

CSR REPORT 2014



Corporate Philosophy

Hitachi Transport System takes a broad and balanced view of the future, and is always working to provide environmentally-friendly, high-quality services that help make the world a better place for mankind and nature



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The HTS Group's CSR Report Editorial Policy

- Report Objective
The purpose of this Report is to convey the objectives of the HTS Group CSR activities in a clear and concise manner to our stakeholders.
- Time Period
This issue covers recent activities, focusing mainly on FY 2013 information (in principle the period of April 2013-March 2014). This Report is issued annually.
- Organizations Covered
This Report covers the HTS Group (121 consolidated subsidiaries and ten equity method affiliates), with a special focus on HTS.
- Issue Date
June 2014
- Related Reports
HTS's economic performance is disclosed in our Japanese Annual Report. Additional information, such as on safety and the environment, is published on the Web.
<http://www.hitachi-hb.co.jp/>

Message from the President

I would like to extend my great appreciation to everyone for your ongoing support of Hitachi Transport System, Ltd. (HTS).

Since HTS was established in 1950, our core business has been to provide comprehensive B to B support for corporate logistics. By stepping up our key business concept of "Smart Logistics" in the global logistics market, we offer ideal solutions for our customers – and consistently strive to bolster corporate value through sincere and transparent CSR management.

HTS is an expert in the field of logistics – a critical aspect of social infrastructure linking production and consumption. In this important role, we are proud to offer cordial service that comes from the heart, and to work continuously to develop safety strategies to ensure the utmost in safety and environmental protection.

Our approach to safety is simple: to put safety above all else – a slogan that encapsulates our range of safety-related initiatives, including enhancing safety training and putting forth logistics services that incorporate the highest standards of both safety and quality. One example of how we pass on the HTS corporate culture of safety is our "Safety Caravan," a training program by which HTS instructors are dispatched to other countries to train our national staff in safety measures.

As for the environment, we implement a number of green logistics initiatives, including the modal shift and platform businesses. In 2013, we again claimed the top spot in the Nikkei Corporate Environmental Management Survey Transportation Division, for the fifth year in a row – a testament to our group's high-level work on the environment. Our goal is to continue to forge ahead to create a sustainable society, and to offer services that are even better for the environment.

As for logistics technology, we established a technical center in 2013, through which we provide optimal combinations of testing services to meet customer needs. The key is that it's all in one place – a system that helps to render the verification and improvement process even more efficient.

The HTS Group is fully committed to business development rooted in the basics – and in simply doing things the right way – and by conducting ourselves in this manner to earning the trust of all of our stakeholders and doing our part toward the creation of an even more affluent society.

It is my hope that this CSR Report will provide readers with a clear and concise overview of the HTS Group's CSR activities. In closing, I would like to once again thank everyone who stands with us at HTS.

June 2014

Yasuo Nakatani
President and CEO



*Smart Logistics: Total system logistics featuring sophisticated technology, on-site (warehousing) know-how, and a diverse array of services—offering safety and peace of mind to our customers, as well as environmental friendliness and one-stop convenience. Smart Logistics is comprised of three major components in which the HTS Group is highly specialized: System Logistics (3PL), Heavy Cargo Transport/ Engineering and Installation, and Forwarding.



CSR Initiatives

- a) Commitment to Corporate Social Responsibility (CSR)
- b) Contribution to Society through our Business
- c) Disclosure of Information and Stakeholder Engagement
- d) Corporate Ethics and Human Rights
- e) Environmental Conservation
- f) Corporate Citizenship Activities
- g) Working Environment
- h) Responsible Partnership with Business Partners

Corporate Governance

To achieve even greater financial health and transparency, and also to establish a system that can respond deftly to changes in the business environment, we have adopted the committee governance structure. This means that we have effectively separated our corporate management and our business implementation, a setup that largely transfers business decision-making rights from our board of directors to our executive officers. This enables rapid decision-making and implementation on initiatives such as restructuring and strategic investment. In addition, because we believe that considering the subjective opinions of parties from outside the company facilitates monitoring of the Board of Directors and transparency of management, we have also hired outside directors.

Bolstering the Foundations of CSR Initiatives

1. Compliance

•**Thorough compliance:** At the HTS Group, in order to ensure that our management observes relevant laws and ordinances, we have created a compliance system that involves both a basic policy and a full compliance program. We also aggressively train employees and educate them on these aspects. In this way, we work to raise awareness throughout the Group not only on national law but on internal bylaws and corporate ethics as well.

•**Internal whistle-blowing/consultation system:** To help prevent illegal actions and/or inappropriate actions in the Group, we have established an internal whistleblowing and consultation system. The system is designed to detect any problems early on and to rectify them.

2. Internal Controls

HTS has set up an Internal Controls Committee, through which internal controls related to financial reporting are documented and also assessed for effectiveness throughout the HTS Group. By adhering to internal control reporting systems on financial reporting as stipulated in the Financial Instruments and Exchange Act, we ensure even greater trust in our financial reporting.

3. Information Security

•Information security initiatives

To protect various kinds of information such as business, personal and group information, we work to raise and maintain security levels throughout the Group, based in information security policy.

In particular, as threats to security have grown in recent years, in addition to our traditional employee training, we also implement case-study based training to raise the awareness of each of our employees on information security.

•**Acquisition and maintenance of third-party certification:** We encourage third party certification and maintenance of this certification, specifically ISO27001 (information security management system) and the Privacy Mark, to give our stakeholders a sense of security and peace of mind with regard to personal and classified information.

Our Privacy Mark certification was renewed for the third time in May 2013.

Third Party Certification (as of March 2014)

ISO 27001*	37 Departments
Privacy Mark*	6 companies



*ISO27001: Certification given by the International Organization for Standardization (ISO) to entities meeting specified standards on information security management systems.

*Privacy Mark: The Japan Information Processing Development Corporation grants the Privacy Mark to businesses that meet a specified standard on appropriate handling of personal information.

