



July 30, 2020

The 1st Quarter of FY2020 (Ended June 30, 2020) Financial Results Briefing

 **Hitachi Transport System, Ltd.**

I . 1Q of FY2020 Financial Results

Overview, Breakdown by Group, Impact of COVID-19, Detail of Variations for Revenues/Operating Income, Overseas Results by Region, Trend of New Orders/New Startups, Collaborative Innovation, Results by Business Category

II . FY2020 Plan

Overview, Plan(Breakdown by Group), Detail of Variations for Revenues/Operating Income, Topics (Strategic Investments, ECPF, Labor saving technologies, ESG initiatives, etc)



1Q of FY2020 Financial Results



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

	FY2019		FY2020			
	1Q		1Q			
	Results		Results		Y o Y	
					%	Change
Revenues		1,697		1,473	87%	-224
Operating income	<4.7>	79.4	<4.7>	69.8	88%	-9.6
EBIT (Earnings before interest and taxes)	<5.6>	95.0	<7.3>	107.1	113%	12.2
Net income attributable to stockholders of the parent company	<2.8>	47.7	<4.3>	63.3	133%	15.6

*Operating income in this document represents "Adjusted operating income."



1Q of FY2020 Results (Breakdown by Group)

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

		Revenues			Operating income		
		1Q	Y o Y	1Q	Y o Y		
Organic	Domestic logistics	<68>	902	98%	62.9	116%	
	Global logistics	Overseas	<24>	321	74%	12.2	73%
		Allocated to domestic companies (forwarding and others)	<5>	66	79%	-1.2	(-1.6)
	Total	<29>	387	75%	11.1	65%	
	Others (logistics-related businesses, etc.)	<3>	39	89%	1.7	40%	
Total		<100>	1,327	90%	75.6	100%	
Vantec Group	Domestic logistics	<68>	112	69%	-3.5	(-8.5)	
	Overseas	<32>	53	64%	-0.6	(-2.2)	
	Total	<100>	166	68%	-4.1	(-10.7)	
Consolidated Adjustment/ Amortization of customer-related intangible assets of VANTEC Group, etc.		-	-20	(+5)	-1.7	(+1.0)	
Total	Domestic logistics	<68>	1,009	94%	57.5	101%	
	Global logistics	Overseas	<25>	368	72%	11.8	67%
		Allocated to domestic companies (forwarding and others)	<4>	60	79%	-1.2	(-1.6)
	Total	<29>	428	73%	10.6	59%	
	Others (logistics-related businesses, etc.)	<2>	36	88%	1.7	40%	
Total		<100>	1,473	87%	69.8	88%	



1Q of FY2020 Summary of Results (Impact of COVID-19) LOGISTEED

Toward New Dimensions

(Unit: 100 million yen)

Segment		Impact		Details of Impact	
		Revenues	Operating Income		
Organic	Domestic	▲ 32	▲ 6.8	<ul style="list-style-type: none"> •Decrease in volume due to customer store closures and inbound decrease •Increasing the volume of daily necessities related customers such as daily commodities, medical care, EC, etc. 	
	Global	North America	▲ 33	▲ 3.5	[North America・Europe・Asia]
		Europe	▲ 25	▲ 6.3	<ul style="list-style-type: none"> •Decrease in volume due to decline in customer factory operation •Decrease in volume due to transportation restrictions •Decrease in import/export cargo handling
		Asia	▲ 6	▲ 1.5	
		China	3	1.4	[China]
		Total	▲ 61	▲ 9.9	<ul style="list-style-type: none"> •Recovery of domestic production and consumption •Decrease in import/export cargo handling
	VHF*	▲ 9	▲ 2.0	•Decrease in import/export cargo handling	
Other	▲ 2	▲ 0.4	•Delay in project in information system development business		
	Subtotal	▲ 104	▲ 19		
Vantec Group	Domestic	▲ 33	▲ 12.1	•Decrease in volume due to production stop at customer factories	
	Global	▲ 18	▲ 2.9	<ul style="list-style-type: none"> •Decrease in volume due to customer factory downtime and transportation regulations •Decreased import/export cargo handling (however, production and consumption recovered in China) 	
	Subtotal	▲ 52	▲ 15		
Total (simple sum)		▲ 156	▲ 34	<ul style="list-style-type: none"> •The above figures are estimates on a business basis (before the impact of IFRS reclassification (including lease) and some company-wide cost allocation) 	

