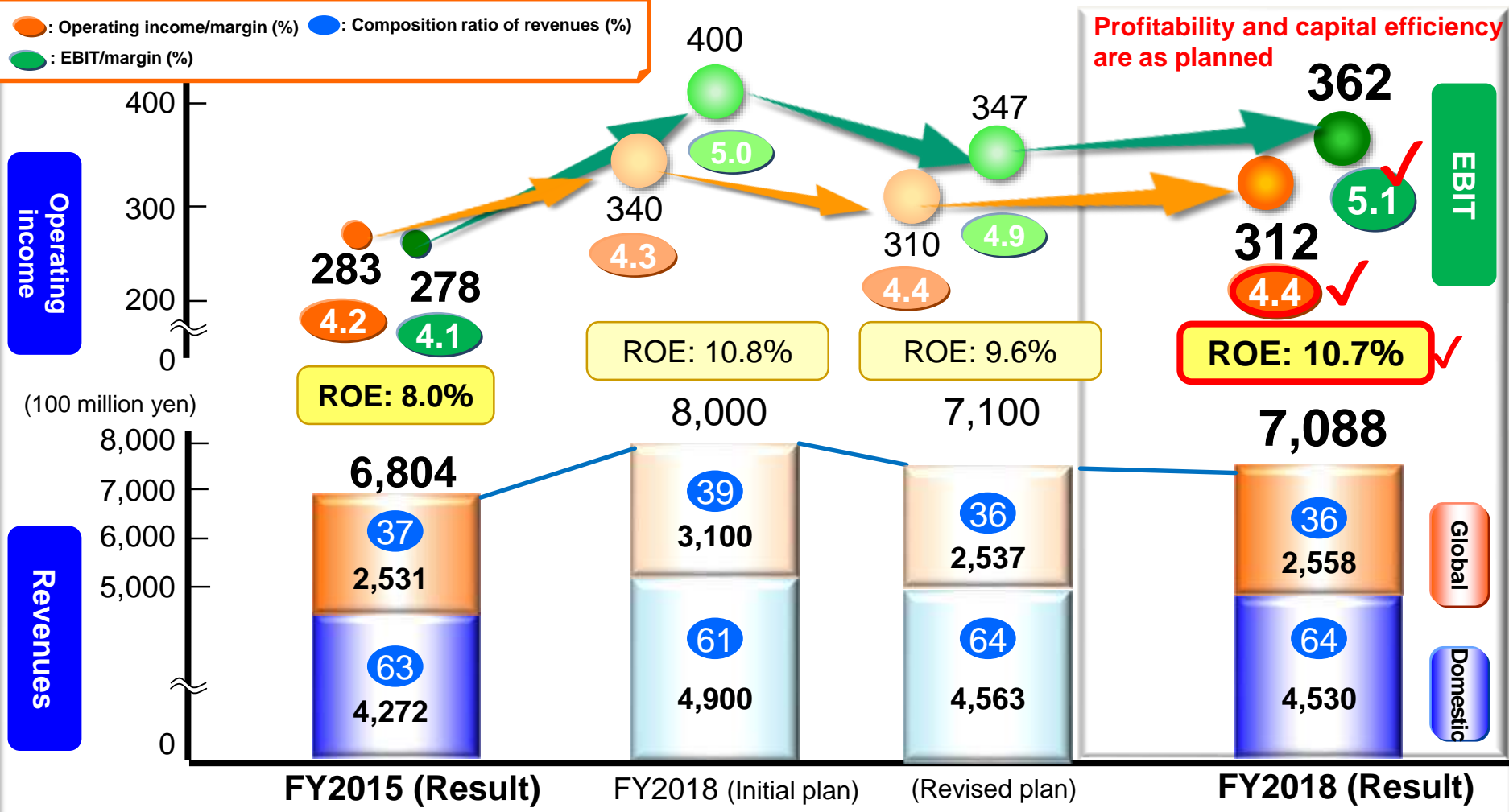
# Mid-term Management Plan

– LOGISTEED 2021 –

Hitachi Transport System, Ltd.

# **Mid-term Management Plan**

- **Review of “Value Creation 2018”**
- **Mid-term Management Plan “LOGISTEED 2021”**
  - ✓ **Enhance the Core Domain**
  - ✓ **Acquire New Growth Opportunities**
  - ✓ **Investment Strategy/Dividend Policy**
  - ✓ **Environment/Society/Governance**
  - ✓ **Numerical Targets**





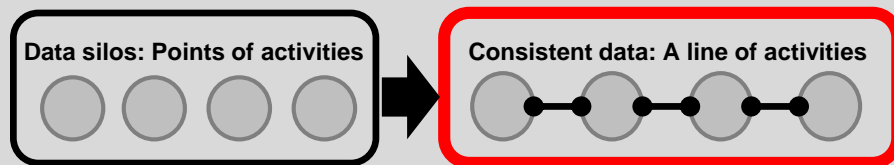
## Changing supply chain due to digitalization technology

- Best logistics ever  
“RFID/traceability” “Route optimization”  
“Supply/demand simulation”
- Intermediate procurement/sales  
“E-marketplace” “E-procurement system”
- Facilitate cash flow  
“Blockchain” “Crowdfunding”
- Offer market/transaction information  
“BI system” “Recommender system”

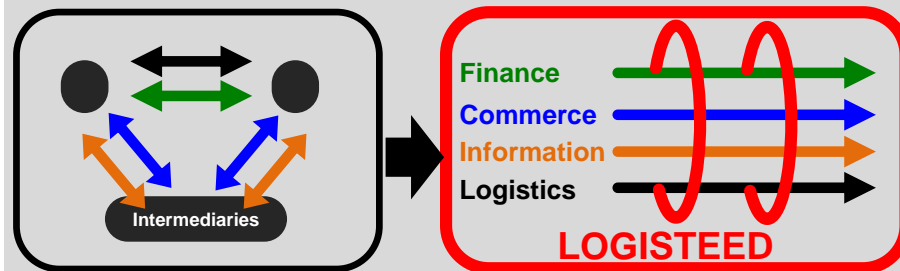
## Expansion of supply chain solutions

### Connect “points” to “lines”

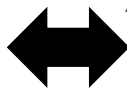
Introduction of RFID/blockchain



### Consolidate four flows through LOGISTEED



“Market changes +  
Obsolescence of the existing technologies  
= Leadership struggle across industries”