4. Risk Management

At the HTS Group, we have devised BCP*s in preparation for natural disasters, mainly on scenarios of large-scale earthquakes and on the super-flu. To render our BCPs as effective as possible, in 2013 we implemented various types of hands-on training as well as seminars with a view to boosting disaster-response preparation—both of the organization as a whole and of individual employees. In addition, we have also worked to bolster our BCPs in terms of equipment including—for major locations—a safety confirmation system that enables us to quickly ascertain the safety of our employees, and a satellite-based cell phone system.

*BCP: Business Continuity Plan
A plan designed to ensure that core functions are not interrupted (or are rapidly reinstated) in the event of a large-scale disaster.



First-response training in the event of a natural disaster (transport by stretcher/with blankets)



A seminar on toilets and sanitation in the event of a disaster (Japan Toilet Labo)

Corporate Data

Corporate Overview (as of March 31, 2014)

Company Name: Hitachi Transport System, Ltd.

Address: Toyo 7-2-18, Koto-ku, Tokyo 135-8372

Tel: 03-5634-0333(main number)

Established: February 1950

Capitalization: ¥16,802,000,000

Consolidated Sales: ¥624,540,000,000 (as of March 2014)

Group Employees: 48,843

Group Companies: 131

Domestic Locations 357

Overseas Locations 408

No. of Shareholders: 6,402

Group company vehicles: Trucks* 3,778

Trailers 3,201

Forklifts 4,921

Other* 1,666

*Trucks: Includes tractors and vans

*Other: Includes buses and passenger cars

Major Businesses

- 3PL (System Logistics)
[Comprehensive logistics packages for corporations]
(Logistics system creation, information control, inventory control, order-taking/fulfillment, distribution processing, distribution center operations, plant site logistics operations, deliveries, customs procedures, international transport combining and integrating land, sea, and air transport, etc.)
- Transport/inbound operations/installation of regular cargo, heavy cargo, art pieces, and more
- Large-scale relocation, e.g. plants, offices, etc.
- Warehousing and trunk room services
- Collection and transport of industrial waste

The HTS Network (Major Group Companies)

As of April 1st, 2014

Domestic Companies

Higashinippon Hitachi Transport Service Co., Ltd.

Kanto Hitachi Transport Service Co., Ltd.

Shutoken Hitachi Transport Service Co., Ltd.

Minamikanto Hitachi Transport Service Co., Ltd.

Chubu Hitachi Transport Service Co., Ltd.

Nishinippon Hitachi Transport Service Co., Ltd.

Kyushu Hitachi Transport Service Co., Ltd.

Hitachi Transport Direx Co., Ltd.

Hitachi Collabonext Transport System Co., Ltd.

Hitachi Orientlogi Transport System Co., Ltd.

Hitachi Finenext Transport System Co., Ltd.

Vantec Corporation

Vantec HTS Forwarding, Ltd.

Nisshin Transportation Co., Ltd.

Project Cargo Japan, inc

Hitachi Distribution Software Co., Ltd.

Hitachi Auto Service Co., Ltd.

Hitachi Travel Bureau, Ltd.

Overseas Companies

Hitachi Transport System (America), Ltd.

J.P. Holding Company, Inc.

Hitachi Sistema de Transporte Mexico, S. A .de C.V.

James J.Boyle & Co.

Hitachi Transport System (Europe) B.V.

ESA s.r.o.

Mars Logistics Group Inc.

VANTEC HTS Logistics (RUS), LLC

Hitachi Transport System (Asia) Pte. Ltd.

Hitachi Transport System (Malaysia) Sdn. Bhd.

Hitachi Transport System (Thailand), Ltd.

Eternity Grand Logistics Public Company., Ltd.

PT Berdiri Matahari Logistik

PT Hitachi Transport System Indonesia

Hitachi Transport System (Vietnam) Co., Ltd.

Nisshin (MYANMAR) Co., Ltd.

Flyjac Logistics Pvt. Ltd.

Hitachi Transport System (China), Ltd

Vantec Hitachi Transport System (Hong Kong) Ltd .

CDS Freight Holding Ltd.

Hitachi Transport System (Taiwan) Ltd .

Hitachi Transport System (Korea), Ltd.

Hitachi Transport System (Australia) Pty. Ltd.

S a f e t y

Safety above all else:
that's how we think



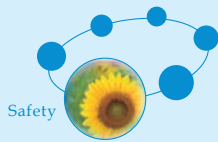
Ongoing safety training



Tomoyasu Kato
Safety Section
Labor Safety & Corporate Quality Assurance
Promotion Office
Hitachi Collabonext Transport System Co., Ltd.

I learned a great deal during my half-year of safety specialist supervisor training, including not only skills and knowledge, but also how to understand the perspective of the people we have working in our warehouses. This taught me to really think for myself about how to guide them in a way that touches them—something that is highly significant for me. My goal is now to teach people how to eliminate accidents completely, using language and methodology that anyone can understand.





Hitachi Transport System Group Morning Meeting on Safety

With a view to eliminating accidents and incidents, a special company-wide morning meeting is held on safety every April and October. At this meeting, our top executives convey a message to all of our employees on safety.



Hitachi Transport System Group Safety Day

As part of initiatives to prevent recurrence of accidents, and to ensure that we never neglect the feelings of those involved in accidents or their families, we have named July 1 the HTS Group Safety Day.

Policy on Boosting Safety and Quality

We ask all of our employees to keep the following in mind as they implement the initiatives described below: 1) ensure that safety and health are top priorities, and 2) earn customer trust by boosting logistics quality.

FY2014 HTS Group Safety and Quality Initiative Policy

- Safety and Quality Slogan
Foster a corporate culture solidly rooted in maintaining quality, safety, and good health.
- Initiatives
 - Implementing safety and quality programs to prevent accidents, with everyone's participation
 - Providing logistics quality and consistent improvement that earns customer trust and boosts corporate value
 - Creating a dynamic, upbeat work environment where everyone is considerate and alert to any employee health problems

The 5S3Teis and Risk Assessment

At HTS, thorough enforcement of the 5S3Teis* forms the basis of our safety and quality initiatives. We also assess risk* by inspection of facilities and reports of hiyari hatto * (potential/hidden dangers).

