



The 3rd Quarter of FY2019 (Ended December 30, 2019) Financial Results Briefing

 Hitachi Transport System, Ltd.

I . 3Q of FY2019 Financial Results

- ✓ Overview ✓ Breakdown by Group
- ✓ Detail of Variations for Revenues/Operating Income
- ✓ Overseas Results by Region ✓ Trend of New Orders/New Startups
- ✓ Collaborative Innovation

II . Topics

- ✓ Acquire shares of a new company, Established a subsidiary
- ✓ Extension of Tsukuba DC
- ✓ Commendations from Outside the Company (Modal shift/IR website, etc.)

(Unit: 100 million yen, rounded off to the nearest integer. < > parentheses are profit ratios (%))

	FY2018	FY2019				
	3Q (9 months)	3Q (9 months)			Full-year	
	Results	Results	Y o Y		Plan (As of Jan. 31)	Y o Y
			%	Change		
Revenues	5,358	5,105	95%	-253.6	6,900	97%
Operating income*	<4.5> 240.6	<5.1> 259.0	108%	18.4	<4.9> 340.0	109%
EBIT (Earnings before interest and taxes)	<5.1> 275.6	<5.9> 301.4	109%	25.8	<5.8> 402.0	111%
Net income attributable to stockholders of the parent company	<3.3> 174.4	<3.2> 162.5	93%	-11.8	<3.2> 220.0	97%

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

Revenues: Revised -100
Operating Income: No change

Refer to page 5-7 for details

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

		Revenues			Operating income		
		3Q (9 months)	Y o Y	3Q (9 months)	Y o Y		
Organic	Domestic logistics	<63>	2,802	103%	176.5	119%	
	Global logistics	Overseas	<28>	1,255	92%	48.4	95%
		Allocated to domestic companies (forwarding and others)	<5>	242	61%	2.4	176%
		Total	<34>	1,497	(-256) 85%	50.8	97%
	Others (logistics-related businesses, etc.)	<3>	140	90%	10.2	69%	
Total		<100>	4,438	96%	237.5	(+21.9) 110%	
Vantec Group	Domestic logistics	<68>	498	91%	24.5	93%	
	Global logistics	Overseas	<32>	239	87%	4.5	70%
		Allocated to domestic companies (forwarding and others)	-	0	-	0.0	-
		Total	<32>	239	87%	4.5	70%
Total		<100>	737	(-88) 89%	29.0	(-3.7) 89%	
Consolidated Adjustment/Amortization of customer-related intangible assets of VANTEC Group, etc.		-	-71	(+22)	-7.5	(+0.2)	
Total	Domestic logistics	<64>	3,282	101%	195.0	116%	
	Global logistics	Overseas	<29>	1,469	[94%] 92%	51.5	[95%] 92%
		Allocated to domestic companies (forwarding and others)	<4>	221	[89%] 59%	2.4	[+4.6] 176%
		Total	<33>	1,691	[93%] 86%	53.9	[104%] 94%
	Others (logistics-related businesses, etc.)	<3>	132	88%	10.2	69%	
Total		<100>	5,105	95%	259.0	(+18.4) 108%	

✓ Figures in [] are percentages of Y on Y changes excluding the impact of deconsolidation of Nisshin Transportation Gr. (One of them shows a Y on Y difference.)

3Q of FY2019 Results [Detail of Variations for Revenues]

3Q (9 months) of FY2019 Revenues (Result)

(100 million yen)

3Q (9 months) of FY2018
→ **3Q (9 months) of FY2019**

- USD: ¥ 111.1 → ¥108.7
- EUR: ¥ 129.5 → ¥121.1
- CNY: ¥ 16.6 → ¥15.6

•Result excluding Impact of IFRS 16: 5,112
Deviation from the plan: -133

- VANTEC: -60
- China, Asia region etc.: -73

5,358

Environmental/volume changes etc.
-191

•Domestic/other: -114
•Forwarding/overseas: -126
•Expansion of existing operations: +49