**Hitachi Transport System**  
[Logistics “Gemba” power × Platform]  
[Digital transformation × Business]

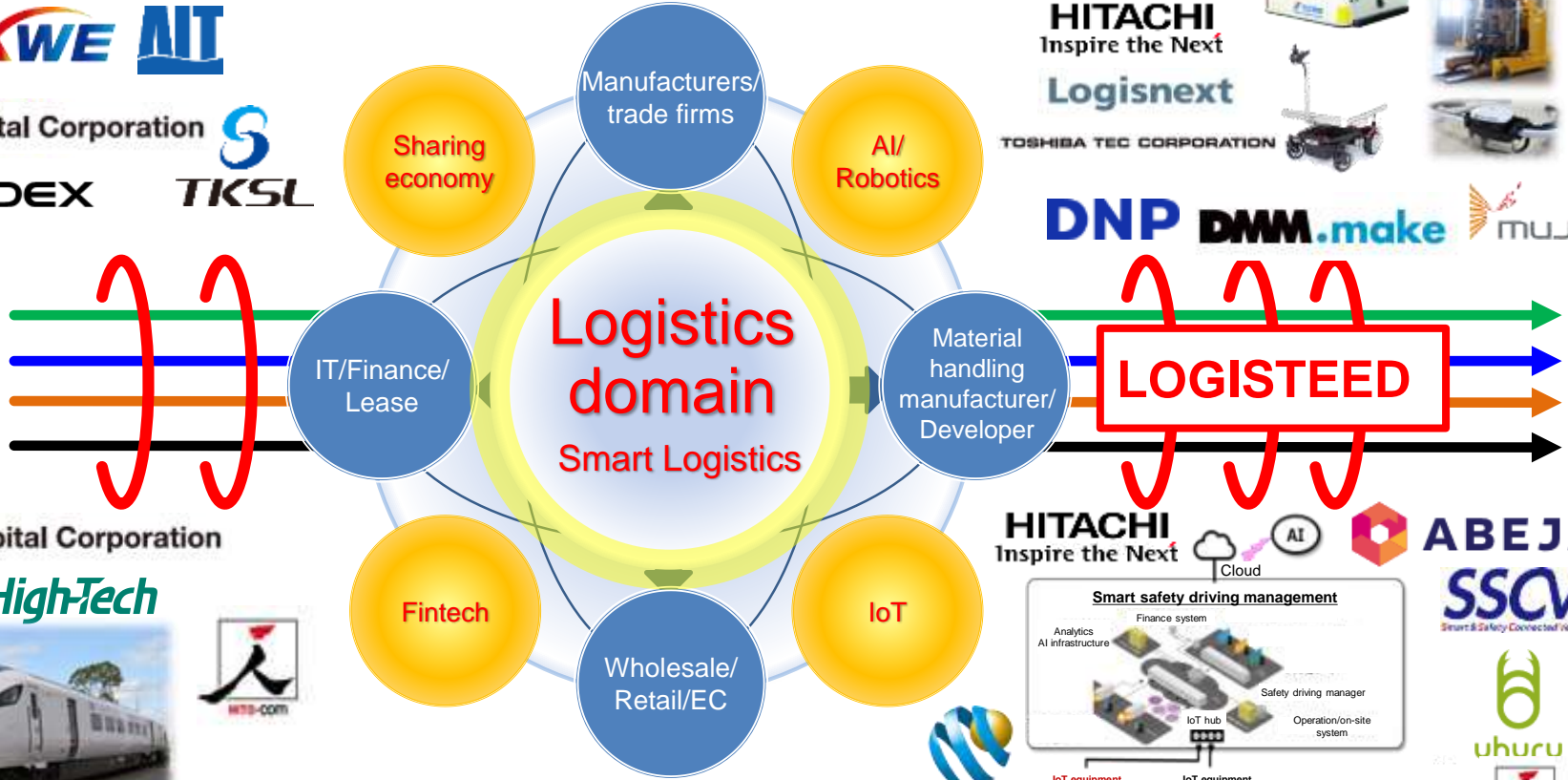
## Future Vision: Global Supply-Chain Solutions Provider



**Integrate four flows for better supply chain**



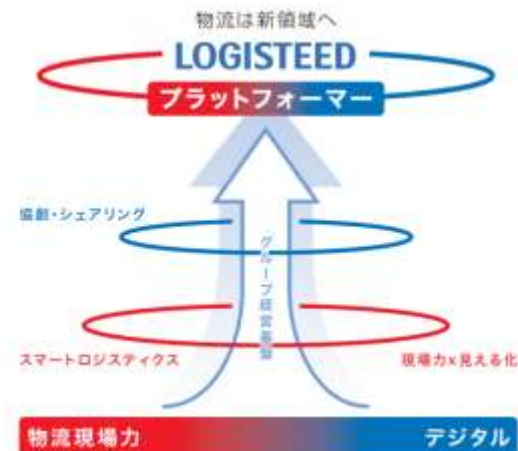
Finance  
Commerce  
Information  
Logistics





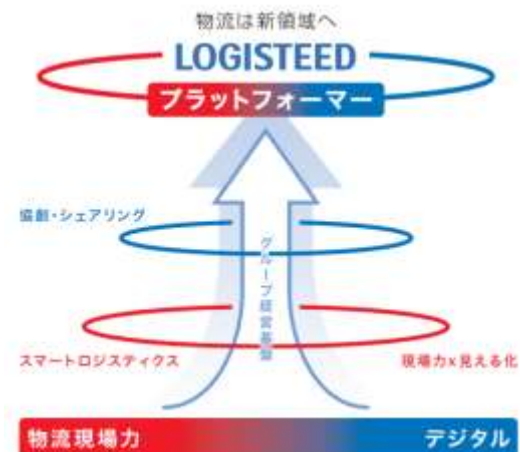
## 【Change and Evolution toward LOGISTEED】

