

News Release

March 30, 2016

Hitachi Transport System, Ltd.
SG Holdings Co., Ltd.

Announcement of Strategic Capital and Business Alliance among Hitachi Transport System, SG Holdings, and SAGAWA EXPRESS, Announcement of Secondary Distribution of Shares, and Announcement of Changes to Parent Company, Another Affiliated Company, and Major Shareholder of Hitachi Transport System

Hitachi Transport System, Ltd. (headquarters: Koto-ku, Tokyo, President and CEO: Yasuo Nakatani; “*Hitachi Transport System*”), SG Holdings Co., Ltd. (headquarters: Kyoto City, Kyoto, Representative Director and President: Tadashi Machida; “*SG Holdings*”), and SAGAWA EXPRESS CO., LTD. (headquarters: Kyoto City, Kyoto, Representative Director and President: Hideo Araki; “*SAGAWA EXPRESS*”) (Hitachi Transport System, SG Holdings and SAGAWA EXPRESS are collectively referred to as “*Companies*”) hereby announce that their Boards of Directors have today each adopted a resolution to form a capital and business alliance between the Companies as follows, and have concluded a capital and business alliance agreement (“*Capital and Business Alliance Agreement*”; the capital and business alliance hereunder shall be called the “*Capital and Business Alliance*”).

In conjunction with the above, Hitachi Transport System and SG Holdings have executed an agreement whereby SG Holdings will assign to Hitachi Transport System a portion of its shares in SAGAWA EXPRESS.

Moreover, the parent company of Hitachi Transport System, Hitachi, Ltd. (headquarters: Chiyoda-ku, Tokyo, President and COO: Toshiaki Higashihara; “*Hitachi*”) has executed with SG Holdings an agreement whereby Hitachi will assign to SG Holdings a portion of its shares in Hitachi Transport System. This assignment will fall under the category of a secondary distribution of Hitachi Transport System shares, and will result in changes to the parent company, another affiliated company, and the major shareholder of Hitachi Transport System.

I. Execution of the Capital and Business Alliance Agreement

1. Reasons for the Capital and Business Alliance

Founded in 1950 as a logistics subsidiary handling transport operations for Hitachi, Hitachi Transport System has broadened its operations through bulk contracting for in-factory and shipping work and transport of ultra-heavy goods in Japan and abroad. Moreover, Hitachi Transport System started building a logistics information system at an early stage, using enhanced services to provide comprehensive logistics services to companies (3PL^(Note 1)), and expanded its business with customers outside of the Hitachi Group. Today, under the business concept of smart logistics^(Note 2), Hitachi Transport System is utilizing not only “logistics solutions” but also “IT-LT^(Note 3) solutions” with the aim of becoming a “Global Supply Chain Solutions Provider that works with customers to create new value, and challenges itself to become a world-class player,” striving to compete in the global market.

SG Holdings Group, a corporate group anchored by SAGAWA EXPRESS, engages in delivery business, logistics business, real estate business and other businesses. Today, SG Holdings Group has its own principles for “Create new values by utilizing management resources and deepening cooperation inside and outside of the Group, while aiming to strengthen our management foundation and achieve lasting growth,” and is aiming to develop sustained growth infrastructure by improvement of comprehensive logistics solutions, to develop productivity growth, and to establish a global logistics network by strengthening the infrastructure of its foreign operations, and to conduct domestic and foreign operations as a package. Under these policies, SAGAWA EXPRESS is taking steps to meet diversified customer needs by introducing smart delivery^(Note 4) and other strategic products, and developing an advanced logistics project team “GOAL (Go Advanced Logistics)” involving multiple SG Holdings group entities.

While the logistics industry, in which the Companies do business, plays a crucial role in supporting the foundation of Japan's social infrastructure, the Companies continue to face a tough business environment, in particular sluggish freight demand in Japan and rising costs, including personnel costs stemming from a worker shortage. In addition, customer needs have grown more demanding and diverse, such as the need for seamless one-stop distribution both at home and abroad, in conjunction with increased globalization, requiring designated-time deliveries for rapidly-growing online and catalog sales, and expectations for logistics companies are higher than ever.

The Companies share the understanding that in order to fulfill our social mission it is necessary to build a stronger business foundation and to grow into one of the most competitive corporations in Japan, and have engaged in various discussions under this philosophy. As a result, the companies have reached an agreement on the Capital and Business Alliance, with the aim of carrying out strategic measures for integrating our strengths and contributing to the improved competitiveness of Japanese companies which are operating globally.

Note 1: Abbreviation for "Third-party logistics." A business that provides comprehensive logistics services on behalf of customers, in order to utilize information systems for the purpose of collaborating and jointly on managing materials and parts procurement, factory production and sales, and achieving efficient operations at a reduced cost.

