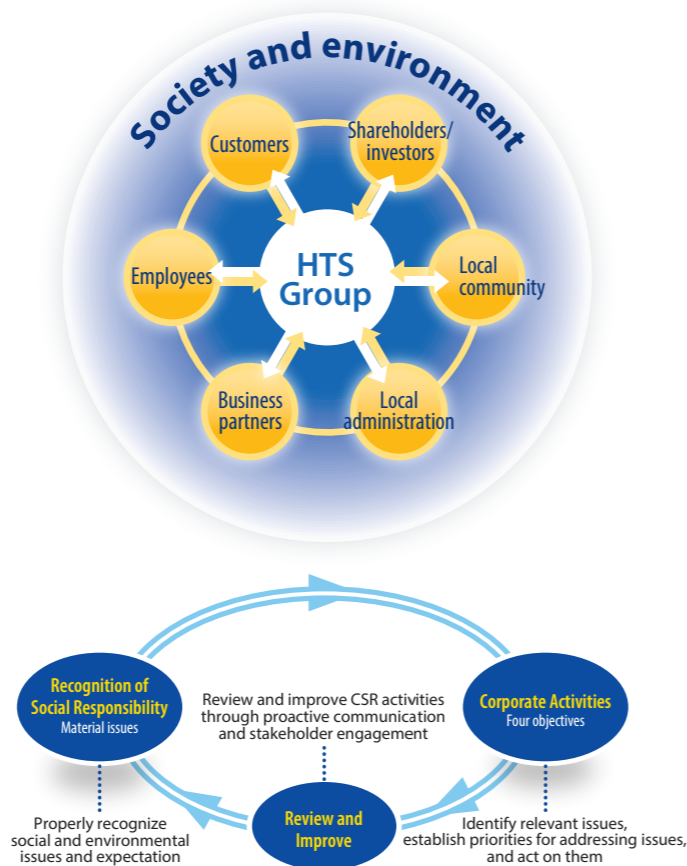


# HTS Group Sustainability

At the HTS Group, we are all about treating people and nature with great respect. In this connection, our fundamental policy is to do our part to help create an affluent society through fair business practices, as we boost our value for all of our stakeholders.

## HTS Group's Stakeholders

The HTS Group manages and maintains its business activities through interaction with our broad array of stakeholders including customers, shareholders, local communities, and local administrations.



## 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.

## Sustainability Promotion Structure

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



## Recognition of Social Responsibility: Material Issues

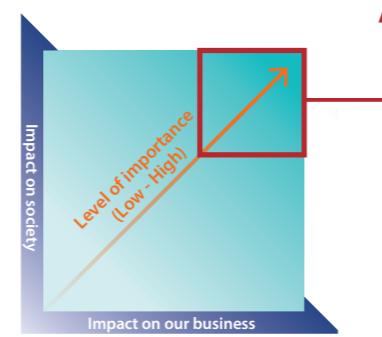
Taking into consideration opinions of external experts, we understood and prioritized social/environmental issues and expectations to identify material issues in 2017 after assessment and examination for adequacy by CSR Promotion Committee (predecessor of the Sustainability Promotion Committee) and the management, as well as approval of the Executive Committee. With the recognition of the identified material issues as the social responsibility that the HTS Group should fulfill, we promote effective activities toward solving social issues.

### Identification process

- Step 1: Understood issues**  
With reference to global common standards including Global Reporting Initiative (GRI) guideline, ISO26000, UN Global Compact, SDGs, and priority issues in transportation sector by ESG rating agencies, we created a list of 73 items of relevant environmental, social and economic issues.
- Step 2: Prioritized issues**  
We evaluated "impact on society" and "impact on the HTS Group's business" of the 73 issues on the list on a scale of one to five through workshops with external experts and mapped them in a matrix. Then, we categorized items with high impact into 15 proposed material issues.
- Step 3: Validated and identified**  
After those 15 proposed material issues were assessed and examined for adequacy by CSR Promotion Committee and the management, taking into consideration opinions of external experts, they were identified as the Group's material issues with an approval of the Executive Committee.

