Management Philosophy & Brand

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

Guiding Principles
Compliance
We value “Basics and Ethics”.

Customer Focus
We deliver value to our customers.

Innovation and Excellence
We strive for service excellence through collaborative innovation.

Diversity and Inclusion
We leverage inclusive diversity for holistic growth.

Sustainability
We think and act responsibly as a global citizen.

Brand Promise
Toward the Future
In a world of constant change, we are committed to pioneering new trails, always looking ahead and energizing our society.

We build true trust with our customers, working tenaciously and charting a collaborative future.

We create and deliver innovative solutions, embracing cutting-edge technologies. And we keep moving forward as one team, fostering mutual respect and releasing individual potential.

Going beyond the conventional domain of logistics, we will bring innovation to the future of business and people’s lifestyles.

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-transportsystem.com/en/library/annual/)

Reporting period
The fiscal year ended March 31, 2019 (April 1, 2018 – March 31, 2019 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 (84 consolidated subsidiaries and 20 associates accounted for using the equity method) in principle.

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.

Toward New Dimensions
LOGISTEED
[LOGISTEED]: A word that combines LOGISTICS with Exceed, Proceed, Succeed, and Speed. It represents our determination to lead businesses to a new domain beyond the conventional logistics.

Details are available at the Company’s website.

Hitachi Transport System aims for “LOGISTEED”

The HTS Group’s tools for information disclosure

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Business report (Japanese version only)
Summary of financial results
Presentation Material of financial results
Annual Report
Corporate Governance Report (Japanese version only)

Non-financial information
Investor Relations (website)

About Us (website)

Company Profile
CSR/Environment
Under the concept of “LOGISTEED,” we will strengthen the logistics domain, continue evolving in response to changes and aim at further growth and solving social issues.

As for the environment surrounding the Group in FY2019, the first year of the new Mid-term Management Plan “Value Creation 2018,” under our business concept “LOGISTEED*1,” we have promoted various measures to create new innovations beyond the conventional logistics domain by expanding collaborative areas across businesses and industries, with enhancement of logistics as a function as our core target. As part of our efforts to strengthen logistics domain, we entered into a capital and business alliance agreement with Uhuru Corporation with the aim to provide innovation through collaborative strategies leading to further expansion of the domains through collaboration with various partners. In addition, we will promote our initiatives to design a supply chain based on and originating from our logistics domain by accelerating development and on-site deployment of new Smart Logistics technology and pursuing commercialization and enhancement of “SSCV (Smart & Safety Connected Vehicle)*2" and “EC platform.*3” Our belief solid operation is essential to ensure these initiatives are implemented without delay. Therefore, we will promote “personal ownership” activity at full scale through company-wide bottom-up initiatives (VC21)*4 and work on productivity improvement and enhancement of operation capabilities toward the next generation. The Group will change and evolve by strengthening its logistics domain as well as further promoting collaborative innovation in its related domains, with an aim to provide innovation responding to social challenges and customer needs and create values.

In order to meet expectations of all of our stakeholders, including customers and employees, and remain to be a preferred company, we believe it is important to have a viewpoint to fulfill our responsibilities for visible environmental and social issues around the globe and meet expectations and demands. Under the management priority measures of “fake actions in consideration of environment, society and governance as well as corporate ethics,” the Group promotes initiatives focusing on corporate social responsibilities, strives to improve management transparency and efficiency, and carry out business activities by thoroughly pursuing safety and considering environmental issues. During the previous Mid-term Management Plan, we formulated “CSR objectives” to be addressed with priority and strived to disseminate them within and outside the Group. In FY2019, we will further enhance the effectiveness of “CSR objectives” initiatives and contribute to the achievement of “SDGs (Sustainable Development Goals)*5” by deepening our awareness of its compatibility with our business.

The Group will change and evolve under the concept of “LOGISTEED” and aim to become the most preferred solutions provider.

We look forward to your continued support.

Yasuo Nakatani, President and CEO

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Our Resources & Value Creation

The HTS Group will improve the corporate value by enhancing its “Earning capability” and “Growing power” as well as “Sustainable capability,” with the use of our management resources accumulated over the last 69 years.

Resources — Bases for Value Creation —

Number of Companies*1/ Locations*2

105 companies 740 sites

<Domestic: 27 companies 125 sites/ Overseas: 78 companies 615 sites>

Locations

Area of Logistics Center*5

Warehouses

7,34 Mm²

<Domestic: 5.13 Mm²/ Overseas: 2.21 Mm²>

Total Personnel*3

Human Resources

46,295

<Domestic: 29,440 employees/ Overseas: 16,855 employees>

Vehicles

Total: 16,610

Truck*: 13,939

Forklift: 5,750

Trailer: 5,188

Other*: 1,593

Services — Businesses & Solutions —

3PL business

Value

We provide the optimal logistics services for each stage of supply chain from material procurement and production to sales, distribution, after-sales service and recycling.

Menu

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

Heavy Machinery and Plant Logistics business

Value

We provide sequential service including transportation, installation, setting up and import/export procedures for heavy machinery and precision instruments in a safe and reliable manner with our sophisticated technologies and know-how accumulated since our establishment.

Menu

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

Forwarding business

Value

We provide safe and high-quality transportation services seamlessly and efficiently leveraging our global network and expertise.

Menu

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

Automobile parts logistics business

Value

VANTEC CORPORATION with a global network and other overseas subsidiaries with experiences in automobile parts logistics provide high quality logistics services efficiently using their strong response capability and abundant know-how.

Menu

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

Other services (logistics related businesses)

- Travel agency business
- Information system development business
- Sale and maintenance of automobiles business

*1 Number of companies includes SAGAWA EXPRESS Group and AIT Group.
*2 Number of sites and warehouse floor space include those of SAGAWA EXPRESS Group and AIT Group.
*3 Number of employees excludes associates accounted for using the equity method.
*4 Including tractors and vans
*5 Including buses and passenger cars, etc.

Other services (logistics related businesses)

- Travel agency business
- Information system development business
- Sale and maintenance of automobiles business

**Review of Operations**

**Business Overview by Segment & FY2018 Topics**

### Domestic logistics business (FY2018)

- **Revenues**
  - (Y-o-Y) +4%

- **Segment profit**
  - (Y-o-Y) +2%

  - Revenues of domestic logistics business increased by 4% year-on-year to ¥432,793 million due to a steady growth of medical-related and other 3PL projects.

  - Segment profit increased by 2% year-on-year to ¥22,099 million due to an increase in revenues and improved productivity despite an increase in work costs and the impact of natural disasters.

### Global logistics business (FY2018)

- **Revenues**
  - (Y-o-Y) -2%

- **Segment profit**
  - (Y-o-Y) +13%

  - Revenues of global logistics business decreased by 2% year-on-year to ¥255,828 million due to an effect of foreign exchange rates and Nisshin Transportation Co., Ltd. becoming an associate accounted for using the equity method.

  - Segment profit increased by 13% year-on-year to ¥7,108 million due to improved profitability of unprofitable projects.

### FY2018 Topics

#### Collaborative innovation

- **May 2018:**
  - Started collaboration with Dai Nippon Printing Co., Ltd. and Toshiba Tec Corporation for the next-generation logistics service using electronic tags.

- **Dec. 2018:**
  - Concluded business alliance agreement with Hitachi Capital Corporation
  - Hitherto new innovations through "Finance, Commerce, Logistics, and Information"

- **Oct. 2018:**
  - Concluded capital and business alliance agreement with AIT Corporation
  - Share exchange between AIT and Nisshin Transportation
  - Enhanced forwarding business

- **Dec. 2018:**
  - Started 3D print service in collaboration with DMAN com. and SAGAWA EXPRESS CO., LTD.

#### Branding

- **Apr. 2018:**
  - Started new business concept "LOGISTEED"
- **Oct. 2018:**
  - Opened YouTube official channel

- **Jun. 2018:**
  - The 19th Logistics Environment Awards**
  - "Logistics Environmental Impact Mitigation Technology Development Award"

- **Aug. 2018:**
  - Japan Packaging Contest 2018**
  - "Large-sized Equipment Packaging Award"

- **Sep. 2018:**
  - Acquired a patent for "Image inspection recognition device" jointly with our group company Hitachi Distribution Software Co., Ltd.

- **Dec. 2018:**
  - Opened Kashiwa Platform Center (Kashiwa City, Chiba Prefecture)

#### Commissions/Recognition from outside the Company

- **Jun. 2018:**
  - The 3rd National Forklift Driving Contest** General category 2nd prize
  - "Image inspection recognition technology" Award (PLB*) in Indonesia

- **Oct. 2018:**
  - The 50th National Truck Driver Contest** 11-ton/Female category 1st prize

- **Oct. 2018:**
  - Acquired "Eruboshi (L Star) Certification (Stage 2)" based on the Act on Promotion of Women's Participation and Advancement in the Workplace by the Japanese Ministry of Health, Labour and Welfare

- **Nov. 2018:**
  - 2018 Excellent Business Entities Working on Modal Shift: Award for Excellent Business Entities** (Effective use category)

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**Corporate Governance Environmental Initiatives Safety Initiatives**
**Special Feature 1: Mid-term Management Plan – LOGISTEED 2021 –**

**Numerical Targets**

<table>
<thead>
<tr>
<th>FY2018 (Result)</th>
<th>FY2019 (Plan)</th>
<th>FY2021 (Mid-term Management Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>312 63</td>
<td>315 63</td>
</tr>
<tr>
<td>Revenues</td>
<td>64</td>
<td>66</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>36 4</td>
<td>35 5</td>
</tr>
<tr>
<td>ROE: 10.7%</td>
<td>7,088</td>
<td>7,200</td>
</tr>
<tr>
<td>ROE: 10.0%</td>
<td>7,000</td>
<td>7,400</td>
</tr>
<tr>
<td>ROE: over10%</td>
<td>7,200</td>
<td>8,000</td>
</tr>
</tbody>
</table>

**Priority Measures**

**Change and Evolution toward LOGISTEED**

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

**Consolidate four flows through LOGISTEED**

**Strategic Investment for Change and Evolution into “LOGISTEED”**

<table>
<thead>
<tr>
<th>FY2016—FY2018 (accumulated)</th>
<th>Investment + Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments (Cash basis)</td>
<td>1,382</td>
</tr>
<tr>
<td>M&amp;A, etc.*</td>
<td>(814)</td>
</tr>
<tr>
<td>Strategic investments (Approx. 860)</td>
<td>1,530</td>
</tr>
<tr>
<td>Strategic investments</td>
<td>650</td>
</tr>
<tr>
<td>Investments (Cash basis)</td>
<td>1,266</td>
</tr>
<tr>
<td>Business investments (Approx. 526)</td>
<td>1,380</td>
</tr>
<tr>
<td>Dividends (156)</td>
<td>1,084</td>
</tr>
<tr>
<td>Dividends (Over 150)</td>
<td>1,380</td>
</tr>
</tbody>
</table>

**Future Vision:**

Global Supply Chain Solutions Provider

Integrate four flows for better supply chain
Special Feature 1 Mid-term Management Plan – LOGISTEED 2021 –