Note 2: A safe, secure, green, global and one-stop logistics service using advanced logistics technology and on-the-ground knowhow and a broad service menu; a comprehensive logistics service providing a combination of system logistics (3PL), heavy machinery and forwarding expertise that the Hitachi Transport System Group has accumulated.

Note 3: Abbreviation for Logistics Technology

Note 4: Services to cut down on work processes in customers' warehouses and reduce the workload of customers by providing delivery services separated by each time zone, including night and early morning, and sorting into separate categories different types of goods and locations at large-scale facilities such as junction centers and business sites of SAGAWA EXPRESS, before delivery.

2. Particulars of the Capital and Business Alliance

The Companies may complement their businesses with each other. Under the concept of "integration of the logistics business and the delivery business," the Companies will make the best use of their strengths in 3PL business experience, their abundant knowhow and customer base, and SAGAWA EXPRESS's transport and delivery expertise and Hitachi Transport System's logistics technology. Consequently, the Companies will be able to provide comprehensive logistics where 3PL and delivery are seamlessly integrated, and not only maximize corporate value as logistics companies challenging themselves to become world-class players, but also fulfill the logistics industry's social mission.

To realize this "vision", we have agreed to the following capital and business alliance measures.

(1) Particulars of the Business Alliance

We plan to carry out a business alliance involving the following measures. Concrete policies and details will continue to be discussed.

- (i) Strengthen proposal-making ability and expand business through a sales alliance that makes use of a mutual customer base
- (ii) Use focused fleet management and share center usage for improved utilization rate and efficiency
- (iii) Work on advanced logistics using the Companies' IT and LT technology
- (iv) Reinforce global business, with a focus on Asia (alliances of forwarding business and cross-border transport, etc.)
- (v) Reinforce peripheral businesses through utilization of resources (real estate business and system business, etc.) and collaboration

(2) Particulars of the Capital Alliance

Hitachi Transport System will acquire from SG Holdings 10,655,240 shares in SAGAWA EXPRESS (acquisition price 6,224 yen, 20.0% of outstanding shares (excluding treasury shares), 20.0% of voting rights). Moreover, SG Holdings will acquire from Hitachi 32,349,700 shares of Hitachi Transport System (acquisition price 2,707 yen, 29.0% of outstanding shares (excluding treasury shares), 29.0% of voting rights) through over-the-counter trading.

To move forward smoothly and promptly with discussions concerning the business alliance and to achieve synergy at an early date, we will form a project team for promotion of a business alliance. Based on the outcome of the Capital and Business Alliance, we will discuss and consider a possible management integration of the Companies.

3. Profiles of the Companies for Capital and Business Alliance

(1) Profile of SG Holdings

(i)	Name	SG Holdings Co., Ltd.		
(ii)	Address	68, Tsunoda-cho, Kamitoba, Minato-ku, Kyoto, Japan		
(iii)	Representative title, name	Chairperson and CEO Eiichi Kuriwada, President and COO Tadashi Machida		
(iv)	Business description	Group management strategy formulation and management; operations ancillary thereto		
(v)	Capital	11,882 million yen		
(vi)	Founded	March 21, 2006		
(vii)	Major shareholders and their stakes	SG Holdings Group Employee Shareholding Association 27.03% Shinsei Kosan Co., Ltd. 11.83% Sagawa Art Museum 7.56% Eiichi Kuriwada 5.00% The Bank of Tokyo-Mitsubishi UFJ, Ltd. 4.67%		
(viii)	Relationship between SG Holdings and Hitachi Transport System	Capital relationship	SG Holdings indirectly holds 100 shares in Hitachi Transport System as of March 30, 2016.	
		Personnel relationship	N/A	
		Transactional relationship	Hitachi Transport System and SAGAWA EXPRESS, SG Holdings' consolidated subsidiary, provide transportation operations and other services to each other.	
		Related party or not	N/A	
(ix)	Consolidated business results and consolidated financial conditions for the past 3 years			
	Fiscal year	Term ended March 2013	Term ended March 2014	Term ended March 2015
	Consolidated net assets(million yen)	166,119	179,127	207,547
	Consolidated gross assets(million yen)	557,798	559,469	585,230
	Consolidated net assets per share(yen)	1,538.48	1,688.37	1,924.69
	Consolidated sales revenue(million yen)	871,388	835,086	857,449
	Consolidated operating profit(million yen)	31,027	43,383	45,594
	Consolidated recurring profit(million yen)	28,687	40,764	43,901
	Consolidated net profit(million yen)	23,430	16,651	24,815
	Net profit per share(yen)	215.10	152.48	232.42
	Dividend per share(yen)	21.00	23.00	26.00

