

Working Together

The crux of our communications:
taking the perspective of each individual

— Working together with our suppliers —

The HTS Group developed the HTS Group Procurement Policy and is promoting procurement CSR in order to ensure fair procurement transactions in the supply chain and to strengthen partnership with our suppliers. In addition, we provide continuing procurement compliance education to employees including e-learning to ensure fair procurement activities.

HTS Group Procurement Policy

• Partnership Policy

At Hitachi Transport System we fully realize the value of developing trusting relationships with our valued suppliers.

• Our Open-door Policy

Regardless of whether a supplier is a domestic or overseas company, we do our utmost to insure free competition.

• Selection of Suppliers Policy

We evaluate and select suppliers based upon criteria such as quality, price, lead time, quality of management, technical standards and abilities.

• Our Policy for Sharing Information and Maintaining Confidentiality

We are willing to offer necessary information to suppliers. At the same time, we realize that supplier's offers supply us with confidential or sensitive information. We always endeavor to maintain and keep such information strictly confidential.

Promotion of Procurement CSR

What HTS Gr. Ask Our Valued Suppliers to Promote



General CSR activities

- | | |
|---|--|
| (1) Vigorous promotion of CSR activities, and | (2) Contribution to society and community. |
|---|--|



CSR Activities for The Environment

- | | |
|---|--|
| (1) Management of hazardous chemicals in products, | (2) Management of hazardous chemicals used in manufacturing, |
| (3) Establishing and applying an environmental management system, | (4) Minimization of environmental pollution (water, soil, air), |
| (5) Obtaining permission for environment/administrative approval, | (6) Resource and energy saving by reusing, reducing and recycling (3R)*, |
| (7) Reduction of greenhouse gas emissions, | (8) Waste reduction, and |
| (9) Disclosure of environmental preservation activities. | |

* 3R: Reduce, Reuse, and Recycle



CSR Activities for Corporate Ethics

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|--|--|
| (1) Prohibition of corruption, bribes, etc., | (2) Prohibition of abuse of a superior bargaining position, |
| (3) Prohibition of offering or accepting inappropriate profit and advantage, | (4) Prohibition of impediment to free competition, |
| (5) Provision of accurate information on products and services, | (6) Using appropriate export procedures, |
| (7) Disclosure of appropriate company information, and | (8) Prompt detection of mistakes, wrongdoings and injustice. |



CSR Activities for Production

- | | |
|----------------------------------|---|
| (1) Ensuring product safety, and | (2) Establishing and applying a quality assurance system. |
|----------------------------------|---|



CSR Activities for Information Security

- | | |
|---|--|
| (1) Defense against threats on the computer network, | (2) Prevention of leakage of personal information, and |
| (3) Prevention of leakage of confidential information of customers and third-parties. | |



CSR Activities for Occupational Health and Safety

- | | |
|---|--|
| (1) Applying safety measures for equipment and instruments, | (2) Safe activities in the workplace, |
| (3) Hygiene in the workplace, | (4) Applying appropriate measures for occupational injuries and illnesses, |
| (5) Emergency responses, | (6) Consideration to physically demanding work, |
| (7) Health and safety of facilities, and | (8) Employee health management. |



CSR Activities for Human Rights and Labor

- | | |
|--|---------------------------------------|
| (1) Prohibition of forced labor, | (2) Prohibition of inhuman treatment, |
| (3) Prohibition of child labor, | (4) Prohibition of discrimination, |
| (5) Paying appropriate wages, | (6) Regulating working hours, and |
| (7) Respecting rights to freedom of association. | |

Procurement Compliance Education

Provision of e-learning, etc. on a regular basis to those engaging in procurement with procurement authority in domestic and overseas group companies (Domestic: 21 companies, overseas: 38 companies)



— Working together with our customers —

Support for Customers Embarking on Logistics Reform

- Operation of logistics center for EC of health foods and cosmetics -

In August 2018, HTS opened a logistics center for EC of health foods and cosmetics in Musashimurayama City, Tokyo.