### Material issues

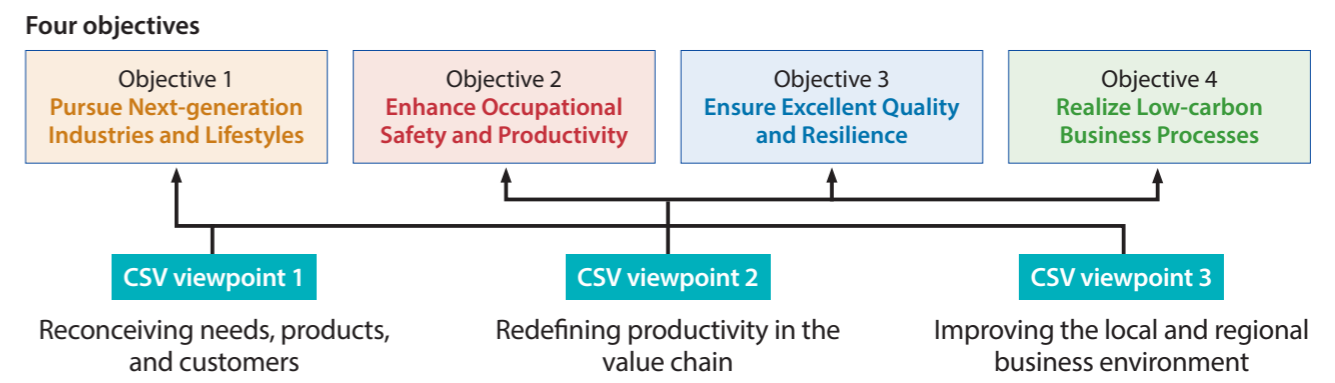
- Social**  
Safe and healthy work environment (occupational Health and Safety)/ Social and environmental responsibility in supply chains (socially responsible procurement)/New technologies (creating/utilizing innovations and cutting-edge technologies)/Diversity and employee development/Job creation (promoting employment in the local community)/Dialog with employees (labor-management relations, collective bargaining)/Respect for human rights (addressing global human rights issues)/Quality and safety (service quality and safety)/ Environmentally and socially responsible logistics services
- Environment**  
Carbon (low carbon)/Stopping pollution/Renewable energy (use of clean energy)
- Governance**  
Compliance/governance/BCP <including climate change adaptation>/ Information disclosure (operational transparency)



## Corporate Activities: Four Objectives

To decide specific activities for the issues that we should address with priority, we developed four objectives based on the material issues with CSV viewpoint. In FY2018, the HTS Group set specific themes and relevant KPIs\* for each objective, based on which we started to strengthen our initiatives using PDCA cycle.

\*Please refer to pages 59-60 for details.



## Review and Improvement: Information Disclosure and Communication

We will review and improve our activities through disclosure of ESG information and dialogues with stakeholders based on our objectives. By repeating a cycle of basic policy for CSR promotion, we will promote effective activities toward a resolution of social issues and facilitate integration of sustainability and management.

## 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 especially relevant to four objectives



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

## Developed Medium-to-long Term Environmental Target

Under the corporate philosophy, the HTS Group has engaged in various activities and sets "Realize Low-carbon Business Processes" as one of our objectives. Among the recent social issues, especially climate change has been a focus of the major trend created by Paris Agreement and TCFD (Task Force on Climate-related Financial Disclosures) by involving the financial industry and corporations. In 2019, the HTS Group also started the examination about the risks/opportunities related to climate change, and developed the medium-to-long term environmental targets while re-acknowledging the importance of climate change-related risks.

Medium-to-long term environmental targets (CO<sub>2</sub> emission reduction targets)\*

**FY2030 Target (Base year: FY2013)**

**Reduction Target 30%**

**FY2050 Stretch target (Base year: FY2013)**

**Reduction Target 80%**

\*Please refer to page 61 for details of the medium-to-long term environmental targets.