*The 5S are: seiri (organizing), seiton (order), seisou (cleanliness), seiketsu (neatness), and shitsuke (discipline), while the three teis are teii (proper position), teihin (proper item), and teiryō (proper quantity).

*Hiyari hatto (potential dangers): This refers to instances of dangerous situations that, though seemingly minor, could potentially cause accidents or develop into disasters.

*Risk assessment: A scientific, systematic method of identifying potential dangers or hazards and reducing or eliminating them to prevent accidents ahead of time.



Posters showing an overview of the 5S3Tei

Accurate Safety Confirmation

The simple techniques known as verbalized operations* and pointing/verbal announcement* can help prevent accidents and disasters caused by human error.



*Verbalized operations technique: Drivers verbally describe their actions as they drive, in accordance with road and traffic conditions. This helps maintain focus and awareness of dangers. This technique is used mainly by drivers of trucks and commercial vehicles.

*Pointing/verbal announcement techniques: By using this confirmation technique requiring the use of one's arms and fingers as well as one's eyes and mouth, brain function is improved and the confirmation process is rendered more effective. This technique is used mainly by forklift drivers.

Warehousing Operations Workshops

Since 2007, we have regularly held the "Smart Logistics for Warehousing Operations Efficiency Workshop," through which we share case studies of superior initiatives implemented by the HTS Group.

Sharing Health and Safety Information

● Safety & QA News

This internal magazine is issued monthly (in Japanese, English, and Chinese), to provide an overview of accident case studies, reasons behind these accidents, and how to prevent similar problems.

● "Health Topics"

To help our employees to achieve better health, this magazine offers the latest news in the field as well as other information including easy steps to health.

Safety Training for Parties Outside the HTS Group

Drawing on our extensive driving instruction skills, in addition to safe driving instruction for the HTS Group, we provide road safety training for customers, affiliate companies, and more, on request, specifically for truck drivers, commercial vehicle drivers, forklift drivers, and more. We also send lecturers specializing in safety to teach at training sessions provided by public institutions.

Safety and Quality Training Development

To prevent accidents and incidents on the job, in addition to boosting individual knowledge and skills on safety and quality, we also teach managers and supervisors to be able to train their workers more effectively.

- Training for On-Site Warehousing Supervisors
Our on-site warehousing supervisors are provided with instruction on how to impart the HTS Group's special culture of safety adapted to their individual work site, using practical training methods.



- Training Safety Specialist Supervisors
We offer a special half-year safety specialist supervisor training program, where participants acquire a variety of skills and knowledge on how to train others in safety.



● Bolstering Safety Instruction at Overseas Locations

To convey HTS's special corporate culture of safety to our locations abroad, we dispatch a special training unit called our "Safety Caravan," under which we send safety supervisors abroad to train our overseas employees in safety (the program has had over 1,000 participants in seven countries). We also offer training programs in Japan for overseas employees, also featuring a special safety curriculum.



Safety Caravan instructors explain how to use the handlift, at Hitachi Transport System (Australia) Pty. Ltd.

- Experiential Safety Training
We also offer a hands-on style of training where participants get a visceral sense of the threat of danger, with a view to eliminating unsafe actions and preventing accidents.



- KYT (Danger Anticipation) Initiatives
Prior to initiating operations, we hold what we call "KYT" (kiken yochi or danger anticipation training) as well as preliminary meetings. One common technique is the use of footage from drive recorders illustrating hiyari hatto potential dangers, which is shown to truck drivers in particular. The goal is accident prevention.

- Case Study Compilations of Past Accidents
To ensure that significant past accidents are not forgotten and to prevent recurrence, we utilize a special case study compilation of past accidents at our warehousing sites as part of safety training.

Upskilling and Boosting Safety Awareness



The HTS Group Truck Driver Contest/ Forklift Driver Contests

Boosting awareness of safety issues is critical to improving observance of laws and regulations as well as driving and inspection skills. For this purpose we hold the HTS Group Truck Driver and Forklift Driver contests. The HTS Group also holds these contests overseas, helping to convey our extensive body of techniques.



*November 2013 Forklift Driving Contest held at Dahang International Transportation (China)
*(Note that the company name was subsequently changed to Hitachi Transport System (China), Ltd., in April 2014).

Sending Contestants to Non-HTS Forklift and Trucking Competitions

Each year, the HTS Group participates in the National Forklift Driving Contest* and the National Truck Driver Contest* for the purpose of acquiring specialized knowledge, improving driving skills, and boosting awareness of safety issues. The HTS Group placed fifth in the National Forklift Driving Contest held in September 2013. In the National Truck Driver Contest of October the same year, we also placed second and fourth respectively in the 4-ton and 11-ton divisions, as well as placing second and fifth in the trailer divisions.

*National Forklift Driving Contest: An event organized by the Land Transportation Safety and Health Association, this contest is designed to achieve greater safety and to effectively prevent on-the-job accidents
*National Truck Driver Contest: An event organized by the Japan Trucking Association, in which contestants compete for the title of Number One Truck Driver in Japan. The Prime Minister's Prize goes to the top contestant.

•National Forklift Driving Contest



FY 2013 Results
One contestant placed

●5th place

■No. of placing contestants (1986-2013)

Winners	2 nd place	3 rd place	4 th place	5 th place	Total
5	8	8	7	5	33

•National Truck Driver Contest



FY2013 Results
4 contestants placed

- 4-Ton Division 2nd
- 11-Ton Division 4th
- Trailer Division 2nd/5th

■No. of placing contestants (1969-2013)

Winners	2 nd place	3 rd place	4 th place	5 th place	Total
34*	27	25	21	21	128

Twelve of the total have won the Prime Minister's Prize.