While we used to have only one logistics center in western Japan, we newly opened a site in eastern Japan for BtoC business to realize the logistics reform of our customers. With products stored in Kanto, we were able to shorten delivery lead-time for customers located in Chubu region and to the north, and contribute to reduction of shipping costs. We will next work on optimization of the customers' overall supply chain, including promoting BtoB business with two sites and streamlining production logistics from manufacturing plants.

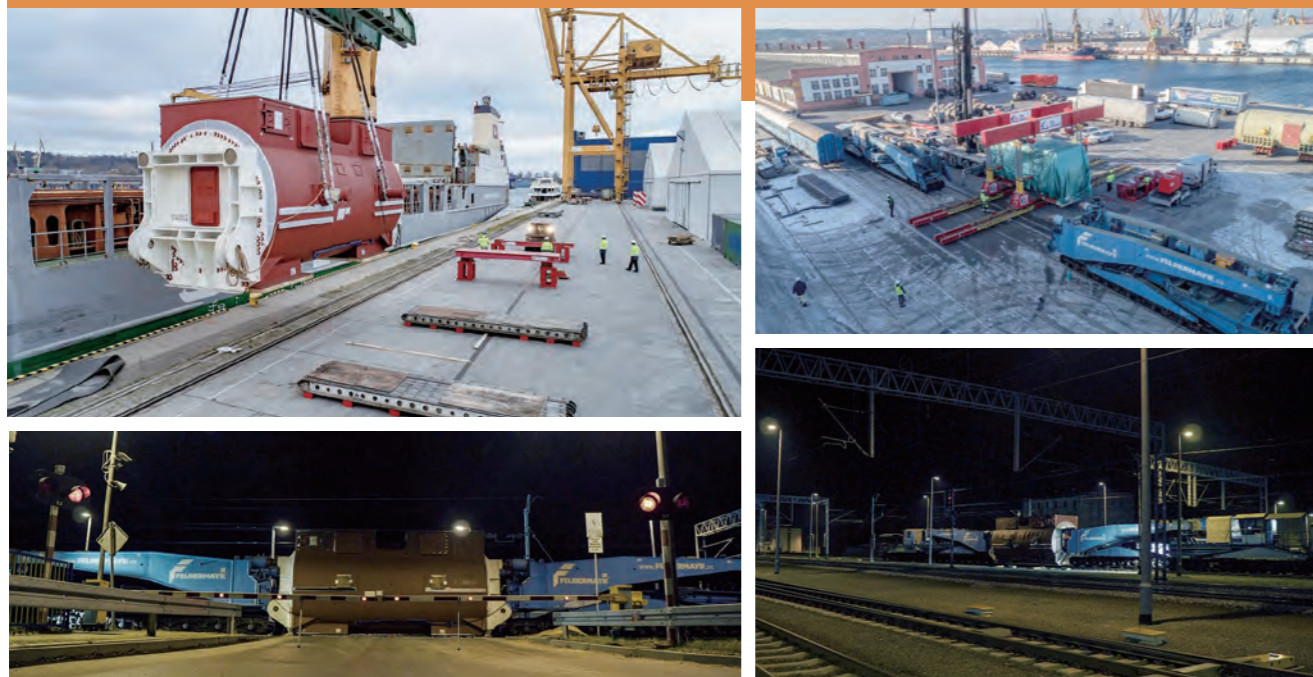


Meticulous Plan, That Required Checking Dimensions Down to the Millimeter, Results in Success

- Transportation of gas turbine generator to Zeran Combined-Cycle Power Plant in Poland -

Mitsubishi Hitachi Power Systems, Ltd. received the contract to supply power generating equipment to the site of Zeran Combined-Cycle Power Plant (Owner: PGNiG Termika SA, Poland) located in the suburbs of Warsaw, Poland. HTS undertook the transportation for the major part of the cargo, including the heaviest unit among the equipment supplied-gas turbine generator. It was transported by rail from Gdynia port in Poland directly to the power plant premises. Over the numerous surveys and checks, the various physical restrictions (such as bridges, lines over the railroad, station building, etc.) were taken into deep consideration when creating the safest possible transportation plan. Due to the severe limitations of some of the obstacles, extreme attention had to be paid to every detail of the generator: not only the overall dimensions, but the location and dimensions of protruding parts, down to the millimeter - even the tiniest bolts, had to be taken into account. Maintaining this detail-oriented approach, the transportation over the whole route of 560 kilometer was successfully completed within 10 days.

