



Annual Report 2016

Year ended March 31, 2016



Corporate Philosophy

The Hitachi Transport System Group delivers high-quality services that will help make the world a better place for people and nature for generations to come.

Corporate Vision

The Most Preferred Global Supply Chain Solutions Provider



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Editorial Policy

The purpose of this Report is to convey the objectives of Hitachi Transport System, Ltd. Group activities in a clear and concise manner to our stakeholders. For detailed financial data, readers are directed to the "Financial Section" on Annual Reports page of Investor Relations page of our website (<http://www.hitachi-transportssystem.com/en/ir/library/annual/>)

Reporting period

The fiscal year ended March 31, 2016 (April 1, 2015 – March 31, 2016 in general)
However, recent activities are also reported in this report. "FY" refers to a financial period ended or ending on March 31.

Companies covered in this report

This annual report covers Hitachi Transport System and the HTS Group (108 consolidated subsidiaries and 9 associates accounted for by the equity method)

Forward-looking statements

This annual report contains forward-looking statements that reflect Hitachi Transport System, Ltd. and its Group companies' forecast, targets, plans, and strategies. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and various other factors that may cause Hitachi Transport System and its Group companies' actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.

"Now" and "Future" of the Hitachi Transport System Group in Numbers



Locations

Operational bases

118 companies **776** sites

Domestic: 24 companies 363 sites
Overseas: 94 companies 413 sites

As a result of focusing on global business expansion as priority measures in the previous Mid-term Management Plan, the number of overseas locations increased significantly.

- Growth strategy for global business P9
- Overseas cases of delivering values P23



Warehouses

Area of Distribution Center

7.09 Mm²

Domestic: 4.96 Mm²
Overseas: 2.13 Mm²

The distribution center (warehouse) is the source of the Group's unique value creation through our strengths in 3PL business and is also the platform of CSR management.

- Expansion of distribution centers P7
- Enhance safety and quality at distribution centers P15

Hitachi Transport System's Numbers

Hitachi Transport System Group will deliver values to the global market, as well as focus on safety and environmental initiatives and collaborative innovation of values with our stakeholders.



Human Resources

Total Personnel

48,524 employees

Domestic: 29,244 employees
Overseas: 19,280 employees

We aim to become a company where "people" can shine and diversified human resources can make contributions through various initiatives in Japan and overseas.

- Promoting diversity P25
- Nurturing next-generation human resources P26



Vehicles

Number of vehicles (including leased vehicles)

16,433

Truck^{*1}: 3,935 Forklift: 5,827
Trailer: 4,861 Other^{*2}: 1,810

*1. Including tractors and vans *2. Including buses and passenger cars, etc.

While we focus on increasing the number of vehicles and improving their performance as the Company's key management resources, we also accelerate implementation of leading-edge safety technologies and environmental performance.

- Introducing safety technology P14
- Percentage of eco-friendly cars P19



To our stakeholders

First and foremost, I'd like to extend my deepest appreciation to everyone connected to the HTS Group for your ongoing support.

Under the corporate philosophy “to deliver high-quality services that will help make the world a better place for people and nature for generations to come,” the Hitachi Transport System Group aims to become the most preferred solution provider for all of our stakeholders, including customers, shareholders, and employees, in the sophisticated, diversified and wide-ranging global supply chain, and strives to achieve sustainable growth by solving issues and creating “values” through various “collaborative innovation.”

In terms of safety, under the philosophy of “Safety is of the highest priority,” and also with corporate slogan of “Safety Management by Walking Around,” our managers and supervisors take the lead in walking around on-site to establish a “Culture of Safety” as well as strengthen and ensure the accident-free environment and safety education, for the purpose of promoting logistics services with high quality and safety. From FY2015, we have installed the collision prevention assist system into our vehicles as our preventive maintenance measures with “Safety technology” to further secure safe driving.

In terms of environmental initiatives, the HTS Group vigorously promotes “Green logistics” and strives to reduce environmental burden by promoting modal shift and round-trip use of containers and aiming at 100% ownership ratio of eco-friendly vehicles. We will continue to strive in the future for a sustainable society by providing ever-better environmentally-friendly services.

In terms of diversity, amid a decline in the labor force due to aging society with low birth rate and acceleration of market globalization, we aim at dynamic engagement of all group employees under the slogan of “Diversity and Inclusion; take advantage of diversity and grow together” through our efforts to create working environment that enables active participation by diversified human resources including women, persons with disabilities, foreign nationals, and seniors.

While the business environment surrounding the Group remains severe for FY2016 due to concerns over sluggish growth of global economy and intensifying competition in the industry, many companies including our customers and competitors are searching for their growth strategy under such uncertain environment. By considering these circumstances as business opportunities (opportunities for new collaborative innovation and value creation) for the Group, we developed and started our new Mid-term Management Plan for FY2016-FY2018 (from April 1, 2016 to March 31, 2019).

Under the new Mid-term Management Plan, based on the basic strategy for our core businesses to “thoroughly enhance 3PL business and increase market share,” “expand forwarding business” and “enhance heavy machinery and plant logistics,” we strive to create “values” by invigorating “collaborative innovation” with our customers and business partners and also to improve the Group’s corporate value by enhancing our “earning ability” and “growth ability” as well as “ability to succeed” these abilities.

We look forward to your continued support.

Yasuo Nakatani, President and CEO

The Services of the Hitachi Transport System Group

Through "3PL business," "Forwarding business," "Heavy machinery and Plant logistics business" and "Automobile parts logistics business," the HTS Group creates "values" by invigorating "collaborative innovation" with customers and business partners and also to improve the Group's corporate value by enhancing our "earning ability" and "growth ability" as well as "ability to succeed" these abilities.

Strategy

→P9-10

- Thorough enhancement of 3PL business
- Expand Forwarding business
- Expand Heavy machinery and Plant logistics business
- Enhance Automobile parts logistics business

3PL business

Value

Provide high quality logistics services in all logistics processes including material procurement, manufacturing, distribution and recycle.

Menu

- Procurement logistics services
- Production logistics services
- Distribution logistics services
- Reverse logistics services
- Collaborative logistics services within the same industry

Domestic

Global

Forwarding business

Value

Meet various needs with land, sea and air transportation and logistics system leveraging our global network.

Menu

- International air transport services
- International ocean freight transport services
- International truck transport services
- International railway transport services

Global

Heavy machinery and Plant logistics business

Value

Provide sequential services for heavy machinery and precision instruments in transportation, installation, setting up and import/export procedures with our wealth of technical skills.

Menu

- Plant-related transport
- Machinery and equipment transport
- Railway-related equipment transport
- Precision instruments transport
- Various research equipment transport

Domestic

Global

Automobile parts logistics business

Value

Provide the best supply chain solution by closely connecting auto parts makers and automobile makers for each other.

Menu

- Procurement logistics services
- Production logistics services
- Distribution logistics services
- Collaborative logistics services

Domestic

Global

Other • Travel agency business • Information system development business • Sale and maintenance of automobiles business

Business Overview by Segment & FY2015 Topics (Domestic/Overseas)

Overview of domestic logistics business (Year ended March 31, 2016)

Revenues Revenues of domestic logistics business increased by 2% year-on-year to ¥405,080 million due to factors including a steady increase in the volume of consumer goods and retail products and the operations of new projects launched such as cosmetics, sports goods, retail products and foods, etc. **¥405.1 billion**

Segment profit Segment profit increased by 40% year-on-year to ¥19,734million due to the effect of revenues increase and profitability improvement. **¥19.7 billion**

FY2015 Topics (Japan)

Shin-Yachiyo DC
Yachiyo City, Chiba Prefecture
Operations started July 2015
Cosmetics, etc.

Shin-Shonan DC
Kashiwa City, Chiba Prefecture
Operations started August 2015
Sports goods

AEON Shikoku LC
Sakaide City, Kagawa Prefecture
Operations started September 2015
Food products/daily commodities, etc.

Tatebayashi DC
Tatebayashi City, Gunma Prefecture
Operations started October 2015
Food products/beverages



New picking system
April 2015 (Full scale operations started May 2015)
Introduction of a new picking system using AGV

Picking AGV System

- *No more walking
- *No more searching
- *No more making mistakes (AGV conveys storage shelf)

*The Picking Station

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

National Forklift Driving Contest
September 2015
General category: 1st prize* (dominated top 3 prizes)
Women's category: 1st prize* (won 1st and 4th)
*The Minister of Health, Labour and Welfare Award

National Truck Driver Contest
October 2015
Women's category: 1st prize
Trailer category: 2nd and 3rd prize
4-ton category: 4th prize

BCAO Award 2015
March 2016 Received Best Practice award

Capital and business alliance with SG Holdings and SAGAWA EXPRESS
March 2016
Concluded a capital and business alliance agreement with SG Holdings/SAGAWA EXPRESS

Changed the trade name of consolidated subsidiaries
April 2016
Changed the trade name of 7 domestic consolidated subsidiaries

Overview of global logistics business (Year ended March 31, 2016)

Revenues Revenues of global logistics business decreased by 2% year-on-year to ¥253,144 million due to sluggish forwarding business between Japan and other countries and China business despite a steady increase in the volume of commodity and retail products in overseas 3PL business. **¥253.1 billion**

Segment profit Segment profit decreased by 5% year-on-year to ¥4,596 million due to impairment losses on goodwill in overseas subsidiaries despite the profitability improvement of 3PL projects in Asia. **¥4.6 billion**

FY2015 Topics (Overseas)

East Shanghai DC
Shanghai City, China
Operations started May 2015
Construction equipment parts

Laredo XD Terminal
Texas, U.S.
Operations started August 2015
Automobile parts related, etc.

Hillthorn Warehouse
Tyne and Wear, U.K.
Operations started January 2016
Automobile parts related, etc.



Reorganized group companies in North America

Merged subsidiaries in North America: July 2015
(After merger: VANTEC HITACHI TRANSPORT SYSTEM (USA), INC.)

- Vantec World Transport (USA), Inc.
- Hitachi Transport System (America), Ltd.

Integrated CDS subsidiary: October 2015
(After integration: VANTEC HITACHI TRANSPORT SYSTEM (USA), INC.)

- CDS Global Logistics Inc.

Reorganized group companies in Hong Kong

Business reorganization of CDS Hong Kong subsidiary: October 2015
(Business transferred to: Vantec Hitachi Transport System (Hong Kong) Ltd.)

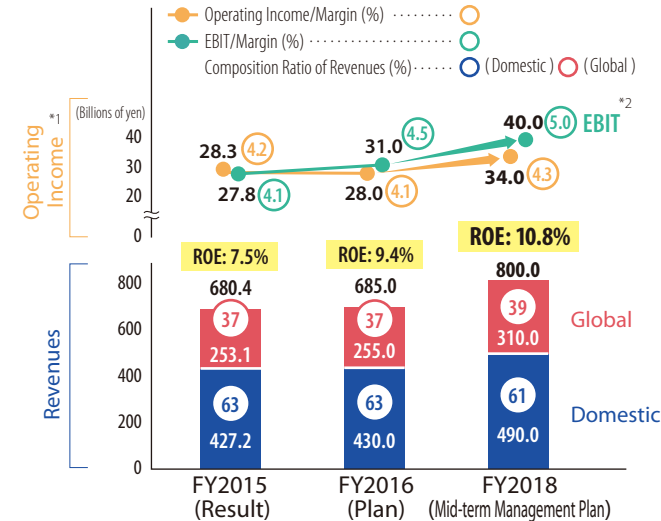
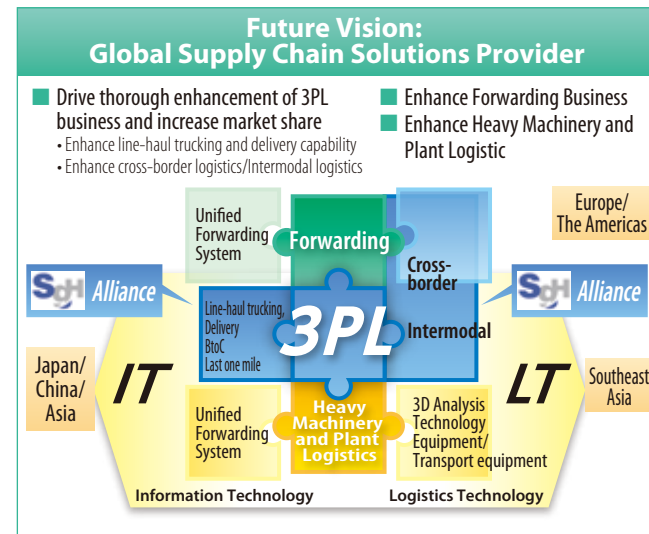
- CDS Group Holdings Limited

Reorganized group companies in Malaysia

Business reorganization of CDS Malaysia subsidiary: January 2016
(Business transferred to: Hitachi Transport System (M) Sdn. Bhd.)

