Mid-term Management Plan

■ Review of “Value Creation 2018”

■ Mid-term Management Plan “LOGISTEED 2021”
  ✓ Enhance the Core Domain
  ✓ Acquire New Growth Opportunities
  ✓ Investment Strategy/Dividend Policy
  ✓ Environment/Society/Governance
  ✓ Numerical Targets
Review of “Value Creation 2018”

Profitability and capital efficiency are as planned

ROE: 8.0%

ROE: 10.8%

ROE: 9.6%

ROE: 10.7%

Operating income/margin (%)
Composition ratio of revenues (%)
EBIT/margin (%)

Revenues
Operating income

FY2015 (Result)
FY2018 (Initial plan)
FY2018 (Revised plan)
FY2018 (Result)

Global
Domestic

EBIT

(100 million yen)
Mid-term Management Plan: Business Environment

Changing supply chain due to digitalization technology

- **Best logistics ever**
  - “RFID/traceability”
  - “Route optimization”
  - “Supply/demand simulation”

- **Intermediate procurement/sales**
  - “E-marketplace”
  - “E-procurement system”

- **Facilitate cash flow**
  - “Blockchain”
  - “Crowdfunding”

- **Offer market/transaction information**
  - “BI system”
  - “Recommender system”

“Market changes + Obsolescence of the existing technologies = Leadership struggle across industries”

Expansion of supply chain solutions

- Connect “points” to “lines”
  - Introduction of RFID/blockchain

  - Data silos: Points of activities
  - Consistent data: A line of activities

- Consolidate four flows through LOGISTEED

  - Finance
  - Commerce
  - Information
  - Logistics

LOGISTEED

“Logistics “Gemba” power × Platform”

Hitachi Transport System

[Digital transformation × Business]
Mid-term Management Plan “LOGISTEED 2021”

Future Vision: Global Supply-Chain Solutions Provider

Integrate four flows for better supply chain
【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
Enhance the Core Domain
Enhance the Core Domain: Portfolio Strategy

Integration with growth strategies of strong entities/partners

Enhance competitiveness/profitability

Growth with partner groups (Expansion of domains)

- Collaborative innovation with core domains of HTS
- Expansion of business domain with strong business model
- Mutual sustainable growth and improvement of corporate value
Enhance the Core Domain: Regional Strategy

Offer sophisticated logistics solutions rooted in the region

EUROPE
Business expansion in Western European market using strong transportation network
- Expand intermodal business from Turkey (Develop to Western Europe and Central Asia)
- Innovation Center (the U.K.)
- Approach to African market (Final frontier: Economic zone with 1.2 billion people)

ASIA
Aggressive investment in growing market
- Enhance SC network in India (Deal with GST)
- Expand cold chain (Malaysia/Indonesia)
- Cross-border transportation in the Indochina Peninsula (Enhance collaborative innovation with SG Holdings)

NORTH AMERICA
Expand/strengthen service areas/domains
- Expand transportation network and promote sharing economy
- Implement collaborative strategy including various industries

CHINA
Focus on high value-added business, expand to inland area
- Expand inland business (Chongqing, Chengdu, etc.)
- Delta initiative (Greater Bay Area)
- High Quality & Value (Medical/Dangerous cargo/LCM* solution)
- Belt and Road (Intercontinental railway transport)

* Life Cycle Management

Additional Points:
- Hong Kong
- Jiangmen
- Zhongshan
- Foshan
- Shenzhen
- Zhuhai
- Mumbai
- New Delhi
- Chennai
- Bangalore
- Guangzhou
- Zhaoqing
- Huizhou
- Dongguan
- Shenzhen
- Zhuhai
- Hong Kong
- Guangzhou
- Pu’erzhou
- Foshan
- Dongguan
- Zhongshan
- Shenzhen
- Hong Kong

- Logistics Park plan
- Establish transportation network
- Cross-border transportation
- Enhance collaborative innovation with SG Holdings
- Expand/international business
- Expand cold chain
- Cross-border transportation
- Enhance collaborative innovation with SG Holdings
- Expanding cold chain
- Cross-border transportation
- Enhance collaborative innovation with SG Holdings
- Expand/international business
- Enhance collaborative innovation with SG Holdings

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Enhance the Core Domain: Collaborative Innovation Strategy

Design supply chain based on and originating from the logistics domain

Open digital platform (Big data, AI, IoT)

Overseas 3PL  Manufacturer 3PL  Retail 3PL

Overseas Procurement Logistics
Forwarding
Smart Import / Smart Delivery
Multi Delivery Service

Hitachi Capital Corporation

[Centralization of information × Linkage of transactions and settlement]
[Forwarding × Trade finance]  [Warehouse management × Asset management]  [SSCV × Fleet management]
Enhance the Core Domain: Collaborative Innovation Strategy (SG Holdings)