As a solutions provider, HTS Group continues to deliver best services and values that meet customer demands at all times.



Number of newly introduced automated forklift-type AGV



2 units in FY2018

(5 units in total, of which, 3 are under verification: As of March 31, 2019)

Implementing New Technology and Labor-saving Technology Verified at "R&D Center" into Practical Use on Logistics Site

The HTS Group puts new Smart Logistics technology, which was verified at the "R&D Center" opened in July 2016, into practical use on site to promote automation and labor saving and accelerate realization of the next-generation logistics center.

Accelerating On-site Implementation of New Technologies and Labor-saving Technologies

- **Rotary piece sorters ①**
Sorted pieces for shipment in trays are temporarily stored in a rotary piece sorter, and these trays are automatically dispatched at an appropriate timing in necessary order. The sorters went into operation in May and November 2018 and are used in three sites.
- **Automated forklift-type AGV ②**
AGV is used in the daytime and nighttime, and in the nighttime, it is interfaced with movable racks to store and relocate goods received in the entire warehouse. As of March 31, 2019, two AGVs are in operation.
- **High-density storage system ③**
The system receives/dispatches goods automatically in addition to its high density storage capacity. It went into operation at the logistics center in Kashiwa City, Chiba Prefecture, in November 2018.



① Rotary piece sorters



② Automated forklift-type AGV*

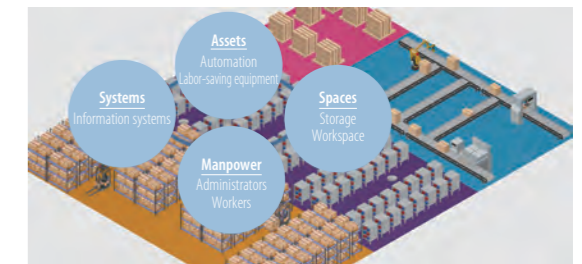


③ High-density storage system

* AGV: Automated Guided Vehicle

Support EC Business Expansion with Sharing and Pay-per-use Service – EC Platform –

- Establish a pay-per-use platform center where multiple customers share assets (automation/labor-saving equipment), systems (information systems), spaces (storage/workspace) and manpower (administrators/workers) in a logistics center.
- Aim at minimization of manual process man-hours by developing additional labor-saving systems including labor-saving equipment such as AGV picking system and automatic packing machine, product inspection using image recognition technology and auto-cushioning material filling.



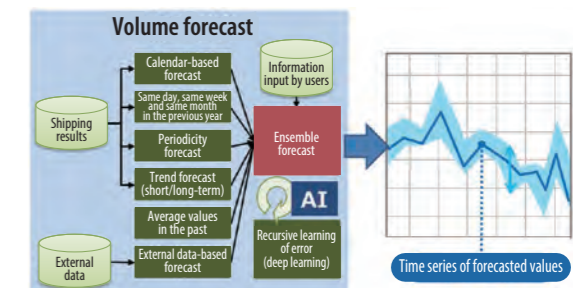
Details of EC platform are available on our website (Japanese version only). <http://www.hitachi-transportssystem.com/jp/sw/>

Challenge to New Domains

Utilize Artificial Intelligence and Develop Supply Chain Solutions

The HTS Group is working on establishing volume forecasting technology using AI and developing new solutions utilizing forecasting technology in order to improve operational efficiency and become a global supply chain solutions provider.

- **Volume (demand) forecast**
We aim at improving operational efficiency by linking high-accuracy volume forecast using AI with manpower planning tool.
- **Inventory control**
We aim at contributing to supply-chain optimization with the calculation of standard inventory and development of order plans suitable for the customer's supply chain.
- **Development of data scientists**
We strive to foster data scientists having high data analysis skill within the company.