Including;
VANTEC Gr. : Domestic: -36
Global: -19

Effect of exchange fluctuation
-59

Impact of exclusion of Nisshin Transportation From the scope of consolidation
-147

Implementation of portfolio strategy
-37

•Domestic : +94
•Global : +44

New orders
+138

New collaborative innovation
+49

Impact of adopting IFRS 16
-7

+187

5,105

Plan excluding Impact of Adopting IFRS 16

5,245

-254

(100 million yen)

	Environmental/volume changes, etc.			Effect of exchange fluctuation	Impact of exclusion of Nisshin Transportation from the scope of consolidation	Implementation of a portfolio strategy	New orders	New collaborative innovation	Impact of adopting IFRS 16	Total
	Other volume changes, etc.	Expansion of existing operations	Subtotal							
Domestic	-110	38	-72			-18	94	40	-7	37
Global	-126	11	-115	-59	-147	-2	44	7		-272
Other	-4		-4			-17		2		-19
Total	-240	49	-191	-59	-147	-37	138	49	-7	-254

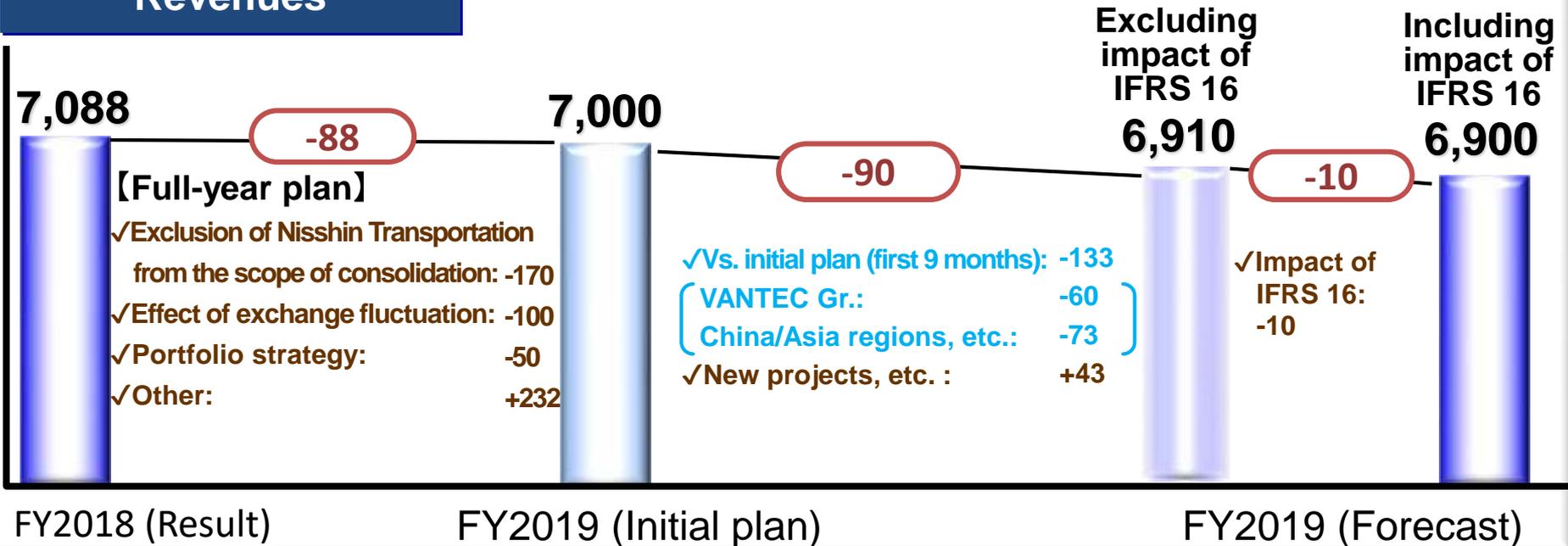
3Q (9 months) of FY2018 (Result)

3Q (9 months) of FY2019 (Result)