# Four Objectives of the HTS Group and Key Performance Indicators (KPIs)

Related SDGs	Objectives	Themes	Initiatives	KPIs	HTS	Domestic	Overseas	Achievements/progress in FY2019	Targets/plans for FY2020	Reference	
	1 Pursue Next-generation Industries and Lifestyles	(1) Promote total optimization of supply chain by making full use of advanced technologies	Enhancement of logistics platform	Type of SSCV-safety functions	●	●	Enhanced the overall system performance by enhancing 7 types of functions such as Hiyari-Hatto (near-miss) prediction	Enhance the overall system performance by enhancing 6 types of functions such as vital signs alert	P28/Website		
				Increase of EC platform centers	●	●	Started service at Kasukabe EC Platform Center	Monetize Kasukabe EC Platform Center and verify functions with a view to increasing the number of centers	P33/Website		
				Number of cases of manufacturing/sales control support (demand forecast)	●	●	Designed a demand forecasting tool in a joint development with a customer (1 case) and considered the operation of the logistics forecasting tool (3 cases)	Verify the on-site implementation of the demand forecasting tool (1 case) and improve accuracy of the logistics forecasting tool through continued operation (2 cases)	P66/Website		
				Expansion of use case of blockchain technology	●	●	Confirmed hypothesis verification for payment scheme	Expand the scope of hypothesis verification and verify the applied use case	P66/Website		
				Number of attendees of data scientist training course	●	●	Total 25 (cumulative 58)	Develop data scientists	P66/Website		
		(2) Respond to local logistics needs and issues while further boosting response capability	Expansion of high-quality logistics services	Storage and transportation/delivery conforming to GDP Guidelines	●	●	Enhanced functions of medical DCs across the country and introduced vehicles conforming to GDP	Enhance functions and improve the quality level of medical DCs, and expand transportation conforming to GDP	P35-39, 66/Website		
				Optimization/management of supply chains	●	●	Continuously participated in a demonstration experiment led by METI of Japan	Consider on-site implementation of RFID system	Website		
				Promotion of transportation of social infrastructure-related equipment	●	●	Transported steam turbine equipment for power generation from Japan to the Dominican Republic	Complete the project to transport social infrastructure-related equipment	P66/Website		
				Workplace accident index/frequency rate, severity rate	●	●	Frequency rate: 0.92 (0) Severity rate: 0.011 (0) *Inside the parentheses are non-consolidated figures	Enhance initiatives such as safety educations, safety caravan, and introduction of safety technology	P12, 65/Website		
				Number of traffic accidents (those defined in Article 2 of the Transportation Safety Management Regulation)	●	●*1	Number of traffic accidents: None	Introduce SSCV and strengthen various safety activities	P12, 28/Website		
	2 Enhance Occupational Safety and Productivity	(1) Secure safety in operation and transportation	Enhancement of occupational Health and Safety management	Workplace accident index/frequency rate, severity rate	●	●	Frequency rate: 0.92 (0) Severity rate: 0.011 (0) *Inside the parentheses are non-consolidated figures	Enhance initiatives such as safety educations, safety caravan, and introduction of safety technology	P12, 65/Website		
				Number of traffic accidents (those defined in Article 2 of the Transportation Safety Management Regulation)	●	●*1	Number of traffic accidents: None	Introduce SSCV and strengthen various safety activities	P12, 28/Website		
		(2) Minimize workload at logistics sites	Promotion of automation/labor saving in logistics centers	Expand the use of automated/labor-saving equipment	●	●	Introduced automated pallet storage and automated forklift in logistics centers	Expansion of the use of automated/labor-saving equipment	P69/Website		
				Systematic development of female employees	Ratio of female managers	●	●	Ratio of female managers: 4.7%	Continue systematic development of female employees (ratio of female managers: 10%)	P67/Website	
		(3) Promote diversity of the workplace	Support for career formulation of female employees	Suggestion of various role models/career path and hosting of networking events with female managers	●	●	Participated in a career seminar organized by Hitachi, Ltd. for young female employees of the Hitachi Group	Suggest various role models/career path and set up networking events with female managers	Website		
				Manager-level training to encourage active participation of women in the workplace	●	●	Held seminars by external lecturers for executives and managers on how to change employees' mindset, motivate employees, and promote diversity (150 attendees)	Continue initiatives to encourage employees to change their mindset	Website		
				Encouragement for male employees to take childcare leave	Rate of childcare leave taken by male employees	●	●	Acquisition rate: 8.3%	Implement measures to encourage male employees to take childcare leave	Website	
				Rate of childbirth leave for prospective fathers taken	●	●	Acquisition rate: 29.2%	Implement measures to encourage prospective fathers to take childbirth leave	Website		