Initiatives to Enhance the Core Domain/Acquire New Growth Opportunities

From Enhancing the Core Domain to Ecosystem

- Integration with growth strategies of strong entities/partners
- Growth with partner groups: (Expansion of Domains)
- Design Supply Chain Based on and Originating from the Logistics Domain

Collaborative Innovation Strategy with SG Holdings

- Open digital platform (Big data, AI, IoT)
- Sharing economy

Collaborative Innovation Strategy with AIT

- Open digital platform (Big data, AI, IoT)
- [Forwarding Business]
  - New marketing with AIT’s sales capability × HTS’s network
  - (Sea transportation to North America, etc.)
  - Promote sharing between AIT and the HTS Group
- [3PL Business (Domestic/Overseas)]
  - Creation of new customer value
  - Differentiation through new service (EC platform)

Design Supply Chain Based on and Originating from the Logistics Domain

- Supplier → Manufacturer → Wholesale → Retail → Consumer
- Open digital platform (Big data, AI, IoT)
- Logistics domain
  - Smart Logistics
  - Material handling manufacturer/developer
  - Financial
  - IoT

Collaborative Innovation Strategy with AIT

- [3PL Business (Domestic/Overseas)]
  - Creation of new customer value
  - Differentiation through new service (EC platform)

Build an ecosystem (to new domain)
Initiatives to Enhance the Core Domain/Acquire New Growth Opportunities

**Resolve Social Issues with Innovation ➔ New Growth Opportunities**

The image contains a diagram illustrating the integration of various stakeholders into a digital ecosystem, emphasizing collaboration and innovation. The diagram includes terms such as "automated facilities," "system," "space," and "manpower" sharing. It also mentions "logistics" and "retail" as key sectors.

**EC Platform (Evolution of Smart Warehouse)**

- **Concept**: Sharing of “automated facilities,” “system,” “space,” and “manpower” to contribute to the expansion of customers’ EC.
- **Platformer**: Hitachi Transport System, Ltd.
- **EC Platform center (Kasukabe DC)**: To be commercialized in FY2019 (scheduled).

**SSCV-safety Service Lineup**

- **[Aim of the service]**: Detect driver health problems while driving or stop the driving.
- **[Future plans]**:
  - Promote expansion to multiple locations (Wholesale, Forwarder, and other areas)
  - Enhance functions
    - Notification, settlement, returns, etc.

**SSCV-safety Service Lineup**

1. **Call before driving**
   - Detect driver health problems before and after driving.
2. **Warn drivers while driving**
   - Monitor driver health data while driving.
3. **Notify driving manager of accidents**
   - Notify driving manager of accidents in real-time.
4. **Call after returning**
   - Review the driving of the day and notify driving manager.
5. **Visualize driving data**
   - Integrate driving operation data.

**Platform for Safety and Security SSCV**

- **[Transportation digital platform]**: Use of transportation data allows partners to create new services.
- **SSCV users**
  - Offer values to customers (park owners).

**Details of the Mid-term Management Plan are available at the Company’s website.**

http://www.hitachi-transportsystem.com/jp/sscv/

We will create values to meet all of our stakeholders' expectations through steady implementation of growth strategy and continuous self-transformation.

### Financial Highlights: The Track Record of 10 Years

#### As of March 31, 2019:

<table>
<thead>
<tr>
<th>Year</th>
<th>J-GAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(¥)</td>
<td>(¥)</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2009</td>
<td>¥331,917</td>
<td>¥368,798</td>
</tr>
<tr>
<td>FY2010</td>
<td>¥355,934</td>
<td>¥547,517</td>
</tr>
<tr>
<td>FY2011</td>
<td>¥368,448</td>
<td>¥624,504</td>
</tr>
<tr>
<td>FY2012</td>
<td>¥375,560</td>
<td>¥677,108</td>
</tr>
<tr>
<td>FY2013</td>
<td>¥397,944</td>
<td>¥678,573</td>
</tr>
<tr>
<td>FY2014</td>
<td>¥405,080</td>
<td>¥680,354</td>
</tr>
<tr>
<td>FY2015</td>
<td>¥411,796</td>
<td>¥655,377</td>
</tr>
<tr>
<td>FY2016</td>
<td>¥417,835</td>
<td>¥700,391</td>
</tr>
<tr>
<td>FY2017</td>
<td>¥525,828</td>
<td>¥708,831</td>
</tr>
<tr>
<td>FY2018</td>
<td>¥6,386,440</td>
<td>7,108,570</td>
</tr>
</tbody>
</table>

#### Equity attributable to stockholders of the parent company

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>¥665,377</td>
</tr>
<tr>
<td>FY2010</td>
<td>¥700,391</td>
</tr>
<tr>
<td>FY2011</td>
<td>¥708,831</td>
</tr>
<tr>
<td>FY2012</td>
<td>¥6,386,440</td>
</tr>
<tr>
<td>FY2013</td>
<td>¥7,108,570</td>
</tr>
<tr>
<td>FY2014</td>
<td>¥7,906,135</td>
</tr>
<tr>
<td>FY2015</td>
<td>¥8,722,340</td>
</tr>
<tr>
<td>FY2016</td>
<td>¥9,403,927</td>
</tr>
<tr>
<td>FY2017</td>
<td>¥10,122,354</td>
</tr>
<tr>
<td>FY2018</td>
<td>¥10,899,844</td>
</tr>
</tbody>
</table>

#### Adjusted operating income/Adjusted operating margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>¥295,162</td>
</tr>
<tr>
<td>FY2010</td>
<td>¥312,482</td>
</tr>
<tr>
<td>FY2011</td>
<td>¥255,800</td>
</tr>
<tr>
<td>FY2012</td>
<td>¥228,500</td>
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<tr>
<td>FY2013</td>
<td>¥205,298</td>
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<tr>
<td>FY2014</td>
<td>¥200,588</td>
</tr>
<tr>
<td>FY2015</td>
<td>¥216,452</td>
</tr>
<tr>
<td>FY2016</td>
<td>¥210,432</td>
</tr>
<tr>
<td>FY2017</td>
<td>¥206,933</td>
</tr>
<tr>
<td>FY2018</td>
<td>¥208,293</td>
</tr>
</tbody>
</table>

#### Adjusted operating income attributable to stockholders of the parent company

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>¥140,341</td>
</tr>
<tr>
<td>FY2010</td>
<td>¥147,312</td>
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<tr>
<td>FY2011</td>
<td>¥146,490</td>
</tr>
<tr>
<td>FY2012</td>
<td>¥151,183</td>
</tr>
<tr>
<td>FY2013</td>
<td>¥154,158</td>
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<tr>
<td>FY2014</td>
<td>¥155,495</td>
</tr>
<tr>
<td>FY2015</td>
<td>¥160,664</td>
</tr>
<tr>
<td>FY2016</td>
<td>¥162,757</td>
</tr>
<tr>
<td>FY2017</td>
<td>¥165,773</td>
</tr>
<tr>
<td>FY2018</td>
<td>¥167,835</td>
</tr>
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</table>

#### Capital expenditures

<table>
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<tr>
<th>Year</th>
<th>Millions of yen</th>
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</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>¥16,362</td>
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<td>FY2010</td>
<td>¥18,648</td>
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<tr>
<td>FY2011</td>
<td>¥18,876</td>
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<tr>
<td>FY2012</td>
<td>¥21,353</td>
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<tr>
<td>FY2013</td>
<td>¥23,533</td>
</tr>
<tr>
<td>FY2014</td>
<td>¥24,475</td>
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<tr>
<td>FY2015</td>
<td>¥25,546</td>
</tr>
<tr>
<td>FY2016</td>
<td>¥26,910</td>
</tr>
<tr>
<td>FY2017</td>
<td>¥28,320</td>
</tr>
<tr>
<td>FY2018</td>
<td>¥29,580</td>
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#### Key financial ratios

<table>
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<tr>
<th></th>
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<tbody>
<tr>
<td>ROE (%)</td>
<td>10.3</td>
<td>10.7</td>
<td>11.0</td>
<td>11.9</td>
<td>11.9</td>
<td>11.9</td>
<td>12.2</td>
<td>12.6</td>
<td>11.4</td>
<td>11.4</td>
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<tr>
<td>ROA (%)</td>
<td>4.4</td>
<td>4.3</td>
<td>3.9</td>
<td>3.5</td>
<td>3.4</td>
<td>3.3</td>
<td>3.3</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>EPS (¥)</td>
<td>1,317</td>
<td>1,166</td>
<td>1,505</td>
<td>1,505</td>
<td>1,505</td>
<td>1,505</td>
<td>1,505</td>
<td>1,505</td>
<td>1,505</td>
<td>1,505</td>
</tr>
<tr>
<td>CAGR (%)</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
</tr>
</tbody>
</table>


Some figures have been revised since certain accounting treatments for M&A, etc. were not in compliance with IFRS.


*All dollar amounts have been translated from yen, for convenience only, at the rate of ¥110.99=U.S.$1, the prevailing exchange rate as of March 31, 2019. *3 Terms in parentheses are used for J-GAAP. *4 Based on tangible and intangible assets accepted. *5 Based on non-current assets recorded. *6 In order to present certain financial information more appropriately, the HTS Group started to use "Adjusted operating income" as a major indicator from FY2016 and also presented "Adjusted operating income" for FY2015. *7 Excluding SAGAWA EXPRESS Group and AIT Group.
## Environment

<table>
<thead>
<tr>
<th>Category/Item</th>
<th>KIS</th>
<th>Scope</th>
<th>Formula</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greenhouse Gas (GHG)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employees*3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of non-compliance with environmental laws and regulations (environmental compliance)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ESG Data</strong></td>
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<td><strong>Emissions of NOx, SOx and other specific air emissions</strong></td>
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<td><strong>Results of waste emission reduction (reduce copying paper consumption)</strong></td>
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<td><strong>Results related to energy (reduce “electricity consumption per floor space” of “building”)</strong></td>
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## Social

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<td><strong>Job Creation</strong></td>
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<td><strong>Work-life Balance</strong></td>
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<td><strong>Ratio of female new graduates hired</strong></td>
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<td><strong>Number of those who took childcare leave (persons)</strong></td>
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<td><strong>Number of those who took parental leave (persons)</strong></td>
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<td><strong>Number of those who took maternity leave (persons)</strong></td>
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## Governance

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<td><strong>Corporate Governance</strong></td>
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<td><strong>Intellectual Property</strong></td>
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<td><strong>Information Security</strong></td>
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*Denote in parentheses are the number of group companies.*

**Note:** The data in this report is based on information as of March 31, 2019. The accuracy of the information may be affected by events that have not yet been finalized or reported.
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.

- Basic CSR Policy
  Under our Corporate Philosophy, the HTS Group strives to promote integration of CSR and management through communication with our various stakeholders, with the aim of realizing a sustainable society. In implementing a cycle of the Basic CSR Policy as a guideline, we will proactively disclose ESG (Environment, Social, and Governance) information and collaborate with various stakeholders for the aim of achieving SDGs.