Environment

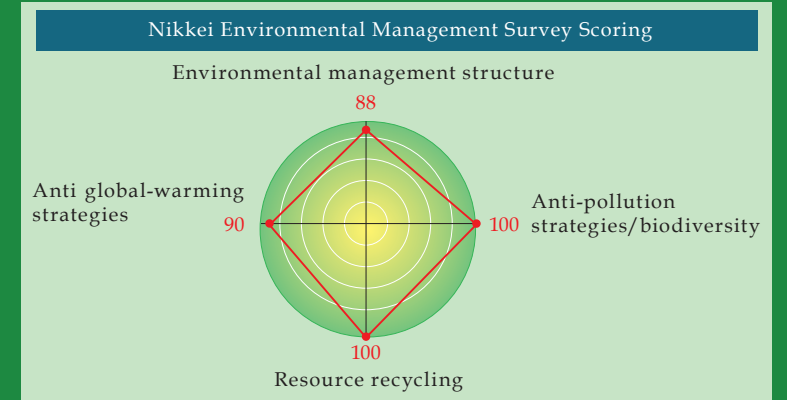
Doing everything we can for the future of humanity and our planet.



News

HTS Claims Top Spot in Corporate Environmental Management Survey for Five Consecutive Years

This Nikkei Environmental Management Survey is conducted annually by the Nikkei Inc. Assessing both environmental strategies and corporate management, it ranks companies demonstrating superior environmental management initiatives. The HTS Group attained first place this fiscal year as well, taking the top spot in the transport category four years in a row. To bolster our reputation even further, we plan to make additional improvements to our environmental management structure—particularly overseas environmental management—in the future.*



*Because the full score differs by category, the top score for companies surveyed is set at 100, while the lowest is 10. The red numbers indicate HTS's scores.



Effective Environmental Management

- Environmental Load Data Monitored by Web System
Since October 2012, HTS has conducted monthly Web-based environmental-load surveys. The purpose of this system is to assess how well environmental objectives have been achieved, to quickly identify and rectify problems, as well as to render environmental load management more efficient and to share data throughout the Group.
In FY2013, we conducted inspections and developed strategies for locations exceeding usage for the previous year (by 5% or more for electricity use by surface area, 10% or more for water), encouraging these locations to make improvements. In the future, we intend to use these procedures more widely, as a tool to help develop environment-friendly strategies including stopping global warming and recycling resources.

Preventing Global Warming/Saving Electricity

- Adopting energy-saving equipment
By stepping up the building of environment-friendly distribution centers and energy-saving equipment, we are working to reduce CO2 emissions levels.
- LED lighting installed everywhere in the VANTEC Kyushu Distribution Center
LED lighting has replaced all other types of lighting in the sixth and seventh centers (total of 44,000m2), cutting CO2 emissions by 125 tons (20%) annually compared to conventional fluorescent lights.



•Solar cells installed

Solar cells (33.6kW) were set up at the Shin-Fuji Distribution Center (launched October 2013), cutting 36 tons (7%) of CO2 emissions annually.



•The "Green Curtain" initiative

As part of our summer-season electricity saving and energy-cutting initiatives, we have introduced the "Green Curtain" initiative throughout the HTS Group.

*Green Curtain Initiative: By placing hanging plants such as goya in windows and on walls, indoor temperatures are cut by three to five degrees Celsius due to the heat-dispersing effect of the leaves and the shade that the plants provide.

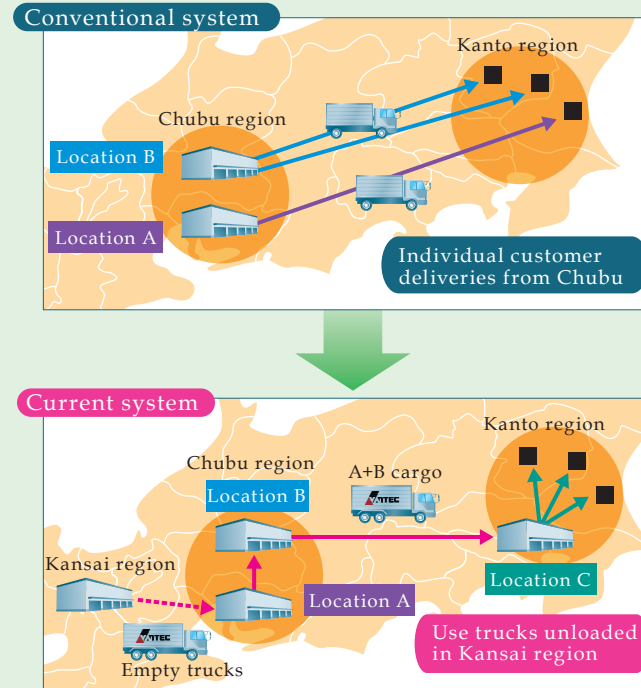
Environmental Management Initiatives Overseas

- Overseas environmental management coordinator meetings held
We hold biannual TV conferences with our Environment Management Coordinators in our four areas of operation around the world (North America, Europe, China, and the rest of Asia). The purpose of the meetings is to discuss the issues, share information, and thereby raise environmental management standards at our overseas locations.
- Ongoing fact-finding surveys
In order to properly assess and improve our environmental management, we implement surveys on the environment at our overseas locations, which we will continue to carry out in order to achieve consistent, continuous improvement.