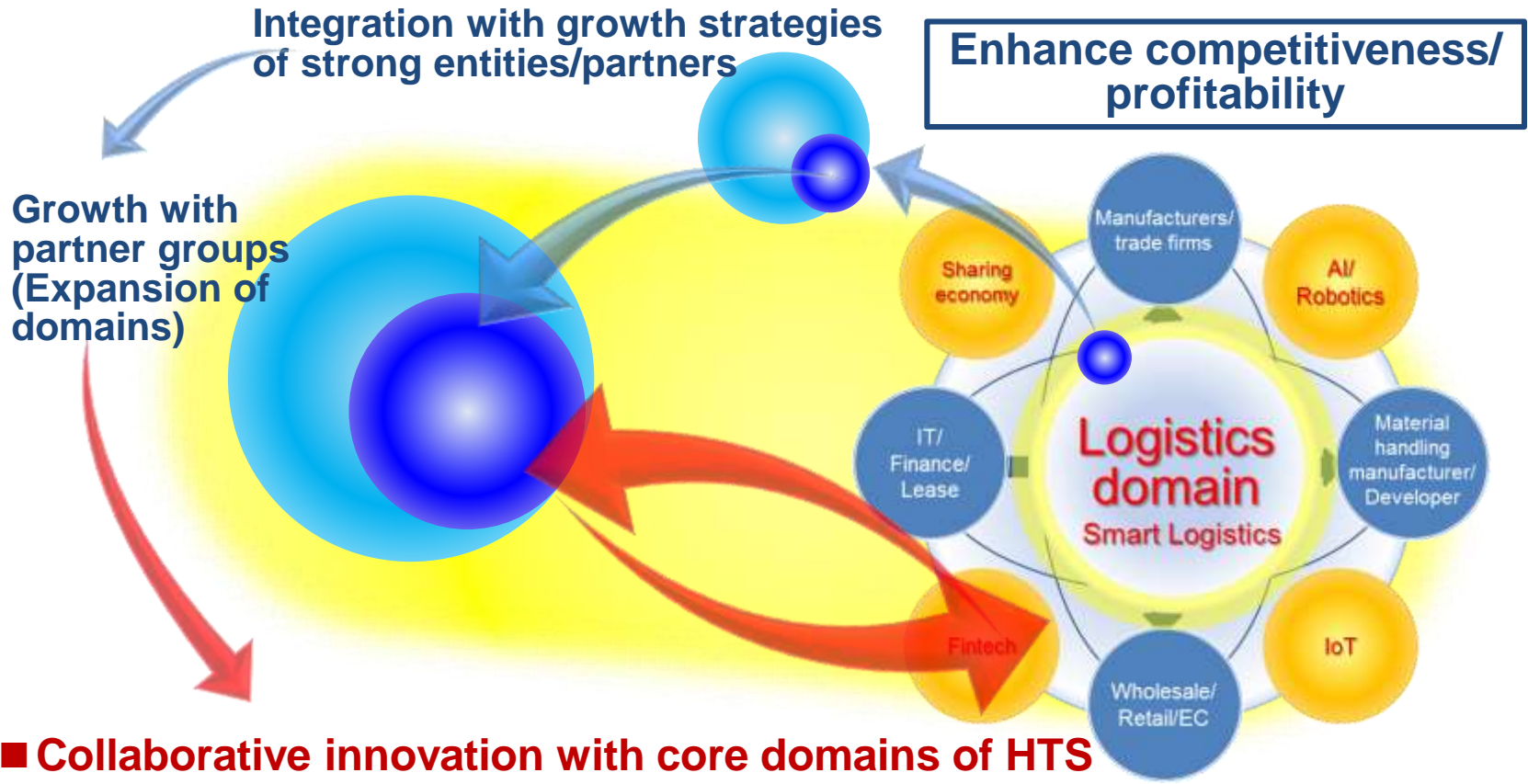
- Build a solid core domain (Smart Logistics)
- Collaborative innovation strategy aiming at further expansion of domains
- Supply chain based on and originating from Logistics
  - ✓ Digital transformation × Business
  - ✓ Logistics “Gemba” power × Platform
- Succession of hands-on approach
- Environment/Society/Governance





## Enhance the Core Domain





- Collaborative innovation with core domains of HTS
  - Expansion of business domain with strong business model
  - Mutual sustainable growth and improvement of corporate value





## Offer sophisticated logistics solutions rooted in the region

### EUROPE

Business expansion in Western European market using strong transportation network

- Expand intermodal business from Turkey (Develop to Western Europe and Central Asia)
- Innovation Center (the U.K.)
- Approach to African market (Final frontier: Economic zone with 1.2 billion people)



### NORTH AMERICA

Expand/strengthen service areas/domains

- Expand transportation network and promote sharing economy
- Implement collaborative strategy including various industries



### ASIA

Aggressive investment in growing market

- Enhance SC network in India (Deal with GST)
- Expand cold chain (Malaysia/Indonesia)
- Cross-border transportation in the Indochina Peninsula (Enhance collaborative innovation with SG Holdings)



### CHINA

Focus on high value-added business, expand to inland area

- Expand inland business (Chongqing, Chengdu, etc.)
- Delta initiative (Greater Bay Area)
- High Quality & Value (Medical/Dangerous cargo/LCM\* solution)
- Belt and Road (Intercontinental railway transport)



\* Life Cycle Management



# Enhance the Core Domain: Collaborative Innovation Strategy

Design supply chain based on and originating from the logistics domain



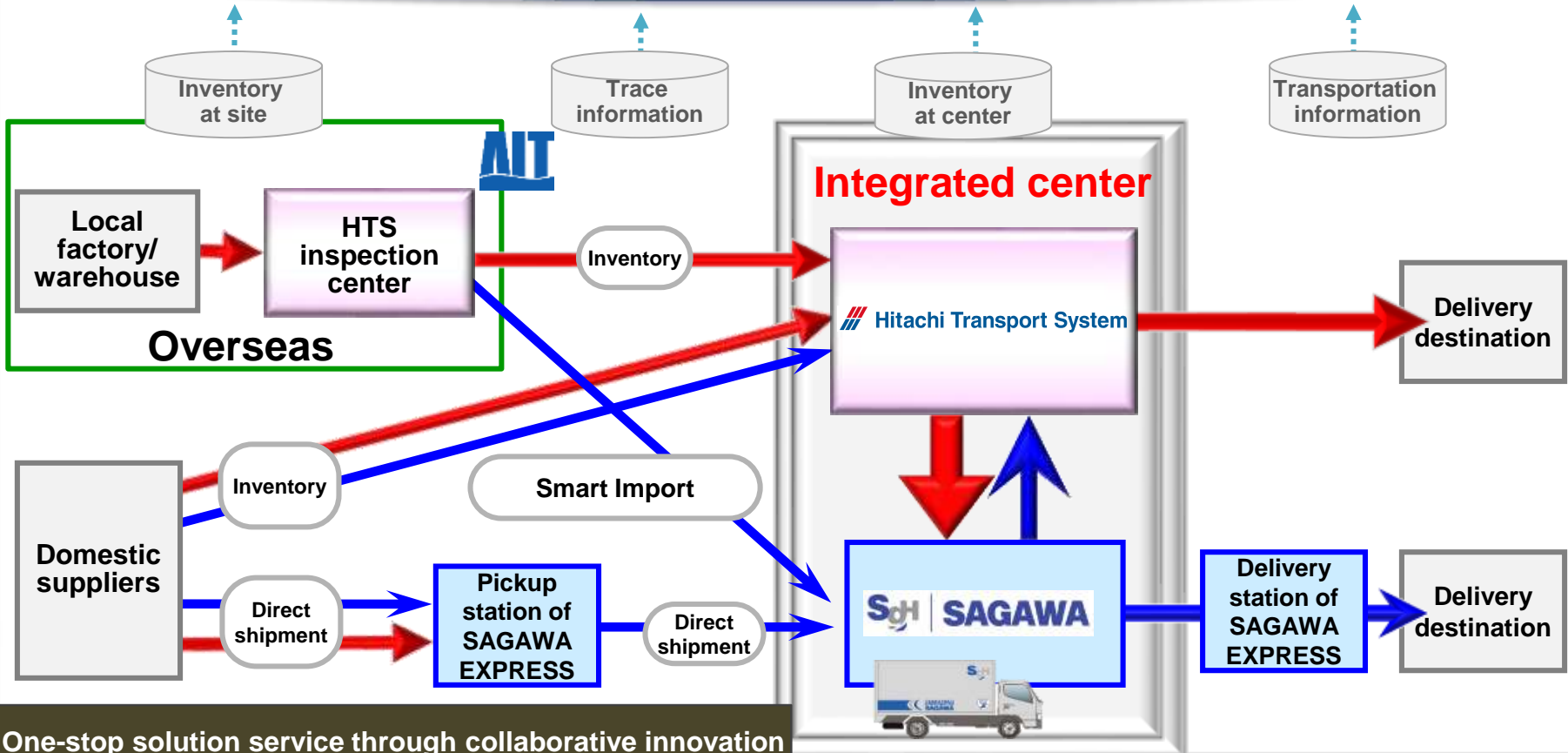
Open digital platform (Big data, AI, IoT)