Open digital platform (Big data, AI, IoT)

HTS inspection center

Inventory at site

Trace information

Inventory at center

Transportation information

Integrated center

HTS inspection center

Inventory

Smart Import

Pickup station of SAGAWA EXPRESS

Direct shipment

Domestic suppliers

Local factory/warehouse

Overseas

Inventory

Direct shipment

Pickup station of SAGAWA EXPRESS

One-stop solution service through collaborative innovation

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Enhance the Core Domain: Collaborative Innovation Strategy (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)】

- Overseas plant facilities transportation
- Procurement logistics
- International transportation
- Sales logistics

- Creation of new customer value
  + Differentiation through new service (EC platform)

Areas with strong presence:
- Blue: AIT
- Green: HTS
- Orange: SGH

- Export from China
- Import to Japan
- Sharing with AIT

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Enhance the Core Domain: Smart Logistics

- Accelerate development of new Smart Logistics technology and its on-site implementation

- Enhance transport management
  - Enhance and optimize transportation capacity
    - Utilize SSCV (Co-existence and co-prosperity with transportation companies)
    - Transport digital/TMS (VANTEC)
  - Utilize multi-axle trailer

☑ Hardware + Software (AI/Volume projection/Blockchain technology, etc.) → Accelerate R&D and verification
Promotion of personal ownership (VC21* activities)

Share purpose, process, and goal of policy to consolidate an improvement culture which leads to challenges to new domains

Organization continuing to improve with each employee having “the sense of ownership”

Visualizing improvement activities

Culture of praise

* VC21 activities: Value Change & Creation 2021
Acquire New Growth Opportunities
Acquire New Growth Opportunities

Resolve social issues with innovation

New growth opportunities
Platform for Safety and Security

Protect drivers from car accidents by making full use of IoT technology and support small- and medium-sized transport partners

“SSCV-safety (safety management)” to be commercialized in FY2019. Integrate “SSCV-smart (vehicle movement/assignment/administrative management)” and “SSCV-vehicle (vehicle maintenance)” to establish a transportation digital platform.

<table>
<thead>
<tr>
<th>Provide services</th>
<th>Provide data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transporters, bus, taxi, etc.</td>
<td>Vehicle maintenance, insurance company, AI vendor, healthcare industry, Japanese Society of Fatigue Science, etc.</td>
</tr>
</tbody>
</table>

[Transportation digital platform]

**Smart & Safety Connected Vehicle**

Use of transportation data allows partners to create new services

<table>
<thead>
<tr>
<th>Transportation support functions built by transporters (Apps cassette groups)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement management</td>
</tr>
<tr>
<td><strong>SSCV-smart</strong></td>
</tr>
</tbody>
</table>

Safety management (To be commercialized in FY2019)

Vehicle maintenance

Enhance functions including procurement, BPO, etc.

Data/Usage fee

Service/Business support

SSCV users

Expand user network

Build strong transport entities

New transportation partners (including owner-drivers)

Offer values to customers/cargo owners

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EC Platform (Evolution of Smart Warehouse)

Expand “Logistics “Gemba” power × Platform” through digitalization

Concept
Sharing of “automated facilities,” “system,” “space,” and “man power”

EC platform center (Kasukabe DC) <To be commercialized in FY2019 (scheduled)>

**Future plans**
- Promote expansion to multiple locations (Kanto, Kansai, and other areas)
- Enhance functions (insurance, settlement, returns, etc.)

**Sales plan**
Target: CAGR: 43%

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
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<tbody>
<tr>
<td>(%)</td>
<td></td>
<td></td>
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</tbody>
</table>

[Aim of the service]
- Pay per Use
- Thorough automation (Comparison with manual operation: Reduced by 72%)
- Standardized operation for multiple owners

[Reverse logistics]
EC business operator
Receive/Store
Storage
Picking
Inspection/Packing
Individuals
Return/Inspection
AGV/projection & sensing
Collaborative robot
Automatic packing machine

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Opening Innovation Center in the U.K.