Stepping Up Joint Logistics

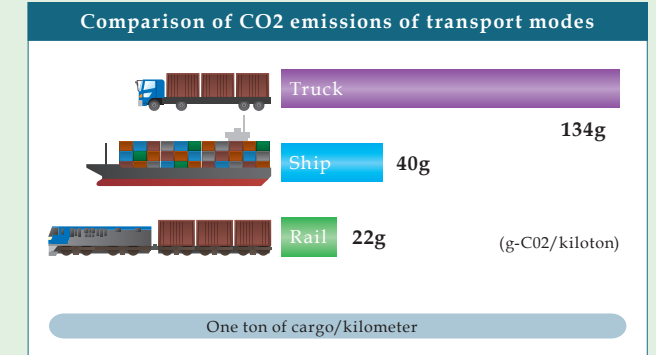
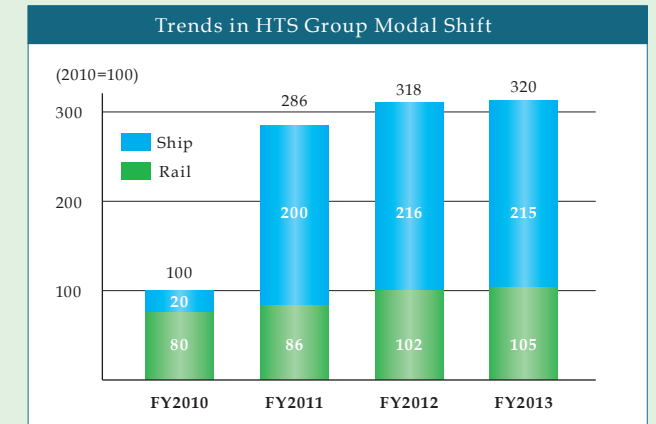
- Joint distribution of auto parts on return routes
Previously, we delivered customer cargo on an individual basis from the Chubu region to the Kanto region. Later, we began to employ trucks that had unloaded auto parts in the Kansai region for joint cargo deliveries from both Chubu and Kansai to Kanto at the same time. This system boosts efficiency of deliveries to the same region, and at the same time cuts environmental load.



Expanding on the Modal Shift Initiative

The Modal Shift is a significant component of our strategies to reduce environmental load. Ship and rail transport are important tools in long-distance transportation. The HTS Group takes an active approach to container transportation and RORO* ship transportation in efforts to expand on the Modal Shift even further.

*Roll on roll off ship: A type of vessel featuring an opening at the bow, stern, or side by which trailers can drive onto the vessel via a ramp



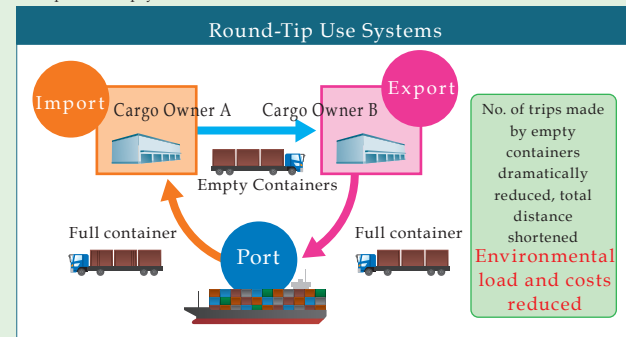
Source: Ministry of the Environment/Ministry of Infrastructure, Transport, and Tourism materials (FY2011)

Effective Use of Oceangoing Containers

- Stepping up Use of Round-Trip Use of Containers

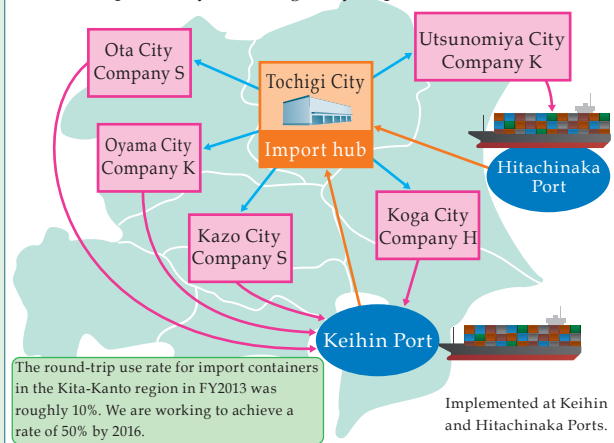
The round-trip use of containers is now becoming an integral part of the transportation process for both import and export cargo owners. Because the practice cuts costs by dramatically reducing total distances, and also serves to cut environmental load, we now offer a service to match cargo owners.

*Round-trip use: A transport method where export cargo owners use empty containers previously used by import cargo owners, practically eliminating the transport of empty containers.



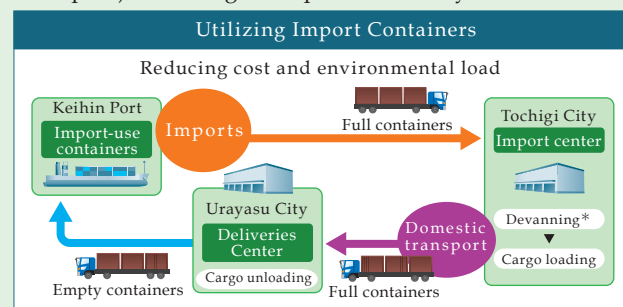
Matching Up Multiple Cargo Owners: Case Study of a New Service

We are working to match cargo owners located in close proximity to Tochigi City import locations



- Stepping up Transfer of Import Containers for Domestic Use

As of June 2013, we utilize import containers taken to Tochigi City in transport to Urayasu City (domestic transport), boosting transport efficiency.



*Devanning: Process of unloading cargo from containers



Import container transferred for use in domestic transport

- 45 FT International Freight Container Transport Test Run

Following a successful trial run in September 2012, we received Cabinet approval for the Miyazaki 45FT (freight ton) container distribution special zone in March 2013, which is now in operation. Forty-five foot containers are 13% more space-efficient than 40-foot containers, which helps to reduce environmental load.

Stopping Global Warming/Reducing Waste

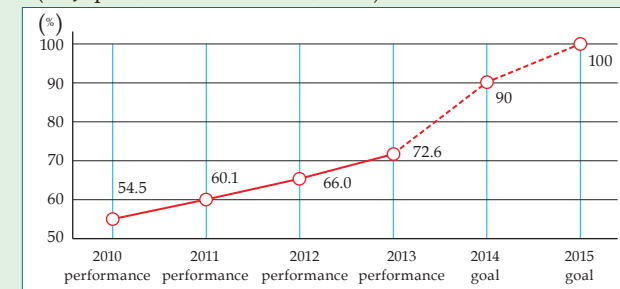
- Making the shift to eco-friendly vehicles and eco-friendly driving

At the HTS Group, we have a policy of switching to eco-friendly cars (highly fuel-efficient, low-pollution vehicles), as well as encouraging eco-friendly driving. We also require our transport affiliates to take similar initiatives.