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

Approximately 0.5 billion yen was recorded for subsidies (mainly overseas) in "other income" in the consolidated statement of income, and approximately 1.3 billion yen for fixed costs associated with non-operation of distribution centers and vehicles in "other expenses" Accounting

1Q of FY2020 Results (Revenues)

1Q of FY2020 Revenues (Result)

(100million yen)

1,697

Environmental/
volume changes

-253

19/1Q → 20/1Q

- Domestic/other : -110
- Forwarding/overseas : -159
- Expansion of existing operations : +15
- <Including>
- VANTEC Gr : Domestic : -49
- Gloval : -22

- USD: ¥ 110 → ¥108
- EUR: ¥ 123 → ¥118
- CNY: ¥ 16.1 → ¥15.2

Effect of
exchange
fluctuation

-19

Implementation
of portfolio
strategy

-1

- Domestic : +23
- Gloval : +18

New Orders

+41

New
collaborative
innovation

+8

+49

1,473

Impact of COVID-19 : -156

-224

	Environmental/volume changes, etc.			Effect of exchange fluctuation	Implement ation of portfolio strategy	New orders	New collaborative innovation	計
	Other volume changes	Expansion of existing operations	Subtotal					
Domestic	-113	11	-101		8	23	6	-64
Global	-159	4	-155	-19	0	18	1	-156
Others	3		3		-8		0	-5
Total	-269	15	-253	-19	-1	41	8	-224

1Q of FY2019 Results

1Q of FY2020 Results

1Q of FY2020 Results (Operating income)

1Q of FY2020 Operating income (Result)

(100million yen)

Impact of COVID-19 : -34

- Expansion of existing operations : +0.9
- Cost control : +15.3
- Withdrawal, etc : -2.6
- Other(COVID-19) : -32.7

**Environmental/
volume changes**

-19.1

79.4

- Domestic : +3.4
- Gloval : +1.1

Effect of
exchange
fluctuation
-0.7

Implementation
of portfolio
strategy
-1.5

New Orders
+4.5

New
collaborative
innovation
+1.2

Productivity
improvement
+6.1

69.8

+5.7

+11.8

-9.6

1Q of FY2019 Results

1Q of FY2020 Results



1Q of FY2020 Results (Overseas Results by Region)

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

	Revenues			Operating Income		
	FY2019	FY2020		FY2019	FY2020	
	1Q	1Q	Y o Y	1Q	1Q	Y o Y
North America	110	67	60%	2.3	-2.9	(-5.2)
Europe* ¹	167	118	70%	11.3	5.2	46%
Asia (excluding China)	101	78	77%	3.6	2.5	70%
China	127	98	78%	1.0	5.6	574%
Oceania and Others	11	13	118%	0.4	0.9	200%
Elimination of intra-company transactions, etc.* ²	-9	-6	(+3)	-0.8	0.6	(+1.4)
Total	507	368	72%	17.7	11.8	67%

*1. Turkey is treated as an European country.

*2. Amortization of Customer-related intangible assets of VANTEC Group and adjustment of costs due to non-operation are included in "Elimination of intra-company transactions, etc."



1Q of FY2020: Trend of New Orders/New Startups

[Unit:Projects]

		FY2019	FY2020	
		1Q	1Q	Y o Y
New Orders	Domestic	4	1	-3
	Global	3	2	-1
	Total	7	3	-4
New Startups	Domestic	5	4	-1
	Global	2	3	1
	Total	7	7	0

(Reference 1) New startups 1Q of FY2020

Domestic : [EC] EC center operation

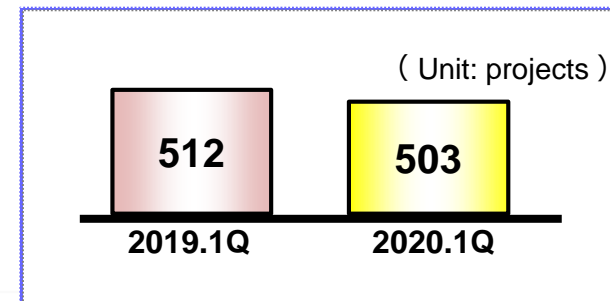
[Foods] Logistics center operation

[Machine] Logistics operation on factory premises

Global : [Education] Logistics center operations / transportation

(Reference 2) 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>





1Q of FY2020 Promotion status

From June 2020 in Saitama Pref.