Hitachi Capital Corporation [Centralization of information × Linkage of transactions and settlement]  
 [Forwarding × Trade finance] [Warehouse management × Asset management] [SSCV × Fleet management]



# Enhance the Core Domain: Collaborative Innovation Strategy (SG Holdings)



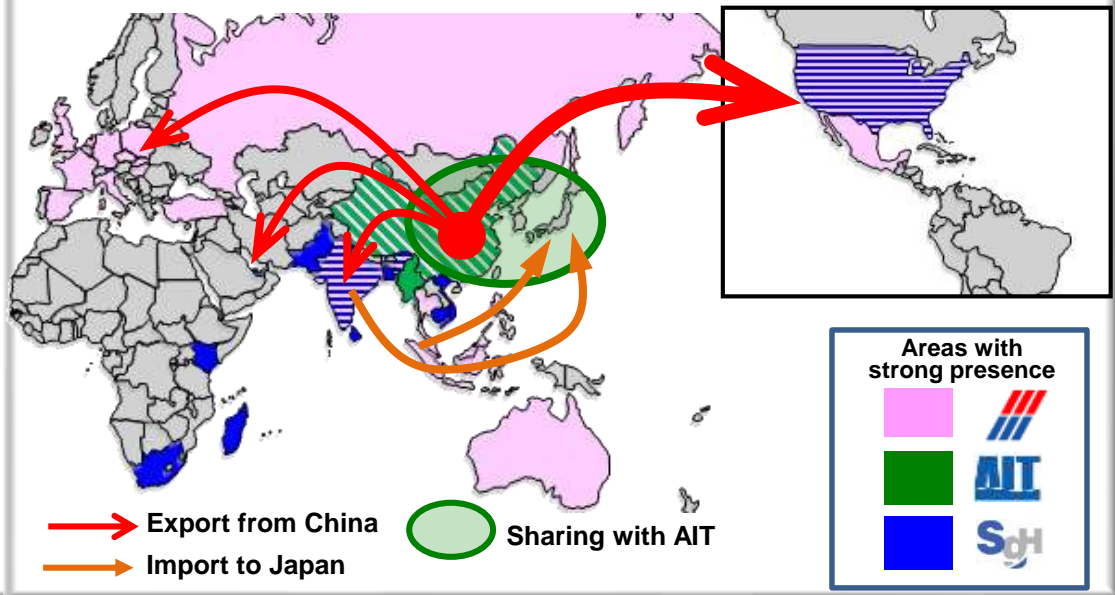
One-stop solution service through collaborative innovation



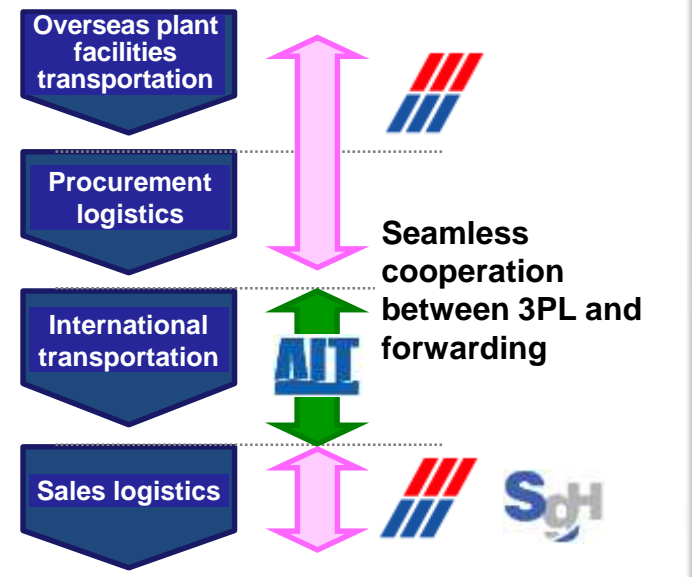
Open Digital Platform (Big data, AI, IoT)

## 【Forwarding Business】

- New marketing with AIT's sales capability × HTS's network  
(Sea transportation to North America, etc.)
- Promote sharing between AIT and the HTS Group



## 【3PL Business (Domestic/Overseas)】



- Creation of new customer value + Differentiation through new service (EC platform)





## ■ Accelerate development of new Smart Logistics technology and its on-site implementation



Vanning machine



Rider-type automated forklift



Depalletizer



Piece picking robot

☑ **Hardware + Software (AI/Volume projection/Blockchain technology, etc.)** → Accelerate R&D and verification

## ■ Enhance transport management

- ☑ **Enhance and optimize transportation capacity**
  - Utilize SSCV (Co-existence and co-prosperity with transportation companies)
  - Transport digital/TMS (VANTEC)
- ☑ **Utilize multi-axle trailer**