Revised the full-year revenue forecast from the initial plan of 700 billion yen to 690 billion yen, reflecting the performance of Vantec Group and forwarding business in China and Asia

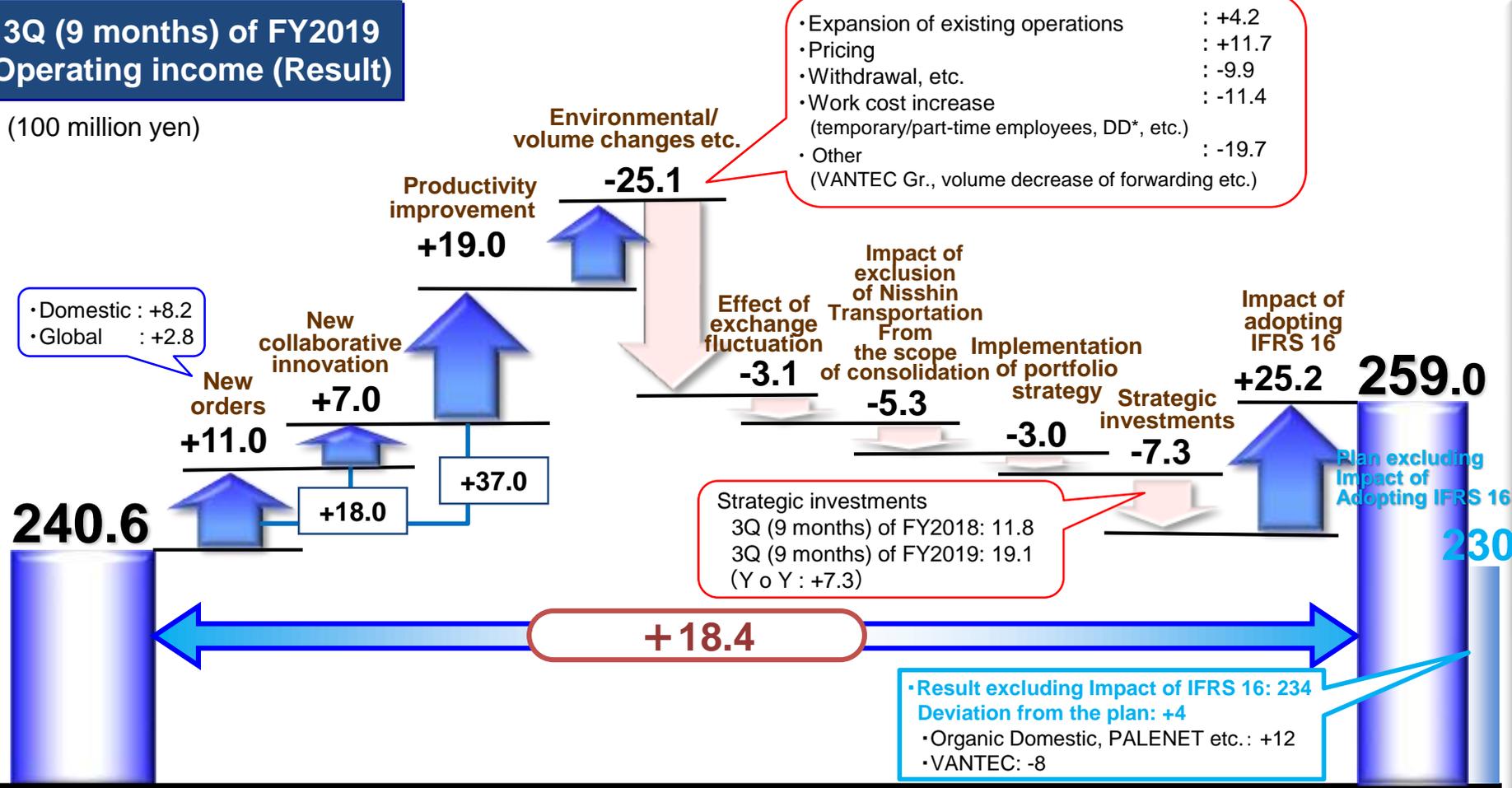
(100 million yen)