Warehouse management for food manufacturer

*Refer to Page 18.

From May 2020 in Kanagawa Pref.



Consolidation/Relocation of Logistics center

From March 2020 in U.S.



Outsourcing of AIT U.S.

■ 1Q of FY2020 New contributions

(Unit: 100million yen)

	Revenues	Operating income
Domestic	6	0.9
Global	1	0.3
Other	0	0.0
Collaborative Innovation Effect	8	1.2

Collaborative innovation effect with AIT is included in figures above.



Reference

Results by Business Category (estimated)

*. (): Excluding amortization of customer-related intangible assets. (Unit: 100 million yen)

		1Q of FY2019			1Q of FY2020		
		Revenues	Operating income	Operating margin	Revenues	Operating income	Operating margin
	Domestic	921	53.1	5.8% (5.8%)	906	63.1	7.0% (7.0%)
	Global	200	13.5	6.8% (7.3%)	160	7.8	4.8% (5.4%)
	3PL	1,121	66.7	5.9% (6.1%)	1,066	70.9	6.6% (6.8%)
	Domestic	76	0.3	0.4% (1.9%)	62	-1.4	-
	Global	184	1.6	0.9% (1.3%)	139	4.9	3.5% (4.0%)
	Forwarding	260	1.9	0.7% (1.5%)	201	3.5	1.8% (2.6%)
	Domestic	154	2.9	1.9% (3.3%)	105	-5.9	-
	Global	117	2.3	2.0% (2.3%)	65	-0.4	-
	Automobile	270	5.3	1.9% (2.9%)	170	-6.4	-
	Other services	46	5.6	12.0% (12.0%)	36	1.8	5.0% (5.0%)
	Total	1,697	79.4	4.7%	1,473	69.8	4.7%



FY2020 Plan



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

	FY2019		FY2020			
	1 Q	Full year	1 Q	YoY	Full year	YoY
Revenues	1,697	6,723	1,473	87%	6,510	97%
Operating income	79.4	<5.0> 334.8	69.8	88%	<4.8> 315.0	94%
EBIT (Earnings before interest and taxes)	95.0	<5.9> 396.1	107.1	113%	<5.9> 385.5	97%
Net income attributable to stockholders of the parent company	47.7	<3.2> 216.1	63.3	133%	<3.3> 215.0	99%
ROE	8.6%	9.5%	10.7%	(+2.1%)	8.8%	(-0.7%)
Dividend Per share	-	¥43	-	-	¥44	(+¥1)

Organic: Revenues 583.1 billion yen (YoY: -1%) Operating income 30.9 billion yen (YoY: ±0%)

- ☑ **Domestic:** Daily necessities (daily commodities/medical/EC, etc.) are steady and LCM* and machinery/plant are on a recovery trend * Life cycle management
- ☑ **North America:** The automobile industry gradually resumes operations
- ☑ **Europe :** Volume gradually recovers in the intermodal business
- ☑ **Asia/China:** Production/consumption within the region recover while import/export receives impact of overseas market
- ☑ **VHF:** Structural reform continues while volume is expected to recover to a certain level

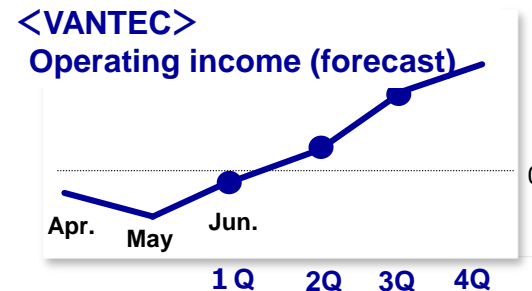
VANTEC: Revenues 76.1 billion yen (YoY: -20%) Operating income 1.5 billion yen (YoY: -61%)