			Reduction of overtime hours	Implementation of measures to reduce overtime hours	●	●	Reduced overtime year-on-year with various working-style reform initiatives (average overtime in FY2019: 28.6h (down by 1.6h year-on-year))	Enhance group-wide initiatives such as to visualize achievements of the entire domestic group and follow up by executive meetings of each company	P67/Website		
				Encouragement to take annual paid leave	Implementation of measures to take annual paid leave	●	●	Promoted operational reforms and visualized monthly results (No. of days and rate of annual paid leave taken in FY2019: 18.5 days and 77.3%)	Enhance group-wide initiatives such as to visualize achievements of the entire domestic group and follow up by executive meetings of each company	P67/Website	
Development of OPEX designers	Number of OPEX designers developed			●	●	Number of OPEX designers developed: cumulative 32	Develop OPEX designers	P67/Website			
Implementation of social contribution activities for local community	Activities based on the social contribution activity guideline			●	●	Implemented new supports in 3 areas under the basic principle of social contribution activities	Continue supports implemented in FY2019/Consider activities in 2 areas	P68/Website			
	3 Ensure Excellent Quality and Resilience	(1) Pursue high quality logistics services	Enhancement of compliance framework	Implementation of measures to enhance compliance	●	●	Revised HTS Group Code of Conduct, provided compliance education to employees, and held compliance meetings as planned	Implement measures to enhance compliance	P54/Website		
				Boosting information security level/management structure	Rate of attendance for information security training course	●	●	Attendance rate: 100%	Rate of attendance for information security training course: 100%	P54/Website	
				Rate of targeted threat emails for simulation trainings opened	●	●	Open rate: 5.0%	Rate of targeted threat emails for simulation trainings opened: less than 5%	P54/Website		
				Number of disaster response training implemented	●	●	Implemented a training in Kanagawa area/Held a seminar in the head office of HTS (122 attendees)	Implement disaster response training	P68/Website		
				Implementation of overseas BCP Caravan	●	●	Postponed the Caravan in India to or after FY2020 due to the spread of COVID-19	Consider implementation of overseas BCP Caravan (2 group companies in India, etc.)	P68/Website		
		(2) Consideration for disposal and emission	Enhancement of domestic and overseas procurement compliance	Provision of procurement compliance education to those engaging in procurement in 19 domestic companies and 36 overseas companies	●	●	Provided procurement compliance education to those engaging in procurement in 19 domestic companies and 36 overseas companies	Continue to provide procurement compliance education to those engaging in procurement in Japan and overseas	P54/Website		
				Reduction of air pollutants	Ownership ratio of vehicles in compliance with environmental standards	●	●	Eco-friendly vehicle ownership ratio: 100% Advanced eco-friendly vehicles: 96%	Eco-friendly vehicle ownership ratio: 100% Advanced eco-friendly vehicles: 98%	P63/Website	
				Promotion of resource recycling	Recycling rate	●	●	Recycling rate: 99.0%	Recycling rate: 99%	Website	
				Number of non-compliance with environmental laws and regulations	●	●	Number of non-compliance with environmental laws and regulations: 0	Number of non-compliance with environmental laws and regulations: 0	Website		
				Reduction of water consumption intensity per floor space	●	●	Intensity: down 7.5% year on year	Reduce intensity: down 1% from FY2019	Website		
(3) Contribution to disaster recovery assistance	Protection of forest timber resources	Rate of reducing copy paper consumption	●	●	Reduction rate: down 5.3% year on year	Rate of reducing copy paper consumption: down 1% from FY2019	Website				
		Strengthening of BCP system	Dissemination of behavioral standard in the event of a disaster to employees	●	●	Replaced "Disaster Response Card" with "Emergency Handbook"	Distribute "Emergency Handbook" to all employees	P68/Website			
		Implementation of social contribution activities for local community	Activities based on the social contribution activity guideline	●	●	Implemented new supports in 3 areas under the basic principle of social contribution activities	Continue the supports implemented in FY2019/Consider activities in 2 areas	P68/Website			
		(1) Increase energy efficiency	Reduction of electricity consumption in "buildings"	Number of sites with LED lighting fixtures	●	●	Number of sites: 8	Install LED in all the Group sites by the end of FY2022	P64/Website		
				Reduction of electricity consumption per floor space (intensity) in "buildings"	●	●	Reduction rate: down 3% from FY2018	Electricity consumption per floor space in "buildings" down 2% from FY2018	Website		
(2) Introduce renewable energy	Increase of vehicle fuel efficiency	Number of sites subjected to energy-saving inspections	●	●	Number of sites: 132	Conduct energy-saving inspections	Website				