Use data analysis to draw up and implement transport improvement plan



Multi-axle trailer





## ■ Promotion of personal ownership (VC21\* activities)



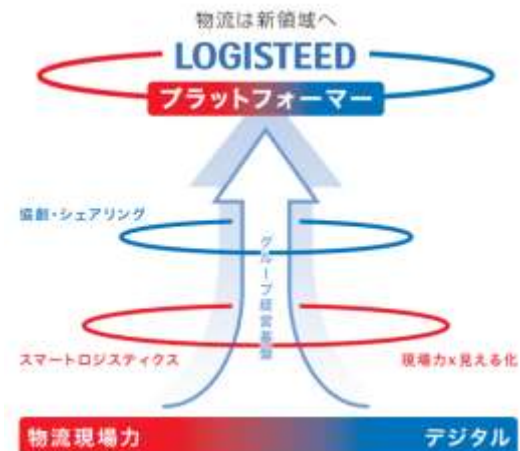
**Organization continuing to improve with each employee having “the sense of ownership”**

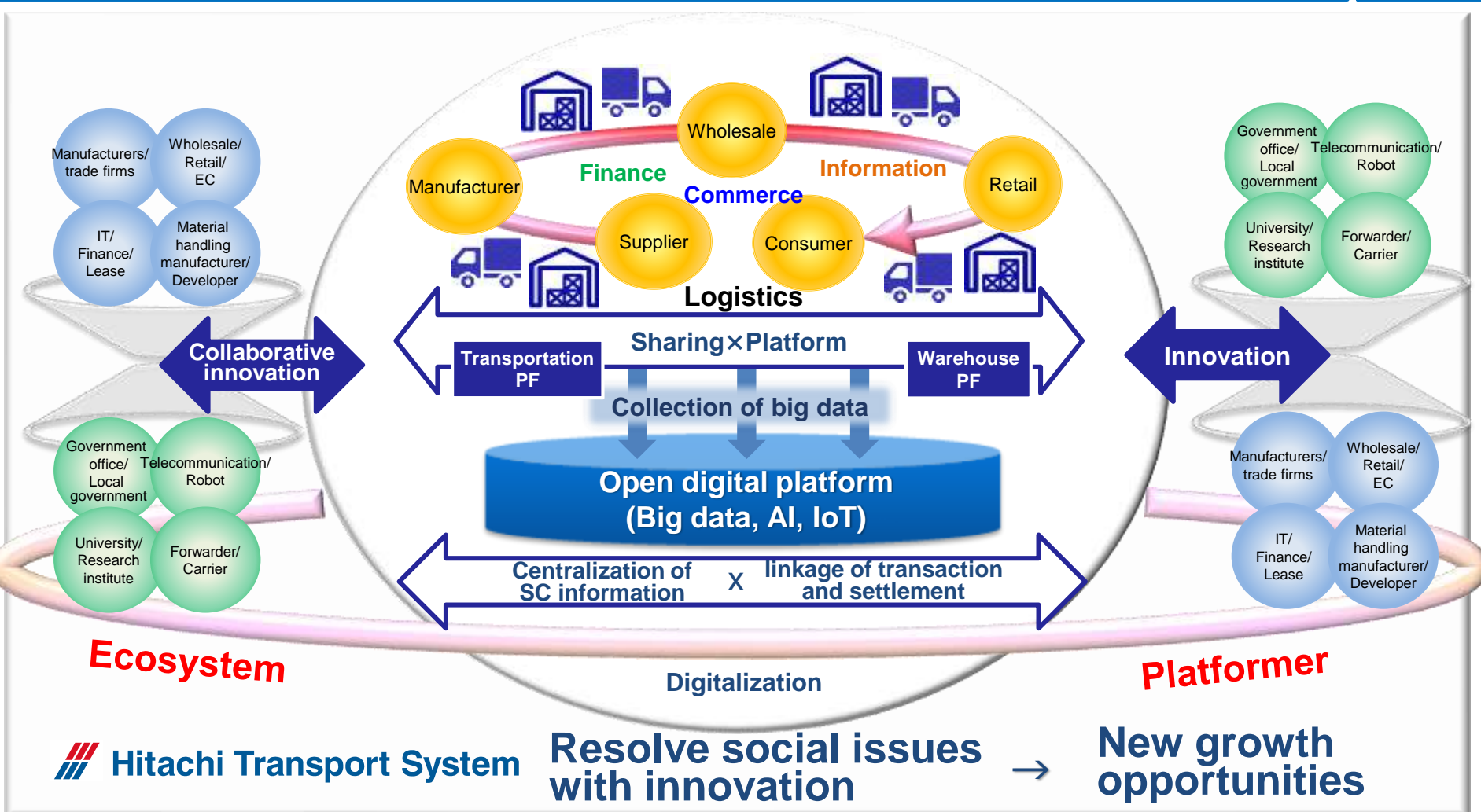


\* VC21 activities: Value Change & Creation 2021



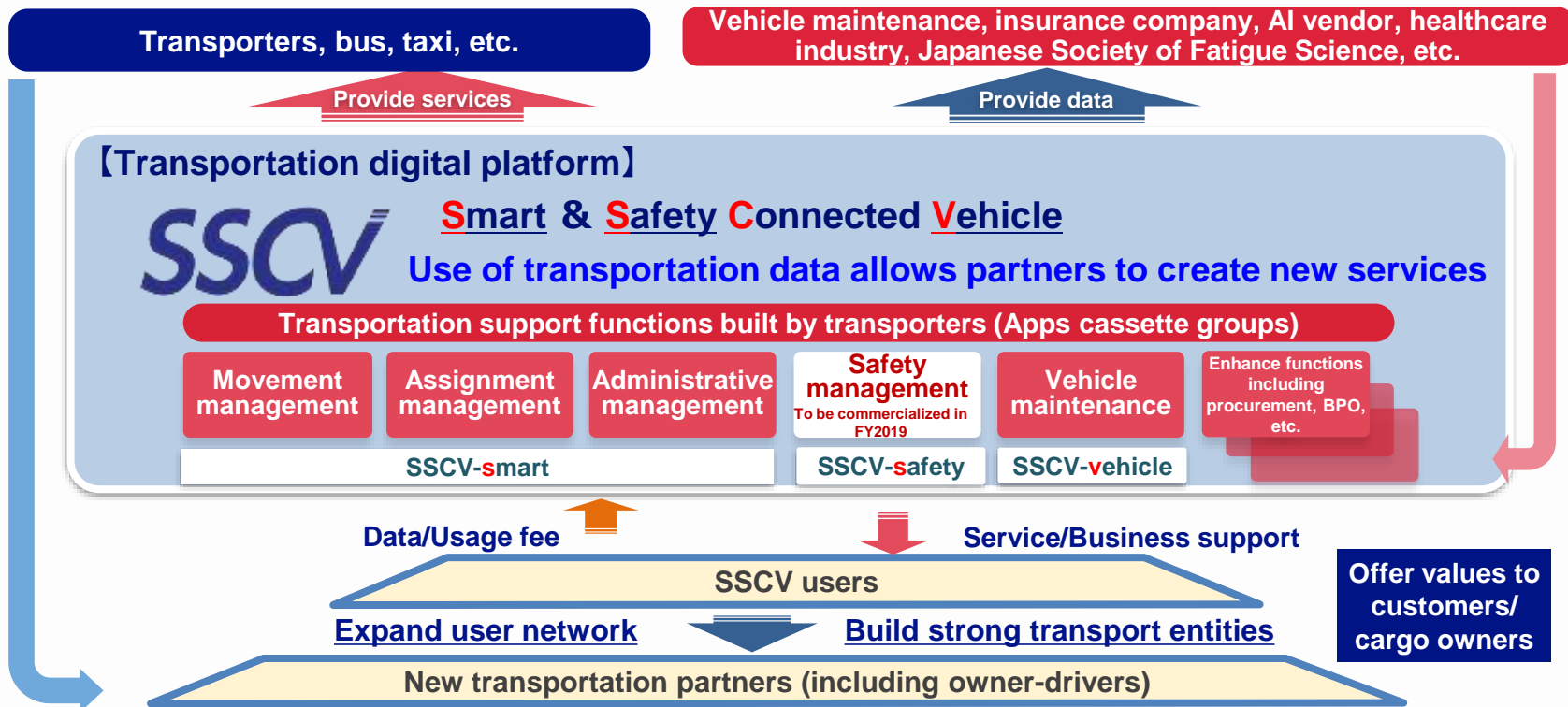
# Acquire New Growth Opportunities





Protect drivers from car accidents by making full use of IoT technology and support small- and medium-sized transport partners