- HTS Group CSR Basic Policy

- HTS Group’s Contribution to SDGs
  SDGs (Sustainable Development Goals) are 17 universal goals for the international community to be attained by 2030. The HTS Group is fully aware of the importance of achieving the SDGs. Among 17 goals of SDGs, the following eight goals are especially relevant to our CSR objectives. We will work to do our part in achieving these SDGs as we move into high gear to reach our CSR objectives.

- SDGs especially relevant to CSR objectives
  1. No Poverty
  2. Good Health and Well-being
  3. Quality Education
  4. Economic Growth
  5. Responsible Consumption and Production
  6. Climate Action
  7. Life on Land
  8. Peace and Justice

- HTS Group’s Stakeholders
  The HTS Group manages and maintains its business activities through interaction with our broad array of stakeholders including customers, shareholders, local communities, and local administrations.

- CSR Promotion Structure
  In order to promote the group-wide CSR activities, the HTS Group sets up “CSR Promotion Committee,” chaired by Vice President and Executive Officer, General Manager of CSR Promotion Office and holds meetings regularly.

- Material Issues and CSR Objectives
  We identified material issues as CSR issues highly important to the HTS Group and recognized them as our social responsibility that we should fulfill in order to accurately recognize social and environmental issues and expectations. To decide specific activities, we developed four CSR objectives that we should address with priority based on material issues and the viewpoint of CSV (Creating Shared Value), and then set specific activity themes and key performance indicators (KPIs) (Refer to page 20).

- 15 material issues of the HTS Group
  - Social
    - Safe and healthy work environment
    - Occupational Health
    - Social and environmental responsibility
  - Quality and safety
    - Service quality
    - Safety
  - Environment
    - Carbon dioxide emissions
    - Environmental management
  - Governance
    - Compliance/governance/ROPC
    - Environmental management

- CSR Objectives of the HTS Group – Initiatives and Key Performance Indicators (KPIs)
  In FY2018, the HTS Group identified key activities for the CSR objectives to be started in FY2019 and relevant KPIs, based on which we strengthen our initiatives using PDCA cycle.

- Related SDGs
  - SDG 1: No Poverty
  - SDG 3: Good Health and Well-being
  - SDG 4: Quality Education
  - SDG 8: Economic Growth
  - SDG 12: Responsible Consumption and Production
  - SDG 13: Climate Action
  - SDG 15: Life on Land
  - SDG 16: Peace and Justice

- CSR Objectives
  - Promote fair and safe labor conditions and wages
  - Strengthen environmental management

- Initiatives
  - Enhance ability to respond to disasters
  - Promote resource recycling

- Key Performance Indicators (KPIs)
  - Number of places to provide childcare leave
  - Rate of child care leave taken

- Notes:
  - ROPC: Responsible Organizational PrinCiples
Toward integration of sustainability and management

In order for the HTS Group to grow sustainably with a society, what role should we play and what values should we create? What does society expect from us and how should we meet them? In January 2019, we invited three external experts to the head office for a discussion with our executives with an aim to gain an external perspective and reconsider the CSR promotion integrated with management.

Corporate value and social value will have “trade-on” relation in the long run

Sato: The HTS Group is now on the brink of a major transition amid significant environmental changes in the logistics industry. In 2016, we took a new step under the strategic capital and business alliance with SG Holdings Co., Ltd., and we must continue to be a company that values collaborative innovation and collaboration with various customers and business partners toward sustainable development. To this end, we believe it is important to obtain opinions of various stakeholders, and I hope to hear various opinions in today’s discussion.

Ms. Ohmi: Investors are increasingly focusing on corporate sustainability in making investment decisions. Recently, responsible investments considering ESG (Environment, Social and Governance) are expanding globally. Such investment aims at increasing long-term corporate value by encouraging ESG initiatives through active discussions with the investee companies. Under such circumstance, we are extremely interested in your integrated strategy planned in the new Mid-term Management Plan.

Prof. Kusunoki: My area of expertise is companies’ competitive strategies, and the major premise is the fact that “the most important thing for a company is long-term profit.” It means “making profit over a long period” and it may sound contradictory to ESG initiatives, but actually it is not. A company can make profit over a long period because it provides something valuable, which indicates customer satisfaction. A company can protect jobs, give consideration to employees and meet shareholder expectations as long as it makes profit. A company can also make a big contribution to society in the form of tax payment.

Mr. Pedersen: Quite often, corporate profit and value provided to society are considered to be in a “trade-off” relation, but it is important to know that they will have a “trade-on” relation in the long run. If a company makes profit in an appropriate and sustainable manner and has a good impact on society, it will raise its brand value and attract talented human resources and capital. Then, the company can make further growth and get involved in solving material issues in the market and society. Creating such relationship of upward spiral is what we call a sustainability strategy.

Prof. Kusunoki: I agree. A shortcut for a company to make profit is to force employees, customers or suppliers to bear the burden. However, such method will work only for a short time and it will certainly trigger a backlash. In this sense, “trade-off” is merely a short-sighted approach. Instead, I want to emphasize that “A company should improve its earning power and pursue long-term profit to be able to provide values for society.”

How to play an active role in solving social issues

Ms. Ohmi: From investors’ standpoint, I’m concerned that quite a few companies develop a solid three-year management plan but they won’t announce their longer-term vision. In fact, it is very important to have a long-term vision to support strategies. Especially because ESG initiatives cannot be explained with the short-term cost and return, it is difficult to set goals for ESG initiatives without medium-to-long-term vision.

Hatakeyama: The HTS Group is also generally operating under the three-year Mid-term Management Plan, and one of our issues is that we don’t have a sufficiently workable long-term initiatives such as a ten-year plan. However, there are some movements not based on short-term profitability, such as investments in robotics-related research by logistics engineering division in preparation for labor shortage that is expected to become increasingly serious in five or ten years.

Fujitani: Recently, we have been working on work environment improvement in logistics centers nationwide. In specific, we are installing air conditioners in old warehouses, and this may be considered as one of the initiatives not based on the conventional short-term interests. Although installing air conditioners does not directly lead to profit growth, providing comfortable work environment is essential to increase satisfaction of people who work there.

Ms. Ohmi: I think such effort is important, considering securing labor force has been increasingly difficult. A company that cannot retain employees cannot grow sustainably, and employee satisfaction is one of the elements of supporting sustainability. If a company can visualize an increase in engagement of employees, it will increase the chance of securing skilled human resources.

Attendees from the Company

| Seiki Sato | Senior Vice President and Executive Officer |
| Katsuhisa Hatakeyama | Vice President and Executive Officer |
| Hiromoto Fujitani | Vice President and Executive Officer |

External experts we invited

| Prof. Ken Kusunoki* | Professor, School of International Corporate Strategy, Waseda University Business School |
| Ms. Shizuko Ohmi* | Vice President, Head of ESG Department, Amundi Japan Ltd. |
| Mr. Peter David Pedersen* | Representative Director, NELIS |

Facilitator

| Mr. Takehiko Mizukami* | Cre-en Inc. |

* Names of organizations and positions are as of the date of the discussion.

Hitachi Transport System, Ltd. Annual Report 2019
To challenge new domains beyond logistics

Hatakeyama: Currently, the HTS Group has started a new challenge that goes beyond the conventional logistics field under our business concept of "LOGISTEED." For further growth of the Group from a long-term perspective, it is essential to acquire functions that we did not have so far to break such situation and address various issues of a supply chain beyond the conventional logistics to pursue the next big leap. We set a concept of "LOGISTEED" with such hope. During the new Mid-term Management Plan, we will have specific plans through backcasting and carry them out.

Prof. Kusunoki: If you don’t want "LOGISTEED" to be just a fancy slogan but integrate it into daily behavior, I suggest you declare “things that you will not do.” For example, "the HTS Group aims at "LOGISTEED" beyond the conventional logistics company. So, we will not do such things as..." Good business knows that it’s not possible to make all customers happy and that it’s important to choose what to do and what not to do. This also means to clarify the areas on which the management resources will be focused, which will foster better understanding of "LOGISTEED" within and outside the Company.

Fujitani: It is very helpful to have a standard of “not to do.” It is not easy to declare such things as we do business with many customers. However, I understand that we have to commit ourselves to promote whatever we need to do with unwavering will.

Mr. Pedersen: To incorporate sustainability into a business strategy, there are certain innovation filters to pass. Such filters vary depending on industries, but I believe there are filters unique to the HTS Group in relation to four CSR objectives (refer to page 20) such as “low-carbon” or “resilience.” It is important to clarify such filters first.

Prof. Kusunoki: Among the four CSR objectives, the primary objective in terms of your main business is "Pursue Next-generation Industries and Lifestyles." If you can further clarify and work on it with clear KPIs, you should be able to have a big impact on society.

Mr. Pedersen: To "Pursue Next-generation Industries and Lifestyles," you will need to focus on not only domestic but also international logistics needs. For example, you cannot ignore potential in the African or emerging markets where population continues to grow remarkably. For another objective of "Realize Low-carbon Business Processes," measures beyond your operation are required, and therefore you need to figure out how to involve customers as “Global Supply Chain Solutions Provider.” Another important fact is that the international society is already moving from "low-carbon" to "decarbonization."

Ms. Ohmi: As the HTS Group has been working on green logistics, I believe you can gain a competitive advantage in environmental fields. You can offer customers high added value if you can demonstrate “how much of CO2 emission by a supply chain can be reduced by engaging the HTS Group for logistics services.” In order to show your strengths to investors easily, I want you to make that kind of effort. In addition, as mentioned in “Enhance Occupational Safety and Productivity,” matters related to people are also very important. Automation and labor saving may be measures against labor shortage, but I think using machines wherever possible can also contribute to increasing human value. It may be worth considering to appeal how the Group focuses on human resources including their upskilling as well as productivity improvement.

Mr. Pedersen: If you don’t want "LOGISTEED" to be just a slogan, you have to define KPIs and announce them along with financial report, and then report their progress. In order to share common awareness among employees, you have to keep sending a message that “the HTS Group continues to provide values to society under the concept of "LOGISTEED."” I believe company-wide initiatives will succeed because of such persistent efforts.

Hatakeyama: I completely agree. If we keep telling them over and over, employees will start thinking “what we should do.” And we hope to improve their motivation from there. Also, all these opinions from you reminded us of the importance of long-term sustainability strategy, so we will keep that in mind. Thank you very much for joining us today.

Mr. Pedersen: To "Pursue Next-generation Industries and Lifestyles," I think you might want to explain in more detail what not to do. It is not easy to declare such things as we do business with many customers. However, I understand that we have to commit ourselves to promote whatever we need to do with unwavering will.

Mr. Pedersen: In order to integrate sustainability with management, you have to obtain deep understanding within the Company. I think you seek honest opinions about what the HTS Group can do under a big picture toward future and share ideas within the Company. If such efforts help raise awareness as a team and continue to improve the quality each year, it is wonderful. I hope that people in various positions within the Company will voluntarily get involved in these efforts and embark on innovation journey.