- CDS Global Sdn Bhd

Mid-term Management Plan –Value Creation 2018– (excerpt)



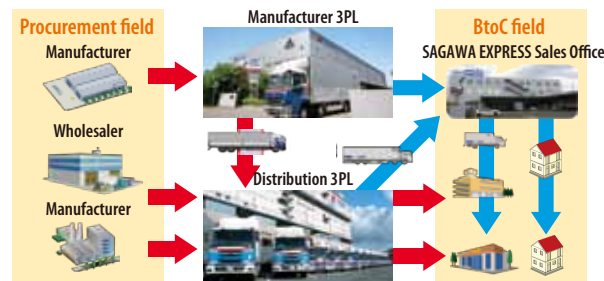
*1 Operating Income: Adjusted operating income is calculated as revenues less cost of sales and selling, general and administrative expenses
 *2 EBIT: Earnings before interest and tax

Priority measures:

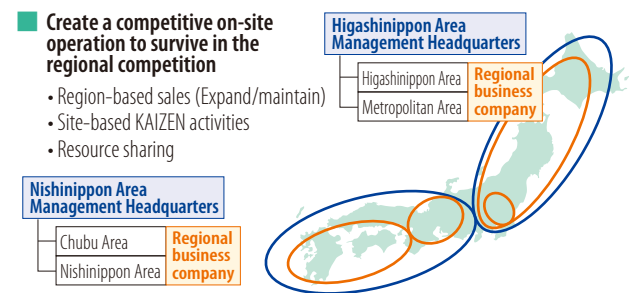
- Thorough enhancement of core 3PL business**
 - [Domestic]** Enhance delivery solutions and develop region-based business (transformation) Implement smart logistics standard model (standard 3PL)
 - [Overseas]** Expand truck transportation network within the region and strengthen account management
- Expand Forwarding Business**
 - Improve profitability with global unified management and enhance offshore business
- Expand Heavy Machinery and Plant Logistics business**
 - Expand business field and scale with engineering + network expansion + reinforce hard assets
- Enhance Automobile (Automobile Parts Logistics) business**
 - Establish robust competitive advantage and gain new customers and projects
- Promote collaborative innovation and collaboration with SG Holdings Group to realize seamless comprehensive logistics service**

Enhance 3PL

Enhance delivery solution

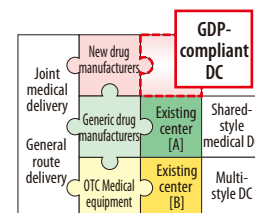


Develop region-based business (Transformation)



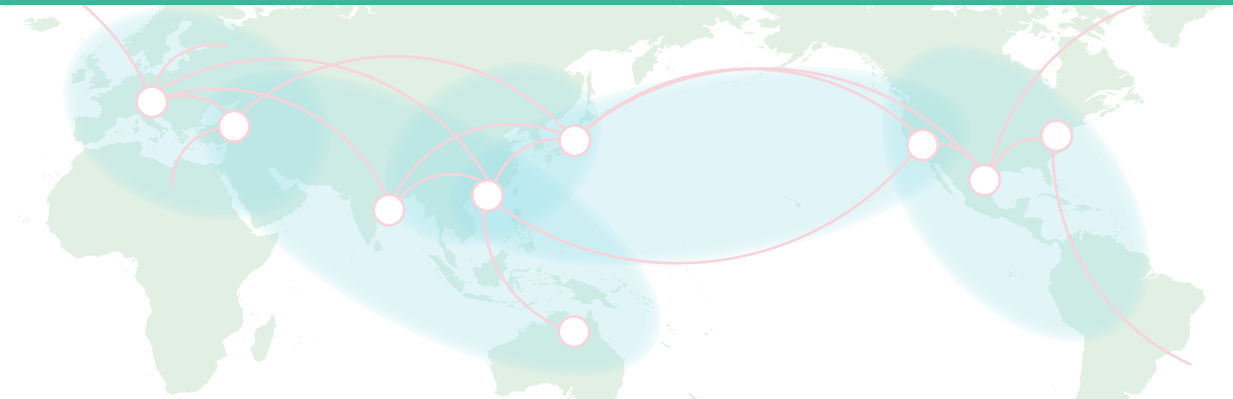
Implement smart logistics and standard model (standard 3PL)

- Opened Kansai II Medical Distribution Center: Hi-Spec & Hi-Value**
 - GDP-compliant / BCP-compatible
 - Implement new technology (Next generation labor saving center)
 - * Managed area per person: 2.2 times more than existing center
 - Medical products delivery company (Night terminal function)



Expand medical business and establish standard new logistics technology

Enhance Forwarding Business



Carry out global expansion strategy under the leadership of Strategic Forwarding Office

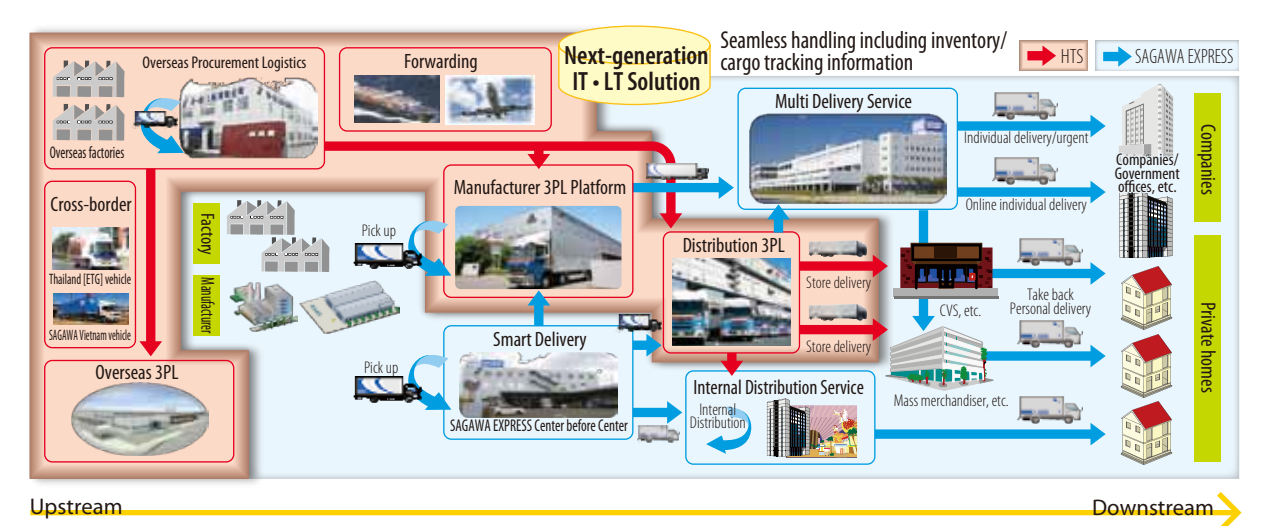
- Implement global core system** (phased introduction from FY2016)
 - Visualization of business/Standardizing operations (BPR)
 - Promote E-forwarding: Generate and effectively utilize big data
- Air freight business strategy**
 - Increase global procurement contracts
 - Increase revenues from master loader business
- Sea freight business strategy**
 - Increase global partnership contracts with shipping companies
 - Expand import/export volume to the Americas
 - Expand consolidation lanes: Plan to double in 2018 (36→72 lanes)
 - B/L integration (new branding strategy)

	2015	2016	2018
Air	230,000	260,000	290,000
Sea	430,000	440,000	470,000

Unit: tons (air), TEU (sea)
 Figures above are simple sum before elimination of intra-company transactions

Promote Collaborative Innovation and Collaboration with SG Holdings Group

Provide integrated solution to cover all process from upstream to downstream (pick up/3PL/delivery)



Information of Mid-term Management Plan is available on the page of "Mid-term Management Plan" at our website updated on May 12, 2016.
<http://www.hitachi-transportssystem.com/en/ir/library/presentations/2016.html>

7-year Summary

(As of March 31, 2016)

(Years ended March 31)	Millions of yen						Thousands of U.S. dollars ^{*1}		
	J-GAAP						IFRS		
	2010	2011	2012	2013	2014	2015	2015	2016	2016
For the year:									
Revenues (Service Revenues) ^{*2}	¥331,917	¥368,798	¥553,934	¥547,517	¥624,504	¥677,108	¥678,573	¥680,354	\$6,037,930
Domestic logistics	244,460	256,886	386,448	375,560	388,765	397,844	397,954	405,080	3,594,959
Global logistics	71,095	93,264	148,610	152,485	215,193	258,354	258,231	253,144	2,246,574
Other services (logistics related businesses)	16,362	18,648	18,876	19,472	20,546	20,910	22,388	22,130	196,397
Operating income	12,724	15,940	23,131	19,535	20,992	21,198	21,465	28,334	251,455
Domestic logistics	19,133	21,815	29,146	27,452	28,523	26,082	14,071	19,734	175,133
Global logistics	1,286	1,477	2,763	1,123	2,910	5,897	4,848	4,596	40,788
Other services (logistics related businesses)	1,501	2,751	2,246	2,619	2,743	2,883	2,546	4,004	35,534
Elimination or company-wide expenses ^{*3}	(9,196)	(10,103)	(11,024)	(11,659)	(13,184)	(13,664)	—	—	—
Net income attributable to stockholders of the parent company (Net income) ^{*2}	5,815	6,806	12,563	11,156	5,433	10,932	13,250	14,011	124,343
At year-end:									
Total assets	¥231,188	¥246,558	¥365,013	¥374,206	¥427,733	¥450,048	¥459,386	¥464,399	\$4,121,397
Total equity (Net assets) ^{*2}	148,471	151,066	164,640	174,904	181,401	188,935	196,755	202,292	1,795,279
Per share data (Yen and U.S. dollars^{*1}):									
Net income attributable to stockholders of the parent company (Net income) ^{*2}	¥52.13	¥61.01	¥112.62	¥100.01	¥48.70	¥98.00	¥118.78	¥125.60	\$1.11
Equity attributable to stockholders of the parent company (Net assets) ^{*2}	1,302.56	1,325.72	1,404.03	1,517.93	1,512.16	1,584.16	1,656.91	1,698.85	15.08
Cash dividends	20.00	22.00	24.00	25.00	26.00	28.00	28.00	30.00	0.27
Capital expenditures									
Capital expenditures ^{*4}	¥6,908	¥13,264	¥16,857	¥17,854	¥27,948	¥26,528	¥26,528	¥33,755	\$299,565
Purchased assets ^{*5}	5,302	7,358	14,664	15,187	21,622	13,601	13,601	22,340	198,261
Depreciation and amortization	9,403	9,672	14,003	14,958	16,579	18,403	18,715	19,125	169,728
Financial ratios									
Operating margin (%)	3.8	4.3	4.2	3.6	3.4	3.1	3.2	4.2	4.2
ROE (%)	4.1	4.6	8.3	6.8	3.2	6.3	7.4	7.5	7.5
Other data:									
Number of employees	12,283	14,700	21,104	22,793	24,425	24,728	24,728	24,744	24,744
Total floor space of warehouse (Thousand square meters)	3,230	3,710	5,160	5,640	6,370	6,910	6,910	7,090	7,090
Domestic	2,600	3,010	3,940	4,260	4,610	5,000	5,000	4,960	4,960
Overseas	630	700	1,220	1,380	1,760	1,910	1,910	2,130	2,130

*1 U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥112.68=U.S.\$1, the prevailing exchange rate as of March 31, 2016.
 *2 Terms in parentheses are used for J-GAAP.
 *3 From the fiscal year ended March 31, 2016 (IFRS), the Group altered to allocate company-wide expenses to each business segment. The segment information of the fiscal year ended March 31, 2015 (IFRS) had also reflected the alternation above.
 *4 Based on tangible and intangible assets accepted
 *5 Based on non-current assets recorded

HTS Group CSR initiatives

At the HTS Group, we are all about treating people and nature with great respect. In this connection, our fundamental policy is to do our part to help create an affluent society through fair business practices, as we boost our value for all of our stakeholders. As a logistics partner of the Hitachi Group, we carry out our corporate activities in accordance with the framework of the Hitachi CSR Statement and Mission Statement.