(2) Profile of SAGAWA EXPRESS

(i)	Name	SAGAWA EXPRESS CO., LTD.		
(ii)	Address	68, Tsunoda-cho, Kamitoba, Minato-ku, Kyoto, Japan		
(iii)	Representative title, name	Hideo Araki, President and CEO		
(iv)	Business description	Businesses related to delivery and assorted transport		
(v)	Capital	11,275 million yen		
(vi)	Founded	November 24, 1965		
(vii)	Major shareholders and their stakes	SG Holdings 100%		
(viii)	Relationship between SAGAWA EXPRESS and Hitachi Transport	Capital relationship	SAGAWA EXPRESS holds 100 shares in Hitachi Transport System as of	

System		March 30, 2016.	
	Personnel relationship	N/A	
	Transactional relationship	Hitachi Transport System and SAGAWA EXPRESS provide transportation operations and other services to each other.	
	Related party or not	N/A	
(ix) Business results and financial conditions for the past 3 years			
Fiscal year	Term ended March 2013	Term ended March 2014	Term ended March 2015
Net assets(million yen)	113,721	119,473	131,585
Gross assets(million yen)	259,975	249,292	267,983
Sales revenue(million yen)	775,848	727,034	728,427
Operating profit(million yen)	18,590	28,148	30,076
Recurring profit(million yen)	19,447	29,745	31,333
Net profit(million yen)	18,415	12,625	18,783

4. Timeline of the Capital and Business Alliance

(i) Board of Directors' approval	March 30, 2016
(ii) Capital and Business Alliance Agreement execution	March 30, 2016
(iii) Assignment of Hitachi Transport System shares	May 19, 2016 (scheduled)*
(iv) Assignment of SAGAWA EXPRESS shares	May 20, 2016 (scheduled)*

(Note) Execution of share transfer is subject to the receipt of a notice to the effect that as a result of the corporate merger review by the Fair Trade Commission pursuant to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, a cease-and-desist order will not be issued.

5. Outlook

The impact that the Capital and Business Alliance will have on Hitachi Transport System's earnings this fiscal year is minor. Going forward, if it is found that there will be a material impact on Hitachi Transport System's earnings, we will give prompt notification.

II. Secondary Distribution of Shares

1. Outline of Sale

(i) Number of shares for secondary distribution	32,349,700 shares of Hitachi Transport System
(ii) Distribution price	2,707 yen per share
(iii) Total distribution price	87,570,637,900 yen in total
(iv) Owner of shares to be distributed; number of shares for distribution	Hitachi 32,349,700 shares
(v) Distribution method	Assignment of shares in Hitachi Transport System by Hitachi to SG Holdings
(vi) Subscription period	March 30, 2016
(vii) Settlement date	May 24, 2016 (scheduled)
(viii) Subscription deposit	N/A
(ix) Subscription unit	32,349,700 shares
(x) Other	For the above items, a securities notice as set forth by the Financial Instruments and Exchange Act has been submitted.

(Note) The distribution price above was determined through discussions between the parties set forth in (v).

2. Purpose of the Secondary Distribution

Given that an agreement to assign Hitachi Transport System shares in an over-the-counter transaction was reached between Hitachi and SG Holdings in conjunction with the Capital and Business Alliance, the objective is to carry out the assignment through a secondary distribution pursuant to procedures specified in the relevant laws and regulations.

III. Changes in Parent Company, Another Affiliated Company and Major Shareholder

1. Scheduled Change Date

May 19, 2016 (scheduled)

2. Background to the Changes

As set forth in “I. Execution of the Capital and Business Alliance Agreement” and “II. Secondary Distribution of Shares” above, Hitachi (Hitachi Transport System’s parent company) and SG Holdings have executed an agreement whereby Hitachi will assign 32,349,700 shares of its holdings of Hitachi Transport System shares to SG Holdings through an over-the-counter transaction. Accordingly, pursuant to procedures specified in the relevant laws and regulations, the secondary distribution will take place on March 30, 2016 and the assignment will be carried out on May 19, 2016. As a result, changes to Hitachi Transport System’s parent company, another affiliated company, and major shareholder, are expected.