Sato: The HTS Group is now promoting activities called "VC 21 (Value Change & Creation 21)" aiming at improvement of profitability and organization power in all domestic group companies. Of these activities, we put emphasis on “promotion of ‘personal ownership,’” and we are starting to see some results as we continue these efforts. I think we should promote CSR and CSV steadily in relation to these initiatives.

Prof. Kusunoki: In order to share common awareness within the company, the management may need to take the lead and keep sending a message that “the HTS Group continues to provide values to society under the concept of "LOGISTEED."” I believe company-wide initiatives will succeed because of such persistent efforts.

Hatakeyama: I completely agree. If we keep telling them over and over, employees will start thinking "what we should do." And we hope to improve their motivation from there. Also, all these opinions from you reminded us of the importance of long-term sustainability strategy, so we will keep that in mind. Thank you very much for joining us today.
Safety

Each employee strives to provide safe and secure services

Safety Slogan
“Safety First”
All employees and partner companies work together to promote safety activities. To achieve that, managers and supervisors must always keep in mind that “safety is the basic practice of our daily operation” and keep improving every day with firm resolve.

Bringing Safety and Peace of Mind to Our Customers

Transport Safety Management*
The HTS Group promotes everyday safe driving and ensures safe transportation by establishing a safety management system together with its transport partner companies.

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

Bolstering On-Site Operations (Presentation Meeting of Smart Logistics)
We are working on further bolstering of on-site operations of the entire HTS Group by having each site make a presentation on their efforts for “improvement of on-site operations” to share and expand the best practice of operational safety of the Group. In FY2018, as a representative of overseas group companies, VANTEC SUMISO LOGISTICS (WUHAN) CO., LTD made a presentation about their efforts for safety and quality to increase trusts from customers.

HTS Group Morning Meeting of Safety
In order to prevent recurrence of tragic accidents, the HTS Group is holding “morning meeting of safety” at all sites in April and October from FY2019.

Adoption of Safety Technology

● Installing dashboard cameras on forklifts
In addition to all trucks it owns in Japan, the HTS Group has also installed dashboard cameras in forklifts (approximately 1,900 as of March 31, 2019) so as to be used for daily activities to secure safety including confirmation with finger pointing and calling during operation. We are also installing dashboard cameras in overseas group companies.

● Back monitor
We installed a back monitor in approx. 3,900 vehicles including those of transport partner companies to ensure safety of the surrounding area by double-checking both by sight and monitor.

Top Seminar
The HTS Group considers its transport partner companies are important partners. Each group company holds a top seminar semiannually by inviting management from partner companies for mutual information sharing.

Dashboard cameras for trucks
Dashboard cameras for forklifts

Forklifts equipped with dashboard camera
Approx. 1,900
(As of March 31, 2019)

Presentation by VANTEC SUMISO LOGISTICS (WUHAN) CO., LTD.
## Boosting Safety Knowledge and Driving Skill

### Sending Contestants to Non-HTS Forklift and Trucking Competitions

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

Again in FY2018, contestants winning out at prefectural-level preliminary contests around the country competed in the national contests and achieved excellent results.

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

### 50th National Truck Driver Contest

**Won the 1st prize in 2 categories of “11-ton” and female drivers**

The HTS Group sent 14 contestants to this competition, where contestants strive for the highest score in both the academic knowledge and skill competitions (inspection and driving). They achieved magnificent results by winning higher rankings in all categories, including 3rd and 4th in the 4-ton category and 3rd in the Trailer category, in addition to two winners in the 11-ton and female drivers categories.

### 33rd National Forklift Driving Contest

The HTS Group sent 13 contestants to this competition, where contestants strive for the total score of three categories of academic knowledge, inspection skills and driving technique, and won the 2nd prize.

### Safety Training (Practical Training and Experiential Sessions)

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

### Safety Training for New Employees

The HTS Group conducts lectures and practical trainings for new employees to acquire safety knowledge when join the Company.

### Practical Training and Instruction for Heavy Cargo Engineering

For safe transportation, installation and setting up of large instruments such as railway cars, power plants and industrial machinery, and precision equipment such as laboratory and medical equipment, it is crucial to make a careful plan and follow through the plan at the site. We closely examine the plan and give on-site instructions to ensure safe operation.

### Creating Educational Videos/Trainings

We create educational videos for safe operation and conduct trainings to all employees.

### Awareness-raising Activities

We post calendars with easy-to-understand illustrations in workplaces to educate and remind employees.

### Digital Signage

We installed digital signage at various locations at the logistics site and repeatedly display the description, causes, and measures of accidents using videos to raise the safety awareness of all employees.

### Overseas Safety Activities

#### Overseas Expansion of Safety Management

In order to promote safety activities in the same way as in Japan and raise awareness of safety management, we send Safety Caravans led by Japanese instructors to overseas and engage in improvement activities together with local staff. We work to improve issues at relevant sites and provide ongoing support regarding safety.

#### Overseas Forklift Competitions at Overseas Locations

From FY2013, the HTS Group overseas locations have held forklift competition 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 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.

#### Internal Forklift Competitions at Overseas Locations

From FY2013, the HTS Group overseas locations have held forklift competition 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 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.
Environment

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

Environmental Policy

1. Reduce environmental load generated at all our places of business
   - Reduce consumption of electricity, gas, and LP gas, and recycle waste, etc.

2. Provide logistics/services with less environmental load
   - Contribute to customers through CO2 emission reduction and resource recycling

3. Improve Eco-Mind level and enhance Eco-Management system
   - Increase global environmental awareness
   - Observe environmental laws/ordinances and company regulations

4. Promote symbiosis with nature and environmental communications
   - Preserve biodiversity and ecosystem
   - Maintain environmental collaboration with customers and local communities

Reduce Environmental Load Generated at Sites

The HTS Group is working to reduce environmental load generated at our sites by actively introducing eco-friendly vehicles and energy-saving devices for the realization of low-carbon business processes.

- **Initiatives to Prevent Global Warming at Sites**
  - Energy saving and global warming countermeasures implemented in buildings
    - The energy consumed by the HTS Groups includes electricity (73.5%) and fuel (26.5%), and we are taking the following measures for energy saving and global warming (see the chart on the right).
  - Introduction of LED lighting fixtures
    - In FY2018, in Japan, we introduced LED lighting in new five sites including Kashiba Platform Center (Chiba Prefecture) and replaced fluorescent lights in other 18 sites, resulting in reduction of 2,730 tons of CO2 emission. In overseas, we also introduced LED lighting in new sites including Nilai Cold Warehouse in Malaysia (picture on the right).
    - We will replace existing fluorescent/mercury lights with LED lighting in all sites.
  - Energy saving and global warming countermeasures of vehicles
    - The HTS Group strives to reduce CO2 emission generated by vehicle fuel through such initiatives as the introduction of the advanced eco-friendly vehicles, promotion of eco-friendly driving, and improvement of transportation including modal shift.

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

The HTS Group had promoted a shift to eco-friendly vehicles (highly fuel-efficient, low-pollution vehicles), and achieved the eco-friendly vehicle ownership ratio of 100% at the end of FY2016, except for some special vehicles.

We will further promote a shift to advanced eco-friendly vehicles with better environmental performance and encourage eco-friendly driving, etc. with a view to reducing environmental load.

Using Double-trailer Trucks to Reduce Environmental Load

Vantec Central Logistics Corporation, our group company, introduced two sets of 21-meter long double-trailer trucks in February 2019 and plans to start operation between Fuji City, Shizuoka and Nantan City, Kyoto as a “Project to promote CO2 emission reduction in the transport sector” which is a joint project of the Ministry of the Environment and the Ministry of Land, Infrastructure, Transport and Tourism. The company will verify safety, driving management and productivity through actual operation and expand the use of such trucks.

Providing Logistics Services with Less Environmental Load

The HTS Group has incorporated energy saving and modal shift into its logistics services to provide optimum solutions to customers and proposes reduction of environmental load in overall supply chain.

- **Reduction of Environmental Load by Sharing Facilities**
  - HTS and SAGAWA EXPRESS CO., LTD. are promoting collaboration using customer bases of both companies. Through opening SAGAWA’s satellite locations in HTS’s logistics centers, we aim to reduce environmental load by reducing the number of delivery trucks and travel distance, and to save labor by streamlining workload in a warehouse. In FY2018, we implemented this collaboration in Kashiba City, Chiba Prefecture and Oyamaizaki, Kyoto Prefecture, and were able to reduce 78.4 tons of CO2 emission a year. Currently, both companies are implementing similar collaborations in other areas.

- **Integrating Logistics and Delivery**
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Expanding Recyclables Transport
The HTS Group provides logistics services for recycled materials such as waste plastics segregated from waste.
We are expanding this business by increasing new-type containers developed by HTS (patented) to more than 100 and by developing new routes. While sea contamination by waste plastics has become a big issue, we contribute to solving environmental issues by providing logistics services with less environmental load to the recycling industry.

Promotion of Overseas Intermodal\(^\ast\)
The HTS Group has introduced special containers to promote modal shift overseas and reduce CO2 emission globally. Our Turkish group company Mars Logistics Group Inc. is focusing on unique cross-border transportation, which includes sea transportation from Turkish sites such as Istanbul to Italy, rail transportation from Italy to Luxembourg, and truck transportation from Luxembourg to major cities in EU.

We also provide other environment-friendly logistics services. For details, please visit our website: http://www.hitachi-transportsystem.com/en/solution/reverse/

Boosting of Environmental Awareness and Environmental Management Level
The HTS Group utilizes management systems to understand and monitor actual data and conducts research on important environmental laws and regulations in overseas for the purpose of managing environmental load and legal compliance. In FY2019, we will start reviewing the management systems with the aim of improving the management level, raising employees’ awareness and reducing environmental load.

Japan: Use of the Management System
Management systems currently in use
- Industrial waste management system (251 sites) Manifest management (Waste Management and Public Cleansing Act)
- Environmental load research system (268 sites)
- Usage of energy including electricity and fuel (Act on Rationalizing Energy Use, etc.)
- Vehicle management system (544 sites)
- Usage of vehicle fuel, travel distance, registration information (Act on Rationalizing Energy Use, Automobile NOx/Pm Act, etc.)

Calculation and Disclosure of Greenhouse Gases Emissions in the Entire Supply Chain
We have calculated "Scope 3 (\(^\ast\))" in addition to “Scope 1” and “Scope 2” since FY2017 (see chart on the right). We will promote global warming preventive measures by reducing CO2 emissions throughout the entire supply chain.

Calculation results of emissions throughout the supply chain (FY2017)

HTS Group CO2 emissions

<table>
<thead>
<tr>
<th>Year</th>
<th>Scope 1</th>
<th>Scope 2</th>
<th>Scope 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>129</td>
<td>141</td>
<td>138</td>
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<tr>
<td>2014</td>
<td>139</td>
<td>168</td>
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<td>2015</td>
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<td>138</td>
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<td>2016</td>
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<td>138</td>
<td>126</td>
</tr>
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<td>2018</td>
<td>132</td>
<td>138</td>
<td>126</td>
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</table>

\(^\ast\) Intermodal
Multi-modal transportation combining road, ships, railway, etc.
\(^\ast\) 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 ramp

Coexisting with Nature and Boosting Communication on the Environment
The HTS Group strives to promote voluntary eco-friendly activities by each employee through ongoing education and various researches aiming at development of logistics.