Please refer to the movie for details of new smart logistics technology. http://www.hitachi-transportssystem.com/en/solution/smartlogistics/en_smart_movie06.html



37.9% in FY2019

(47.8% in non-consolidated basis)

— Working together with our employees —

HTS Group Diversity

For the HTS Group, diversity means that employees of different gender, nationality, generation, skill, and career, having various attributes, individuality and values can fully demonstrate their potential and create new ideas and businesses using their diversified ways of thinking. In 2012, we established the Diversity Promotion Center with the aim of creating a pleasant workplace where various human resources of the entire Group can play an active role.

Recognition from Outside the Company

In acknowledgement of the Center's various initiatives and achievements, HTS



was chosen by the Ministry of Economy, Trade and Industry (METI) as one of the nation's "Diversity Management Selection 100" in 2015. In October 2018, we received "Eruboshi (L Star) Certification (Stage 2)" from the Ministry of Health, Labour and Welfare as a company which made excellent efforts for the promotion of women's active participation and advancement in the workplace. In addition, domestic group companies across the country were also evaluated for their similar efforts and received "Excellent company in which women shine in Ibaraki," etc.

Promotion of Working-style Reform

We manage work hours by managing PC logs and encourage employees and the managers to change their mindset as part of our active initiatives to address long working hours and encourage employees to take annual paid leave. We also strive to improve work efficiency and promote man-hour/labor saving through operational reforms. At logistics centers, automated guided vehicles and automated forklifts are gradually introduced to promote labor saving. In addition, we will strive to further promote working-style reform, including conducting the study of safety driving support technology focusing on driver's fatigue.

Creating a Workplace Where Employees Can Work in Good Health with a Sense of Security

It is of utmost importance for companies that employees can always work in good health with a sense of security. In order to improve mental and physical health of all employees of the entire Group, the HTS Group will provide employees with health education and consultation for maintenance and improvement of their health, and promote health support in cooperation with industrial health staffs such as industrial physicians.

Creating a Workplace Full of Smiles and Vibrance

The HTS Group creates a people-oriented workplace where employees stay and get together through communication full of smiles and vibrance. We design a community "Logistics OPEX: Operational Excellence" where employees enjoy repeating learning and improvement through deep discussion for managers and workers to discuss and appreciate their experiences and ideas side by side and create a workplace full of smiles and vibrance. Some of the employees who participated in the community said, "Now I can talk to my boss easily," "I think my workplace has become cheerful" and "I got the hang of my work."

Currently, we are promoting activities to develop human resources who utilize Logistics OPEX in each site to further spread it within the Company.

Posted on YouTube: Logistics OPEX (Japanese version only) <https://www.youtube.com/watch?v=280aq1B4AXo>

Boosting Understanding of Diversity

With an aim of "respecting differences between individuals and allowing all to reach their potential in the workplace," we incorporate factors that may promote better understanding of employees about diversity in training by rank and strive to raise awareness of the entire Group.

Support for Balancing Work and Childrearing/Nursing Care

The HTS Group believes that it is essential to establish a workplace where employees can maintain a work-life balance even when they face a serious life event. We have a system to provide assistance for a work-life balance of employees that goes beyond the legal requirements to ensure that they can continue to work with a sense of security while raising their children or caring for their family members.

By facilitating employees' understanding through provision of necessary information, we will strive to develop an environment and work climate that allows diversified work styles.

Creating a Pleasant Workplace

We are installing a ventilating and air conditioning system in logistics centers and sales offices across the country. In addition, we install the wireless LAN system in staff lounges and improved powder room interior to create a comfortable and employee-friendly working environment.



Internships ("Experience the Workplace" Programs)

The HTS Group provides college students with opportunities to learn about the logistics sector as social infrastructure and the HTS Group's businesses through internship programs sponsored by logistics industry groups, overseas internship and workplace experience in the frontline of data science and other various workplaces. We are making efforts to give diverse students, irrespective of gender and nationality, a better understanding of the HTS Group's business.

Encouraging Employment of Persons with Disabilities

The HTS Group implements a variety of group-wide initiatives on hiring persons with disabilities, including taking on personnel for practical training from special needs schools and cooperating with the support office of universities. We also prepare the work environment by setting up labor-saving equipment especially geared toward persons with disabilities and creating barrier-free environment. We will continue to hire persons with disabilities as well as to tailor the work environment to these individuals.