Our CSR Implementation Policy

<Hitachi CSR Statement and Mission>

Through communication with our broad array of stakeholders, we work to gain an accurate picture of global social and environmental expectations. Our goal is to achieve a sustainable society by incorporating this information into management.

- CSR and environmental projects contribute to the resolution of social issues
- Governance facilitating sustainable operations
- Communication designed to bolster mutual communication between stakeholders

<Framework>





Safety

Safety is our number one priority



Bringing safety and peace of mind to our customers

Policy on Safety and Quality Initiatives

Slogan
Safety Management by Walking Around

Our goals are to create a corporate culture of safety, to act based on the concept that protecting health and safety comes before all else, and to work not only for a safe, accident-free environment, but also to create a culture of corporate safety where managers and supervisors take the lead in safety management by making the rounds at our on-site facilities.

Transport Safety Management System*

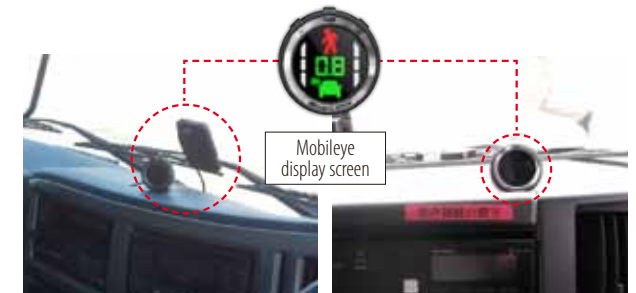
HTS, the HTS Group, and our affiliates work as an integrated unit to ensure safety in transport, assigning top priority to the subject of safety awareness.

*Transport Safety Management System (Ministry of Land, Infrastructure, Transport and Tourism)
The goal of this system is to bolster transport safety by building and consistently improving a safety management system.

Adoption of Safety Technology

The HTS Group has adopted the Mobileye® collision prevention system for our existing fleet of about 500 trucks and tractors.

Using a camera installed on the front window glass, this system assesses the amount of time remaining before a collision will occur with objects such as vehicles in front, pedestrians, cars in other lanes, etc., displaying an icon along with a buzzer to warn drivers. This system works to ensure safer driving.



*This system incorporates a high-performance image processing semiconductor developed by Mobileye of Israel.

HTS Group Safety Day

In order to prevent recurrence of tragic accidents, we have named July 1 the HTS Group Safety Day. On this day, in morning meetings at each of our departments, our employees pledge to keep operations safe.



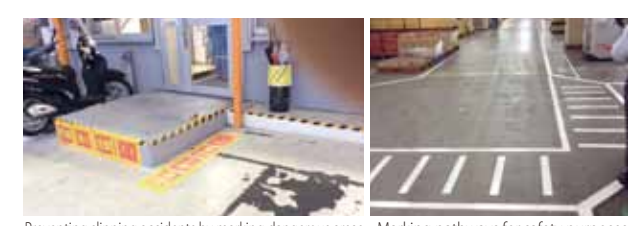
Morning safety pledge in progress



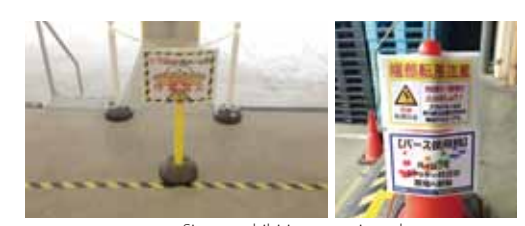
Safety pledge by location representatives

Safety Projects

Risk assessment represents an important methodology at work sites presenting various dangers, both hidden and otherwise. By making the rounds at the workplace, we nip dangers in the bud and work to prevent accidents before they happen.



Preventing slipping accidents by marking dangerous areas Marking pathways for safety purposes



Signs prohibiting entry into dangerous areas



Lower back pain aid Achilles tendon protective equipment

Boosting Safety and Quality Assurance Training

Safety Supervisor Training

As an initiative to improve on-site operations, safety measures include identifying potentially dangerous spots, implementing improvements to any problems, safety training on operations, and more. Additionally, starting with group training, we have conducting training sessions continuously since 2006 to educate safety supervisors in accurate implementation of techniques such as driving, inspection, and more. In FY2015, we trained five employees working to be vehicle supervisors and five working to be on-site supervisors, for a total of ten. Since 2006, we have trained more than 67 employees in this way.



Safety supervisor training in progress

Travelling Forklift Training Programs

The forklift is a highly convenient piece of machinery, but it can cause serious accidents if driven or operated inappropriately.

At the HTS Group, we envision a full range of scenarios and implement appropriate travelling training sessions based on these, covering both practical training and experiential sessions.



Blind spot training Practical training in high-spot scenarios



Experiential training in logistics center

Heavy Cargo Engineering Practical Training

To ensure safe and successful transport, as well as inbound operations and installation of heavy cargo including railway cars, power generating plants, industrial machinery, etc., and of precision equipment such as scientific and medical equipment—we need to boost both our technology and technique. To make this happen, we re-create scenarios at dedicated facilities (technical skill centers) approximating actual situations, providing regular training tailored to the skill levels and experience of the workers involved.



Training at a technical skill center

Interview

Takahiro Iida

Labor Safety, Corporate Quality Promotion & Environment Policy Dept.
Head office group
Hitachi Transport System Metropolitan Co., Ltd.



As a member of the HTS Group striving to create a workplace environment where all employees can enjoy peace of mind as they work, I was delighted to acquire knowledge, techniques, and understanding during the safety supervisor training session.

From this point onward, I am committed to being aware of the fact that people are always looking to me and that I need to set an example as a model supervisor—and also to be the type of supervisor that is good and kind to everybody.

Boosting safety and quality assurance training/safety techniques and safety awareness

Holding Internal Forklift Competitions at Overseas Locations

As of FY2013, the HTS Group locations in China and Thailand have held forklift competitions for local employees. Japanese supervisors are sent to these events to boost the globalization of HTS's culture of corporate safety in general as well as to impart safety/quality and safety technologies. These competitions also serve the purpose of helping individuals to be more aware of their own growth trajectory through healthy competition between local employees.



HTS (China)
Third forklift competition

HTS (China)
Third forklift competition winner

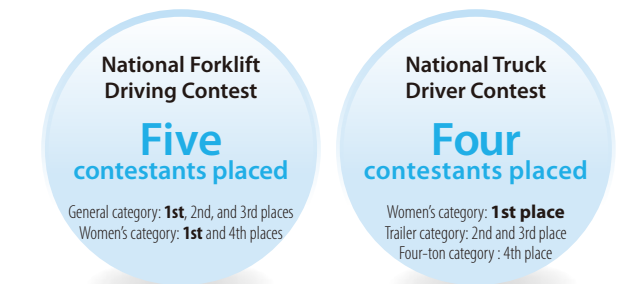
Sending Contestants to Non-HTS Forklift and Trucking Competitions

Each year, the HTS Group sends contestants in the National Forklift Driving Contest*1 and the National Truck Driver Contest*2 for the purpose of acquiring specialized knowledge, improving driving skills, and boosting awareness of safety issues.

In FY2015 as well, contestants winning out at prefectural-level preliminary contests around the country competed in the national contests.

Through these projects, we are working to improve safety awareness not only amongst drivers but all employees, and also to prevent accidents as far as we possibly can.

FY2015 Results



30th National Forklift Driving Contest: double victory in general/women's categories

The HTS Group sent a total of nineteen contestants to this competition. Contestants strive for the highest score of a total of three categories: academic knowledge, inspection skills, and driving technique.

HTS dominated the regular division, taking the top three spots, as well as the top spot and 4th place in the women's category. Our results were truly remarkable this year.



Inspection competition

Driving competition

47th National Truck Driver Contest: victory in the women's category

The HTS Group sent eighteen contestants to this competition, where contestants strive for the highest score in both the academic knowledge and skill competitions (driving and inspection). The HTS Group contestants prevailed in the women's category, and also placed well in the trailer and 4-ton categories.

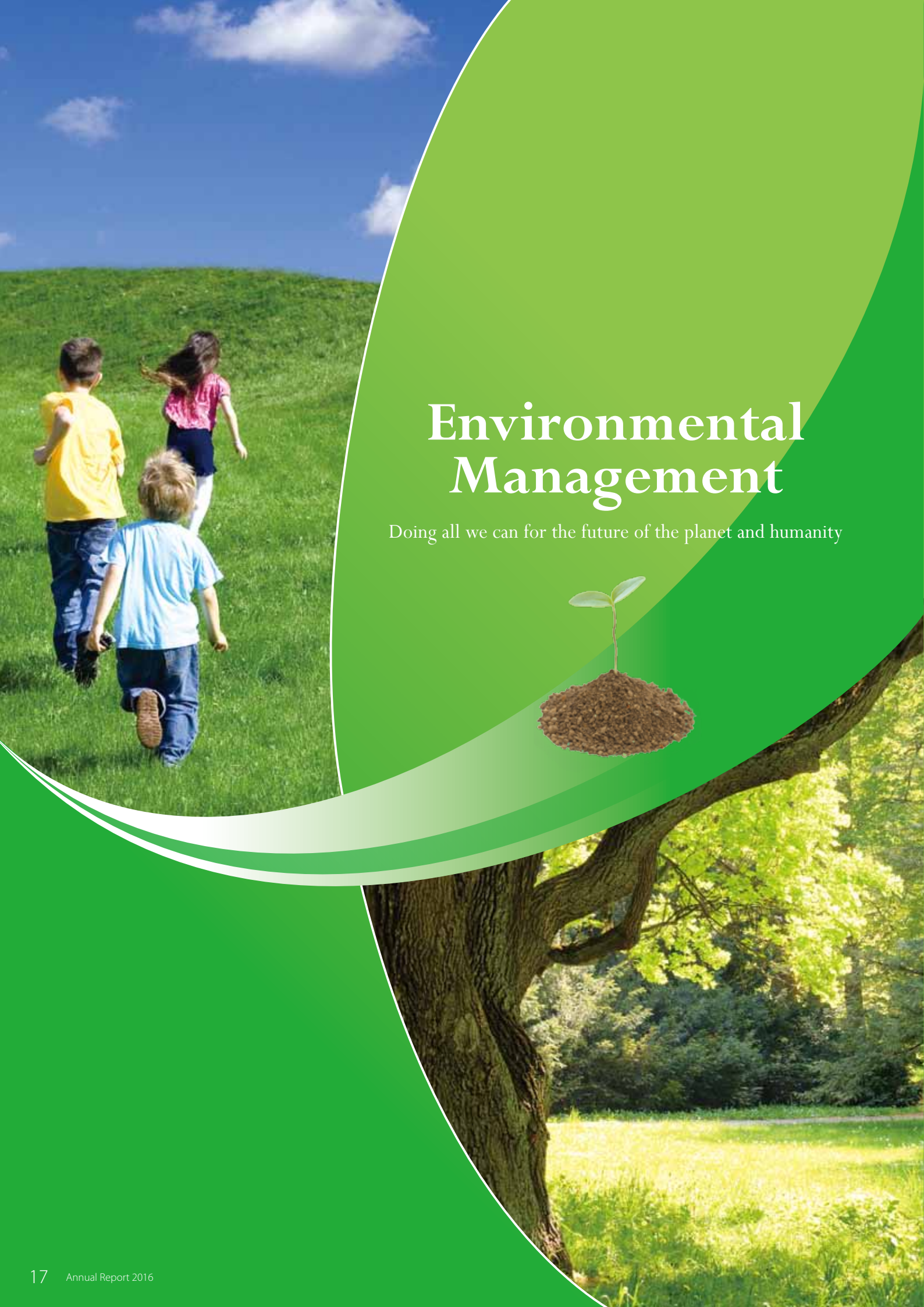


Skill competition

Women's category winner

*1 National Forklift Driving Contest:
An event organized by the Land Transportation Safety and Health Association, this contest is designed to achieve even better safety and to effectively prevent on-the-job accidents

*2 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 highest-scoring contestant.



Environmental Management

Doing all we can for the future of the planet and humanity

Environmental Management

Putting an End to Global Warming/Saving Energy

● Cutting CO₂ emissions with LED lighting equipment

The HTS Group is building environmentally-friendly distribution centers, along with introducing LED equipment, with a view to cutting CO₂ emissions. In FY2015, we installed the equipment fully at the following new distribution centers, cutting CO₂ by a total of 400 tons annually.