Boosting of the Management Level through Continuing Training and Conferences
- Continuing training for waste management personnel
  - Recycling rate (FY2018: 99%)
- Holding environmental promotion conference (in Japan and overseas)
  - Japan: Environmental promotion conference (biannual)/ overseas: Environment officers meeting (biannual)

Promotion of Voluntary Operation Improvement at Sites
- Reducing power consumption by improving operation of facilities
  - Conduct annual inspection of facilities and equipment according to a checklist at each site (FY2018 conducted at 141 domestic sites)
- Raising environmental awareness by establishing eco-oriented themes
  - Establish eco-oriented themes related to daily activities voluntarily at each site (FY2018 established at 192 domestic sites)

Third-party Certification Initiatives
The HTS Group seeks third-party certification in Green Management. Our Green Logistics Promotion Department has acquired the “Eco Stage” certification. In FY2017, we have upgraded the certification level to “Eco Stage II” which is equivalent to ISO14001. In addition, as of the end of March 2019, we have earned “Green Management Certification” at 40 of our truck transport sites and eight of our warehouses. Building on these initiatives, we are committed to ongoing reduction of environmental load.

Environmental Communication on the Environment
Environmental communication initiatives include cleanup projects in areas surrounding our offices and facilities, and turning off lights as well as ongoing education to employees.
- Posting education articles in the company magazine
  - General knowledge of environment, initiatives within the Group companies and various topics are posted in the company magazine to raise an awareness of employees and their families about environment and to encourage them to actively participate in environmental initiatives.
- Commendations/recognition
  - Received the Award for Excellent Business Entities Effective use category of “2016 Excellent Business Entities Working on Modal Shift”
  - Reusable box for train parts received “Large-sized Equipment Packaging Award” in “Japan Packaging Contest 2018”

Environmental e-learning
Every year, e-learning* to learn on computer is provided mainly for domestic employees, in order to facilitate employees’ understanding of global warming, resources recycling and ecosystem integrity (attendance rate: 99% in FY2018). In addition, e-learning for route of conduct contains programs about environment to disseminate the importance of environment as business ethics to employees.

Environmental Disclosure
- Participation in Environmental Reporting Platform Development Pilot Project by the Ministry of the Environment
  - As part of the ESG management initiatives, we attended the environmental information registration support program organized by the Ministry of the Environment and registered in a simplified format in FY2018.

Eco Stage II Certification
Green Management Certification

*1 Hosted by Japan Association for Logistics and Transport
*2 Hosted by Japan Packaging Institute
The crux of our communications: taking the perspective of each individual

HTS Group Procurement Policy

- Partnership Policy
  At Hitachi Transport System we fully realize the value of developing trusting relationships with our valued suppliers.
- Our Open-door Policy
  Regardless of whether a supplier is a domestic or overseas company, we do our utmost to insure free competition.
- Selection of Suppliers Policy
  We evaluate and select suppliers based upon criteria such as quality, price, lead time, quality of management, technical standards and abilities.
- Our Policy for Sharing Information and Maintaining Confidentiality
  We are willing to offer necessary information to suppliers. At the same time, we realize that supplier’s offers supply us with confidential or sensitive information. We always endeavor to maintain and keep such information strictly confidential.

Promotion of Procurement CSR

- General CSR activities
  (1) Vigorous promotion of CSR activities, and
  (2) Contribution to society and community

- CSR Activities for The Environment
  (1) Management of hazardous chemicals in products,
  (2) Management of hazardous chemicals used in manufacturing,
  (3) Establishing and applying an environmental management system,
  (4) Minimization of environmental pollution (water, soil, air),
  (5) Obtaining permission for environmental/administration approval,
  (6) Resource and energy saving by reusing, reducing and recycling (3R)*,
  (7) Reduction of greenhouse gas emissions,
  (8) Waste reduction, and
  (9) Disclosure of environmental preservation activities.

- CSR Activities for Corporate Ethics
  (1) Prohibition of corruption, bribery, etc.,
  (2) Prohibition of abuse of a superior bargaining position,
  (3) Prohibition of offering or accepting inappropriate profit and advantage,
  (4) Prohibition of impediment to free competition,
  (5) Provision of accurate information on products and services,
  (6) Using appropriate export procedures,
  (7) Disclosure of appropriate company information, and
  (8) Prompt detection of mistakes, wrongdoings and injustice.

- CSR Activities for Production
  (1) Ensuring product safety, and
  (2) Establishing a quality assurance system

- CSR Activities for Information Security
  (1) Defense against threats on the computer network,
  (2) Prevention of leakage of personal information, and
  (3) Prevention of leakage of confidential information of customers and third-parties.

- CSR Activities for Occupational Health and Safety
  (1) Applying safety measures for equipment and instruments,
  (2) Safe activities in the workplace,
  (3) Hygiene in the workplace,
  (4) Emergency countermeasures,
  (5) Health and safety of facilities, and
  (6) Emergency responses.

- CSR Activities for Human Rights and Labor
  (1) Prohibition of forced labor,
  (2) Prohibition of child labor,
  (3) Paying appropriate wages,
  (4) Respecting rights to freedom of association.

Procurement Compliance Education

- Provision of e-learning, etc. on a regular basis to those engaging in procurement with procurement authority in domestic and overseas group companies (Domestic: 21 companies, overseas: 38 companies)
Meticulous Plan, That Required Checking Dimensions Down to the Millimeter, Results in Success
- Transportation of gas turbine generator to Zeran Combined-Cycle Power Plant in Poland -

Mitsubishi Hitachi Power Systems, Ltd. received the contract to supply power generating equipment to the site of Zeran Combined-Cycle Power Plant (Owner: PGNiG Termika SA, Poland) located in the suburbs of Warsaw, Poland. HTS undertook the transportation for the major part of the cargo, including the heaviest unit among the equipment: supplied-gas turbine generator. It was transported by rail from Gdynia port in Poland directly to the power plant premises. Over the numerous surveys and checks, the various physical restrictions (such as bridges, lines over the railroad, station building, etc.) were taken into deep consideration when creating the safest possible transportation plan. Due to the severe limitations of some of the obstacles, extreme attention had to be paid to every detail of the generator: not only the overall dimensions, but the location and dimensions of protruding parts, even the tiniest bolts, had to be taken into account. Maintaining this detail-oriented approach, the transportation over the whole route of 560 kilometer was successfully completed within 10 days.

As a solutions provider, HTS Group continues to deliver best services and values that meet customer demands at all times.

Implementing New Technology and Labor-saving Technology Verified at “R&D Center” into Practical Use on Logistics Site

The HTS Group puts new Smart Logistics technology, which was verified at the “R&D Center” opened in July 2016, into practical use on site to promote automation and labor saving and accelerate realization of the next-generation logistics center.

Accelerating On-site Implementation of New Technologies and Labor-saving Technologies
- Rotary piece sorters
  Sorted pieces for shipment in trays are temporarily stored in a rotary piece sorter, and these trays are automatically dispatched at an appropriate timing in necessary order. The sorters went into operation in May and November 2018 and are used in three sites.
- Automated forklift-type AGV
  AGV is used in the daytime and nighttime, and in the nighttime, it is interfaced with movable racks to store and relocate goods received in the entire warehouse. As of March 31, 2019, two AGVs are in operation.
- High-density storage system
  The system receives/delivers goods automatically in addition to its high density storage capacity. It went into operation at the logistics center in Kashio City, Chiba Prefecture, in November 2018.

Support EC Business Expansion with Sharing and Pay-per-use Service – EC Platform –
- Establish a pay-per-use platform center where multiple customers share assets (automation/labor-saving equipment), systems (information systems), spaces (storage/workspace) and manpower (administrators/workers) in a logistics center.
- Aim at minimization of manual process man-hours by developing additional labor-saving systems including labor-saving equipment such as AGV picking system and automatic packing machine, product inspection using image recognition technology and auto-cushioning material filling.

Challenge to New Domains
- Utilize Artificial Intelligence and Develop Supply Chain Solutions
  The HTS Group is working on establishing volume forecasting technology using AI and developing new solutions utilizing forecasting technology in order to improve operational efficiency and become a global supply chain solutions provider.
  - Volume (demand) forecast
    We aim at improving operational efficiency by linking high-accuracy volume forecast using AI with manpower planning tool.
  - Inventory control
    We aim at contributing to supply-chain optimization with the calculation of standard inventory and development of order plans suitable for the customer’s supply chain.
  - Development of data scientists
    We strive to foster data scientists having high data analysis skill within the company.

Please refer to the movie for details of new smart logistics technology.

Support for Customers Embarking on Logistics Reform
- Operation of logistics center for EC of health foods and cosmetics -
In August 2018, HTS opened a logistics center for EC of health foods and cosmetics in Musashimurayama City, Tokyo. While we used to have only one logistics center in western Japan, we newly opened a site in eastern Japan for BtoC business to realize the logistics reform of our customers. With products stored in Kanto, we were able to shorten delivery lead-time for customers located in Chubu region and to the north, and contribute to reduction of shipping costs. We will next work on optimization of the customers’ overall supply chain, including promoting BtoB shipping costs. We will next work on optimization of the customers’ overall supply chain, including promoting BtoB shipping costs.

Number of newly introduced automated forklift-type AGV
- 2 units in FY2018
  (5 units in total, of which, 3 are under verification. As of March 31, 2019)


Utilize Artificial Intelligence and Develop Supply Chain Solutions
- Volume (demand) forecast
  We aim at improving operational efficiency by linking high-accuracy volume forecast using AI with manpower planning tool.
- Inventory control
  We aim at contributing to supply-chain optimization with the calculation of standard inventory and development of order plans suitable for the customer’s supply chain.
- Development of data scientists
  We strive to foster data scientists having high data analysis skill within the company.

Training Upcoming Generations of Employees

The HTS Group has established the HTS Group College as an educational system for all of its employees, designed to draw out the strengths of each individual through practical and specialized training courses. We have developed a training program for the next generation of leaders, as well as a 3PL Professional Course, which works with backbone employees on 3PL projects. These personnel development programs are implemented to continuously support our business base.

Internships ("Experience the Workplace" Programs)

The HTS Group provides college students with opportunities to learn about the logistics sector as social infrastructure and the HTS Group’s businesses through internship programs sponsored by logistics industry groups, overseas internship and workplace experience in the forefront of data science and other various workplaces. We are making efforts to give diverse students, irrespective of gender and nationality, a better understanding of the HTS Group’s business.

Encouraging Employment of Persons with Disabilities

The HTS Group implements a variety of group-wide initiatives on hiring persons with disabilities, including taking on personnel for training from special needs schools and cooperatives with the support office of universities. We also prepare the work environment by setting up labor-saving equipment especially geared toward persons with disabilities and creating barrier-free environment. We will continue to hire persons with disabilities as well as to tailor the work environment to these individuals.

