



Toward New Dimensions
LOGISTEED

Integrated Report 2022

Contents

HB Way/Brand Promise 2

Point of Integrated Report 2022 3

At a Glance 5

Message from the Chairman 7

Message from the President 13

Report on a Fire Which Occurred at a Logistics Center of Hitachi Transport System West Japan Co., Ltd. 17

Value Creation Story of the HTS Group 19

Our History 21

History of the HTS Group 21

Value Creation Process of the HTS Group 23

The HTS Group's Strengths 25

Review of LOGISTEED2021 27

Our Future 29

Mid-term Management Plan –LOGISTEED2024– 29

HTS Group Sustainability 39

Material Issues and KPI of the HTS Group 43

Message from the CFO 45

Special Feature –Employee Roundtable Discussion– 49

Value Creation Achievements 55

3PL Business (Domestic) 55

3PL Business (Overseas) 57

Freight Forwarding Business 59

Heavy Machinery and Plant Logistics Business 60

Foundation Supporting Value Creation 61

Board of Directors and Executive Officers 61

G: Corporate Governance 65

E: Environment 77

S: Social 83

Stakeholder Engagement/External Evaluation 87

Financial Data 89

ESG Data 91

Financial/Non-Financial Information 93

Consolidated Financial Statements 97

Glossary 101

Corporate Data 103

Editorial Policy

The HTS Group has published the Integrated Report from 2020 in lieu of the conventional Annual Reports. This report introduces the Group's initiatives toward sustainable increase of corporate value to our stakeholders through the explanation of our value creation process and business model. This report has been compiled with reference to "the International Integrated Reporting Framework" published by the IFRS Foundation and "Guidance for Collaborative Value Creation" published by the Ministry of Economy, Trade and Industry.

Reporting period

The fiscal year ended March 31, 2022 (April 1, 2021– March 31, 2022 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 integrated report covers Hitachi Transport System and the HTS Group (78 consolidated subsidiaries and 16 associates accounted for using the equity method) in principle.

Forward-looking statements

This integrated 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.



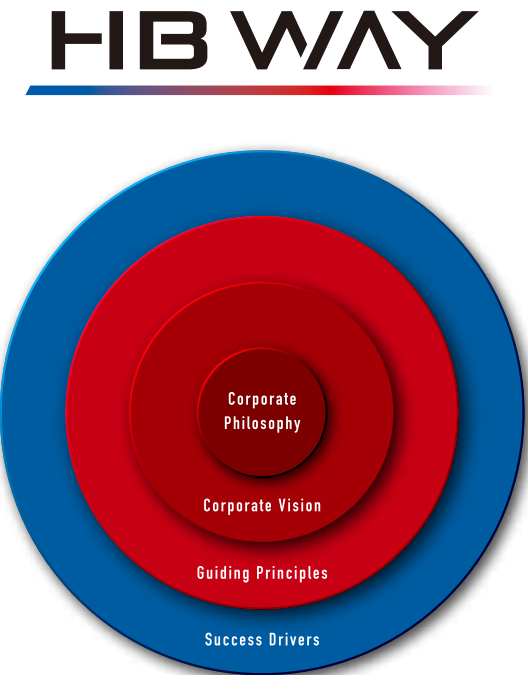
Hitachi Transport System aims for "LOGISTEED"
<https://www.hitachi-transportssystem.com/en/logisteed-cafe/>

Management Philosophy & Brand

Under the corporate philosophy "to deliver high-quality services that will help make the world a better place for people and nature for generations to come," the corporate vision of the Hitachi Transport System Group is to become the most preferred global supply chain solutions provider for all of our stakeholders, including customers, shareholders, and employees, in the sophisticated, diversified and wide-ranging global supply chain, and strives to achieve sustainable growth by solving issues and creating "values" through various "collaborative innovation." In addition, we have organized the role and future direction of the Group as "HB Way" with an aim to embody our Corporate Philosophy and Corporate Vision.

HB Way

Shows the role and the "Way" to move forward of the HTS Group and consists of "Corporate Philosophy," "Corporate Vision," "Guiding Principles," and "Success Drivers."



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

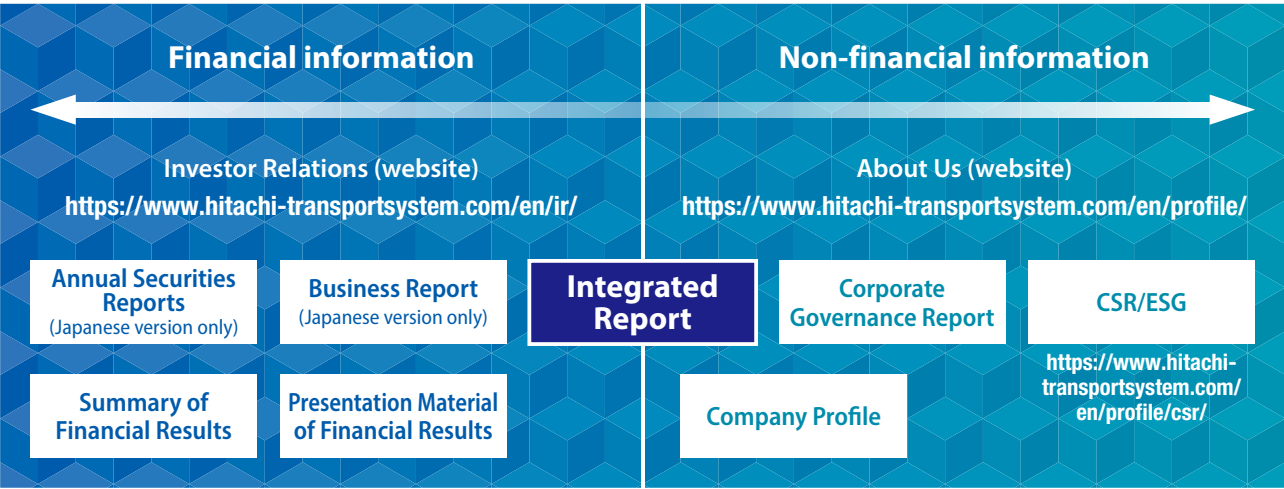
Compliance	We value "Basics and Ethics."
Customer Focus	We deliver value to our customers.
Innovation and Excellence	We strive for service excellence through collaborative innovation.
Diversity and inclusion	We leverage inclusive diversity for holistic growth.
Sustainability	We think and act responsibly as a global citizen.

Success Drivers

"Gemba" Power, multiplied by Visualization

3 Key Goal Indicators	Safety, Quality, and Productivity
3 Disciplines	Attention to Detail, Uncovering Problems, and Strong Sense of Speed
3 Attributes	Customer Centricity, Teamwork, and Can Do Spirit

The HTS Group's tools for information disclosure



Brand Promise

Taking on 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.

Becoming the Most Preferred Global Supply Chain Solutions Provider

The HTS Group announced a new Mid-term Management Plan “LOGISTEED2024” in April 2022. Under the slogan “To become a global supply chain strategic partner with DX, LT, and ‘Gemba’ Power,” we will aim to become a “leading 3PL* company in Asia.”

Recognition of business environment

We are facing various changes in business environment including labor shortages amid declining birthrate and aging population in Japan, the spread of COVID-19, realization of geopolitical risks, climate change, and intensifying competition beyond industry boundaries.



Direction

To address changes in business environment, we will maintain resilient global supply chain by solving issues through innovation with IoT/AI/robotics/DX and work to realize sustainable society and increase corporate value.



Review of material issues and objectives

Material Issues to be Addressed to Increase Corporate Value

Objectives → P29

- Contribute to decarbonized/recycling-oriented society
- Establish resilient, sustainable logistics services
- Create new values through collaborative innovation (Supportive foundation for the objectives)

* 3PL: 3rd Party Logistics

Mid-term Management Plan LOGISTEED2024

Becoming a Leading 3PL Company in Asia

Priority Measures → P29-38

- **Reinforce/Expand Overseas Business**
(Becoming a leading 3PL company in Asia)
- **Expand Business Domains with New Added Value**
(Accelerate LOGISTEED)
- **Evolve Smart Logistics**
- **Solidify ESG Management Base**

By implementing priority measures, we will strengthen our business and promote global development to become a “leading 3PL company in Asia” and then aim for the next goal **to become the most preferred global supply chain solutions provider.**

At a Glance

Capitalizing on our global network and abundant experiences, the Group meets customers' various logistics needs with our one-stop services of Smart Logistics consisting of 3PL business, Heavy Machinery and Plant Logistics business, and Freight Forwarding business, and aims to become the most preferred global supply chain solutions provider.

Resources — Bases for Value Creation — (As of March 31, 2022)

Number of Companies*¹/Locations*²

Locations

95 companies **763** sites

<Domestic: 26 companies 328 sites/Overseas: 69 companies 435 sites>



Total Personnel*³

Human Resources

45,681

<Domestic: 29,868 employees/Overseas: 15,813 employees>



Area of Logistics Center*²

Warehouses

7.55 Mm²

<Domestic: 5.37 Mm²/Overseas: 2.19 Mm²>



Number of Vehicles (Including Leased Vehicles)

Vehicles

Total: 17,825

Truck*⁴: 3,813

Trailer: 6,224

Forklift: 6,181

Other*⁵: 1,607



*1 Number of companies includes associates accounted for using the equity method.
*2 Number of locations and area of logistics centers exclude those of AIT Group and HTB-BCD Travel 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.

FY2021 Performance Overview

Revenues

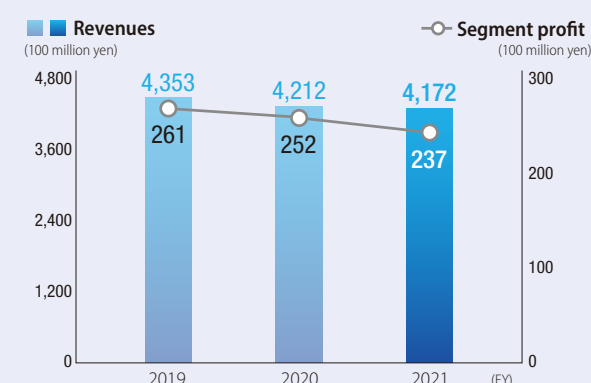
¥**743.6** billion YoY +14%

Adjusted Operating Income

¥**38.7** billion YoY +5%

FY2021 Business Overview by Segment

Domestic logistics business (FY2021)



Revenues

YoY -1%

Revenues of domestic logistics business decreased by 1% year-on-year to ¥417,162 million.

Segment profit

YoY -6%

Segment profit decreased by 6% year-on-year to ¥23,678 million due to the fire at a logistics center in Maishima Sales Office of our group company, Hitachi Transport System West Japan Co., Ltd., despite the improvement in productivity.

As a domestic 3PL market leader*, we provide comprehensive logistics services excellent in safety, quality, and productivity by taking advantage of our extensive network in Japan and overseas as well as abundant experience and expertise as a pioneer.

*Source: "3PL White Paper 2021" in September 2021 issue of monthly magazine LOGI-BIZ

Services — Businesses & Solutions —

3PL business

Segment: Domestic logistics/
Global logistics

Value

We provide the optimal logistics services in supply chain. In automobile parts logistics, we meet the logistics-related needs of the automobile industry.



Heavy Machinery and Plant Logistics business

Segment: Domestic
logistics/Global logistics

Value

We provide transportation, installation, and setting-up services, etc. for heavy machinery and precision instruments.



Freight Forwarding business

Segment: Global logistics

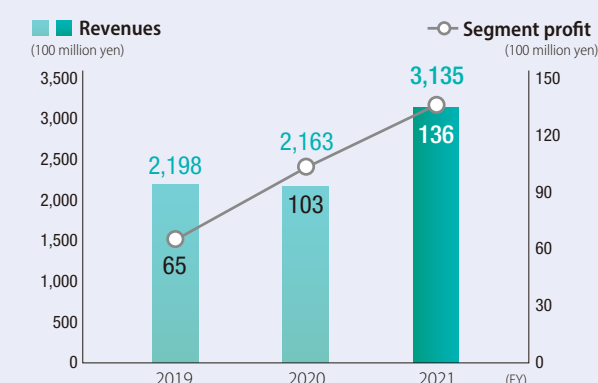
Value

We propose an optimal transportation plan from various transportation modes including aircraft, ship, rail, etc.



Other services (logistics related businesses) • Information system development business • Sale and maintenance of automobiles business

Global logistics business (FY2021)



Revenues

YoY +45%

Revenues of global logistics business increased by 45% year-on-year to ¥313,494 million due to an increase in handling volume mainly in the freight forwarding business and automobile-related business.

Segment profit

YoY +32%

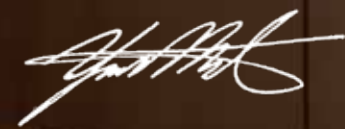
Segment profit increased by 32% year-on-year to ¥13,642 million due to an increase in revenues and improved profitability in the freight forwarding business.

To Our Stakeholders — Message from the Chairman —

LOGISTEED

We will accelerate LOGISTEED under a new partnership and aim to become a “leading global 3PL company.”

Yasuo Nakatani
Chairman and CEO



Review of the Mid-term Management Plan “LOGISTEED2021”

Posted record high revenues and operating income*1, achieving the targets set in the Mid-term Management Plan

Under the Mid-term Management Plan “LOGISTEED2021” which started in FY2019, aiming to become the most preferred global supply chain solutions provider, we worked on six priority measures of “Implement portfolio strategy, including M&As and alliances, to build a solid core domain (Smart Logistics),” “Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains,” “Design supply chain based on and originating from logistics domain,” “Implement a topline*2 growth strategy,” “Originate and succeed operation (hands-on approach) toward the next generation,” and “Environment, social and governance as well as corporate ethics,” and were committed to changing and evolving into a company represented by “LOGISTEED*3.”

As a result, in FY2021, the final year of the Plan, we were able to post record high consolidated revenues and operating income*1, achieving the targets set in the Plan.

*1: Adjusted operating income-basis

*2: Topline: Net sales (revenues) presented at the top of the statement of profit or loss.

*3 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.

Issues in the Development of Overseas Business

Looking at each measure, as for “Implement portfolio strategy, including M&As and alliances, to build a solid core domain (Smart Logistics),” we transferred shares of Hitachi Auto Service Co., Ltd. and Hitachi Travel Bureau Ltd. (currently, HTB-BCD Travel Ltd.), but we added new sources of value creation through acquisition of shares of PALENET CO., LTD. and the distribution service business of Hitachi Life, Ltd. (currently, Hitachi Real Estate Partners, Ltd.), achieving some progress in the enhancement of core domain. The portfolio strategy in global logistics lost momentum partly due to the impact of COVID-19 despite a share exchange between Nisshin Transportation Co., Ltd. and AIT Corporation. I recognize this as the biggest issue that was carried over to the new Mid-term Management Plan.

Regarding “Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains,” although there was a partial amendment to the capital relationship with SG Holdings Group, collaborative innovation activities including sales tie-up and resource sharing made solid contribution to revenues, and we were also able to deepen mutual understanding and communication between two companies at each level, from top management to sites, so we will continue working on this initiative.

As for “Design supply chain based on and originating from logistics domain,” we made significant progress as we started external sales of DX solutions such as SSCV*4 (transport digital platform) and SCDOS*5 (Supply Chain Design & Optimization Services) and also acquired a patent for RCS*6. As for “Originate and succeed operation (hands-on approach) toward the next generation,” we continued to work mainly on VC activities*7 through online communication amid the COVID-19 pandemic and addressed DX and other various themes, producing steady achievements.

And for “Environment, social, governance and corporate ethics,” we developed and revised the medium-to-long-term environmental targets 2030/2050 and started initiatives to achieve net zero carbon by 2050, announced our endorsement of TCFD*8 recommendations and received “A-” in the CDP*9 Climate Change Report 2021 for two consecutive years.

*4 SSCV: Smart & Safety Connected Vehicle

*5 SCDOS: Supply Chain Design & Optimization Services

*6 RCS: Stands for Resource Control System and refers to an integrated control system equipped with work execution function that gives instructions to each facility and worker based on the information on the operation status of the automated equipment and the work results of workers within the logistics center.

*7 VC: Stands for Value Change & Creation and refers to daily improvement activities to implement the HB Way

*8 TCFD: Task Force on Climate-related Financial Disclosures

*9 CDP: A non-profit organization in the U.K., which investigates, evaluates, and discloses information on “climate change” and other environmental matters of corporations upon request of investors in the world.

Recognition and Response to External Environment

Accelerate the “region-contained” overseas business in light of the fact that the world has become more VUCA*10 than ever and various risks are increasing

We recognize that the recent business environment has

become increasingly more “VUCA” as represented by the infectious disease risk such as COVID-19 and rising geopolitical risks such as the U.S.-China feud and the recent Ukraine crisis. In fact, COVID-19 and the Ukraine crisis caused disruptions in global supply chains mainly in the manufacturing industry, and its impact on the logistics sector is becoming bigger and bigger. For example, in the fiscal year ended March 31, 2022, the Group’s business for automobile-related customers showed relatively steady growth in the U.S. where region-contained supply chains are well established but the volume decreased in Asia due to production cut caused by the disruption in supply chains.

Also, in the freight forwarding business operating across multiple regions, the sea and air freight costs which are rising and hovering at a high level are contributing to revenue growth of the Group at the moment but will weigh on our customers’ business in the medium-to-long term and become a risk factor.

In addition, because the sustainability/ESG initiatives on a global scale are prompting calls for respect for human rights in supply chains, the conventional global procurement networks giving top priority to cost efficiency must be reviewed.

Based on these trends, I think it is likely that the global supply chain in the future will be simplified and restructured toward the direction of “local production for local consumption”. The Group has developed most of its overseas business through collaborative innovation with local partners under the “region-contained business model” whereby local subsidiaries operate businesses at their discretion and we focus on the supervision. We will further promote this model and also accelerate new business development in North America, Europe, India, Thailand, and Malaysia, etc.

*10 VUCA: Volatility, Uncertainty, Complexity, and Ambiguity

Take advantage of changes in industrial structure due to the expansion of EC markets by further evolving DX

Another point in the business environment is a significant change in the industrial structure in Japan and overseas due to the expansion of EC markets. Major EC platformers are beginning to take over a number of functions which used to be undertaken by wholesalers and retailers such as procurement, shipping, sales, and service. As the logistics

industry has become even more “borderless,” which has been discussed in the Integrated Reports, the Group will continue to expand the initiatives to integrate four flows of “Finance,” “Commerce,” “Information,” and “Logistics,” one of the concepts under “LOGISTEED,” to take advantage of this change.

Specifically, we will evolve automation in 3PL, our core business, using WMS*11 and RCS*12, optimize the entire supply chain through visualization, and focus on further enhancement of the system development infrastructure to promote external sales of IT systems enhanced by these DX.

*11 WMS: Stands for Warehouse Management System

*12 RCS: Resource Control System

Recognize “labor shortages” as “constant facts” and evolve “automation” and “sharing”

We recognize “labor shortages” deeply related to the expansion of EC markets and the “2024 problem”^{*13} in Japan as “constant facts,” rather than changes, and continue to implement measures while evolving existing initiatives. Specifically, in addition to evolving various automation mentioned above, we will share resources, including human capital, with peer companies and stakeholders in other sectors and also apply the results of these efforts implemented in Japan as a “country facing many social issues” such as declining birthrate and aging population to Asian countries which are expected to face the same issue.

*13 2024 problem: Concerns about issues that might arise from the upper limit of drivers’ working hours, etc. set by the work style reform-related bills

Consider medium-to-long-term measures against “2030 issue” in decarbonization

As mentioned above, the Group strives to reduce CO₂ emissions by average 2.94% annually and aims to reduce CO₂ emissions in FY2030 by 50% compared to the FY2013 level under the medium-to-long-term environmental targets 2030/2050.

We plan to make a total of ¥5 billion of investment in “energy saving,” “electrification,” “procurement of renewable energy,” “energy creation,” and “emissions trading” during the period covered by the Plan. In addition to aggressively promoting shifts to electric trucks and to renewable energy in offices and logistics centers, we will consider medium-to-long-term measures such as “energy creation” by installing solar panel at logistics centers.

Revision to Material Issues

Identified new material issues incorporating the business perspective prior to the development of the new Mid-term Management Plan

Based on the recognition of the business environment described above, the Group will continue to focus on further business growth and enhancement of corporate value under the corporate philosophy and corporate vision. Before developing the new Mid-term Management Plan to achieve that goal, we reviewed material issues to re-recognize social and environmental issues we must address and social responsibilities we must fulfill. We incorporated the business perspective in addition to the ESG perspective to the new material issues and, based on DX, will work on 12 material issues linked to three objectives of “contribute to decarbonized/recycling-oriented society,” “build and evolve resilient, sustainable logistics services,” and “create new values through collaborative innovation” and supportive foundation for the objectives.

And we developed the new Mid-term Management Plan “LOGISTEED2024” in consideration of the achievements under the previous Mid-term Management Plan “LOGISTEED2021” and the new material issues with an aim to further solidify business and develop global business.

Mid-term Management Plan “LOGISTEED2024”

Promote four priority measures to become a “leading 3PL company in Asia”

Under the new Mid-term Management Plan “LOGISTEED2024” which started from FY2022, we will promote four priority measures consisting of “reinforce/expand overseas business,” “expand business domains with new added value,” “evolve Smart Logistics,” and “solidify ESG management base” under the slogan of “becoming a global supply chain strategic partner with DX, LT*14 and ‘Gemba’ Power,” with an aim to become a “leading 3PL company in Asia.”

Specifically, to “reinforce/expand overseas business,” we aim to become a “leading 3PL company in Asia” by expanding in-plant logistics at customers’ factories in North America, expanding regional 3PL business in Europe, accelerating introduction of automated/labor-saving facilities in China and expanding investments/businesses in growing markets including India, Thailand, Indonesia, and Malaysia, under the “region-contained business model” mentioned above.

To “expand business domains with new added value,” we will offer VAS*15 in logistics related domains, including boundary domain between manufacturing and logistics, of customers’ value chain, such as solving customers’ supply chain issues through DX and optimizing the entire supply chain by directly connecting procurement, manufacturing, and logistics.

To “evolve Smart Logistics,” we will enhance warehouse business through automation/labor-saving and DX and enhance and expand warehouse functions by building and enhancing three-temperature zone warehouses*16 and hazardous substances warehouses. In addition, we will enhance transport business to cope with the “2024 problem” mentioned above by implementing both physical and digital measures.

To “solidify ESG management base,” we will work on decarbonization as part of our efforts to address the new material issues mentioned above to achieve the medium-to-long-term environmental targets, and also realize centralized control for fire prevention and security at logistics centers through “safety cockpit” using AI and sensing technologies. To reinforce human capital to carry out priority measures in the new Mid-term Management Plan, we will increase and develop global and DX human resources to accelerate LOGISTEED.

*14 LT: Logistics Technology

*15 VAS: Value-Added Services

*16 Three-temperature zone warehouses: Storage facilities with ambient, chilled, and frozen warehousing

Medium-to-Long-term Vision “LOGISTEED2030”

Aim to become a leading global 3PL company

When we developed the Mid-term Management Plan “LOGISTEED2024,” we also indicated our medium-to-long-

term “Vision” beyond 2024 in “LOGISTEED2030.” Under “LOGISTEED2030,” we aim to achieve consolidated revenues of ¥1.5 trillion and overseas ratio of over 50% and also to reduce CO₂ emissions by 50% as mentioned above. In addition, as we strive for these targets, we will also work on management issues shown below such as “High value-added solutions to optimize the entire supply chain management (SCM),” “Improve customer convenience and efficiency through DX,” “Enhance overseas value chain with a consistent approach,” “Engage actively in projects making advance investment,” “Promote strategic M&As” and “Solidify position as a platform provider” through solid partnership. The most important new partner for the Group to realize “LOGISTEED2024” and “LOGISTEED2030” is Kohlberg Kravis Roberts & Co. L.P., a U.S. investment advisory firm, (“KKR” collectively with its associates and funds)

New Partnership to Realize LOGISTEED

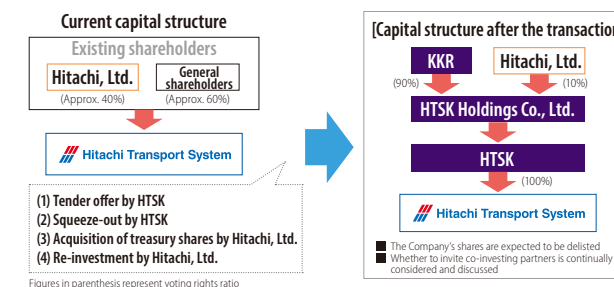
Move forward with reforms toward “Future Vision” with KKR

As indicated in the news release dated April 28, 2022 and in the chart on the right, the Group resolved at its Board of Directors’ meeting held on that day to express an opinion supporting the tender offer made by HTSK Co., Ltd. for the Company’s shares and recommend the Company’s shareholders to tender their shares. This resolution was

adopted on the assumption that the tender offeror intends to acquire all of the Company’s shares and that the Company’s shares will be delisted. The Group determined that, in order to promptly realize “Future Vision” of “LOGISTEED2030,” it needs collaborative innovation with partners who supplement organizational capabilities to increase our competitiveness by, for example, speeding up decision making process, acquiring investment funds to enable flexible business investment and bringing in external insights, and it considered various options to promote prompt management and reforms that are not restricted by the current capital structure. We have had a series of discussions with multiple companies and investment funds about our growth strategy including potential capital transactions, and in particular, we have continually discussed with KKR over the last five years about the competitive advantages to accelerate business growth and achieve future growth, including potential M&As between the Company and business partners. As a result, we shared with KKR the direction toward the six management issues in “LOGISTEED2030” mentioned above, and we believe that we were able to build trust relationship as partners to increase corporate value in the future. Also, based on KKR’s various support capabilities and remarkable past achievements, we determined that, to realize the Group’s LOGISTEED, it would be best to delist our shares and promote reforms without being restricted by the current capital structure through a partnership with KKR who has an understanding of our

business as well as insights, resources, strong commitment to the Japanese market and remarkable past achievements to support the enhancement of corporate value in the medium-to-long term.

Overview of the tender offer for the Company’s shares^{*17}



^{*17} Please refer to “Announcement of Expression of Opinion in Support of the Scheduled Commencement of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Recommendation of Tender” dated April 28, 2022 for details.

Aim to further grow our business and increase corporate value through exponential expansion of overseas business and DX promotion

As we operate under the corporate vision to become the “most preferred global supply chain solutions provider,” the biggest business challenge for the Group is expansion of overseas business. Under “LOGISTEED2024,” we will aim to become a “leading 3PL company in Asia” by focusing on expanding business in Asia. Under “LOGISTEED2030,” we will change the direction with a strong will toward the achievement of consolidated revenues of ¥1.5 trillion and overseas ratio of over 50% as mentioned above. The Group has always worked on the development of human resources to support overseas business, but going forward, we will make the best use of KKR’s experience and insights to exponentially expand overseas business. And we will aim to evolve into a “leading global 3PL company” by promoting DX in Japan and overseas and keep enhancing 3PL business, our identity.



To Our Stakeholders

Start the new structure with CEO and COO

To ensure to carry out the above-mentioned strategies and realize the concept “to lead businesses to a new domain beyond the conventional logistics,” it is necessary to carry out a number of measures, including M&As, speedily and simultaneously. Accordingly, from April 2022, we started a new structure, with me as Chairman and CEO and Mr. Takagi as President and COO. Under the structure whereby CEO will be responsible for developing and finalizing management strategies including portfolio and capital strategies and monitoring of execution status, and COO will be focusing on execution of strategies and maintaining and expanding the existing business which are the base for sustainable growth, we will ensure to further grow our business and increase corporate value. We express our sincere apologies for causing a great deal of inconvenience and concern to our stakeholders because of the fire which occurred at a logistics center of our group company in November, 2021. We will devote our best efforts toward preventing any similar incidents from occurring by using DX such as “safety cockpit” mentioned above and establishing a resilient center that centrally controls safety, quality, productivity, fire prevention, and security through “visualization.” The group will be an unlisted company but will sustainably create values by steadily executing “LOGISTEED2024/2030” through a strong partnership and financial base with KKR. We look forward to your continued support.

Our future vision



To Our Stakeholders -Message from the President-

Action Is the First Step Toward Success



I will lead “LOGISTEED2024” to a successful conclusion by drawing on my hands-on experience in Japan and overseas and demonstrating leadership in taking action.

高木宏明
President and COO



Accumulated hands-on Experience

Learned the essence of “manufacturing” logistics during the 24 years in Ibaraki

I am Hiroaki Takagi, have been appointed President and COO effective April 1, 2022. Today’s business environment is rapidly changing, but I am committed to achieving “LOGISTEED2024/2030” by responding to changes promptly and flexibly. I would like to take this opportunity to introduce myself to all stakeholders. It has been 38 years since I joined the Group, but I believe the first 24 years that I spent challenging various work at the logistics sites in Ibaraki have made the basis of what I am today. For example, I was able to learn the essence of “manufacturing” logistics by engaging in factory logistics and packaging design. Large precision instruments that I was handling in logistics operation such as semiconductor manufacturing equipment, electron microscope, and medical equipment, require upstream operations such that they need to be disassembled before transportation, as well as plant logistics work including strict impact control and temperature/air pressure control during the transportation and special loading/unloading and installation. I acquired expertise in VAS and packaging design while I exerted myself to complete them. As for VMI^{*1}, I expanded business by providing procurement service in addition to parts inventory management and further developed it, which led to launch of a parts sales business with a Chinese company. In addition, when one of my customers set up a branch factory in China, I often visited there to offer support. These deep involvements in China-related businesses led to my assignment in China later.

^{*1} VMI: Vendor Managed Inventory

Fostered International Awareness in China

Requested the transfer to China because I was attracted by “untapped market”

After leaving Ibaraki, I was engaged mainly in 3PL business in the head office and South Kanto area engaging with

customers in the ICT and distribution sectors as a sales general manager. I was able to acquire hands-on experience in all business domains of the Group, except the heavy machinery and plant logistics, through my work in Ibaraki and the Tokyo Metropolitan area. From 2015, I was focusing on increasing our share in the 3PL market as president of a group land transportation company in Japan, but meanwhile, I saw China, where I used to visit frequently, shifting from “being the world’s factory” to “expanding domestic demand,” which made me have a strong desire to tap the “untapped market” in inland China. Thus, I made a direct appeal to then President Mr. Nakatani and was assigned as Chief Executive in China region in 2016. However, my first task there was to liquidate and downsize the business due to a decline in performance and non-performing receivables at the local company we acquired. Amid such circumstances, it was incredibly difficult to cultivate from scratch the inland area where no HTS Group sites existed, but the situation gradually got better as I tenaciously practiced the principle in China that “business is based on communication between people” which I learned while working in Ibaraki. Eventually, I was able to cultivate a number of inland markets, including Xian, Chongqing, Chengdu, and Hefei, and also introduce automated/labor-saving equipment to improve productivity. I also learned firsthand in China that the success of business depends on communication between people that transcends nationality. I intend to draw on my “international awareness” that I fostered through my own experience to execute “LOGISTEED2024/2030” which drastically changed direction toward expansion of overseas business.

Action Is the First Step Toward Success

Pass on the “HB Way” as corporate culture

As I had accumulated hands-on experience in Japan and overseas, I came to realize that we as a group have been able to achieve our sustainable growth because we have consistently followed the “Gemba-oriented principle.” I also believe that the concept of the “Gemba-oriented principle” has become clearer after “HB Way” was developed in 2016.

Specifically, the “HB Way (➡ P2)” clearly defined what the “Gemba-oriented principle” is, and it was communicated to employees clearly as “Success Drivers,” which facilitated the spread of “Corporate Philosophy,” “Corporate Vision,” and “Guiding Principles” among sites, deepening ties between management and sites. The Group will realize sustainable value creation by continuing to pass on the “HB Way” as the most important corporate culture.

My management philosophy “Action is the first step toward success”

I also believe that we can gain customer trust and realize sustainable growth by consistently following Success Drivers of the “HB Way”: “3 Key Goal Indicators,” “3 Disciplines,” and “3 Attributes” and by constantly providing the best logistics services. We will aim to get in the same boat with customers by sharing joys and sorrows, and we can impress customers precisely because we are in the same boat, which will make us more trustworthy and lead to the growth of our business.

If I were to reinterpret “Success Drivers” based on the recognition, they would be “Be a company/person that can constantly impress customers,” “Be a company/person that can always come up with ideas,” “Be a company/person that can act faster than others,” and “Be a company/person that can prevent accidents.”

I think “action” is the source of value creation that supports all of these Success Drivers. Because “action” is what makes us take the first step toward success, we cannot impress anyone if we don’t “take action.” Also, ideas mean nothing if we don’t “take action” and use it. We can’t demonstrate speediness if we don’t “take action.” And it takes many “actions” to prevent accidents. All value creation in business is based on “action,” and there is no success without “action.” This is why I believe that “Action is the first step toward success” as a management philosophy.

“Action” leads to new value creation

I came to believe in this management philosophy while I spent lots of time with a person whom I looked up to as my mentor when I was in Ibaraki. As I mentioned earlier, I launched a number of new businesses in Ibaraki including procurement logistics and parts sales business with a Chinese company, and all of them were possible only because he told me, “Nothing will change if we keep

doing the same thing. Let’s take an action.” I was so inspired that, after consultations with the customer, I persuaded our top management to launch the aforementioned business with a Chinese company because it was not possible under the internal rule of the time. Because the parts sales business was approved, we were able to create new value.”

The Group will transition to a new value creation stage through a partnership with KKR, and I intend to demonstrate leadership under the motto that “Action is the first step toward success” in order to make our partnership successful.

Points of Priority Measures in “LOGISTEED2024”

Expand sites in the four key management areas to “reinforce/expand overseas business”

To achieve “Reinforce/expand overseas business,” which is the most important measure in “LOGISTEED2024,” we will expand business sites in the four key management areas (Asia, China, North America, and Europe) with an eye to achieving the future vision in FY2030 to become a “leading global 3PL company”. Especially, considering that the center of supply chains is shifting from China to Asia, we will focus on enhancing resources in Asia. In addition, we intend to add potential markets other than the four key management areas including Africa and Middle East to key areas as they are starting to show full-scale economic growth.

Further expand value creation domains through VAS to “expand business domains with new added value”

As I mentioned earlier, I have been working on VAS since my younger days. And because there are full of business opportunities in every “manufacturing” sector, including industrial products as well as food and apparel, I intend to seize them aggressively. We aim to acquire new customers by offering services not only in manufacturing and procurement but also in all domains of customers’ value chain such as shipping, sales, and services.

Build a platform linking WMS/RCS/ERP in DX toward “Evolve Smart Logistics”

To “evolve Smart Logistics,” we will further enhance DX. Specifically, DX in transportation has made a significant progress thanks to SSCV, and we will be able to offer value to many more customers once the labor management function for drivers, which is currently under development, is completed. As for DX to enhance the warehouse business, we will focus on establishing a platform enabling to provide optimal logistics services by closely linking WMS, RCS*, and customers’ ERP**.

*2 RCS: Resource Control System

**3 ERP: Stands for Enterprise Resource Planning and refers to a system to enable sophisticated operation by centrally managing the corporates’ core functions such as “production,” “procurement,” “inventory,” “sales,” and “accounting”

Enhance decarbonization initiatives to “solidify ESG management base” including overseas

As the definition of “corporate value” has changed drastically to include social contribution and non-financial indicators in addition to business performance and financial indicators, I am fully aware that ESG is an important factor that is essential for the corporates’ development and sustainable growth. Especially in terms of the decarbonization initiatives, while we will steadily carry out initiatives including a shift to EVs and FCVs and establishment of solar power generation facilities in logistics centers to achieve the medium-to-long-term environmental targets to reduce CO₂ emissions by 50% by FY2030 and achieve net zero carbon by FY2050, we also intend to enhance overseas initiatives.

Keep enhancing three “strengths”

We will ensure to achieve “LOGISTEED2024” by further enhancing the Group’s three strengths (➡ P25) that are indispensable to promote the four priority measures described above.

As for the “ability to accomplish operation,” the Group’s greatest strength which has been enhanced for 72 years since its foundation, we will maintain flexibility in responding to customer needs, environmental changes, and a wide variety of product lines, as well as maintain and improve high quality and cost competitiveness to develop/strengthen site managers and global/DX human

resources.

For another strength of “advanced logistics engineering capability,” as I mentioned earlier, we will accelerate DX in transportation and warehouse operations to sophisticate and optimize customers’ supply chains and also enhance the development of digital talents and cooperation with collaborative innovation partners.

For the third strength of “global network,” while we pursue the “region-contained business model” as mentioned in the message from Mr. Nakatani, CEO, (➡ P9), we will open sites in many countries through initiatives explained in the section on the priority measure “Reinforce/expand overseas business.”

To Our Stakeholders

We will carry out multiple initiatives speedily and simultaneously

The Group will first aim to become a “leading 3PL company in Asia” by steadily executing “LOGISTEED2024” and then aim to become a “leading global 3PL company” through “LOGISTEED2030.” On the other hand, some initiatives with an eye on FY2030 are already underway in “LOGISTEED2024” such as those aimed at proactively enhancing and expanding businesses in Europe and the U.S. in addition to Asia. Mr. Nakatani, Chairman, and I will carry out multiple initiatives speedily and simultaneously to further grow the Group’s business and increase corporate value.

We look forward to your continued support.



Report on a Fire Which Occurred at a Logistics Center of Hitachi Transport System West Japan Co., Ltd.

We express our sincere apologies for causing a great deal of inconvenience and concern to our neighbors, customers, business partners, and related parties because of the fire which occurred at a logistics center of our group company Hitachi Transport System West Japan Co., Ltd. in November 2021. The detailed report on the fire is as follows.

Overview of the fire

1. When

Around 8:50 AM on November 29, 2021
The fire was put out at 5:00 PM on December 4, 2021.

2. Where

Site name	Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd. (GLP Maishima II, logistics facility of GLP Japan Inc.)
Location	2-1-92, Hokyokuchu, Konohana-ku, Osaka City, Osaka Prefecture
Main items handled	Pharmaceutical products, medical supplies, foods, tools, etc.

3. Cause

The cause is currently under investigation by the fire department and police. An employee of a staffing agency under contract with Hitachi Transport System West Japan Co., Ltd. was arrested on suspicion of arson on January 15, 2022.

4. Damage

Personal damage	All employees were confirmed safe. The Osaka City Fire Department reported one person was injured (mild case).
Property damage	Of the total floor area of 53,000m ² , approx. 38,700m ² were burned.

5. Impact on shipping, etc.

Alternative locations have been secured in our sites in neighboring regions and other regions to continue operation. The impact on consolidated financial results for the consolidated fiscal year ended March 31, 2022 was the recognition of other expenses (loss by fire) of 7.3 billion yen.

Environmental survey results in the surrounding area conducted in connection with the fire

1. Data analysis of the constant monitoring system installed by the Ministry of the Environment of Japan

In order to check the impact of the fire on the atmosphere before and after the fire, we analyzed the constant observation data of "Soramamekun (Atmospheric Environmental Regional Observation System: AEROS)" of the Ministry of the Environment.

Data period	November 28 - December 11, 2021 (From the day before the fire broke out to one week after the fire was extinguished)
Monitoring station	Konohana Ward Office, Hamakoshien, Nanko Chuo Park, Dekijima elementary school * Four nearest monitoring stations in the north, south, east, and west of Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd.
Items to be analyzed	(1) Nitrogen dioxide (2) Suspended Particulate Matter (SPM)
Analysis results	It was confirmed that both (1) and (2) were within the environmental criteria.

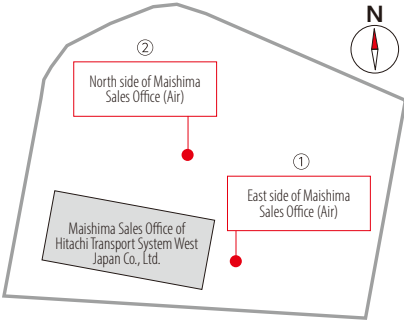


Nearest monitoring station to the fire site

2. Atmospheric investigation

Since we were not able to conduct the investigation during the fire, we collected and investigated air immediately after the fire was extinguished on December 4, 2021.

Date of investigation	December 5, 2021
Collection site	(1) East side of Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd. (2) North side of Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd. * We did not collect air in the west and south sides as they face public roads.
Investigation item	Hazardous air pollutants, etc. (23 items in total, including benzene, toluene, and arsenic, which are substances requiring priority action designated by the Ministry of the Environment)
Investigation results	Of the investigation items in (1) and (2), the value of benzene in (1) exceeded the threshold of the environmental criteria. / As a result of a follow-up investigation on benzene conducted on January 6, 2022, it was confirmed that the value was within the environmental criteria. / The values of other items were confirmed to be below the threshold of the environmental criteria and the guideline values, being the same level as the results of the surrounding area.



BCP initiatives at alternative sites

We established a task force in our neighboring site to secure alternative sites in the Kanto and Kansai areas and continue operations. In addition to the nearby Kansai site, the Group opened a new Kumiya Sales Office of Hitachi Transport System West Japan Co., Ltd. in Kumiya-cho, Kuse-gun, Kyoto Prefecture in May 2022, and we are working to respond to customer requests.



Kumiya Sales Office of Hitachi Transport System West Japan Co., Ltd.

Future plan

In light of the fire, the Group conducted a comprehensive inspection of the fire prevention status in December 2021 and checked firefighting equipment in the workplace. In addition, we reviewed measures and education, etc. related to firefighting/ evacuation and began considering the use of firefighting robot equipment in the second half of FY2021. As a future initiative, we are considering introducing firefighting assistive devices to enhance firefighting capacity in terms of tangible aspects. In terms of intangible aspects, we will require all employees to participate in disaster prevention trainings to repeatedly learn how to use firefighting equipment. In addition, we will update the "Disaster Prevention Training Manual," share it within the Group, incorporate essential knowledge of fire prevention into education by rank, visualize the status of trainings/ fire inspections, and implement PDCA cycle for disaster prevention. We will thoroughly implement fire prevention measures and share them across the Group with an aim to raise disaster prevention awareness of the organization and each employee.

Disaster prevention measures

Tangible aspects	Introduce firefighting assistive devices (fire extinguisher ball, large fire extinguisher, etc.)
	Consider the use of firefighting robots/equipment in cooperation with manufacturers
Intangible aspects	Update the "Disaster Prevention Training Manual" and share it within the Group
	Incorporate essential knowledge of fire prevention management into education by rank
	Introduce a system to visualize fire prevention managers, trainings, and fire prevention plans such as fire inspections

Roadmap for the introduction of firefighting robot equipment

Item	Details	Schedule			
		Second half of FY2021	FY2022	FY2023	FY2024
Early detection	Detect smoke and flames with sensors/ cameras	Survey/select	Define requirements	Test	
Location identification	Automatically identify the point of origin (shown on the map)	Survey/select		Define requirements	Test
Automatic fire extinguishing	Extinguish fire using autonomous robots	Survey/select		Define requirements	Test

Value Creation Story of the HTS Group

Based on the HB Way indicating how the HTS Group should be and a path to take, we have been promoting VC activities, daily operational improvement activities, by making use of our strengths cultivated over the years. To embody the corporate philosophy, we have identified material issues that need to be addressed to realize that goal and are promoting the specific strategy set forth in the Mid-term Management Plan “LOGISTEED2024” through our unique business model and flexibly responding to changes in business environment.

Risks and Opportunities



We will work on the Mid-term Management Plan “LOGISTEED2024” as specific measures to address material issues. → P29-38

To embody the corporate philosophy, we will address material issues identified from perspectives of ESG as well as business. → P41-44

To realize the Mid-term Management Plan, we are promoting VC activities, daily operational improvement activities, by using our strengths cultivated over the years, through value creation process based on the HB Way indicating how the HTS Group should be and a path to take.