“SSCV-safety (safety management)” to be commercialized in FY2019. Integrate “SSCV-smart (vehicle movement/assignment/administrative management)” and “SSCV-vehicle (vehicle maintenance)” to establish a transportation digital platform





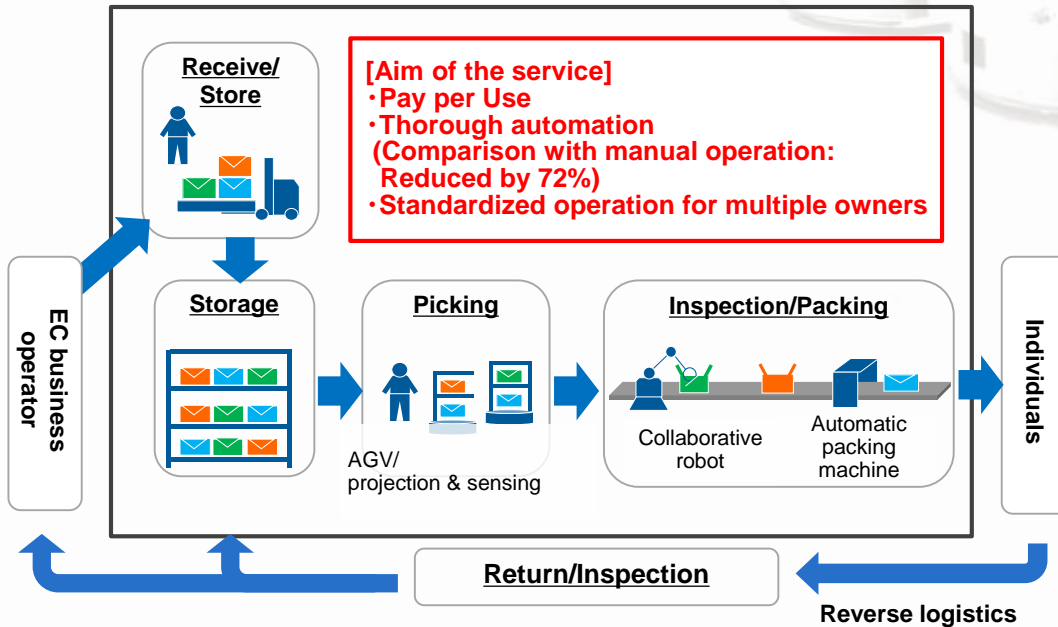
## Expand “Logistics “Gemba” power × Platform” through digitalization

### Concept

Sharing of “automated facilities,” “system,” “space,” and “man power”

Contribute to expansion of customers' EC

### ■ EC platform center (Kasukabe DC) <To be commercialized in FY2019 (scheduled)>

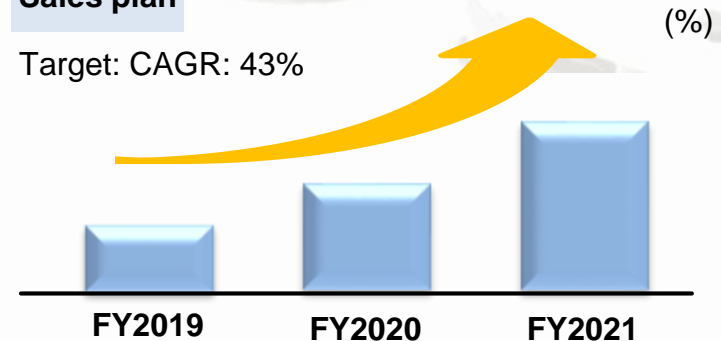


### 【Future plans】

- Promote expansion to multiple locations (Kanto, Kansai, and other areas)
- Enhance functions (insurance, settlement, returns, etc.)