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. By acquiring correct knowledge of human rights, we work to boost individual awareness of human rights.
The HTS Group operates according to the basic principle of “Objectives of Social Contribution Activities” developed in FY2018.

Objectives of Social Contribution Activities

• Our corporate philosophy is to deliver high-quality services that will help make the world a better place for people and nature for generations to come. To achieve this goal, we are committed to providing logistics infrastructure and services that are essential for the improvement of industries and people’s lifestyles, through our businesses.
• The HTS Group is working on social contribution activities in the same way we conduct our business to establish the foundation of an affluent, sustainable society.


Initiatives through Traffic and Road Safety Class

The HTS Group has offered traffic and road safety classes to prevent our children—who are our future—from getting involved in road accidents and teach them the importance of life.

Activity of a group company in Turkey

In May 2018, Mars Logistics Group Inc., our Turkish group company, held a traffic and road safety class. In the class, we used the rear deck of the truck as a classroom, prepared creative learning tools such as quizzes using a tablet terminal and a worksheet on which children can put stickers on so that children can develop a better understanding about road signs while having fun.

Internships and “Experience the Workplace” Programs

HTS offers internships and “Experience the Workplace” Programs in Japan and overseas to give young students a deep understanding of the logistics industry.

Human Resource Development through Events

U.S.: Cooperation in SCRCAC’s Science Day

The HTS Group cooperates in “Hitachi Celebrates Science Day,” an event with the purpose of getting local children who need economic support interested in science and mathematics.

• Vantec Hitachi Transport System (USA), Inc.
• James J. Boyle & Co.

Turkey: Hosting logistics contest

In cooperation with Logistics Association, we hold the “Logistics Case Study Competition” targeting university and professional school students. This event has been held since 2003 in order to get the attention of students to the logistics industry, and approximately 1,000 students participated in FY2018.

• Mars Logistics Group Inc.

Initiatives for Environmental Protection

We participate in tree-planting projects for the environmental protection.

• Flyjac Logistics Pvt. Ltd. (India)
• VANTEC LOGISTICS MEXICO S.A. DE C.V.
• VANTEC-AMATA LOGISTICS (THAILAND) CO., LTD.

Overview of the HTS Group Magokoro (Sincere Heart) Fund

As part of its social contribution activities, the HTS Group established a social action program called the “Magokoro” (Sincere Heart) program, where our group’s employees and officers make contributions to fields related to our business in 2008. Through a system where funds donated by employees are matched by the Company, employees and the Company engage in activities together.

FY2018 Initiatives

Traffic and Road Safety

• Gifts: 8,000 sets of reflector for bicycle to Noda City Office, Chiba Prefecture and others
• Financial support: 711 eco-friendly bags with a reflector to the Traffic Policy Council of Ships Prefecture
• Financial support: Traffic Accident Orphans Association (public interest incorporated foundation)

Regional Social Action/Social Welfare

• Gifts: 5.5 million yen to 10 municipalities around the country
• Financial support: National Land Afforestation Promotion Organization (Green Fund) (public corporation) Organization for Industrial, Spiritual and Cultural Advancement (OICA) “Japan no Mori” Program (public interest incorporated foundation)

Environmental Protection

• Financial support: National and International Promotion Organization (Sincere Heart) Foundation

Social Welfare Activities by Employees

Activities through internal volunteer organization

Employees conduct activities of donating foodstuffs and toys to local communities.

• Vantec Hitachi Transport System (USA), Inc.
• James J. Boyle & Co. (U.S.)
• VANTEC EUROPE LIMITED (U.K.)

Czech: Activities through an employee charity fund

In our Czech group company, we donate to those who need economic assistance regularly through the charity fund established by volunteer employees. The company continues support activities with employees by contributing twice the amount of employee donation.

• ESA s.r.o.

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HTS “Magokoro Fund” forest (the Khorchin Mongol region desert, China)
In order to ensure sustainable growth and boost corporate value over the medium-to-long term, we recognize the importance of fair and highly transparent information disclosure in a timely and appropriate manner as well as active dialog with our shareholders and investors. To this end, we have in place an IR system to facilitate 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.

Information Disclosure
HTS discloses information pertaining to operations, finances, and publications including our summary of financial results, presentation materials of financial results, annual securities reports, notice of convocation of the annual general meeting of shareholders, business reports, and annual reports.

We have made the recorded video of the financial results briefing available on our website from FY2018 and also posted ESG data and materials used in IR seminars for individual investors as part of our efforts toward proactive information disclosure.

Investor Relations

Disclosed Information
- Summary of financial results
- Presentation Materials of financial results and summary (include Q & A)
- Videos of financial results briefings
- Presentation material of the Mid-term Management Plan
- Small-scale meeting materials
- Materials of IR seminars for individual investors
- ESG data
- Annual securities reports
- Notice of convocation of the annual general meeting of shareholders
- Business reports
- Annual Report
- Stock/Stock price Information
- YouTube official channel
- Special sites (SSCV, EC platform), etc.

Holding General Shareholders’ Meeting
To encourage attendance of as many shareholders as possible, in principle we avoid the dates when most other Japanese companies hold their meetings.

In order to facilitate smooth exercise of voting rights, HTS offers electromagnetic means which allows shareholders to exercise their rights using PCs and smartphones, uses the electronic voting platform for institutional investors, and post English translation of the notice of convocation and voting results of the annual general meeting of shareholders on our website.

Basic Shareholder Return Policy
Our basic policy of dividends is to seek to maintain stable distribution linked to business performance, while considering medium-to-long-term business expansion and securing internal reserves to strengthen corporate structure.

Dividends
<table>
<thead>
<tr>
<th></th>
<th>Interim</th>
<th>Year-end</th>
<th>Annual</th>
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</thead>
<tbody>
<tr>
<td>FY2018</td>
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<td>¥21</td>
<td>¥40</td>
</tr>
<tr>
<td>FY2017</td>
<td>¥18</td>
<td>¥18</td>
<td>¥36</td>
</tr>
<tr>
<td>FY2016</td>
<td>¥17</td>
<td>¥17</td>
<td>¥34</td>
</tr>
</tbody>
</table>

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, individual meetings, and more.

In FY2018, HTS increased its participation in small-scale meetings organized by brokerage houses, and also offered a logistics center tour for institutional investors with a view to giving them an experience of new technologies.

[Reference] FY2018 IR schedule (results)
### Board of Directors and Executive Officers

#### Outside Directors

**As of June 18, 2019**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position Description</th>
</tr>
</thead>
<tbody>
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<td>Mitsudo Urano</td>
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Corporate Governance

- **Basic Views**

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 compliance 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 officers. The result is rapid decision-making and implementation on initiatives such as restructuring and strategic investment.

- **Measures to Enhance Corporate Governance Implemented in the Past**

<table>
<thead>
<tr>
<th>Year</th>
<th>Measures</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>Transitioned to a Company with Committees (established Nominating Committee, Audit Committee and Compensation Committee)</td>
<td>To strengthen management supervision function of the Board of Directors</td>
</tr>
<tr>
<td>2014</td>
<td>Developed Criteria for Independence of Outside Directors</td>
<td>To secure independence of directors</td>
</tr>
<tr>
<td>2015</td>
<td>Transitioned to a Company with a Nominating Committee, etc. System</td>
<td>To comply with the amended Companies Act</td>
</tr>
<tr>
<td>2016</td>
<td>Responded to the Corporate Governance Code</td>
<td>To strengthen governance</td>
</tr>
<tr>
<td>2017</td>
<td>Evaluated the effectiveness of the Board of Directors</td>
<td>To strengthen functions of the Board of Directors</td>
</tr>
</tbody>
</table>

- **The Current Corporate Governance System and Internal Control System**
HTS’s Organization Design

By using a Company with a Nominating Committee, etc. System, substantial authorities related to business execution are delegated from the Board of Directors to executive officers, who make prompt decision making about business restructuring and strategic investments.

Executive Committee meeting consisting of all executive officers is held once a month in general to discuss material subjects which have impacts on the Company and the entire Group and clarify responsibilities and authorities of the executive officers.

Board of Directors

Attendance record of Board of Directors meetings and Committee meetings in FY2018

<table>
<thead>
<tr>
<th>Name</th>
<th>Registration</th>
<th>Current positions and Assignments in the Company*2</th>
<th>Number of attendances for the Board of Directors meetings during FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sayoko Iizumoto</td>
<td>2017</td>
<td>Outside Director</td>
<td>2014, 2015</td>
</tr>
<tr>
<td>Mitsuhiro Urano</td>
<td>2014</td>
<td>Outside Director</td>
<td>2014, 2015</td>
</tr>
<tr>
<td>Koji Tanaka</td>
<td>2018</td>
<td>Chairman of the Board, Outside Director</td>
<td>12/17</td>
</tr>
<tr>
<td>Tetsu Fusayama</td>
<td>2016</td>
<td>Outside Director</td>
<td>2014, 2015</td>
</tr>
<tr>
<td>Emiko Magoshi</td>
<td>2015</td>
<td>Outside Director</td>
<td>2014, 2015</td>
</tr>
<tr>
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<td>2015</td>
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<td>Takashi Jingui</td>
<td>2016</td>
<td>Representative Executive Officer, Executive Vice President and Executive Officer</td>
<td>2014, 2015</td>
</tr>
<tr>
<td>Yasuo Nakatani</td>
<td>2015</td>
<td>Representative Executive Officer, President and Chief Executive Officer</td>
<td>2014, 2015</td>
</tr>
</tbody>
</table>

*1 Shows the attendance record since his appointment as the 15th Regular General Shareholders’ Meeting held on June 19, 2018.
*2 KPI: Key Performance Indicator

(1) Board of Directors

- Primary role: Determines the Company’s basic management policy and supervises execution of duties by directors and executive officers (determines the board focusing on specific discussions on the Mid-term Management Plan and fiscal budget in addition to matters to be resolved stipulated by laws and regulations, etc. (Articles of Incorporation and the Board of Directors’ resolutions))

(2) Nominating Committee

- Primary role: Elects candidates for director (elects appropriate candidates, considering all relevant factors including their past performance and personality)

(3) Audit Committee

- Primary role: Performs audit of execution of duties by directors and executive officers and prepares an audit report (performs audit of execution of duties by directors and executive officers from the viewpoint of legal compliance and appropriate performance of duties in cooperation with independent auditors and internal audit department, with an aim of establishing a high-quality operation (to maintain social trust))

(4) Compensation Committee

- Primary role: Determines compensation, etc. of directors and executive officers (determines the compensation level, etc. for each position commensurate with the ability and responsibilities required of the Company’s directors and executive officers and the Company’s performance, taking into consideration the compensation level of other companies)
Compensation Committee’s Policy and Process for Determining the Amount of Compensation, etc. of Directors and Executive Officers

(1) 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.

(2) Basic policy
The Compensation Committee deliberates and determines compensation levels for each position commensurate with the ability and responsibilities required of HTS officers and the Company’s performance, taking into consideration the compensation level of other companies.