History of the HTS Group



Historical background

History of value creation

1950-
Postwar reconstruction and high economic growth**Became independent by integrating transportation divisions**

The Company was founded in February 1950 as a logistics subsidiary of Hitachi, Ltd. and commenced cargo transportation business. In 1967, the Company merged with Tokyo Monorail Co., Ltd. and another company, and changed its name to Hitachi Express & Tokyo Monorail Co., Ltd.

**1976-**
Globalization in manufacturing industry**Expanded overseas**

In 1976, our first overseas subsidiary was established in Singapore as the first step of the overseas strategy. In 1984, we entered into the air cargo business against the backdrop of increasing air freight volume.

**1986-**
Bubble economy and its collapse**Launched 3PL business**

We launched TRINET service, the prototype of 3PL business, for customers in apparel industry in August 1986. Then we expanded the target fields to include building materials, medical supplies, and food, etc.

**1998-**
IT Bubble**Entered into large-scale 3PL business with own assets**

We entered into large-scale 3PL businesses with own assets by undertaking overall logistics operation of adidas Japan K.K. in 1998 and AEON Co., Ltd. in 2002. Especially, Kansai NDC completed in February 2003 had the largest-class capacity in the Company and cutting-edge equipment.

**2007-**
Prolonged deflation/adoption of SDGs**Expansion strategy through M&As**

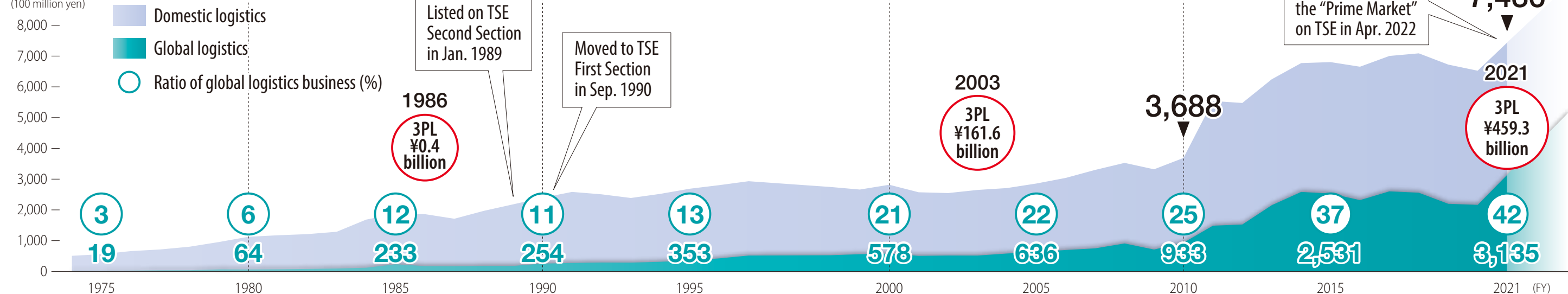
With the aim of expanding the industry platform in Japan and overseas network, we expanded our business through a total of 18 M&As by 2013 including the acquisition of a logistics subsidiary of Shiseido Company, Limited in 2007.

**2016- Present**
Sustainability/decarbonized society**Collaborative innovation strategy/Promotion of LOGISTEED**

We expanded the collaborative innovation domains through the alliance with SG Holdings Co., Ltd. in 2016 and AIT Corporation in 2018. After forming an alliance with Hitachi Capital Corporation (currently Mitsubishi HC Capital Inc.) in 2018, we have been promoting development and utilization of a transport digital platform "SSCV" aimed at realizing sustainable logistics.

**Revenues**

(100 million yen)

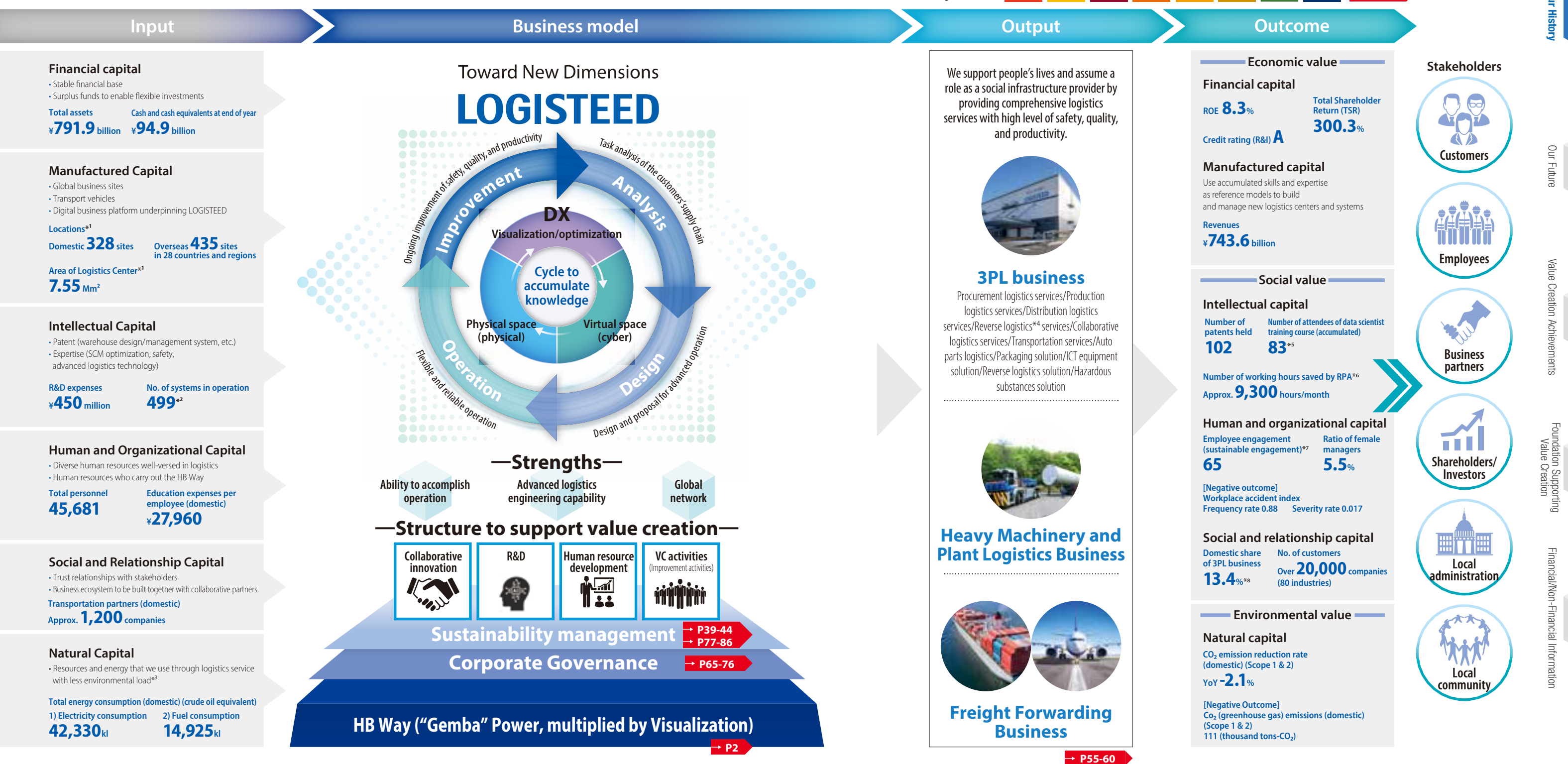


Value Creation Process of the HTS Group

A business model to realize value creation of the HTS Group consists of a value chain comprising of task analysis, design for operation, operation and improvement of the customers' supply chain and structure to support it such as collaborative innovation, R&D, human resource development, and VC activities, with the HB Way indicating how the Group should be and a path to take as the source of all values.

Using our strengths of "Ability to accomplish operation," "Advanced logistics engineering capability," and "Global network" as key drivers, we strive to reinforce our value chain to sustainably create economic, social, and environmental values to our stakeholders. We will contribute to SDGs through sustainable increase of corporate value.

SDGs (Sustainable Development Goals) on which we focus for sustainable growth



* As of March 31, 2022

*1 Number of locations and area of logistics centers exclude those of AIT Group and HTB-BCD Travel Group. *2 Self-developed systems

*3 Including modal shift, use of eco cars, introduction of double-trailer trucks and sharing of facilities and equipment

*4 Logistics related to disposal of used products as well as return/collection of unneeded products to be reused, resold, and recycled

*5 No. of attendees of in-house training to foster data scientist with advanced data analyst skills *6 Robotic Process Automation

*7 Total score of favorable responses in employee engagement survey *8 Calculated by the Company using data in "Monthly Magazine LOGI-BIZ"

The HTS Group's Strengths

The HTS Group has three strengths: "Ability to accomplish operation," "Advanced logistics engineering capability," and "Global network." Drawing on our expertise and network accumulated over 70 years since our foundation as a logistics operator, we provide comprehensive logistics services with superior safety, quality, and productivity.

Value chain

Analysis

Task analysis of the customers' supply chain

Analyze supply chain issues based on data and interviews by communicating with customers

Design

Design and proposal for advanced operation

Design and propose optimal site placement, delivery routes, transportation methods, and warehouse operations to customers based on analysis results

Operation

Flexible and reliable operation

Accomplish operation based on well-designed workflows, and strictly manage safety, quality, and productivity

Improvement

Ongoing improvement of productivity and quality

Improve the productivity and quality of the entire organization through improvement activities reflecting customers' feedback and employees' opinions

The HTS Group's strengths

- Conduct realistic analysis and identify issues, leveraging abundant experience in logistics operations including 3PL as a domestic market leader
- Close collaboration between sales representatives and logistics engineers familiar with the relevant industries
- Understand customer needs accurately through communication with customers
- Support customers' supply chain reforms by using "SCDOS" which enable central management of customers' supply chain information, visualization, analysis, and simulation
- Unique training program to develop data analysis experts

- Expertise and internal system to optimize site placement, plan distribution centers, design warehouse layouts, and establish warehouse workflows
- Design and develop high-performance warehouse management system (WMS) applicable to various sectors
- Design sustainable logistics by introducing advanced technologies and strategically working on sophistication and automation/labor-saving of logistics
- Design and provide smart warehouse combining automation/labor-saving expertise and digital technologies
- Use latest technologies and design one-stop service including carrying out, transportation, installation, and setting up of heavy machineries such as plant cargoes and machineries relating to social infrastructure

- 763 domestic and overseas business sites supporting global supply chain
- Operating structure capable of responding to changes in customers' sales channels and environment flexibly and promptly
- Favorable and solid relationships with customers and partner companies
- Implement KPI-based strict control and improvement measures for profitability, safety, quality, and productivity
- Implement measures using technology for packaging and transportation jigs to improve transportation quality and reduce environmental load
- Secure safety, comply with laws and regulations and improve operational efficiency with "SSCV" using IoT technology

- Visualize the progress and good examples of improvement activities and spread improvement culture through group-wide "VC activities"
- Use logistics engineering capability and digital business platform to continuously improve transportation routes, warehouse layouts, and warehouse operation processes
- Provide various improvement educations and practice at workplaces
- Implement cross-departmental productivity reform by making full use of digital tools such as RPA and AI-OCR
- Provide guidance to improve driving skills by using "SSCV-Safety" which makes full use of IoT technology

Related solutions, tools, etc.

- SCDOS*¹ (Supply Chain Optimization Service) → P33
- Develop data analysis experts
- SSCV*² (transport digital platform)

*1 SCDOS: Supply Chain Design & Optimization Services
*2 SSCV: Smart & Safety Connected Vehicle



- EC platform (smart warehouse)
- SLC* (warehouse design support tool)

*SLC: Smart Logistics Configurator



- SSCV (transport digital platform)
- RCS (resource control system) → P35



- Operation analysis support tool
- RPA, AI-OCR*
- SSCV-Safety (safety operation management solution)

*AI-OCR: Optical Character Reader with AI



1 Ability to Accomplish Operation

Manufactured Capital Human and Organizational Capital Social and Relationship Capital



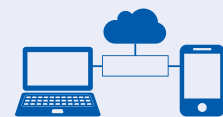
Diverse human resources well-versed in logistics
Total personnel

45,681



Transportation assets to support society and people's lives
No. of vehicles (including leased vehicles)

17,825



Digital business platform underpinning LOGISTEED
No. of self-developed systems in operation

499

2 Advanced Logistics Engineering Capability

Manufactured Capital Intellectual Capital Human and Organizational Capital

A group of professionals of data analysis, operation management design, package design, and introduction of advanced technologies



Human resources specialized in logistics engineering
Approx. 300
Including cumulative 83 attendees of data scientist training course



Installed in all vehicles of the domestic group companies
No. of SSCV installed within the Group
Approx. 2,200



Introduction of automated facilities including AGV* and automated forklift
No. of AGV installed within the Group
Approx. 260

*AGV: Automated Guided Vehicle

3 Global Network

Manufactured Capital

Business sites supporting global supply chain

Locations



763 sites in 29 countries and regions

Logistics centers



Total 7.55 Mm²



For details, please visit our website.

SCDOS, SSCV, SMART WAREHOUSE

<https://www.hitachi-transportssystem.com/en/logisteed-cafe/service.html>

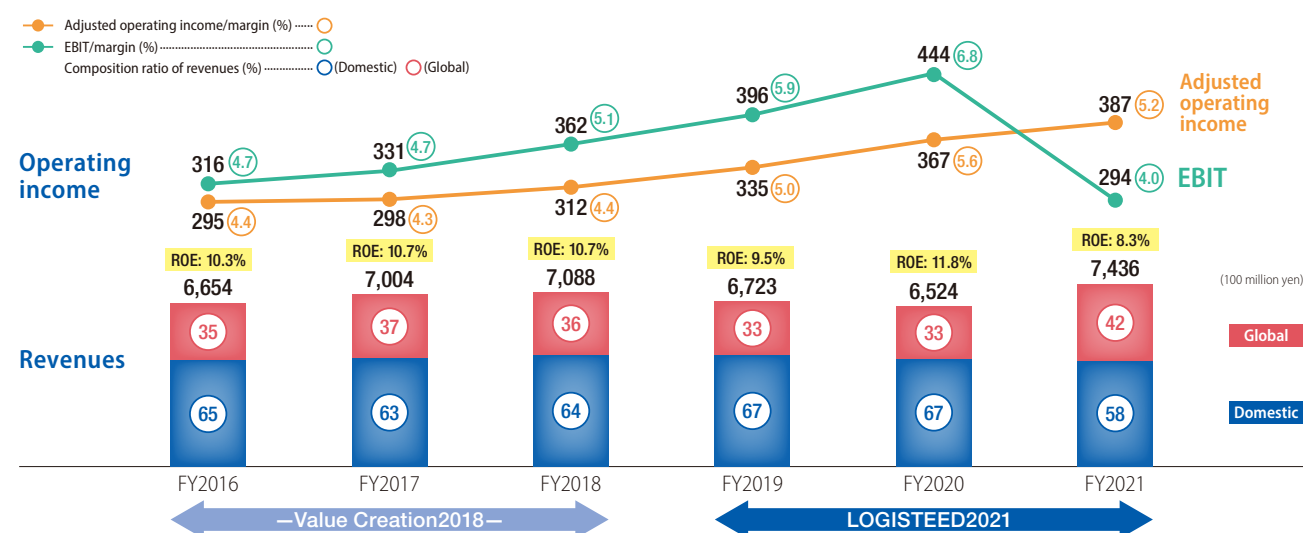
Review of LOGISTEED2021

Under the Mid-term Management Plan “LOGISTEED2021,” the HTS Group had worked to solve issues and create “values” through various “collaborative innovation” with an aim to become the most preferred global supply chain solutions provider. As a result, the Group achieved record high revenues and operating income for FY2021.

Mid-term Management Plan -LOGISTEED2021-

Period	FY2019-FY2021
Priority Measures	- Implement portfolio strategy, including M&As and alliances, to build a solid core domain (Smart Logistics) - Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains - Design supply chain based on and originating from the logistics domain - Implement a topline growth strategy - Originate and succeed operation (hands-on approach) toward the next generation - Environment, social and governance as well as corporate ethics
Results	Revenues: ¥743.6 billion Adjusted operating income: ¥38.7 billion EBIT: ¥29.4 billion ROE: 8.3%

Financial results



Non-financial indicators results

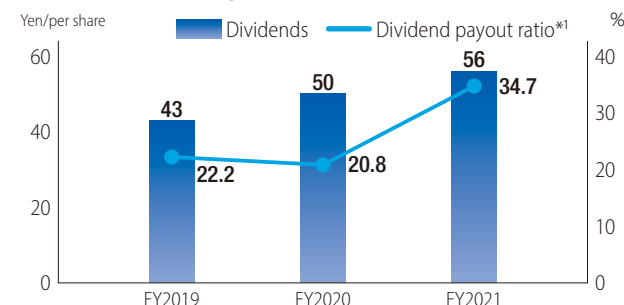
FY	2019	2020	2021
CO ₂ emissions (thousand tons-CO ₂)*1	120	113	111
Eco-friendly vehicle ownership ratio (%)**2	100	100	100
Frequency rate of workplace accidents**2	0.93	0.78	0.88
Severity rate of workplace accidents**2	0.013	0.019	0.017
Ratio of female managers (%)**3	4.7	4.9	5.5
Number of compliance trainings conducted**2	30	25	19

*1 HTS, domestic group companies (total of Scope 1 and 2)

*2 HTS, domestic group companies

*3 HTS only

Trend of dividend per share



FY	2019	2020	2021
TSR of HTS**2	106.7	168.1	300.3
TOPIX incl. dividend	99.6	141.5	144.3

*1 Dividend payout ratio: Dividend per share/(Net income attributable to stockholders of the parent company/Average number of shares during the term)

*2 Index being the stock price as of March 31, 2017 as 100

TSR (Total Shareholder Return) outperformed TOPIX

Implementation Status of Priority Measures

1 Implemented portfolio strategy, including M&As and alliances, to build a solid core domain (Smart Logistics)

- Realized innovations through “Finance, Commerce, Logistics, and Information”**
Transferred 40% shares of Hitachi Auto Service Co., Ltd. to Hitachi Capital Corporation (currently, Mitsubishi HC Capital Inc.) (Feb. 2019)
- Strengthened freight forwarding business to expand 3PL**
Exchanged 100% shares of Nisshin Transportation Co., Ltd. for 20% shares of AIT Corporation (Mar. 2019)
- Reviewed portfolio**
Transferred 70% shares of Hitachi Travel Bureau, Ltd. to BCD (currently, HTB-BCD Travel Ltd.) (Jul. 2019)
- Launched sharing service for logistics equipment**
Acquired 70% shares of PALENET CO., LTD. from Hitachi Automotive Systems, Ltd. (currently, Hitachi Astemo, Ltd.) (Aug. 2019)
- Reinforced the system to centralize undertaking of logistics operation of cargo owners**
Acquired distribution service business of Hitachi Life, Ltd. (currently, Hitachi Real Estate Partners, Ltd.) (Apr. 2020)
- Partially amended strategic and capital and business alliance with SG Holdings Group (Sep. 2020)**

2 Implemented collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains

Collaborative innovation strategy	Major collaborative innovation partners
Created values through collaboration between freight forwarding and 3PL	AIT Group, A.P. Moller-Maersk
Commercialized transport digital platform	Mitsubishi HC Capital Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., Sampo Japan Insurance Inc.
Promoted DX, sophisticated logistics, expanded the use of automated/labor-saving equipment	KDDI CORPORATION, Kyoto Robotics Corporation, Mujin, Inc.
Provided one-stop 3PL/delivery service, improve efficiency of both groups through asset sharing	SG Holdings Group



3 Designed supply chain based on and originating from the logistics domain

- Developed DX strategy (Jan. 2021)
- Selected as a “DX Certified Operator” (May 2021) and “DX Stock 2022” (Jun. 2022) by METI
- Commercialized solutions
 - Digital transport platform
Started providing SSCV-Smart (Oct. 2020)
Started providing SSCV-Safety (Jul. 2021)
 - Supply chain digital platform
Started providing SCDOS (Sep. 2019)
- Acquired patents for SSCV-Safety (Mar. and Jun. 2020, Feb. 2022)
- Acquired a patent for RCS (Apr. 2021)
- Started verification experiments for logistics sophistication using 5G (Oct. 2019)



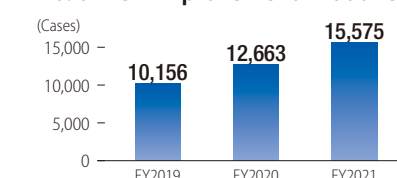
4 Originated and succeeded operation (hands-on approach) toward the next generation

Promoted VC activities*1

The HTS Group has been working on “VC activities” as daily improvement activities to implement the HB Way. We have been repeating a cycle where employees in each site and department exchange ideas under different themes, register initiatives in a dedicated system and carry out and follow up the improvement activities systematically. Approximately 38,000 new improvement initiatives were registered during the period covered by the Mid-term Management Plan.

*1: Stands for Value Change & Creation and refers to daily improvement activities to implement the HB Way

No. of new improvement initiatives



5 Environment, social, governance and corporate ethics

- Updated of the HTS Group Medium-to-Long-term Environmental Targets (FY2020)
- Signed the UN Global Compact (May 2020)
- Endorsed TCFD recommendations (Sep. 2021)
- Participated in “My Jinken Declaration (Declaration of Human Rights)” project (Jul. 2021)
- Received “A-” in CDP Climate Change Report (2nd straight year) (Dec. 2021)

FY2030 target	Reduce CO ₂ emissions by 50% (compared to FY2013)
FY2050 target	Net Zero Carbon

Achievements under LOGISTEED2021

- Implemented a portfolio strategy to build Smart Logistics as a solid core domain
- Implemented collaborative innovation strategy aiming at further expansion of domains

Remaining challenge

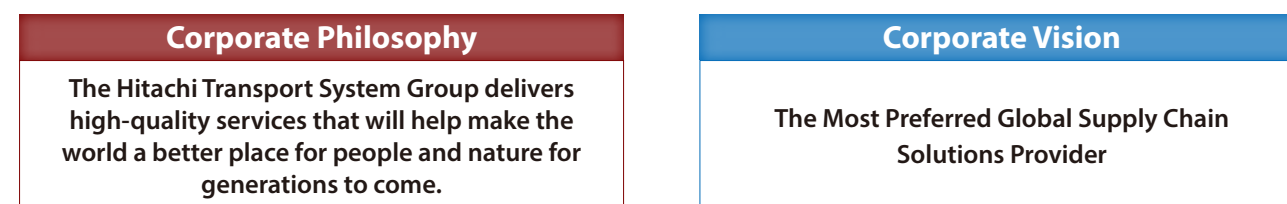
- Establish solid global management base

Mid-term Management Plan –LOGISTEED2024–

We newly developed the Mid-term Management Plan “LOGISTEED2024” in light of the external environment which had drastically changed since the time when “LOGISTEED2021” was developed and the material issues that need to be addressed in the new Mid-term Management Plan. We will solidify business and develop global business with an aim to evolve into a “leading 3PL company in Asia.”

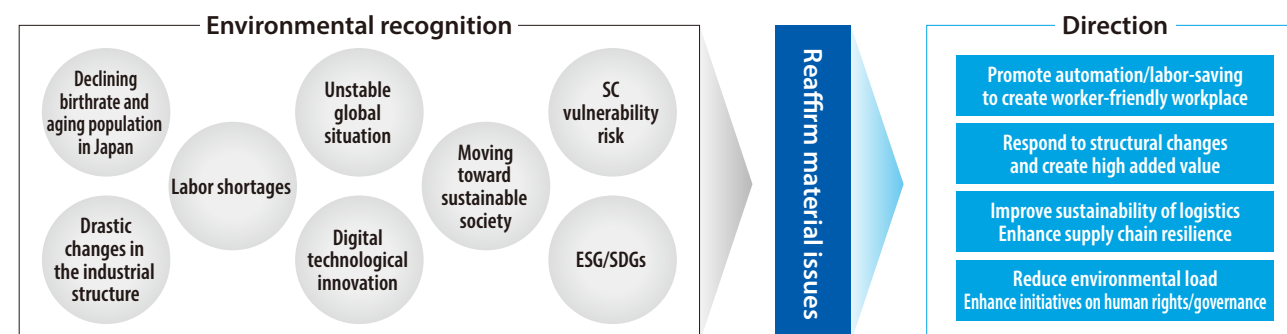
Corporate Vision

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



Environmental Recognition and Direction

Recognizing declining birthrate and aging population/labor shortages in Japan, unstable global situation, and supply chain vulnerability risk as changes in the external environment, we defined the direction to take as follows.



Material Issues

We reviewed the material issues identified in 2017 as follows to re-recognize social and environmental issues, expectations, and social responsibilities. The new Mid-term Management Plan has been developed based on these material issues, and we will promote measures to solve them.



→ P41–44

Future Vision

Under “LOGISTEED2024,” we will further promote business solidification and global development which were achieved under “LOGISTEED2021,” to become a “leading 3PL company in Asia.”

LOGISTEED2024

Solidify business and develop global business

Priority Measures

1. Reinforce and expand overseas business
(Becoming a leading 3PL company in Asia)
2. Expand business domains with new added value
(Accelerate LOGISTEED)
3. Evolve Smart Logistics
4. Solidify ESG management base

Becoming a global supply chain strategic partner with DX, LT*, and “Gemba” Power
*LT: Logistics Technology

Mid-term Management Plan (LOGISTEED2024)

Becoming a leading 3PL company in Asia

Corporate Vision (Long-term vision)

The Most Preferred Global Supply Chain Solutions Provider

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 Philosophy

Priority Measures

1. Implement portfolio strategy to build a solid core domain
2. Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains
3. Design supply chain based on and originating from the logistics domain
4. Originate and succeed operation toward the next generation
5. Environment, social, governance and corporate ethics

Priority Measures

To realize our vision and to become a partner who supports customers’ global supply chain strategy with DX, LT, and “Gemba” Power, we will promote four priority measures.



Mid-term Management Plan –LOGISTEED2024–

Priority Measures 1. Reinforce and Expand Overseas Business (Becoming a Leading 3PL Company in Asia)

To become a leading 3PL company in Asia, the HTS Group will further reinforce and expand its overseas business by promoting aggressive M&As and accelerating investments mainly in focused areas.

Europe

We will expand the network of intermodal transportation business (multimodal transportation) with low environmental load, operated by Mars Logistics Group Inc., our group company in Turkey. We will also expand the business in growing areas and markets in Europe including logistics services for the healthcare and apparel industries and temperature controlled transport. Regarding M&As, we acquired reverse logistics services for apparel e-commerce in June 2022* and are also considering further enhancement of 3PL and freight forwarding businesses for the apparel industry.

Key Themes

- **Expand service area of intermodal business** → P57
- **Expand business in growing areas and markets in Europe**
(Healthcare, temperature controlled transport, and apparel)
- **Initiatives in EC-related business**
- **Promote M&As**
(Enhance 3PL, Freight forwarding (apparel))
- **Introduce EV/fuel-efficient vehicles**
- **Eco-friendly logistics center**



* ESA s.r.o., our group company, acquired the reverse logistics services for e-commerce operators from Vlková Partners s.r.o., a logistics company in Czech Republic. Please refer to the Company's news release available on the link on the right. <https://www.hitachi-transportssystem.com/en/news/20220527.html>

China

We will accelerate the introduction of automated/labor-saving equipment for warehouse operations, further improve safety/quality/productivity, and enhance our system to deliver high value-added logistics services.

We will also work on further improvement of logistics network by expanding businesses in Southwest and the Greater Bay Area.

Key Themes

- **Further improve safety, quality, and productivity through automation and labor-saving** → P57
- **Expand Southwest area, develop Greater Bay Area**
- **Enhance high value-added logistics services**
- **Increase EV, solar power generation**



North America

In addition to further expanding transportation business such as shared milkrun and trunk line transport, which has been one of our long-standing strengths, we will enhance our integrated logistics for customers' factories such as in-plant logistics service, cross-docking warehouse, and milkrun.

We will also promote M&As to enhance non-asset based transport capability in the U.S.

Key Themes

- **Expand shared milkrun service and trunk line transport** → P58
- **Provide integrated logistics for factories**
(In-plant logistics service, cross-docking warehouse, milkrun/transport between warehouses)
- **Enhance freight forwarding business base/functions**
- **Group restructuring/structural reform**
- **Promote M&As**
(Strengthen transport capability: The U.S. (non-asset))
- **Address driver shortages**



Asia

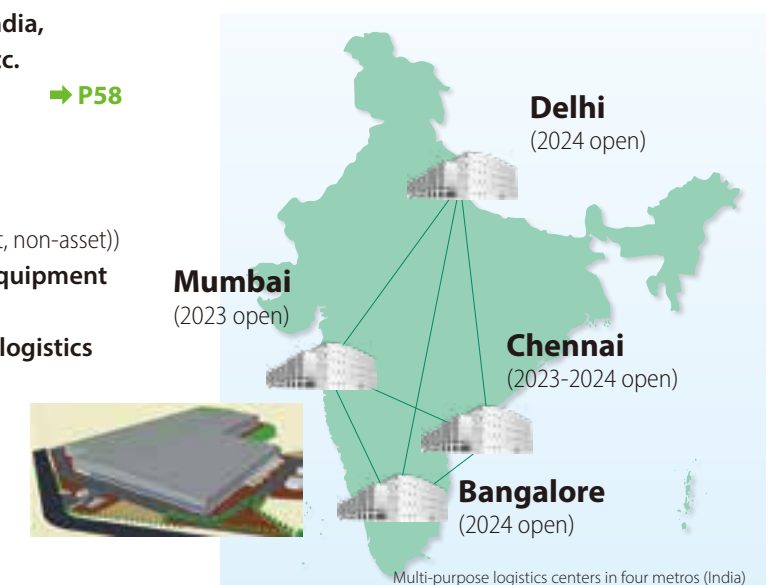
We will increase investments mainly in growing markets including India, Thailand, Indonesia, and Malaysia.

By industry, we aim to expand our business by mainly targeting auto parts, food, and daily commodities, etc. and also focus on developing cold chains to enhance our local and regional networks.

We will also promote M&As to enhance both asset based and non-asset based transport capability in India.

Key Themes

- **Expand investments/businesses in India, Thailand, Indonesia, and Malaysia, etc.** → P58
(Auto parts, food, daily commodities, etc.)
- **Develop cold chains**
- **Strengthen local/regional network**
- **Promote M&As**
(Strengthen transport capability: India (asset, non-asset))
- **Introduce automated/labor saving equipment at full scale**
- **Increase eco-friendly/multi-purpose logistics center and EV**



Mid-term Management Plan –LOGISTEED2024–

Priority Measures 2. Expand Business Domains with New Added Value (Accelerate LOGISTEED)

Evolution of Supply Chain Optimization Services

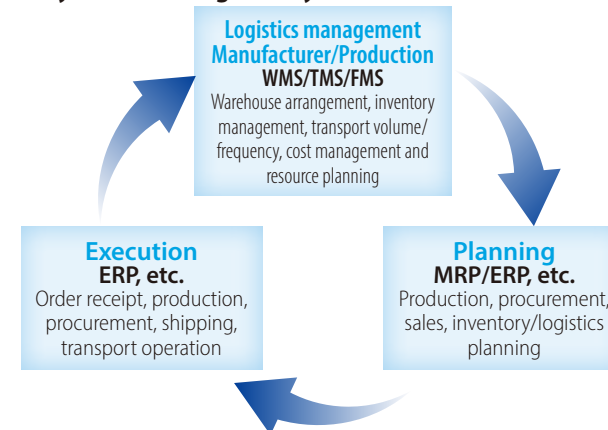
As the modern supply chains are becoming more complicated and sophisticated, we will work together with our customers to increase their business values as a strategic supply chain partner through the visualization and total optimization by DX.

Integrated management of supply chain data for manufacturers

To solve issues faced by our customers in the manufacturing industry in particular, we will optimize the entire supply chain by linking manufacturer system with logistics system to integrate management of supply chain data in procurement/manufacturing/logistics.

In addition to providing existing logistics management systems such as Warehouse Management System (WMS), Transport Management System (TMS), and Forwarding Management System (FMS), we will contribute to the implementation of a strategy for the entire supply chain using digital technology by linking with customers' planning/execution systems such as Manufacturing Resource Planning (MRP) and Enterprise Resources Planning (ERP).

Illustration of a linkage between manufacturing systems and logistics systems



Expansion of SCDOS*1 functions

Our supply chain optimization service, SCDOS, offers a supply chain design service that supports customers' logistics network design and a decarbonization monitoring service that supports decarbonization strategy development by automatically calculating CO₂ emissions based on the actual transport/delivery records.

In the future, we will expand our services through a seamless linkage with trade information platforms and SSCV*2 in order to support customers to create resilient supply chain and optimize their entire supply chain as well as contribute to their initiatives to enhance environmental values such as decarbonization.

*1 Supply Chain Design & Optimization Services
*2 Smart & Safety Connected Vehicle

Supply chain design service

We visualize the current logistics network and identify issues based on data about sites/volume/costs/delivery condition to optimize site placement/logistics operations/inventory. By doing so, we contribute to reducing logistics costs and environmental load while maintaining service level. We use actual data of our domestic and overseas sites and scenarios in the analysis to provide support for designing high-frequency and dynamic supply chain to cope with changes in global business environment.

SCDOS functions



Supply chain design service



Decarbonization monitoring service

We collect/integrate transportation data from multiple companies and systems for optimization simulations and automatic calculation/monitoring of CO₂ emissions. We also support customers to start Scope 3*3 emissions control and monitor daily emissions as well as contribute to the development of decarbonization strategies including a medium-to-long-term roadmap to reduce CO₂ emissions.

*3 Categories 4 and 9 (Logistics emissions related to purchases/sales of products and services)

Visualization of CO₂ emissions



Expansion of Value-Added Services (VAS*4)

We offer various value-added services (VAS) at each site that meet our customers' requests for their wide range of products including food, apparel products, cosmetics, precision instruments, auto parts, and ICT equipment.

Going forward, we will mainly focus on developing and expanding new services in boundary domain between manufacturing and logistics as well as increasing logistics sites to offer our services.

In specific, we will provide values to logistics-related services in customers' value chain by seamlessly linking our services including manufacturing support, packaging design solution, safety training services using VR*5, finance- and circular economy-related services through collaborative innovation, and procurement logistics/VMI*6.

→ P56

*4 Value-Added Services
*5 Virtual reality
*6 Vendor Managed Inventory

Examples of our services



*7 Good Distribution Practice

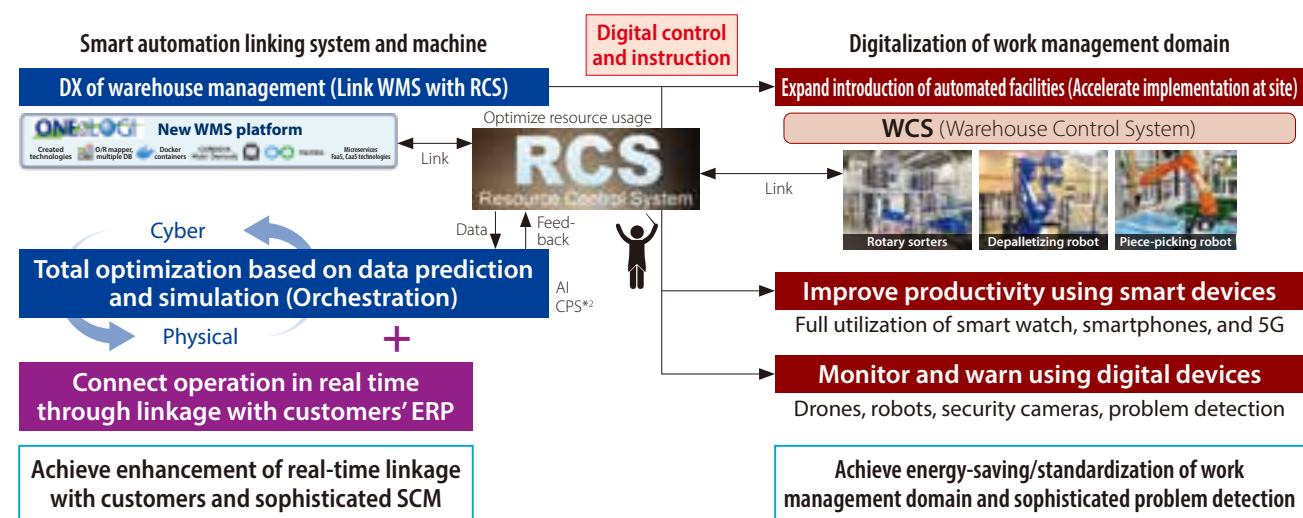
Mid-term Management Plan –LOGISTEED2024–

Priority Measures 3. Evolve Smart Logistics

Enhance Warehouse Business (Automation/Labor-saving, DX)

In terms of warehouse operations, we will further introduce automated facilities as well as improve productivity and promote visualization using smart devices. By using a resource control system (RCS*) to manage those facilities, devices, and digital devices, we will realize further energy-saving and standardization.

In addition, we link RCS-controlled data and WMS data to achieve total optimization with a digital twin of cyber-physical connection, and also link with customers' ERP to achieve real time operations. We will enhance warehouse business through this comprehensive warehouse management and deliver values to our customers as our DX.



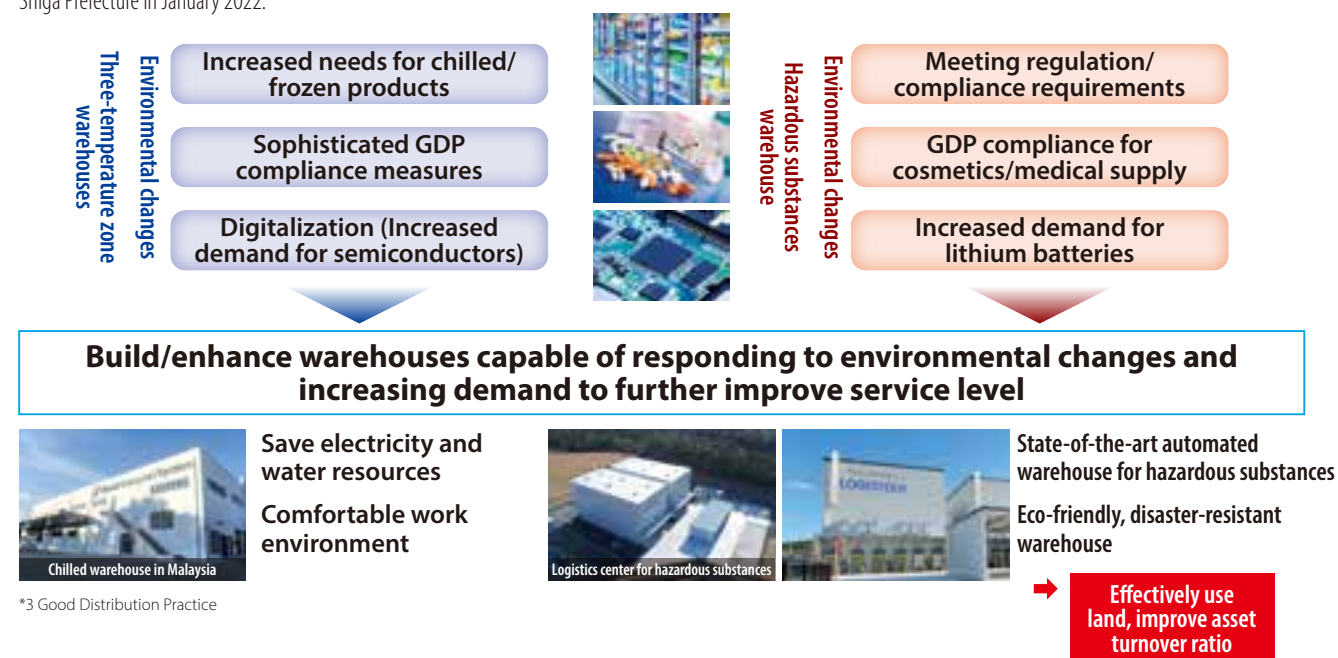
*1 Resource Control System: an integrated control system, for which the Company has a patent, equipped with work execution function that gives instructions to each facility and worker based on the information on the operation status of the automated facilities and the work results of workers within the logistics center. Please refer to the Company's news release shown below. <https://www.hitachi-transportssystem.com/en/news/20210802.html>

*2 Cyber Physical System

Enhance and Expand Warehouse Functions (Build/Enhance Three-temperature Zone Warehouses and Hazardous Substances Warehouses)

As for warehouse functions, we will build and enhance three-temperature zone warehouses to meet increasing needs for chilled/frozen storage, enhance GDP*3 compliance measures and respond to environmental changes such as digitalization. We plan to expand a chilled warehouse in Malaysia in 2024.

We will also build and expand hazardous substances warehouses against the backdrop of tightening of regulations and compliance requirements for hazardous products and increased volume of hazardous substances in the cosmetics and pharmaceutical fields. We opened hazardous substances warehouses in Chiba Prefecture in July 2021 and in Shiga Prefecture in January 2022.

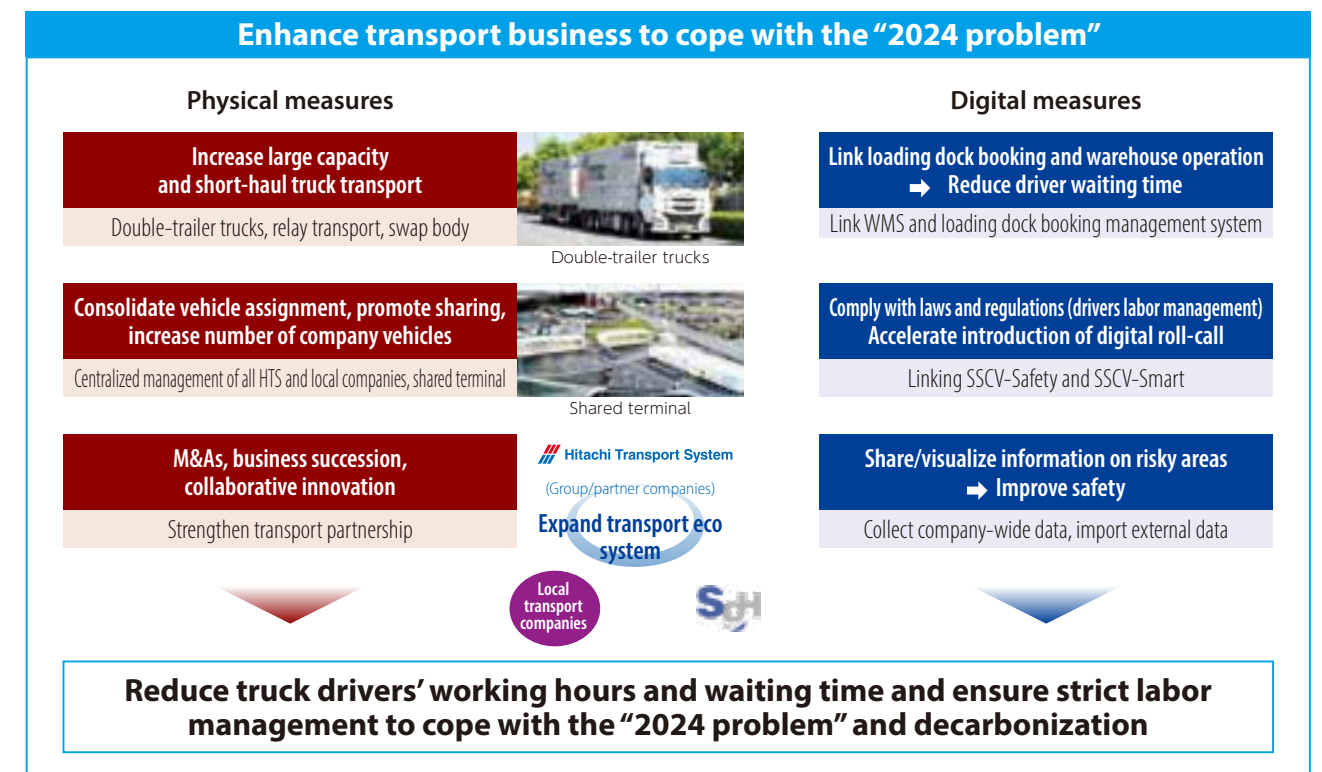


*3 Good Distribution Practice

Enhance Transport Business (to Cope with the “2024 problem”^{*4} and Decarbonization)

We will accelerate both physical and digital measures to appropriately cope with the “2024 problem” and contribute to decarbonization. In terms of physical measures, we will use double-trailer trucks, relay transport and swap body to increase large capacity and short-haul truck transportation. We will also consolidate vehicle assignment with shared terminals and promote sharing to improve transport efficiency and reduce CO₂ emissions.

