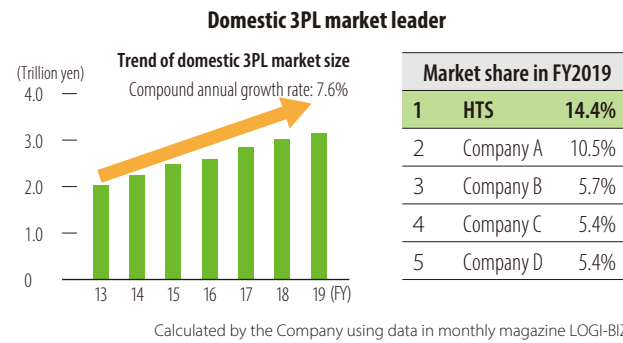


3PL Business (Domestic)

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.

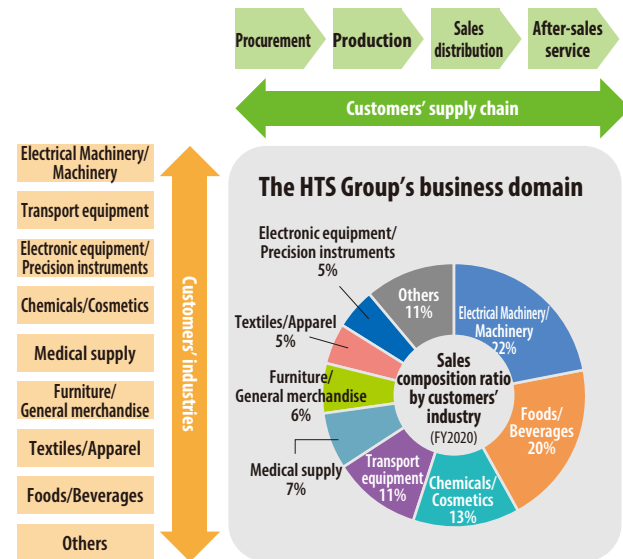
Positioning of the HTS Group in the Market

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 1980's. 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.

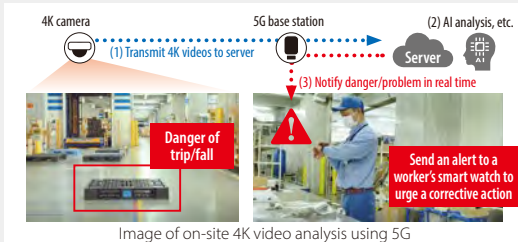


*1 VMI: Vendor Management Inventory
*2 CE: Stands for customer engineers who configure and perform operation check of ICT equipment

R&D of the Next-generation Logistics Technology through Collaborative Innovation

Sophisticate logistics using 5G (collaborative initiative with KDDI CORPORATION)

The Company and KDDI CORPORATION are jointly working on the initiatives to sophisticate logistics using 5G. In FY2020, we built a 5G environment inside the Group's logistics center in the Tokyo Metropolitan area to conduct verification experiments. We use 5G for real-time AI analysis of on-site 4K camera footage, problem detection/notification aiming to sophisticate human judgment and behaviors including preventing accidents such as collision/fall and improving work efficiency.



Development of AI forklift (collaborative initiative with Hitachi, Ltd.)

The Group has introduced automated forklifts in some sites, but there are certain restrictions in their operations at logistics sites such that the areas must be segregated from the environment where people work from a safety perspective and that they can handle preset simple tasks only. The Company and Hitachi, Ltd. are conducting a joint development aimed at realization of collaborative work between automated forklifts and workers by incorporating AI in automated forklifts and connecting them with management systems such as WMS and other equipment to control them as a group in an integrated way.



FY2020 Result

Results (round amount)

Revenues: **¥368.2 billion** (YoY -¥8.4 billion)
Operating income: **¥23.13 billion** (YoY +¥0.52 billion)

New orders/new startups

New Orders: **16 projects**
New startups: **17 projects**

FY2020 Topics

- February 2021:** Opened East Japan II Medical DC → Strengthened pharmaceutical logistics business and realized a labor-saving center
- February 2021:** Opened Mito Transport Center → Joint terminal to strengthen transport business → [P.32](#)
- March 2021:** Launched a new service "Recovice" using RFID → Provide integrated services including systems and logistics, etc. necessary for rental and sharing business and deliver new values accommodating changes in consumer trends → [P.86](#)

East Japan II Medical DC

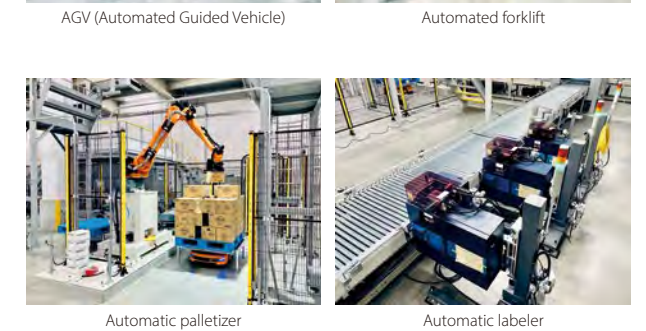
- A GDP*- compliant logistics center that strictly control quality through temperature and security management, etc.
- Accommodate the needs of medical supply companies to enhance BCP by adopting quake-absorbing structure and installing in-house power generator
- Installed advanced technologies including Automated Guided Vehicle (AGV) and automated forklift to realize the next-generation labor-saving center

* GDP (Good Distribution Practice): "Appropriate distribution standard for medical supply" to ensure strict quality control



| | |
|-----------------------------|--|
| Location | 152-1, Kitaokuwa, Kazo City, Saitama Prefecture |
| Site area/total floor space | Approx. 29,850m ² /Approx. 32,250m ² |

Introduction of labor-saving equipment, etc.



ESG Topics

HTS's initiatives

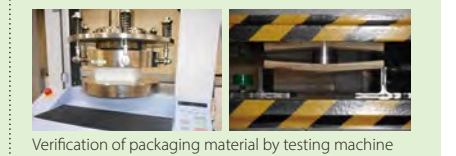
- Reduce CO₂ emissions through a review of transport modes, improvement of transportation efficiency, and joint delivery
- Reduce waste through a review of packaging and reduce CO₂ emissions through an improvement of loading efficiency

FY2020 Topics

- July 2020:** Received "Logistics Environment Special Award" in the "21st Logistics Environment Awards"
- October 2020:** Received three awards of "Director-General, Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry Award," "Appropriate Packaging Award," and "Large-sized Equipment Packaging Award" at the Japan Packaging Contest 2020
- November 2020:** Received "2020 Excellent Business Entities Working on Modal Shift (effective use category)" for 2 cases

Packaging solution

We have a facility specialized in packaging technology (Technical Center) and propose the optimal packaging solution based on accumulated quantitative data and evaluation test results.



Message from the officer in charge

In FY2020, while overall volume dropped due to COVID-19, demand for foods, hygiene products, and EC, etc. increased and the Group focused on maintaining stable logistics operation as a social lifeline. With the economic recovery, cargo movement is on a recovery trend, and there is an increasing momentum among customers to review their supply chains and introduce automated/labor-saving equipment. So, the Group will further demonstrate its strengths of proposal/management capabilities and advanced IT/technological capabilities in order to deliver values to customers and society.

Toru Watanabe

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