Adopting eco-friendly cars (highly fuel efficient, low emissions)

- HTS Group percentage of eco-friendly cars (in Japan, as of March 31, 2014)



Note 1: Totals shown are personal and business vehicles combined.

Note 2: Eco-friendly vehicles are as follows: hybrid, natural gas, electric, and LPG vehicles, as well as highly fuel efficient vehicles certified by the government (vehicles meeting a specified standard), low emissions vehicles, and biofuel vehicles.

- Third-Party Certification Initiatives

The HTS Group seeks certification in Green Management by third parties.

As a result of these efforts, our Hitachi Service Division Heavy Cargo Transport Sales Office and Chugoku Regional Headquarters I Kasado Sales Office have been presented with the "Long-Term Green Management Award" for their initiatives over the past ten years, since 2003, by the Foundation for Promoting Personal Mobility and Ecological Transportation. We will continue to work toward even better Green Management and environmental protection with a view to preventing global warming.

- Recycling Waste Products

To improve resource recycling, we use a compacter machine to compress the large volumes of cardboard, plastic stretch film used for wrapping, and more, that come out of our offices and distribution centers, which is then sold. Items such as waste paper, plastics, and wood chips are recycled by operators we select.

- FY2013 waste volume:

31,800 tons (3,180 10-ton trucks)

- Recycling rate: 98.3%



Long-Term Green Management Award

Cardboard compactor

Working Together

We give priority to the kind of communication that takes each individual into consideration

Partnership

With our shareholders and investors

With our customers

With our employees

With local regions

Working with Shareholders and Investors



Taking the perspective of our shareholders and investors, we work to achieve even better two-way communication with them by disclosing a variety of different kinds of information.

Disclosure of IR Information

HTS has set up an IR Information section on our Website to disclose investment information quickly and accurately.

Information Provided

- Earnings summaries
- Earnings briefing materials
- Stock quotes
- HTS Group mid-term business plan



HTS Website IR Top page

General Shareholders' Meeting Held

HTS held its 54th Regular General Shareholders' Meeting on June 26, 2013. To encourage attendance by as many shareholders as possible, in principle we avoid the dates when general shareholders' meetings are typically held.

Communication with Shareholders and Investors

HTS publishes both an English Annual Report and 「Japanese Annual Report」 for our shareholders and investors.

We also survey securities analysts and institutional investors individually, as well as holding small meetings with institutional investors, in order to maintain excellent communication with them.

FY2013 Initiatives

- Held two earnings briefings
- Issued our Japanese Annual Report/Japanese 2nd Quarterly Earnings Report (once each)
- Issued our English Annual Report (once)



Earnings briefing



Japanese Annual Report



English Annual Report



Logistics Technical Center Established

The Technical Center was established in Matsudo City, Chiba Prefecture (inside the HTS Group training center) to replace our aging testing rooms and equipment and to accommodate trends toward more sophisticated testing. The new testing space is three times what it was before, at 155 tsubo (one tsubo=approximately 3.3 square meters)—allowing for large-product testing to be done on-site, instead of outsourcing it as we have done in the past. In addition, the Center offers a variety of testing equipment, enabling various combinations of tests to meet a myriad of customer needs. Since it's all done in one place, the Center efficiently facilitates the verification and improvement process.

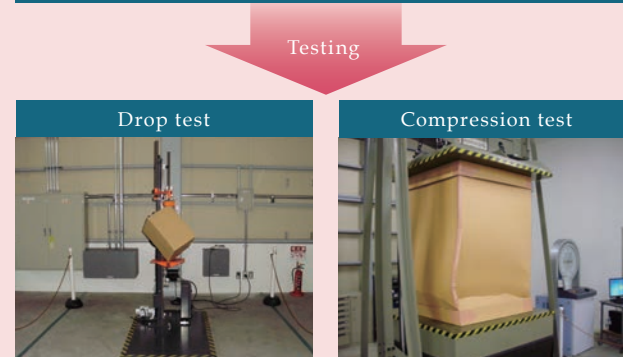
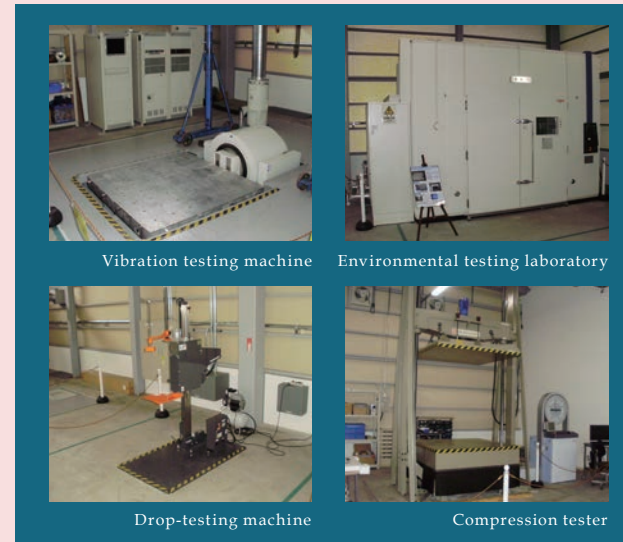
- Facility Name: Technical Center
- Address: Midori-cho 34, Hachigasaki, Matsudo-shi, Chiba Prefecture (inside HTS Group training center)
- Launch date: September 2013
- Testing dimension capacity: Approximately 1.5 m (height) x 1.5 m (width) x 2.0 m (height)
- Testing weight capacity: Approximately 500 kg



The HTS Group actively surveys overseas transport environments, attributes of wrapping materials used at our overseas locations, and more. The goal is to provide optimal logistics solutions to customers that incorporate packaging and transport options that are safe, environmentally friendly—and that offer peace of mind.

Major Initiatives

- In order to cut costs using optimal packaging design, quantitative analysis is performed at the Center using the different types of equipment.
- The Center conducts verification testing with the goal of boosting quality, including on existing packaging and logistics overall.
- The Center also surveys packing materials used overseas and re-enacts logistics environments, so that we can offer customers a higher level of technology.