In terms of digital measures, we will link loading dock booking management system and WMS to reduce drivers' waiting time, and also use SSCV for digital roll-call and share and visualize information on risky area using internal/external data to offer solutions to secure drivers' safety and support labor management.



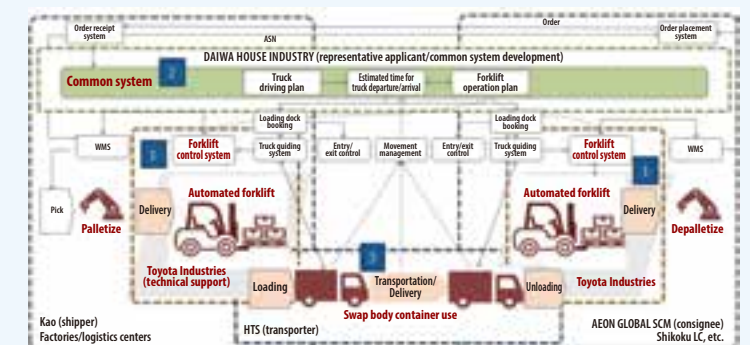
*4 Various issues arising from the upper limit of drivers' working hours, etc. which will become effective from 2024 under the work style reform-related bills.

Started a Joint Verification Project to Coordinate Truck Transportation with AI-Equipped Automated Forklifts

In September 2021, together with DAIWA HOUSE INDUSTRY CO., LTD., AEON GLOBAL SCM CO., LTD., Kao Corporation, and Toyota Industries Corporation, we launched a joint project to improve cargo handling and logistics efficiency and promote energy saving by coordinating truck transportation with AI-equipped automated forklifts in logistics facilities. This project was publicly solicited by the Agency for Natural Resources and Energy of METI under the “Project to further improve transportation efficiency utilizing AI, IoT, etc. in FY2021.”^{*5*}

Points of Verification Project

- 1 Automation of “receiving” and “shipping” at logistics facilities by using automated forklifts
- 2 Data linkage between operators to improve efficiency of the entire supply chain
- 3 Improve efficiency and reduce energy consumption by reducing truck waiting time between shipper and consignee



*5 Project to improve transportation efficiency of the entire supply chain using new technologies, project to promote energy saving of truck transportation, and project to maintain energy saving performance of in-use automobile through efficient and appropriate automobile maintenance utilizing big data.

*6 Four companies including DAIWA HOUSE INDUSTRY CO., LTD., AEON GLOBAL SCM CO., LTD., Kao Corporation, and HTS applied for the “Project to further improve transportation efficiency utilizing AI, IoT, etc. in FY2021”

Mid-term Management Plan –LOGISTEED2024–

Priority Measures 4. Solidify ESG Management Base

Review Objectives and Enhance Decarbonization Initiatives

Toward the realization of sustainable society and increase in corporate value, we are promoting actions focusing on environment, social, and governance and corporate ethics (ESG management). To further strengthen linkages with business activities, we have reviewed the “HTS Group’s Objectives” and will work to realize SDGs by focusing on the three areas below and leveraging our strengths of advanced logistics engineering capability, ability to accomplish operation, and global network.

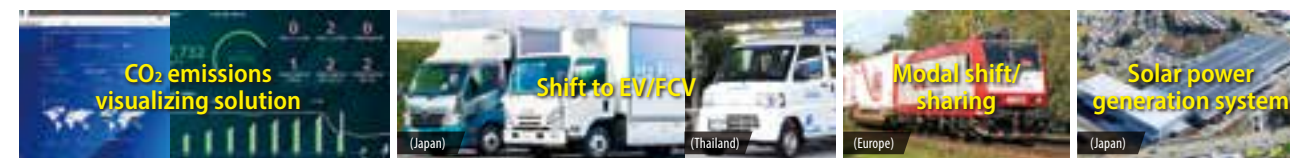
- 1 Contribute to decarbonized/recycling-oriented society
- 2 Build and evolve resilient, sustainable logistics services
- 3 Create new values through collaborative innovation

→ P.39-44

In terms of the medium-to-long-term environmental targets, we will strive to reduce CO₂ emissions by average 2.94% annually to achieve the target of 50% reduction*2 by FY2030. Our CO₂ reduction efforts also include investment totaling ¥5 billion in energy saving, electrification, procurement of renewable energy, energy creation, and emissions trading during the period covered by the Mid-term Management Plan.

→ P.78

Examples of CO₂ emission reduction initiatives

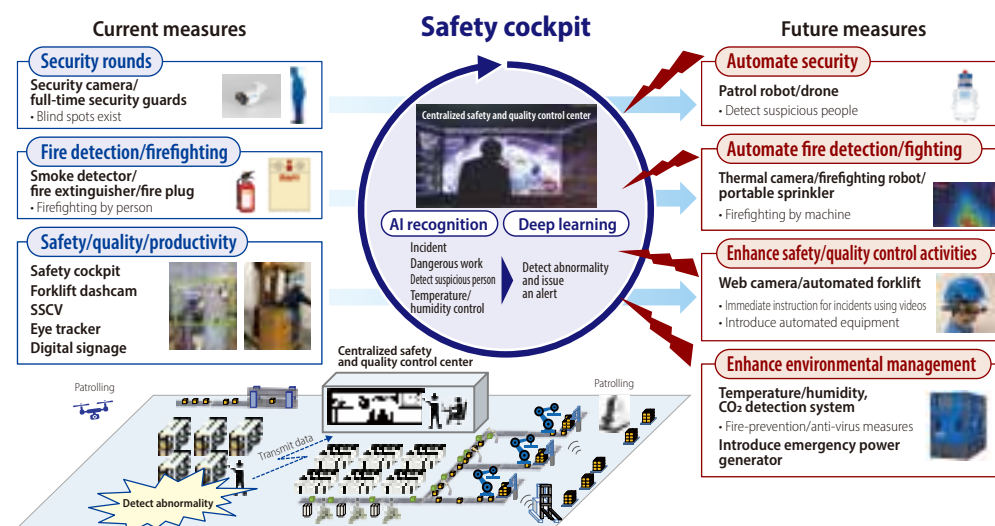


*1 Total of Scope 1 and 2 in Japan *2 Compared to FY2013

Visualize Safety/Quality/Productivity/Fire Prevention/Security

In terms of safety/quality control activities, in addition to existing measures such as security rounds and safety/quality/productivity measures, we will promote “visualization” of safety/quality/productivity/fire prevention/ crime prevention by introducing “safety cockpit” which centrally controls abnormality detection and issuance of alerts for incidents and hazardous work using AI recognition and deep learning, as part of our future measures to automate security/fire detection/firefighting as well as enhance safety/quality control activities and environmental management.

Future vision of logistics center



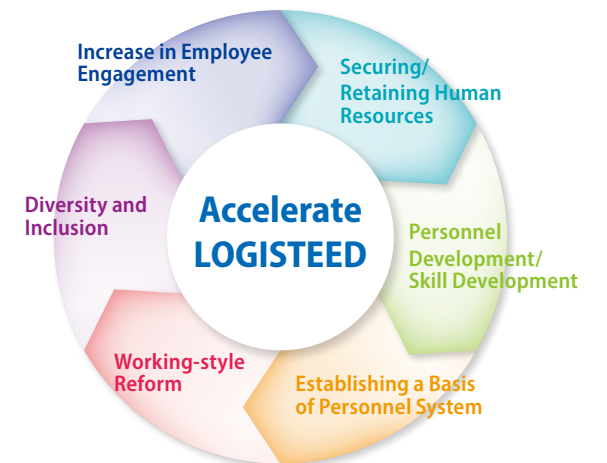
Human Resource Strategy

We will carry out the human resource strategy more linked to our management and business strategies than ever to accelerate LOGISTEED.

In terms of personnel development and skill development, we will visualize human resources and skills to focus on the development of human resources with skills for site operation, DX/LT, and global business.

In terms of the personnel system, we will introduce job-based system to encourage each individual employee to autonomously carry out their roles, have a challenging spirit and grow. As for the working-style reform, we will continue our efforts to improve productivity through DX and improvement activities.

→ P.85-86



Investment Plan

Investment Strategy for Change and Evolution into “LOGISTEED”

Under the brand slogan “Taking on the Future” and our business concept “LOGISTEED,” the HTS Group aims to create economic value as well as social and environmental values with the combination of “HB Way” and “LOGISTEED” by making business investments mainly to expand sites and strategic investments to change and evolve into a company envisioned by LOGISTEED using mainly operating cash flows and cash and cash equivalents.

Investment Plan Under LOGISTEED2024

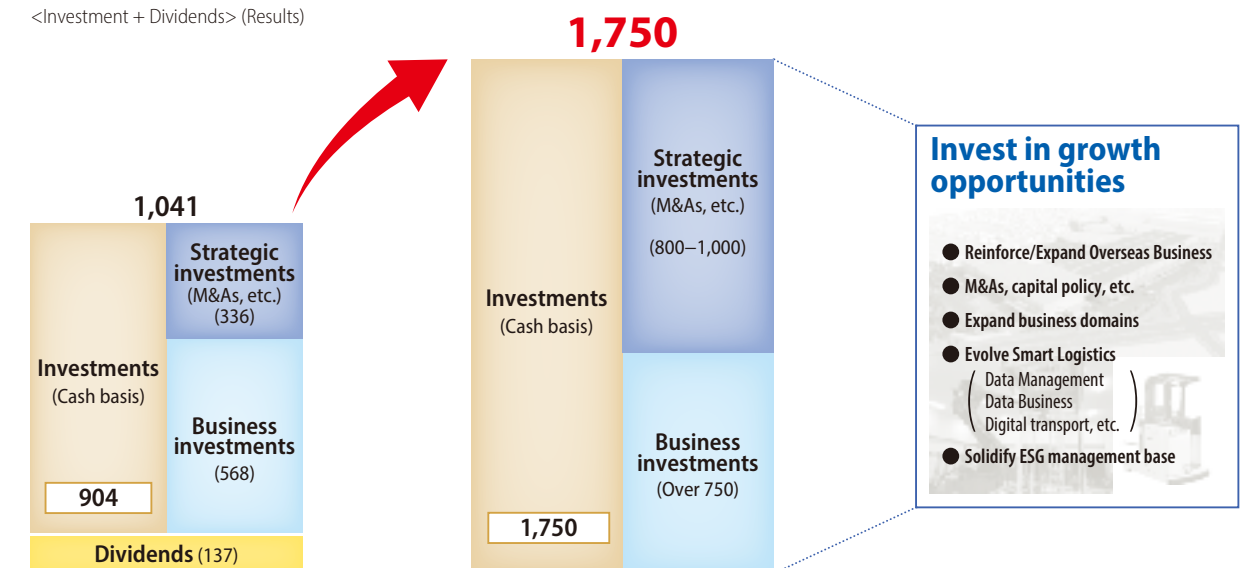
We will make investments to carry out priority measures to solidify business platform and accelerate globalization to become “a leading 3PL company in Asia,” our goal.

We plan to make investments totaling ¥175 billion in growth opportunities including reinforcement and expansion of overseas business, M&As, and capital policy during the period of the Mid-term Management Plan.

LOGISTEED2021 (accumulated)
<Investment + Dividends> (Results)

LOGISTEED2024 (accumulated)

(100 million yen)

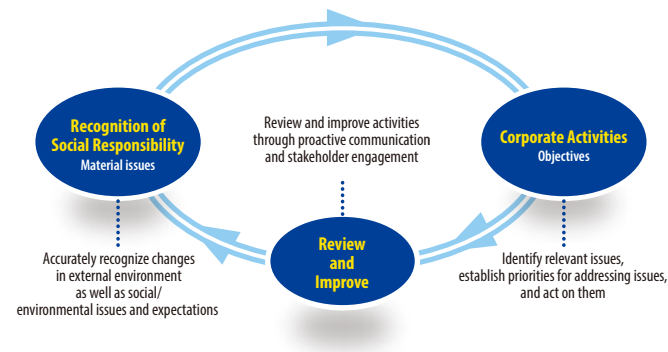


HTS Group Sustainability

Under the HTS Group's corporate philosophy "to deliver high-quality services that will help make the world a better place for people and nature for generations to come," we have been promoting sustainability initiatives to contribute to the realization of a sustainable society.

Basic CSR Policy

Under the corporate philosophy, the HTS Group promotes activities in line with the Basic CSR Policy with an aim to realize a sustainable society through communication with our various stakeholders and integrate sustainability and management. As part of this cycle, we will also promote active disclosure of ESG (Environment, Social and Governance) information and contribute to achievement of SDGs in cooperation with our various stakeholders.



Contribution to SDGs

SDGs are 17 universal goals for the international community to be attained by 2030, and 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 objectives. We will work to do our part in achieving these SDGs as we move into high gear to reach our objectives.

SDGs closely related to four objectives



SDGs relating to objectives of the HTS Group

→ P41

Participation in International Initiatives

The HTS Group signed the "UN Global Compact ("UNGC")" in May 2020 to express its support for the principles. The UNGC is a voluntary initiative to participate in creating a global framework for the sustainable growth. To contribute to the realization of a sustainable society, the Group strives to comply with the ten principles by using various insights and good practice by participants for the implementation through Global Compact Network Japan, the local network of UNGC.



Sustainability Promotion Structure

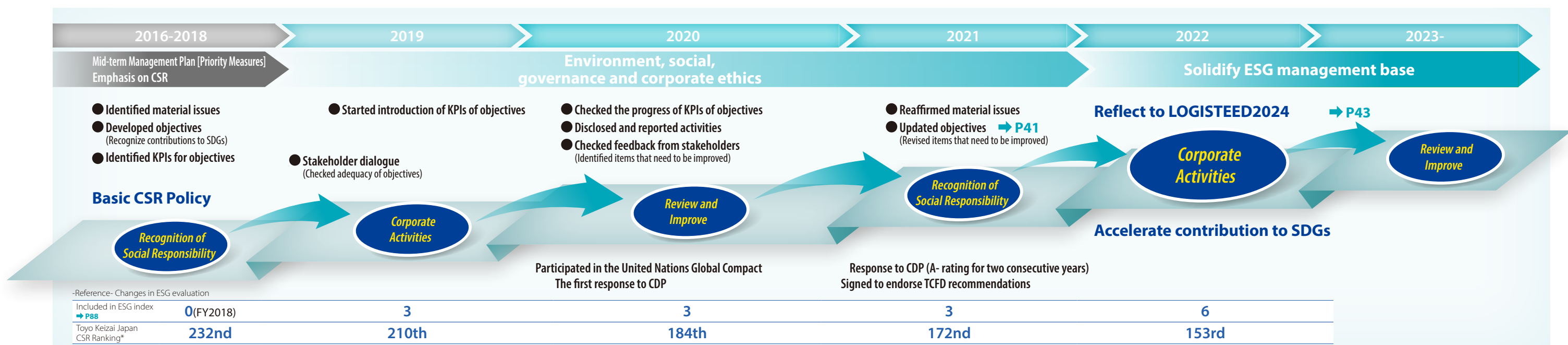
In order to promote sustainability on a group-wide level, the Group has set up the "Sustainability Promotion Committee," chaired by Executive Vice President and Executive Officer, General Manager of Corporate Strategy Office, and holds meetings regularly. Important agenda discussed in the meetings are submitted to the Executive Committee.



Overview of FY2021 Sustainability Promotion Committee

Number of Sustainability Promotion Committee held	2 times (August, January)
Major agenda items	- Discuss and approve the method to disclose sustainability information - Share the information about the ESG external evaluation and external trends regarding sustainability - Review and approve material issues, etc.

Toward the Creation of Economic, Social, and Environmental Values



* A company ranking independently assessed and published by TOYO KEIZAI INC. annually to identify reliable companies in Japan from CSR and financial perspectives

For details on sustainability, please visit our website.
<https://www.hitachi-transportssystem.com/en/profile/csr/sustainability/>

HTS Group Sustainability

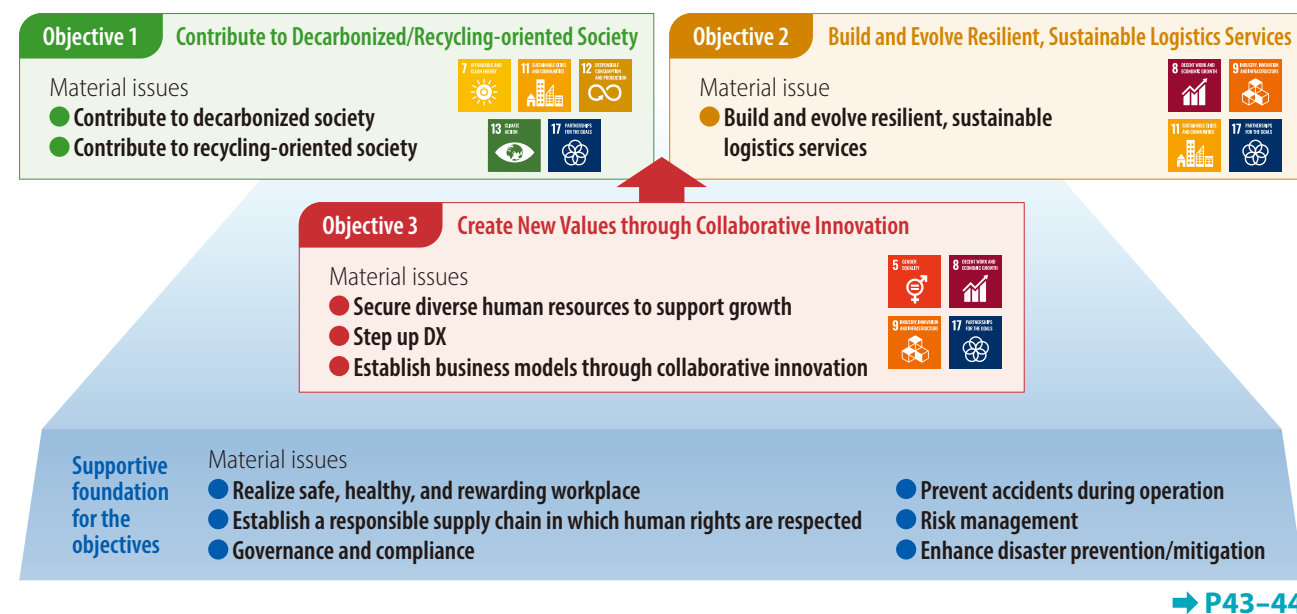
Review of Material Issues

The HTS Group identified 15 material issues in FY2017 and developed four objectives from CSV* viewpoint, but we reviewed the material issues in FY2021 in light of drastic changes in issues and management environment relating to sustainability. In doing so, we identified material issues not only from ESG perspective but also in consideration of their relevance to solutions for social issues in the logistics industry and the business strategy. As a result, we identified a total of 12 material issues including those with strong focus on business and those unique to logistics operations, which is a social infrastructure, such as “Prevent accidents during operation” and “Enhance disaster prevention/mitigation.”

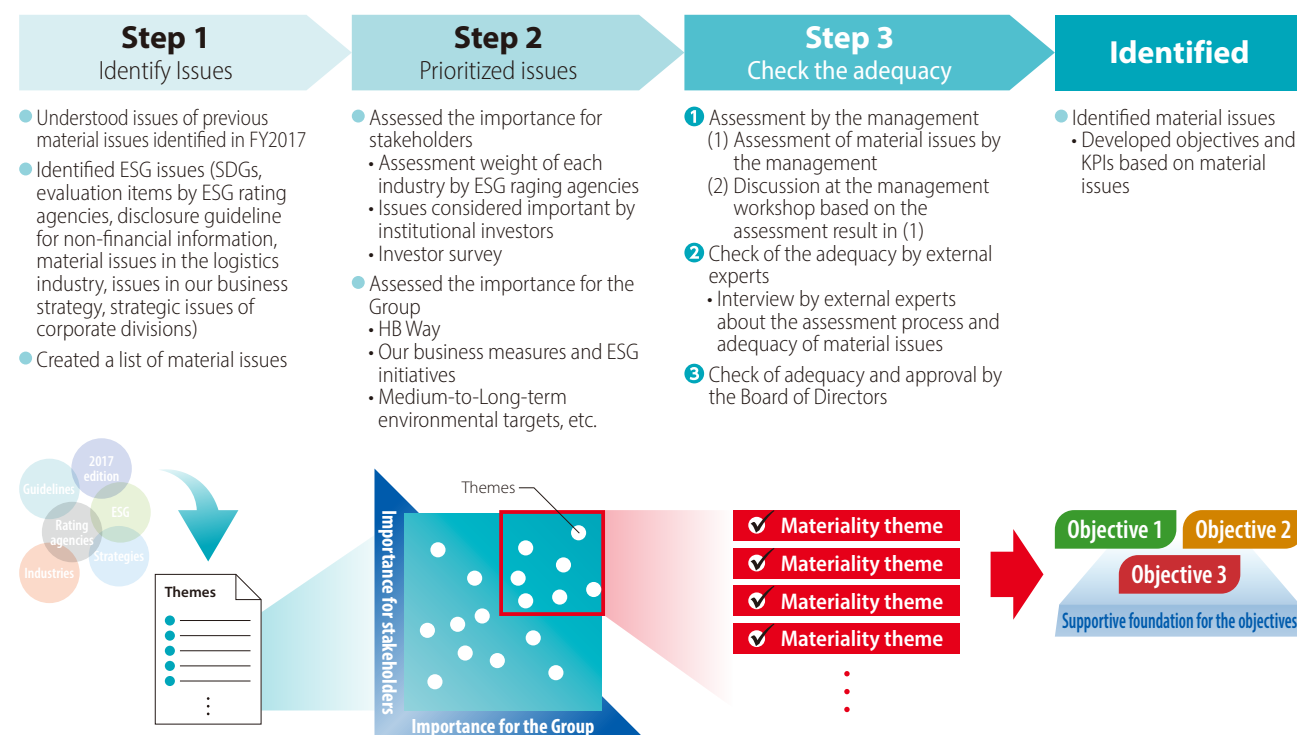
*Creating Shared Value (CSV): Refers to practices that balance activities to create economic benefits with solutions to social issues, or management strategies to achieve them

Positioning of material issues, objectives and SDGs

Of the identified 12 material issues, we classified those relating to value creation into three “Objectives” and those relating to the business base, such as compliance and risk management, into “Supportive foundation for the objectives.” We also clarified the relation between the objectives and SDGs.



Process to identify material issues



Check the adequacy of material issues —Comments from opinion exchange with external experts

I believe material issues for ESG management have been properly identified through an adequate process in which important matters are discussed and shared among the management in order to spread them across the company. I think following such process with an aim to increase HTS's corporate value will increase effectiveness of the initiatives to solve issues.

While themes of high importance to global logistics companies such as “decarbonization,” “resource recycling,” “human resources,” “work environment,” and “human rights/supply chain” are identified clearly and exhaustively, I felt that “Step up DX” and “Establish business models through collaborative innovation” that are supposed to remind the uniqueness of HTS don't really sound like a logistics company to external parties. To enable smooth communication with stakeholders, it may be helpful to devise a way to describe them or set KPIs that show HTS's uniqueness.

As the response to climate change in the logistics industry is drawing attention, placing top priority on “Contribute to decarbonized society” can be highly evaluated. So, I expect you will work on proactive engagement with investors to make sure they understand HTS's long-term initiatives, including those to address physical risks identified by TCFD, in the context of the relevant material issues.

Mari Yoshitaka

Fellow, Principal Sustainability Strategist
Mitsubishi UFJ Research and Consulting Co., Ltd.



Completed current School for Environment and Sustainability at the University of Michigan (Master of Science,) and Graduate School of Media and Governance of Keio University (Doctor of Philosophy). After working for an IT company, a U.S. investment bank, etc. and Environmental Technology Dept. of International Finance Corporation (World Bank Group), she set up the Clean Energy Finance Committee in Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in 2000. Using her extensive experience in environmental financial consulting mainly in the area of climate change including developing countries, she provides advice to the government and various other clients in the fields of ESG investment, SDG business, climate change, and sustainable finance. Since May 2022, she serves concurrently at MUFG Bank, Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

I think that appropriate deliberation was conducted from the perspective of both “logic” and “will” by pursuing “HTS' uniqueness” through discussions with the management and secretariat, instead of relying only on the objective and rational analysis of social demand, investors' recognition, and competition trends. I felt that the process was not only appropriate but also successful in identifying the “material issues unique to HTS” with the business concept of LOGISTEED by including “Step up DX” and “Establish business models through collaboration innovation” among the material issues. I trust that including issues related to CSR as well as those directly related to realization of the management strategy has achieved “good understanding” within the Company. It was a little disappointing, however, that there are not enough material issues related to “new innovation beyond logistics domain.” I suppose HTS's customers expect HTS to contribute to solving not only logistics issues but also management issues beyond logistics domain. I hope that greater value will be generated based on “DX” and “Collaborative innovation.”



Masashi Onozuka

Partner
Roland Berger GmbH

Completed Graduate School of Media and Governance of Keio University. Assumed current position after working at Fuji Research Institute Corporation and Mizuho Information & Research Institute, Inc. He provides various consulting services including long-term vision, management plan, growth strategy, new business development, M&A strategy, business restructuring, structural reform, and risk management mainly in the fields of logistics and supply chain. Using his insights acquired through his extensive experience, he has held various positions such as a member of policy committees related to logistics in administrative agencies including the Cabinet Office and the Ministry of Economy, Trade and Industry, and industry groups.

Material Issues and KPI of the HTS Group

The HTS Group has set KPIs for 12 identified material issues based on the priority measures, etc. of the Mid-term Management Plan “LOGISTEED2024.” Going forward, we will promote group-wide initiatives to address issues, manage the progress of KPIs, promote information disclosure, and aim to realize a sustainable society through dialogues with stakeholders.

Objective 1 Contribute to Decarbonized/Recycling-oriented Society



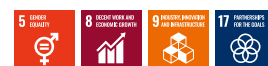
Material issue	Contribute to decarbonized society Work to reduce greenhouse gas (CO ₂) emissions including those from supply chains, improve energy efficiency, and create business opportunities to address climate change and realize a decarbonized society
KPI	● Reduction of CO₂ emissions [compared to FY2013: 26% reduction*1] ● Support customers' decarbonization by providing SCDOS“Decarbonization Monitoring Service” [Achieve annual target for the number of companies we approach] ● Promote initiatives to set CO₂ emission reduction targets including supply chains [Set targets for FY2023]
LOGISTEED2024 Priority measures	● Solidify ESG management base Initiatives for decarbonization ● Expand business domains with new added value (accelerate LOGISTEED) Evolve supply chain optimization services
Material issue	Contribute to recycling-oriented society Work to reduce/avoid resource use, prevent environmental pollution, and create business opportunities to contribute to a recycling-oriented society
KPI	● Recycling rate [Maintain 99% every fiscal year] ● Promote initiatives to build a circular economy business model
LOGISTEED2024 Priority measure	● Expand business domains with new added value (accelerate LOGISTEED) Expansion of Value-added Services (VAS)

Objective 2 Build and Evolve Resilient, Sustainable Logistics Services



Material issue	Build and evolve resilient, sustainable logistics services Implement measures to enhance transport business to address social issues including aging of managers, business slump of small- and medium-sized transportation companies, driver shortage, and recruitment challenges as well as build/evolve sustainable logistics services with a high level of safety/quality/ productivity, aiming to create business opportunities and fulfill our role as social infrastructure
KPI	● Provide SCDOS to support customers' SCM*2 [Achieve annual target for support] ● Realize a comfortable workplace by introducing automated/labor-saving equipment at logistics centers [Mechanize cargo handling work (100 FTE*3 per year)] ● Contribute to safe and more efficient transport by expanding user network of each SSCV function [Achieve the target for introducing SSCV-Safety/Smart into partner companies] [Achieve the target for introducing SSCV-Vehicle in the Group] ● Enhance transport business to address the “2024 problem”*4 [Number of violations of labor standards regarding drivers: 0] ● Expand GDP*5-compliant equipment at medical DCs [Complete introductions in target sites]
LOGISTEED2024 Priority measures	● Expand business domains with new added value (accelerate LOGISTEED) Evolve supply chain optimization services ● Evolve Smart Logistics Enhance warehouse business (automation/labor saving, DX) Enhance and expand warehouse business (Build/enhance three-temperature zone warehouses and hazardous substances warehouses) Enhance transport business (Address the “2024 problem” and decarbonization)

Objective 3 Create New Values Through Collaborative Innovation



Material issue	Secure diverse human resources to support growth Enhance the performance and market competitiveness of the organization and employees by securing human resources with global, digital, and management capabilities in line with the business strategies as well as actively addressing diversity and equal opportunities
KPI	● Implement education to develop DX human resources [Every fiscal year: All employees attend mindset training] ● Expand global human resources and reform organizational culture ● Improve operational efficiency by introducing digital tools such as RPA*6 [Reduction of working hours: Cumulative 1.2 million hours] ● Improve the score of “sustainable engagement” in the employee engagement survey [Score: 70 or more] [FY2023: Provide a survey in Japan and overseas at the same time] ● Ratio of female managers [FY2023: 10%]
LOGISTEED2024 Priority measure	● Solidify ESG management base Human resource strategy

Unless otherwise stated, the figures in [] represent targets for FY2024

*1 Scope: HTS and domestic group companies (total of Scope 1 and 2) *2 SCM: Supply Chain Management *3 FTE (Full-Time Equivalent): A unit of the full-time work amount in an organization *4 Various issues arising from the application of upper limit of drivers' overtime, etc. in 2024 set by the working-style-reform-related bills *5 GDP (Good Distribution Practice): Appropriate distribution standard for medical supplies to ensure strict quality control *6 RPA (Robotic Process Automation): A software robotics technology that automates administrative work performed by a person using a personal computer

Material issue	Step up DX Address social issues such as driver shortage and the “2024 problem” by promoting digitalization and labor-saving initiatives to create business opportunities
KPI	● Establish a digital platform to create innovation through DX ● Execute logistics service reform projects utilizing a digital business platform (data linkage hubs) [Total number of executions: 60] ● Introduce Resource Control System (RCS)*7 [Achieve the target number of introduction] ● Improve conformance rate of “ONEsLOGI”*8 new WMS-PF (platform) to logistics operations [FY2023: Conformance rate of 90%] ● Number and percentage of DX-related patent applications (publication) included in the total patent applications (publication)
LOGISTEED2024 Priority measures	● Expand business domains with new added value (accelerate LOGISTEED) Evolve supply chain optimization services ● Evolve Smart Logistics Enhance warehouse business (automation/labor saving, DX)
Material issue	Establish business models through collaborative innovation Work to develop new services and business models through collaborative innovation with business partners
KPI	● Develop new services and business models through collaborative innovation
LOGISTEED2024 Priority measures	● Expand business domains with new added value (Accelerate LOGISTEED) ● Evolve Smart Logistics

Supportive Foundation for the Objectives

Material issue	Realize safe, healthy, and rewarding workplace Create a system to ensure safety and health of employees by taking measures to prevent/avoid labor problems through the spread of occupational health and safety as well as risk assessment
KPI	● Workplace accident frequency rate/ severity rate ● Number of serious accidents (fatal workplace accidents) [Every fiscal year: 0] ● Rate of paid leave taken ● Rate of sick leave days (promote health management)
Material issue	Establish a responsible supply chain in which human rights are respected Promote a sustainable supply chain by taking measures to improve quality/productivity, conduct environmental/social assessments, ensure compliance with laws and regulations by suppliers, and avoid/prevent/mitigate human rights issues of relevant stakeholders
KPI	● Promote initiatives to develop a business platform that respects human rights ● Human rights education ● Promote initiatives to establish a compliance screening system for suppliers [Perform regular screening]
Material issue	Governance and compliance Respect corporate ethics and prevent anticompetitive behaviors in the Company, and strengthen compliance in supply chains to establish a system to ensure sound corporate management
KPI	● Attendance rate for HTS Group Code of Conduct education (e-learning) [Every fiscal year: 100%] ● Ratio of female executive officers [10% or more] ● Reflect evaluation of ESG initiatives, etc. in compensation plan for officers [Increase factors to be reflected]
Material issue	Prevent accidents during operation Strive for safe operation by promoting initiatives to prevent accidents at the Company and its suppliers
KPI	● Reduction rate for three types of accidents*9 [Down by 40% from FY2021] ● Implement measures to strengthen preventive maintenance ● Reduce incidents during vehicle operation by utilizing “SSCV-Safety”
Material issue	Risk management Develop BCP and execute Business Continuity Management (BCM) to enable early business recovery in the event of an emergency as well as ensure appropriate and sufficient information management to prevent leakage of confidential information, etc. of business partners and the Company
KPI	● Conduct company-wide disaster prevention training and overseas BCP caravans*10 ● Number of information security incidents [Every fiscal year: 0] ● Attendance rate for information security training course and rate of targeted threat emails for simulation trainings opened [Every fiscal year: Attendance rate of 100%/email open rate: 5%]
Material issue	Enhance disaster prevention/mitigation Implement disaster prevention measures to prepare for natural disasters and prevent fires as well as strengthen systems for speedy recovery in the event of a disaster
KPI	● Enhance functions of “safety cockpit” (centralized safety control center) ● Establish a management system utilizing a visualization system for self-defense firefighting operations ● Number of trainings for initial response at disasters conducted

*7 An integrated control system to achieve highly automated command functions in logistics centers and enable optimal logistics center operation

*8 ONEsLOGI (One Stop Logistics IT Solution): A group of logistics management systems provided by Hitachi Distribution Software Co., Ltd., our subsidiary

*9 Occupational accidents, vehicle accidents, and product accidents

*10 Activities to build and improve risk management systems in overseas sites by sending instructors from Japan

Message from the CFO

We will accelerate our initiatives to further increase corporate value through “Dialogues” and “Collaborative innovation” with our stake holders.

Nobukazu Hayashi

Executive Vice President and Executive Officer, CFO
General Manager, Corporate Strategy Office



Review of the Mid-term Management Plan “LOGISTEED2021”

Under the Mid-term Management Plan “LOGISTEED2021” which ended in FY2021, although we fell short of some numerical targets including EBIT mainly due to the fire at a logistics center of a group company, we reported revenues of ¥743.6 billion exceeding the target of ¥720.0 billion and adjusted operation income of ¥38.7 billion exceeding the target of ¥36.0 billion (¥38.5 billion including the effect of applying IFRS 16 *Leases*). Although there was a special factor of a steep increase in the freight costs in the freight forwarding business, I believe we yielded moderate results overall during the three years under the Mid-term Management Plan.

On the other hand, the sluggish growth of topline is our current issue especially in the domestic 3PL business. In FY2021, both revenues and adjusted operating income decreased partly due to volume decreases in automobile and apparel under the COVID-19 crisis. Therefore, we will continue the ongoing “Topline Expansion Project” under the new Mid-term

Management Plan “LOGISTEED2024” starting from FY2022 and focus on acquiring new customers. We will also accelerate the expansion of overseas businesses mainly through collaboration with the partnership with KKR.

As for our investment plan, we made business investments aimed at building a solid core domain (Smart Logistics) such as expansion of domestic and overseas logistics sites and renewal of vehicles, etc. and strategic investments in “promotion of DX and establishment of IT platform,” “development of new technology,” “development of new business,” and “human resources, safety, etc.,” and they all went according to the plan. However, M&As didn’t do well due to the impact of COVID-19, etc. We will also follow up on this under “LOGISTEED2024” and accelerate through collaboration with KKR mentioned earlier. Regarding the R&I rating to facilitate fund raising from capital markets and diversify fund raising methods, despite some factors such as acquisition of treasury stock and a decrease in the total equity attributable to stockholders of the parent company ratio, we maintained a rating of A*¹ as our long-term growth in adjusted operating income was recognized.

¹1 Announced by Rating and Investment Information, Inc. (R&I) on May 2, 2022

Financial Strategy in the New Mid-term Management Plan “LOGISTEED2024”

Expand topline by acquiring new customers

As the biggest theme of our financial strategy in the new Mid-term Management plan “LOGISTEED2024,” we will focus on the expansion of topline as mentioned above.

In terms of domestic business, “Topline Expansion Project” is underway as mentioned earlier and we recently launched a relatively large project with new customers. So, we will boost topline and steadily improve profitability by increasing new projects.

For overseas business, as the Ukraine crisis and lockdowns under China’s zero-Covid policy have caused disruptions in global supply chains, we think it will take time before our freight forwarding business returns to normal.

Under such circumstances, the Group aims to expand topline by continuing to pursue the “region-contained business model” described in the message from Mr. Nakatani, Chairman (➡ P9) and also allocating a large portion of strategic investment of ¥80 billion to ¥100 billion under “LOGISTEED2024” to M&As around the world. We are currently examining with KKR some domestic/overseas target companies and expected synergies and will promote such initiatives as increasing transportation capacity in the U.S. and India and enhancing 3PL and freight forwarding business in Europe through M&As.

Evolve the ROIC management by DX with a focus on the core system renewal

We have worked on the “ROIC management” since FY2018 and will further evolve it by promoting DX mainly through a large-scale core system renewal.

In specific, we plan to complete the replacement of current system with new one in our domestic group companies by the end of FY2022 and concurrently standardize and unify the sales/payment process using SPV*². By doing so, we will implement initiatives to improve ROIC, which was previously implemented on each group company level, at the level of individual offices/customers/business types to further spread these initiatives at sites.

In overseas group companies, we are currently preparing to start the core system renewal at full scale from FY2023. In consideration of the high proportion of the freight forwarding business in overseas while 3PL is the main business in Japan, we are understanding the current situation and developing the renewal plan. As for cash management, in particular, we will evolve the initiatives to improve ROIC by introducing TMS*³ which allows us to monitor daily cash status of all overseas sites.

Through these initiatives, we aim to “visualize” financial situation and indicators including cash flows in Japan and overseas altogether, to improve ROIC of the Group as a whole.

²2 Smart Performance Visualization Platform (SPV): A system to manage domestic performance

³3 Treasury Management System (TMS): A system capable of centrally managing the entire group’s fund and financial risk, etc.

Major initiatives focusing on asset efficiency and capital efficiency (recent seven years)

Mid-term Management Plan/FY		Measures
Mid-term Management Plan Value Creation 2018	FY2016	- Partially changed the business assessment approach (assess centers owned by the Group by adding market rent) - Issued corporate bonds of ¥30 billion - Set ROE as an important management indicator
	FY2017	Asset liquidation (e.g. sale of distribution centers with low asset efficiency, leaseback)
	FY2018	- Introduced “comparison of ROIC and WACC” as one of the investment decision criteria - Newly established the Financial Strategy Office - Created rules for strategic investments - Issued corporate bonds of ¥30 billion
Mid-term Management Plan LOGISTEED2021	FY2019	Reset ROIC to reflect the adoption of IFRS 16 <i>Leases</i> (adopted in FY2019)
	FY2020	Introduced ROIC and WACC in the budget control
	FY2021	Introduced ROIC tree in the budget control
New Mid-term Management Plan LOGISTEED2024	FY2022	Enhance cash management and ROIC management by renewal of core system and introduction of TMS

Enhance ROIC education for overseas group companies and mutual communications

We are focusing on ROIC education especially for overseas group companies because the improvement of ROIC requires not only a system renewal but also initiatives at each site such as “ROIC tree.”

For example, we prepare ROIC education materials in English and provide ROIC education to accounting managers and staff in four key management areas (North America/Europe/China/ASIA) every year, with an aim to promote close communication with the head office as well as deepen their understanding and raise awareness of ROIC. In FY2021, we held a full-scale meeting with overseas sites online for the first time after a few years hiatus due to COVID-19 and decided to continue this initiative as we were able to have beneficial and meaningful discussions with accounting managers and staff and also presidents of some overseas subsidiaries. In FY2022, in light of the easing of the COVID-19-related travel restrictions, General Manager of Financial Strategy Office will visit key management areas and have face-to-face meetings to deepen

communications and focus on the ROIC management together with the entire Group.

Enhance finance human resources development with a global rotational system and a new educational program

We will make a proactive investment to “solidify ESG management base,” one of the priority measures in “LOGISTEED2024,” and especially in the human resource strategy, we will focus on increasing/developing global/DX human resources as well as enhancing finance human resources development.

For example, Financial Strategy Office focuses on the development of global human resources by including overseas assignment in the job rotation and is also promoting the use of FASS test*4 as well as enhancing systematic educational programs. In light of the fact that employees return from their overseas assignments with enough ability to contribute to the Corporate Strategy Office and Global Business Management Headquarters, and also that we plan to consolidate/expand the

size of domestic group companies, we will work on improving skills to deal with financial audit, enhancing the detailed human resource education based on career and skill level of individual employees, as well as invigorating organizations through job rotation. Furthermore, based on the request from overseas group companies, we will proactively consider accepting and providing educational opportunities in Japan to overseas employees as part of our effort to invigorate organizations through job rotation mentioned above.

*4 Finance & Accounting Skill Standard (FASS) test: A test based on the “Finance & Accounting Service Skill Standard” developed by METI with an addition of the U.S. test theory to measure objective practical knowledge and skill level in accounting and finance field

Enhance and improve efficiency of global cash/receivables/credit management

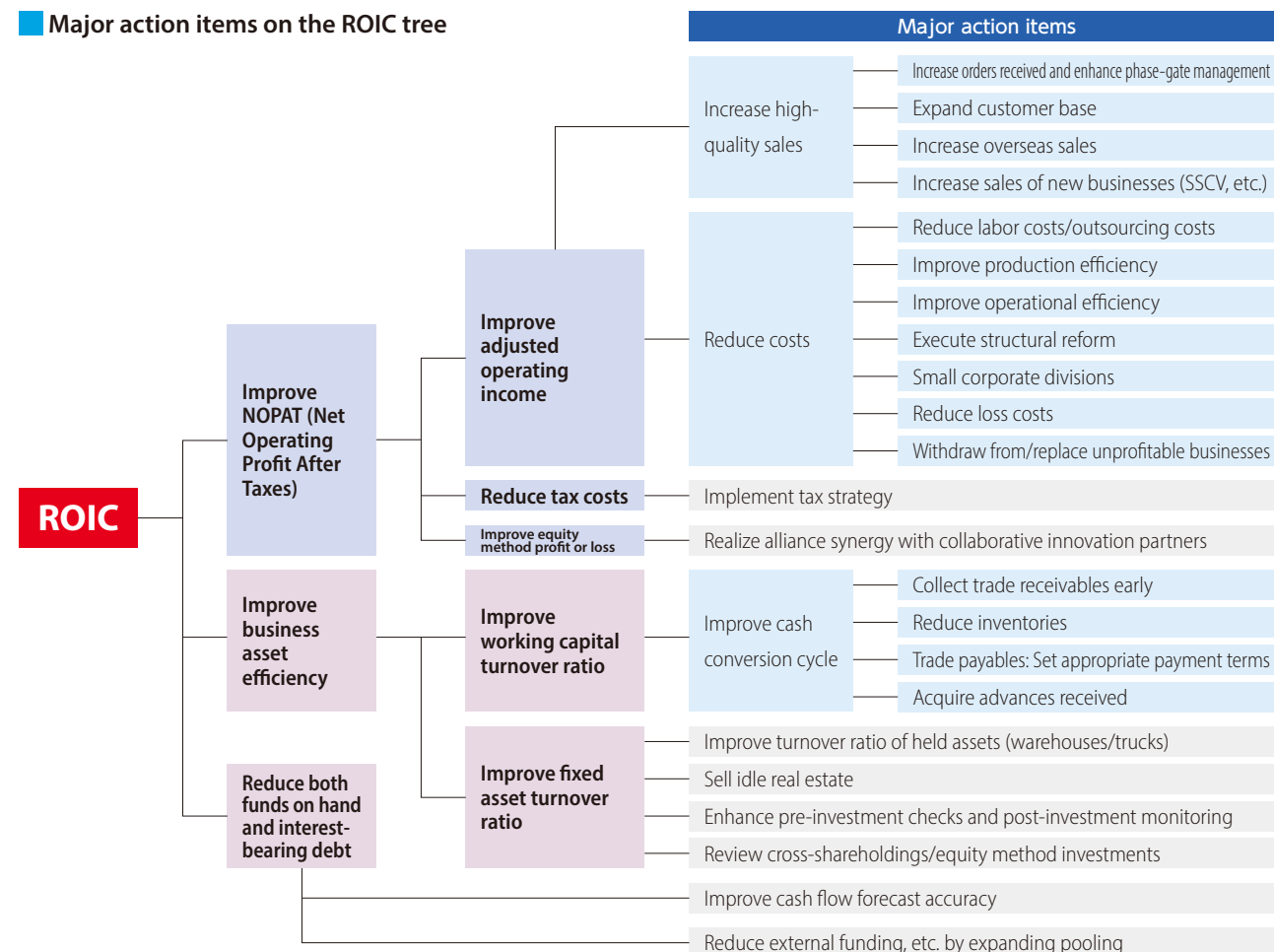
By introducing TMS mentioned earlier, we will monitor the daily cash movement of the entire Group to further refine cash management and enhance corporate governance. We also further enhanced global credit and receivables management during the period of the previous Mid-term Management Plan after the U.S.-China trade friction in 2020 which caused non-performing receivables in some areas. As overseas business with the high proportion of the freight forwarding business is susceptible to market downturns, we will closely monitor the freight forwarding market and enhance effectiveness of corporate governance over credit and receivables management.