- Yasuki Distribution Center (Expanded May 2015, floor space=4,780 m²)
- AEON Shikoku LC (Launched September 2015, floor space=28,000 m²)
- Tatebayashi Distribution Center (Launched October 2015, floor space=14,830 m²)
- East Java II Distribution Center (Launched February 2016, floor space=48,600 m²)

In addition, the AEON Shikoku LC and Tatebayashi Distribution Center are equipped with cutting-edge refrigerated warehouse space, reducing not only energy load from lighting but also from heating.



LED lighting (AEON Shikoku LC)

Observance of the Law

We work to ensure proper observance of the relevant laws by spreading knowledge of environmental laws and ordinances within the HTS Group.

● Strategies for reducing fluorocarbon emissions

The Law Concerning the Recovery and Destruction of Fluorocarbons was revised in April 2015 and renamed the Fluorocarbon Emissions Reduction Act. While the original law required appropriate processing of fluorocarbon waste generated by commercial-use heating and air conditioning systems, refrigeration equipment, etc., the new law requires inspections and record-keeping as well as calculation of leakage rates, etc. In Japan, based on materials issued by the national government, we have compiled and introduced a manual to facilitate quick and easy comprehension and operations on the part of coordinators. Following this manual, we inform employees of items to observe with a view to implementing thorough controls, including such measures as keeping a ledger, making inspections, etc.

Boosting Environmental Management Overseas

● Environmental supervisor meeting overseas

The Overseas Environmental Supervisors Conference, attended by supervisors from our four major areas of operation around the world (North America, Europe, China, and the rest of Asia), is held twice annually. The purpose is to share information on gas emissions regulations from countries around the world toward the shared objective of raising management criteria globally.

Third-Party Certification Initiatives

The HTS Group seeks third-party certification in Green Management. Our Headquarter Green Logistics Promotion Department has acquired the "Eco Stage I" certification. In addition, as of the end of March 2016, we have earned "Green Management Certification" at 52 of our truck transport divisions and 13 of our warehouses. Building on these initiatives, we are committed to ongoing reduction of environmental load.



Eco Stage I Certification



Green Management Certification

Boosting Communication on the Environment

Environmental communication initiatives include cleanup projects in areas surrounding our offices and facilities.

● Hitachi Environment Month (June) projects

In FY2015, as a member of the Hitachi Group, the HTS Group conducted a regional cleanup at 36 of our locations. Our plan is to continue to move forward with these projects and in this way to do our part for society in general.



Hitachi Transport System Metropolitan Co., Ltd. CS Tokyo Section cleanup project

Moving forward with Green Logistics

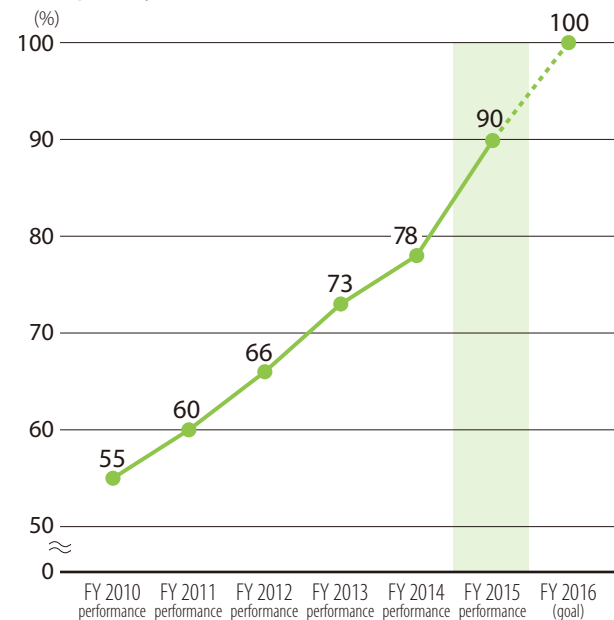
Global Warming Prevention Initiatives

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

At the HTS Group, we have a policy of instituting 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 steps.

The HTS Group's eco-friendly vehicle percentage stood at 90% on FY2015. Our goal is 100% for FY2016 with a view to even greater reduction of environmental load.

■ HTS Group eco-friendly car ownership ratio (Japan only, as of March 31, 2016)



Note 1: Totals shown are personal and business vehicles combined (excludes special vehicles)

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.



Adding eco-cars to the fleet (Japan)



Eco-driving class (practical skills)

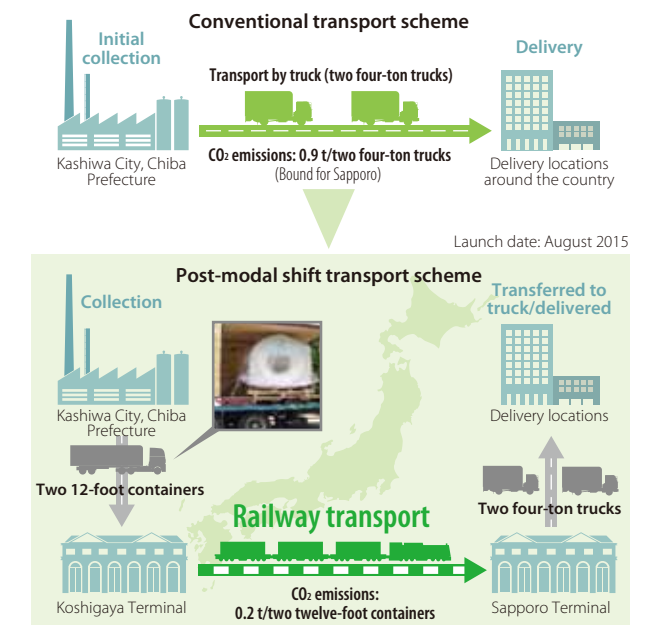
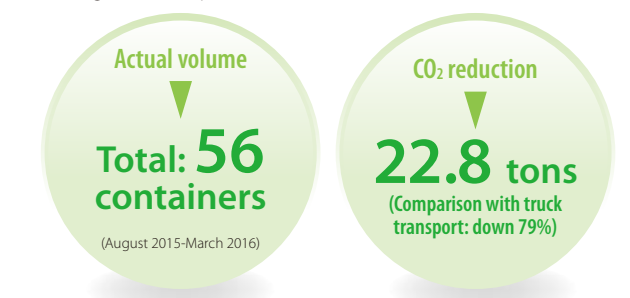


Eco-friendly cars deployed at overseas group company (Malaysia)

Modal Shift to Railway in Precision Instrument Sector

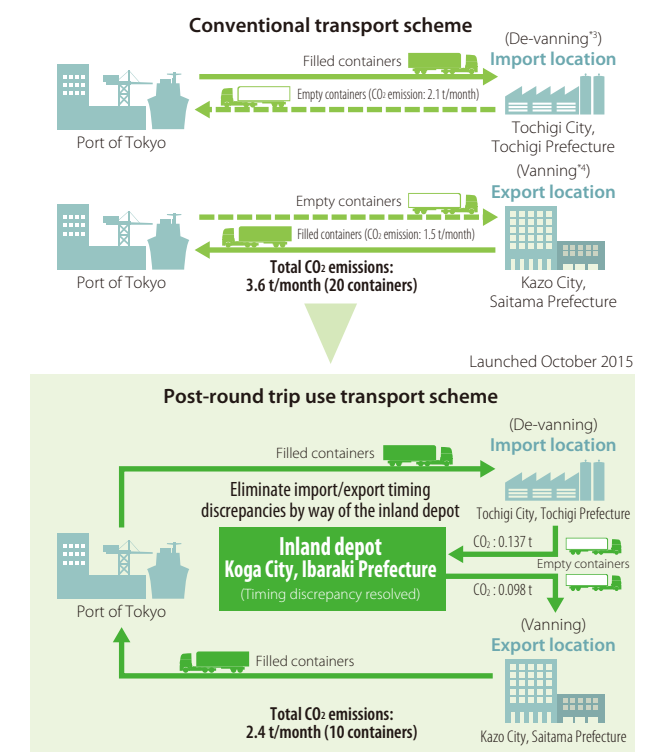
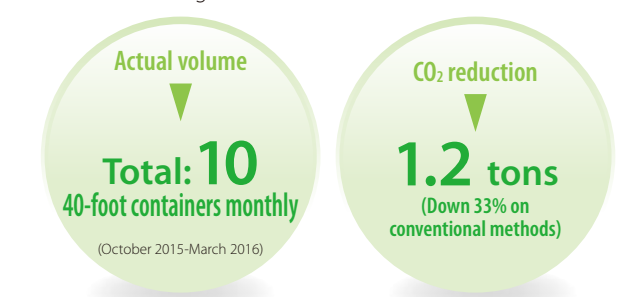
We have instituted a partial modal shift from trucking to railway for destinations around the nation for a precision instruments manufacturer based in Kashiwa, Chiba—a first such initiative for the precision instrument sector. Preliminary testing was carried out on factors such as vibration and temperature levels by taking measurements during the transport process. Actual transport was launched for the Hokkaido and Kyushu regions as of August 2015.

At present this modal shift has been expanded to the Chugoku and Shikoku regions. These initiatives not only contribute to reducing environmental load and help to resolve a shortage of vehicles, they also boost the Group's transport prowess overall by securing new transport modes.



Round-trip Use of Oceangoing Containers via Inland Depot

HTS has successfully implemented a new service involving the round-trip use^{*1} of oceangoing containers of different cargo owners, specifically importers based in Tochigi City, Tochigi Prefecture and exporters based in Kazo City, Saitama Prefecture. Normally, this system is only possible where import-export timing is effectively coordinated. Using the inland depot^{*2} located in Koga City, Ibaraki Prefecture, however, empty containers used for imports are temporarily stored here and subsequently used for export purposes—resolving import-export timing discrepancies. This system results in a high success rate, helping to eliminate problems with vehicle shortages and at the same time to cut CO₂ emissions.



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

*2 Inland depot: The inland depot is a commodity depot situated in locations other than ports and airports, providing services such as cargo collection and distribution, customs procedures, and storage. At the present time, where many commodities are containerized, these locations are primarily involved in collection and distribution of containers, container loading and unloading, and partial storage of empty containers. Ordinarily, containers are managed by individual shipping companies.

*3 De-vanning: Unloading of cargo from containers. *4 Vanning: Loading of cargo onto containers.

— Working together with our shareholders and investors —

In order to boost corporate value over the middle and long term and ensure sustainable growth, we believe in the importance of disclosing information in a fair and transparent manner as appropriate and at appropriate times, and also of active dialog with our shareholders and investors. To this end, we have in place an IR system of proper communication with both our shareholders and investors.

HTS compiles an IR report detailing information disclosure criteria and methodology, dialog with our shareholders and investors, etc., which is posted on our company's Website.

See the following Web page on IR policy:
<http://www.hitachi-transportssystem.com/en/ir/policy/>

Information Disclosure

HTS discloses information of information pertaining to operations and finances, in such publications as our earnings summaries, results briefings, asset securities reports, as well as Japanese and English annual reports.

We have also set up an IR Information section on our Website to disclose investment information to our shareholders quickly and accurately with a view to facilitating investment decisions.

Disclosed Information

- Summary of financial results
- Presentation Material of financial results
- Annual securities reports
- Japanese Annual Report
- English Annual Report
- Share prices, etc.



<Earnings summary information>

<Various publications>

General Shareholders' Meeting Held

HTS held its 56th Regular General Shareholders' Meeting on June 23rd, 2015. 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 communicates with our shareholders and investors through a variety of means, including briefings for securities analysts and institutional investors, telephone conferences, small-scale meetings, overseas road shows, conferences in Japan sponsored by security companies, individual meetings, and more.

Initiatives

- Results briefings (twice)
- Top executive meeting (once)
- Small-scale meetings (twice)
- Telephone conferences (twice)
- Overseas road show (once)
- Conference in Japan (once)
- Distribution center tour (once)
- Briefing on strategic capital and business alliances
- Individual meetings, etc.



Briefing on strategic capital and business alliances



Touring a distribution center

Working Together

The crux of our communications:
 taking the perspective of each individual



— Working together with our customers —

Super-heavy cargo successfully transported by rail to Poland-based thermal power plant



Drawing on our technological prowess as well as our extensive global networks, the HTS Group delivered a complete set of heavy machinery for a thermal power plant construction project in Poland secured by our customer Mitsubishi Hitachi Power Systems, Ltd.