- ☑ Profitability recovers gradually but severe conditions continue

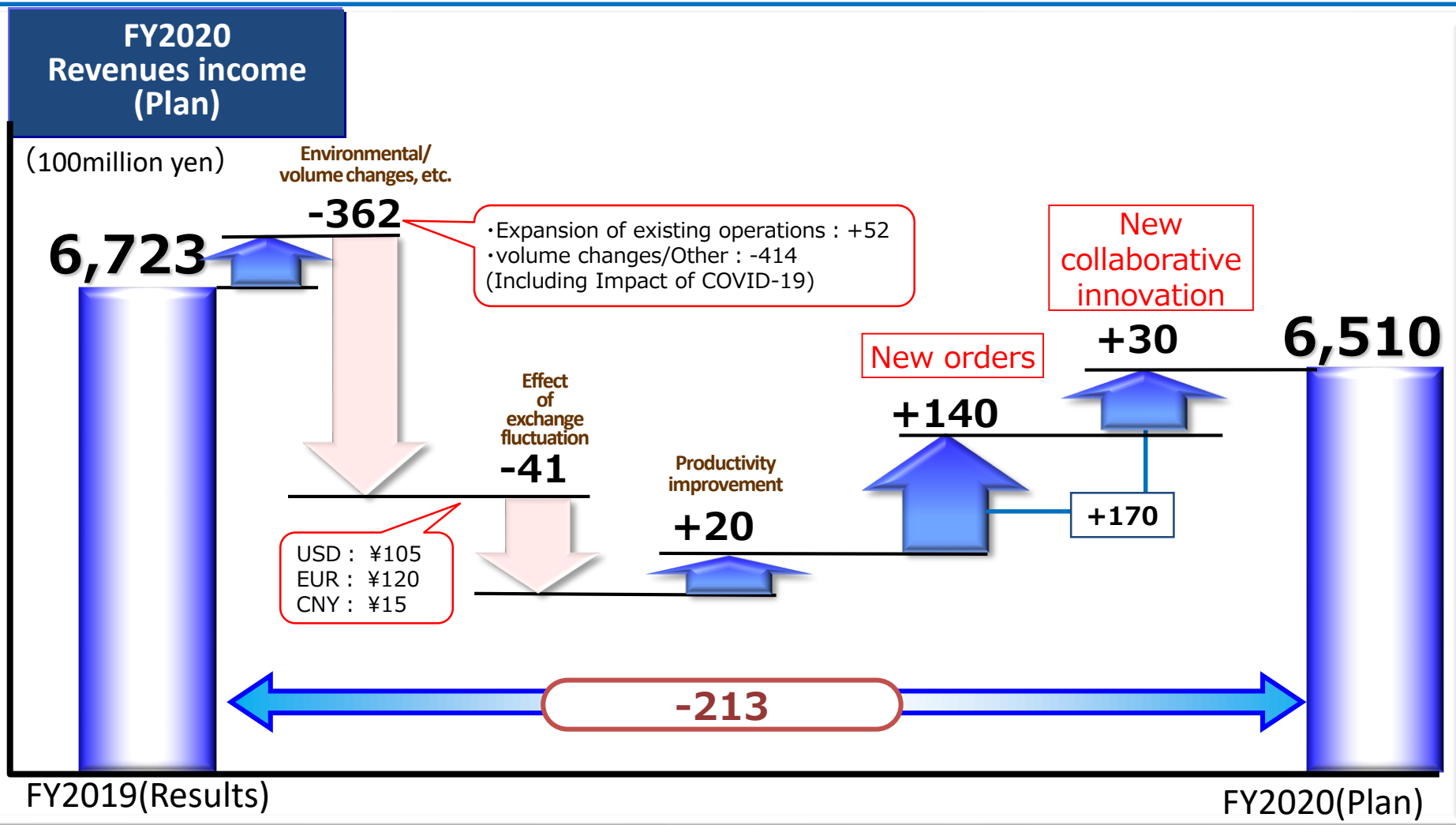
⇒ **Transform to a core transport company that supports 3PL (Share human resources/vehicles/facilities across businesses and regions)**

【Full-year plan】

Revenues*: 651.0 billion yen (YoY: -3%) Operating income*: 31.5 billion yen (YoY: -6%)