### Sales plan

Target: CAGR: 43%





## Opening Innovation Center in the U.K.

- Location: Sunderland, the U.K.
- Opening date: January 2019

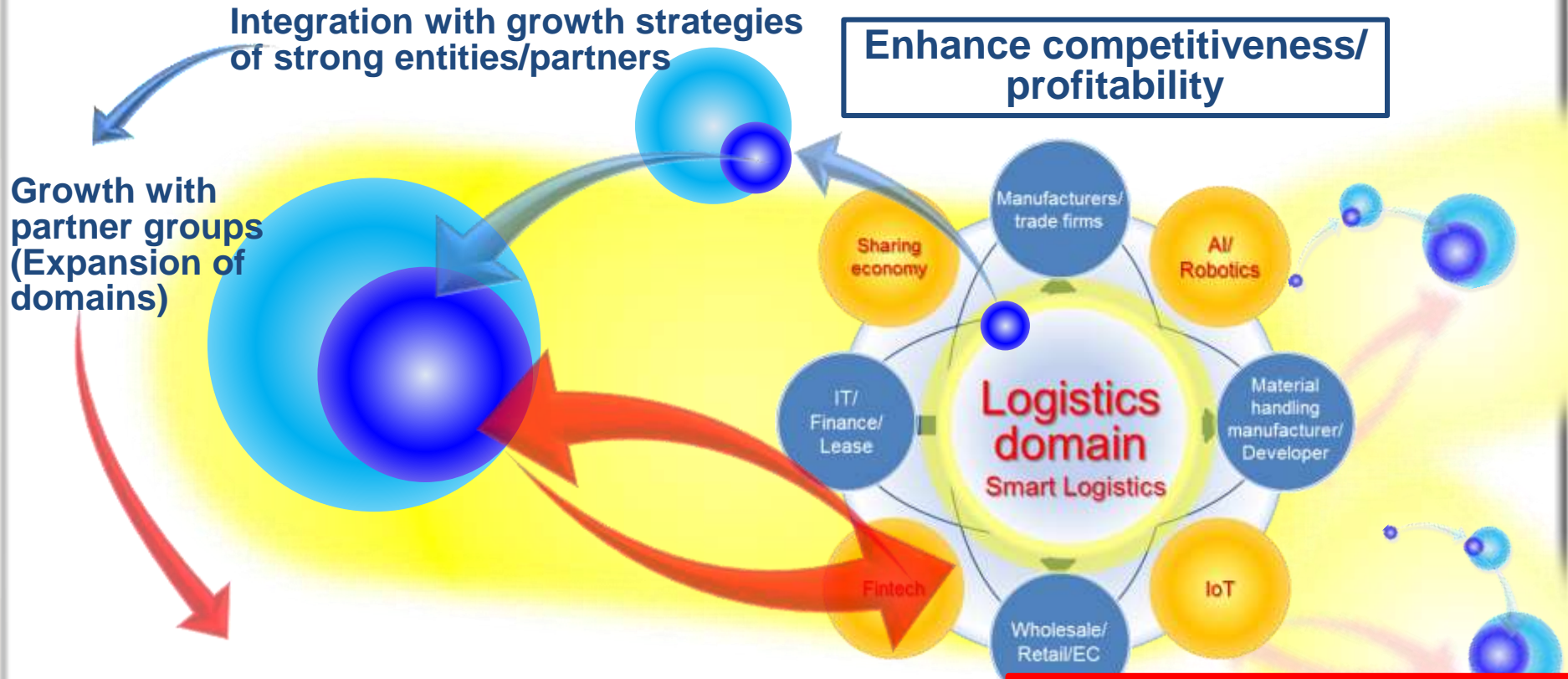


- ☑ R&D of new technologies through industry-government-academia collaboration
- ☑ Safety training center (forklift, etc.)
- ☑ Promoting global expansion of new technologies

## Innovation Lab Plan (Tokyo)



- ☑ Collaborative innovation area with customers/partners, etc.
- ☑ Sending out the HTS Group's values and LOSISTEED
- ☑ Fostering human resources to create innovation



- Collaborative innovation with core domains of HTS
- Expansion of business domain with strong business model
- Mutual sustainable growth and improvement of corporate value

**Build an ecosystem (to new domain)**



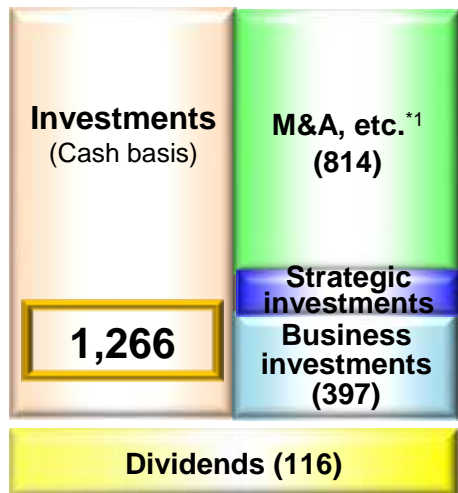
## Strategic investment for change and evolution into “LOGISTEED”

【FY2016→FY2018 (accumulated)】

【Mid-term Management Plan (accumulated)】

<Investment + Dividends>

(100 million yen) **1,382**



**1,530**



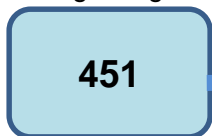
**Strategic investments 860**

(100 million yen)

- ☑ Promotion of DX\*2, establishment of IT platform
  - 〔 Implementation of big data management 〕
  - 〔 Transport digital, etc. 〕
- ☑ Development of new technology (R&D, verification of commercialization)
- ☑ Development of new business (Smart warehouse/SSCV, etc.)
- ☑ Human resources, safety, etc.
- ☑ M&As, capital policy, etc.

Balance at the beginning of FY2016

(100 million yen)



Operating CF:	+921
Investing CF:	(891)
Financing CF:	+603

Balance at the beginning of FY2019



### Investment funds

“Accumulation of operating cash flows”  
+ “Financing cash flows”  
→ **Secure funds for the growth**