Due to the fact that the power plant was located in inland Poland, transport of the super-heavy (440-ton) plant equipment in particular required repeated surveys of local conditions and in-depth discussions with the parties involved. Utilizing rail transport for the first time in Europe, we at the HTS Group drew up meticulously detailed engineering plans to deliver the equipment to the designated location.

In the future, our specialized staff will continue to work closely with customers to put together service packages designed to yield economical, streamlined transport.

Some examples of services

Contributing to equipment specification determinations by detailed preliminary route surveys

Starting even before the customer's equipment design phase, we conduct fine-tuned surveys of transport routes including any physical or legal limitations to transport. The purpose is to determine the



maximum transport weight and dimensions and make recommendations on equipment utilized.

Measuring overhead obstacles/transport vehicle plan development

Devising transport guidelines by way of fine-tuned engineering

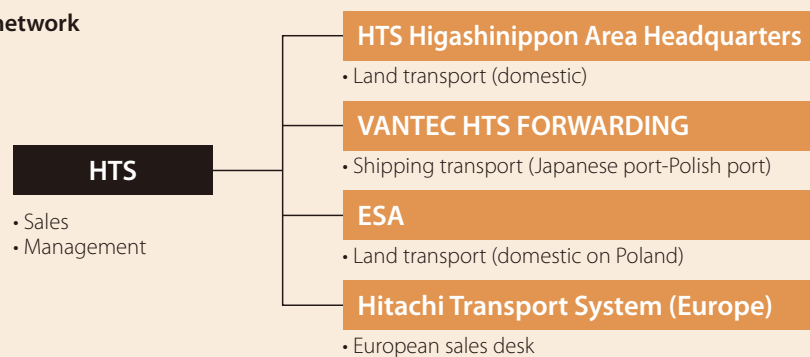
We drew up plans for the optimal transport plan incorporating our superior performance and technology/know-how on railway transport of generator equipment—a first in Europe—and long-distance transport by public road of other heavy equipment.



Installing transport connector attachments

Total management by the HTS Group network

Assigning a group of specialized HTS staff from Japan and Europe to the project, we provided total management by way of our Group networks to integrate the entire transport process spanning outbound operations to delivery at the power plant.



Moving forward with advanced operations with new Smart Logistics technologies

The HTS Group applies joint research results achieved together with the Hitachi Group—as well as new technologies on the market—to on-site operations, for the purpose of boosting efficiency and operational innovation.

In FY2015, we moved forward with implementation of new technologies and trial runs, focusing on such key concepts as automation, hands-free/wearable devices, optimization, and visibility.

Automation: We are stepping up automation using robots and other equipment to resolve the need for significant manpower on inbound/outbound operations, deliveries, and distribution processing.

- HTS has installed Racrew, a small-scale, low-floor automated vehicle, with a view to reducing the manpower required for picking.
- We implement collaborative operations testing incorporating the use of multiple robots to achieve cutting-edge operational efficiency.

Hands-free/wearable technology: We apply numerous wearable devices (grab scanners/voice systems) to increase flexibility and efficiency of picking operations. Additionally, we have implemented trial runs featuring our powered suits, designed to reduce the manpower required for cargo operations.

Optimization: We design and implement optimal logistics operations utilizing various types of simulations.

Visibility: Utilizing the Smart Logistics Cockpit, we devise strategies to engender logistics center visibility as well as facilitate dialogue and collaboration. The goal is highly efficient, optimized Center operations.

We will continue to work with the Hitachi Group and cutting-edge partners with a view to innovative next-generation operations.



Small/low-floor automated transport vehicle "Racrew"
*Racrew is a registered trademark of Hitachi, Ltd. in Japan



Autonomous dual-arm robot (right) and transport robot (left) work together in a collaborative operations test (picking product from shelves)



The Smart Logistics cockpit

Foodstuff Platform Center Launched

In October 2015, HTS launched a foodstuffs platform center for the northern Kanto region (Tatebayashi City, Gunma Prefecture).

This Center offers one-stop logistics services designed to accommodate increases in production capacity, in tandem with the growth of our customers' business. To accommodate both finished products and food ingredients, the Center is equipped with chilled warehousing space (4°C±2°C) and dry warehouse space, the structure of which complies with the stipulations of the Food Sanitation Act.

The facility features storage equipment that makes optimal use of the warehouse ceiling height, as well as inbound-outbound berths for the north and south directions. It is also highly efficient and effective on inbound/outbound product cargo operations from plants, as well as on supplying to plants.

Leading up to the opening of the Center, we held repeated deliberations with our customer over a period of more than a year with a view to boosting our customers' logistics performance including deliveries to the entire Kanto region as well as to the Koshinetsu region. Issues covered included operational flow, types of operations, storage layout, delivery systems structure, and more. In the future, in order to accommodate our customers' sophisticated and diverse needs, we are working to maintain logistics quality—and at the same time to make ongoing improvements—to aspects such as operations and deliveries.



Tatebayashi Distribution Center

Warehouse area	14,800 m ²
Storage capacity	Approximately 5,500 pallets
No. of employees	About 100



Push-back rack storage



Pallet rack storage

— Working together with our employees —

Achieving better and better diversity

The Diversity Promotion Center was created in 2012 in response to such factors as labor shortages due to Japan's aging population combined with a declining birth rate as well as the globalization of the market, and with a view to enhancing the sum total capacity of the HTS Group by efficiently utilizing women, persons with disabilities, foreign nationals, seniors, and more.

Recognition from Outside the Company

In acknowledgement of the Center's various initiatives, HTS was chosen by the Ministry of Economy, Trade, and Industry as one of the nation's "Top 100 Diversity-Promoting Companies" in March 2015.

HTS was also recognized again in FY2015, as in FY2010, by the Ministry of Health, Labour and Welfare as a company that supports child-rearing, with the logo that appears below.



Boosting Understanding of Diversity

As of FY2015, the HTS group has been holding a lecture series for executives and managers to boost familiarity with the subject of diversity as well as facilitate organizational initiatives in this regard.



Moving Forward with More Employment Opportunities for Women

We are working to create a corporate climate that is even more favorable to our working women, and to helping to raise perceptions amongst women managers themselves about their positions as leaders.

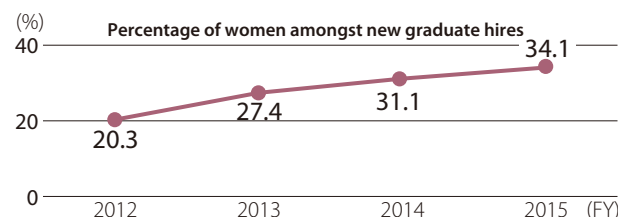


Women Manager Diversity Promotion Conference

In addition to return-to-work seminars as well as the HTS Group Women Manager Diversity Promotion Conference and Diversity Training sessions, we work to render our corporate environment even more female gender-friendly by establishing systems to support our working women who also have families. Our standards in this regard are higher than those required by law.

■ The HTS Group hire rate for women (new graduates)

In recent years, we are working to increase the hire rate for new graduate women and thereby secure more women personnel.



Interview

Human Resources Management Group, Human Resources Department, Hitachi Transport System, Ltd.

Kavathekar Trupti Milind



Using my experience in working with a Japanese company in my own country, I came to Japan to advance my career development. At present, I am part of the Human Resources Management Group at Headquarters, in which capacity I serve as a bridge between Japan and

our local subsidiaries in my day-to-day work. With a view to popularizing the global personnel system and also boosting communication with coordinators at our different subsidiary locations, I also work in a supervisory capacity making various types of recommendations, the goal being to expand on our "world stage" on a daily basis.

Though we try to blend in with the local culture, life and work in another country can be challenging. Still I intend to continue to work and come up with ideas without fearing failure, all the while maintaining my individuality and demonstrating it.

Utilizing the talents of foreign nationals

Sales Department I, Heavy Cargo Transport and Engineering Headquarters, Hitachi Transport System, Ltd.

Michailov Igor



As I was born and raised in Lithuania, where trade thrives due to the favorable location between Russia and Europe, I have been interested in logistics since I was a child. To learn about sophisticated Japanese logistics, I attended graduate school in Japan, joining HTS in October 2015.

When I joined the company, I was assigned to the Keihin Sales Office where I learned about on-site operations. In experiencing six customers over a three-month period, I

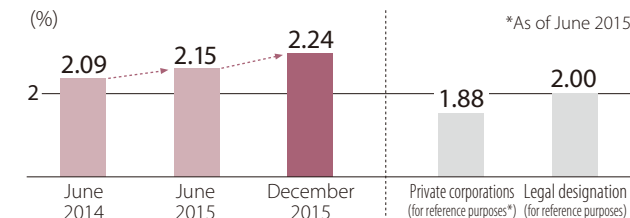
was extremely surprised that the rules and operational methodology differed so greatly between customers though the logistics process is the same, due to factors such as customer's instructions, on-site circumstances, rules on site, and cargo category. Working with our warm and friendly on-site staff, I learned not only about on-site processes and operation methodology but also about how work is implemented as only Japanese companies are capable. I also learned about efficient collaboration between parties cooperating together, and this proved an incredible experience for me.

While learning about the work of Japanese companies and how this work is implemented, at the same time I strive to draw on my strengths including knowledge of logistics and my foreign nationality, with a view to doing my part for the further globalization of the HTS group.

Encouraging Employment of Persons with Disabilities

Working with various types of special needs schools, including taking on personnel for practical training and different types of joint interviews, the HTS Group implements a variety of initiatives on hiring persons with disabilities on an ongoing basis. We also prepare the work environment by setting up labor-saving equipment especially geared toward persons with disabilities. We will continue to hire persons with disabilities as well as to tailor the work environment to these individuals.

■ Percentages of persons with disabilities hired



Training upcoming generations of employees

The HTS Group has established the HTS College as an educational system for all of our employees, designed to draw out the strengths of each individual through practical and specialized training courses. In addition to training by rank, on-site operations, and manager-level training, we also institute general training for all employees to impart them with the HTS Group philosophy. We have also developed training systems for select employees including our Future Managers' Course, which serves to train the next generation of managers, and our 3PL Professional Course, which works with backbone employees on 3PL projects. These personnel development programs are implemented to continuously solidify our business base.

Training in Japan for our Overseas Staff

HTS selects employees from our numerous overseas subsidiary locations to train in Japan. To ensure optimal training content, subject matter



and curriculum are tailored to the specific business needs of the given location. One example is our Management Development Program, which is conducted together with Japanese managers. At this training, attendees from various countries are divided into teams that devise action plans following the training. A follow-up session is held a year later. The program fosters broad and deep networks to facilitate our global business and also boosts collaboration.

Managerial Personnel Training

As of FY2015, we have shifted focus to training a new generation of managers in our Managerial Personnel Training program. This six-month program is attended by division managers selected based on a special assessment. Attendees learn the various frameworks forming the foundation of managerial strategy development, financial analysis methodology, etc. The trainees then address managerial issues currently faced by the company through discussions with executives and surveys, hypotheses, verification, and group work. Following the training, the attendees then provide recommendations "as managers" to executives including the President.

Overseas Training Program

This program, in place since 1989, was initiated with a view to providing overseas experience for young employees, amongst other objectives. Through the present time, HTS has sent more than 250 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. The program has expanded to more destinations around the world, to a total of nineteen countries over the past five years. As of the second half of FY2015, we have changed the system to one where interested employees request to be included in the program, so that we are able to send out the most enthusiastic younger employees at an earlier stage.



Human Rights Education

As the process of globalization continues, 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 create opportunities for our employees to acquire accurate understanding of human rights, including providing training in accordance with employee rank, at meetings and workshops, and by way of e-learning*. By acquiring correct knowledge of human rights, we work to boost individual awareness of human rights.

*The term "e-learning" refers to a method of learning using the Internet.

—Together with local communities—

Our work with upcoming generations

The HTS Group corporate philosophy is all about treating people and nature with respect. To this end we take an active stance on appropriate and proactive communication with various aspects of society to facilitate a win-win scenario of all-around growth.

Internships and “Experience the Workplace” Programs

HTS believes it is important to actively take on interns. The purpose of our internship program is to give young students a sense of what the workplace is like, as well as preparing them for the important roles they will play in supporting the regional economy. We also offer “experience the workplace” opportunities for younger children of elementary school and junior high school age, who hold the keys to the future of our society. These programs help young people to understand social systems as well as their individual relationships with society in general.