Continue to Focus on the Dialogues with our Stakeholders

Although we will become an unlisted company after the tender offer for the Company’s shares by HTSK Co., Ltd. and a series of procedures scheduled thereafter, we will continue to focus on sustainable value creation and further accelerate our initiatives to increase corporate value.

In terms of dialogues with our stakeholders to achieve them, we will disclose fair and highly transparent information in a timely and appropriate manner, including proactive disclosure of non-financial information such as material issues and ESG/SDGs initiatives, in an effort to focus on constructive dialogues with all of our stakeholders.

Major action items on the ROIC tree



Special Feature –Employee Roundtable Discussion–



Logistics DX that the HTS Group Aims to Achieve

To deal with social issues surrounding the logistics industry including “labor shortages,” “efficiency improvement” and “sustainable transport services,” the HTS Group developed and offered “SSCV (transport digital platform)” and “SCDOS (Supply Chain Design & Optimization Services)” and, in 2019, developed “Resource Control System (RCS)” to achieve highly automated operation in logistics centers and started operation of a shared automated warehouse “Kasukabe EC Platform Center” for EC logistics.

The HTS Group aims to achieve automation/labor-saving through linkage of systems and machines, as well as improve working environment through DX in one of its priority measures “Evolve Smart Logistics” in the Mid-term Management Plan “LOGISTEED2024” (→ P30, P35). What was the HTS Group’s perception about the issues when it started working on Logistics DX? And what kind of Logistics DX should the Group aim to achieve in the future?

We held a roundtable discussion with members who work on the front line of Logistics DX to hear opinions from the perspectives of “strategy,” “technology,” “development” and “Gemba (site).”

Attendees in the discussion

General Manager, Information & Communication Technology Strategy Headquarters

Kazunori Azusawa

Manager, Corporate Strategy Department, Corporate Strategy Office

Masahiro Itotani

Deputy Department Manager, Logistics Technology Department, Logistics Solution Business Development Headquarters

Takaharu Sakurada

Engineer, Logistics Technology Department, Logistics Solution Business Development Headquarters

Xiaolin Fang

Manager-Sales Office, Kasukabe EC Platform Center, DX & Innovation Department, Business Development Headquarters

Kosuke Murakami

Department Manager, Digital Solution Department, Digital Innovation Promotion Headquarters, Hitachi Distribution Software

Atsushi Yanagisawa

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

First, please tell us about your background and areas of expertise and roles in DX.

Azusawa: After I joined the Company, I was first assigned to IT Department where I developed a warehouse management system and liaised with customers about the development. After that, I was transferred to Smart Logistics Development Department and then to Corporate System Management & Integration Department in 2017 where I worked with Financial Strategy Office in the company-wide standardization and improvement activities of the corporate system. My area of expertise is IT in general, and my recent project was a major renewal of the internal core system. Since 2022, I’m in Information & Communication Technology Strategy Headquarters working on DX in the 3PL and freight forwarding businesses.

Itotani: After working for a system integrator company, I joined the Company in 2020. My area of expertise is marketing activities including research on DX-related market/technology trend and identifying social trend. The main task of Corporate Strategy Department is the development and promotion of the Mid-term Management Plan, and my job there is the development of DX strategy and promotion of individual DX projects. The Company was selected as a “DX Certified Operator” in May 2021 and as a “DX Stock 2022” in June 2022, and I was in charge of filing these applications.

Sakurada: For three years after I joined the Company, I worked on one of the largest projects of the Group to launch the 3PL business for a leading distribution-related customer, and for the next ten-odd years, I worked on the introduction and consideration of various equipment at the launch of a number of customers. Then, after working at Smart Logistics Development Department, I was transferred to Digital Business Development Department where I worked on the development of new solutions. I’m specializing in considering automated/labor-saving equipment and engaging in new fields. Now I’m in Logistics Technology Department and working to promote DX mainly through the introduction of automated/labor-saving equipment and the development of control tools for logistics.



Murakami: After engaging mainly in the launch of the 3PL business with manufacturing customers and the improvement of customers’ sites in Logistics Technology Department, I spent the next around seven years in China and gained experience in a wide range of fields, including sales, logistics center management, and labor management. From 2018, I am in DX & Innovation Department engaging in operation and management of Kasukabe EC Platform Center and initiatives aimed at expansion in the future. My area of expertise is center operation and management with DX, and I am currently working on the introduction of the first automated/labor-saving equipment in the Group and the creation of workplaces with a combination of physical and digital measures.

Fang: Since I joined the Company, I’ve been with Logistics Technology Department, and for the first five years, I worked on the launch of the 3PL business and the site improvement. After that, drawing on my experience in site improvement, I worked on developing the optimization tool and creating simulations, which is my area of expertise. Simulation is a necessary and important means to verify the arrangement/setting/appropriate operation of equipment, and my current mission is to consider how to use simulation in a more useful way and develop human resources.

Yanagisawa: After I joined Hitachi Distribution Software, I worked on the development of a warehouse management system such as automated warehouse in the 3PL business, including material handling equipment linkage, and my area of specialty is system building by industry and business type. From 2015, I participated in the system design project for Smart Warehouse aimed at promoting automation of logistics centers from the stage of designing Resource Control System (RCS). Since 2020, I’ve been with Digital Solution Department and supporting the HTS Group’s DX from the IT perspective.

I see that each of you has different skills and area of expertise. Now, please tell us why the HTS Group has been promoting Logistics DX.

Azusawa: The environment surrounding the logistics industry has been drastically changing in recently years, and in Japan, it has become vital that we address labor shortages and reform working style. Also, due to the expansion of EC market and technological innovation, there is a growing move toward the transformation in logistics. Meanwhile, implementing initiatives toward the realization of sustainable society such as SDGs and ESG management is also another pressing matter of importance. Amid such circumstances, the first thing the Group should do is to create a safe and secure environment for its employees and at the same time provide its customers and business partners with high value-added services, while establishing a system capable of quickly responding to drastic structural changes. The Group also needs to enhance its

sustainability and strengthen its responses to environmental issues and the governance. All these tasks can't be achieved without using digital technologies, and that is why the Group has decided to work on DX.

Itotani: As we are facing issues such as labor shortages as well as aging population, it's also necessary to make good use of digitalization to make it easier to share operation expertise. Also, because customers' supply chains are becoming larger and more complicated, the level of demand from customers including EC is also becoming increasingly challenging. To meet it, we need to make full use of digital technology and aim to become a company that can solve customers' supply chain issues and take a lead in DX.

Azusawa: In overseas, especially in Asia, an increase in the middle class led to an increased burden in logistics and a higher level of demand, raising concern over the resource shortages to meet it. It means that "people" is no longer our option for solutions in Japan and overseas. The logistics industry, especially in Japan, has depended on workers and individual skills so far, and DX is vital to break away from it.

Please tell us about the background of the development of Resource Control System (RCS) and Warehouse Control System (WCS), the recent major achievements in DX.

Sakurada: Even before the term "DX" began to attract attention in the world, the Group started working on initiatives called Smart Logistics, which gave rise to the idea of Smart Warehouse. The term "Smart Warehouse" referred to the development of various optimization technologies and the introduction of automated/labor-saving technologies at that time. Particularly with regard to the optimization technology, we

aimed to let computers replicate and sophisticate adjustments and judgments made by work managers or experienced workers based on their experience/expertise. In some cases at the development stage, we were able to achieve efficiency improvement that cannot be achieved by human work, but in most cases, the computer only produced almost the same level of results as competent workers, which advanced the development of a system that enables everyone to produce the same level of results without depending on individual skills. The Smart Warehouse project back then progressed in individual optimization technologies such as considering optimal picking line and order assignment, but there was a limit in terms of total optimization that takes into account overall conditions of the whole center. Also, various optimization systems operating with different modules made it difficult to introduce/install them at sites, which made us realize that we needed a large platform to integrate all systems. So, as we worked on individual issues, the concept of Resource Control System (RCS) that enables an optimal control of the whole center and Warehouse Control System (WCS) that controls automated/labor-saving equipment was gradually formed.

Automated/labor-saving equipment, including Resource Control System (RCS) and Warehouse Control System (WCS), were introduced in Kasukabe EC Platform Center in September 2019. Please tell us what kind of advantages they brought to the center.

Murakami: Kasukabe EC Platform Center was opened with the concept of providing space/various equipment/systems in the center for multiple EC business operators to share, and is currently used by many customers. Compared to conventional logistics centers, this center has a lot more automated/labor-

saving equipment enabling to unify work method and maintain a certain level of quality and therefore achieves stable service quality and efficiency improvement. As automation/labor-saving enables extended operation for long time, one customer can now handle 1.5 to 2 times more of shipping compared to the time when it entrusted the operation to another logistics company, so it is now considering expanding its sales channels. We can also use the work result data to facilitate the site management and offer various proposals to customers.

From the perspective of system development in site, what do you think triggered the development of Resource Control System (RCS)?

Yanagisawa: In developing the idea of a warehouse automation system, we figured that if "machines" replace "humans" to do work, the system should also replace humans in giving instructions and managing work processes. In giving such instructions, the number of resources and their individual capabilities must be taken into account, and when to start each work must also be controlled, in the same way that humans have always done. In order to achieve that, we needed a system that breaks down each work process, predicts process time based on the capability of resources in each process and controls when to give work instructions. That's why we started the development of Resource Control System (RCS).

I hear it took a considerable amount of time and effort to develop the system. Please tell us in detail how you did it.

Sakurada: The concept of Resource Control System (RCS) and Warehouse Control System (WCS) first came up in late 2010s.

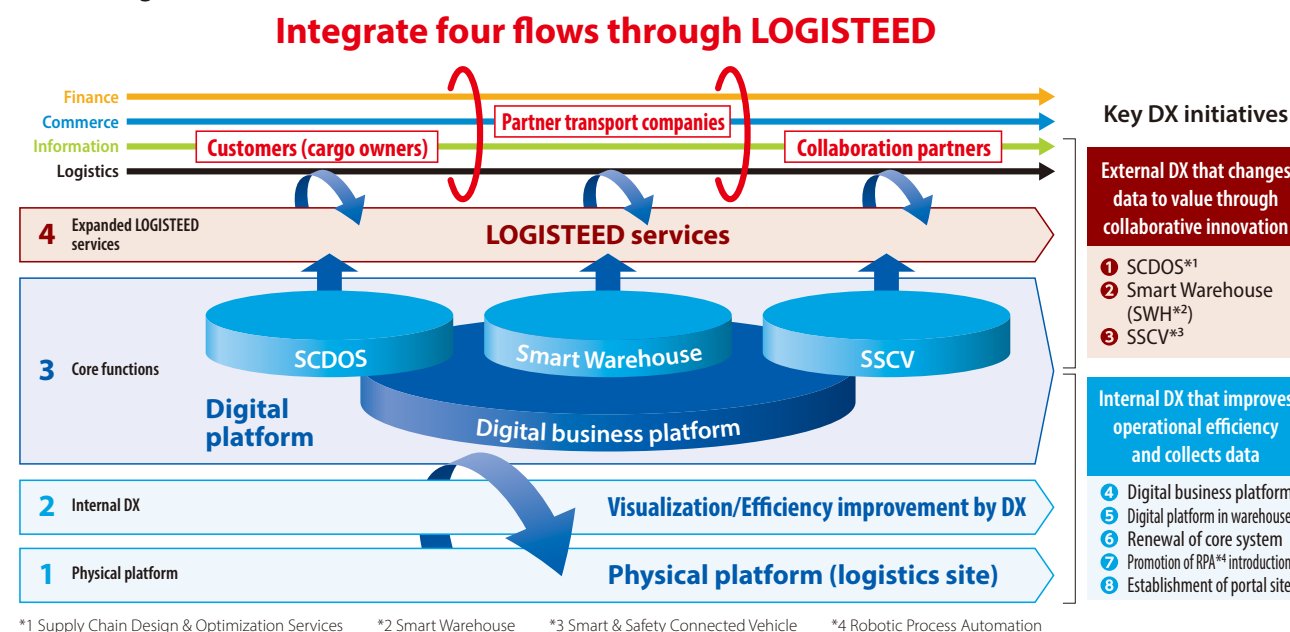
Yanagisawa: To realize a comprehensive operation system

for automated/labor-saving equipment, we needed two "new ideas." First, we needed an idea of how to create a system capable of making flexible decisions depending on the situation just as work managers and experienced workers do. Second, we needed an idea of how to operate equipment efficiently while pursuing the total optimization after replacing humans with automated/labor-saving equipment. We worked to develop the system based on these ideas under the notion that we could probably develop a better system if we developed an original one by ourselves as we knew the sites quite well.

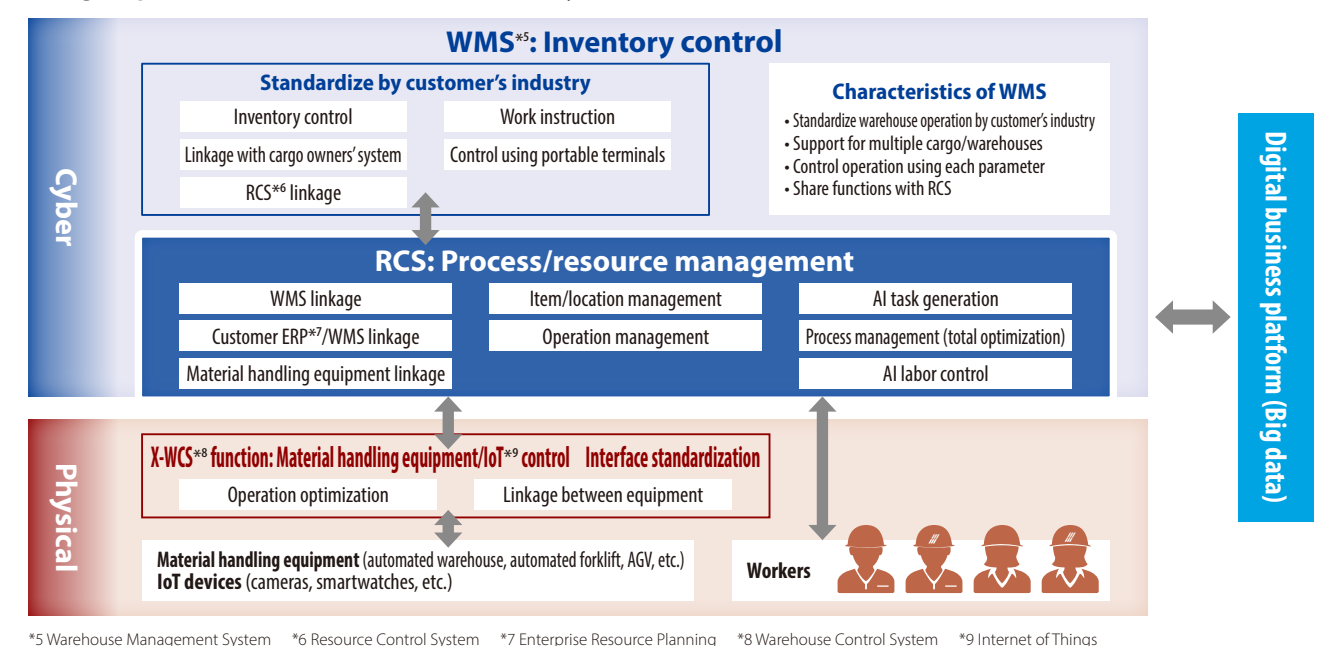
Please tell us what kind of advantages the HTS Group as a whole got by realizing the perfect mix of equipment, IT system, and human work.

Yanagisawa: I think that would be that we realized a platform for an automated operation system integrating various automated/labor-saving equipment. Resource Control System (RCS) controls when to give work instructions based on each equipment's capability and volume aiming to maximize overall throughput. Resource Control System (RCS) is also capable of comprehensively managing the operation of the entire logistics center and realizing efficient operation through a close link with the Warehouse Management System (WMS). Having created a framework for them has brought a significant advantage to the Group. We believe an important notion applicable to all sites promoting automation is the combination of a series of functions we considered in the process of realizing the automated operation system i.e. process planning/task generation/optimization of resource allocation/prioritization/smoothing. We filed an application for and obtained a patent for the idea itself.

HTS's Logistics DX



Digital platform based on Resource Control System (RCS)



One of the DX keywords of the HTS Group is “Simulation.” Please tell us how you use “simulation” in developing the system and work plan.

Fang: Simulation is a process of simulating movements of people and products in chronological order and useful in understanding “when,” “where,” and “how” people and products are moving. Using simulation in the system development and operation allows us to quantify and visualize the status of the equipment and optimal allocation of workers. We can predict and verify something we couldn’t find out until we actually did it before. The Group has accumulated expertise in site operation such as how to instruct people and use equipment, which gives us a unique advantage in doing a precise simulation efficiently. However, about 10 years ago, we used to do simulations to prepare a work plan in advance based on average value using a general-purpose spreadsheet software, and there were some cases where problems occurred after the work actually started and we suddenly had to examine the response. Now, IT technology has advanced since then, which enables us to do simulations of every possible patterns, analyze any potential issues and take measures when preparing the work plan.

Azusawa: One of the characteristics of the logistics business is that cargo owners manufacture and sell products based on market forecasts. The Group makes logistics plans based on such forecast information, but in most cases, cargo owners only provide us with the information at the last minute of the shipping deadline. Previously, work managers and experienced workers dealt with it using their long years of experience and individual expertise, but the recent drastic changes in environment are causing an increase in cases where forecasts differ from actual results, and the simulation technology is also expected to reduce the gap.

Sakurada: For example, when we need to determine the most efficient picking method for an order received, if we “can’t

know until we try it,” it will cause a significant loss. If we use the simulation technology, we can estimate the time required for each method and verify it in advance. This is a typical example to show the need for simulation. Meanwhile, from the perspective of Cyber Physical System (CPS) and digital twin^{*10}, the basic concept of the Group’s DX, the simulation technology is the fundamental technology. Both collect the information of what is actually happening in the physical space as digital data and recreate it in the cyber space. By setting various conditions and parameters in the cyber space, we can estimate and verify work time.

*10 A technology that recreates the environment of a physical space in a virtual space using technologies such as IoT and AI to conduct various simulations as well as estimate the future outcome

Please tell us about actual cases where the implementation of DX in sites contributed to efficiency and quality improvement.

Murakami: Kasukabe EC Platform Center uses Business Intelligence (BI) tools and Warehouse Management System (WMS) to visualize the progress and labor shortage in each process, allowing work managers to assign appropriate number of workers based on the work volume in each process and equalize work at the logistics center.

Please tell us what you all think about the Logistics DX in the future in terms of what kind of customer and social issues you are going to address.

Itotani: In hopes to further enhance “Gemba” Power, we will try to provide useful information to work managers by digitalizing “Gemba” information in real time and visualizing it as well as adding forecasts and simulation. Also, in light of the fire at a logistics center of our group company in 2021, we started considering the potential use of DX technology as the core of disaster prevention measures such as to enhance security and firefighting activities at early stage using robots and drones, in addition to early detection of danger using cameras and sensor technology.

Sakurada: DX has been promoted not only by us but also our peer companies and many companies in other industries. Amid such situation, implementing DX initiatives in limited areas only produces limited results. So, we need to work with a larger number of companies and realize optimization in larger areas. In recent years, we have been witnessing a number of disruptions/divisions in supply chains caused by various risks including climate change/infection/ geopolitical risks, etc. Considering how we will find solutions to various social issues and realize more efficient and better society, one of the important roles of the industrial circles is to improve efficiency of the supply chain as a whole. The role of logistics industry in such challenge is quite important, and I think that the logistics industry is expected to implement DX in society as a whole,

not just in limited areas by individual companies. The Group has worked on many projects with influential customers in various industries. Based on the trust relationships with them built over the years, we hope to pursue DX standard accepted by the entire industry and then DX that can be implemented beyond the industry.

Thank you. Please tell us how Logistics DX can contribute, for example, to decarbonization, one of the major social issues.

Azusawa: From the Group’s point of view, decarbonization means reduction of CO₂ emissions from transportation and logistics centers. To achieve that goal, we have started with effectively measuring the volume of CO₂ emitted by the Group and our partner companies with DX and are now working to reduce it systematically toward the reduction target. These initiatives will include the use of renewable energy as well as activities to improve work efficiency with DX.

Itotani: Based on various data provided by our customers, we perform a simulation in cyber space of the methods to reduce CO₂ emissions from transportation and logistics centers to propose them as solutions. So, by creating solutions based on our own initiatives toward decarbonization, I think we can contribute to decarbonization of our customers and industry and, furthermore, society as a whole.

Please tell us about the internal DX, another pillar of the HTS Group’s DX strategy.

Azusawa: We have been using Robotic Process Automation (RPA) as part of VC activities aimed at operational improvement through company-wide bottom-up initiatives. The introduction of RPA not only improved operation but also fostered improvement mindset, which led to the development of literacy regarding a fundamental reform. On the other hand, the core of the internal DX is promotion of Enterprise Resource Planning (ERP) and renewal of the core system. All business activities are ultimately linked to the core system, and the Group is currently replacing the legacy core system with a next generation system adaptable to changes. So, once it is completed, we will introduce the latest DX across the Group and reinforce the efforts to meet global standard.

Lastly, please tell us about your future plans in DX.

Azusawa: We will continue to respond to environmental changes in society including customers and strive to enhance our services to become a “more accommodating” company that can support decisions of customers in the entire supply chain. In terms of ESG initiatives, we aim to increase corporate value through efforts to further quantify and visualize non-financial value with internal DX and let our stakeholders know about our social value creation.

Itotani: I think the Group was selected as a “DX Certified Operator” and “DX Stock 2022” because the successful practical applications in society of “SSCV” and “SCDOS” were recognized and gained attention. DX initiatives are precisely what we should do, and we hope to spread them until DX becomes a “standard” for everyone. And then, we will also work to link such initiatives to the creation of customer and social values.

Sakurada: As I mentioned earlier, I don’t want DX to end in sporadic initiatives by individual companies, so I hope to see DX improving efficiency of the entire supply chain in real sense through social implementation. To that end, we first need to promote a full-scale DX in the Group. Specifically, we will incorporate all of our accumulated expertise on sites in RCS, establish a model through collaborative innovation with material handling manufacturers, and offer it to more customers and cargo owners.

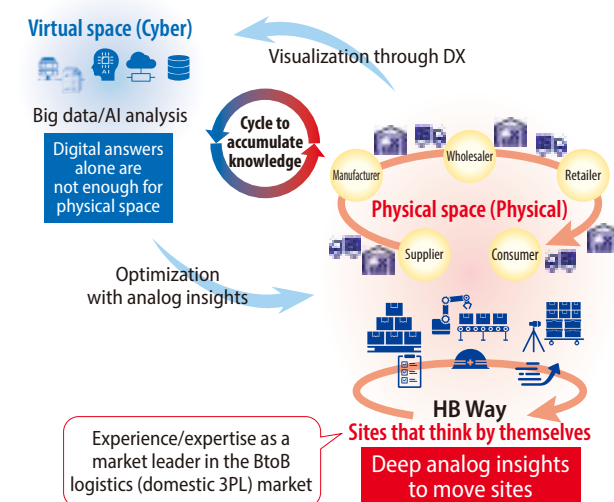
Murakami: As I’m working closely with sites, I hope to spread DX initiatives including optimization technology and automated/labor-saving equipment, to group companies in Japan and overseas and make “Gemba” Power even stronger. At the same time, I also hope to achieve the center operation not dependent on humans, always keeping in mind to create safe and secure logistics centers for employees who actually work there, and create customer and social values.

Fang: I think there will be more opportunities to use the simulation technology in the future, so I will increase human resources capable of using it. Also, the simulation technology is now used as a stand-alone function, but I hope to spread it by installing it in Resource Control System (RCS) as a standard function and make it a tool that is accessible to workers at sites and offers better logistics services to various customers.

Yanagisawa: My plans and visions about DX are the same as others. Our department will provide cross-organizational support to the Group’s DX from the IT perspective. Various DX initiatives are currently underway within the Group, and I hope to contribute to the Group’s growth by continuing to accumulate expertise and insights on site operation through cross-organizational support and provide higher value-added services.



Cyber Physical System (CPS)



3PL Business (Domestic)

For logistics operation at any stage of customers' supply chain and its peripheral operations, we provide a comprehensive outsourcing service and excellent IT/technological capabilities to support it to improve service quality and logistics efficiency. As a leading 3PL company, we provide the best logistics solution by drawing on our abundant experience and consulting capabilities and comprehensive infrastructure, as well as always lead the industry evolution by continuing to work with customers and partners to promote collaborative innovation through installation of the next-generation logistics technology using the latest technology.

Positioning of the HTS Group in the Market

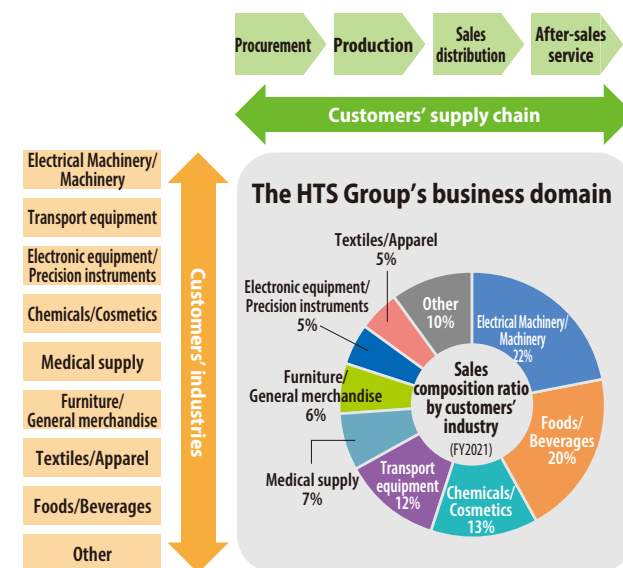
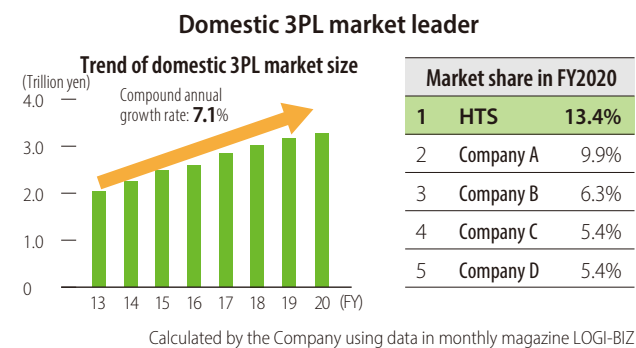
As a market leader in the ever-expanding domestic 3PL market, the HTS Group comprehensively undertakes logistics operations of customers in a wide range of sectors and industries (see chart on the right). We are a pioneer of 3PL and have been providing service since the 1980s. We support supply chains in Japan with our proposal capabilities backed by abundant experience and management capabilities offered by professionals with deep customer knowledge.

Major Services

- Procurement logistics:** We provide a comprehensive service from picking up purchased products to acceptance inspection, storage, and supply. Our high value-added services include VMI^{*1}, assembly/painting of parts, and delivering to production lines.
- Production logistics:** We undertake various logistics operations in the manufacturing process including management, packaging, and shipping of materials and products. Our packaging professionals provide optimal packaging solutions according to product features and logistics conditions.
- Distribution logistics:** We provide comprehensive support from the supply chain design stage, including a review of site allocation and inventory level. We support customers to expand orders received and sales through high-quality and highly efficient logistics design and operation making full use of the latest technology.
- Solutions:** We provide a number of high value-added solutions such as services integrating logistics and CE^{*2}'s skills for ICT equipment and collaborative logistics services for hazardous/chemical products.

^{*1} VMI: Vendor Management Inventory

^{*2} CE: Stands for customer engineers who configure and perform operation check of ICT equipment



FY2021 Result

Results

Revenues:

¥366.0 billion (YoY -¥2.2 billion)

Operating income:

¥22.14 billion (YoY -0.99 billion)

New Orders/New Startups

New Orders: 14 projects

New Startups: 13 projects

FY2021 Topics

- April 2021:** Acquired a patent for "Resource Control System (RCS)" to achieve highly automated command functions in logistics centers → **P49-54**
- May 2021:** Selected as a "DX Certified Operator" by METI of Japan
- July 2021:** Received "Advanced Technology Award" at the 22nd Logistics Environment Awards
- September 2021:** Co-awarded "METI Minister's Award," and "Technical Packaging Award" at the Japan Packaging Contest 2021 → **P81**
- September 2021:** Started a joint verification experiment to coordinate truck transportation with AI-equipped automated forklifts → **P36**
- November 2021:** Received the "Award of Modal Shift Initiative Excellent Business Operator (effective usage category)" in 2021" → **P82**

Examples of LOGISTEED2024 Priority Measures

Expand Value-added Services (VAS) in Boundary Domain Between Manufacturing and Logistics

With an aim to "expand business domains with new added value (accelerate LOGISTEED)" as set forth in priority measures in the Mid-term Management Plan, we are working to further increase business value by expanding domains.

We will provide VAS by focusing on enhancement of value creation in the boundary domain between manufacturing and logistics using experience and expertise in factory logistics gained through many years of our services for manufacturing customers including the Hitachi Group and transport equipment manufacturers.

Examples of VAS for manufacturing customers

Procurement logistics/VMI

Placement of raw materials/parts orders, VMI warehouse operation, proposal of materials, pickup/milkrun, and JIT delivery

Manufacturing support

Inspection, equipment maintenance, assembly, packing mode change, painting, product disassembly for transport, repair, and process management

Packaging solution

Development of special packaging material, packaging test, and packaging material procurement management

In addition to general logistics services, we also provide logistics-related services in a one-stop process, including placing orders in procurement logistics, operation of VMI warehouse, parts delivery before feeding to production line, assembly and inspection in the manufacturing process, and packaging design. For example, in the logistics center for a leading machinery manufacturer, the Group contributes to optimizing the customer's cost and delivery time by undertaking a series of processes to turn unpainted parts received from a supplier into maintenance parts ready for delivery, including painting, packaging, and packing.

As a partner throughout the customers' supply chain strategy, we will further enhance value creation beyond logistics.



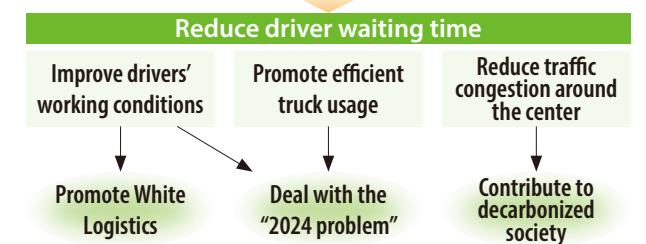
Painting of parts for a machinery manufacturer

Develop/Introduce a Unique Truck Loading Dock Booking Management System

We set forth "Evolve Smart Logistics" and "Solidify ESG management base" as priority measures in the Mid-term Management Plan and are working on initiatives to enhance creation of economic and social values through our businesses. For example, we endorsed the "White Logistics" movement and are working on the development and introduction of an original truck loading dock booking management system linked to Warehouse Management System (WMS), etc. Booking and allocating loading dock for truck loading at our logistics center can reduce waiting time and traffic congestion and also improve drivers' working conditions and truck usage efficiency and reduce CO₂ emissions.

The feature of the system we are developing and introducing is that, in addition to having general functions, it is also capable of linking data with existing WMS and vehicle assignment systems, enabling more efficient operation as well as practical and detailed visualization/analysis by integrating information on cargoes, work, vehicles, and loading dock availability that are usually managed separately.

We have already completed the development/ introduction and verification for a model site and plan to complete the introduction to major sites of domestic group companies by FY2023 to prepare for so-called the "2024 problem".



Message from the officer in charge

We will further enhance DX, LT, and "Gemba" Power, the strengths of our 3PL business, to increase our business value. While we aim to deliver greater economic value to customers by using digital technology to visualize and solve supply chain issues and offering VAS through physical measures, we will also further evolve Smart Logistics to enhance creation of economic and social values through our business, including addressing the "2024 problem" and contributing to a decarbonized society.

Kazuhiro Nishikawa

Vice President and Executive Officer
Executive, Higashinippon Area Headquarters,
Higashinippon Area Management Headquarters



3PL Business (Overseas)

Since the expansion into Singapore in 1976, the HTS Group has been expanding internationally, with a global network of 435 sites in 28 countries and regions (excluding Japan) as of March 31, 2022.

Under the policy to become a leading 3PL company in Asia set in the Mid-term Management Plan “LOGISTEED2024” and then to become a global leader by FY2030, we will support our customers’ supply chain strategies with a wide range of services.

FY2021 Result

Results (overseas)

Revenues:

¥268.7 billion
(YoY + ¥82.5 billion)

Operating income:

¥12.34 billion
(YoY + ¥2.74 billion)

New Orders/New Startups

New Orders: **7 projects** New Startups: **9 projects**

Examples of LOGISTEED2024 Priority Measures

Europe Expand service area of intermodal business

Mars Logistics Group in Turkey continues to act with an understanding of doing business that respects the nature by investing in environmentally friendly intermodal (multimodal) and railway transportation.

In 2021, it invested approximately 10 million Euros to purchase 90 railway wagons and opened the Halkali (Turkey) – Kolin (Czech Republic) railway line and also significantly increased the number of trips on direct intermodal lines for Germany and Czech Republic. As intermodal and railway transportation are sustainable and reliable service fit for high amount of mass transportation, Mars Logistics offers environmentally friendly solutions by expanding these services.



Message from local leadership

After starting the Turkey-Italy-Luxembourg line in 2012, we continued our environmentally friendly intermodal transportation investments with Turkey-Germany and Turkey-Czech direct intermodal lines. We opened a new page in our environmental solutions with these large investments in our wagons in 2021, and we will continue our Green Logistics investments under LOGISTEED2024 by continuing our feasibility studies for new lines.

Garip Sahillioğlu

CEO
Mars Lojistik Grup Anonim
Sirketi



China Evolve into the next-generation logistics through accelerated automation/labor-saving

In China, the environment surrounding the logistics business is drastically changing, giving rise to issues such as labor shortages and supply chain disruptions.

In China, where the development of automation/labor-saving equipment is advanced, our subsidiary has aggressively implemented such equipment and aims to quickly realize the next-generation logistics sites that address social issues and are not dependent on human labor. It has already installed new technologies mainly in such processes as delivery and processing for distribution and made achievements. In addition, it is focusing on improving the sustainability of logistics and making supply chain more resilient by providing high value-added services such as visualizing potential issues through DX.



Message from the officer in charge

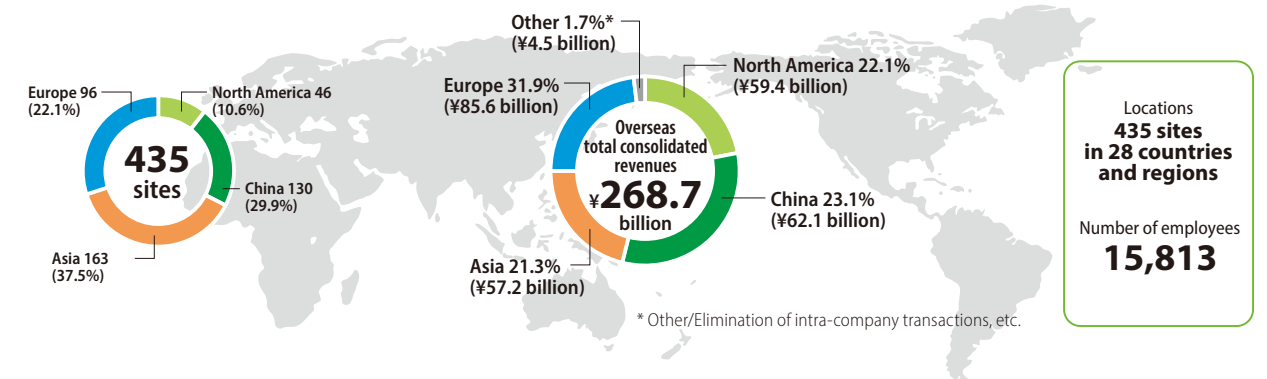
As the Group operates large 3PL and freight forwarding businesses in China, experiencing the impact of COVID-19 on our business activities made us realize once again the importance of resilient, sustainable logistics services. Going forward, to contribute to our customers and society, we will increase investment in and enhance automation, labor-saving and DX, demonstrate “Gemba” power, one of our strengths, more than ever, and strengthen business platform by improving safety, quality, productivity, and work environment while focusing on reducing environmental load.

Koji Kawakita

Chief Executive for China
(President, Hitachi Transport System
System (China), Ltd.)



Revenues by overseas region and no. of overseas sites (FY2021)



Locations
435 sites
in 28 countries
and regions

Number of employees
15,813

North America Further expand the Shared Milkrun business

Carter Logistics, engaging mainly in auto parts logistics and transportation in the U.S., is recognized by its customers as a top service provider for cross-docking production parts and transportation of service and production parts.

The Shared Milkrun, the core service of the company, is a business model that embodies priority measures of “LOGISTEED2024” by achieving maximization of trailer cubes, increased delivery efficiency to customers, and reduction of the carbon footprint simultaneously. We expect an increase in demand for such business models amid soaring supply chain costs and we will meet customer needs through the growth of the company’s Shared Milkrun business.



Message from local leadership

The Supply Chain marketplace in North America is characterized by a shortage of truck drivers and equipment, resulting in inflated operation costs. We have built a good relationship with our core customers over the years, and we are confident that with these partnerships we will maintain business growth and achieve the Mid-term Management Plan by continuing to offer high-quality, valuable services at an optimal cost.

Jessica P. Warnke

President & CEO
Carter Logistics, LLC



Asia Expand investment mainly in India, Thailand, Indonesia, and Malaysia

The HTS Group plans to increase investment in Asian region where steady economic growth is expected. In India, one of the key countries, we purchased approximately 90,000 m² of land in Mumbai and started construction of a warehouse in April 2022. In India, we will also construct warehouses in Chennai, Delhi, and Bangalore to establish a system to provide one-stop service including global and domestic logistics. Our plan also includes a construction of a warehouse and installation of automation equipment in Thailand, site expansion in Indonesia, expansion of a warehouse for chilled/frozen products, and increase in the number of vehicles to meet expanding demand for cold chain solutions in Malaysia.



Message from the officer in charge

To realize the vision to “become a leading 3PL company in Asia,” we will steadily and promptly carry out specific initiatives under the growth strategy and backcasting approach. In addition, to prepare for the post-COVID-19 era, we will pursue value creation with partners in various sectors and industries to offer optimal solutions to customers’ global supply chain becoming sophisticated and complicated, mainly in Asia which is evolving from the production area for the world to the biggest consumer market.

Ryuichi Honda

Executive Officer
Chief Executive for Asia
President, Hitachi Transport System
(Asia) Pte. Ltd.
Chairman of the board, Hitachi Transport
System Vantec (Thailand), Ltd.
Chairman of the board, Eternity Grand
Logistics Public Co., Ltd.



Freight Forwarding Business

The HTS Group makes full use of its global network and seamlessly connects various transport modes including ocean, air, truck, and rail to provide optimal transport services to customers.

We meet a wide range of global logistics needs of customers including one-stop logistics service integrating freight forwarding, 3PL, and heavy machinery and plant logistics and operations that require high level of expertise such as agency service for trade administration, service related to exhibitions and overseas events, and trade agreement consultation.

FY2021 Result

Revenues (round amount):

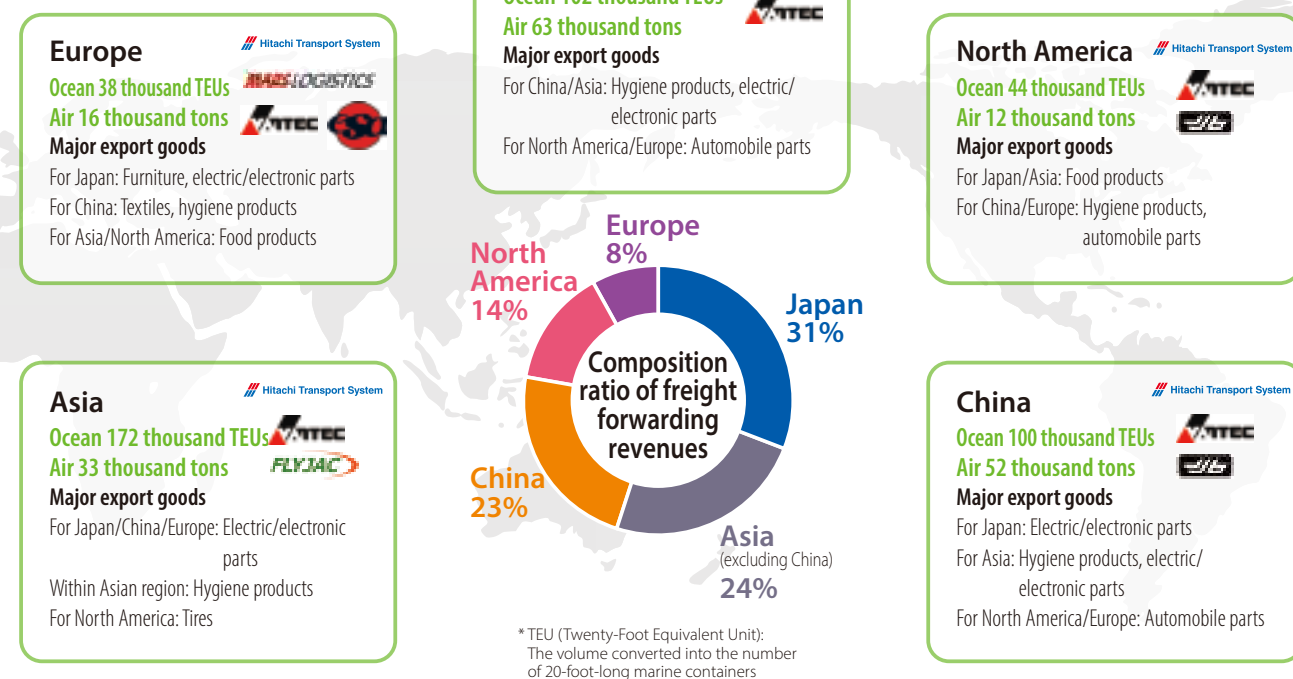
¥169.6 billion

Freight forwarding volume (round amount):

Ocean transportation 455 thousand TEUs* Air transportation 176 thousand tons

Business outline by region

* Logos of the Group's major freight forwarding operators are shown



Examples of LOGISTEED2024 Priority Measures

To achieve our vision to "become a leading 3PL company in Asia," we aim to evolve into our customers' global supply chain strategic partner by providing seamless freight forwarding service with high added value.