\*1 Including share acquisition and put option

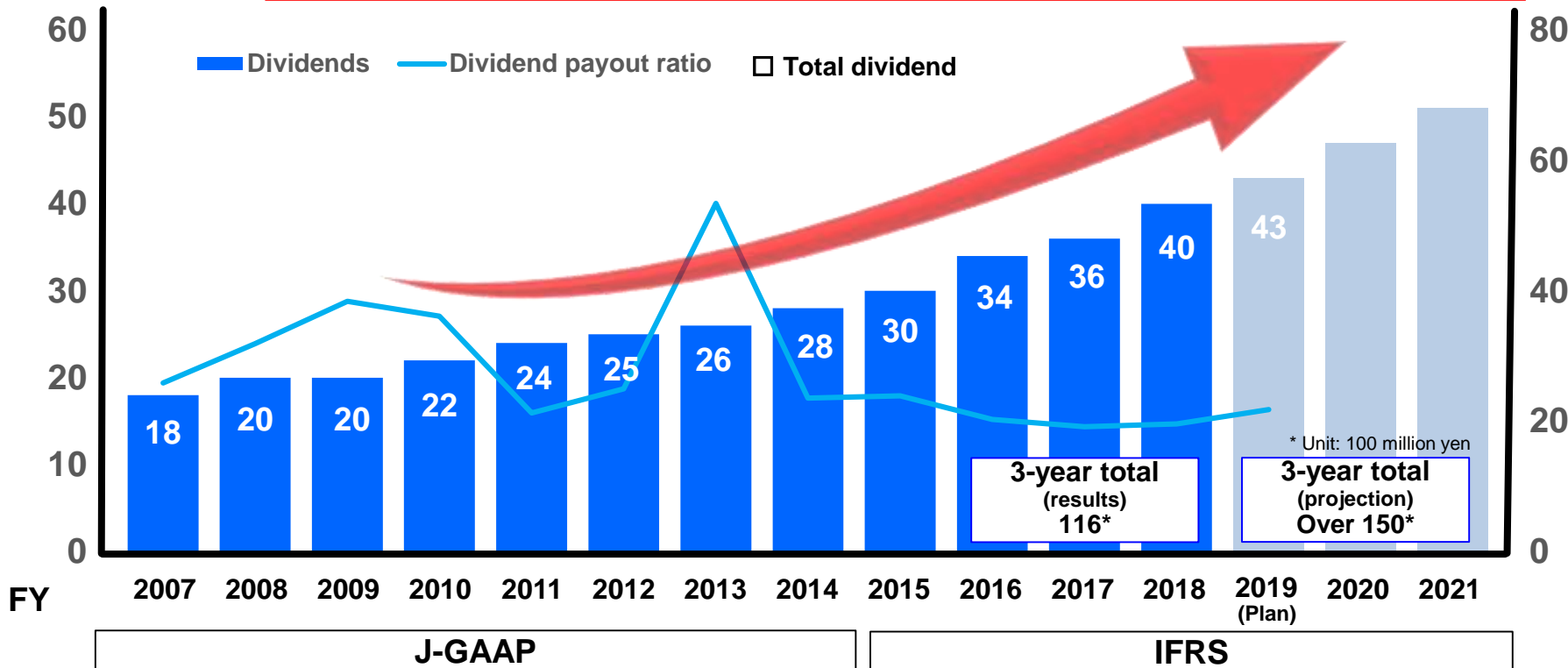
\*2 Digital transformation



# Dividend Policy

**Focusing on payout ratio of over 20%: Maintain stable dividend (dividend increase)**

Yen per share of stock



FY

J-GAAP

IFRS

**TSR (Total Shareholder Return) outperformed TOPIX**

\* Index being the stock price as of March 31, 2014 as 100

FY	2014	2015	2016	2017	2018
TSR of HTS	110	116	143	186	206 %
TOPIX incl. dividend	131	117	134	155	147



Focus on four objectives to drive innovation forward in supply chains with an eye to creating a sustainable society  
— Strengthen initiatives using PDCA cycle based on the following activities—

## 1. Pursue Next-generation Industries and Lifestyles



### Key activities

- Promote total optimization of supply chain by making full use of advanced technologies

## 3. Ensure Excellent Quality and Resilience



### Key activities

- Pursue high quality logistics services
- Reduce wastes and emissions
- Disaster recovery assistance

## 2. Enhance Occupational Safety and Productivity



### Key activities

- Secure safety in operation and transportation
- Promote diversity of the workplace

## 4. Realize Low-carbon Business Processes



### Key activities

- Increase energy efficiency
- Introduce renewable energy





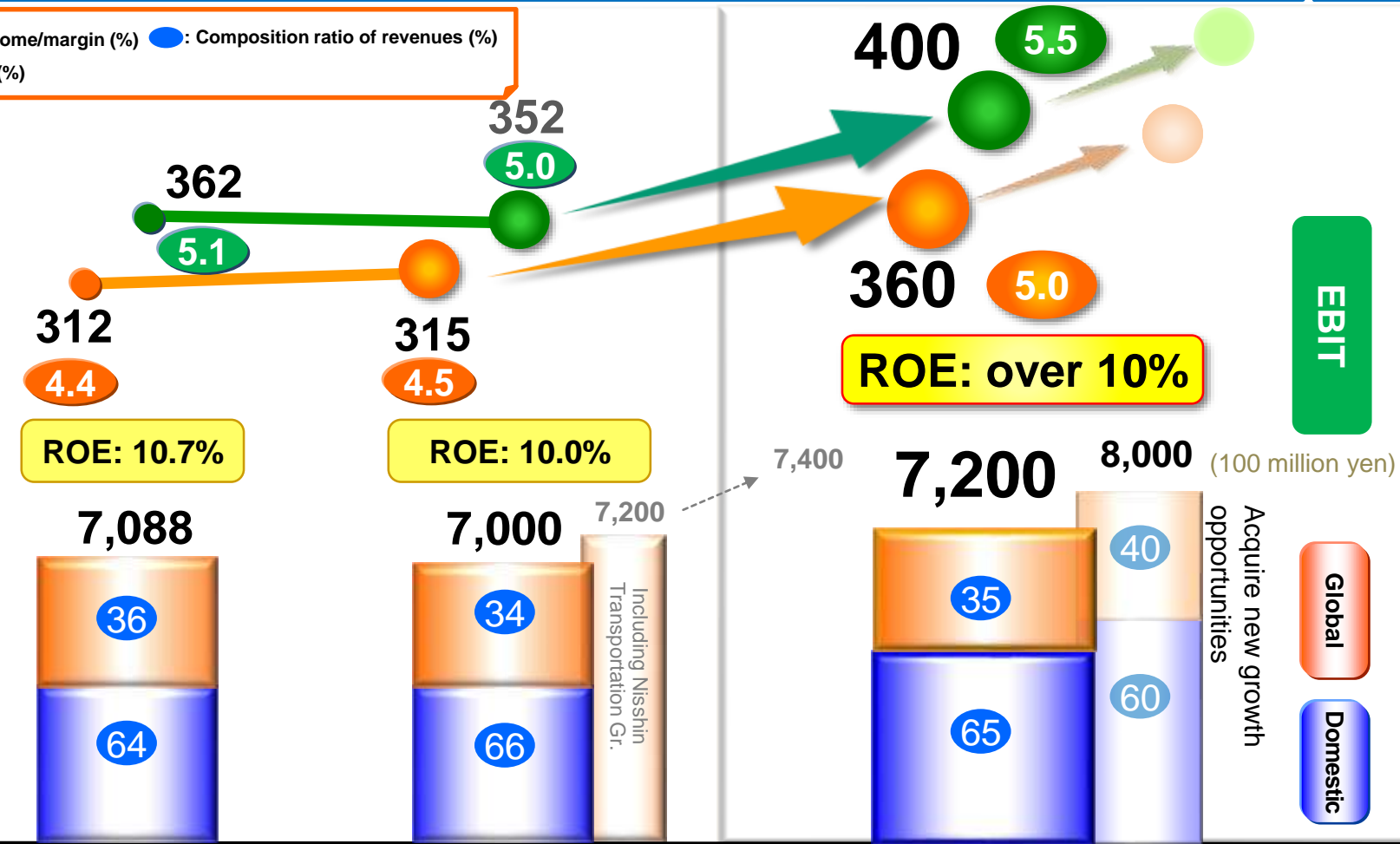
# Mid-term Management Plan: Numerical Targets

● : Operating income/margin (%) 
 ● : Composition ratio of revenues (%) 
 ● : EBIT/margin (%)

Operating income

EBIT

Revenues



FY2018 (Result)

FY2019 (Plan)

FY2021 (Mid-term Management Plan)

# Toward New Dimensions **LOGISTEED**