Training Upcoming Generations of Employees

The HTS Group has 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. In addition to training by rank, on-site operations, and manager-level training, we also institute general training for all employees to enhance their basic skills and encourage communication. Furthermore, we have developed training systems including our Managerial Personnel Training, which serves to train the next generation of managers, and our 3PL (Third Party Logistics) Professional Course, which works with backbone employees on 3PL projects. These personnel development programs are implemented to continuously solidify our business base.

3PL Professional Course

We determine training themes and curriculum considering business needs to provide the best training.

"3PL Professional Course" offers knowledge of new technologies as well as tips for sales, key points of each process and analytical methods by seasoned in-house lecturers. The course aims at teaching knowledge readily applicable to practical situations by conducting group discussions among participants using knowledge and analytical methods learned.



Human Rights Education

As the process of globalization continues, it has become critically important to deepen understanding of the concepts of co-existence and co-prosperity—that is, to develop a mutual appreciation of a range of values and different cultures. At the HTS Group, we create opportunities for our employees to acquire accurate understanding of human rights, including providing training in accordance with employee rank, at meetings and workshops. By acquiring correct knowledge of human rights, we work to boost individual awareness of human rights.

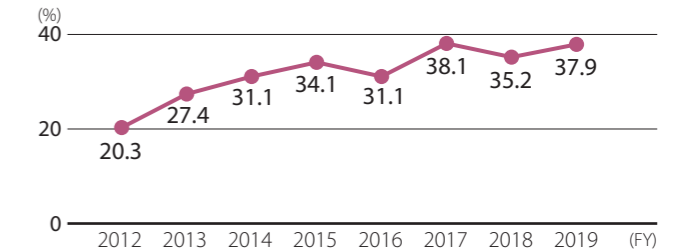


Approx. 20 countries and regions

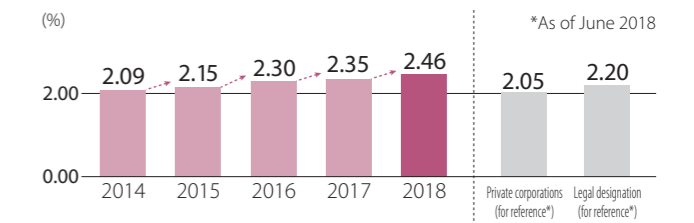
(Total: from FY2014 to FY2018)

Ratio of female employees in new graduates hired in the HTS Group

In recent years, we are working to increase the hire rate for new graduate females and thereby secure more female personnel.



Ratio of persons with disabilities hired



Overseas Training Program

Overseas training program has been in place since 1989 with the aim of providing young employees with opportunities to gain overseas experience and of fostering global human resources. For the HTS Group, whose corporate vision is to become "the most preferred global supply chain solutions provider," it is critical to foster human resources with global thinking and high expertise who can contribute to our business across different cultures and values. Trainees who have completed one-year training are required to report in English on issues they faced regarding the theme they addressed, the improvement recommendations implemented and the result, proposals to the Company based on their local experience, and their future action plan. Trainees also exchange their opinions each other. The number of countries and regions to which employees were sent under the overseas training program in the last five years reached approx. 20.



— Together with local communities —

The HTS Group operates according to the basic principle of “Objectives of Social Contribution Activities” developed in FY2018.

Objectives of Social Contribution Activities

- Our 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. To achieve this goal, we are committed to providing logistics infrastructure and services that are essential for the improvement of industries and people's lifestyles, through our businesses.
- The HTS Group is working on social contribution activities in the same way we conduct our business to establish the foundation of an affluent, sustainable society.

Details of “Objectives of Social Contribution Activities” are available on our website.
<http://www.hitachi-transportssystem.com/en/profile/csr/stakeholder/contribution.html>

Initiative through Traffic and Road Safety Class

The HTS Group has offered traffic and road safety class to prevent our children—who are our future—from getting involved in road accidents and teach them the importance of life.

Activity of a group company in Turkey

In May 2018, Mars Logistics Group Inc., our Turkish group company, held a traffic and road safety class. In the class, we used the rear deck of the truck as a classroom, prepared creative learning tools such as quizzes using a tablet terminal and a worksheet on which children can put stickers on so that children can develop a better understanding about road signs while having fun.