(3) Director compensation, etc.
Director compensation levels are comprised of a combination of a monthly salary and an end-of-term bonus (full-time directors only). The monthly salary reflects executive-level performance and whether or not the individual is full-time or part-time. The end-of-term bonus is determined as the base amount predetermined at approximately 10% of the individual’s annual income based on the monthly salary with an adjustment reflecting the Company’s performance, subject to the Compensation Committee’s deliberation. Directors who also serve as executive officers do not receive additional compensation as directors.

For compensation, etc. for FY2018, the Compensation Committee deliberated and determined compensation, etc. for each director on June 19, 2018 and the end-of-term bonus for each director on May 31, 2019 in accordance with the policy for determining compensation, etc. for directors, etc. established by the Compensation Committee on December 26, 2017.

(4) Executive officer compensation, etc.
Executive officer compensation levels are comprised of a combination of a monthly salary and a performance-linked compensation, and determined by reflecting executive’s performance review in a base amount commensurate with his/her position. Performance-linked compensation is determined as the base amount set at roughly 30% to 40% of annual income with an adjustment reflecting the performance evaluation with reference to year-on-year comparison of revenues and adjusted operating income* and the results of the business operation under his/her responsibility, subject to the Compensation Committee’s deliberation. We clarified our responsibility towards improvement of shareholder value by setting adjusted operating income having strong correlation with market capitalization as one of the determinant factors.

For compensation, etc. for FY2018, the Compensation Committee deliberated and determined compensation, etc. for each executive officer on March 30, 2018 and performance-linked compensation for each executive officer on May 21, 2019 in accordance with the policy for determining compensation, etc. for executive officers established by the Compensation Committee on December 26, 2017.

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 assesses their 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.

Complying with the Corporate Governance Code
HTS is compliant with all principles established in the Corporate Governance Code as of the end of FY2018 except for “Principle 1.4 Cross-shareholdings,” whose assessment result is “Explain.” The reason why we do not implement this principle and the current status of our cross-shareholdings are as follows.

[Principle 1.4: Cross-shareholdings] (Policies regarding cross-shareholdings)

HTS does not hold cross-shareholdings in principle, unless it is for a medium-to-long-term sustainable growth of the Company and improvement of corporate value.

Under such policy, of 26 issues we hold, we sold all shares of 14 issues in March 2016, one issue in October 2016 and one issue in June 2017, and purchased one issue in March 2019, resulting in a total of 11 issues of shareholdings as of March 31, 2019. As of March 31, 2019, the amount of cross-shareholdings accounted for less than 1% of total assets, which is insignificant on the balance sheet. In addition, the Board of Directors evaluates it is for a medium-to-long-term sustainable growth of the HTS Group to promote awareness of “HTS Group Code of Conduct.”

Initiatives to Enhance Compliance Base

In order to ensure management in compliance with laws and regulations, the HTS Group has put in place a system to clarify compliance functions and set a compliance basic policy to be observed by all officers and employees, to ensure thorough compliance with laws and regulations, company rules, and corporate ethics.

We have also established “HTS Group Code of Conduct” defining how all officers and employees should act in their daily operations as it is vital for us not only to comply with laws but also to act in accordance with corporate ethics in order to meet trust and expectations of the society.

Furthermore, we ensure thorough compliance to foster a corporate culture that values corporate ethics and compliance by actively providing compliance trainings and awareness projects, including e-learning, company-wide group seminars and compliance meetings.

HTS Group compliance reference card
Since 2016, we have been distributing the HTS Group compliance reference card to all officers and employees of the HTS Group to promote awareness of “HTS Group Code of Conduct.” It contains a summary of the code of conduct, flowcharts to be used as a reference in difficult situations regarding compliance, and other things that will help officers and employees to take appropriate actions.

In 2018, the contents of the card were carefully selected and revised to be simpler, and easier to read and understand. The card is translated into 20 languages and distributed to all of our officers and employees.

The HTS Group has a point of contact for internal whistle-blowing system and also “HTS Group In-company Compliance Reporting System” that allows direct reporting to an external lawyer. The system helps prevent illegal actions and/or inappropriate actions in the Group and detect them early on. The system is designed to rectify any problems.

We conduct an investigation on the reported content and implement improvement measures where necessary. Also, the investigation results and details of the improvement measures are communicated to the whistle-blower.

Compliance
Risk Management

Initiatives to Strengthen BCP System
The HTS Group has devised BCPs in preparation for natural disasters, mainly on scenarios of large-scale earthquakes, floods, tsunamis, and infectious disease, spanning information-gathering and dissemination systems as well as emergency contact networks.

In Japan, we have BCPs mainly assuming large-scale natural disasters that threaten our business continuity. As an initiative to enhance the effectiveness of the BCPs, in FY2018, a disaster prevention headquarters training (desktop simulation) in Kansai area was conducted in February 2019, which was postponed from the first half due to damages caused by Typhoon No. 21. In the first half of FY2017, based on the lessons learned from the Kumamoto Earthquakes, we replenished the stockpile for disaster to cover any shortfall across the Group and established six backup warehouses to be used as alternative sites if disaster occurs around the country.

In overseas, the HTS Group sends BCP Caravan from Japan to our major sites in North America, Europe, China, and other parts of Asia to establish and develop risk management systems. 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 traveling overseas of imminent dangers. At the same time, we have instituted emergency contact systems based on the information from our overseas locations.

Information Security

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 FY2018, following the amendment of “JIS Q 15001 Personal Information Protection Management Systems – Requirements,” we revised our internal rules and confirmed the management and operation status of personal information.

We are also striving to further strengthen governance across the HTS Group and working on e-learning education and simulation trainings for targeted threat emails for all employees, responses to GDPR*1 in EU and personal information protection in Japan and overseas.

Assumption of Mixed-Strategy BCP

HTS has obtained and maintained third-party certification, specifically the Privacy Mark*2 and ISMS*3 (ISO/IEC 27001) (Information Security Management System), to give our stakeholders a sense of security and peace of mind with regard to protection of personal information and information security.

Third party certifications

Privacy mark

13 group companies
HTS Group including the Company

ISMS
36 departments and locations (As of March 2019)

*1 GDPR (General Data Protection Regulation): A regulation established by EU to protect personal data and privacy, which imposes severe restrictions on the handling of personal data (processing and transfer) by companies and organizations.

*2 Privacy mark: The JIPDEC grants the Privacy Mark to businesses that meet a specified standard on appropriate handling of personal information.

*3 ISMS (ISO/IEC 27001): International standard of information security management system. The certification is granted based on the assessment of the initiatives for information security implemented by an organization.
## Consolidated Statement of Financial Position
Hitachi Transport System, Ltd. and subsidiaries

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2019</th>
<th>As of March 31, 2018</th>
<th>As of March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥ 108,412</td>
<td>¥ 63,497</td>
<td>¥ 976,773</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>–</td>
<td>135,987</td>
<td>–</td>
</tr>
<tr>
<td>Trade receivables and contract assets</td>
<td>132,544</td>
<td>–</td>
<td>1,194,198</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,145</td>
<td>1,711</td>
<td>10,316</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>4,597</td>
<td>7,868</td>
<td>41,418</td>
</tr>
<tr>
<td>Other current assets</td>
<td>11,965</td>
<td>11,089</td>
<td>107,803</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>258,663</td>
<td>220,152</td>
<td>2,330,507</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>84,009</td>
<td>75,349</td>
<td>756,906</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>182,400</td>
<td>175,015</td>
<td>1,643,391</td>
</tr>
<tr>
<td>Goodwill</td>
<td>26,212</td>
<td>27,869</td>
<td>236,165</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>28,556</td>
<td>31,833</td>
<td>257,284</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>8,083</td>
<td>8,466</td>
<td>72,826</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>18,241</td>
<td>18,320</td>
<td>164,348</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>6,371</td>
<td>7,899</td>
<td>57,402</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>353,872</td>
<td>344,751</td>
<td>3,188,323</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥ 612,535</td>
<td>¥ 564,903</td>
<td>¥ 5,518,831</td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2019</th>
<th>As of March 31, 2018</th>
<th>As of March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>¥ 54,253</td>
<td>¥ 55,078</td>
<td>¥ 488,810</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>¥ 138,244</td>
<td>¥ 147,792</td>
<td>¥ 1,722,660</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>191,198</td>
<td>138,244</td>
<td>2,062,789</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>16,803</td>
<td>16,803</td>
<td>1,858,230</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>10,747</td>
<td>10,897</td>
<td>96,513</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>4,141</td>
<td>3,881</td>
<td>37,310</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>261,092</td>
<td>208,820</td>
<td>2,352,392</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>¥ 383,586</td>
<td>¥ 356,612</td>
<td>¥ 3,456,041</td>
</tr>
</tbody>
</table>

### Equity

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity attributable to stockholders of the parent company</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>¥ 16,803</td>
<td>¥ 16,803</td>
<td>¥ 151,392</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>206,245</td>
<td>186,373</td>
<td>1,858,230</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>(520)</td>
<td>1,333</td>
<td>(4,685)</td>
</tr>
<tr>
<td>Treasury stock, at cost</td>
<td>(182)</td>
<td>(181)</td>
<td>(1,640)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>¥ 3,963</td>
<td>3,963</td>
<td>59,492</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>¥ 612,535</td>
<td>¥ 564,903</td>
<td>¥ 5,518,831</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Profit or Loss
Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Revenues</td>
<td>¥ 708,831</td>
<td>¥ 700,391</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(626,458)</td>
<td>(620,011)</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(51,181)</td>
<td>(50,577)</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>31,192</td>
<td>29,603</td>
</tr>
<tr>
<td>Other income</td>
<td>3,850</td>
<td>3,461</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(4,689)</td>
<td>(3,998)</td>
</tr>
<tr>
<td>Operating income</td>
<td>30,353</td>
<td>29,266</td>
</tr>
<tr>
<td>Financial income</td>
<td>450</td>
<td>88</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(1,042)</td>
<td>(1,818)</td>
</tr>
<tr>
<td>Share of profits of investments accounted for using the equity method</td>
<td>6,419</td>
<td>5,557</td>
</tr>
<tr>
<td>EBIT (Earnings before interest and taxes)</td>
<td>36,180</td>
<td>33,003</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,075</td>
<td>1,031</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(2,009)</td>
<td>(1,862)</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>35,246</td>
<td>32,262</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(11,233)</td>
<td>(10,154)</td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 24,013</td>
<td>¥ 22,108</td>
</tr>
<tr>
<td>Net income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders of the parent company</td>
<td>22,786</td>
<td>20,916</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,227</td>
<td>1,192</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Earnings per share attributable to stockholders of the parent company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥ 204.27</td>
<td>¥ 187.50</td>
</tr>
<tr>
<td>Diluted</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