To enhance overall business platform, we will expand our global network, the Group's strength, through M&As and collaborative innovation with partners as well as improve operational efficiency of both customers and the Company through DX and promote proposals on optimization of customers' supply chains using accumulated data. In terms of individual businesses, we positioned pharmaceutical and healthcare-related, cross-border EC logistics, and decarbonization-related project freight forwarding as major targets for expansion and will focus on initiatives to invest in and expand these growing domains.

Message from the officer in charge

As the world situation is rapidly changing due to persistent disruptions in international transportation network and supply shortages, we believe it is important more than ever to select the optimal freight forwarding service. The Group will continue to support our customers' supply chains and social infrastructure by steadily promoting network expansion and DX initiatives as well as providing the optimal solution for a diverse range of international transportation needs on a timely manner.

Yuichi Kuroume
President,
VANTEC HTS
FORWARDING, LTD.



Heavy Machinery and Plant Logistics Business

Since its foundation in 1950, we have supported the foundation of society and industries and strived to improve transport technology by providing one-stop logistics services covering from shipping to transportation and installation of heavy products, including power plant, industrial machinery, railway cars, and precision equipment and medical equipment requiring careful handling in Japan and overseas. We will provide total logistics solutions capitalizing on our experiences and expertise we have cultivated over the years to meet a wide range of customer needs and contribute to the development of society.

FY2021 Result

Revenues (round amount included in the reportable segments of Domestic logistics and Global logistics)

¥36.9 billion (YoY + ¥1.7 billion)

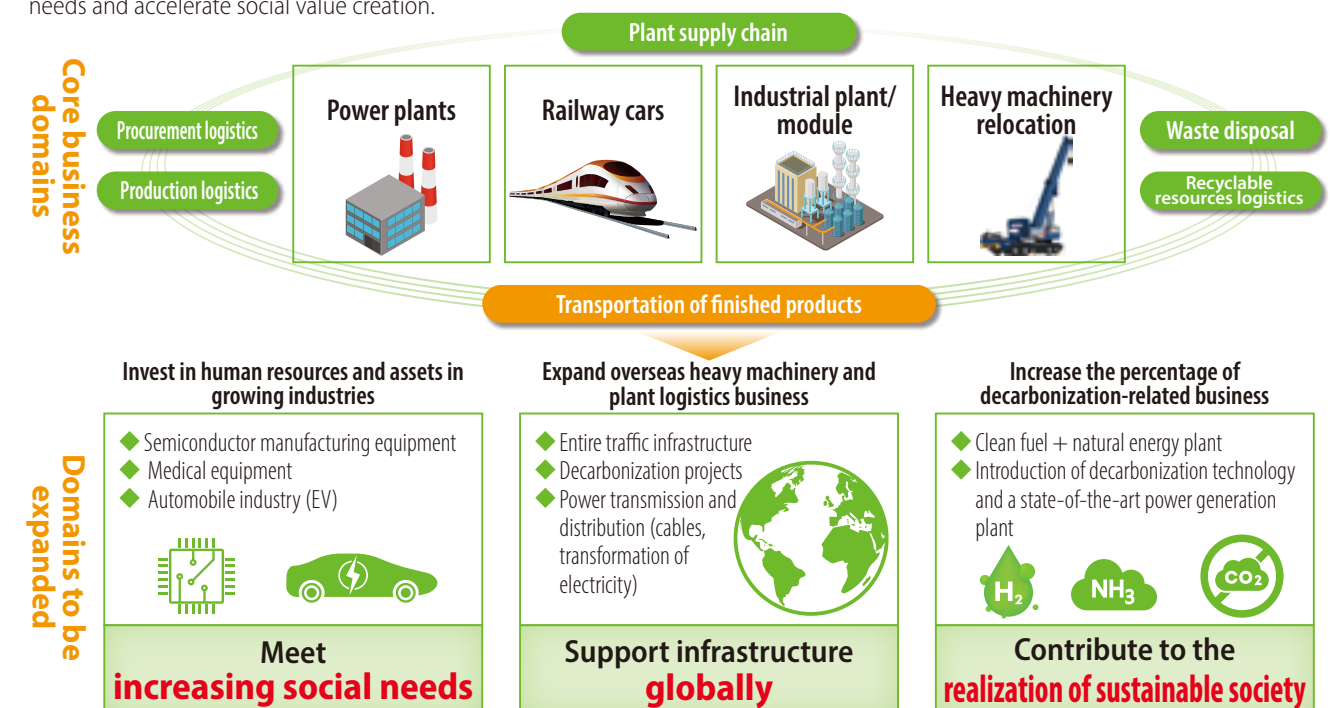
FY2021 Topics

- Transported power plant to the U.S.
- Transported railway cars to Vietnam and Taiwan (ongoing)
- Expanded new energy-related business in Japan (solar, biomass, and onshore wind power) → P84
- Continued transport of toroidal field coil for International Thermonuclear Experimental Reactor (ITER)
- Undertook one-stop transportation of compact modular boilers in Japan



Examples of LOGISTEED2024 Priority Measures

We will further enhance the business domain composed of the technologies cultivated since our founding, around 1,000 full-time employees and dedicated assets as well as take advantage of the strengths to focus on new growing sectors in the social infrastructure industry toward the realization of energy transition and decarbonization, with an aim to provide services promptly meeting customer needs and accelerate social value creation.



Message from the officer in charge

As the social environment surrounding the heavy machinery and plant logistics business drastically changes, the service domains and contents needed by customers are also rapidly changing. To rapidly adapt to these changes, we will further improve "Gemba" Power and proposal capabilities, the foundation of our services, and strive to fully meet customer needs, support customers' business activities, and establish industrial foundation that will help make the world a better place.

Daisuke Hayashi
General Manager,
Heavy Cargo Transport
and Engineering
Headquarters,
Business Management
Headquarters



Board of Directors and Executive Officers/Board of Directors



① Miho Aoki



② Sayoko Izumoto



③ Mitsudo Urano



④ Takashi Nishijima



⑤ Hiroshi Maruta



⑥ Hajime Watanabe



⑦ Hiroaki Takagi



⑧ Yasuo Nakatani

Reasons for the Appointment of Directors

No.	Name	Position	Reasons for the appointment	Age*1	Registration	Independent Officer	Committee			Experience/area of expertise						
							Nominating	Audit	Compensation	Corporate management	Finance/ accounting	Legal/risk Management	DX/IT	Global business	Personnel/ human resource development	Sales/ marketing
①	Miho Aoki	Outside Director	Ms. Miho Aoki served as executive officer in Deloitte Tohmatsu Consulting Co., Ltd. (currently known as ABeam Consulting Ltd.) and held executive positions at various other firms. Based on her abundant experience in company management, she currently works as an associate professor at a university. The Company expects that she can leverage her knowledge and experience for supervising the Company's management and thus contribute to enhancing the function of the Board of Directors.	61	2020	○		○					○	○	○	○
②	Sayoko Izumoto	Outside Director	Ms. Sayoko Izumoto has a long career in corporate accounting at a large audit corporation and has served in various public posts. Ms. Izumoto has sufficient knowledge and experience in the field of audit and supervision of business execution. The Company expects that such knowledge and experience is beneficial for the Company's management and can be of help in enhancing the function of the Board of Directors.	68	2017	○		○	◎*2		○	○				○
③	Mitsudo Urano	Outside Director	Mr. Mitsudo Urano has worked to enhance management efficiency as a top executive in manufacturing and logistics businesses and has experienced a number of positions as an outside officer at various enterprises. As the Chair of the Company's Board of Directors as an independent officer, he is striving to invigorate the Board and enhance the quality of discussions. He also worked on the introduction of the performance-linked stock compensation plan for executive officers, as then-Chair of the Compensation Committee. The Company expects that his excellent business sense and familiarity with various management issues make him qualified to supervise the Company's management and can be of help in enhancing the function of the Board of Directors.	74	2014	○	◎			○			○	○	○	○
④	Takashi Nishijima	Outside Director	After serving as the president at Yokogawa Electric Corporation and holding various executive positions in the Yokogawa group, Mr. Takashi Nishijima currently serves as the chairman of Yokogawa Electric Corporation. The Company expects that his managerial excellence and profound understanding of various management issues make him qualified to supervise the Company's management, which will surely contribute to enhancing the function of the Board of Directors.	64	2020	○	○		○	○		○	○	○	○	○
⑤	Hiroshi Maruta	Outside Director	Mr. Hiroshi Maruta has deep insights in the field of finance and accounting and has extensive experience working overseas. The Company expects that he leverages his knowledge and experience for supervising the Company's management and contributes to enhancing the function of the Board of Directors.	68	2015			◎		○	○		○			○
⑥	Hajime Watanabe	Outside Director	Mr. Hajime Watanabe is an attorney at law, who is savvy about international business and trade law. The Company expects that his specialized knowledge and experience are appropriate for supervising the Company's management helpful to enhance the function of the Board of Directors.	62	2020	○		○			○		○			○
⑦	Hiroaki Takagi	Director	Since joining the Company, Mr. Hiroaki Takagi has been engaged in domestic sales and global business mainly in China, accumulating extensive experience. Since April 2016, he has successfully executed the growth strategy in the global business as Chief Executive for China. He assumed office as President and Chief Operating Officer in April 2022, and the Company has determined that his wide-ranging business experience and insight and leadership make him qualified as a director who can contribute to the increase of its corporate value.	59	2022					○			○	○	○	○
⑧	Yasuo Nakatani	Director	Since his assumption of office in June, 2013 as Representative Executive Officer, President and Chief Executive Officer and Board Director, and in April, 2022 as Representative Executive Officer, Chairman and Chief Executive Officer and Board Director of the Company, Mr. Yasuo Nakatani has been exercising strong leadership in building the Group's value creation process as well as enhancing the economic, social, and environmental values. In the pursuit of our vision to become “the most preferred global supply chain solutions provider,” the Company has determined that Mr. Nakatani has the competence to promote the Company's global business management and ensure continued increase of its corporate value.	66	2013		○		○	○			○	○	○	○

*1 As of June 23, 2022 *2 ◎ Chair

Board of Directors and Executive Officers/Executive Officers

(As of September 30, 2022)



Yasuo Nakatani^{*2}

Representative Executive Officer
Chairman and CEO



Hiroaki Takagi^{*2}

Representative Executive Officer
President and COO



Takashi Jinguji

Executive Vice President
and Executive Officer



Nobukazu Hayashi

Executive Vice President
and Executive Officer, CFO

General Manager, Corporate Strategy Office
General Manager, Project Management Office



Seiki Sato

Senior Vice President
and Executive Officer

General Manager, Business Management Headquarters



Kazuhisa Hatakeyama

Senior Vice President
and Executive Officer

Executive, Nishinippon Area Management Headquarters



Toru Watanabe

Senior Vice President
and Executive Officer

General Manager, Safety and Quality Control Management Office
Deputy General Manager, Corporate Strategy Office



Kenji Abe

Vice President and Executive Officer

General Manager, Business Development Headquarters, Business Management Headquarters



Kazuhisa Sakaguchi

Vice President and Executive Officer

Executive, Nishinippon Area Headquarters, Nishinippon Area Management Headquarters
(President and Representative Director, Hitachi Transport System West Japan Co., Ltd.)



Kiyoshi Nagao

Vice President and Executive Officer

General Manager, Logistics Solution Business Development Headquarters, Business Management Headquarters



Kazuhiro Nishikawa

Vice President and Executive Officer

Executive, Higashinippon Area Management Headquarters
Executive, Higashinippon Area Headquarters, Higashinippon Area Management Headquarters



Shunsuke Yonekura

Vice President and Executive Officer

General Manager, Information and Communication Technology Strategy Headquarters
General Manager, Information Security Office
Deputy General Manager, Transport Business Enhancement Project Team, Business Management Headquarters
(President and Representative Director, Hitachi Distribution Software Co., Ltd.)



Kenichi Iyoku

Executive Officer

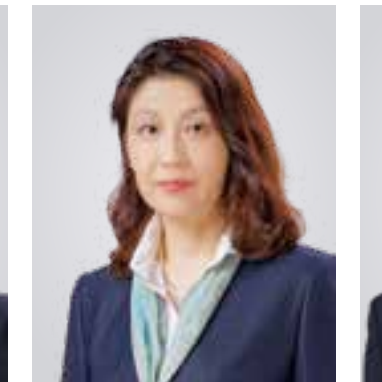
Executive, Metropolitan Area Headquarters,
Higashinippon Area Management Headquarters



Takaki Sebe

Executive Officer

General Manager, Human Resources & Business Support Office



Junko Takata

Executive Officer

General Manager, Global Business Management Headquarters
Chief Executive for North America
General Manager, AEO & Corporate Export Regulation Office



Hiroshi Nakamura

Executive Officer

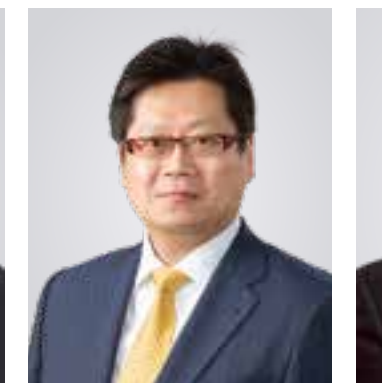
Executive, Chubu Area Management Headquarters,
Nishinippon Area Management Headquarters
(President and Representative Director, Hitachi Transport System Central Japan Co., Ltd.)



Riichiro Hirano

Executive Officer

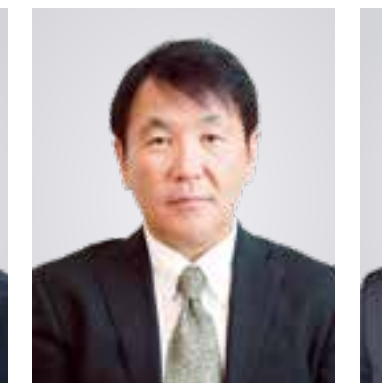
Chief Executive for Europe
(President, Hitachi Transport System (Europe) B.V.)



Hitoshi Honda

Executive Officer

General Manager, Financial Strategy Office



Ryuichi Honda

Executive Officer

Chief Executive for Asia
(President, Hitachi Transport System (Asia) Pte. Ltd.)
(Chairman of the board, Hitachi Transport System Vantec (Thailand), Ltd.)
(Chairman of the board, Eternity Grand Logistics Public Co., Ltd.)



Tetsuji Mimura

Executive Officer

General Manager, Collaborative Innovation Project Team
Deputy General Manager, Business Development Headquarters, Business Management Headquarters

*1 Listed in Japanese alphabetical order by title *2 Concurrently serve as Board Director



Profile of Board of Directors and Executive Officers are available at the Company's website.

<https://www.hitachi-transportssystem.com/en/ir/corporate/officer/>

Corporate Governance

Basic Principle

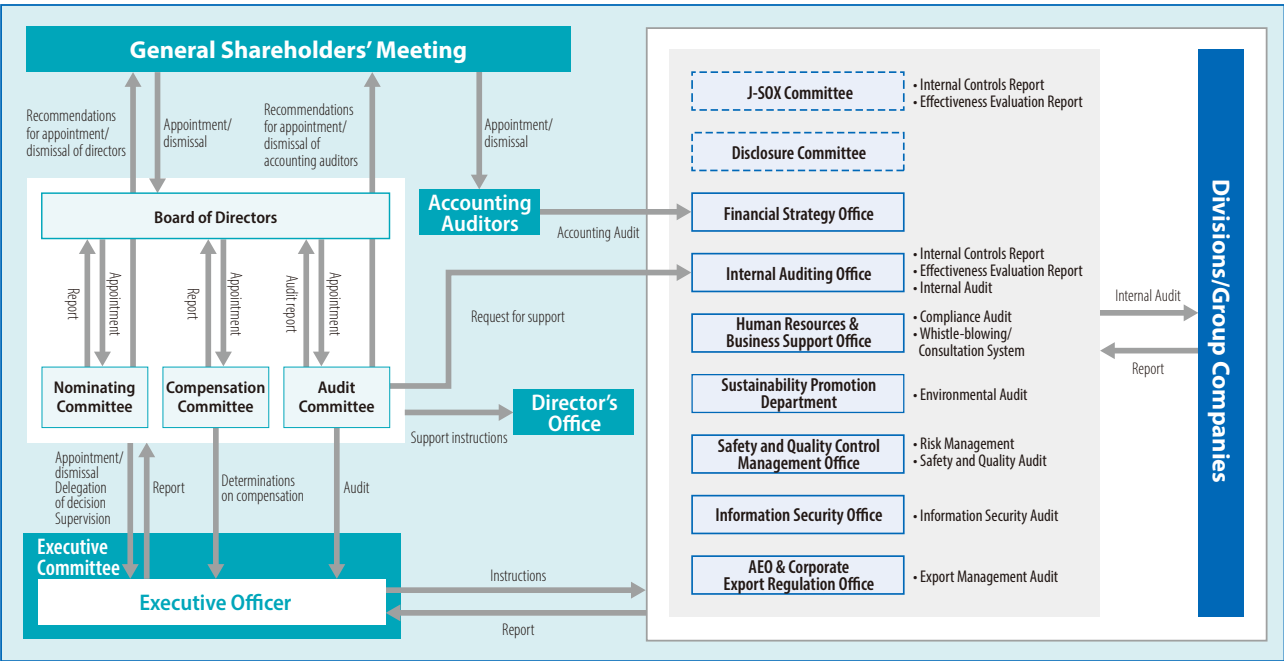
At the HTS group, we consider corporate governance to be key to realizing even greater management transparency and efficiency, as well as ensuring that our business is carried out with compliance and in accordance with correct corporate ethics. By extension, the crux of corporate governance lies in increasing corporate value and sustainable development. Rooted in this basic policy, we have adopted a corporate governance structure capable of responding deftly to changes in the business environment as well as boosting soundness and transparency—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 Committee. The result is rapid decision-making and implementation on initiatives such as restructuring and strategic investment. In addition, because we believe that considering the objective opinions of many outside directors facilitates both monitoring and transparency of management, we have also established three committees overseeing nomination, auditing, and compensation respectively.

Measures to Enhance Corporate Governance Implemented in the Past

Measures		Purpose
2003	Transitioned to a Company with Committees (established Nominating Committee, Audit Committee and Compensation Committee)	To strengthen management supervision function of the Board of Directors
2014	Developed Criteria for Independence of Outside Directors	To secure independence of directors
	Appointed a female director	To diversify the Board of Directors
2015	Transitioned to a Company with a Nominating Committee, etc. System	To comply with the amended Companies Act
	Responded to the Corporate Governance Code	To strengthen governance
	Established Corporate Governance Guidelines of Hitachi Transport System	
2016	Evaluated the effectiveness of the Board of Directors	To strengthen functions of the Board of Directors
2017	Appointed the second female director	To diversify the Board of Directors
2019	Evaluated the effectiveness of the Board of Directors by a third-party assessor	Ensured the neutrality and objectivity of the evaluation of the Board of Directors' effectiveness
2020	Appointed the third female director (accumulated)	To diversify the Board of Directors
	Appointed an outside director as Chair of the Board of Directors	To strengthen functions of the Board of Directors

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.

Primary roles of the Board of Directors and the Committees (FY2022)

Board of Directors	Determines basic management policies, etc. and supervises the execution of duties by directors and executive officers Also passes a resolution by 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, the Articles of Incorporation and the Board of Directors regulations	Male 6 Female 2
Nominating Committee	Elects candidates for director Elects appropriate candidates, considering all relevant factors including their past performance and personality	Male 3 Female 0
Audit Committee	Performs audits of directors and executive officers' business implementation and prepares audit reports 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 corporate governance system to maintain social trust.	Male 2 Female 2
Compensation Committee	Determines compensation levels, 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	Male 2 Female 1

Primary roles of Executive Committee (FY2022)

Executive Committee	Deliberates on important issues related to business implementation Comprised of executive officers and persons specifically nominated by the Chairman and CEO or the President and COO, and deliberates /reports basic policies on business management, financial results, and business plans, etc.	Male 19 Female 1
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Appointment and dismissal of officers

Candidates for directors are selected at the Nominating Committee and appointed at the General Shareholders' Meeting. Regarding candidates for senior management members (executive officers), the Nominating Committee prepares a list of candidates and submits it to the Board of Directors for appointment. The policy of appointment and dismissal of CEO and the composition of the Board of Directors and independence of outside directors to be considered in selecting candidates for directors are specified in the Corporate Governance Guidelines of the Company.

Corporate Governance Guidelines
<https://www.hitachi-transportssystem.com/en/profile/csr/governance/cg/>

Responded to the Corporate Governance Code

HTS complies with all principles of the Corporate Governance Code including those for the Prime Market. For details, please visit "Corporate Governance Report" on the Company's website.

Policy on 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 increase of corporate value. Under such policy, of 26 issues held, we sold all shares of 14 issues in March 2016, one issue in October 2016 and one issue in June 2017, and we purchased one issue in March 2019; and as a result, we held 11 issues of shares as of March 31, 2022. As of March 31, 2022, 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 every year whether to continue holding those shares from the viewpoint of the criteria for investment assessment (ROE, dividend payout ratio, and impairment risk, etc. of individual issues) and the criteria for business assessment (revenues from direct transactions with HTS, comparison with the capital cost of core businesses, credit information by third party agencies, and compliance, etc.).

• Exercise of voting rights

HTS exercises its voting rights from the perspective of its medium-to-long-term sustainable growth and increase of corporate value.

Succession plan

The Company has had in-depth discussions about a succession plan at the Nominating Committee and the Board of Directors. Appropriate supervision is conducted through decisions by President and Chief Operating Officer and business reporting and evaluation by executive officers at the Board of Directors.



For the development of the next-generation management members, the Company regularly selects and develops candidates, and holds discussions at the Nominating Committee. For President and Chief Operating Officer, we select candidates from the next-generation management member candidates based on the president job description (JD), give each candidate different challenges appropriate to their respective issues which they need to overcome to grow, allow them to gain experience, and evaluate and develop them taking into account the advice, etc. from the Nominating Committee.

Corporate Governance Report
<https://www.hitachi-transportssystem.com/en/profile/csr/pdf/20220624CGe.pdf>

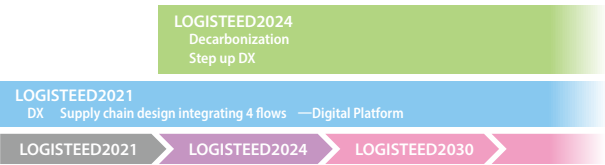
Policy on cross-shareholdings
<https://www.hitachi-transportssystem.com/en/ir/stock/shareholdings/>

Corporate Governance

● **Initiatives for intellectual property governance**

• **HTS's policy on investment and utilization strategies for intellectual property and intangible assets**

In the previous Mid-term Management Plan "LOGISTEED2021," we launched new solution businesses such as "SCDOS," "SSCV," and "Recovice" with the aim of designing a supply chain that unifies the four streams of "Finance, Commerce, Logistics, and Information," working to optimize customers' businesses and solve issues. The Group believes that intellectual property is an important management resource and provides standard protection for new service solutions or business models through the acquisition of industrial property rights including patents. In addition, we will consider protecting and adding high value to data accumulated in the course of our logistics activities, including the protection/utilization of such data to promote strategies capitalizing them on game change. In the Mid-term Management Plan "LOGISTEED2024," by focusing on "Gemba" Power, we will work on visualizing DX, LT, and "Gemba" Power as intangible assets to promote the creation/utilization of further value.



• **Specific initiatives for intellectual property /intangible assets governance**

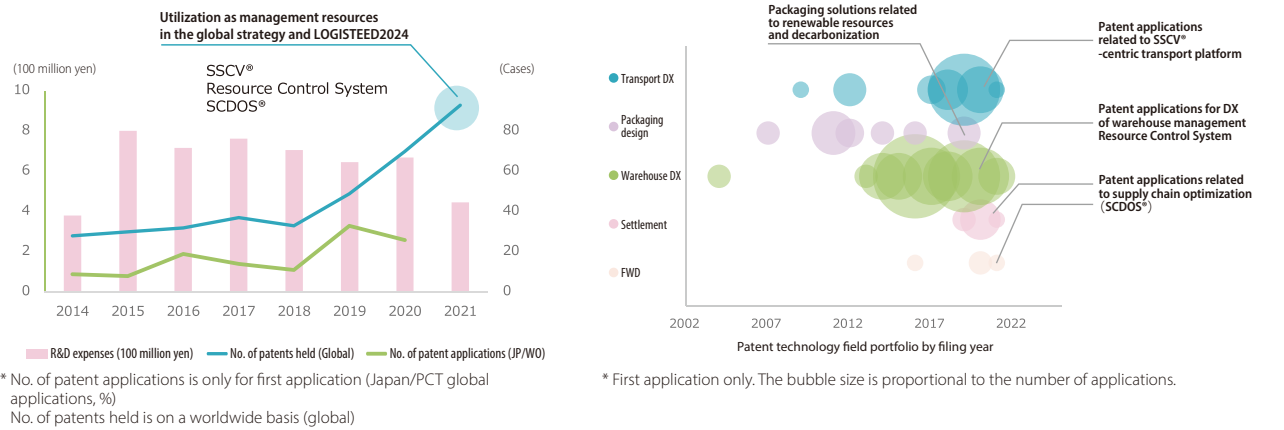
The Group will (1) understand the current situation, (2) create scenarios for decarbonization and reduction of environmental load, (3) formulate a business plan for "game change," (4) acquire intellectual properties/ intangible assets, (5) disclose necessary information, and (6) continuously implement intellectual property governance. Regarding (5), we will announce as soon as it is decided.

• **Policy on the positioning of material issues**

Based on the environmental awareness of "LOGISTEED2024," we are visualizing CO₂ emissions and creating inventions related to decarbonization initiatives. In order to Step up DX from the DX that we have promoted so far, we will conduct necessary surveys and secure the Group's intellectual properties/intangible assets. In addition, we will conduct trend surveys, benchmarking, IP landscaping, etc. from a global perspective, and take necessary measures to expand our business domains.

• **Group's current status**

In Smart Logistics®, we have promoted DX centered on 3PL, our core business, and have accumulated knowledge and expertise through "task analysis of the customers' supply chain" and "design and proposal for advanced operation." In line with the results of our research with Hitachi, Ltd., our patent applications in the DX field have increased since 2014. In recent years, we have focused on acquiring patents on on-site DX, new businesses/business models, and applications for business-related inventions accounted for more than 85% to the Group's total applications.

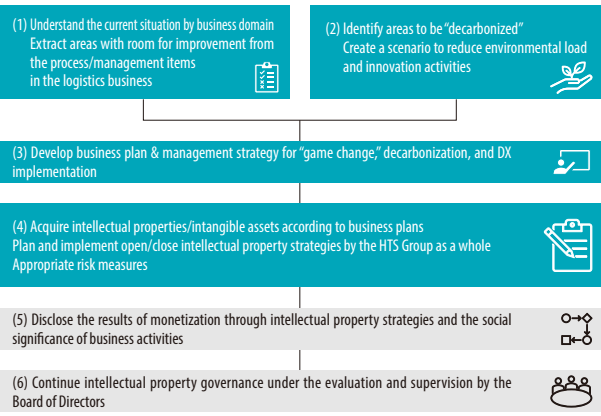
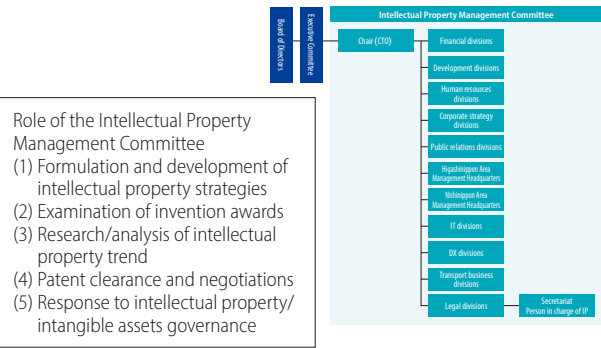


* No. of patent applications is only for first application (Japan/PCT global applications, %)
No. of patents held is on a worldwide basis (global)

* First application only. The bubble size is proportional to the number of applications.

• **Intellectual property management system**

The Intellectual Property Management Committee is established as a decision-making body on intellectual property strategy/ management, which supervises the Group's intellectual properties in a cross-organizational manner. In line with the revision of the Corporate Governance Code in June 2021, we will consider evaluation/supervision by the Board of Directors, etc. in the future.

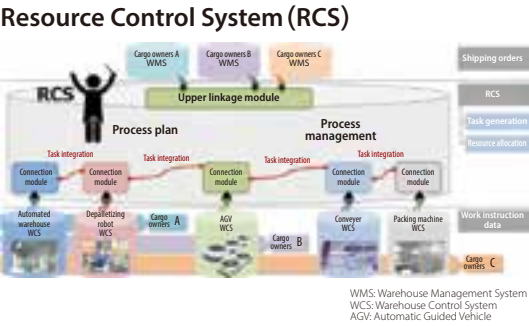


• **Value creation related to intellectual property strategy-1**

Resource Control System (RCS)

Patent No. 6876108 "Work Planning System and Work Planning Method"

Resource Control System (RCS), which brings together the expertise/knowledge of automation/labor saving, is a system for total optimization based on data prediction and simulation (orchestration). In the 3PL business, our core business, including the Resource Control System (RCS), we plan highly productive warehouse operations in the process of promoting DX in warehouses and in the process of incorporating automated/labor-saving equipment. The Group considers such warehouse operation design to be an important intellectual property and asset, and applies for a patent for necessary technologies as business-related inventions. We will accumulate and inherit intellectual properties and intangible assets that are integrated with our business to further strengthen our 3PL business.



• **Value creation related to intellectual property strategy-2**

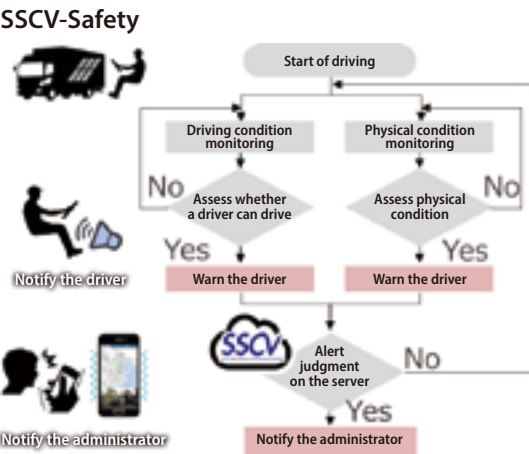
SSCV-Safety*

Patent No. 7025457 "Management Support System"

Patent No. 6714036 "Management Support System"

In 2016, the Group began studying safe driving support technologies aimed at reducing the risk of accidents involving drivers, and has promoted the commercialization of these technologies as "Smart & Safety Connected Vehicle (SSCV)." With regard to SSCV-Safety, in addition to the basic logic shown in the chart, we have a patent-pending process for accident risk estimation logic (based on fatigue), and plan to develop the knowledge obtained in such process into innovation in various fields in the future.

* SSCV-Safety is provided to external parties as a solution service in collaboration with Hitachi, Ltd. and Mitsubishi HC Capital Inc.

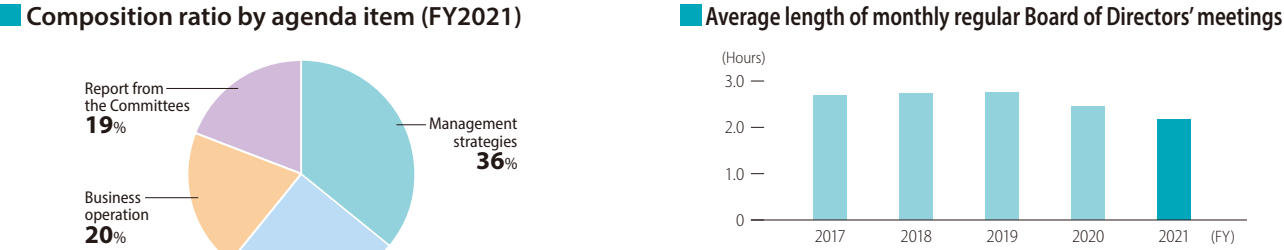


Major Agenda Items and the Reports at the Board of Directors Meeting (FY2021)

The Board of Directors of the Company deliberates mainly agenda items related to management strategies by leaving those related to individual business execution to the executive side. In addition, in FY2020, we improved the efficiency of the Board of Directors meetings by efforts including providing sufficient explanations prior to the meetings* and we have secured sufficient time to discuss themes related to particularly important management strategies.

* For example, since FY2020, an executive officer makes an explanation instead of the secretariat. From FY2021, the monthly business results that were previously reported to the Board of Directors are reported only at preliminary briefings.

Major agenda items		
Management strategies	Corporate governance	Business operation
Basic policy - Basic management policy - Next Mid-term Management Plan - Progress of LOGISTEED2021	Operation - Proposed agenda for the General Shareholders' Meeting - Evaluation of the effectiveness of the Board of Directors - Corporate Governance Report - Agenda of the Board of Directors (annual plan)	- Collaborative innovation activities - VC activities - Transport Business Enhancement Project - Fire at Maishima Sales Office - Report on execution of duties by Executive Officers, etc.
Management measures - Capital policy - Funding plans (dividend policy, growth investment and borrowings, etc.) - Dividends and method of surplus appropriation - Business investments - Cancellation of treasury stock - Human resource strategy - Promotion of Diversity - Enterprise Risk Management (ERM) - Climate change and other sustainability - Digital transformation - Cybersecurity measures - Quality assurance - Topline expansion projects - Restructuring (Transformation)	Organization - Appointment of Executive Officers - Appointment and notification of independent officers - Conclusion of a limited liability agreement - Conclusion of D&O insurance - Selection of members of the Special Committee	Report from the Committees Reports from the Nominating, Audit, and Compensation Committees
Financial results, etc. - Financial results - Approval of financial statements and business reports - Annual securities reports - Revision of management WACC	Measures - Compliance - TSE market selection - IR activities - Making judgement on continuation of cross-shareholdings	



Corporate Governance

(Analysis and Evaluation of Effectiveness of the Entire Board of Directors, and the Result)

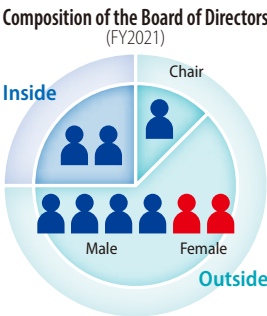
Results of Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company, pursuant to Article 4, Section 7 “Board Self-Evaluation” of its Corporate Governance Guidelines, evaluates the effectiveness of its Board of Directors (BOD) annually. To evaluate the BOD’s effectiveness for the fiscal year ended March 31, 2022 (FY2021), the Company first asked all its directors to complete a questionnaire survey and then reviewed the results, with a focus on addressing the identified issues and the need to improve the BOD’s operation. For the fiscal year ended March 31, 2020 (FY2019), the Company, in addition to conducting a self-assessment of the BOD, engaged Japan Board Review Co., Ltd., a third-party assessor, to conduct an impartial and objective evaluation of the BOD for the first time. The Company intends to retain an independent assessor to evaluate its BOD every third year. Results of the self-assessments by the BOD and the three Committees for FY2021 are as follows:

Self-Assessment by the BOD

Six of the nine BOD members are independent outside directors, two of whom are women. The BOD comprises a certified public accountant, a scholar, two lawyers, and other members with a wealth of professional expertise and experience in a diverse range of fields such as corporate management, finance, and accounting. BOD meetings convened during FY2020 were chaired by one of these independent outside directors. Matters to be deliberated at each BOD meeting were proposed by the Chair, based on an annual plan resolved by the BOD at the beginning of the fiscal year as well as on the results of each Executive Committee meeting that the Chair attended throughout the year. Matters deliberated at BOD meetings during FY2021 consisted of management strategies (36%), corporate governance (25%), and business operation and others (39%), which reflected the BOD’s decision to

spend less time making and approving decisions on specific business actions and spend more time discussing in depth the Company’s fundamental management issues, based on the results of the BOD’s self-assessment for FY2020. The BOD met 16 times during FY2021. The principle of holding a BOD meeting every month was appropriate, and the annual plan for BOD meetings incorporated prior input from its members and covered all bases. Reflecting the results of the self-assessment conducted for FY2020, the BOD met five times during FY2021 to have preliminary and high-level discussions on updating the Company’s Mid-term Management Plan (MTMP) for FY2022–2024. Prior to the full-member sessions, outside directors provided their expert insights into the following four key initiatives to be incorporated into the MTMP for FY2022–2024: (1) driving the Group’s top-line growth; (2) transforming the Group’s organizational structure; (3) revisiting the Company’s talent management strategy; and (4) implementing DX solutions. The expert opinions and ideas provided by outside directors helped clarify key issues to be deliberated on at the full BOD meetings. Furthermore, outside directors kept in touch with each other via online sessions to exchange ideas as to how the Company can sustain its business growth and increase its medium- and long-term enterprise value.



Self-Assessments by the Three Committees

The self-assessments by the Three Committees are stated on the following page.
■ General Shareholders’ Meeting (Notice of convocation)
<https://www.hitachi-transportsystem.com/en/ir/meeting/>

Attendance record of Board of Directors meetings and Committee meetings in FY2021

Name	Registration	Positions and assignments in the Company in FY2021	Number of attendances for the Board of Directors meetings during FY2021
Independent Officer Miho Aoki	2020	Outside Director Audit Committee 20/20	16/16
Independent Officer Sayoko Izumoto	2017	Outside Director Audit Committee 20/20 Compensation Committee Chair 5/5	16/16
Independent Officer Mitsudo Urano	2014	Outside Director Nominating Committee Chair 6/6	16/16
Independent Officer Takashi Nishijima	2020	Outside Director Nominating Committee 6/6 Compensation Committee 5/5	16/16
Independent Officer Tetsu Fusayama	2016	Outside Director Nominating Committee 6/6	16/16
Hiroshi Maruta	2015	Outside Director Audit Committee Chair 20/20	16/16
Independent Officer Hajime Watanabe	2020	Outside Director Audit Committee 20/20	16/16
Takashi Jinguji	2016	Representative Executive Officer Executive Vice President and Executive Officer	16/16
Yasuo Nakatani	2013	Representative Executive Officer President and Chief Executive Officer Nominating Committee 6/6 Compensation Committee 5/5	16/16

* The colored frames indicate respective Committees with the upper part showing the name of the Committee to which a director belongs or chairs and the lower part showing his/her attendance records during FY2021.

Corporate Governance (Officers’ Compensation, etc.)

Compensation Committee’s Policy and Process for Determining the Amount of Compensation, etc. of Directors and Executive Officers

As the HTS Group positions officers’ compensation, etc. as one of the important pillars underpinning corporate governance, we have in place the following compensation governance to ensure that our officers will work toward our brand slogan “Taking on the Future” and our business concept “LOGISTEED” under our corporate philosophy and operate the compensation program according to our basic policy on the compensation plan for officers to deliberate and decide their compensation, etc.

■ Compensation Governance

● Operation policy, etc. for the Compensation Committee

We are in compliance with the Companies Act pertaining to a company with a Nominating Committee, etc., and stipulate rules on the Compensation Committee as follows.

Functions of the Compensation Committee

The Compensation Committee is responsible for determining details of compensation, etc. of each director and executive officer and shall have the authority of the followings:

- Determine the policies to determine the details of compensation of each director and executive officer
- Select the member of the Compensation Committee who can convene the Board of Directors
- Select the member of the Compensation Committee who reports on the execution of duties by the Committee to the Board of Directors
- Determine the matters delegated by the General Shareholders’ Meeting to decide
- Other matters stipulated by laws and regulations

Size and composition of the Compensation Committee

The Compensation Committee consists of more than three members selected from directors by a resolution of the Board of Directors, with the majority being outside directors.

Operation of the Compensation Committee

- Details of compensation are determined at the level commensurate with the ability and responsibilities required of the Company’s officers, taking into account the compensation level of other companies.
- The Compensation Committee reviews the above policy on a regular basis.

In determining details of compensation, etc. for each director and executive officer of the Company, the Compensation Committee deliberates appropriately based on objective, necessary and sufficient information including recent status of the officers’ compensation, point of discussion, and other companies’ plans while collecting information and seeking advice from external compensation consultants on the basic policy, compensation structure, performance-linked compensation scheme, and individual payments, etc. of our compensation plan for officers. We hire Willis Towers Watson as the external compensation consultant.

● Activity Status of the Compensation Committee in Determining the Compensation Amount for the Recent Fiscal Years

The composition of the Compensation Committee during the process to determine the compensation amount for the recent fiscal years is as follows:

Three members (including two outside directors)
Compensation Committee Chair (outside director) Ms. Izumoto, Director
Compensation Committee Member (outside) Mr. Nishijima, Director

Compensation Committee Member (inside) Mr. Nakatani, Director, Representative Executive Officer, Chairman and Chief Executive Officer

The Compensation Committee meetings to determine the compensation amount for the recent fiscal years were held four times in December 2020, March, June 2021 and May 2022, with the Chair and all members attending in all meetings (attendance rate: 100%). For director compensation, etc. for FY2021, the Compensation Committee deliberated and determined compensation, etc. for each director on June 22, 2021 in accordance with the determination policy, established by the Compensation Committee on December 22, 2020. For executive officer compensation, etc. for FY2021, the Compensation Committee deliberated and determined compensation, etc. for each executive officer on March 26, 2021 and performance-linked compensation for each executive officer on May 19, 2022 in accordance with the determination policy, established by the Compensation Committee on December 22, 2020.

■ Compensation Program

● Basic policy on the compensation plan for officers

Our basic policy on the compensation plan for officers is as follows:

- Ensure that the plan is designed to reflect the evaluation for the Company’s social position while always keeping in mind the corporate philosophy “to deliver high-quality services that will help make the world a better place for people and nature for generations to come”
- Ensure that the plan is designed to reflect the evaluation for aggressive challenges to create “new value” and realize “dynamic growth” based on Smart Logistics and collaborative innovation strategies under our business concept “LOGISTEED”
- Ensure that the plan is designed to appropriately reward highly capable management personnel who can contribute to the Company’s sustainable development and an increase in long-term corporate value
- Ensure that the plan is designed to motivate officers to achieve performance targets, reflect potential risks associated with efforts for such achievement and function as a sound incentive toward the Company’s sustainable growth
- Ensure that the plan is designed to encourage the management to work together toward increasing corporate value and achieving the targets of the company-wide strategies

● Policy on the determination of the composition ratio of performance-linked compensation and other compensation

We determine the composition ratio of performance-linked compensation and other compensation in accordance with the basic policy on the compensation plan for officers. In determining the composition ratio of performance-linked compensation and other compensation, we benchmark our compensation levels against those of peer companies with similar business size based

on the “management compensation database” compiled by the external compensation consultant every year to verify the appropriateness of our compensation levels and then determine the compensation levels, etc. for officers commensurate with the ability and responsibilities, etc. required for each position.

Director compensation, etc.

Director compensation levels are comprised of basic compensation which is fixed monetary compensation. Basic compensation reflects factors such as full-time or part-time service and position and is determined based on the deliberation at the Compensation Committee and is paid at a certain time every month. Directors who also serve as executive officers do not receive additional compensation, etc. as directors.

Executive officer compensation, etc.

Executive officer compensation levels are comprised of a combination of basic compensation and performance-linked compensation (annual bonus and stock compensation) as shown below, and determined by reflecting executive’s performance review in a base amount commensurate with his/her position. Basic compensation is paid at a certain time every month, and annual bonus is paid once a year at a certain time, and stock compensation is paid at a certain time after the evaluation period of three fiscal years.