At the Oyamazaki sales office

At Hitachi Auto Service

HTS Futsal Championship

HTS holds its annual Futsal Championship at the futsal field located next to the distribution center at Noda City, Chiba Prefecture. The purpose of this special event is dual: to infuse the local community with more dynamism, and also to help young people to grow by giving them a sense of the importance—and the fun—of sports, what it means to have a dream, developing consideration for others, and much more. This tenth anniversary commemorative installment of this event—which began in 2006—was held in FY2015.

We will continue to hold this ongoing project as important component of growth and development education for our young people.



A futsal game held March 13, 2016

The HTS Road Safety Classroom

To help prevent our children—who are our future—from getting involved in road accidents, we have offered the “HTS Road Safety Classroom” for elementary school students living near Matsudo City, Chiba Prefecture since FY2007.



In FY2015, the event was held in May and June, covering such topics as the dangers of truck blind spots and how not to be hit by vehicles—including taking care not to dart out in front of cars. To ensure a lasting impression on the students, the teaching is done in a fun way.

We are committed to holding this event on an ongoing basis with the goal of eliminating traffic and vehicle accidents completely.

FY2015	2nd year students, Kai-no-hana Elementary School, Matsudo City
	2nd year students, Negiuchi Elementary School, Matsudo City

Other Sports Initiatives

As our symbol sport, track and field holds special significance for HTS. The HTS Track and Field Club collaborates with the Matsudo City Education Committee to help render local communities more energetic and to revitalize the world of sports.



Overseas Support Activities

In October 2015, the HTS Group held a joint social action project along the Sattahip coastline, Chonburi Province, Thailand. The goals of the event, based on the concept of “Growing Together,” included boosting co-existence with nature and preserving ecosystems. Participants planted mangrove trees and released small fish into the ocean.



We plan to continue to carry out these kinds of activities as group company projects.

Participating group companies:

Hitachi Transport System Vantec (Thailand), Ltd.
Eternity Grand Logistics Public Company Limited
VANTEC AMATA LOGISTICS (THAILAND) CO., LTD.

Through the Myanmar Shunko Konwa-kai (Friendship Association)*, the HTS Group has contributed together with other member corporations to deep well repair/water supply projects in Myanmar’s central arid region.

The repair of the dilapidated wells, critical in enabling the local people to obtain the quantity of safe water they need in order to live their lives, was carried out over the period of July-December 2015. The repairs resulted in greater water supply and better quality water for ten villages of the Magway region and approximately 10,000 people.



Drawing from a repaired well

* Shunko Konwa-kai Friendship Association
A friendship group comprised of 139 corporations, with 52 chapters in Japan and 26 regional chapters overseas.

Overview of the HTS Group Magokoro (Sincere Heart) Fund

The HTS Group domestic companies participate in a social action program called the “Magokoro” (Sincere Heart) program, where our employees and executives can make charitable donations as they wish.

Since 2008, the program has contributed to traffic safety, environmental preservation, and social action.

Designed to foster and support generosity amongst our employees, the program employs a matching component where funds donated by employees are matched by the company.

FY2015 Initiatives

- <Traffic and Road Safety>**
 - Gifts: HTS contributed 165 picture-card sets used for storytelling sessions on road safety (distributed to 13 municipalities around the country), and 2,100 safety-theme key holders to Hyogo Prefecture
 - Financial support: Traffic Orphans Association (a public interest incorporated foundation)
- <Regional Social Action/Social Welfare>**
 - Gifts: We presented 93 wheelchairs to 13 municipalities around the country
 - Financial support: Japan Ice Sledge Hockey Association
Think the Earth “Wasurenai” (Not Forgotten) Fund
NPO Turtle
- <Environmental Conservation>**
 - Financial support: National Land Afforestation Promotion Organization (“Green Fund” for the Great East Japan Earthquake Recovery Assistance) (public corporation)
Organization for Industrial, Spiritual, and Cultural Advancement (OISCA) (“Kodomo-no-Mori”) (public interest incorporated foundation)
 - Afforestation support: One hectare of land (“HTS Magokoro Fund Forest”) afforested in the Khorchin Mongol region desert, in collaboration with afforestation networks

Other Projects

● Vision Testing

Unfortunately, many people in India lose their sight due to glaucoma and other vision issues. To address this problem, Flyjac Logistics Pvt. Ltd. conducts vision testing for low-income individuals at elementary schools in five cities including Chennai. The company also offers eyeglasses for those who need them.



● Toy Donations

VANTEC HITACHI TRANSPORT SYSTEM (USA), INC. employees donated toys to local children as Christmas presents.



● Disaster Relief

In September 2015, HTS donated to the Japan Red Cross Society as heavy rain disaster relief for damage caused by Typhoon No. 18, etc.

● Blood Drives

The HTS Group conducts blood drives in other countries including China, The Philippines, Indonesia, and India, as well as in Japan.

● Collection Volunteers

Under this project, items such as used stamps and clothing collected from employee families are donated.

● Community Cleanup Projects

Our domestic locations take an active approach to cleanup projects around location vicinities as well as regular cleanups on our location grounds.

CSR Management

Corporate Governance

At the HTS group, we consider corporate governance to be key to realizing even greater financial health and transparency, as well as ensuring that our business is carried out with compliancy and in accordance with correct corporate ethics.

By extension, the crux of corporate governance lies in boosting corporate value and sustainable development. Rooted in our corporate philosophy, we have adopted a corporate governance structure capable of responding deftly to changes in the business environment as well as boosting operational transparency and efficiency—namely a company with a Nominating Committee, etc. System. 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. The result is rapid decision-making and implementation on initiatives such as restructuring and strategic investment. In addition, because we believe that considering the subjective opinions of outside directors facilitates both monitoring of the Board of Directors and transparency of management, we have also established three committees overseeing nomination, auditing, and compensation respectively.

In accordance with the Corporate Governance Code established by the Tokyo Stock Exchange, Inc. in 2015 (“the Code”), we at HTS have devised our own Corporate Governance Guidelines. These are noted on our corporate Website*. We are compliant with all principles mentioned in the Code, as detailed in our Corporate Governance Report.

* <http://www.hitachi-transportssystem.com/en/profile/csr/pdf/c.g.guidelines.pdf>

Board of Directors

- Determines issues relating to management policy, executive officer duties, supervision, etc.
- Oversees performance of directors and executive officers
- Board of Directors meeting held monthly in principle (additional sessions held as necessary)
- Three committees have been established consisting of a majority of outside directors.
 - (1) Nominating Committee: Determines director/executive officer candidates
 - (2) Audit Committee: Performs audits of directors and executive officers’ business implementation
 - (3) Compensation Committee: Determines compensation levels of directors and executive officers

Executive Committee

- Deliberates on important issues related to business implementation
- Comprised entirely of executives or individuals appointed by the company president
- Executive Committee meeting held bi-monthly in principle (additional sessions held as necessary)

Relationship between HTS and outside directors

Amongst six outside directors appointed at the HTS 57th Regular General Shareholders’ Meeting held June 24th, 2016 were Shinjiro Iwata and Hiroshi Maruta, currently and originally of Hitachi, Ltd respectively. Business volume between HTS and Hitachi, Ltd. amounts to ¥8.304 billion (consolidated fiscal year transport and outsourcing). There are no special interests involved between these six outside directors and HTS, as stipulated under the Companies Act Clause 74, Section 2-3.

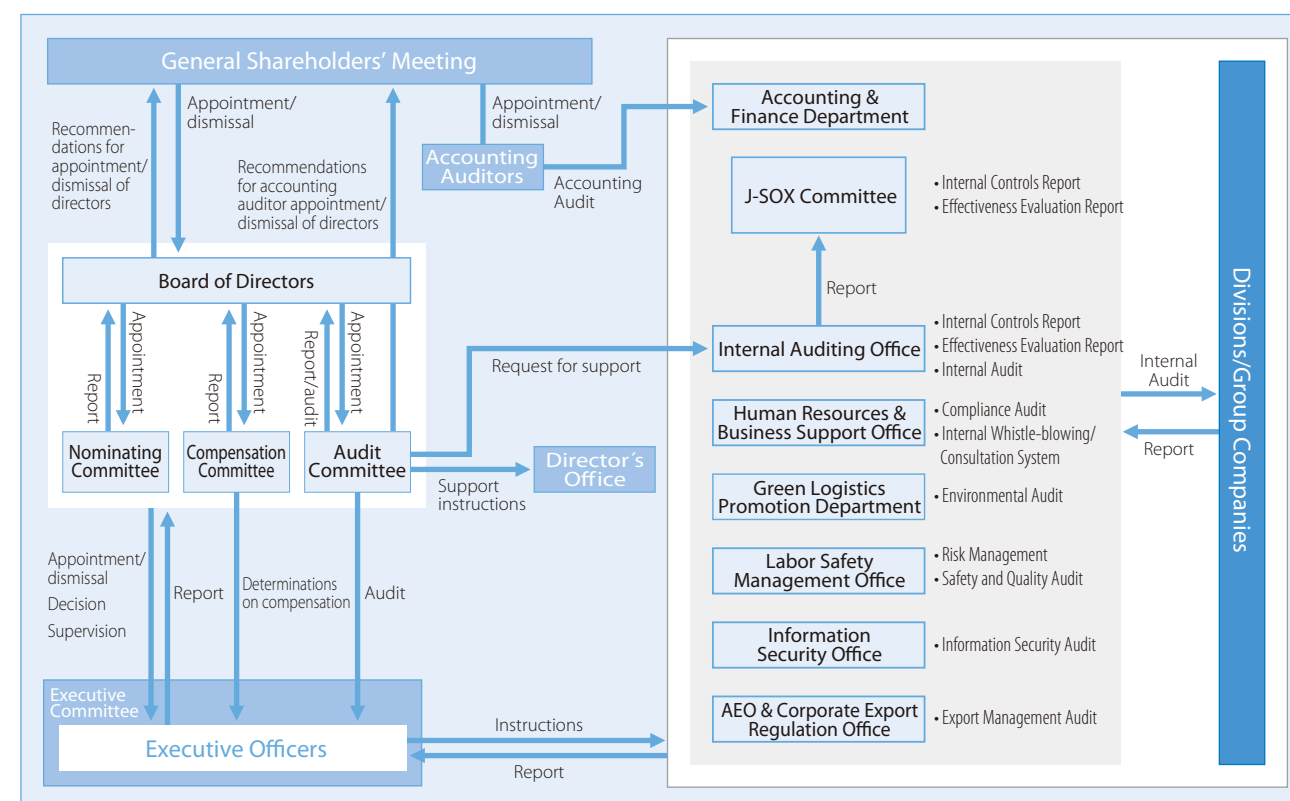
With a view to boosting our corporate governance—and ensuring better transparency and subjectivity—HTS appoints outside directors with subjective opinions, extensive experience in and knowledge of management, and more.

Further, to objectively assess the neutrality of outside directors, we have established our own neutrality criteria for outside directors based on neutrality criteria employed by entities such as the Tokyo Stock Exchange Securities Listing Regulations, proxy advisory firms, and more. Outside directors who are not disqualified under our criteria are considered independent officers; specifically, they hold no risk of conflict of interest with general shareholders.

(Mitsudo Urano, Tsunetoshi Harada, Tetsu Fusayama, and Emiko Magoshi are registered as independent officers in accordance with Tokyo Stock Exchange regulations.) The independence standards for outside directors are noted on the HTS Website. (<http://www.hitachi-transportssystem.com/en/profile/csr/management/governance.html>)

Policy on determining Director and Executive Officer Compensation

- Decision-making on policy
In accordance with the Companies Act as pertains to a company with a Nominating Committee, etc. System, the Compensation Committee determines compensation levels for individual directors and executive officers.
- Fundamental policy
In light of compensation criteria of other companies, HTS has in place compensation criteria in line with the level of responsibility required of HTS executives.
- Director compensation
Director compensation levels are comprised of a combination of a monthly salary and an end-of-term bonus. The monthly salary reflects executive-level performance, and whether or not the individual is full or part-time. The end-of-term bonus, meanwhile, stands at approximately 10% of the individual’s annual income based on the monthly salary. Depending on company performance, however it may be less than this amount at certain times.
Directors who also serve as executive officers do not receive additional compensation as directors.
- Executive officer compensation
Executive officer compensation levels are comprised of a combination of a monthly salary and an end-of-term bonus. The monthly salary is determined in consideration of a base amount fixed in accordance with position. Performance-based compensation is set at the level of roughly 30% of annual income. A portion of executive officer income is therefore determined in accordance with performance and category of work overseen.