		Promotion of introducing double-trailer trucks	Support of introducing double-trailer trucks	●	●	Vehicle fuel efficiency: up 0.4% from FY2018	Increase of vehicle fuel efficiency by vehicle type: up 2% from FY2018	P63/Website			
	4 Realize Low-carbon Business Processes	(1) Increase energy efficiency	Promotion of joint use of logistics and transportation equipment	Started operation between Shizuoka and Kyoto in August	●	●	Started operation between Shizuoka and Kyoto in August	Continue support of introducing double-trailer trucks	P63/Website		
				Promotion of joint use of logistics and transportation equipment	Implementation of joint use of logistics and transportation equipment	●	●	Started shared use of facilities with SAGAWA EXPRESS CO., LTD./Started Milkrun of automobile parts in North America	Expand the scope of shared use of logistics facilities and transport equipment	P72/Website	
				Development of new customers/routes for modal shift	Development of new customers/routes	●	●	Developed a new container for modal shift of recyclable resource waste transportation	Expand the scope of and enhance modal shift	P64, 71/Website	
				Promotion of streamlining transportation through establishing platform and integrated delivery sites, etc.	Implement new shared transportation	●	●	Started shared service business of transport vehicles with Hitachi Asia (Thailand) Co., Ltd. in Thailand/Expanded the scope of the existing initiatives	Expand streamlining of transportation range through establishing platform, integrated delivery sites, and container round use	P72/Website	
				(2) Introduce renewable energy	Shift to eco-friendly vehicles with better environmental performance	Maintenance of 100% ownership ratio of eco-friendly vehicles	●	●	Maintenance of 100% ownership ratio of eco-friendly vehicles from the end of FY2016	Maintain 100% ownership ratio of eco-friendly vehicles	P63/Website
		Ownership ratio of the advanced eco-friendly vehicles	●			●	Ownership ratio of the advanced eco-friendly vehicles: Achieved the target of 96% for FY2019	Ownership ratio of the advanced eco-friendly vehicles: 98%	P63/Website		
		Ongoing eco-friendly driving training	Implementation of eco-friendly driving training in each site			●	●	Completed eco-friendly driving trainings to 1,944 drivers (cumulative total as of March 31, 2020)	Implement eco-friendly driving training in each site	Website	
		(3) Strengthen environmental management	Performance of internal environmental audit			Performance of internal environmental audit	●	●	Performed internal environmental audit in 84 domestic group sites	Perform periodic audit of internal environment	P62/Website
						Development of voluntary environmental activities in each site	Promotion of environmental activities in each site	●	●	Number of sites: 224	Development of voluntary environmental activities in each site
				Consideration of the design of the environmental management system	Identification of key environmental laws and holding of global environment meetings	●	●	Implemented 2 systems improvement on environmental load and vehicles	Start operation of the industrial waste management system	Website	
(3) Strengthen environmental management	Enhancement of overseas environmental management	Identification of key environmental laws and holding of global environment meetings	●	●	Conducted a survey on the U.S., the Netherlands, South Korea, and Taiwan/Held 2 Environment Officers Meetings	Identify key environmental laws of all relevant countries and regions, and hold Overseas Environment Officers Meetings	P62/Website				
		Promotion of continuous improvement by the environmental management system	Continuous implementation of "Eco Stage 2" obtained by the head office to other domestic offices	●	●	Renewed certification in FY2017/Hitachi Transport System Central Japan Co., Ltd. independently acquired "Eco Stage 2" Certification	Renew and continue implementation of "Eco Stage 2" obtained by the head office and Hitachi Transport System Central Japan Co., Ltd. to other domestic offices	P62/Website			
		Attendance rate of environmental e-learning courses	●	●	Attendance rate: 99.7%	Attendance rate of environmental e-learning courses: 99%	Website				
		Promotion of employees' understanding through education and enlightenment activities to raise their environmental awareness	Communication of environmental-related information to employees	●	●	Reported activities during the HTS Group Environment Month (June) in the Group magazine	Communicate environmental-related information to employees	Website			
		Clean-up activities outside the Company and the light-down campaign	●	●	Implemented in each site during the HTS Group Environment Month	Clean-up activities outside the Company and the light-down campaign	Website				
Environmental advertisement and disclosure of environmental information	●	●	Prepared for CDP**2	Respond to CDP/Enhance disclosure of environmental information via the website, etc.	Website						

\*1 Covers 8 group companies (excluding VANTEC Group): 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 Dires Co., Ltd. For details, please see the website. <https://www.hitachi-transportssystem.com/en/profile/csr/social/safety/>

\*\*2 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.