Approximately 1,000 children participated

Internships and “Experience the Workplace” Programs

HTS offers internships and “Experience the Workplace” Programs in Japan and overseas to give young students a deep understanding of the logistics industry.



Logistics center tour in Thailand



Logistics center tour in Kashiwa City, Chiba Prefecture

Human Resource Development through Events

U.S.: Cooperation in SCRCAC* Science Day

The HTS Group cooperates in “Hitachi Celebrates Science Day,” an event with the purpose of getting local children who need economic support interested in science and mathematics.

- Vantec Hitachi Transport System (USA), Inc.
- James J. Boyle & Co.

* SCRCAC: Southern California Regional Community Action Committee
 A social contribution committee consisting of Hitachi Group companies in North America. The HTS Group participates as a logistics partner.

Turkey: Hosting logistics contest

In cooperation with Logistics Association, we hold the “Logistics Case Study Competition” targeting university and professional school students.

This event has been held since 2003 in order to get the attention of students to the logistics industry, and approximately 1,000 students participated in FY2018.

- Mars Logistics Group Inc.



Held in July 2018

Initiatives for Environmental Protection

We participate in tree-planting projects for the environmental protection.

- Flyjac Logistics Pvt. Ltd. (India)
- VANTEC LOGISTICS MEXICO S.A. DE C.V.
- VANTEC AMATA LOGISTICS (THAILAND) CO., LTD.



Tree-planting activity in Mexico

Sports Initiatives

HTS contributes to regional vitalization and cooperates with sound development of young people through sports.

HTS Futsal Tournament

HTS has held its annual Futsal Tournament at the futsal field located next to the logistics center at Noda City, Chiba Prefecture since FY2006.



Held in March 2019

Track and Field Class

The HTS Track and Field Club, our symbol sport, is based in Matsudo City, Chiba Prefecture and cooperates with track and field class hosted by the Matsudo City Education Committee.

Social Welfare Activities by Employees

Activities through internal volunteer organization

Employees conduct activities of donating foodstuffs and toys to local communities.

- Vantec Hitachi Transport System (USA), Inc.
- James J. Boyle & Co. (U.S.)
- VANTEC EUROPE LIMITED (U.K.)

Czech: Activities through an employee charity fund

In our Czech group company, we donate to those who need economic assistance regularly through the charity fund established by volunteer employees. The company continues support activities with employees by contributing twice the amount of employee donation.

- ESA s.r.o.

Overview of the HTS Group Magokoro (Sincere Heart) Fund

As part of its social contribution activities, the HTS Group established a social action program called the “Magokoro (Sincere Heart) program, where our group's employees and officers make contributions to fields related to our business in 2008. Through a system where funds donated by employees are matched by the Company, employees and the Company engage in activities together.

FY2018 Initiatives

- <Traffic and Road Safety>
 - Gifts: 8,000 sets of reflector for bicycle to Noda City Office, Chiba Prefecture and others
 - 711 eco-friendly bags with a reflector to the Traffic Policy Council of Shiga Prefecture
- Financial support: Traffic Accident Orphans Association (public interest incorporated foundation)
- <Regional Social Action/Social Welfare>
 - Gifts: 53 wheelchairs to 18 municipalities around the country
 - A welfare vehicle to each of the Council of Social Welfare in Kakegawa City, Shizuoka Prefecture and “SELP Ujina,” an association of people with disability in Hiroshima Prefecture
- Financial support: JAPAN PARA ICE HOCKEY ASSOCIATION (general incorporated association)
- <Environmental Protection>
 - Financial support: National Land Afforestation Promotion Organization (Green Fund) (public corporation)
 - Organization for Industrial, Spiritual and Cultural Advancement (OISCA) (“Kodomo-no-Mori” Program) (public interest incorporated foundation)



Children in a school we support in Mongolia (OISCA “Kodomo-no-Mori” Program)

- Afforestation support: Additional one hectare of land (“HTS Magokoro Fund” forest) afforested (total of 10 hectares), in collaboration with NPO Afforestation Network



HTS “Magokoro Fund” forest (the Khorchin Mongol region desert, China)

— Working together with our shareholders and investors —

In order to ensure sustainable growth and boost corporate value over the medium-to-long term, we recognize the importance of fair and highly transparent information disclosure in a timely and appropriate manner as well as active dialog with our shareholders and investors. To this end, we have in place an IR system to facilitate communication with both our shareholders and investors.