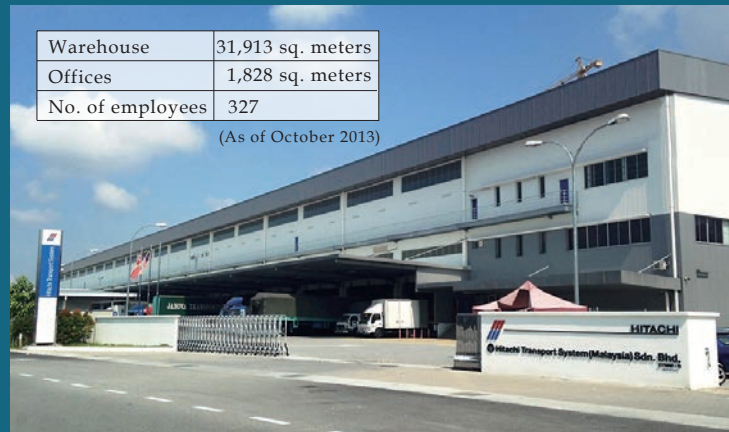
Malaysian Distribution Center Launched

Last year, Hitachi Transport System, Ltd. and Hitachi Transport System (Malaysia) Sdn. Bhd. jointly launched what is to be one of the HTS Group's largest distribution centers in Asia in Bangi, Selangor, Malaysia. A project team, which included customer representatives, was put together a year ago, implementing detailed design and other preparations by sectional committee meetings on topics such as: overall operations, warehouse specifications, system design, quality and safety, and more.

The work was roughly divided as follows: HTS Japan oversaw planning, system design, and warehouse layout, while the Malaysian side supervised warehouse operations design as well as safety and quality. Because of the diverse array of religions, cultures, and customs in Malaysia's multi-ethnic society, we took special care in training the national staff and local workers. Thanks to everyone's patient efforts, the new facility was launched without interfering with local operations. Quality of operations has now stabilized at a high level, earning accolades from our customers.

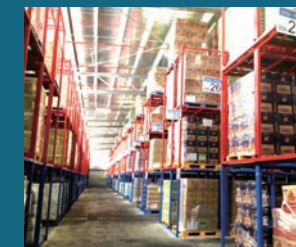
We are currently working toward an equally early, stable launch of the second phase of operations, to take place in 2014, with a view to providing even better service.

Bangi Distribution Center, Hitachi Transport System (Malaysia) Sdn. Bhd.

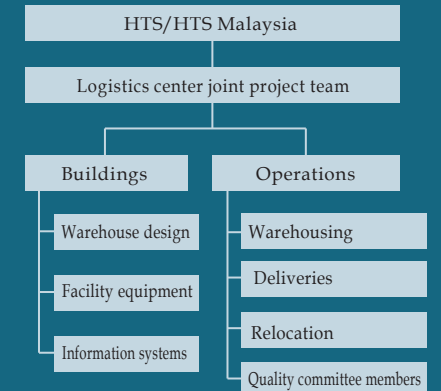


Warehouse	31,913 sq. meters
Offices	1,828 sq. meters
No. of employees	327

(As of October 2013)



Project Implementation



National staff training session





Employee Training

Human Rights

As the process of globalization marches on, it has become critically important to deepen understanding of the concepts of co-existence and co-prosperity—that is, to develop a mutual appreciation of a range of values and different cultures. At the HTS Group, we recognize the need to raise awareness of human rights to ensure that all of our employees acquire an accurate understanding of the issue. We achieve this by providing training in accordance with employee rank, and at meetings and workshops, as well as through e-learning programs for all employees.

Training Logistics Personnel

The HTS College* provides training in 3PL (system logistics); heavy cargo inbound and installation operations; warehouse site management and operations; safety and quality improvement, and more. We strive to give trainees the appropriate knowledge and skills they need as employees of a logistics company.

*HTS College: A system designed to efficiently impart the knowledge and skills related to the logistics business required for employees of the HTS Group, modeled after two-year college-level curriculum.

HTS College Courses/Attendance				
	FY2012		FY2013	
	No. of lectures	Total no. of attendees	No. of lectures	Total no. of attendees
General education (mandatory)	18	997	19	1,095
Specialization (elective)	29	442	32	379
Company seminars (elective)	22	1,449	27	1,784
Total	69	2,888	78	3,258

Hiring and Training Global Personnel

•Hiring of Foreign Nationals

As one way of accommodating the process of globalization with greater flexibility, we take an active approach to hiring foreign nationals and diversifying our company's personnel base.

No. of foreign hires				
FY2010	FY2011	FY2012	FY2013	FY2014
1	1	8	7	6

•Overseas Training Program

This program, in place since 1988, was initiated with a view to turning out global personnel capable of working successfully on the international stage. Through this program, HTS has sent more than 180 people to train overseas, where they acquire not only language skills but also better understanding of other cultures, along with business acumen that serves them not only in Japan but in other countries as well. As of 2013, we doubled the number of overseas trainees sent abroad each year, a move designed to facilitate our globalization process even further.

No. of Trainees Sent Overseas				
FY2010	FY2011	FY2012	FY2013	FY2014 (tentative)
15	15	15	36	43

•Training in Japan for our Overseas Staff

HTS selects employees from our numerous overseas subsidiary locations to train in Japan. Such programs are effectively tailored to the trainees to produce optimal results: for example to train future leaders at our overseas locations, or to boost specialization such as knowledge of logistics. One example is our Management Development Program*, which fosters up-and-coming leaders at our overseas locations. Japanese managers are also chosen to participate alongside our overseas employees with a view to boosting awareness of the issues and network-building.

No. of Management Development Program Attendees			
FY2010	FY2011	FY2012	FY2013
12	11	15	19

*Figures include Japanese attendees

•The Foreign Technical Intern Training Program

The Foreign Technical Intern Training Program was established in accordance with the Immigration Control Law to assist developing countries. HTS took five Filipino interns in FY 2013, both to help raise awareness of diversity within our company and as a form of international cooperation.