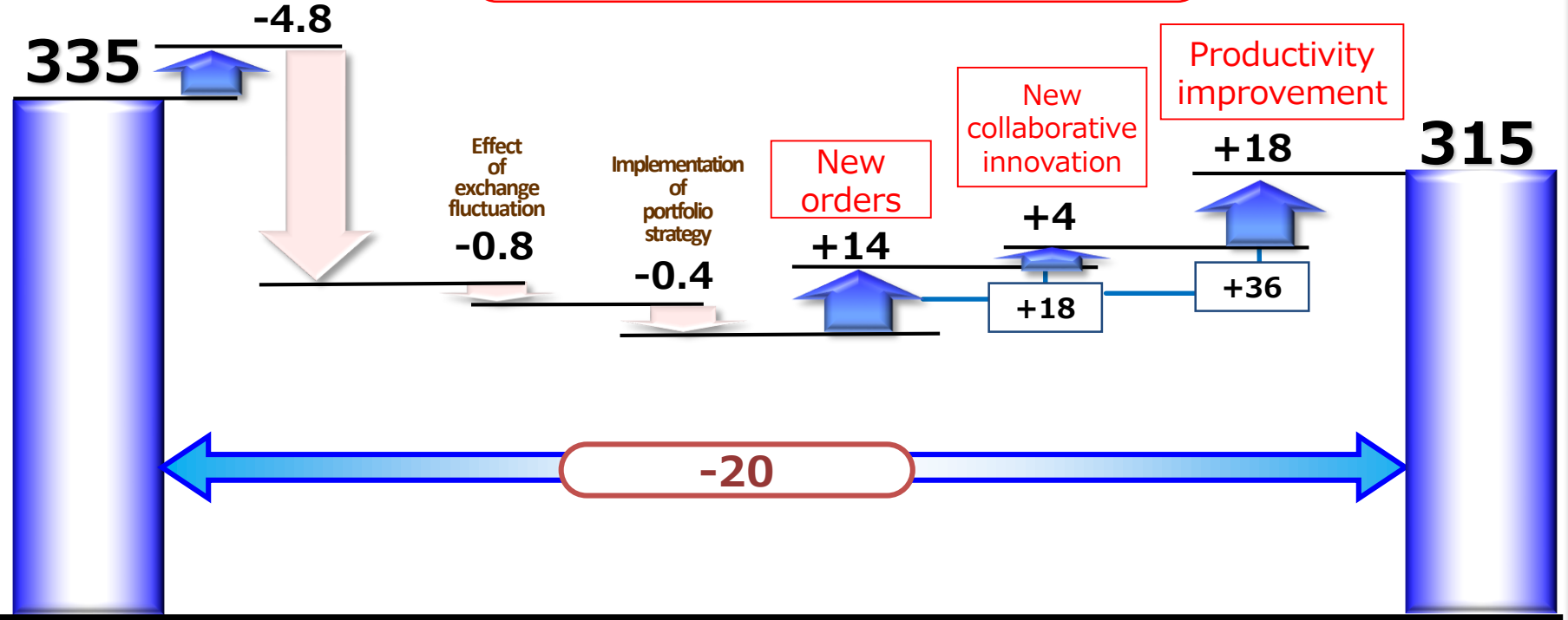
* Revenues include elimination of intra-company transactions, and operating income includes amortization of customer-related intangible assets of VANTEC Group.



**FY2020
Operating income
(Plan)**

(100million yen) Environmental/
volume changes, etc.

- Expansion of existing operations : +5
- Strategic investments : +10
- Volume changes (Including Impact of COVID-19) : -50
- Other(Work cost increase, Business risk, etc):-20



FY2019(Results)

FY2020(Plan)



Strategic investments for change/evolution to “LOGISTEED”

Toward New Dimensions
LOGISTEED

Smart Warehouse



**SMART:
WAREHOUSE**

Transport digital platform



... Safety
... Smart
... Vehicle } 3 solutions
Smart & Safety Connected Vehicle

Establish digital business platform



SCDOS
Optimization of supply chain

■ EC platform center

■ Accelerate implementation of labor-saving technology

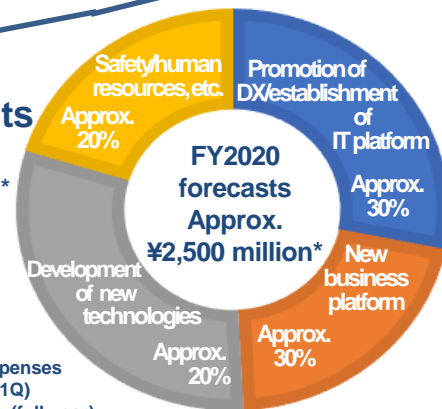


■ Sophisticate logistics using 5G



■ Strategic investments

FY2020
1Q: ¥550 million*



* Based on recorded expenses
FY2019: ¥550 million (1Q)
¥2,500 million (full-year)