HTS compiles an IR report detailing information disclosure criteria and methodology, dialog with our shareholders and investors, etc., which is posted on our company's Website.

IR policy
<http://www.hitachi-transportssystem.com/en/ir/policy/>

Information Disclosure

HTS discloses information pertaining to operations, finances, and publications including our summary of financial results, presentation materials of financial results, annual securities reports, notice of convocation of the annual general meeting of shareholders, business reports, and annual reports.

We have made the recorded video of the financial results briefing available on our website from FY2018 and also posted ESG data and materials used in IR seminars for individual investors as part of our efforts toward proactive information disclosure.

Investor Relations
<http://www.hitachi-transportssystem.com/en/ir/>

Holding General Shareholders' Meeting

To encourage attendance of as many shareholders as possible, in principle we avoid the dates when most other Japanese companies hold their meetings.

In order to facilitate smooth exercise of voting rights, HTS offers electromagnetic means which allows shareholders to exercise their rights using PCs and smartphones, uses the electronic voting platform for institutional investors, and post English translation of the notice of convocation and voting results of the annual general meeting of shareholders on our website.

Basic Shareholder Return Policy

Our basic policy of dividends is to seek to maintain stable distribution linked to business performance, while considering medium-to-long-term business expansion and securing internal reserves to strengthen corporate structure.

Dividends	(Dividend per share)		
	Interim	Year-end	Annual
FY2018	¥19	¥21	¥40
FY2017	¥18	¥18	¥36
FY2016	¥17	¥17	¥34

Communication with Shareholders and Investors

HTS communicates with our shareholders and investors through a variety of means, including briefings for securities analysts and institutional investors, telephone conferences, small-scale meetings, overseas road shows, individual meetings, and more.

In FY2018, HTS increased its participation in small-scale meetings organized by brokerage houses, and also offered a logistics center tour for institutional investors with a view to giving them an experience of new technologies.

FY2018 Initiatives

- Results briefings (twice)
- Top executive meeting (once)
- Small-scale meetings (three times)
- Telephone conferences (twice)
- Overseas road shows (twice)
- Conferences in Japan (twice)
- Logistics center tour (once)
- IR seminars for individual investors (twice)
- Individual meetings (including ESG investment interview), etc.



Logistics center tour for institutional investors with a view to giving them an experience of new technologies



Results briefings

[Reference] FY2018 IR schedule (results)

IR activities	FY2018											
	1st quarter			2nd quarter			3rd quarter			4th quarter		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Account settlements	●			●			●			●		
Results briefings	●						●					
Telephone conferences				●						●		
Small-scale meetings	Quiet period			Quiet period	●	●	●	●	Quiet period		●	
Annual securities report/Quarterly report			●		●			●			●	
For foreign investors	Conferences in Japan					●						●
	Overseas road shows					●						●
IR seminars for individual investors						●					●	
Individual meetings		↔			↔			↔			↔	
Tour				●								

● Logistics center tour for institutional investors with a view to giving them an experience of new technologies

Disclosed Information

- Summary of financial results
- Presentation Materials of financial results and summary (include Q & A)
- Videos of financial results briefings
- Presentation material of the Mid-term Management Plan
- Small-scale meeting materials
- Materials of IR seminars for individual investors
- ESG data
- Annual securities reports
- Notice of convocation of the annual general meeting of shareholders
- Business reports
- Annual Report
- Stock/Stock price Information
- YouTube official channel
- Special sites (SSCV, EC platform), etc.



<Earnings summary information>



<Various publications>

Special sites for SSCV and EC platform are available on our website (Japanese version only).

- SSCV: <http://www.hitachi-transportssystem.com/jp/sscv/>
- EC platform: <http://www.hitachi-transportssystem.com/jp/swh/>