Revenues



3Q (9 months) of FY2019 Operating income (Result)

(100 million yen)



3Q (9 months) of FY2018 (Result)

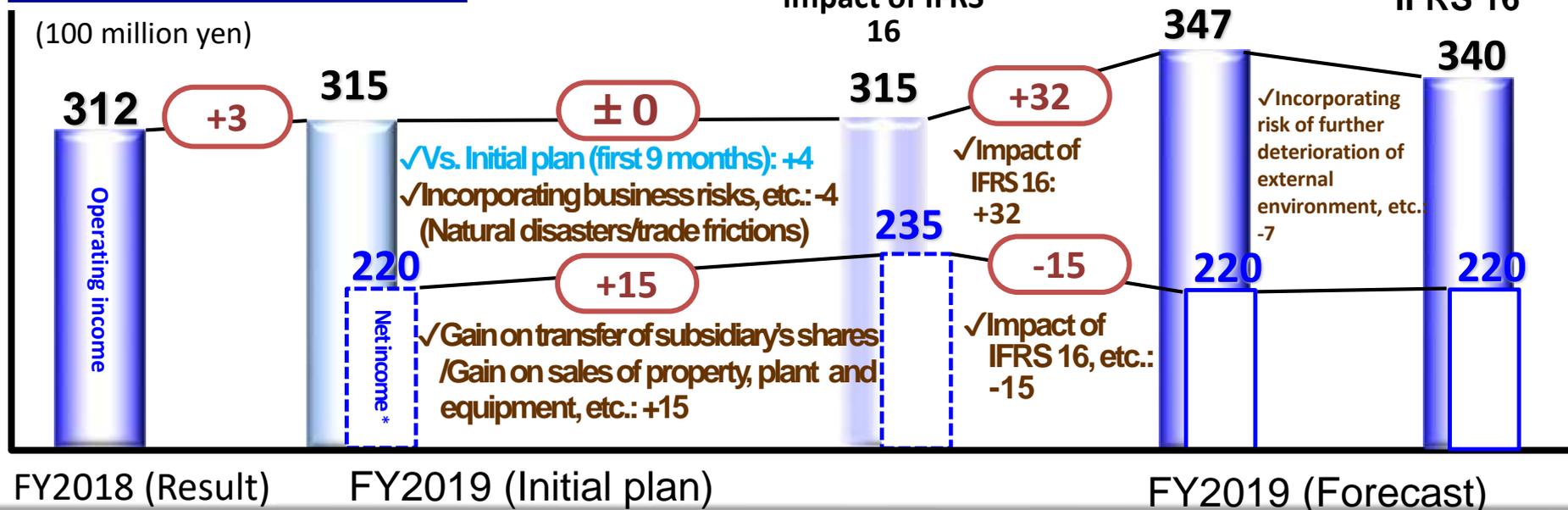
3Q (9 months) of FY2019 (Result)

* Impact of "equal pay for equal work"

FY2019 Full-year Forecasts (Operating income/Net income) LOGISTEED

No change in full-year plan for operating income and net income, incorporating the risk of further deterioration of external environment, etc. although 3Q results exceeded the initial plan due to improved productivity in domestic organic business and consolidation of Palenet, etc.

Operating income/ Net income



*Net income attributable to stockholders of the parent company

(Unit: 100 million yen, rounded off to the nearest integer. () parentheses are operating margins)

	Revenues			Operating income		
	FY2018	FY2019		FY2018	FY2019	
	3Q (9 months)	3Q (9 months)	Y o Y	3Q (9 months)	3Q (9 months)	Y o Y
North America	343	322	94%	7.4	10.1	137%
Europe* ¹	528	498	94%	27.7	34.7	125%
Asia (excluding China)	340	302	89%	16.3	9.9	61%
China	393	341	87%	9.3	1.4	15%
Others	29	31	107%	2.5	2.0	82%
Elimination of intra-company transactions, etc.* ²	-43	-25	-	-7.3	-6.6	-
Total	1,590	1,469	92%	(3.5%) 55.8	(3.5%) 51.5	92%

*1. Turkey is treated as an European country

*2. Amortization of Customer-related intangible assets of VANTEC Group is included in "Elimination of intra-company transactions, etc."