- Location: Sunderland, the U.K.
- Opening date: January 2019

- R&D of new technologies through industry-government-academia collaboration
- Safety training center (forklift, etc.)
- Promoting global expansion of new technologies

Innovation Lab Plan (Tokyo)

- Collaborative innovation area with customers/partners, etc.
- Sending out the HTS Group’s values and LOSISTEED
- Fostering human resources to create innovation
From Enhancing the Core Domain to Ecosystem

Integration with growth strategies of strong entities/partners

Enhance competitiveness/profitability

Growth with partner groups (Expansion of domains)

- Collaborative innovation with core domains of HTS
- Expansion of business domain with strong business model
- Mutual sustainable growth and improvement of corporate value

Build an ecosystem (to new domain)
### Investment Plan (Cash Basis/Accumulated)

#### Strategic investment for change and evolution into “LOGISTEED”

**[FY2016→FY2018 (accumulated)]**

- **Investments (Cash basis)**: 1,266 (100 million yen)
  - Strategic investments: 55
  - Business investments: 397
- **M&A, etc.*1**: 814
- **Dividends** (116)

- **[Mid-term Management Plan (accumulated)]**
  - **Investments (Cash basis)**: 1,380
  - Strategic investment (Approx. 860)
  - **Business investments (Approx. 520)**
- **Dividends** (Over 150)

- **Balance at the beginning of FY2016** (100 million yen): 451
- **Balance at the beginning of FY2019**: 1,084

#### Strategic investments 860 (100 million yen)

- **Promotion of DX^2**, establishment of IT platform
  - Implementation of big data management
  - Transport digital, etc.
- **Development of new technology**
  - (R&D, verification of commercialization)
- **Development of new business**
  - (Smart warehouse/SSCV, etc.)
- **Human resources, safety, etc.**
- **M&As, capital policy, etc.**

**Investment funds**

- “Accumulation of operating cash flows”
- “Financing cash flows”
- → Secure funds for the growth

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*1 Including share acquisition and put option  
^2 Digital transformation
Dividend Policy

Focusing on payout ratio of over 20%: Maintain stable dividend (dividend increase)

Dividends
Dividend payout ratio
Total dividend

<table>
<thead>
<tr>
<th>Yen per share of stock</th>
<th>J-GAAP</th>
<th>IFRS</th>
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</thead>
<tbody>
<tr>
<td>FY 2007</td>
<td>18</td>
<td>110</td>
</tr>
<tr>
<td>FY 2008</td>
<td>20</td>
<td>116</td>
</tr>
<tr>
<td>FY 2009</td>
<td>22</td>
<td>143</td>
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<td>FY 2016</td>
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<td>FY 2017</td>
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<td>FY 2018</td>
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<tr>
<td>FY 2019 (Plan)</td>
<td></td>
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<tr>
<td>FY 2020</td>
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<td></td>
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<tr>
<td>FY 2021</td>
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</tbody>
</table>

TSR (Total Shareholder Return)
outperformed TOPIX

* Index being the stock price as of March 31, 2014 as 100

<table>
<thead>
<tr>
<th>FY</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSR of HTS</td>
<td>110</td>
<td>116</td>
<td>143</td>
<td>186</td>
<td>206</td>
</tr>
<tr>
<td>TOPIX incl. dividend</td>
<td>131</td>
<td>117</td>
<td>134</td>
<td>155</td>
<td>147</td>
</tr>
</tbody>
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Focus on four objectives to drive innovation forward in supply chains with an eye to creating a sustainable society
— Strengthen initiatives using PDCA cycle based on the following activities—

1. Pursue Next-generation Industries and Lifestyles
   - Promote total optimization of supply chain by making full use of advanced technologies

2. Enhance Occupational Safety and Productivity
   - Secure safety in operation and transportation
   - Promote diversity of the workplace

3. Ensure Excellent Quality and Resilience
   - Pursue high quality logistics services
   - Reduce wastes and emissions
   - Disaster recovery assistance

4. Realize Low-carbon Business Processes
   - Increase energy efficiency
   - Introduce renewable energy
## Mid-term Management Plan: Numerical Targets

### Revenues
- **FY2018 (Result):** 7,088 (100 million yen)
- **FY2019 (Plan):** 7,000
- **FY2021 (Mid-term Management Plan):** 7,200

### Operating Income
- **FY2018 (Result):** 36 (Operating income/margin: 4.4%)
- **FY2019 (Plan):** 34
- **FY2021 (Mid-term Management Plan):** 35

### EBIT
- **FY2018 (Result):** 64 (EBIT/margin: 5.1%)
- **FY2019 (Plan):** 66
- **FY2021 (Mid-term Management Plan):** 65

### ROE
- **FY2018 (Result):** 10.7%
- **FY2019 (Plan):** 10.0%
- **FY2021 (Mid-term Management Plan):** Over 10%

### Acquire new growth opportunities
- **FY2019 (Plan):** 7,400
- **FY2021 (Mid-term Management Plan):** 8,000 (100 million yen)

### EBIT Margin (%)
- **FY2018 (Result):** 4.4%
- **FY2019 (Plan):** 4.5%
- **FY2021 (Mid-term Management Plan):** 5.0%

### Operating Income Margin (%)
- **FY2018 (Result):** 5.1%
- **FY2019 (Plan):** 5.0%
- **FY2021 (Mid-term Management Plan):** 5.5%

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Toward New Dimensions
LOGISTEED