Internal Controls

Based on the relevant laws and ordinances, we have established an Audit Committee to supervise the work of our directors and executive officers, while our Board of Directors implements comprehensive systems related to internal controls.

The HTS group 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, our financial reporting earns the optimal trust level.

Bolstering the Foundations of CSR Initiatives

Compliance

At the HTS Group, in order to ensure that management and employees observe the relevant laws and ordinances throughout our group—encompassing both executives and regular employees—we have created a compliance system that involves both a basic policy and a full compliance program. We also aggressively train employees throughout our group and educate them on the relevant national laws, internal bylaws, and corporate ethics. Taking a proactive approach on observation of laws by way of group-wide e-learning as well as training targeting all of our employees plus awareness projects, we strive not only for observation of the relevant laws and regulations, but also to foster a high-level corporate culture of ethics.

Internal whistle-blowing system

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

Risk management

The HTS Group has devised BCPs^{*1} in preparation for natural disasters, mainly on scenarios of large-scale earthquakes, floods, tsunami, and infectious disease, spanning information-gathering and dissemination systems as well as emergency contact networks.

In Japan, our BCPs are mainly concerned with large earthquakes and pandemic influenza scenarios. In FY2015, Headquarters worked with Higashinippon Area Management Headquarters along with group companies to implement a desktop business continuity simulation involving a large earthquake scenario with epicenter in the metropolitan region.

In March 2016, HTS was presented with the Best Practice award of the BCAO Award^{*2} 2015 for our fuel procurement BCP, launched in March 2015. The project encompasses stockpiling of light oil fuel for the Metropolitan, Chubu, and Kansai areas utilizing fuel sales company storage tanks. It also involves dedicated-contract tank lorries to be utilized for deliveries in emergency scenarios.

Overseas, the HTS Group has drawn up BCPs for our locations in North America, Europe, China, and other parts of Asia focusing on pandemic influenza. In addition, we gather information on developments such as large-scale-disasters, terrorism, etc., from information sources such as the Foreign Ministry as well as major communications companies, to alert our staff stationed or travelling overseas of eminent dangers. At the same time we have instituted emergency contact systems based at our overseas locations.



BCAO Award 2015 ceremony

^{*1} BCP: Business Continuity Plan
A plan designed to ensure that core functions are not interrupted (or are rapidly reinstated) in the event of major disaster scenarios.

^{*2} The Business Continuity Advancement Organization (BCAO) Award
This series of awards is presented to individuals and organizations contributing to the popularization and implementation of the concept of business continuity with a view to boosting the practice of business continuity preparation. The awards are presented by the BCAO, a specified nonprofit organization.

Boosting information security initiatives

In initiatives to boost information security initiatives, the HTS Group as a whole works to maintain and bolster security levels to protect both business information and personal information provided to us by customers.

In particular, we also raise awareness of security on the part of each individual employee, through education and training programs that address new risk issues such as targeted-attack e-mail and SNS information leaks, in addition to conventional security training.

Additionally, we boost internal rules and employee training at overseas group locations, in order to strengthen information security on the global level.

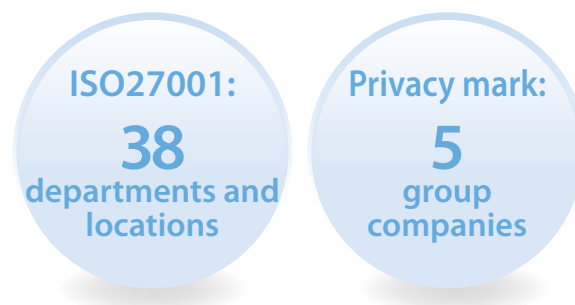
Acquisition and maintenance of third-party certification

HTS encourages third party certification and maintenance of this certification—specifically ISO27001^{*3} (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^{*4} certification was renewed for the fourth time in May 2015.



Third party certifications (As of March 31, 2016)



^{*3} ISO27001
Certification given by the International Organization for Standardization (ISO) to entities meeting specified criteria on information security management systems.

^{*4} Privacy Mark
The JIPDEC grants the Privacy Mark to businesses that meet a specified standard on appropriate handling of personal information.

Board of Directors and Executive Officers (As of June 24, 2016)

Board of Directors

Shinjiro Iwata Outside Director	Mitsudo Urano Outside Director	Tsunetoshi Harada Outside Director	Tetsu Fusayama Outside Director
Emiko Magoshi Outside Director	Hiroshi Maruta Outside Director	Takashi Jinguji Board Director	Yasuo Nakatani Board Director

Executive Officers

Yasuo Nakatani ^(*) Representative Executive Officer President and Chief Executive Officer	Kunio Iida Senior Vice President and Executive Officer	Takashi Jinguji ^(*) Senior Vice President and Executive Officer	Kazunori Urayama Vice President and Executive Officer
Shibanori Kitoh Vice President and Executive Officer	Kazuhisa Hatakeyama Vice President and Executive Officer	Nobukazu Hayashi Vice President and Executive Officer	Hidetoshi Maekawa Vice President and Executive Officer

Katsutoshi Kashimura Executive Officer	Fumio Komamura Executive Officer	Seiki Sato Executive Officer
Hiroaki Takagi Executive Officer	Toshimi Tokieda Executive Officer	Kiyoshi Nagao Executive Officer
Kazuhiro Nishikawa Executive Officer	Yasushi Hagiwara Executive Officer	
Hiromoto Fujitani Executive Officer	Toru Watanabe Executive Officer	

^{*} Concurrently serve as Board Director
(Listed in Japanese alphabetical order by title.)

Financial Statements

Consolidated Statement of Financial Position

Hitachi Transport System, Ltd. and subsidiaries

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2016	As of March 31, 2015	As of March 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	¥ 45,146	¥ 34,544	\$ 400,657
Trade receivables	118,908	127,753	1,055,272
Inventories	1,114	959	9,886
Other financial assets	10,352	6,362	91,871
Other current assets	9,330	8,817	82,801
Total current assets	184,850	178,435	1,640,486
Non-current assets			
Investments accounted for using the equity method	1,179	1,576	10,463
Property, plant and equipment	177,153	173,123	1,572,178
Goodwill	29,542	31,437	262,176
Intangible assets	39,038	40,582	346,450
Deferred tax assets	7,900	8,899	70,110
Other financial assets	16,504	16,851	146,468
Other non-current assets	8,233	8,483	73,065
Total non-current assets	279,549	280,951	2,480,911
Total assets	¥ 464,399	¥ 459,386	\$ 4,121,397

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2016	As of March 31, 2015	As of March 31, 2016
Liabilities			
Current liabilities			
Trade payables	¥ 48,892	¥ 55,023	\$ 433,901
Short-term debt	12,110	11,680	107,472
Current portion of long-term debt	36,025	24,927	319,711
Income tax payable	6,512	4,660	57,792
Other financial liabilities	24,688	18,983	219,098
Other current liabilities	27,203	28,618	241,418
Total current liabilities	155,430	143,891	1,379,393
Non-current liabilities			
Long-term debt	49,666	64,267	440,770
Retirement and severance benefits	31,254	29,517	277,370
Deferred tax liabilities	12,542	13,371	111,306
Other financial liabilities	11,132	9,574	98,793
Other non-current liabilities	2,083	2,011	18,486
Total non-current liabilities	106,677	118,740	946,725
Total liabilities	¥ 262,107	¥ 262,631	\$ 2,326,118
Equity			
Equity attributable to stockholders of the parent company			
Common stock	¥ 16,803	¥ 16,803	\$ 149,121
Capital surplus	9,630	9,855	85,463
Retained earnings	161,708	150,927	1,435,108
Accumulated other comprehensive income	1,546	7,424	13,720
Treasury stock, at cost	(180)	(179)	(1,597)
Total equity attributable to stockholders of the parent company	189,507	184,830	1,681,816
Non-controlling interests	12,785	11,925	113,463
Total equity	202,292	196,755	1,795,279
Total liabilities and equity	¥ 464,399	¥ 459,386	\$ 4,121,397

Consolidated Statement of Profit or Loss

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Revenues	¥ 680,354	¥ 678,573	\$ 6,037,930
Cost of sales	(608,408)	(614,941)	(5,399,432)
Gross profit	71,946	63,632	638,498
Selling, general and administrative expenses	(43,626)	(40,274)	(387,167)
Other income	5,215	732	46,282
Other expenses	(5,201)	(2,625)	(46,157)
Operating income	28,334	21,465	251,455
Financial income	825	1,476	7,322
Financial expenses	(2,548)	(1,264)	(22,613)
Share of profits of investments accounted for using the equity method	299	329	2,654
Income before income taxes	26,910	22,006	238,818
Income taxes	(11,408)	(7,217)	(101,242)
Net income	¥ 15,502	¥ 14,789	\$ 137,575
Net income attributable to:			
Stockholders of the parent company	14,011	13,250	124,343
Non-controlling interests	1,491	1,539	13,232
	Yen		U.S. dollars
	2016	2015	2016
Earnings per share attributable to stockholders of the parent company			
Basic	¥ 125.60	¥ 118.78	\$ 1.11
Diluted	-	-	-

Consolidated Statement of Comprehensive Income

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income	¥ 15,502	¥ 14,789	\$ 137,575
Other comprehensive income (OCI)			
Items not to be reclassified into net income			
Net changes in financial assets measured at fair value through OCI	190	421	1,686
Remeasurements of defined benefit plans	(1,520)	(851)	(13,490)
Share of OCI of investments accounted for using the equity method	2	-	18
Total items not to be reclassified into net income	(1,328)	(430)	(11,786)
Items that can be reclassified into net income			
Foreign currency translation adjustments	(5,326)	3,438	(47,267)
Net changes in cash flow hedges	43	63	382
Share of OCI of investments accounted for using the equity method	(63)	72	(559)
Total items that can be reclassified into net income	(5,346)	3,573	(47,444)
Other comprehensive income (OCI)	(6,674)	3,143	(59,230)
Comprehensive income	¥ 8,828	¥ 17,932	\$ 78,346
Comprehensive income attributable to:			
Stockholders of the parent company	8,192	16,367	72,701
Non-controlling interests	636	1,565	5,644

Consolidated Statement of Changes in Equity

Hitachi Transport System, Ltd. and subsidiaries

For the year ended March 31, 2016

	Millions of yen							
	2016							
	Equity attributable to stockholders of the parent company						Non-controlling interests	Total equity
Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company			
Balance at beginning of year	¥ 16,803	¥ 9,855	¥ 150,927	¥ 7,424	¥ (179)	¥ 184,830	¥ 11,925	¥ 196,755
Changes in equity								
Net income	-	-	14,011	-	-	14,011	1,491	15,502
Other comprehensive income	-	-	-	(5,819)	-	(5,819)	(855)	(6,674)
Transactions with non-controlling interests	-	(225)	-	(54)	-	(279)	294	15
Dividends	-	-	(3,235)	-	-	(3,235)	(70)	(3,305)
Transfer to retained earnings	-	-	5	(5)	-	-	-	-
Acquisition and sales of treasury stock	-	-	-	-	(1)	(1)	-	(1)
Total changes in equity	-	(225)	10,781	(5,878)	(1)	4,677	860	5,537
Balance at end of year	¥ 16,803	¥ 9,630	¥ 161,708	¥ 1,546	¥ (180)	¥ 189,507	¥ 12,785	¥ 202,292

For the year ended March 31, 2015

	Millions of yen							
	2015							
	Equity attributable to stockholders of the parent company						Non-controlling interests	Total equity
Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company			
Balance at beginning of year	¥ 16,803	¥ 12,732	¥ 140,707	¥ 4,232	¥ (179)	¥ 174,295	¥ 12,468	¥ 186,763
Changes in equity								
Net income	-	-	13,250	-	-	13,250	1,539	14,789
Other comprehensive income	-	-	-	3,117	-	3,117	26	3,143
Transactions with non-controlling interests	-	(2,877)	-	57	-	(2,820)	(2,048)	(4,868)
Dividends	-	-	(3,012)	-	-	(3,012)	(60)	(3,072)
Transfer to retained earnings	-	-	(18)	18	-	-	-	-
Acquisition and sales of treasury stock	-	0	-	-	0	0	-	0
Total changes in equity	-	(2,877)	10,220	3,192	0	10,535	(543)	9,992
Balance at end of year	¥ 16,803	¥ 9,855	¥ 150,927	¥ 7,424	¥ (179)	¥ 184,830	¥ 11,925	¥ 196,755