Overview of composition and payment method of compensation

Composition of compensation	Basic compensation		Performance-linked compensation			
			Annual bonus	Stock compensation		
			Consolidated performance	Division missions	Individual missions	Relative TSR ROE
Payment method	Cash					Share + Cash

The composition ratio of executive officers’ compensation, etc. by type reflects the level of management responsibility with higher ratio of performance-linked compensation for senior officers. The table below shows the ratio of each compensation element by position with basic compensation being 100. The ratio of performance-linked compensation is calculated using the standard amount assuming a 100% achievement of the Company’s performance targets.

Ratio of each compensation element

	Basic compensation	Performance-linked compensation		Basic compensation: Performance-linked compensation
		Annual bonus	Stock compensation	
President	100	50	50	100:100
Executive vice president	100	40~41	40~41	100:80~82
Senior vice president/Vice president	100	30	30	100:60
Executive Officer	100	34~38	14~16	100:48~54

The ratio of performance-linked compensation is calculated using the standard amount assuming an achievement of the performance targets.

KPIs for performance-linked compensation, reasons for selecting KPIs, and method to determine the compensation amounts
Annual bonus

Annual bonus is linked to the achievement level of the consolidated performance targets, division missions, and individual missions for a single year. KPIs and reasons for selecting them are as follows. In evaluating the performance, the payment rate is calculated based on the achievement level of the targets, and the amount calculated using such payment rate is assessed and finalized at the Compensation Committee held after the year-end. The payment rates based on the respective evaluation of the

elements linked to consolidated performance, division missions, and individual missions fluctuate independently between 0 and 2 times, and the amount of annual bonus fluctuates between 0% to 200% of the standard amount determined for each position for a single year.

Composition of annual bonus and KPIs

Elements	Eligible officers	KPIs	Reasons for selection
Consolidated performance	All executive officers	Revenues for a single year	Because it is a financial indicator of the business scale
		Adjusted operating income for a single year*1	Because it is a financial indicator of the results from the main business activities
Division missions	Executive officers in charge of profit centers	Revenues of the division in charge for a single year	
		Adjusted operating income of the division in charge for a single year*1	
Individual missions	All executive officers	Indicators, etc. that do not show up on the financial results, etc.	Because they evaluate management efforts that do not show up on the financial results, such as improvement of the Company’s social position

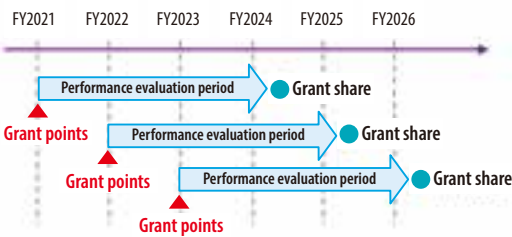
*1 Calculated as “Adjusted operating income=Revenues - Cost of sales - Selling, general and administrative expenses”

Stock compensation

Stock compensation aims to raise executive officers’ awareness to contribute to improving medium-to-long-term performance and corporate value by clarifying the relationship between their compensation and the Company’s performance and equity value to let them share benefits and risks associated with stock price movements with shareholders.

For the evaluation period of three consecutive fiscal years from FY2021 to FY2023, officers are granted the base points (1 point = 1 share) calculated as the standard amount determined for each position divided by the Company’s stock price in the trust before the start of the evaluation period (average of the closing prices in March), and such number of the Company’s common stock as is calculated by multiplying the base points by the share grant ratio reflecting the performance evaluation (the “Company’s Share”) are granted after the evaluation period. When the Company’s Share is granted, approx. 50% of them are sold at the stock market to secure cash for tax payment, and the proceeds will be paid.

Evaluation period



Performance evaluation indicators are the Company’s TSR/TOPIX growth rate and consolidated ROE (ratio of net income to equity attributable to stockholders of the parent company). The reason for selecting these indicators is that the Company’s TSR/TOPIX growth rate directly reflects the result of our efforts to create corporate value, and consolidated ROE is one of our important indicators of our management strategies with the target of over 10% for FY2021 included in the Mid-term Management Plan “LOGISTEED2021.” For the evaluation based on consolidated ROE, a three-year average value is used to evaluate our corporate management which aims to maintain and improve efficiency continuously. A 50% evaluation weight is given to each of the Company’s TSR/TOPIX growth rate

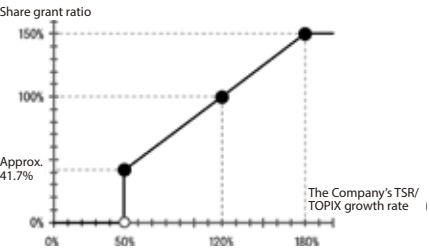
and consolidated ROE for all positions. For performance evaluation, based on the incentive curve of each indicator determined by the Compensation Committee at the beginning of the evaluation period, the Compensation Committee evaluates and finalizes using the share grant ratio calculated based on the achieved results after the three-year evaluation period is over. Executive officers who retired during the evaluation period shall be granted Company’s Share and paid for based on the share grant ratio calculated during their tenure. In addition, executive officers who are not residents in Japan will be paid money in lieu of Company’s Share.

The calculation methods for the Company’s TSR/TOPIX growth rate and incentive curves

The calculation methods for the Company’s TSR/TOPIX growth rate and incentive curves are as follows:

The Company’s TSR/TOPIX growth rate (%) = The Company’s TSR (%)*2/ TOPIX growth rate (%)*3
(Rounded to the nearest percent)

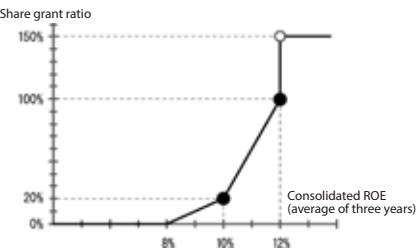
*2 The Company’s TSR (%) = (B+C)/A (rounded to the nearest percent)
A: Average closing price of the Company’s stock at TSE in May 2021 (rounded down to the nearest yen)
B: Average closing price of the Company’s stock at TSE in May 2024 (rounded down to the nearest yen)
C: Total dividend amount per share of the Company’s stock from April 1, 2021 to March 31, 2024
*3 TOPIX growth rate (%) = E/D (rounded to the nearest percent)
D: Average closing value of TOPIX at TSE in May 2021 (rounded to the nearest point)
E: Average closing value of TOPIX at TSE in May 2024 (rounded to the nearest point)
For the purpose of this calculation, we will apply the criteria for TOPIX before the reclassification of the new market segments in April 2022 to ensure consistency at the beginning and end of the evaluation period.



If the performance target for the Company’s TSR/TOPIX growth rate of 120% is achieved, the share grant ratio will be 100%. If the Company’s TSR/TOPIX growth rate is 180% or more, the share grant ratio is the maximum of 150%, and if less than 50%, the share grant ratio is 0%.

Incentive curve of consolidated ROE
(Average consolidated ROE for the period from FY2021 to FY2023)

The incentive curve of consolidated ROE is as follows.



If the consolidated ROE (average of three years) of 12% is achieved, the share grant ratio is 100%. If consolidated ROE (average of three years) is over 12%, the share grant ratio is the maximum of 150%, and if 8% or less, the share grant ratio is 0%.

Compensation amount of directors and executive officers

Relationship between actual compensation and performance
Total compensation amount by officer category and total amount by type of compensation

Total compensation amount by officer category and total amount by type of compensation for directors and executive officers are as follows:

Officer category	Total amount of compensation, etc. (Million yen)	Total amount by type of compensation, etc. (Million yen)			Number of eligible officers (person)
		Fixed compensation	Performance-linked compensation	Non-monetary compensation, etc. included in total	
Directors (excluding outside directors)	—	—	—	—	—
Executive Officer	799	504	295	108	19
Outside Director	109	109	—	—	7

(Note)
1. The number of eligible officers for directors’ compensation, etc. excludes two directors who serve concurrently as executive officers.
2. The compensation is based on the resolution at the Compensation Committee for compensation for FY2021 of directors and executive officers who served from April 1, 2021 to March 31, 2022.
3. The detail of total non-monetary compensation, etc. for executive officers is 108 million yen of performance-linked compensation.

Targets and results of KPI related to performance-linked compensation of the recent fiscal years

Performance-linked compensation of the recent fiscal years are comprised of annual bonuses and stock compensation. However, FY2021 compensation is comprised only of annual bonus as stock compensation is based on the performance evaluation from FY2021 to FY2023.

The Compensation Committee deliberated and determined individual annual bonus amount based on the achievement level of FY2021 targets for revenues and adjusted operating income, which are consolidated performance indicators for annual bonus, in comprehensive consideration of the achievement level of division missions and individual missions. Targets and results of revenues and adjusted operating income for FY2021 are as follows:

Targets (initial plan)

Revenues: ¥690.0 billion (YoY +6%)
Adjusted operating income: ¥37.5 billion (YoY +2%)

Results

Revenues: ¥743.612 billion (YoY +14%)
Adjusted operating income: ¥38.696 billion (YoY +5%)

The reason why the Compensation Committee concluded that the details of individual directors and executive officers’ compensation for the recent fiscal years comply with the policy on the determination of compensation amount, etc. of directors and executive officers

The Compensation Committee concluded that its decision is in compliance with the determination policy as the Committee assesses the compensation amount of individual directors and executive officers based on a comprehensive deliberation, including consistency with the determination policy.

Compliance/Information Security

Compliance

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, including matters concerning anti-corruption, 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 the entire group not only to comply with laws and regulations, including anti-corruption laws and competition laws, but also to act in accordance with corporate ethics in order to meet trust and expectations of the society.

Compliance education

To build a solid corporate culture that will not accept any compliance violations, we provide rank-based group trainings for compliance education targeting new employees, young employees, new assistant managers/managers, and new directors of domestic group companies, in addition to e-learning for all employees including officers, for the purpose of deepening understanding of anti-corruption laws, warehousing business law, etc. We also have training programs tailored to the business of group companies and the training sessions travelling around sites by the Legal Department.

Procurement compliance education

To ensure fair procurement activities, we provide e-learning for procurement compliance targeting all employees, as well as special e-learning and group trainings on a regular basis for those engaging in procurement in domestic and overseas group companies.

Number of companies implementing education for those engaging in procurement (FY2021)

Domestic: **19** companies Overseas: **35** companies

Whistle-blowing system

The Group has established a whistle-blowing system with internal and external points of contact for reporting, which allows employees and other stakeholders to report illegal and/or inappropriate actions without hesitation in order to detect and correct them early on.

Poster for dissemination of whistle-blowing system

To further improve internal awareness of "HTS Group In-company Compliance Reporting System", posters for dissemination were prepared in 20 languages and posted in each office.



HTS Group Code of Conduct (Japanese version only)
<https://www.hitachi-transportssystem.com/jp/profile/policy/pdf/koudoukihan.pdf>

For details of compliance information, please visit our website.
<https://www.hitachi-transportssystem.com/en/profile/csr/governance/compliance/>

Information Security

We recognize that the highest priority is to properly manage and protect information assets of customers and the HTS Group, and accordingly the entire Group has been promoting the preparation of internal rules as well as education and awareness activities for employees. As part of our efforts to prevent information leakage and maintain a high-level security, we revise the internal rules in keeping with changes in social conditions and the overseas trend regarding personal information protection and confirm the management and operation status of personal information protection and information security. We are also enhancing governance across the entire Group and working on education and simulation trainings for targeted threat emails for employees, responses to GDPR* in EU and other relevant laws in other countries, and personal information protection in Japan and overseas, in an effort to maintain and bolster security levels to provide safe and secure logistics services to customers.

* General Data Protection Regulation (GDPR): 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.

Education and training for personal information protection/information security

In addition to e-learning for all employees, we provide rank-based group trainings for information security education targeting new employees, mid-career employees, and assistant managers/managers. Simulation trainings to cope with targeted threat emails are also conducted every year.

Attendance rate of information security training course (FY2021)

Scope: HTS, domestic/overseas group companies

100%

Rate of targeted threat emails for simulation trainings opened (FY2021)

Scope: HTS, domestic group companies

6.0%

Acquisition and maintenance of third-party certification

● **Privacy mark/Information Security Management System (ISMS)**
 HTS and its domestic group companies have acquired the Privacy Mark certification which certifies that a business operator has established a system to take appropriate measures to protect personal information. We have also acquired ISO/IEC 27001 which is an international standard certifying that an information security management system satisfies certain criteria.

Privacy mark acquisition status at HTS and its domestic group companies (As of March 31, 2022)

12 companies

ISMS Certification* (As of March 31, 2022)

20 departments

* Scope: Sales, design, development and logistics center operation in 3PL business (medical, medicine, pesticide, document management, information communication equipment)

Customer privacy

In FY2021, there were no complaints filed for the violation of customer privacy.

For details of information security, please visit our website.
<https://www.hitachi-transportssystem.com/en/profile/csr/governance/riskmanagement/>

Risk Management

The HTS Group strives to manage risks that are difficult to foresee and require company-wide countermeasures by sharing risk recognition, visualizing risks, selecting priority risks and examining relevant measures, with an aim to increase corporate value and achieve sustainable growth.

Definition and classification of risks

The HTS Group defines risk as "the influence of uncertainty about our objectives and the possibility to influence the achievement of our strategy and business goals when an event occurs."

We classify recognized risks as follows based on their type (strategic or pure) and factor (internal or external) to select "priority risk" that are highly likely to occur and have material impact and focus on discussing countermeasures against them.



The HTS Group's risk management system

The HTS Group manages risks by appointing a Risk owner*1 and a Risk manager*2 for each risk factor.

When creating an annual budget, risk items are identified and their quantification and responses are discussed, and risk owners or risk managers report the status of relevant risk items to the Executive Committee and also to the Board of Directors and the Audit Committee when necessary, in order to ensure effectiveness of Enterprise Risk Management (ERM).

*1 Risk owner: A person in charge of discussing risk responses and monitoring/supervising the implementation of measures.
 *2 Risk manager: A person in charge of addressing risks in cooperation with a Risk owner and promptly implementing relevant measures.

Response to Large-scale Disasters

With respect to the risks associated with natural disasters and infectious diseases which occur frequently in recent years, the Group has implemented countermeasures to fulfill its responsibilities in dealing with them based on the BCP policies and measures determined by the Business Continuity Management Committee (BCM), chaired by the President and COO, with an aim to continue its business operation and provide high quality services to our customers even when faced with these risks.

Topics

Preventive Measures Against the Spread of COVID-19

We developed the "Guideline amid the spread of infection" based on the policy released by the Japanese government and Keidanren (Japan Business Federation) and have been working to prevent the spread of infection at workplace. In FY2021, we conducted workplace vaccination three times for employees, other stakeholders, and their family members to increase vaccination rates and also distributed face masks and sanitizers to reduce infection risks. We will continue our efforts to prevent infection and spread of COVID-19.

As for disaster preparedness measures and BCM/BCP promotion system, please visit our website.
<https://www.hitachi-transportssystem.com/en/profile/csr/governance/riskmanagement/>

Risk Management

Risk factors and the implementation status of our measures (priority risks)

1 Growth risk

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
Concentration/dependence on specific customers	Risk - Impact on business results and continued employment by losing projects - Impact on the HTS Group business of customers' performance fluctuations and business reorganizations - Impact on the HTS Group business due to the changes in customers' business environment including drastic changes in the industrial structure and increasing supply chain vulnerability Opportunity - Efficient business expansion and able to take advantage of scale	- Sharp drop of revenues and profit due to poor performance or bankruptcy of customers and a significant increase in liabilities due to uncollectible accounts receivable - Downsizing of the business base	- Account management through enhanced collaboration among group companies and divisions - Monitor customers' business condition - Monitor the movements of peer companies - Establish and monitor credit limit - Perform periodic review of customer dependency - Allocate management resources to non-core businesses - Develop/provide services beyond conventional logistics domain
Changes in a business model (technological innovation, etc.)	Risk - Obsolescence of existing services and business models due to rapid development of IT and other digital technologies - Obsolescence of existing technologies due to failure to promptly deal with digitalization and introduce new technologies Opportunity - Acquisition of growth opportunities through the development of revolutionary technology	- Loss of competitive advantages in the logistics industry - Decrease in competitiveness due to delayed response to digitalization	- Develop new services and unique business models through collaborative innovation with business partners - Collect information on new business models including new technologies and different industries as well as benchmark other companies - Promote cooperation among industry, government, and academia as well as open innovation - Reinforce human resources with IT/digital skills
Securing human resources	Risk - Labor shortage due to tighter regulation on drivers' overtime work by the Work Style Reform Act - Difficulty in securing excellent human resources due to aging population combined with a declining birth rate and intensifying competition in the labor market - Loss of momentum for promotion of diversity management which enables diverse employees to participate in the workplace Opportunity - Acquisition of new expertise and creation of new businesses	- Stagnation of the business - Decrease in market competitiveness - Slowdown in corporate growth	- Expand network of partner companies and secure workforce by enhancing recruitment of in-house drivers (increase company vehicles) including reviewing drivers' benefit - Visualize human resource skills using the HR management system and make full use of skills - Secure human resources with site management, global, digital, and business management capabilities according to the business strategy (Enhance recruiting and establish a compensation system) - Enhance in-house training programs to foster and educate human resources - Perform human resource retention control (Create a pleasant working environment)
Decrease in new orders received and failure to acquire orders in existing projects	Decrease in new orders received Risk - Difficulty in acquiring new orders due to intensifying competition and market shrinkage - Failure to launch a new project Opportunity - Business expansion with new orders, and acquisition of new expertise Failure to acquire orders in existing projects Risk - Failure to acquire orders in existing projects due to a bidding system, etc. - Business plan mistakes	- Decrease in market competitiveness - Growth slowdown due to a decline in customer trust - Decline in profit margin due to unprofitable businesses	- Enhance monitoring through wider use of the phase-gate process management - Visualize and share information on orders received and not received - Set priority targets for new customers - Strengthen contact with new customers - Visualize and share customers' risk information - Understand trend, analyze potential impact on businesses, and develop/implement responsive plans - Strengthen communications with existing customers

2 Environmental change risk

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
Sharp increase in cost	Risk - Increase in procurement costs (fuel, car allocation expenses, and labor costs) Opportunity - Decrease in procurement costs	- Deterioration in profitability due to failure to collect adequate fee corresponding to the increase in cost - Negative impact on business continuity due to shortage of human resources and vehicles, etc. Reference Outsourcing costs/labor costs in FY2021 - Outsourcing costs: 389.3 billion yen - Labor costs: 166.9 billion yen	- Build close relationships with partner companies - Optimize fees based on the movements of peer companies - Efficient management by promoting digitalization
Sharp fluctuation of exchange rates	Risk - Exchange loss - Negative impact of translation of business results of overseas subsidiaries into Japanese yen due to sharp fluctuation of exchange rates Opportunity - Exchange gain - Positive impact of translation of business results of overseas subsidiaries into Japanese yen due to sharp fluctuation of exchange rates	- Decrease in profit due to exchange loss (items below EBIT in the income statement) - Decrease in revenues and profit due to negative impact of translation of business results of overseas subsidiaries into Japanese yen Reference Ratio of global business in revenues and adjusted operating income in FY2021: Revenues:42% Adjusted operating income:35%	- Concentrate exchange risks(centralize transactions such as forward exchange contracts and currency options in the head office) - Enter into hedge transactions including forward exchange contracts with financial institutions - Maintain a balance of foreign currencies and continue investment in time deposits
Climate change	Risk - Impact on realization of sustainable society - Rise in greenhouse gas emissions price - Increase in extreme weather events such as cyclones and flooding - Increase in the average temperature Opportunity - Use of more efficient transportation modes and production and distribution processes - Ability to diversify business activities - Alternative/diversified resources	- Increase in tax burden related to climate change and cost increase due to tightening or introduction of regulations on greenhouse gas emissions - Stagnation of the logistics business due to intensifying extreme weather	- Establish an environmental management system and promote relevant activities - Strengthen alliance with collaborative innovation partners to achieve the medium-to-long-term environmental targets (procurement of renewable energy, introduction of advanced eco-friendly vehicles, energy-saving buildings and facilities, and recycling) - Develop decarbonizing solutions (visualization of CO₂ emissions) and promote green logistics

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
Loss of human resources and diversified working-style	Risk - Loss of human resources due to a mismatch between the personnel measures and employees' desire - Loss of human resources due to delayed response to diversified working-style, and difficulty in securing human resources - Increase in turnover due to the mobilization of human resources Opportunity - Secure diversified human resources including highly-skilled personnel and those from different industries, etc.	- Fall of governance and business operation ability due to loss of human resources - Decrease in market competitiveness and slowdown of corporate growth due to loss of human resources	- Realize diversity and inclusion and a work-life balance through use of a broad range of human resources - Appoint human resources and provide career education based on a succession plan - Improve moral/motivation through periodic interviews at workplace - Support active participation of female, elderly, or disabled employees in the workplace - Conduct employee surveys and strengthen employee engagement - Secure excellent human resources by implementing group common in-house training programs - Further promote teleworking Future consideration - Offer opportunities and occasions for growth (talent management and education) - Introduce a job-oriented compensation system that reflects "roles/responsibilities" and "achievements"

3 Operational risk

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
Occurrence of incidents	Risk Occurrence of industrial accident, fire, vehicle or product accidents	- Compensation for losses caused by accidents or fire to products or the affected people, and payment of damage compensation to the affected people - Decrease in revenues and profit due to decline in customer and social trust	- Enhance disaster prevention/mitigation capabilities by providing education and trainings and installing equipment and systems - Maintain proper insurance for assets in custody (inventory) - Strengthen communications with employees - Actively use disaster prevention technology - Develop and implement a facility maintenance plan - Establish an initial response and reporting system in case of an accident, and conduct drills - Share lessons, insights, and good examples within the Company - Create safety workplaces by introducing technology (SSCV, etc.)
Compliance violations (violation of the labor law, bribery, infringement on human rights, etc.)	Risk - Violation of overtime regulations, etc. - Disagreement with the authority on the interpretation of equal pay for equal work - Violations of laws and regulations such as bribery and competition law - Deviation from social norms - Information leakage - Infringement on human rights including harassments, child labor, and low wage labor - Infringement on intellectual property rights	- Impairment of corporate value due to decline in social trust - Decrease in revenues and profit due to decline in customer and social trust	- Establish the HTS Group Code of Conduct and educate all employees - Introduce a whistle-blowing system - Conduct investigation and education by legal divisions in each region - Establish a structure to manage an attendance management system - Clarify wage calculation method - Establish a specialized IP division and educate all employees
Deterioration in service quality	Risk - Loss of customer trust - Deterioration in service quality and delays in delivery, etc.	- Decrease in revenues and profit due to decline in customer and social trust - Compensation for losses such as reimbursement due to the incidents	- Manage KPIs by quality control divisions - Quality control through process management - Conduct monitoring based on the internal control system, perform audit, and enhance support
System failure	Risk - Significant delay in work or suspension of operations due to power outage or system failure caused by natural disasters - Significant delay in work or suspension of operations due to system failure at external service providers - Delay in operations due to deterioration of system response	- Compensation or penalty for customers' opportunity loss due to delay in work - Impairment of corporate value due to decline in social trust - Decrease in revenues and profit due to decline in customer and social trust - Expenses related to recovery or renovation	- Introduce redundant system - Prepare alternative means in case of failure - Strengthen backup measures for system recovery and conduct on-site training - Implement measures for each service used and BCP

4 Hazard risk

Risk factors	Description of risk/opportunity	Impacts when risk occurs	Group's measures
Severe disasters and global expansion of infectious disease (pandemic)	Risk - Damage to employees - Disruption of logistics network - Damage to the Group's assets (e.g. buildings and facilities) and customers' products	- Decrease in revenues and profit due to impacts on business (e.g. shutdown) - Restoration cost and impairment of assets	- Assess business interruption risk in each region - Develop BCP (business continuity plan) for early business recovery (including prior consultation with customers and business partners) - Establish rules for information collection and work regulations as a global organization in case of pandemic - Carry out BCM (business continuity management)
Threat to capital	Risk - Changes in capital policies of major shareholders - Change of control as a result of acquisition of large number of the Company's shares by a specific investor	- Decline of initiative of the current management - Impact on corporate value of material changes in capital structure	- Increase corporate value to grow market capitalization - Active communication with shareholders - Invest in growth opportunities - Increase shareholder returns
Loss/leakage of information	Risk Loss or leakage of data such as customer information due to an information security incident, cyberattack or large-scale system failure	- Impairment of corporate value due to decline in social trust - Decrease in revenues and profit due to decline in customer and social trust - Restoration cost - Claims for compensation damages from customers	- Strengthen the information asset management through internal audit and in-house trainings, etc. - Establish and disseminate information security rules - Build a system to deal with cyberattacks and regularly update the technology - Increase frequency of monitoring including audit
War, terrorism, unstable political situation (geopolitical risk)	Risk - Damage to employees - Impact on business - Damage to the Group's assets (e.g. buildings and facilities) and customers' products	- Decrease in revenues and profit due to impacts on business (e.g. shutdown) - Restoration cost and impairment of assets	- Conduct routine situation analyses and monitoring - Accelerate decision-making in case of emergency - Develop BCP for overseas locations

As for risk factors other than priority risks, please visit our website. <https://www.hitachi-transportssystem.com/en/profile/csr/governance/riskmanagement/>

The HTS Group Environmental Management

Environmental Policy

The HTS Group is promoting “business activities with less environmental load” based on the following four policies. As for measures against global warming, we are working to enhance green logistics including collaborative logistics and modal shift together with our partner companies.

1. Reduce Environmental Load Generated at All Our Places of Business

Reduce consumption of electricity, gasoline 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.

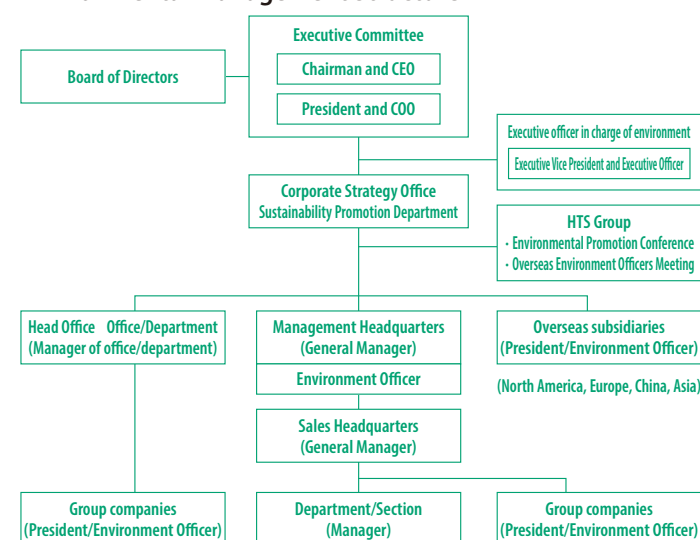
4. Promote Symbiosis with Nature and Environmental Communications

Preserve biodiversity and ecosystem. Maintain environmental collaboration with customers and local communities.

Environmental Management Structure

Since the establishment of a department dedicated to environmental issues in the head office in August 1992, we have worked on reducing environmental load and are currently promoting group-wide activities toward the global “environment-conscious business operations.” Under the supervision of the Board of Directors and the Executive Committee, Sustainability Promotion Department, Corporate Strategy Office chaired by Executive Vice President and Executive Officer in charge of environmental issues, is responsible for overall environmental management work and oversees the entire group.

Environmental Management Structure



Strengthen Environmental Management

We utilize management systems to understand and monitor actual data. In overseas, we conduct research on important environmental laws and regulations for the purpose of managing environmental load and legal compliance.

Holding Environmental Promotion Conference

We share environmental information in Japan and overseas to improve environmental awareness and the management level.

Number of environment conferences held (FY2021)

Domestic: Environmental Promotion Conference **2** times
Overseas: Environment Officers Meeting **2** times

Performance of internal environmental audit

We perform internal audit to prevent or promptly correct violations of the environmental compliance and improve the management level.

Number of sites subjected to internal environmental audits (Japan: FY2021)

107

Efforts to Raise Environmental Awareness

We are working to raise the environmental awareness of employees by promoting environmental activities linked to VC activities. In FY2021, we started new programs including holding “Green Action Workshop” on the theme of environmental protection and “Environment Prize in VC Award” to recognize initiatives contributing to reducing environmental load.



Green Action Workshop

The HTS Group Medium-to-Long-term Environmental Targets 2030/2050

The HTS Group developed the medium-to-long-term environmental targets 2030/2050 in FY2020 to contribute to the realization of sustainable society, and are striving to reduce CO₂ emissions. Amid the accelerating movements to realize a decarbonized society around the world, the Group updated the medium-to-long term environmental targets 2030/2050 developed in FY2020 with more aggressive targets in FY2021.

Medium-to-Long-term Environmental Targets

Reduction of CO₂ emissions (Scope 1 and 2 in Japan*)

FY2030 target (base year: FY2013)

Aim to reduce CO₂ emissions by **50%** compared to the base year

FY2050 target

Strive to achieve **Net Zero Carbon***2

● Scope of emission: CO₂ emitted from energy consumption by the Group through its business operation ● Type of energy: Electricity, fuel for vehicle, etc.

*1 Definition of scope

Scope 1: Direct emissions from in-house energy (fuel, etc.) use (e.g. CO₂ released by company vehicles)

Scope 2: Indirect emissions from the use of energy supplied by other companies (e.g. CO₂ released by a third party power plant due to electricity use in the company's facility)

Scope 3: Indirect emissions by supply chain other than Scope 1 and 2 (total of 15 categories including transportation outsourcing and business trip of employees)

*2 Net Zero Carbon: To balance emissions of CO₂, one of greenhouse gases, and its absorption/removal.

Decarbonization Promotion Project – Initiatives to Reduce CO₂ Emissions

The HTS Group has launched a decarbonization promotion project to achieve the medium-to-long-term environmental targets and is working proactively on initiatives in five areas.

Five areas

1. Energy saving

Introduction of high-efficiency equipment, etc.

2. Electrification

Introduction of electric vehicles, fuel cell vehicles, etc.

3. Procure renewable energy

Purchase of green power, etc.

4. Energy creation

Introduction of solar panels, etc.

5. Emissions trading

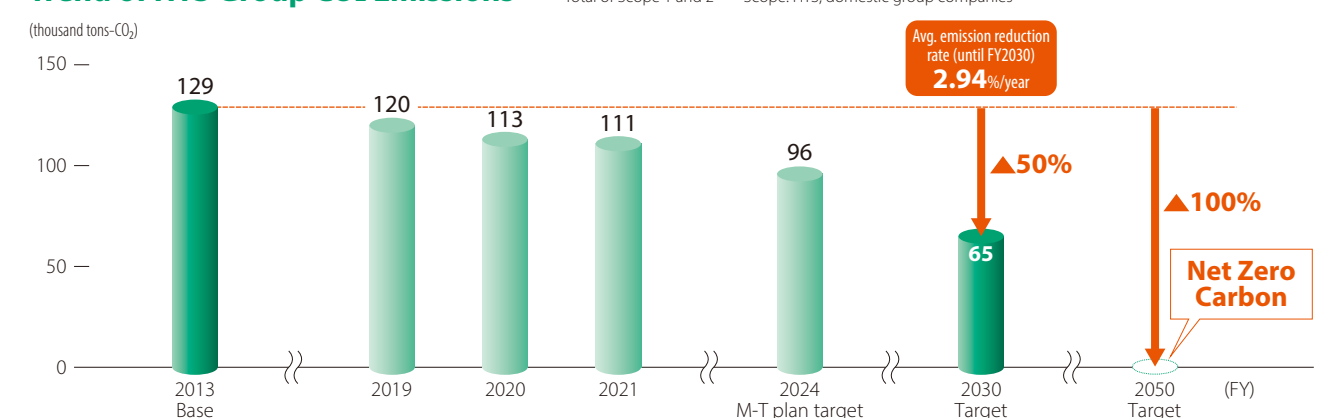
Purchase of environmental value certification

Trend of HTS Group CO₂ Emissions*

(thousand tons-CO₂)

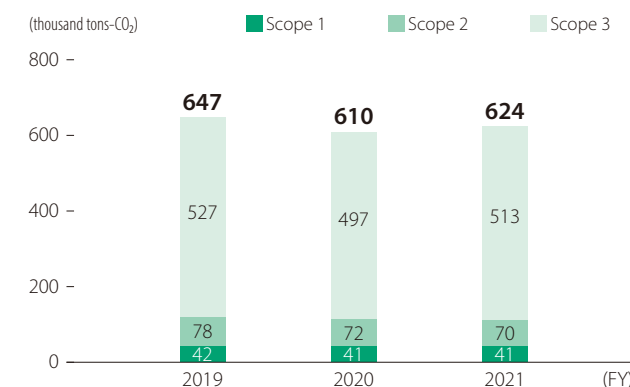
*Total of Scope 1 and 2

Scope: HTS, domestic group companies



CO₂ emissions throughout the supply chain

We started to calculate “Scope 3” from FY2017 to identify and reduce CO₂ emissions from the entire supply chain.



Scope: HTS, domestic group companies

Third-party certification on CO₂ emissions data

For greenhouse gas (GHG) emissions in FY2020, the HTS Group acquired a third-party certification based on ISO14064-3:2019 through an assessment by a certification body LRQA in FY2021. We will continue to secure the reliability of our calculated data by obtaining a third-party certification and also work to expand the scope to “Scope 3.”

*Scope: CO₂ emissions in scope 1 and scope 2 (domestic)



For details about environmental information, please visit our website.
<https://www.hitachi-transportssystem.com/en/profile/csr/environment/>



Please visit our website for details about CO₂ emissions data in Scope 3.
<https://www.hitachi-transportssystem.com/en/profile/csr/environment/plan.html>

Climate Change Initiatives — Response to the Task Force on Climate-related Financial Disclosures (TCFD) —

Basic Policy on Climate Change

As the HTS Group's 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," we position climate change response as one of our highest priority management themes and identifies "Contribute to decarbonized society" as one of the material issues. We also defined "Contribute to decarbonized/recycling-oriented society" as one of the business objectives to promote initiatives to address climate-related risks and opportunities and reduce CO₂ emissions. In addition, we announced our endorsement of the TCFD recommendations in September 2021 and are now promoting climate change initiatives and information disclosure based on the recommendations.

Governance

The Board of Directors provides guidance and supervises climate change initiatives included in the highest priority items of the Group's management such as management strategies and business plans (e.g. target setting and determination of specific climate change responses such as energy-saving investments and budget allocation for greenhouse gas (CO₂) emission reduction) through Chairman and CEO who is responsible for climate change initiatives. The executive officer in charge reports to the Board of Directors the progress of the climate change initiatives annually or as needed. Sustainability Promotion Department, Corporate Strategy Office in the head office oversees overall environmental management work under the supervision of Executive Vice President and Executive Officer, Chief Strategy Officer (CSO) who is responsible for sustainability strategy. The Environmental Promotion Conference comprised of the Group's environment officers including CSO is held semiannually to confirm the achievement level of climate change responses including reduction of energy consumption and CO₂ emissions, as well as determine necessary corrective measures and discuss measures to be taken in the future. Based on the decisions at the Environmental Promotion Conference with the CSO's approval, the progress of climate change initiatives and the proposed strategy in the future are reported to the Executive Committee semiannually or as needed.

Meeting bodies/ Departments	Roles
Board of Directors	- Provides guidance and supervises initiatives to address management issues related to climate change - Approves reduction targets/measures/budgets
Executive Officer	Understands the progress of initiatives to address management issues related to climate change, and reports to the Board of Directors
Sustainability Promotion Department	Oversees overall environmental management work, holds Environmental Promotion Conference, and reports/proposes to the Executive Committee based on decisions at the Committee
Environmental Promotion Conference	Confirms the achievement level of measures related to climate change, determines corrective measures, and discusses proposed measures

Governance system ➡ P77 (environmental management structure)

Risk management

In consideration of all management risks identified, Sustainability Promotion Department, Corporate Strategy Office in the head office has selected risks and opportunities related to "Contribute to decarbonized society," one of the material issues, and has identified items having large financial impacts as material risks and opportunities. Sustainability Promotion Department is responsible for developing and executing plans to address them with approval of the Executive Committee and supervision by the Board of Directors.

Metrics and targets

Reduction targets of medium-to-long-term greenhouse gas (CO₂) emissions

The Group sets the medium-to-long-term targets for reduction of CO₂ emissions to address climate change risks and opportunities.

➡ P78

Greenhouse gas (CO₂) emissions

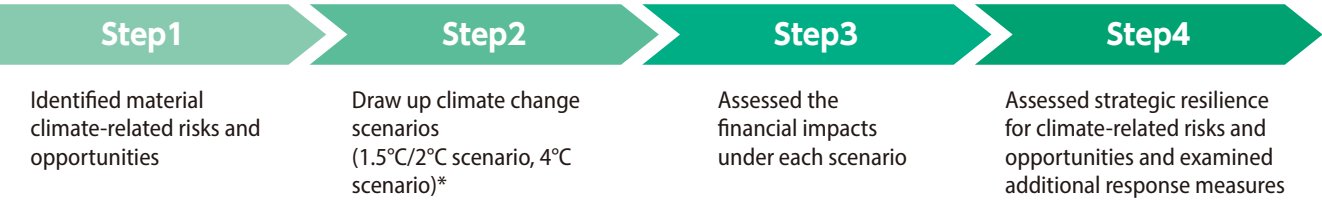
➡ P78 (Trend of HTS Group CO₂ emissions)/ P91 (ESG Data)

Strategy

The Group uses a scenario analysis to identify and assess climate-related risks and opportunities that are expected to affect our medium-to-long-term business activities and also assess resilience and examine response measures.

(1) Scenario analysis process

The Group has performed scenario analyses according to the following procedures (➡ P80 upper). Under the scenario that assumes the goal of the Paris Agreement is achieved (1.5°C /2°C scenario) and the one that assumes that no new policies are implemented but each country's announced policies are achieved (4°C scenario), we have assessed financial impacts of identified climate-related risks and opportunities based on the information such as the trend of key parameters.



(2) Assessment of climate-related risks and opportunities and financial impacts

We performed scenario analysis for nine items identified as our material climate-related risks and opportunities and assessed potential quantitative/qualitative financial impacts. We also examined resilience of our current response measures and future measures. As the Group is examining and implementing response measures to reduce risks and seize opportunities that may have significant financial impacts, we have confirmed that they are sufficiently resilient at present.

1 Transition risks (1.5°C scenario / Less than 2°C scenario)

Types	Period	Potential risks	Potential impacts on business and response measures
Policy and legal	Long-term	Risk of increasing tax burden (e.g. carbon tax, fuel tax) in relation to climate change and risk of rising cost due to tightening or introduction of regulations on CO₂ emissions	Impact Cost increase due to carbon pricing Measures Develop and implement systematic environment strategies toward decarbonization (1. Introduce renewable energy, 2. Introduce non-fossil fuel vehicles (e.g. EV/FCV), 3. Procure green power, and 4. Introduce Internal Carbon Pricing (ICP))
Technology	Mid-term	Risk of increasing CO₂ emission reduction cost and losing customers due to delay/failure in introducing environmental technology	Impact Medium-to-long-term cost increase or earnings decrease due to delay in introducing renewable energy and low carbon vehicles Measures Introduce advanced technologies toward decarbonization (1. Introduce renewable energy, 2. Introduce non-fossil fuel vehicles, and 3. Promote DX and IoT in warehouse operations)
Market	Mid-term	Risk of losing customers due to inadequate response to customers who emphasize low-carbon or carbon-neutral transportation	Impact Earnings decrease due to increase of customers who emphasize climate change initiatives (e.g. customers whose targets were certified by the Science Based Targets (SBT) initiative) Measures Promote decarbonization measures in logistics services and strengthen information disclosure to stakeholders
Reputation	Mid-term	Risk of losing corporate reputation due to insufficient climate change initiatives and information disclosure	

2 Physical risks (4°C scenario)

Types	Period	Potential risks	Potential impacts on business and response measures
Acute	Short-term	Risk of logistics operation being suspended due to intensifying wind and flood damage caused by extreme weather	Impact Cost increase due to repairment or recovery of facilities damaged by wind and flood Measures Strengthen BCP measures against hazard risks including wind and flood damage (1. Decentralize business sites, 2. Install solar power generation system/storage batteries, etc. and 3. Relocate sites to low-risk regions)
Chronic	Mid-term	Risk that deterioration of working environment due to a rise in average temperature makes it difficult to secure human resources	Impact Cost increase due to creation of a pleasant workplace Measures Promote worker-friendly logistics operation (1. Promote automated/labor-saving/unmanned operations and 2. Provide a pleasant working environment)

3 Opportunities

Types	Period	Opportunities	Potential impacts on business and response measures
Resource efficiency	Mid-term	- Opportunity to reduce energy consumption by vehicles and CO₂ emissions with advanced environmental technology - Opportunity to introduce efficient logistics operations using Smart Logistics and shared logistics services	Impact Decrease in energy cost due to efficiency improvement in logistics services Measures Reduce energy cost by promoting decarbonization measures (1. Promote energy-saving measures, 2. Introduce renewable energy, 3. Introduce non-fossil fuel vehicles, and 4. Promote modal shift)
Products and services	Long-term	Opportunity associated with diversification of business activities	Impact Revenues increase due to diversification of business activities Measures Provide logistics services using the Company's unique Smart Logistics (1. Smart Warehouse, 2. SCDOs, and 3. SSCV)
Resilience	Long-term	Opportunity associated with energy diversification	Impact Cost decrease due to introduction of solar power generation system Measures Reduce electricity procurement cost by introducing renewable energy and secure electric power source in case of emergency

* Reference scenario: 1.5°C scenario: IEA Net Zero Emissions by 2050 Scenario
2°C scenario: IEA Sustainable Development Scenario/IPCC RCP2.6
4°C scenario: IEA Stated Policies Scenario/IPCC RCP8.5

(3) Transition plan to achieve 1.5°C target

The Group has incorporated the five initiatives toward the realization of the medium-to-long-term environmental targets (energy saving, electrification, procurement of renewable energy, energy creation, and emissions trading) in the Mid-term Management Plan "LOGISTEED2024" and will promote CO₂ emission reduction measures to limit the temperature increase to 1.5°C above pre-industrial levels.

Consideration for Disposal and Emission

Manufactured Capital Natural Capital

To contribute to a recycling-oriented society, we are working to reduce or avoid resource consumption in supply chains and prevent environmental pollution.

KPI

- Ownership ratio of vehicles in compliance with environmental standards and others
- Recycling rate



For KPI results, etc. in FY2021, please visit our website.
https://www.hitachi-transportssystem.com/en/profile/csr/pdf/sustainability_2021htskpis.pdf

Energy Saving and Global Warming Countermeasures of Vehicles

The HTS Group strives to reduce CO₂ emissions generated by vehicle fuel through such initiatives as the introduction of the advanced eco-friendly vehicles and improvement of transportation including promotion of eco-friendly driving.

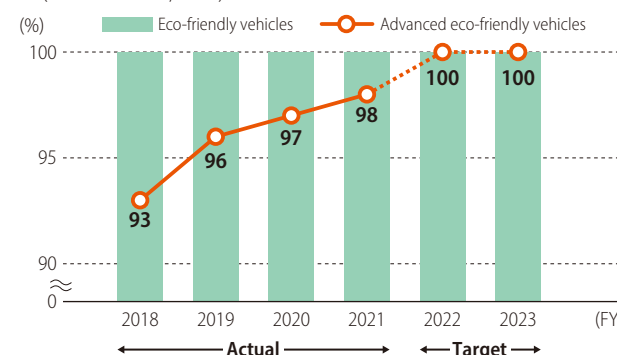
■ Making the shift to eco-friendly vehicles and encouraging eco-friendly driving

We are promoting the shift to eco-friendly vehicles (highly fuel-efficient, low-pollution vehicles). We achieved the eco-friendly vehicle ownership ratio of 100% at the end of FY2016, except for certain special vehicles. In FY2021, we introduced an electric truck in a sales office of our group company Hitachi Transport System Metropolitan Co., Ltd. in Noda City, Chiba Prefecture.