3Q (9 months) of FY2019: Trend of New Orders/New Startups (Unit: projects)

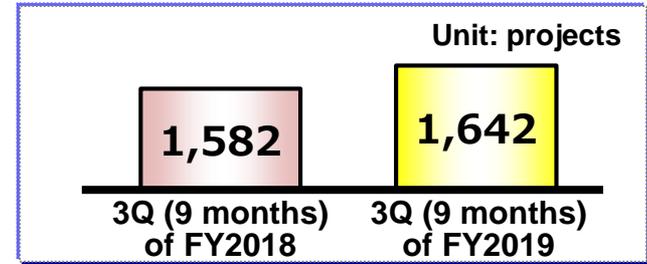
		FY2018	FY2019	
		3Q (9 months)	3Q (9 months)	Y o Y
New Orders	Domestic	9	14	5
	Global	7	5	-2
	Total	16	19	3
New Startups	Domestic	15	15	0
	Global	8	5	-3
	Total	23	20	-3

(Reference 1) New startups in 3Q

Domestic: [Apparel] EC Operations at customer's warehouse
[Electric appliances] DC warehouse operation/delivery
Global: [Automobile parts] XD operation

(Reference 2) The number of new orders of domestic sales division

<Including new projects (both new and old definition), one-time project (Heavy Machinery and Plant Logistics, etc.) and small scale projects>



Acquisition of Distribution Service Business from Hitachi Life, Ltd.*

Purpose

*Hitachi Life will transfer its distribution service business to a new company through a company split.

- Undertake the entire logistics operation for Hitachi group's product shipping in Ibaraki pref.

Realize to reduce costs through the integrated operation of packing and transportation as well as further improve our service quality

Schedule

Nov. 29, 2019 : Concluded a share purchase agreement

Apr. 2020 (scheduled) : Share purchase



Established a subsidiary in Spain (Mars Logistics Europe S.A.)

Purpose

- Expand domestic transport in Spain, transport service and network in Europe
- Chartered transport and consolidated service between Turkey and Spain, Offer transport and XD Operation