3. Profile of Changing Shareholders

(1) Profile of the Shareholder that will Cease to be Hitachi Transport System’s Parent Company and will Become Another Affiliated Company

(i)	Name	Hitachi, Ltd.	
(ii)	Address	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan	
(iii)	Representative title, name	Toshiaki Higashihara, President and COO	
(iv)	Business description	Manufacture and sale of electronic electric machinery equipment etc.	
(v)	Capital	458,790 million yen	
(vi)	Founded	February 1, 1920	
(vii)	Hitachi, Ltd. stockholder’s equity	2,942,281 million yen (as of March 31, 2015)	
(viii)	Gross assets (Consolidated)	12,433,727 million yen (as of March 31, 2015)	
(ix)	Major shareholders and their stakes (as of September 30, 2015)	The Master Trust Bank of Japan, Ltd. (Trust)	5.89%
		Japan Trustee Services Bank, Ltd (Trust)	4.42%
		Hitachi Employee Shareholding Association	2.03%
		Nippon Life Insurance Company	1.93%
		The Bank of New York Mellon SA/NV	1.69%
		State Street Bank West Client -Treaty 505234	1.52%
		The Daiichi Life Insurance Company, Limited	1.48%
		State Street Bank and Trust Company 505225	1.45%
		NATS CUMCO	1.45%
		State Street Bank and Trust Company 505223	1.13%
(x)	Relationship between Hitachi Transport System and Hitachi	Capital relationship	Hitachi directly held 59,452,419 shares (53.31% of voting rights) and indirectly held 6,368,859 shares (5.71% of voting rights) in Hitachi Transport System as of September 30, 2015
		Personnel relationship	There is one director who concurrently serves as a director of Hitachi and one director who concurrently serve as a director of a company within the Hitachi group. Hitachi seconds its employees to and receives secondees from companies within the Hitachi group
		Transactional relationship	The companies within the Hitachi group provide transportation or operation services to each other.

(2) Profile of the Shareholder that will Become Hitachi Transport System’s Major Shareholder and Another Affiliated Company

(i) Name	SG Holdings Co., Ltd.
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For other profile information, such as address, see “I. 3. (1) Profile of SG Holdings”.

4. Number of Voting Rights the Shareholder Owns and the Voting Rights Ownership Ratio prior to and after the Change

(1) Hitachi

	Category	Number of voting rights (voting rights ownership ratio) (number of shares owned)			Major shareholder ranking
		Directly held	Subject to inclusion	Total	
Prior to the change (as of September 30, 2015)	Parent Company	594,524 voting rights (53.31%) (59,452,419 shares)	63,688 voting rights (5.71%) (6,368,859 shares)	658,212 voting rights (59.02%) (65,821,278 shares)	1st
After the change	Another affiliated company	334,715 voting rights (30.01%) (33,471,578 shares)	0 voting rights (0.00%) (0 share)	334,715 voting rights (30.01%) (33,471,578 shares)	1st

- (Notes)
- Number of non-voting shares subtracted from the number of outstanding shares: 248,014 shares
Outstanding shares as of December 31, 2015: 111,776,714 shares
 - Major shareholder ranking takes into account the stock changes above with the shareholder registry as of September 30, 2015.
 - Hitachi is the largest shareholder (major shareholder) of Hitachi Transport System prior to the changes above and will remain so after such changes, and there will be no change to the largest shareholder (major shareholder) stemming from changes in the number of shares owned. Further, the shares in Hitachi Transport System held by Hitachi Urban Investment, Ltd., wholly owned subsidiary of Hitachi, will be transferred to Hitachi before the date of the above change.
 - The voting ownership ratios set forth above are rounded off to the third decimal place.

(2) SG Holdings

	Category	Number of voting rights (voting rights ownership ratio) (number of shares owned)			Major shareholder ranking
		Directly held	Subject to inclusion	Total	
Prior to the change	-	-	1 voting right (0.00%) (100 shares)	1 voting right (0.00%) (100 shares)	-
After the change	Major shareholder, another affiliated company	323,497 voting rights (29.01%) (32,349,700 shares)	1 voting right (0.00%) (100 shares)	323,498 voting rights (29.01%) (32,349,800 shares)	2nd

- (Notes)
- Number of non-voting shares subtracted from the number of outstanding shares: 248,014 shares
Outstanding shares as of December 31, 2015: 111,776,714 shares
 - Major shareholder ranking takes into account the stock changes above with the shareholder registry as of September 30, 2015.
 - The voting ownership ratios set forth above are rounded off to the third decimal place.

5. Changes to Unlisted Parent Company Subject to Disclosure, etc.

Hitachi is listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange, and thus is not an unlisted parent company subject to disclosure.

6. Outlook

The impact that the changes will have on Hitachi Transport System's earnings this fiscal year is minor. The impact that the Capital and Business Alliance will have on Hitachi Transport System's earnings is set forth in "I. 5. Outlook".

(Reference) Hitachi Transport System's consolidated earnings forecast for this fiscal year (released January 29, 2016) and actual consolidated earnings for the last fiscal year

(million yen)

	Revenues	Operating income	Income before income taxes	Net income attributable to stockholders of the parent company
Consolidated Financial forecast for this fiscal year (Term ending March 2016)	690,000	27,000	25,700	15,000
Actual Consolidated Financial for last fiscal year (Term ended March 2015)	678,573	21,465	22,006	13,250

End

Contact Information

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