We will further promote the shift to the advanced eco-friendly vehicles in order to reduce air pollutant emissions and will also promote eco-friendly driving, etc. to reduce environmental load.



● HTS Group eco-friendly vehicle ownership ratio (domestic) (As of March 31, 2022)



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

*2: Eco-friendly vehicles are as follows: hybrid, natural gas, and electric, as well as highly fuel-efficient vehicles certified by the government (vehicles meeting a specified standard), and low emissions vehicles.

● Vehicle fuel efficiency (domestic)

Increase of vehicle fuel efficiency by vehicle type (driving distance/fuel consumption) [FY2021 target and result for CO₂ emission reduction]

Target: compared to FY2020 **+1.76%** Result: compared to FY2020 **+0.4%**

Effective Use of Resources

■ Design/development of eco-friendly packaging

We are working to improve packaging technology and to reduce environmental load including reduction of packaging-related materials and wastes while meeting customers' needs. In FY2021, we received "METI Minister's Award" and "Technical Packaging Award" at the "Japan Packaging Contest 2021" hosted by Japan Packaging Institute. "METI Minister's Award" is awarded to the best product at the contest, and our packaging was recognized as the best product from a comprehensive perspective, satisfying many requirements for packaging, including protectiveness and functionality, while giving consideration to economic efficiency and eco-friendliness.

Award-winning case/Award titles	Main effect
Development of packaging materials for domestic transport of large equipment/ METI Minister's Award (Japan Star Award)	- Loading ratio: up 70% - CO₂ emissions: down 43% - Reduction of cushioning material waste and others
Redesigned under-tray of washing machine/ Technical Packaging Award	Cardboard waste: down 25% and others



Co-awarded "METI Minister's Award" and "Technical Packaging Award" at the Japan Packaging Contest 2021
<https://www.hitachi-transportssystem.com/jp/news/20210907.html> (Japanese version only)

Visualize CO₂ Emissions and Reduction

■ Support decarbonization in customers' business with SCDOS

As part of SCDOS, our DX service to support optimization of customers' supply chain, we started to offer "CO₂ emission visualization function" from FY2021. This service enables to accurately understand and visualize CO₂ emissions and reduction in the supply chain by centrally managing and monitoring customers' various data, contributing to customers reducing CO₂ emissions and to the realization of a recycling-oriented society and decarbonization.



For more information about SCDOS, please visit our website.
<https://www.hitachi-transportssystem.com/en/logisteed-cafe/service.html#scdos>

Increase Energy Efficiency

Manufactured Capital Natural Capital

To address climate change and realize a decarbonized society, we will steadily advance initiatives to improve energy efficiency and reduce CO₂ emissions.

KPI

- Reduction of electricity consumption per floor space in "buildings" and others
- Development of new customers/routes for modal shift



For KPI results, etc. in FY2021, please visit our website.
https://www.hitachi-transportssystem.com/en/profile/csr/pdf/sustainability_2021htskpis.pdf

Energy Saving and Global Warming Countermeasures Implemented in Buildings

■ Energy saving of forklifts

The HTS Group introduced 14 lithium-ion forklifts in FY2021. Forklifts are indispensable in logistics operation in warehouses, etc. and generally powered by lead battery, but we are trying to reduce energy consumption by shifting to lithium-ion batteries with long cycle life and high charging efficiency. We will continue to work on energy saving of forklifts by expanding the use of lithium-ion batteries.



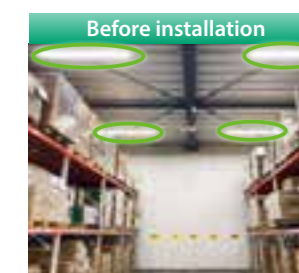
■ Installment of solar panels on the roof of logistics centers

VANTEC KYUSHU LOGISTICS CORPORATION, our group company, has installed solar panels on the roof of its logistics center in Fukuoka Prefecture. The center expects that the introduction of solar power generation will reduce CO₂ emissions by 56 tons per year.

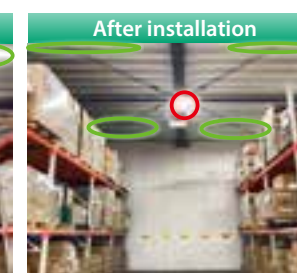


■ Power saving by using human detection sensor

Chukyo Logistics Center in Aichi Prefecture is working on power saving by using human detection sensor. To reduce power consumption by lights in the storage room when it is unmanned, we installed supplemental lights with a human detection sensor between storage shelves which light when the sensor detects the presence of workers picking up or storing products, achieving both workers' safety and power saving.



Green○: fluorescent light



Red○: human detection sensor (supplemental light)
Green○: fluorescent light

■ Introduction of LED lighting fixtures

The HTS Group is proactively installing LED lighting fixtures in new logistics centers and offices. We are also replacing existing fluorescent/mercury lights with LED lighting fixtures in the existing facilities and will continue until the replacement is completed in all facilities.

	FY2021
Number of sites with LED lighting fixtures	New sites: 3 Existing sites: 12
CO ₂ emissions suppressed with LED lighting fixtures	799 t-CO ₂

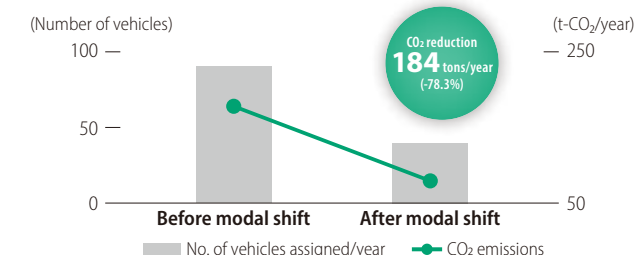
Scope: HTS, domestic/overseas group companies

Promotion of Modal Shift

To reduce CO₂ emissions and solve issues such as driver/vehicle shortages, we have been proactively promoting a modal shift from trucks to rail and ocean transport in Japan and overseas with an aim to "develop new customers/routes."

In FY2021, we proposed and promoted a modal shift to the use of coastal vessels for the transport of products of a hygiene products manufacturer from its factory in Kyushu to logistics sites in Kanto, which enabled us to deal with driver/vehicle shortages and reduce CO₂ emissions by approximately 80% over a year compared to truck transport. As a recognition for such efforts, we received the "Award of Modal Shift Initiative Excellent Business Operator (effective usage category)" in 2021" hosted by Japan Association for Logistics and Transport.

CO₂ reduction effect of modal shift Award-winning case (effective use category)



Received the "Award of Modal Shift Initiative Excellent Business Operator (effective usage category)" in 2021"
<https://www.hitachi-transportssystem.com/en/news/20211126.html>

Secure Safety in Operation and Transportation

Human and
Organizational Capital

Under the policy that “Safety is our first priority” and the safety slogan based on the policy, the HTS Group ensures that each employee carries on the safety cultures and strives to provide safe and high quality services during operations.

KPI

- Frequency rate/severity rate of workplace accidents and others



For KPI results, etc. in FY2021, please visit our website.
https://www.hitachi-transportssystem.com/en/profile/csr/pdf/sustainability_2021htskpis.pdf

Safety Slogan

“Safety First”

Safety Priority Policy

The HTS Group establishes a unified priority initiative policy every year and works on activities based on the policy and the safety slogan.

Safety Promotion Structure

HTS assigns “an officer in charge of safety” appointed by the Board of Directors and establishes a top-down safety promotion structure to promote group-wide safety activities. Monthly Executive Committee deliberates and receives reports on accident occurrence and the Audit Committee also receives reports on the progress of safety activities and accident occurrence, in order to implement improvement activities. To ensure thorough health and safety management, we developed regulations on health and safety, assigned safety supervisor in the Company and group companies to provide safety instruction, and set up a “Health and Safety Committee” in each office to promote various safety activities. We also recognize that safety activities in full coordination with our partner companies are essential, and accordingly each group company holds a top seminar semiannually and invites representatives of partner companies to share information about good safety examples and preventive maintenance. Due to the spread of COVID-19, we decided not to hold these seminars in FY2020 and FY2021, but we will consider resuming them in light of the situation.

Safety Initiatives

Boosting safety knowledge and driving and operation skill

Sending contestants to non-HTS forklift and trucking competition

Each year, we send contestants in the National Forklift Driving Contest*1 and the National Truck Driver Contest*2 for the purpose of acquiring specialized knowledge, improving driving skills and inspection skills, and boosting awareness of safety issues. Again in FY2021, contestants who won out at prefectural-level preliminary contests around the country competed in the national contests and achieved excellent results.



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

*2 National Truck Driver Contest: An event organized by the Japan Trucking Association, in which contestants compete for the title of Number One Truck Driver in Japan

Education through experiential sessions using VR

We envision a full range of scenarios in workplaces and cover practical training and experiential sessions. We provide safety education through experiential sessions with lavish visual contents using virtual reality technology. We ensure safe operation by letting workers experience behaviors with potential risk of causing occupational accidents through visual contents simulated on cyberspace. With two new contents added in FY2021, we now provide a total of 17 visual contents for VR education.



Experiential session of trips and falls

No. of attendees of VR
experiential sessions
(FY2021)

6 companies: 2,214

*Scope: HTS, domestic group companies

Adoption of safety technology

Safety cockpit

We strive to prevent occupational accidents by visualizing unsafe behaviors using videos (“safety cockpit”). To visualize unsafe behaviors of forklifts operated inside the logistics centers, we installed cameras on the ceiling of the areas with a high risk of accident. When they fail to stop at stop signs, it will be automatically detected by the image recognition technology, and alarms will go off to warn the operator about the unsafe behavior. The video data is also analyzed for future measures. In FY2021, we added a warning function using a rotating red light to forklifts in three sites where the cameras have already been installed, resulting in a significant reduction of violations.



Workplace accident index of the HTS Group
(Domestic results in FY2021)

Frequency rate:
Inside the parentheses are
non-consolidated figures

0.88₍₀₎

Severity rate:
Inside the parentheses are
non-consolidated figures

0.017₍₀₎



For details of our safety initiatives, please visit our website.
<https://www.hitachi-transportssystem.com/en/profile/csr/social/safety/>

Pursue Next-generation Industries and Lifestyles

Manufactured
CapitalIntellectual
Capital

We will contribute to solving various environmental and social issues, including decarbonization and driver shortages, by developing and evolving sustainable logistics services with a high level of safety, quality, and productivity while fulfilling a role as a social infrastructure provider supporting next-generation industries and lifestyles.

KPI

- Transportation of social infrastructure-related equipment
- Develop supply chain solutions and others



For KPI results, etc. in FY2021, please visit our website.
https://www.hitachi-transportssystem.com/en/profile/csr/pdf/sustainability_2021htskpis.pdf

Respond to Local Logistics Needs and Issues While Further Boosting Response Capability

Labor-saving efforts at medical DCs

In light of the importance of business continuity of manufacturing and sales of medical products, etc., we are working on labor-saving at medical DCs to deal with delays and interruptions in logistics and rising logistics costs caused by the pandemic and labor shortages. In the advanced medical DC which opened in FY2020, Resource Control System (RCS) developed by HTS has been installed, enabling the complex control linkage of automated equipment in the warehouse and achieving fully automated operation at certain processes.



Transportation of social infrastructure-related equipment — Transport of wind power generation equipment —

Moves toward a decarbonized society are now accelerating around the world. Under such circumstances, in FY2021, the HTS Group transported onshore windmills in Rankoshi-cho, Hokkaido, as part of our initiatives to transport social infrastructure-related equipment to contribute to expand renewable energy use. The route to the onshore windmill construction site included mountain roads that are too steep or narrow for ordinary trucks and trailers, but our specialized vehicle “Multi Carrier” made it possible to transport the equipment from the foot to the top of the mountain. This transport project was accomplished by leveraging our technologies and experience obtained from many years of our service to transport power generation equipment and also by maintaining close coordination with the construction company and regional partner companies. We will continue to contribute to the realization of a decarbonized society through transportation related to renewable energy business including wind, biomass, and solar power generation in Japan and overseas.



SSCV-Smart (transport operation support solution)

The truck transport industry is made up mostly of small and medium-sized businesses, and many of them still conduct operation using telephone, fax machine, and paper document. “SSCV-Smart” developed by HTS is an online system that connects cargo owners and truck transport operators via the internet and centrally controls everything from receiving transport orders to vehicle assignment, issue of driving instructions and billing, contributing to improvement of operational efficiency and earnings. In FY2021, we introduced the system in the Group’s transport centers and 60 regional partner transport companies. We will continue to support efficient operation of truck transport operators by enhancing various functions.



For details of SSCV-Smart, please visit our website.
<https://www.hitachi-transportssystem.com/en/logisteed-cafe/service.html#smart>

Promote Total Optimization of Supply Chain by Making Full Use of Advanced Technologies

Utilize artificial intelligence and develop supply chain solutions

We are working on establishing volume forecasting technology using AI and developing new solutions utilizing forecasting technology.

Use of volume forecasting tool

We aim to improve operational efficiency by optimizing inventories at logistics centers based on high-accuracy volume forecast using AI. In FY2021, we improved the precision of the volume forecasting tool which was designed and tested so far and successfully introduced it in 30 logistics sites. Currently, the number of cases using volume forecasting tool increased to a total of 50.

No. of cases using volume forecasting system
(as of March 31, 2022, cumulative): **50**

Expand SCDOS services

We are working to expand “SCDOS” services to contribute to optimization of customers’ supply chain. Specifically, our service includes the development of a supply plan based on capability of logistics resources and operating effectiveness and the support for restocking order placement using various logistics data. In FY2021, we launched an inventory optimization solution service which was co-developed with our customers and also started to verify the effectiveness at actual logistics sites of an inventory optimization approach originating from logistics centers.

HTS Group Human Resource Strategy

The HTS Group will accelerate LOGISTEED by promoting the human resource strategy focusing on "enhancement of human resource capability" and "invigoration of organization." We will enhance human resource capability by securing and developing superior human resources appropriate to business strategies and evaluating and rewarding employees according to their roles. We will also increase employee engagement and invigorate our organization through a working-style reform and diversity and inclusion initiatives.

Invigoration of Organization

Increase in Employee Engagement

To realize sustainable growth, we need to develop strong relationship between employees and the Company and increase employee engagement. To increase employee engagement, it is imperative to deepen understanding of and spread the HB Way which shows the Group's role and the "way" to move forward and is the core of connections among employees. We will also conduct engagement surveys and address issues identified in the surveys to increase employee engagement and become a company where employees can keep working with enthusiasm.

■ Spread of the HB Way

To make the concept of the HB Way take root in employees' behaviors and judgment criteria, we hold workplace meetings and regular education, such as rank-based trainings and e-learning, and implement initiatives such as VC activities on an ongoing basis.

■ Monitoring

● Employee engagement survey

We conduct engagement surveys annually to understand the

degree of penetration of the HB Way and the level of active participation of employees in the management strategy. We are now considering conducting a global survey.

■ Follow-Up

We are working to invigorate the organization by analyzing the result of the engagement survey, identifying issues by organization and implementing necessary measures. As the survey result showed the necessity to increase engagement of young employees, we conducted one-on-one career development interviews in FY2021.

Employee engagement survey results
— Sustainable engagement score*1 — **65***2
(2021)

Scope: HTS, domestic group companies

*1 An index highly correlated with the company's growth that can be measured by questions on motivation for contribution and a sense of belonging, etc. We set a target value to increase engagement.

*2 Total score of positive answers

Diversity and Inclusion

As labor force is expected to decrease due to declining birthrate and aging population and the logistics industry faces noticeable labor shortage, active participation of diverse human resources is essential for the HTS Group to contribute to society through logistics more than ever. We have established systems and structures to realize diverse working styles, as well as create/promote a culture of diversity and inclusion mainly through education.

■ Boosting understanding of diversity and changing mindset

Rank-based training adopts a curriculum that leads to deeper understanding of diversity and change in mindset. Seminars by external lecturers have been held since FY2014. In FY2021, approximately 600 employees (including online attendees) including those of domestic group companies attended a diversity seminar focusing on working-style reform.

■ Promotion of women's participation in the workplace

We position the active participation of women as an essential issue for a global company and has implemented various initiatives. In FY2021, 67 employees attended

leadership trainings and career development trainings aimed at raising awareness for appointing female managers.

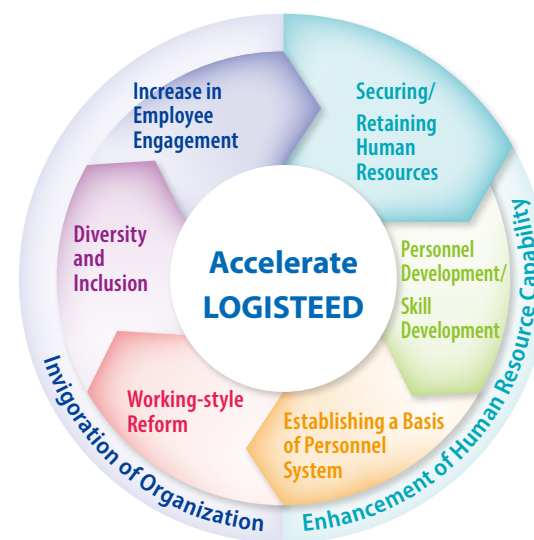
Ratio of female managers
FY2021 result **5.5%**

Target: Achieve 10% by FY2023

Scope: HTS

■ Support for balancing work and life events

We have a system which supports employees to maintain a work-life balance even when they face life events including childrearing and nursing care. To increase the use of the system, we actively provide information, for example, by preparing and distributing a work-life balance support handbook to foster understanding of employees and those around them.



Working-style Reform

We are promoting the "working-style reform" through various initiatives to ensure employees can stay healthy, feel secure, and find their work rewarding, with an aim to increase the productivity of the organization as a whole and the corporate value through active participation of each and every employee.

■ Promotion of VC activities

We are promoting VC activities as daily improvement activities with an aim to accomplish the working-style reform through initiatives to improve safety/quality/productivity and vitalize workplaces as well as the use of digital tools such as RPA.

■ Optimization of working hours

We are working to reduce overtime hours by encouraging employees and managers to change their mindsets using computer log management and biometric identification and also to create an environment which makes it easier to take annual paid leave.

Overtime hours (average)
(FY2021) **27.5 hours/month**

Scope: Full-time employees of HTS

■ Promotion of teleworking

We have introduced a teleworking system for work that can be performed remotely using IT tools such as an online meeting system. It allowed us to organize and review work and support employees who can only work a limited number of hours at a certain location.

■ Support for employees' health enhancement

As an effort to enhance support for employees' health enhancement and create a workplace where employees can work in good health with a sense of security, we have opened the Group health management office with full-time staff such as a public health nurse who can give advice on physical and mental health concerns and self-care, etc.

Number of paid leave taken
(FY2021) **16.9 (15.7) days**

Scope: Full-time employees of HTS/Figures in parenthesis are the number of full-time employees of domestic group companies



For details of employee-related initiatives, please visit our website.

<https://www.hitachi-transportssystem.com/en/profile/csr/social/employee/>

Enhancement of Human Resource Capability

Securing/Retaining Human Resources

Following the development of the Mid-term Management Plan "LOGISTEED2024," we are promoting various measures to proactively secure and retain DX and global human resources to accelerate LOGISTEED and become a leading 3PL company in Asia.

■ Securing human resources appropriate to business strategies

● DX human resources

In addition to adopting a direct recruiting approach, we also offer internship programs and hold roundtable discussions with employees to provide those who were not familiar with the logistics industry with opportunities to know about and become interested in Logistics DX.

● Global human resources

We are focusing on securing human resources who have practical language skill as well as understanding of the culture and business environment of relevant countries and can work together toward globalization to enhance and expand overseas business. We also actively hire foreign new graduates to deepen understanding of other employees around them about foreign cultures and also to promote globalization.

Percentage of foreign employees among new graduates hired (FY2021) **11%**

Target: 3% of all employees by FY2023

Scope: HTS

■ Support for new hires to get acclimated to the new environment

● On-boarding program

We provide trainings on the HB Way, safety, and legal compliance to young employees and mid-career employees.

● Surveys and career development interviews

We conduct surveys on young employees to measure their awareness of participating in the organizations they belong to and improving their productivity, in order to use the results to give advice to their supervisors on management. We also strive to improve the employee retention rate by introducing a mentoring program and having career development interviews on a regular basis.

Personnel Development/Skill Development

We have established "the HTS Group College" as an educational system for all of our employees, designed to draw out the strengths of each individual through practical and specialized training courses. As we value our employees' learning attitude, we have created an environment to support their autonomous growth. We also conduct regular surveys to understand the actual education hours and costs as well as check the training needs and effectiveness.

Education time per employee (FY2021): **8.4 hours**

Scope: HTS, domestic group companies

Education expenses per employee (FY2021): **¥27,960**

Scope: HTS, domestic group companies

■ The HTS Group College

Under the "HTS Group College," we define expectations, roles, and required skills for each position and offer specialized programs linked to the business strategies, including rank-

based trainings, site management, and logistics technology. We also conduct a skill survey to visualize the gap between the "Goal" and the reality and continually reflect the result in the education system. Following the development of the Mid-term Management Plan "LOGISTEED2024," we are focusing on fostering DX and global human resources.

● DX human resources

We have established a system to develop DX human resources and promoted development of highly skilled personnel as well as providing basic education to all employees including executives in order to raise the level of digital literacy.

- Education for all employees: DX mindset education, basic IT education
- Specialized education: Project management, business analysis, data analyst/data scientist training, etc.

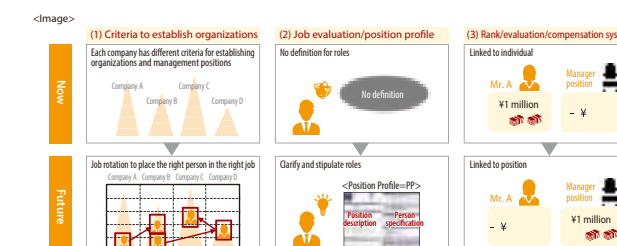
● Global human resources

We offer programs including a global communication education and an overseas business training program to develop human resources who think on a global scale, have a high degree of expertise and contribute to business by transcending differences in culture or values.

Establishing a Basis of Personnel System

■ Renew personnel management system

We are starting the reform of the personnel management system from Japan. Based on the roles and positions organized in the job-based personnel system, we will develop a management system to centrally manage employee information including each employee's career history or job skills with an aim to achieve optimal personnel allocation and strategy from a global perspective.



As the HTS Group works to standardize the evaluation criteria, we are shifting, ahead of others, to the Group common "personnel system" applicable to managers in Japan in which we clarify roles, responsibilities, expectations, results, and required skills, placing "the right person in the right job" based on their ability and motivation. We will aim to create greater value for the Group as a whole by encouraging each employee to autonomously carry out their roles, have a challenging spirit and grow, as well as better reflecting their actions, processes, and results in evaluation and compensation in order to build their sense of satisfaction and accomplishment.

■ Introduce job-based personnel system

With a view to introducing the job-based personnel system, we are working to unify the criteria to establish organizations within the Group to enable flexible job rotation to place "the right person in the right job." We are also creating position profiles which clarify and stipulate roles to shift to a compensation system based on the evaluation criteria for the "position."

Stakeholder Engagement

Responsible Dialogue with Stakeholders

The HTS Group manages and maintains our business activities through interaction with our broad array of stakeholders including customers, shareholders, local communities, and local administrations. We provide stakeholders with information and promote communication activities such as direct dialogue to deepen the understanding of the Group by stakeholders, and we also reflect their feedback and requests in our corporate activities to maintain and enhance trust relationships, with an aim to increase corporate value.

Stakeholders	Purpose	Communication channels/methods	No. of conduct*1 or frequency
Customers 	▶ Improve customer satisfaction ▶ Raise corporate brand value	Web seminars/briefings	13 times, 653 attendees
		Networking events using LOGISTEED CAFÉ	1,250 attendees from 496 companies*2 in total
		Participation in large-scale exhibition	Annually
		Customer survey	As needed
Employees 	▶ Enhance employee motivation ▶ Create a workplace full of smiles and vibrance ▶ Constantly maintain good employer-employee relationship	Presentation and commendation of excellent improvement cases (VC Award)	Annually
		Roundtable discussion with the management (dialogue session)	3 times 230 attendees in total
		Setting up of intranet site for improvement assistance (VC JUMP)	Regularly
		Establishment of learning platform (event management system)	e-Learning: 83 sessions were held Approx. 140,000 attendees in total
		Employee engagement survey	Annually
Business partners 	▶ Build good relationships with partners beyond the logistics domain ▶ Maintain long-term, stable, and effective relationships with partner transport companies	Networking events using LOGISTEED CAFÉ	1,250 attendees from 496 companies*2 in total
		Seminars for partner transport companies	Semiannually in various locations*3
		Award for partner transport companies	As applicable
		Setting up of dedicated inquiry contact for suppliers	Regularly
Shareholders/Investors 	▶ Achieve sustainable growth and increase corporate value over the medium-to-long-term with active dialogue through fair and highly transparent information disclosure in a timely and appropriate manner	Results briefings	4 times
		Small-scale meetings	6 times
		Individual meetings by executives (including overseas investors and ESG investment interviews)	26 times
		Regular General Shareholders' Meeting	Annually
		Exercise of voting rights	90.2%*4
Local administration/Industry associations 	▶ Share recognition of cross-sectoral issues related to logistics ▶ Contribute to solving issues through collaboration and solidarity and realize sustainable logistics	Participation in committees/conferences/meetings	As needed
		Participation in economic associations/industry groups	As needed
Local community 	▶ Contribute to sustainable lifestyles and society through support for logistics innovation, etc. ▶ Raise awareness on social role of logistics toward the next generation	Individual dialogue with NGOs/NPOs, etc.	15 times
		Support for holding sporting events/sports promotion	As needed/Establishment of Track and Field Club
		Dialogue with local governments	14 times
		Participation in volunteer activities	As needed

*1: Counted as of March 31, 2022

*2: The number of participants and companies is the total of customers and business partners.

*3: We refrained from holding seminars in FY2021 to prevent the spread of COVID-19.

*4: Ratio of exercise of voting rights at the Regular General Shareholders' Meeting held on June 23, 2022.

Efforts for Constructive Dialogue with Shareholders and Investors

The Group communicates with our shareholders and investors through a variety of means including financial results briefings, telephone conferences, small-scale meetings, overseas roadshows, and individual meetings, etc. for securities analysts and institutional investors, etc. In FY2021, in light of the spread of COVID-19, we held individual meetings, financial results briefings, and small-scale meetings with investors including shareholders online and also disclosed materials in English in a timely manner, in an effort to promote dialogue with shareholders and investors.



Financial results briefing (online)

Timely disclosure of materials in English

External Evaluation

Commendations/recognition from outside the Company

2021

- July:** Received "Advanced Technology Award" at the 22nd Logistics Environment Awards
- September:** Co-awarded "METI Minister's Award" and "Technical Packaging Award" at the Japan Packaging Contest 2021
- October:** Won both "General" and "Women's" categories at the 36th National Forklift Driving Contest
- October:** Won the "Prime Minister's Prize" at the 53rd National Truck Driver Contest and also won in "4-ton" and "Trailer" categories
- November:** Received the "Award of Modal Shift Initiative Excellent Business Operator (effective usage category)" in 2021
- December:** Our "Investor Relations" site received awards in major IR website rankings

ESG

(As of August 2022)

Inclusion in ESG Indexes

Selected as a constituent of five ESG indexes adopted by GPIF*



* GPIF: Government Pension Investment Fund

ESG evaluations



Received "A-" on the Climate Change Report 2021

Other evaluations

Theme stock



Integrated Report

Selected as an excellent Integrated Report by GPIF's asset managers entrusted with domestic equity investment (February 2022)

IR website evaluations



For other external evaluations, please visit our website.

<https://www.hitachi-transportssystem.com/en/profile/csr/evaluation/>

Highlights

— Financial Highlights: The Track Record of 10 Years —

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

(As of March 31, 2022)				J-GAAP			IFRS						
(FY)	2012	2013	2014	2014	2015	2016	2017	2018	2019*7	2020	2021		
				Millions of yen								Millions of yen	
For the year:													
Revenues (Service Revenues)*1	¥547,517	¥624,504	¥677,108	¥678,573	¥680,354	¥665,377	¥700,391	¥708,831	¥672,286	¥652,380	¥743,612		
Domestic logistics	375,560	388,765	397,844	397,954	405,080	411,796	417,835	432,793	435,311	421,190	417,162		
Global logistics	152,485	215,193	258,354	258,231	253,144	231,727	260,285	255,828	219,761	216,258	313,494		
Other services (logistics related businesses)	19,472	20,546	20,910	22,388	22,130	21,854	22,271	20,210	17,214	14,932	12,956		
Operating income*5	19,535	20,992	21,198	21,465	28,320	29,466	29,803	31,192	33,483	36,711	38,696		
Domestic logistics	27,452	28,523	26,082	14,071	20,333	21,830	21,740	22,099	26,063	25,176	23,678		
Global logistics	1,123	2,910	5,897	4,848	5,652	5,693	6,280	7,108	6,502	10,340	13,642		
Other services (logistics related businesses)	2,619	2,743	2,883	2,546	2,335	1,943	1,783	1,985	918	1,195	1,376		
Elimination or company-wide expenses*2	(11,659)	(13,184)	(13,664)	—	—	—	—	—	—	—	—		
Net income attributable to stockholders of the parent company (Net income)*1	11,156	5,433	10,932	13,250	14,011	18,703	20,916	22,786	21,614	22,873	13,513		
At year-end:													
Total assets	¥374,206	¥427,733	¥450,048	¥459,386	¥464,399	¥549,924	¥564,903	¥612,535	¥879,144	¥787,936	¥791,878		
Total equity (Net assets)*1	174,904	181,401	188,935	176,726	178,552	190,919	208,291	228,949	239,257	162,107	178,213		
Equity attributable to stockholders of the parent company (Stockholders' equity)	169,327	168,683	176,714	173,720	175,543	187,482	204,328	222,346	232,861	155,158	170,170		
Consolidated Cash Flows:													
Cash flows from operating activities	¥24,689	¥25,689	¥31,578	¥32,266	¥38,820	¥26,372	¥27,924	¥37,812	¥78,204	¥55,309	¥65,135		
Cash flows from investing activities	(16,759)	(24,595)	(19,860)	(19,886)	(10,373)	(69,004)	(6,178)	(13,892)	(1,162)	69,779	(24,877)		
Cash flows from financing activities	(7,522)	(2,038)	(11,648)	(12,065)	(16,712)	55,592	(16,445)	21,104	(45,707)	(161,056)	(52,511)		
Cash and cash equivalents at end of year	33,052	33,614	34,542	34,544	45,146	57,483	63,497	108,412	139,021	104,815	94,907		
Per share data (Yen):													
Net income attributable to stockholders of the parent company (Net income)*1	¥100.01	¥48.70	¥98.00	¥118.78	¥125.60	¥167.66	¥187.50	¥204.27	¥193.76	¥240.02	¥161.47		
Equity attributable to stockholders of the parent company (Net assets)*1	1,517.93	1,512.16	1,584.16	1,557.32	1,573.67	1,680.70	1,831.72	1,993.25	2,087.52	1,854.01	2,033.37		
Cash dividends	25.00	26.00	28.00	28.00	30.00	34.00	36.00	40.00	43.00	50.00	56.00		
Share price at year-end	1,500	1,676	1,817	1,817	1,882	2,313	2,990	3,285	2,349	3,720	6,720		
Capital expenditures:													
Capital expenditures*3	¥17,854	¥27,948	¥26,528	¥26,528	¥33,755	¥21,961	¥17,355	¥27,559	¥32,242	¥68,100	¥49,299		
Purchased assets*4	15,187	21,622	13,601	13,601	22,340	15,670	13,010	17,760	18,250	24,080	22,380		
Depreciation and amortization	14,958	16,579	18,403	18,715	19,125	18,741	19,030	19,059	52,815	52,159	50,828		
Financial ratios:													
Operating margin (%)*5	3.6	3.4	3.1	3.2	4.2	4.4	4.3	4.4	5.0	5.6	5.2		
ROE (%)	6.8	3.2	6.3	8.0	8.0	10.3	10.7	10.7	9.5	11.8	8.3		
Other data:													
Number of employees (excluding senior employees, part-time or temporary employees)	22,793	24,425	24,728	24,728	24,744	25,274	25,074	24,139	23,837	22,682	22,918		
Total floor space of warehouse (Ten-thousand square meters)*6	564	637	691	691	709	719	731	734	741	753	755		
Domestic	426	461	500	500	496	497	499	513	509	527	537		
Overseas	138	176	191	191	213	222	231	221	232	226	219		

*1 Terms in parentheses are used for J-GAAP. *2 From the FY2015 (IFRS), the Group altered to allocate company-wide expenses to each business segment. The segment information of the FY2014 (IFRS) had also reflected the alternation above. *3 Based on tangible and intangible assets accepted. *4 Based on non-current assets recorded.

*5 In order to present business conditions 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. *6 Excluding AIT Group and HTB-BCD Travel Group. *7 Effective April 1, 2019, the Group adopted IFRS 16 Leases.

Category/Item	Scope			FY2017	FY2018	FY2019	FY2020	FY2021
	HTS	Domestic group	Overseas group					
Environment								
Environmental Management								
Coverage of environmental management system (ISO14001) (percentage of certification acquisition)	●	●		Head office acquired “Eco Stage 2” (equivalent to ISO14001) and implemented it in domestic group companies.				
			●	3.8%	3.8%	3.6%	3.6%	4.0%
Number of non-compliance with environmental laws and regulations (environmental compliance)	●			0	0	0	0	0
Attendance rate of environmental e-learning courses	●	●		99.8%	99.8%	99.7%	99.5%	99.0%
Reduction of Environmental Load by Products and Services								
Eco-friendly vehicle ownership ratio	●	●		100%	100%	100%	100%	100%
Advanced eco-friendly vehicle ownership ratio	●	●		90%	93%	96%	97%	98%
Greenhouse Gas (GHG)								
Improve fuel efficiency by vehicle type (driving distance/fuel consumption) *1 [CO2 emission reduction target *2]	●	●		Compared to FY2014 -3%	Compared to FY2014 +4%	Compared to FY2018 +1%	Compared to FY2018 +2%	Compared to FY2020 +1.76%
Improve fuel efficiency by vehicle type (driving distance/fuel consumption) *1 [Result of reduction of CO2 emission]	●	●		Compared to FY2014 +2.5%	Compared to FY2014 +1.2%	Compared to FY2018 +0.4%	Compared to FY2018 -2.3%	Compared to FY2020 +0.4%
CO2 emission reduction by modal shift (t-CO2) *3	●	●		Modal shift to sea transport for recyclable resources waste from Kanto area to Hokkaido and Kyushu 320**	Modal shift to railway transport for household medicine from Itoyama area to other areas in Japan 45.8	Modal shift to sea transport for recyclable resource waste 31.9*3	Modal shift to railway transport for imported foods from Kanagawa Prefecture to other areas in Japan 98.6	Modal shift to sea transport for hygiene materials from Hyogo Prefecture to Kyushu ** approx. 270
Total of above CO2 emission reductions in comparison with truck transport				-50%	-79%	-28%**7	-71.5%	Approx. -60%
CO2 emissions suppressed with LED lighting fixtures (t-CO2)	●	●	●	1,300	2,730	141.2	1,471	799
Total GHG emissions (Scope 1) (t-CO2)	●	●		44,290	43,656	42,207	40,669	40,519
Total GHG emissions (Scope 1&2) (t-CO2)	●	●		132,122	127,561	119,753	112,995	110,616
Total GHG emissions (Scope 3) (t-CO2)	●	●		537,272	557,860	527,187	496,788	513,312
Air/Chemicals								
Emissions of NOx, SOx and other significant air emissions	●	●		Since 1992, we purchased only the vehicles equipped with measures against NOx and SOx to comply with emission regulations.				
Energy								
Electricity consumption per “floor space” in “buildings” [Reduction target for energy consumption intensity]	●	●		Compared to FY2014 -3%	Compared to FY2014 -4%	Compared to FY2018 -1%	Compared to FY2018 -2%	Compared to FY2020 -1.76%
Electricity consumption per “floor space” in “buildings” [Result of reduction of energy consumption intensity]	●	●		Compared to FY2014 -1.0%	Compared to FY2014 +0.9%	Compared to FY2018 -3%	Compared to FY2018 -8.3%	Compared to FY2020 -8.1%
Total energy input/consumption (amount used) (GJ)	●	●		2,454,703	2,462,590	2,409,865	2,327,399	2,218,798
Waste/Recycling								
Total waste emissions (t)	●	●		33,304	30,527	29,892	29,533	32,245
Reduction target for copy paper consumption [reduction of resource use]	●	●		YoY: -1%	YoY: -1%	YoY: -1%	YoY: -1%	YoY: -1%
Results of copy paper consumption [reduction of resource use]	●	●		YoY: -2.9%	YoY: -2.4%	YoY: -5.3%	YoY: ±0%	YoY: -4.7%
Recycling rate target [waste reduction]	●	●		99%	99%	99%	99%	99%
Actual recycling rate [waste reduction]	●	●		99.6%	99.4%	99.0%	99.0%	99.0%
Amount of non-recycled waste (t)	●	●		133	121	246	323	278
Amount of recycled waste (recycled amount: total) (t)	●	●		33,171	30,406	29,564	29,124	31,928
Emissions of hazardous waste (total volume) (t)	●	●		Although we do not keep track of the exact amount of PCB, other waste oil and polluted mud because their amount is low, we manage them properly in accordance with laws.				
Green Purchasing								
Green purchasing rate	●	●		90.0%	88.3%	86.0%	87.6%	82.0%
Water								
Input of water resources (m ³)	●	●		333,803	340,129	318,916	306,770	295,018
Social								
Employee Basic Data								
Number of employees (excluding senior employees, part-time or temporary employees)	●			1,781	1,571	1,374	1,328	1,224
Male	●			1,498	1,309	1,126	1,056	963
Female	●			283	262	248	272	261
Total personnel *8 (Senior employees, part-time or temporary employees)	●	●	●	47,784 (22,710)	46,295 (22,156)	45,328 (21,491)	43,729 (21,047)	45,681 (22,763)
Domestic	●	●		29,669	29,440	28,950	28,671	29,868
Overseas			●	18,115	16,855	16,378	15,058	15,813
Average age (full-time employees) (years old)	●			41.1	41.7	42.3	42.6	42.9
Average service years (full-time employees) (years)	●			17.3	18.4	19.3	19.8	20.0
Number of employee turnover (full-time employee only, excluding those retired or transferred to group companies) (persons)	●			32	41	50	31	41
Turnover rate (full-time employees only, No. of employees left/No. of employees at the beginning of FY x 100)	●			1.6%	2.0%	2.5%	1.6%	2.1%
Diversity								
Ratio of female new graduates hired	●			Joined on April 1, 2018: 33.3%	Joined on April 1, 2019: 47.8%	Joined on April 1, 2020: 39.1%	Joined on April 1, 2021: 50.0%	Joined on April 1, 2022: 36.8%
Ratio of female new graduates hired	●	●		Joined on April 1, 2018: 35.2%	Joined on April 1, 2019: 37.9%	Joined on April 1, 2020: 36.4%	Joined on April 1, 2021: 48.3%	Joined on April 1, 2022: 40.5%
Numbers of female managers (persons)	●			19	26	34	37	41
Ratio of female managers	●			2.7%	3.7%	4.7%	4.9%	5.5%
Number of female assistant managers (persons)	●			56	66	61	71	77
Ratio of female assistant managers	●			9.7%	11.5%	11.1%	13.1%	14.3%
Number of foreign employees (persons)	●			38	48	42	43	40
Ratio of foreign employees	●			2.3%	2.4%	2.2%	2.3%	2.2%
Number of foreign managers (persons)	●			1	3	3	3	3
Ratio of persons with disabilities hired (as of June each year)	●	●		2.35%	2.46%	2.57%	2.48%	2.65%
Ratio of re-employment of the elderly (only those who requested)	●			100%	100%	100%	100%	100%

Category/Item	Scope			FY2017	FY2018	FY2019	FY2020	FY2021
	HTS	Domestic group	Overseas group					
Social								
Job Creation								
Number of new graduates hired (Members of the Track and Field Club) (persons)	●			Joined in April 2018: 34(4)	Joined in April 2019: 24(1)	Joined in April 2020: 28(3)*9	Joined in April 2021: 36(4)	Joined in April 2022: 38(0)
Number of female new graduates hired (persons)	●			10	11	10	16	14
Number of new graduates hired who remained for three years (excluding those in the Track and Field Club) (persons)	●			Joined in April 2015: 51 Remained as of April 1 2018: 47	Joined in April 2016: 38 Remained as of April 1 2019: 35	Joined in April 2017: 27 Remained as of April 1 2020: 25	Joined in April 2018: 30 Remained as of April 1 2021: 30	Joined in April 2019: 23 Remained as of April 1 2022: 20
Retention rate of new graduates hired after three years	●			92.2%	92.1%	92.6%	100.0%	87.0%
Number of experienced workers hired (persons)	●			19	20	23	14	17
Number of female experienced workers hired (persons)	●			9	9	5	6	10
Ratio of experienced workers hired	●			41%	40%	50%	36%	35%
Work-life Balance								
Number of those who took maternity leave (persons)	●			12	11	17	15	18
Number of those who took childcare leave (persons)	●			16	14	19	15	27
Number of male employees (persons)	●			3	4	4	1	6
Ratio of those who returned to work after childcare leave	●			94.4%	100%	100%	100%	100%
Number of those who took nursing care leave (persons)	●			0	2	2	2	0
Number of paid leave taken (non-consolidated) (days)*10	●	●		(17.4)	14.5(18.5)	15.9(18.5)	14.2(16.7)	15.7(16.9)
Rate of paid leave taken (non-consolidated)*10	●	●		(72.5%)	63.3%(78.0%)	68.8%(77.3%)	61.0%(69.8%)	67.9%(70.7%)
Overtime hours (average of full-time employees excluding managers) (hours/month)	●			32.2	30.2	28.6	28.1	27.5
Occupational Health and Safety								
Frequency rate of workplace accidents (non-consolidated)*10	●	●		(0)	0.85(0)	0.93(0)	0.78(0)	0.88(0)
Severity rate of workplace accidents (non-consolidated)*10	●	●		(0)	0.022(0)	0.013(0)	0.019(0)	0.017(0)
Number of traffic accidents defined in Article 2 of the Transportation Safety Management Regulation (incidents)	●	●*11		1	0	0	0	1
Social Contribution								
Total expenditure for social contribution (millions of yen) *12	●	●*13	●*13	9.0	18.0	29.0	69.7	87.1
Open innovation								
Number of visitors to the Company's facilities (persons)*14	●			1,336	573	709	468	1,250
Governance								
Corporate Governance								
Number of directors (female) (persons)	●			8(2)	8(2)	8(2)	9(2)	9(2)
Outside director	●			6(2)	6(2)	6(2)	7(2)	7(2)
Independent officer	●			4(2)	4(2)	4(2)	6(2)	6(2)
Number of executive officers (female) (persons)	●			16(0)	15(0)	18(0)	18(0)	19(0)
Compliance								
Number of compliance training conducted *15	●	●		25(3)	24(9)	30(2)	25(4)	19(2)
Number of compliance meeting held	●	●	●	4	8	6	7	7
Number of whistle-blowing reports/consultations (cases)	●	●	●	17	42	44	54	67
Risk Management								
Areas which conducted BCP simulation trainings and number of attendees (persons)	●	●		Kyushu area 22 Saitama area 20	Kansai area 31	Kanto area 17*16	Hokuriku area 14*17	Various locations approx. 200*18
Overseas sites which conducted BCP Caravan and number of attendees (persons)			●	China area 6 Thailand area 8	Indonesia area 23 *19	___*20	___*20	___*20
Information Security								
Number of attendees of information security training course (persons)	●	●	●	36,508	37,497	37,778	38,267	37,670
Rate of targeted threat emails for simulation trainings opened	●	●		8.0%	0.7%	5.0%	9.6%	6.0%
Number of sites which obtained third-party certifications for information security	●	●		ISMS: 35 departments Privacy mark: 13 group companies	ISMS 36 departments Privacy mark: 13 group companies	ISMS 36 departments Privacy mark: 12 group companies	ISMS 26 departments Privacy mark: 12 group companies	ISMS 20 departments Privacy mark: 12 group companies
Number of departments which conducted information security audit	●	●		767	782	729	715	717
Intellectual Properties								
Number of patent applications	●	●	●	15	17	46	28	37
Number of patents held	●	●	●	27	31	49	78	102

*1 Large, Medium, and Small size (fuel efficiency km/ℓ) *2 CO₂ emission reduction target was changed from "Reduction of CO₂ emission intensity"(until FY2017) to "Improvement of fuel efficiency" (from FY2018). *3 Specific case *4 Please refer to page 28 of Annual Report 2018 for details. *5 Please refer to page 64 of Integrated Report 2020 for details. *6 The case which received Shipping Modal Shift Grand Prize at Eco-Ship Modal Shift Excellent Business Awards 2021 and Advanced Technology Award at the 23rd Logistics Environment Awards *7 Comparison with transport by former container *8 Excluding employees of associates accounted for by the equity method *9 One male and one female employees joined the Company in December due to COVID-19 *10 Started aggregating data of domestic group companies from FY2018. *11 Covers 13 group companies: Hitachi Transport System East Japan Co., Ltd., Hitachi Transport System Kanto Co., Ltd., Hitachi Transport System Metropolitan Co., Ltd., Hitachi Transport System South Kanto Co., Ltd., Hitachi Transport System Central Japan Co., Ltd., Hitachi Transport System West Japan Co., Ltd., Hitachi Transport System Kyushu Co., Ltd., and Hitachi Transport Direx Co., Ltd., VANTEC CORPORATION, VANTEC EAST LOGISTICS CORPORATION, VANTEC CENTRAL LOGISTICS CORPORATION, VANTEC KYUSHU LOGISTICS CORPORATION, TOKIWA KAIUN COMPANY LIMITED *12 Includes donation and matching gifts *13 The scope is changed to HTS and domestic and overseas group companies from FY2020 *14 Number of visitors to R&D Center (opened in March 2016) until FY2018 (FY2016: from July 2016 to March 2017), number of visitors to Kasukabe EC Platform Center (started operation in September 2019) from FY2019, and total number of external users including those via the Internet, of LOGISTEED CAFE (opened in December 2020) from FY2021 *15 Includes e-learning for all employees of domestic group companies: number shown in () *16 Trainings in Hokuriku area and at Hitachi Collabonext Transport System Co., Ltd., originally scheduled in March 2020 were postponed to FY2020 or later due to the spread of COVID-19 *17 Hitachi Transport System Central Japan Co., Ltd. conducted an online training in March 2021 *18 Conducted online initial response trainings at 16 group companies *19 Includes attendees via video conference system *20 Postponed due to the spread of COVID-19

Key Management Indicators: MD&A

(Management's Discussion and Analysis of Financial Position, Financial Results, and Cash Flows)

Financial Position

Total assets as of March 31, 2022 amounted to ¥791,878 million, an increase of ¥3,942 million compared with the end of the previous fiscal year. Current assets increased by ¥2,120 million due to increases of ¥8,181 million in trade receivables and contract assets mainly due to increases in revenues and ¥6,202 million in other financial assets resulting from payments into Turkish lira-denominated time deposits by our consolidated subsidiary Mars Lojistik Grup Anonim Sirketi despite a decrease of ¥9,908 million in cash and cash equivalents. Non-current assets increased by ¥1,822 million mainly due to an increase of ¥9,309 million in property, plant and equipment resulting from capital expenditures for hazardous materials warehouses built in Otsu City, Shiga Prefecture, and Kashiwa City, Chiba Prefecture, and renewal of vehicles despite a decrease of ¥6,765 million in right-of-use assets due to recording of depreciation and amortization and loss related to the fire at a logistics center at Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd., our consolidated subsidiary ("Fire at our consolidated subsidiary").