Schedule

Dec. 10, 2019 : Established a subsidiary

Dec. 12, 2019 : Operation started



Further enhanced the function of DC for construction equipment parts



✓ Enhanced overseas shipping function

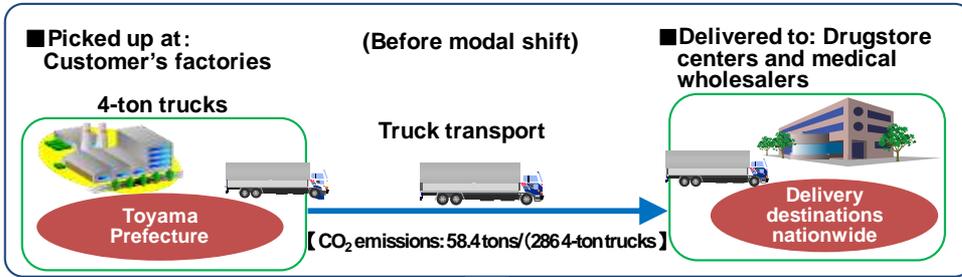
✓ Expanded receiving space

✓ Improved packing efficiency

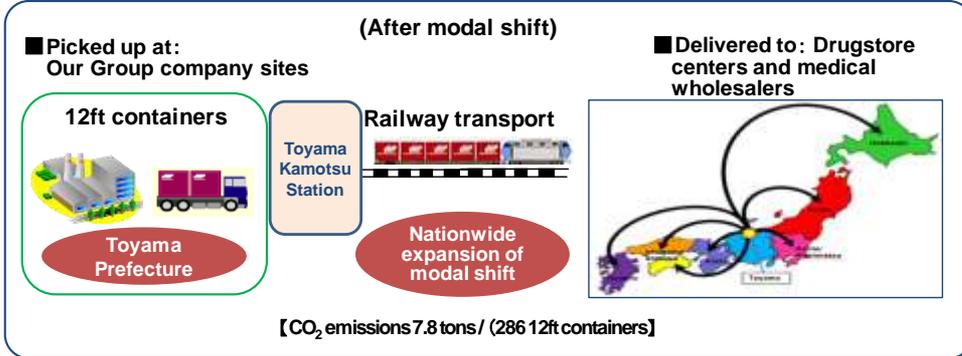
**Contribute to business expansion
of Hitachi Construction Machinery**

- Name: Tsukuba DC Extended Building
- Location: Tsukuba City, Ibaraki Prefecture
- Floor space: approx. 19,000m² (extended building)
approx. 72,000m² (total) (Of which, warehouse: approx. 69,000m²)
- Start of operations: Dec. 2019 (Existing building started operation in Apr. 2014)

Awarded “2019 Excellent Business Entities Working on Modal Shift (new market category)”*



Started in April 2018



[Effect] CO₂ reduction: 50.6t (from Apr. 2018 to Mar. 2019)
Dealt with driver shortage and achieved cost reduction

*Hosted by Japan Association for Logistics and Transport

Our “Investor Relations” site received awards in major IR website rankings



Co-awarded “METI Minister’s Awards” at the Green Logistics Partnership Conference*

- Built common management system
- Integrated logistics centers
- Standardized cardboard container size

[Effect] CO₂ reduction (266.5 tons/year)
Reduced delivery errors and lost packages

*Our subsidiary Hitachi Distribution Software Co., Ltd. was co-awarded.

		【Before adoption of IFRS16】 3Q of FY2019	influent amount	【After adoption of IFRS16】 3Q of FY2019
Total assets	(100 million yen)	6,178	2,566	8,744
Total equity attributable to stockholders of the parent company	(100 million yen)	2,340	-10	2,329
Revenues	(100 million yen)	5,112	-7	5,105
Adjusted Operating Income	(100 million yen)	234	25	259
Net income attributable to stockholders of the parent company	(100 million yen)	172	-10	163
Return on equity (ROE)	(%)	10.1*	-0.6	9.5*
Return on assets (ROA)	(%)	3.7*	-1.2	2.5*

* : Annualized rate.

Reference Results by Business Category (estimated)

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

		3Q (9 months) of FY2018 (Result)			3Q (9 months) of FY2019 (Result)		
		Revenues	Operating income	Operating Margin	Revenues	Operating income	Operating margin
	Domestic	2,733	147.8	5.4% (5.4%)	2,819	173.4	6.1% (6.2%)
	Global	618	30.1	4.9% (5.4%)	598	39.9	6.7% (7.2%)
3PL		3,351	177.8	5.3% (5.4%)	3,417	213.3	6.2% (6.4%)
	Domestic	370	2.3	0.6% (1.5%)	220	2.9	1.3% (2.8%)
	Global	599	16.8	2.8% (3.3%)	522	2.2	0.4% (0.9%)
Forwarding		969	19.1	2.0% (2.6%)	742	5.1	0.7% (1.5%)
	Domestic	517	16.4	3.2% (4.4%)	481	16.8	3.5% (4.8%)
	Global	366	8.8	2.4% (2.8%)	331	9.0	2.7% (3.0%)
Automobile		883	25.2	2.8% (3.7%)	812	25.8	3.2% (4.1%)
Other services		155	18.5	11.9% (11.9%)	134	14.9	11.1% (11.1%)
Total		5,358	240.6	4.5%	5,105	259.0	5.1%

*Business category of global company is partly changed in this document. (Total is subdivided figures.)

Results presented above reflects this alternation