### Consolidated Statement of Comprehensive Income
Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 24,013</td>
<td>¥ 22,108</td>
</tr>
<tr>
<td>Other comprehensive income (OCI)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items not to be reclassified into net income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net changes in financial assets measured at fair value through OCI</td>
<td>(300)</td>
<td>457</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(191)</td>
<td>(80)</td>
</tr>
<tr>
<td>Share of OCI of investments accounted for using the equity method</td>
<td>(14)</td>
<td>123</td>
</tr>
<tr>
<td>Total items not to be reclassified into net income</td>
<td>(505)</td>
<td>520</td>
</tr>
<tr>
<td>Items that can be reclassified into net income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(1,121)</td>
<td>1,798</td>
</tr>
<tr>
<td>Net changes in cash flow hedges</td>
<td>(3)</td>
<td>–</td>
</tr>
<tr>
<td>Share of OCI of investments accounted for using the equity method</td>
<td>(108)</td>
<td>5</td>
</tr>
<tr>
<td>Total items that can be reclassified into net income</td>
<td>(1,231)</td>
<td>1,803</td>
</tr>
<tr>
<td>Other comprehensive income (OCI)</td>
<td>(1,736)</td>
<td>2,323</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>¥ 22,277</td>
<td>¥ 24,431</td>
</tr>
<tr>
<td>Comprehensive income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stockholders of the parent company</td>
<td>21,178</td>
<td>22,486</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,099</td>
<td>1,945</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Changes in Equity

**Hitachi Transport System, Ltd. and subsidiaries**

### For the year ended March 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>Common stock</td>
<td>Retained earnings</td>
<td>Accumulated comprehensive income</td>
<td>Non-controlling interests</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Treasury stock at cost</td>
<td>Total equity</td>
</tr>
<tr>
<td>Balance at beginning year</td>
<td>¥ 16,803</td>
<td>¥ 186,373</td>
<td>¥ 1,333</td>
<td>(181)</td>
<td>¥ 204,328</td>
</tr>
<tr>
<td>Cumulative effects of changes in accounting policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restated balance</td>
<td>¥ 16,803</td>
<td>¥ 186,398</td>
<td>¥ 1,333</td>
<td>(181)</td>
<td>¥ 204,353</td>
</tr>
</tbody>
</table>

### Changes in equity

|                                |                          |                          |                          |                          |
|                                | ¥ 22,786              | ¥ 115                     | ¥ (4,127)                  | ¥ 99                      |
|                                | 22,786                | (1,116)                   | (4,127)                    | (99)                      |
|                                | 22,786                | 1,210                     | 4,241                      | (60)                      |
|                                | 24,013                | 2,241                     | 4,928                      | (24)                      |
| Total changes in equity        | ¥ 19,847             | ¥ (1,853)                 | ¥ 1,793                    | ¥ 2,640                   |
|                                | ¥ 20,633             | ¥ 222,346                 | ¥ 20,633                   | ¥ 228,949                 |

### For the year ended March 31, 2018

|                                | Millions of yen |                          |                          |                          |                          |
|                                | 2018            | Common stock             | Retained earnings        | Accumulated comprehensive income | Non-controlling interests |
|                                |                 |                          |                          | Treasury stock at cost      | Total equity              |
| Balance at beginning year      | ¥ 16,803        | ¥ 171,633                | ¥ (774)                   | (189)                      | ¥ 187,482                 | ¥ 3,437                  | ¥ 190,919                |

### Changes in equity

|                                |                          |                          |                          |                          |
|                                | ¥ 20,916              | ¥ 1,570                   | ¥ 9                       | ¥ 10                      |
|                                | 20,916                | 1,570                     | 9                         | 10                        |
|                                | 22,486                | 2,123                     | 10                        | (1)                       |
| Total changes in equity        | ¥ 14,740             | ¥ 2,107                   | (1)                       | 16,846                    |
|                                | ¥ 178,118            | ¥ 16,695                  | (9)                       | ¥ 162,114                 |
| Balance at end of year         | ¥ 16,803             | ¥ 186,373                 | ¥ 1,333                   | (181)                     | ¥ 204,328                 | ¥ 3,963                  | ¥ 208,291                |

### For the year ended March 31, 2019

|                                | Thousands of U.S. dollars |                          |                          |                          |
|                                | 2019                      | Common stock             | Retained earnings        | Accumulated comprehensive income | Non-controlling interests |
|                                |                          |                          |                          | Treasury stock at cost      | Total equity              |
| Balance at beginning year      | $ 151,392                | $ 1,679,187              | $ 12,010                  | $ (1,631)                 | $ 1,841,184              | $ 35,706                  | $ 1,876,665              |
| Cumulative effects of changes in accounting policies | |                          |                          |                            |                          |                          |                          |
| Restated balance               | $ 151,392                | $ 1,679,413              | $ 12,010                  | $ (1,631)                 | $ 1,841,184              | $ 35,706                  | $ 1,876,690              |

### Changes in equity

|                                |                          |                          |                          |                          |
|                                | $ 205,298               | $ (1,000)                | $ (37,184)                | $ (892)                   |
|                                | 205,298                 | (1,000)                  | (37,184)                  | (892)                     |
|                                | 216,353                 | 19,191                   | (38,724)                  | (992)                     |
| Total changes in equity        | $ 178,118               | $ (16,695)               | $ 23,786                  | (992)                     |
|                                | $ 162,114               | $ 23,786                 | $ 38,724                  | (992)                     |
| Balance at end of year         | $ 151,392               | $ 1,858,230              | $ 4,685                   | $ (1,640)                 | $ 2,003,298               | $ 59,492                  | $ 2,062,789               |
Consolidated Statement of Cash Flows
Hitachi Transport System, Ltd. and subsidiaries

For the years ended March 31, 2019 and 2018

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$ 24,013</td>
<td>$ 216,353</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>19,059</td>
<td>171,718</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>2,045</td>
<td>18,425</td>
</tr>
<tr>
<td>Gain on business reorganization</td>
<td>(3,134)</td>
<td>(28,237)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>11,233</td>
<td>101,207</td>
</tr>
<tr>
<td>Increase (decrease) in retirement and severance benefits</td>
<td>225</td>
<td>2,027</td>
</tr>
<tr>
<td>Interest and dividends income</td>
<td>(1,482)</td>
<td>(13,353)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>2,009</td>
<td>18,101</td>
</tr>
<tr>
<td>(Gain) losses on sale of property, plant and equipment</td>
<td>(446)</td>
<td>(396)</td>
</tr>
<tr>
<td>(Increase) decrease in trade receivables and contract assets</td>
<td>449</td>
<td>4,045</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>389</td>
<td>3,505</td>
</tr>
<tr>
<td>Increase (decrease) in trade payables</td>
<td>816</td>
<td>7,352</td>
</tr>
<tr>
<td>Increase (decrease) in other assets and other liabilities</td>
<td>(1,286)</td>
<td>(11,587)</td>
</tr>
<tr>
<td>Other</td>
<td>17</td>
<td>153</td>
</tr>
<tr>
<td>Subtotal</td>
<td>47,890</td>
<td>431,480</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>3,937</td>
<td>35,472</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,912)</td>
<td>(17,227)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(12,103)</td>
<td>(109,046)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>37,812</td>
<td>340,679</td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

- Purchase of property, plant and equipment and intangible assets | (14,948) | (12,197) | (134,679) |
- Proceeds from sale of property, plant and equipment and intangible assets | 1,491 | 5,485 | 13,434 |
- Decrease due to a loss of control of subsidiaries | (4,466) | (40,238) |
- Other | 131 | 534 | 1,180 |
| Net cash used in investing activities | (13,892) | (6,176) | (125,164) |

Cash flows from financing activities:

- Increase (decrease) in short-term debt, net | (4,775) | 1,834 | (43,022) |
- Proceeds from long-term debt | 49,749 | | 486,230 |
- Repayments of long-term debt | (11,490) | (1,502) | (103,523) |
- Repayments of lease obligations | (4,964) | (4,849) | (44,725) |
- Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests | 2,528 | | 22,777 |
- Purchase of shares of consolidated subsidiaries from non-controlling interests | (4,963) | (4,849) | (44,716) |
- Dividends paid to stockholders of the parent company | (4,127) | (3,946) | (37,184) |
- Dividends paid to non-controlling interests | (151) | (108) | (1,360) |
- Other | (703) | (432) | (6,334) |
| Net cash provided by (used in) financing activities | 21,104 | (16,445) | 190,143 |

Effect of exchange rate changes on cash and cash equivalents | 1,109 | 713 | (3,682) |

Net increase in cash and cash equivalents | 44,915 | 6,014 | 404,676 |

Cash and cash equivalents at beginning of year | 63,497 | 57,483 | 572,097 |

Cash and cash equivalents at end of year | $ 108,412 | $ 63,497 | $ 976,773 |

Corporate Data

(As of March 31, 2019)

Corporate Data

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid-in capital: ¥16,802 million</td>
<td>Main businesses: - 3PL Business [integrated logistics services for corporate customers]</td>
<td></td>
</tr>
</tbody>
</table>

(Logic System Building, Information Control, Inventory Control, Orders Control, Processing for Distribution, Logistics Center Operation, Factory Logistics, Transportation, Customs Clearance, International Nonstop Delivery through Land/Ocean/Air Transportation) - Transportation, Installation and Setting of General Cargo, Heavy Machines, and Artworks - Factory and Office Moving - Warehousing and Trunk Room Services - Collection and Transportation of Industrial Waste - Logistics Consulting, etc.

Stock Information

<table>
<thead>
<tr>
<th>Number of shares outstanding</th>
<th>Composition of shareholders</th>
<th>Number of shares per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>111,776,714 shares</td>
<td>Financial institutions, securities companies 21,190,157 shares (67.18%)</td>
<td>100 shares</td>
</tr>
<tr>
<td></td>
<td>Other corporations 67,624,153 shares (60.50%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Foreign shareholders 13,433,096 shares (11.88%)</td>
<td></td>
</tr>
</tbody>
</table>

Major shareholders (top 10)

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>Number of shares held (thousands)</th>
<th>Percentage of sharehold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi, Ltd</td>
<td>33,471</td>
<td>31.01%</td>
</tr>
<tr>
<td>SC Holdings Co., Ltd</td>
<td>32,949</td>
<td>30.00%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd (Trust Account)</td>
<td>9,399</td>
<td>9.12%</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd (Trust Account)</td>
<td>4,447</td>
<td>4.09%</td>
</tr>
<tr>
<td>National Mutual Insurance Federation of Agricultural Cooperatives</td>
<td>2,733</td>
<td>2.45%</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK 3899684</td>
<td>1,799</td>
<td>1.66%</td>
</tr>
<tr>
<td>Hitachi Transport System, Ltd (Employees' Shareholding Association)</td>
<td>1,349</td>
<td>1.21%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd (Trust Account 9)</td>
<td>1,313</td>
<td>1.18%</td>
</tr>
<tr>
<td>GOLDMAN SACHS INTERNATIONAL</td>
<td>1,266</td>
<td>1.14%</td>
</tr>
<tr>
<td>FUKUYAMA TRANSPORTING CO., LTD.</td>
<td>1,008</td>
<td>0.93%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Share Price (yen)</th>
<th>Share Volume</th>
<th>Volume (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>25</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>20</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Note: The percentage of shares held is calculated based on the number of shares excluding treasury stock (227,685 shares).