Total liabilities as of March 31, 2022 amounted to ¥613,665 million, a decrease of ¥12,164 million compared with the end of the previous fiscal year. Current liabilities increased by ¥16,486 million mainly due to increases of ¥9,772 million in current portion of long-term debt resulting from reclassification from long-term debt and of ¥6,485 million in other current liabilities due to recording of provision for damages related to the Fire at our consolidated subsidiary. Non-current liabilities decreased by ¥28,650 million mainly due to decreases of ¥19,917 million in long-term debt resulting from reclassification to current portion of long-term debt and of ¥9,877 million in lease liabilities mainly due to repayments and reversal in relation to the Fire at our consolidated subsidiary.

Total equity as of March 31, 2022 amounted to ¥178,213 million, an increase of ¥16,106 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company increased by ¥15,012 million mainly due to a decrease of ¥98,996 million in treasury stock, at cost as a result of cancellation. Total equity attributable to stockholders of the parent company ratio increased from 19.7% as of March 31, 2021 to 21.5%.

Operating Results

Revenues, adjusted operating income

For the fiscal year ended March 31, 2022, revenues increased by 14% year-on-year to ¥743,612 million due to recovery in handling volume. Adjusted operating income increased by 5% year-on-year to ¥38,696 million mainly due to revenues increase, improved productivity, and improved profitability of freight forwarding business. Operating income decreased by 25% year-on-year to ¥30,738 million mainly due to loss related to the Fire at our consolidated subsidiary and decreases in gains from transfer of all shares of SAGAWA EXPRESS CO., LTD. and from sales of fixed assets despite a decrease in COVID-19-related loss.

EBIT (Earnings before interest and taxes)

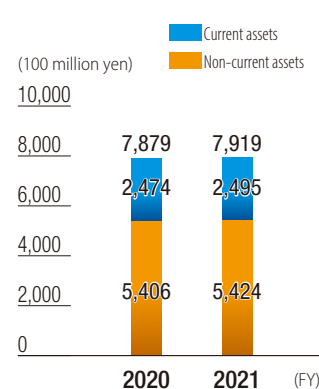
Earnings before interest and taxes (EBIT) decreased by 34% year-on-year to ¥29,417 million mainly due to decreases in operating income and in share of profits of investments accounted for using the equity method mainly due to transfer of all shares of SAGAWA EXPRESS CO., LTD. as well as foreign exchange loss.

Net income attributable to stockholders of the parent company

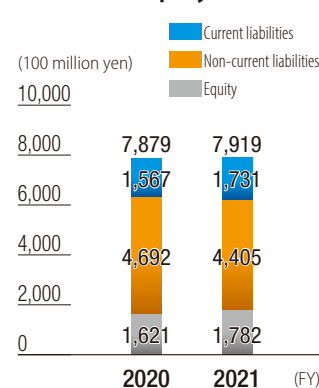
Net income attributable to stockholders of the parent company decreased by 41% year-on-year to ¥13,513 million mainly due to a decrease in income before income taxes.

	(Billions of yen)	
	FY2020	FY2021
Revenues	6,524	7,436
Adjusted operating income	367	387
Operating income	411	307
EBIT	444	294
Income before income taxes	391	246
Net income attributable to stockholders of the parent company	229	135

Assets



Liabilities/Equity



Cash Flows

Cash flows from operating activities

Net cash provided by operating activities was ¥65,135 million, an increase of ¥9,826 million compared with the fiscal year ended March 31, 2021. This is mainly due to increases in cash from depreciation and amortization of ¥50,828 million and recording net income of ¥14,622 million despite a decrease in cash from income taxes paid of ¥7,202 million.

Cash flows from investing activities

Net cash used in investing activities was ¥24,877 million, an increase of ¥94,656 million compared with the fiscal year ended March 31, 2021. This is mainly due to a decrease in cash resulting from purchase of property, plant and equipment and intangible assets of ¥20,359 million which consists mostly of capital expenditures for hazardous materials warehouses built in Otsu City, Shiga Prefecture, and Kashiwa City, Chiba Prefecture, and renewal of vehicles, and payments into time deposits of ¥6,049 million which consists mostly of payments into exchange-rate-protected Turkish lira time deposits by our Turkish subsidiary Mars Lojistik Grup Anonim Sirketi to be eligible for tax exemptions introduced by the Turkish government for valuation gains on foreign currency-denominated assets.

Cash flows from financing activities

Net cash used in financing activities was ¥52,511 million, a decrease of ¥108,545 million compared with the fiscal year ended March 31, 2021. This is mainly due to a decrease in cash from repayments of lease liabilities of ¥33,758 million and repayments of long-term debt of ¥10,329 million.

Outline of Capital Expenditures

The Group (HTS and its consolidated subsidiaries) carefully selected and executed investments to expand logistics sites and renewed vehicles as part of ordinary business operation. The details of capital expenditures (based on tangible and intangible assets accepted) for the fiscal year ended March 31, 2022 are as follows:

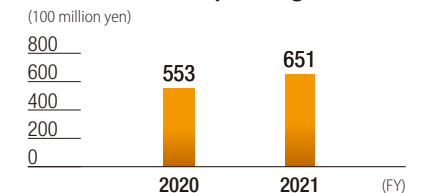
In domestic logistics, we acquired hazardous substances warehouses (Otsu City, Shiga Prefecture, and Kashiwa City, Chiba Prefecture) as property, plant and equipment in an effort to expand logistics sites.

We also renewed existing assets and made investments for streamlining and labor-saving. As a result, capital expenditures totaled ¥26,022 million.

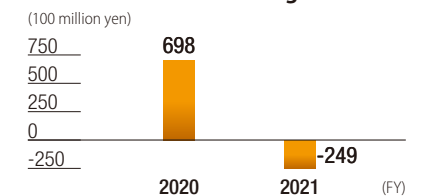
In global logistics, we renewed existing assets, mainly vehicles. As a result, capital expenditures amounted to ¥16,140 million.

In other, we renewed existing assets such as vehicles for rental business. As a result, capital expenditures amounted to ¥3,136 million.

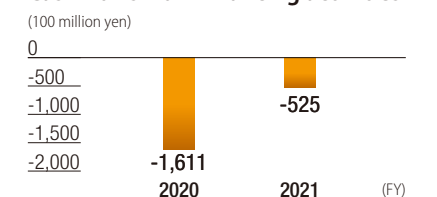
Cash flows from operating activities



Cash flows from investing activities



Cash flows from financing activities



Details of capital expenditures

	(100 million yen)	
	FY2020	FY2021
Domestic logistics	512	260
Global logistics	115	161
Other	32	31
Company-wide	22	40
Total	681	493

Tax policy

Recognizing that fulfilling tax obligations properly is one of our social responsibilities, the Group has established the internal "Rules of the Group Tax Management."

1. Compliance with international standard of tax rules and tax regulations

Group companies observe international standards of tax rules, such as OECD Transfer Pricing Guidelines and Action Plan on Base Erosion and Profit Shifting (BEPS) and conduct operations in accordance with tax rules of each jurisdiction, all relevant laws and regulations in the territories in which they operate.

2. Managing its tax affairs efficiently, continuously, and proactively

Consistent with their roles as socially responsible organizations, the aims of Group companies are to manage their tax affairs efficiently, continuously, and proactively while maximizing shareholder value.

3. Building up a sincere and good relationship with tax authorities

Group companies develop and sustain good relations with tax authorities in countries where they operate.

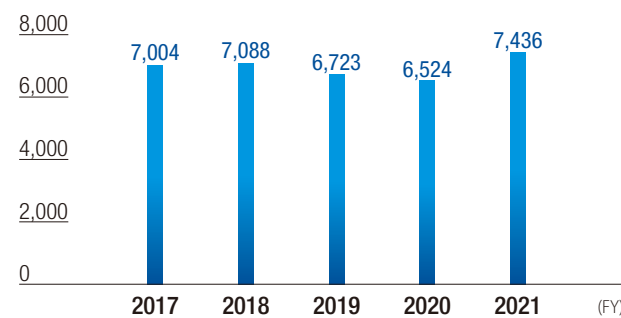
4. Enhancement of risk management

Group companies have to correspond to the diversification of taxation issues and the tax audits carried out by authorities, and report to relevant departments as soon as such issues start.

Key Management Indicators: Financial and Non-Financial Highlights

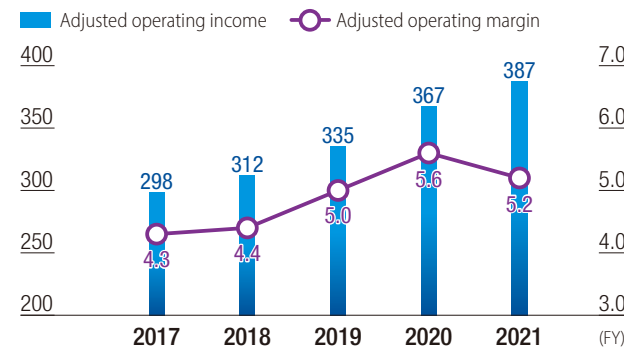
Financial Highlights

Revenues (100 million yen)



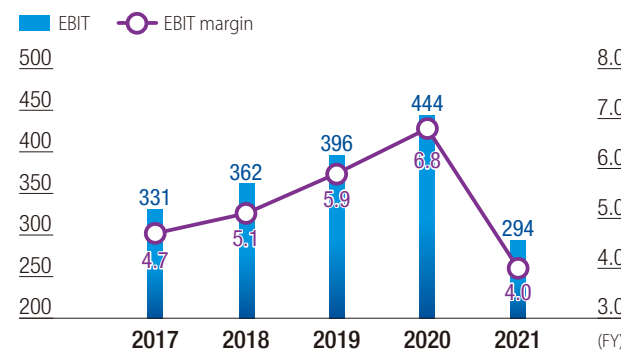
Revenues showed positive growth since FY2017 but decreased in FY2019 due to a decrease in volume of automobile parts and freight forwarding business and in FY2020 due to the spread of COVID-19. Revenues increased in FY2021 due to a recovery in handling volume.

Adjusted operating income (100 million yen)/Adjusted operating margin (%)



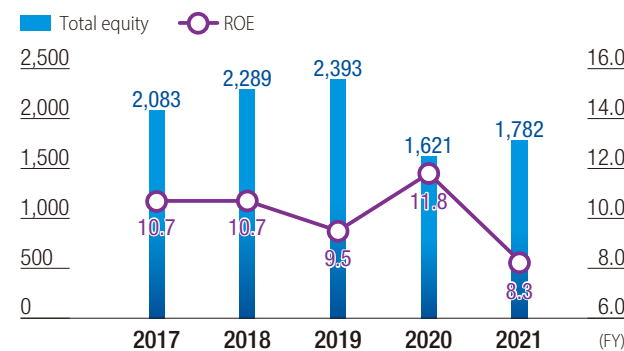
Adjusted operating income has been increasing since FY2013. The increase in FY2021 was mainly due to revenues increase, improved productivity, and improved profitability of freight forwarding business.

EBIT (100 million yen)/EBIT margin (%)



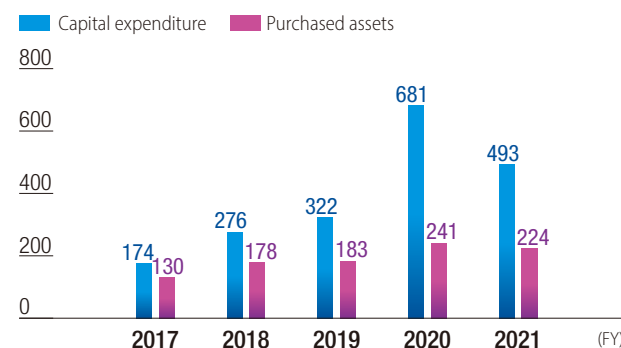
EBIT had been increasing since FY2013 but decreased in FY2021 due to loss by fire at a consolidated subsidiary and decreases in gains on sales of investments in associates and fixed assets recorded in FY2020.

Total equity (100 million yen)/ROE (%)



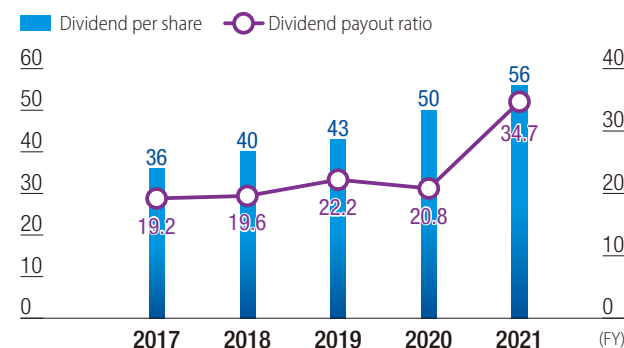
ROE remained flat since reaching 10% in FY2016. In FY2020, it increased due to a decrease in equity attributable to stockholders of the parent company as a result of the acquisition of approximately ¥98.8 billion of treasury stock, but decreased in FY2021 as net income attributable to stockholders of the parent company decreased mainly due to recording of loss by fire.

Capital expenditures/Purchased assets (100 million yen)



Capital expenditures including lease*1 remained at around ¥20 billion to ¥70 billion and purchased assets*2 remained at around ¥13 billion to ¥20 billion. In FY2021, we made an effort to expand business sites by purchasing assets including hazardous substances warehouses.

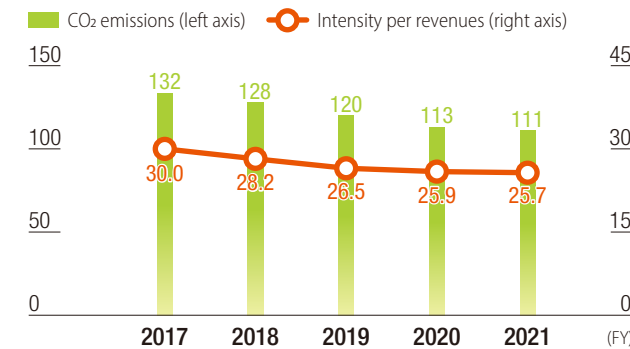
Cash dividends per share (Yen)/Dividend payout ratio (%)



We have continued to increase dividends every year since FY2010. We seek profit distribution linked to business performance while considering medium-to-long-term business expansion and securing internal reserves to strengthen corporate structure.*3

Non-Financial Highlights

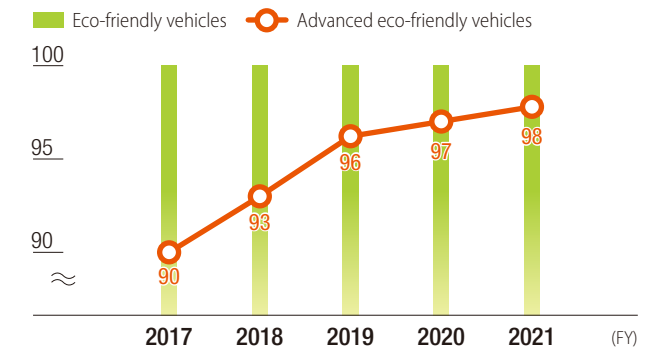
CO₂ emissions (thousand tons-CO₂)/Intensity per revenues (tons-CO₂/100 million yen)



Both CO₂ emissions and its intensity per revenues are on a declining trend mainly due to efforts to reduce electricity consumption and improve vehicle fuel efficiency.

Scope: HTS, domestic group companies (total of Scope 1 and 2)

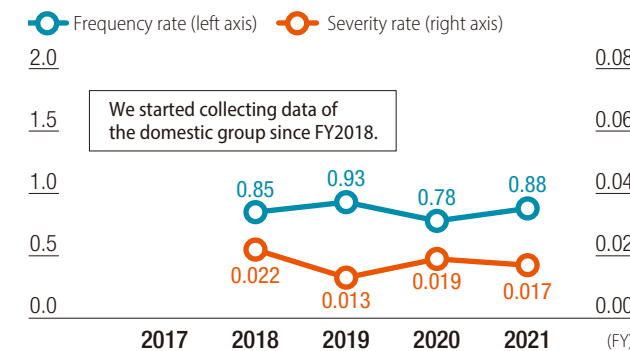
Eco-friendly vehicle ownership ratio (%)**1



To further reduce environmental load, we aim to achieve the advanced eco-friendly vehicle ownership ratio of 100% through, for example, the introduction of EVs and FCVs, etc. with higher environmental performance.

Scope: HTS, domestic group companies

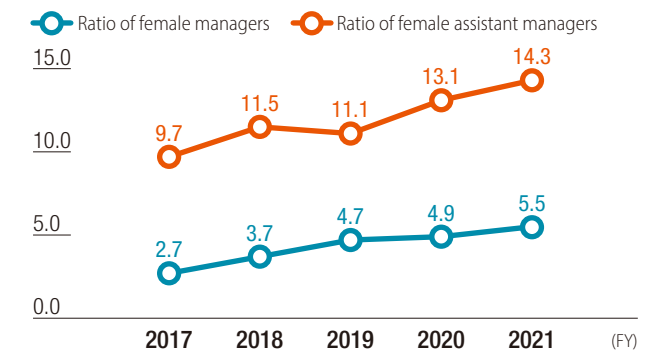
Workplace accident index: Frequency rate/Severity rate**2



In FY2021, the "frequency rate" representing the frequency of workplace accidents slightly increased but the "severity rate" representing the severity of accidents decreased mainly due to the introduction of education through realistic experience.

Scope: HTS, domestic group companies

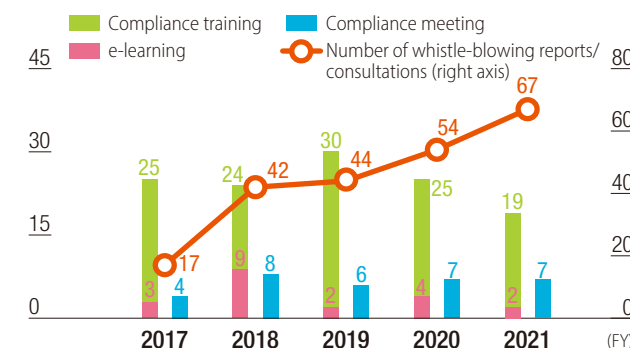
Ratio of female managers (%)



In FY2021, the ratio of female managers nearly doubled from FY2017 due to our systematic efforts to develop female employees.

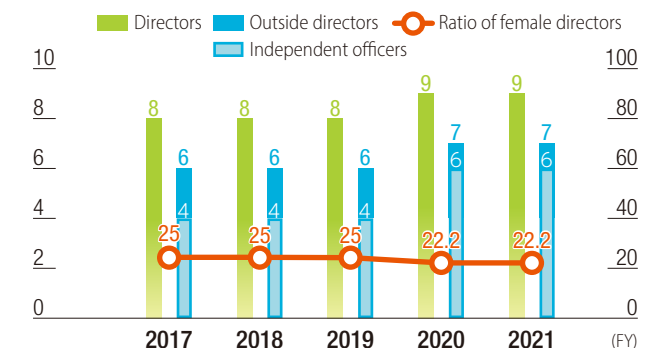
Scope: HTS

Number of compliance trainings and meetings conducted (times)/Number of whistle-blowing reports and consultations (cases)**3



We continue to implement measures to enhance compliance of the entire Group in Japan and overseas. The number of reports/consultations is on the rise due to the spread of the whistle-blowing system.

Directors and outside directors (persons)/Ratio of female directors (%)**4



The Board of Directors, which is the supervisory body of management, invites outside directors in order to incorporate objective outside opinions. Also, we have promoted female directors to ensure diversity.

Scope: HTS

*1 Based on tangible and intangible assets accepted *2 Based on non-current assets recorded *3 As announced in the news releases dated April 28, 2022, "Announcement of Expression of Opinion in Support of the Scheduled Commencement of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Recommendation of Tender" and "Notice regarding Dividend Distribution (No Dividend)," we do not plan to pay an interim and a year-end dividends for the fiscal year ending March 31, 2023 in light of the scheduled commencement of the tender offer by HTSK Co., Ltd. for the Company's common shares.

*1 Eco-friendly vehicles are as follows: hybrid, natural gas, and electric as well as highly fuel-efficient vehicles certified by the government (vehicles meeting a specified standard), and low emissions vehicles. Total of personal and business vehicles excluding special vehicles. *2 A frequency rate, representing the frequency of accidents resulting in lost workdays, is expressed in terms of the number of injuries or deaths resulting from workplace accidents for each one million total hours worked by employees. A severity rate, representing the severity of accidents, is expressed in terms of the number of lost workdays for each 1,000 total hours worked by employees. *3 Compliance trainings and e-learning programs are provided to all employees of HTS and its domestic group companies. Number of compliance meetings and whistle-blowing reports/consultations is the total for the entire HTS Group including overseas group companies. *4 Female directors are all independent officers.

Consolidated Statement of Financial Position

Hitachi Transport System, Ltd. and subsidiaries

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	¥ 94,907	¥ 104,815
Trade receivables and contract assets	131,862	123,681
Inventories	1,363	1,083
Other financial assets	10,580	4,378
Other current assets	10,758	13,393
Total current assets	249,470	247,350
Non-current assets		
Investments accounted for using the equity method	6,762	6,372
Property, plant and equipment	169,290	159,981
Right-of-use assets	281,265	288,030
Goodwill	25,881	25,228
Intangible assets	21,270	23,824
Deferred tax assets	14,022	11,732
Other financial assets	17,259	18,459
Other non-current assets	6,659	6,960
Total non-current assets	542,408	540,586
Total assets	¥ 791,878	¥ 787,936

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021
Liabilities		
Current liabilities		
Trade payables	¥ 54,561	¥ 51,733
Short-term debt	1,114	2,152
Current portion of long-term debt	20,092	10,320
Lease liabilities	31,926	30,600
Income tax payable	5,385	6,089
Other financial liabilities	22,019	24,202
Other current liabilities	38,044	31,559
Total current liabilities	173,141	156,655
Non-current liabilities		
Long-term debt	120,386	140,303
Lease liabilities	251,343	261,220
Retirement and severance benefits	39,436	37,071
Deferred tax liabilities	7,969	7,467
Other financial liabilities	18,435	20,075
Other non-current liabilities	2,955	3,038
Total non-current liabilities	440,524	469,174
Total liabilities	613,665	625,829
Equity		
Equity attributable to stockholders of the parent company		
Common stock	16,803	16,803
Retained earnings	145,026	236,311
Accumulated other comprehensive income	9,162	1,861
Treasury stock, at cost	(821)	(99,817)
Total equity attributable to stockholders of the parent company	170,170	155,158
Non-controlling interests	8,043	6,949
Total equity	178,213	162,107
Total liabilities and equity	¥ 791,878	¥ 787,936

Our History

Our Future

Value Creation Achievements

Foundation Supporting Value Creation

Financial/Non-Financial Information

Consolidated Statement of Profit or Loss

Hitachi Transport System, Ltd. and subsidiaries

	(Millions of yen)	
	2022	2021
Revenues	¥ 743,612	¥ 652,380
Cost of sales	(649,000)	(566,582)
Gross profit	94,612	85,798
Selling, general and administrative expenses	(55,916)	(49,087)
Adjusted operating income	38,696	36,711
Other income	2,071	10,787
Other expenses	(10,029)	(6,448)
Operating income	30,738	41,050
Financial income	76	413
Financial expenses	(1,888)	(44)
Share of profits of investments accounted for using the equity method	491	3,010
EBIT (Earnings before interest and taxes)	29,417	44,429
Interest income	1,299	1,197
Interest expenses	(6,085)	(6,492)
Income before income taxes	24,631	39,134
Income taxes	(10,009)	(15,180)
Net income	¥ 14,622	¥ 23,954
Net income attributable to:		
Stockholders of the parent company	13,513	22,873
Non-controlling interests	1,109	1,081
	(yen)	
	2022	2021
Earnings per share attributable to stockholders of the parent company		
Basic	¥ 161.47	¥ 240.02
Diluted	—	—

Consolidated Statement of Comprehensive Income

Hitachi Transport System, Ltd. and subsidiaries

	(Millions of yen)	
	2022	2021
Net income	¥ 14,622	¥ 23,954
Other comprehensive income (OCI)		
Items not to be reclassified into net income		
Net changes in financial assets measured at fair value through OCI	(747)	475
Remeasurements of defined benefit plans	52	213
Share of OCI of investments accounted for using the equity method	(1)	18
Total items not to be reclassified into net income	(696)	706
Items that can be reclassified into net income		
Foreign currency translation adjustments	8,133	6,274
Net changes in cash flow hedges	8	2
Share of OCI of investments accounted for using the equity method	118	20
Total items that can be reclassified into net income	8,259	6,296
Other comprehensive income (OCI)	7,563	7,002
Comprehensive income	¥ 22,185	¥ 30,956
Comprehensive income attributable to:		
Stockholders of the parent company	20,516	29,211
Non-controlling interests	1,669	1,745

Consolidated Statement of Cash Flows

Hitachi Transport System, Ltd. and subsidiaries

	(Millions of yen)	
	2022	2021
Cash flows from operating activities:		
Net income	¥ 14,622	¥ 23,954
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	50,828	52,159
Impairment losses	4	1,339
Income taxes	10,009	15,180
Share of profits of investments accounted for using the equity method	(491)	(3,010)
Loss by fire	7,294	—
Insurance proceeds	(429)	(50)
Gain on sale of investments in associates	—	(4,945)
Gains on sale of property, plant and equipment	(219)	(2,769)
Interest and dividends income	(1,375)	(1,270)
Interest expenses	6,085	6,492
(Increase) decrease in trade receivables and contract assets	(3,816)	(4,366)
(Increase) decrease in inventories	(256)	77
Increase (decrease) in trade payables	2,276	3,084
Increase (decrease) in retirement and severance benefits	2,283	1,976
Changes in other assets and other liabilities	(11,733)	(5,203)
Other	1,743	996
Subtotal	76,825	83,644
Interest and dividends received	1,571	4,145
Interest paid	(5,987)	(6,399)
Fire-related payments	(501)	—
Insurance proceeds received	429	50
Income taxes paid	(7,202)	(26,131)
Net cash provided by operating activities	65,135	55,309
Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets	(20,359)	(19,792)
Proceeds from sale of property, plant and equipment and intangible assets	760	3,814
Proceeds from sale of investments in associates	14	87,183
Purchase of subsidiaries' shares	—	(1,476)
Payments into time deposits	(6,049)	(572)
Other	757	622
Net cash (used in) provided by investing activities	(24,877)	69,779
Cash flows from financing activities:		
Decrease in short-term debt, net	(1,165)	(1,575)
Repayments of long-term debt	(10,329)	(10,409)
Repayments of lease liabilities	(33,758)	(36,648)
Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests	—	114
Acquisition of shares of consolidated subsidiaries from non-controlling interests	(1,792)	(7,541)
Dividends paid	(4,696)	(4,299)
Dividends paid to non-controlling interests	(174)	(121)
Acquisition of treasury stock	(1)	(99,633)
Other	(596)	(944)
Net cash used in financing activities	(52,511)	(161,056)
Effect of exchange rate changes on cash and cash equivalents	2,345	1,762
Net increase (decrease) in cash and cash equivalents	(9,908)	(34,206)
Cash and cash equivalents at beginning of year	104,815	139,021
Cash and cash equivalents at end of year	¥ 94,907	¥ 104,815

Intermodal transportation	Multimodal transportation combining different transport modes such as railroad, truck, aircraft, and ship, which enables to deliver cargoes in containers all the way to the final destination. Combining rail and ocean transportation for the trunk line transport is also expected to reduce environmental load.
UN Global Compact	A global framework aimed at realizing sustainable growth by encouraging companies/organizations to exercise responsible and creative leadership and act as good members of society. It sets ten principles related to protection of human rights, elimination of unfair labour, response to environmental issues, and anti-corruption.
2024 problem	Collectively refers to various issues that might arise in the transport/logistics industry as a result of the application of the “upper limit of overtime allowed for automobile drivers” set by the working-style-reform-related bills effective April 1, 2024. In particular, truck drivers’ overtime will be limited to 960 hours per year.
Milkrun	Transportation method whereby one truck visits bases of multiple suppliers to collect production parts and deliver them to a production plant. It can not only improve transport efficiency and streamline the management of shipment receiving process at production plants but also contribute to solving environmental issues such as emissions of CO2 and air pollutants.
AGV	Stands for Automated Guided Vehicle. It is equipment that automatically drives and delivers pallets/roll box pallets mainly in logistics centers and factories.
CDP	An NGO established in 2000 and managed by a U.K. charitable organization, which runs the global disclosure system for investors, companies, nations, regions, and cities to manage their environmental impacts. It discloses information on global leading companies’ initiatives on a universal scale by gathering information on CO ₂ emissions and climate change initiatives through questionnaires and analyzing/ scoring their responses, with an aim to improve engagement in environmental issues.
DX	Refers to Digital Transformation. “The Guidelines for Promotion of Digital Transformations” by the Ministry of Economy, Trade and Industry of Japan define DX as “a situation where a company deals with dramatic changes in business environments, changes its products, services and business models so as to meet the demands of customers and society by taking advantage of data and digital technologies and changes its services per se, organizations, processes, corporate and business culture so that it can establish competitive advantages.”
ERP	Stands for Enterprise Resource Planning. It is a system to enable sophisticated management by centrally managing the corporates’ core functions such as “production,” “procurement,” “inventory,” “sales,” and “accounting.”
GDP	Stands for Good Distribution Practice and refers to appropriate distribution standard for medical supplies to ensure strict quality control. It is applied to the procurement, storage, and distribution processes of medical supplies after they are shipped to the market until they reach pharmacies, pharmaceutical distributors, and medical institutions.
RCS	Stands for Resource Control System, which is an integrated control system equipped with a work execution function that gives instructions to each equipment and worker based on the information on the operation status of the automated equipment and the work results of workers within the logistics center.

* Listed in Japanese or English alphabetical order

RPA	Stands for Robotic Process Automation and refers to software robotics technology that automates administrative work performed by a person using a personal computer. By registering operating procedures in advance, RPA can operate and run multiple systems just like a person does.
SCDOS	Stands for Supply Chain Design & Optimization Services and refers to the HTS Group’s supply chain optimization services. They centrally manage and visualize customers’ various supply chain data to support solving issues and strategy planning.
SSCV	Stands for Smart & Safety Connected Vehicle and refers to a transport digital platform that the HTS Group develops and provides to realize “sustainable transportation services” and “zero-accident society.” It consists of three solutions of SSCV-Smart (order management, vehicle assignment management, and driving management), SSCV-Safety (safe driving management), and SSCV Vehicle (optimization of vehicle management, failure prediction and preventive maintenance).
SWH	Stands for Smart Warehouse and refers to the HTS Group’s logistics center equipped with advanced technologies to pursue efficiency and flexibility. The EC Platform Center in Kasukabe, Saitama Prefecture, a shared automated warehouse for EC logistics, started operation in September 2019. We will combine automation/labor-saving expertise with digital technologies to provide services standardized for each industry in addition to EC industry.
TCFD	Stands for Task Force on Climate-related Financial Disclosures. It recommends that companies, etc. disclose relevant information on their climate change initiatives that could have financial impacts on them under the four thematic areas of Governance, Strategy, Risk Management, and Metrics/Targets.
TEU	Stands for Twenty-Foot Equivalent Unit and refers to a unit of volume converted into the number of 20-foot-long marine containers.
TMS	Stands for Transportation Management System. It mainly consists of functions to support delivery planning, movement management, and driving record management.
VAS	Stands for Value-Added Services and refers to the Company’s logistics services and their peripheral operations in the customers’ value chains of procurement/manufacturing/ shipping/sales/service.
VC activities	Stands for Value Change & Creation and refers to daily improvement activities to implement the HB Way. Its aim is that “the Company continues to grow and employees find their work rewarding.” We are establishing an improvement culture through “visualization of improvement activities” and “cultivation of the culture of praise” such as exchanging ideas among employees under different themes and giving awards to excellent cases.
WCS	Stands for Warehouse Control System, which is an automated control system to operate automated/labor-saving equipment at logistics centers.
WMS	Stands for Warehouse Management System. It manages processes from receiving products in a warehouse to shipping them with functions such as management of receipt/inventory/shipment/ operational progress/inventory, and preparation of slips.

SCDOS, SSCV, and Smart Warehouse are registered trademarks of Hitachi Transport System, Ltd.

Corporate Data

Corporate name : Hitachi Transport System, Ltd.
Head office : 2-9-2, Kyobashi, Chuo-ku, Tokyo, Japan
Founded : February 1950 (Established: August 1959)
Paid-in capital : ¥16,802 million
Total personnel : 45,681

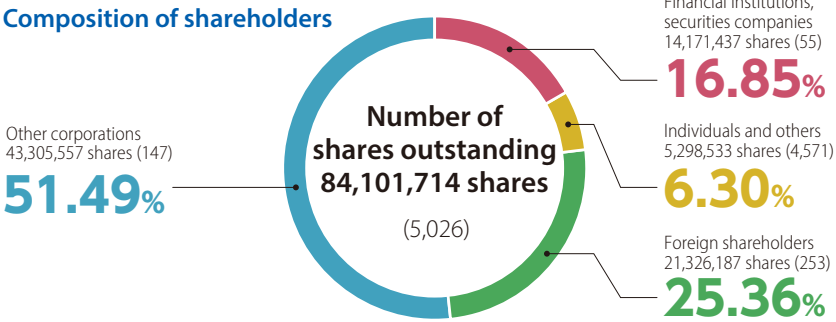
- Main businesses:**
- 3PL Business [integrated logistics services for corporate customers] (Logistics System Building, Information Control, Inventory Control, Orders Control, Processing for Distribution, Logistics Center Operation, Factory Logistics, Transportation, Customs Clearance, International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

Stock Information

Stock Exchange
Tokyo
Securities Code: TSE-9086

Number of shares outstanding
84,101,714 shares

Number of shares per unit
100 shares



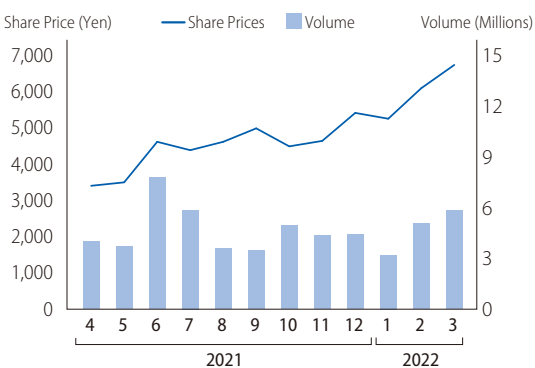
(Note) 1. Numbers inside parentheses are number of shareholders. 2. Individuals and others include treasury stock (228,530 shares).

Major shareholders (top 10)

Name of shareholder	Number of shares held (thousands)	Percentage of shares held
Hitachi, Ltd.	33,471	39.91 %
SG Holdings Co., Ltd.	8,210	9.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,674	7.96
STATE STREET BANK AND TRUST COMPANY 510312	2,694	3.21
STATE STREET BANK AND TRUST COMPANY 510311	2,402	2.86
Custody Bank of Japan, Ltd. (Trust Account)	1,841	2.20
GOLDMAN, SACHS & CO. REG	1,444	1.72
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,425	1.70
OASIS INVESTMENTS II MASTER FUND LTD.	1,394	1.66
Hitachi Transport System, Ltd. Employees' Shareholding Association	1,216	1.45

(Notes) 1. The percentage of shares held is calculated based on the number of shares excluding treasury stock (228,530 shares).
2. The number of shares held by Custody Bank of Japan, Ltd. (Trust Account) includes 184,700 shares of the Company's share held by a trust for the performance-linked stock compensation plan for the Company's executive officers.

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



(Reference) Expression of opinion in support of the scheduled commencement of the tender offer by HTSK Co., Ltd. for the shares of Hitachi Transport System, Ltd., and recommendation of tender

The Company, at the board of directors' meeting held on April 28, 2022, resolved to express its opinion supporting the tender offer by HTSK Co., Ltd. (the "Tender Offeror") for the common shares of the Company if the Tender Offer is commenced and to recommend that the Company's shareholders tender their shares in the Tender Offer. The above-mentioned board resolution was made on the assumption that the Tender Offeror intends to acquire all the Company shares and that the Company shares are planned to be delisted through the transaction including the Tender Offer and a series of transactions and procedures scheduled thereafter.

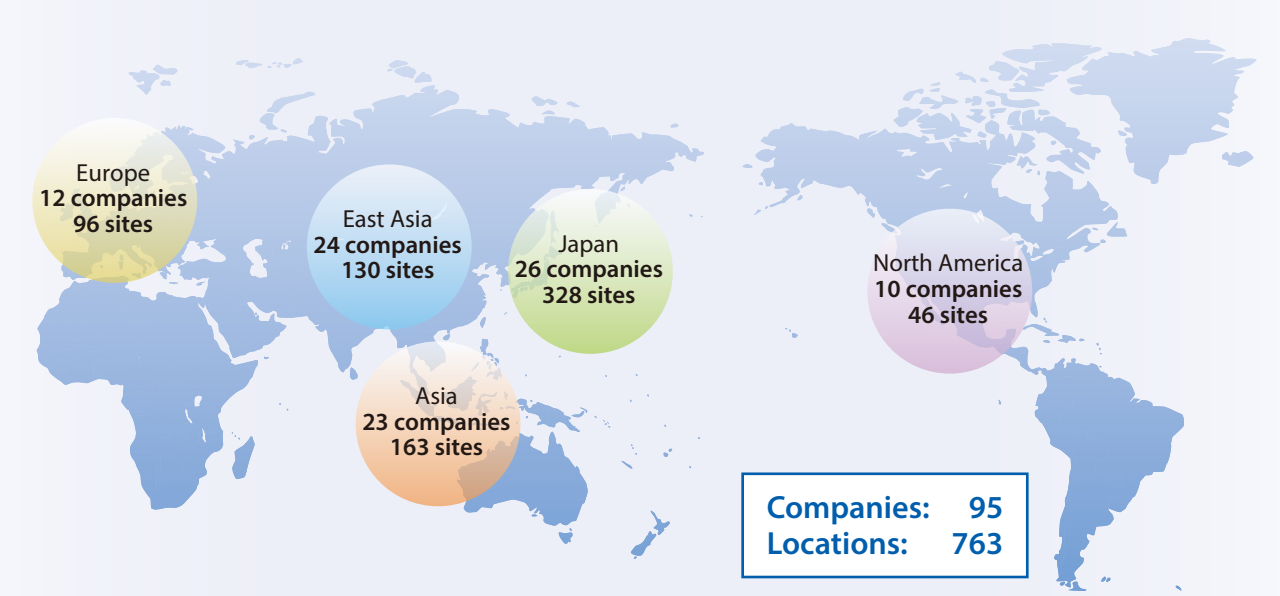
Announced on April 28, 2022 "Announcement of Expression of Opinion in Support of the Scheduled Commencement of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Recommendation of Tender"

<https://www.hitachi-transportssystem.com/en/news/pdf/20220428en.pdf>

Rating agency
Rating and Investment Information, Inc. (R&I)

Rating (announced on May 2, 2022)
Issuer rating: A Rating outlook: Negative

Network Extending to 29 Countries and Regions



* Number of companies includes associates accounted for using the equity method.
* Number of sites excludes AIT Group and HTB-BCD Travel Group.

Website/SNS Account Information

Various information including the corporate information and IR information is available on our website and SNS.



Website:
<https://www.hitachi-transportssystem.com/en/>



LOGISTEED CAFÉ
Home page > LOGISTEED CAFÉ



Investor Relations
Home page > Investor Relations



CSR/ESG
Home page > CSR/ESG



YouTube official channel:
https://www.youtube.com/channel/UChfA_IsMeJpFIGl10Qq_1Kg



Twitter official channel:
https://twitter.com/hb_logisteed (Japanese version only)

 Hitachi Transport System, Ltd.

2-9-2, Kyobashi, Chuo-ku, Tokyo, Japan

Tel: +81-3-6263-2800

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

FY2021 Edition (issued in September 2022)