For the year ended March 31, 2016

	Thousands of U.S. dollars							
	2016							
	Equity attributable to stockholders of the parent company						Non-controlling interests	Total equity
Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Total equity attributable to stockholders of the parent company			
Balance at beginning of year	\$ 149,121	\$ 87,460	\$ 1,339,430	\$ 65,886	\$ (1,589)	\$ 1,640,309	\$ 105,831	\$ 1,746,140
Changes in equity								
Net income	-	-	124,343	-	-	124,343	13,232	137,575
Other comprehensive income	-	-	-	(51,642)	-	(51,642)	(7,588)	(59,230)
Transactions with non-controlling interests	-	(1,997)	-	(479)	-	(2,476)	2,609	133
Dividends	-	-	(28,710)	-	-	(28,710)	(621)	(29,331)
Transfer to retained earnings	-	-	44	(44)	-	-	-	-
Acquisition and sales of treasury stock	-	-	-	-	(9)	(9)	-	(9)
Total changes in equity	-	(1,997)	95,678	(52,165)	(9)	41,507	7,632	49,139
Balance at end of year	\$ 149,121	\$ 85,463	\$ 1,435,108	\$ 13,720	\$ (1,597)	\$ 1,681,816	\$ 113,463	\$ 1,795,279

Consolidated Statement of Cash Flows

Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	
Cash flows from operating activities:			
Net income	¥ 15,502	¥ 14,789	\$ 137,575
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	19,125	18,715	169,728
Impairment losses	2,117	261	18,788
Share of profits of investments accounted for using the equity method	(299)	(329)	(2,654)
Income taxes	11,408	7,217	101,242
Increase (decrease) in retirement and severance benefits	1,793	(374)	15,912
Interest and dividends income	(817)	(557)	(7,251)
Interest expenses	1,611	1,264	14,297
(Gains) losses on sale of property, plant and equipment	(3,965)	0	(35,188)
(Increase) decrease in trade receivables	6,152	(8,583)	54,597
(Increase) decrease in inventories	(174)	87	(1,544)
Increase (decrease) in trade payables	(5,688)	3,395	(50,479)
Increase in other assets and other liabilities	1,713	6,643	15,202
Other	(1,022)	841	(9,070)
Subtotal	47,456	43,369	421,157
Interest and dividends received	1,004	768	8,910
Interest paid	(1,610)	(1,287)	(14,288)
Refund of settlement paid	587	-	5,209
Income taxes paid	(8,617)	(10,584)	(76,473)
Net cash provided by operating activities	38,820	32,266	344,515
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	(17,614)	(20,069)	(156,319)
Proceeds from sale of property, plant and equipment and intangible assets	11,244	813	99,787
Placement of deposit	(3,500)	-	(31,061)
Other	(503)	(630)	(4,464)
Net cash used in investing activities	(10,373)	(19,886)	(92,057)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	1,462	(204)	12,975
Proceeds from long-term debt	11,039	10,712	97,968
Repayments of long-term debt	(21,371)	(11,279)	(189,661)
Repayments of lease obligations	(4,128)	(3,561)	(36,635)
Purchase of shares of consolidated subsidiaries from non-controlling interests	(57)	(4,661)	(506)
Dividends paid to stockholders of the parent company	(3,235)	(3,012)	(28,710)
Dividends paid to non-controlling interests	(61)	(60)	(541)
Other	(361)	(0)	(3,204)
Net cash used in financing activities	(16,712)	(12,065)	(148,314)
Effect of exchange rate changes on cash and cash equivalents	(1,133)	615	(10,055)
Net increase in cash and cash equivalents	10,602	930	94,089
Cash and cash equivalents at beginning of year	34,544	33,614	306,567
Cash and cash equivalents at end of year	¥ 45,146	¥ 34,544	\$ 400,657

Corporate Data/Group Network

Corporate Data (As of March 31, 2016)

Corporate name: Hitachi Transport System, Ltd.
Head office: 7-2-18, Toyo, Koto-ku, Tokyo 135-8372, Japan
Founded: February 1950 (Established: August 1959)
Paid-in capital: ¥16,802 million

- Main businesses:**
- 3PL Business [integrated logistics services for corporate customers] (Logistics System Building, Information Control, Inventory Control, Orders Control, Processing for Distribution, Distribution Center Operation, Factory Logistics, Transportation, Customs Clearance, International Nonstop Delivery through Land/Ocean/Air Transportation)
 - Transportation, Installation and Setting of General Cargo, Heavy Machineries, and Artworks
 - Factory and Office Moving
 - Warehousing and Trunk Room Services
 - Collection and Transportation of Industrial Waste
 - Logistics Consulting, etc.

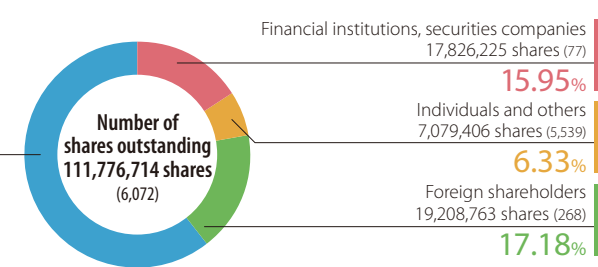
Stock Information (As of March 31, 2016)

Number of shares outstanding
111,776,714 shares

Number of shares per unit
100 shares

Composition of shareholders

Other corporations
67,662,320 shares (188)
60.53%



* Numbers inside parentheses are number of shareholders.

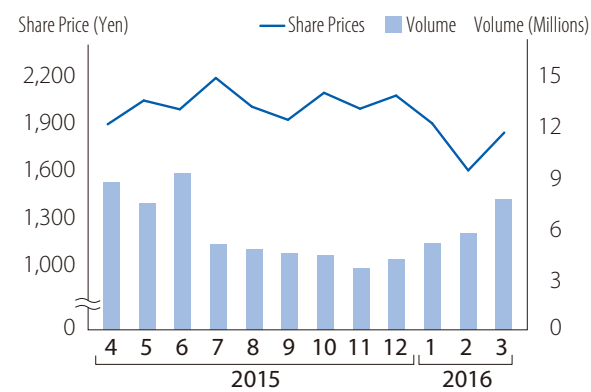
Major shareholders (top 10)

(As of June 30, 2016)

Name of shareholder	Number of shares held (thousands)	Percentage of shares held
Hitachi, Ltd.	33,471	30.01 %
SG Holdings Co., Ltd.	32,349	29.00
Japan Trustee Services Bank, Ltd. (Trust Account)	4,568	4.10
National Mutual Insurance Federation of Agricultural Cooperatives	2,793	2.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,042	1.83
JP MORGAN CHASE BANK 380684	1,905	1.71
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,800	1.61
Hitachi Transport System, Ltd. Employees' Shareholding Association	1,448	1.30
CBNY-GOVERNMENT OF NORWAY	1,260	1.13
FUKUYAMA TRANSPORTING CO., LTD.	1,038	0.93

Note: The percentage of shares held is calculated based on the number of shares excluding treasury stock (226,406 shares).

Changes in share price (as of the end of the month) and volume



Main Subsidiaries & Affiliates (As of June 24, 2016)

Domestic

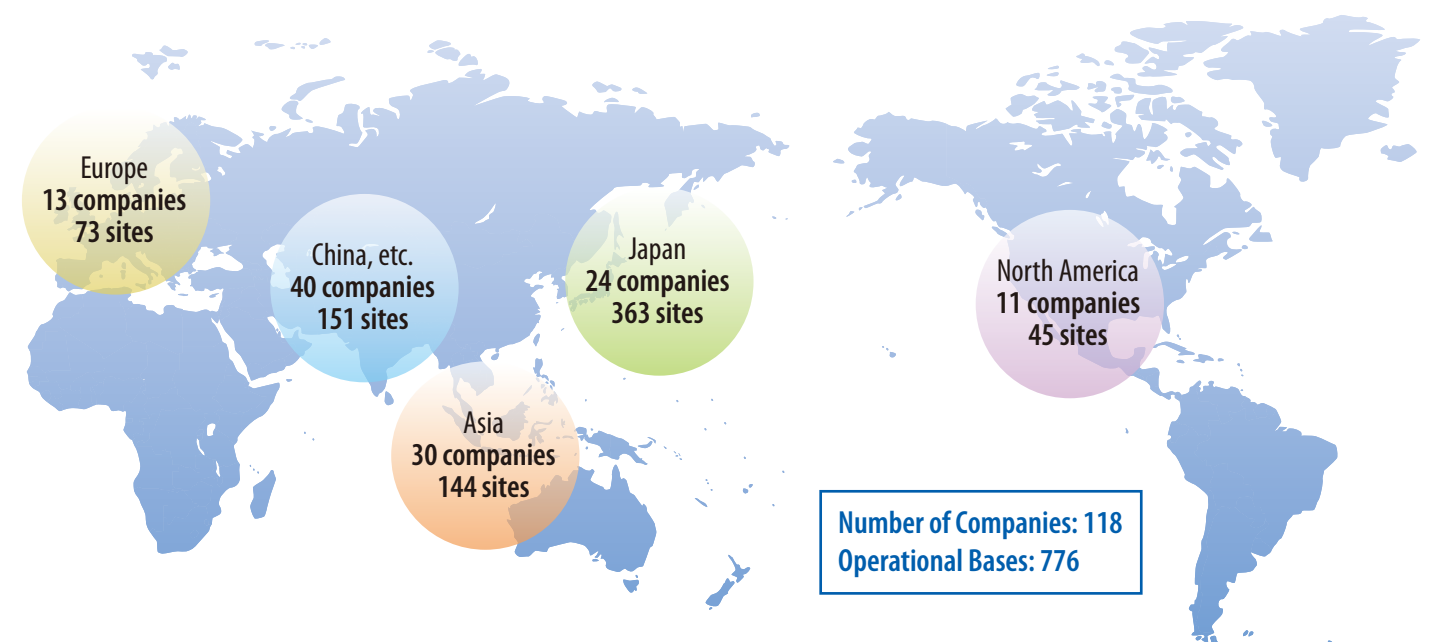
- Hitachi Transport System East Japan Co., Ltd.
- Hitachi Transport System Kanto Co., Ltd.
- Hitachi Transport System Metropolitan Co., Ltd.
- Hitachi Transport System South Kanto Co., Ltd.
- Hitachi Transport System Central Japan Co., Ltd.
- Hitachi Transport System West Japan Co., Ltd.
- Hitachi Transport System Kyushu Co., Ltd.
- Hitachi Transport Direx Co., Ltd.
- Hitachi Collabonext 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

- VANTEC HITACHI TRANSPORT SYSTEM (USA), INC.
- J.P. Holding Company, Inc.
- James J. Boyle & Co.
- Hitachi Sistema de Transporte Mexico, S. A. de C.V.
- 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 (M) Sdn. Bhd.
- Hitachi Transport System Vantec (Thailand), Ltd.
- Eternity Grand Logistics Public Company Limited
- PT Berdiri Matahari Logistik
- Hitachi Transport System (Vietnam) Co., Ltd.
- NISSHIN (MYANMAR) Co., Ltd.
- Flyjac Logistics Pvt. Ltd.
- Hitachi Transport System (China), Ltd.
- Nisshin International Trading Co., Ltd.
- Vantec Hitachi Transport System (Hong Kong) Ltd.
- CDS Freight Holding Ltd.
- Vantec Hitachi Transport System (Taiwan) LTD.
- Hitachi Transport System (Korea), Ltd.
- Hitachi Transport System (Australia) Pty. Ltd.

*On July 1, 2015, Vantec World Transport (USA), Inc. and Hitachi Transport System (America), Ltd., both wholly owned subsidiary of Hitachi Transport System, Ltd., conducted a merger with Vantec World Transport (USA), Inc. as a surviving company and Hitachi Transport System (America), Ltd. as a dissolved company and changed corporate name to VANTEC HITACHI TRANSPORT SYSTEM (USA), INC.

Network extending to 29 countries and regions (As of March 31, 2016)



 **Hitachi Transport System, Ltd.**

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<http://www.hitachi-transportssystem.com/en/>



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