Scenes from the Technical Intern Training Program

Interview

My Experience Working in Japan

Nur Arina Balqis Binti Abdul Wahab
Logistics Engineering Department, Technology Headquarters, Hitachi Transport System, Ltd.
Joined HTS: December 2012
Nationality: Malaysian



At present, I am involved in the launch of new operations as a logistics engineer, including adjustment and testing of logistics equipment. In working at a Japanese office, a few things in particular have made a strong impression on me, for example how everything is implemented in a planned way according to schedule—and when things do not go according to plan, everyone works together and supports each other to finish the work. Also, my work as a logistics engineer is involved more with on-site warehousing operations than I had previously imagined, yet everyone takes the time to explain things to me carefully when I don't understand what is being said in Japanese. My goal is to manifest as a truly global employee as quickly as I can.

Work-Life Balance/Diversity

Health Management and Sanitation Safety

Working with health insurance associations and industrial doctors, we strive to help our employees both maintain and improve their physical and mental health.

Major Initiatives

- Institute health maintenance programs
- Implement initiatives to reduce total work hours
- Adopt EAPs/offer stress coping training to improve work environments

* EAP (Employee Assistance Program): EAP services include surveying employee stress levels and obtaining feedback on each individual. Through this process, statistics are gathered for specific work sites. This information is used both to help individuals to be their most effective, and to boost the dynamism of the organization as a whole.

* Stress-coping training: This method is used to help employees to systematically understand stress, encouraging them to consider the different aspects of stress and how to approach it, as well as how to handle stress.

Initiatives on Diversity

The Diversity Promotion Center was established in 2012. In response to such factors as labor shortages due to Japan's aging population/declining birth rate as well as the globalization of the market, we strive to employ a wide range of personnel and to create a diversified corporate culture—and thereby to boost our overall capacity. This includes more effective employment of women, persons with disabilities, foreign nationals, seniors, and non-regular employees.



Training for women manager-level employees, in discussions with their male manager-level counterparts

Major Initiatives

- Numerical goals for female employees

Trends and objectives in female management percentages		
FY 2008	FY 2013	FY 2020
0.2%	1.8%	10.0%



Working with Local Regions



Work-Life Balance/Diversity

- Training for women and by employee rank on diversity/work-life balance
- Diversity networking and educational activities
- Building the basis for foreign hires (set numerical goals)

Trends and objectives in foreign national hires (HTS)		
FY2008	FY2013	FY2020 Goal
0.6%	1.2%	3.0%

- Encouraging employment of persons with disabilities Working with various types of special needs schools, the HTS Group implements a variety of initiatives on hiring persons with disabilities on an ongoing basis.

Percentages of persons with disabilities hired <small>As of June 2013</small>		
HTS Group	Private corporations (reference*)	Legal designation (reference)
2.08%	1.76%	2.00%

*Private company employment rate figures provided by the Ministry of Health, Labor, and Welfare

■ Good Working Environment Indices

Childbirth/child-rearing leave percentages			
	FY2010	FY2011	FY2012
Women	100.0%	100.0%	100.0%

No. of people taking nursing care leave		
FY2010	FY2011	FY2012
N/A	1	3

Percentage of new graduates who left the company within three years		
Joined in 2008	Joined in 2009	Joined in 2010
10.9%	10.7%	5.6%

*Based in HTS data

The HTS Group Magokoro (Sincere Heart) Fund Projects

HTS Group domestic companies participate in a social action matching program where funds donated by companies are matched by the company. Implemented since 2008, the program is active in three areas: road safety, environmental protection, and regional social action/social welfare.



● FY2013 Initiatives

- **Road Safety:** We contributed 178 picture-card sets used for storytelling sessions on road safety (distributed to 14 municipalities around the country). We have contributed a total of 878 sets over the course of this program, in place since 2008.
- **Regional social action/social welfare:** We presented 48 wheelchairs to 14 municipalities, bringing the total to 138 since the program was initiated in 2008. We also continued to support the Japan Ice Sledge Hockey Association, and we provided assistance to victims of Typhoon Haiyan, which hit the Philippines. The funds went toward re-building an elementary school roof.
- **Environmental protection:** We assisted two initiatives by environmental organizations, as well as donating to a “green” fund for the Great East Japan Earthquake recovery effort.

HTS Road Safety Classroom

To help prevent our children—who have their whole lives ahead of them—from getting involved in road accidents, we offered a road safety class for elementary school student. Taught by our road safety instructors using real trucks, the course covered such topics as the dangers of the road including truck blind spots.

FY2013 Group of second graders, Kai-no-hana Elementary School, Matsudo City
Group of second graders, Negiuchi Elementary School, Matsudo City

We plan to continue to offer this program.



HTS Futsal Championship

HTS holds its annual Futsal Championship at the futsal field located next to the distribution center at Noda City, Chiba Prefecture. Staged every year in February or March, this event has been held a total of eight times as of FY2013.

Other Initiatives

- **Overseas project** HTS sent daily commodities to a child welfare center located in the suburbs of Kuala Lumpur, capital of Malaysia.



- **Eco Cap Initiative** PET bottle caps are collected at locations around the country, the proceeds of which are used to provide vaccines.
- **Track & Field Club Initiatives** HTS’s Track and Field Club serves to boost communication with the community through sports. In FY2013, we offered a track and field course for elementary school children living near Matsudo City, Chiba Prefecture. Our team also appeared as guest runners in a half marathon sponsored by Matsudo City to commemorate the city’s 70th anniversary, in another opportunity to interact with the community.



Instructions on proper running form using a newspaper

Hitachi Transport System, Ltd.

CSR Promotion Office Toyo 7-2-18, Koto-ku, Tokyo 135-8372 03-5634-0333 (main number)

www.hitachi-hb.co.jp



About the HTS Logo

The three lines in the logo represent the three transport modes of land, sea, and air, and three of our company strengths : logistics package proposals, operations, and information. As such, the logo represents the HTS Group's sophisticated global logistics solution services. The red and blue stand for dynamism and steadfastness respectively.