Logistics sharing service for EC business operators aimed at establishment of a new business model

[Acquisition of base cargo]

Acquisition of base cargo including promotion for existing customers

- ✓ 1 existing customer/1 new customer
 - Major health food company, processed food/beverage
- ✓ Enhanced promotion for existing customers
 - Apparel, home appliance service parts, etc.

[Increase in new orders]

Acquired new orders from approx. 20 companies (as of July 2020)

- ✓ Major customers
 - Cosmetics, health food, processed food, daily commodities, etc.

Annual sales: approx. ¥1 billion

[Further sales expansion]

Enhanced recognition of service

Expanded new sales channels

- ✓ Enhanced non-face-to-face sales activities (marketing automation)
- ✓ Hold web seminars regularly
- ✓ Collaboration with collaborative innovation partners/cross-selling

Offering competitive price through sharing

No fixed cost

Pay-per-use

- Can start operation within a month at the shortest

Expanded services through collaborative innovation with partners

- ✓ Expanded from logistics core service to peripheral services
 - Increased partners for system linkage (from 3 to 5 companies)



Expected to be monetized in second half of FY2020

Free web seminars are held regularly

Information on special website and seminars for HTS smart warehouse





Introduction in the existing logistics centers

[Introduction of palletizer]

<Kanagawa>

- ✓Will start operation in March 2021
- ✓Beverage customer
- ✓Transfer of beverage cases (Pallet → Roll box pallet)



[Introduction of depalletizer]

<Kyoto>

- ✓Will start operation in March 2021
- ✓Distribution customer
- ✓In combination with existing shipping conveyors



[Introduction of piece picking robot]

<Chiba>

- ✓Will start operation in March 2021
- ✓Sports-related customer
- ✓In combination with existing rotary piece sorters



<Shizuoka>

- ✓Will start operation in June 2021
- ✓Daily commodities/food/ beverage customer
- ✓In combination with existing shipping conveyors and automated warehouse





Operation of East Japan II Medical DC



Location: Saitama
Time: Scheduled to start operation in February 2021
 (Full-scale operation of new technologies will start in September 2021)

✓ Logistics center conforming to GDP* and using HTS's operation know-how

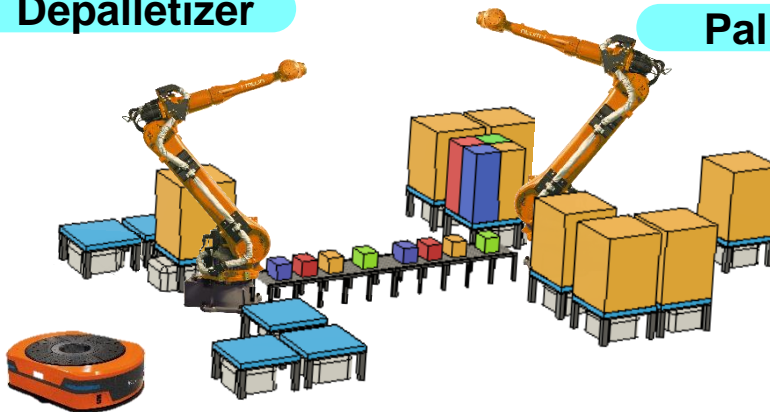
* Good Distribution Practice

✓ Find optimum combination of diverse new technologies to achieve high-efficiency operation of the entire logistics center

[New technologies, etc. under consideration for implementation]

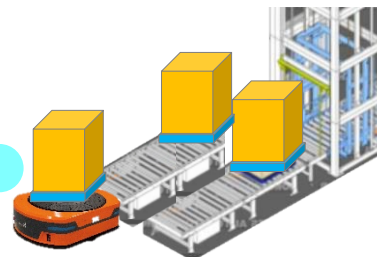
Depalletizer

Palletizer



AGV

Directly receive PL from vertical conveyor







Automated forklift



Participated in the UN Global Compact

HTS signed the UN Global Compact and joined the “Global Compact Network Japan” in May 2020

[The ten principles of the UN Global Compact]

Human rights 	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labor 	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labor;
	Principle 5	the effective abolition of child labor; and
	Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment 	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-corruptior 	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.



Developed medium-to-long-term environmental target

■ Target for FY2030 ■ Stretch target for FY2050

CO₂ gross emissions

Compared to base year*1
Cut by 30%

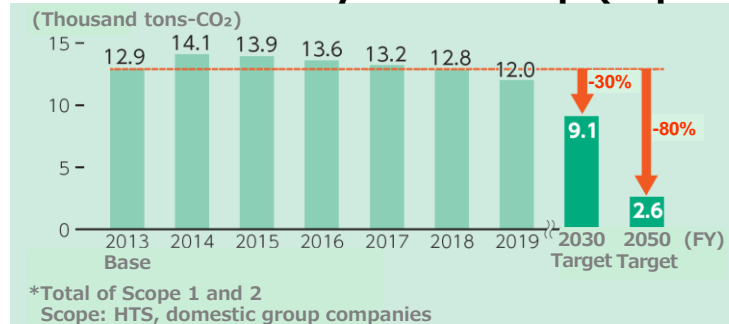
Compared with base year*1
Cut by 80%

*1: Base year: FY2013

Scope of emission: Energy-related CO₂ emission by the Group through business operation

Type of energy: Electricity, fuel for vehicles, etc.

CO₂ emissions by HTS Group (Japan)



Will issue an Integrated Report in September 2020

Newly issue an Integrated Report in lieu of the existing Annual Report

* Explain the Group’s value creation process and business model and introduce initiatives for sustainable improvement of corporate value

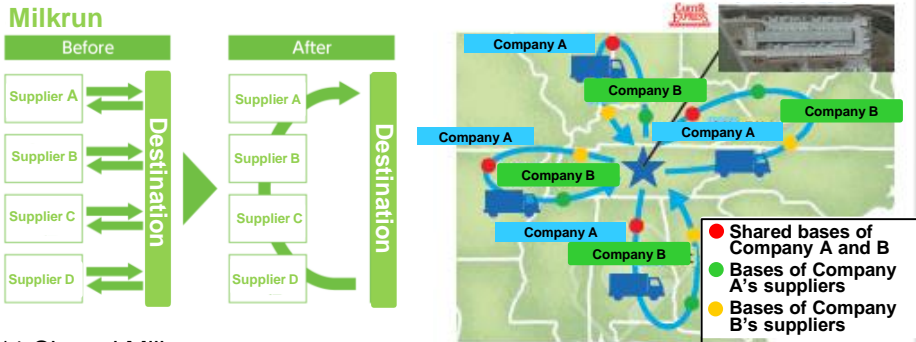
(Prepared by reference to “International Integrated Reporting Framework” by IIRC and “The Guidance for Collaborative Value Creation” by METI)

Shared Milkrun in North America *1

Improved transport efficiency and reduced CO₂ and air pollutants through cross-docking and sharing pickup routes

Estimated Effect

Reduction of CO₂/NOx emission: **22%**



*1 Shared Milkrun :

Transportation method whereby one truck visits bases of multiple suppliers to collect production parts and deliver them to a production plant

The 21st Logistics Environment Awards Received "Logistics Environment Special Award" *2

Improved transport efficiency through development of new dedicated transport container (introduced in container transportation of shredder residue*3)

Estimated Effect

CO₂ reduction: **31.9 tons/month**



New dedicated container (appearance)



Commendation

*2 Hosted by Japan Association for Logistics and Transport

*3 Residues after collecting iron and other usable materials from shredded industrial wastes

Will open a place to introduce our initiatives and activities for LOGISTEED at the head office in Kyobashi

<Purpose>

**“Share and seek knowledge with partners” and
“Accelerate collaborative projects with partners”**

**Seminars by partners
(Interactive business campus,
etc.)**



**Show the logistics
centers and good
examples**

**Scheduled to open in
December 2020**

For IR-DAY/media gatherings, etc.



**Workspace with
partners**



July 30, 2020

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 **Hitachi Transport System, Ltd.**



Toward New Dimensions

LOGISTEED