

Secure Safety in Operation and Transportation

Human and Organizational Capital Objective 2

KPI

Frequency rate/severity rate of workplace accidents and others

Financial Impacts (Example)

- Maintain profitability through stable operation
- Rise in cost due to an introduction of new equipment to prevent accidents

Under the policy that "Safety is our number one 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 secure services.

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 president 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 an "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.

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 boosting awareness of safety issues. Again in FY2019, 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

Practical training and experiential sessions

We envision a full range of scenarios in workplaces and implement appropriate on-site training sessions based on them, covering practical training and experiential sessions.

Practical training and instruction for heavy cargo engineering

For safe transportation, installation, and setting up of large instruments including railway cars, power plants, and precision equipment such as medical equipment, it is crucial to make a careful plan and follow through it at the site. Therefore, we closely examine the plan and give on-site instructions to ensure safe operation.

Overseas safety caravan

In order to spread global safety standards of the HTS Group overseas, we send safety caravans led by Japanese instructors to overseas and engage in improvement activities together with local staff.



Internal forklift competitions at overseas locations

The overseas group companies hold forklift competitions for local employees, helping each employee increase their willingness to grow and safety awareness through sound competition between local employees.



Adoption of safety technology

Each site has adopted various safety technologies including SSCV (refer to page 28) to prevent accidents. A logistics site of Hitachi Transport System East Japan Co., Ltd. in Tsukuba City installed dashboard cameras with communication function on the forklifts in FY2019, which enabled advice based on real-time video monitoring and reduced Hiyari-Hatto (near-miss) incidents by 60% nine months after the installation.

Workplace accident index of the HTS Group (Domestic)

Frequency rate:
Inside the parentheses are non-consolidated figures
0.92₍₀₎

Severity rate:
Inside the parentheses are non-consolidated figures
0.011₍₀₎

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

Our History

Our Future

Foundation Supporting Value Creation

Achievements of Value Creation

Financial/Non-Financial Information

Pursue Next-generation Industries and Lifestyles

Manufactured Capital Intellectual Capital Objective 1

KPI

- Storage and transportation/delivery conforming to GDP
- Promotion of transportation of social infrastructure-related equipment
- Utilize artificial intelligence and develop supply chain solutions and others
- Development of data scientists

Financial Impacts (Example)

- Acquisition of business opportunities through vitalization of regional economy
- Creation of new businesses by accumulating new know-how
- Increase in technology development cost

With the power of logistics, we will develop businesses to support the realization of the next-generation sustainable industries and social infrastructure in various areas across the globe.

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

Storage and transportation/delivery conforming to GDP

The HTS Group has enhanced medical DCs across the country and provides storage services specialized in pharmaceutical logistics. We contribute to maintaining high quality medical supplies by enhancing a quality assurance system through establishment of a dedicated organization to improve the intangible aspects of GDP and working on proper management of complicating distribution channels. We also have a fuel procurement scheme and dedicated drivers familiar with characteristics, etc. of medicines as part of the BCP system to sustain supply chain in case of an emergency (refer to pages 35 to 39).



Transportation of social infrastructure-related equipment

Emergency transportation making full use of our network based on careful transportation plan

- Transportation of a steam turbine to Andres Power Plant in the Dominican Republic -

Mitsubishi Hitachi Power Systems, Ltd. (Currently Mitsubishi Power, Ltd.) was going to supply a steam turbine equipment to replace the one in AES Andres Power Plant located near Las Americas International Airport, Santo Domingo, the Dominican Republic which was damaged by lightning, and we arranged the transportation. Since a prompt restoration was expected to secure electricity in the country, we considered a number of different approaches with the customer, such as chartering a cargo flight, to shorten the delivery time as much as possible. We made full use of our global network to centrally manage the entire process and progress from the shipment from a plant in Japan to the arrival at the destination, and successfully completed the transportation of approximately 13,000 kilometers without delay.



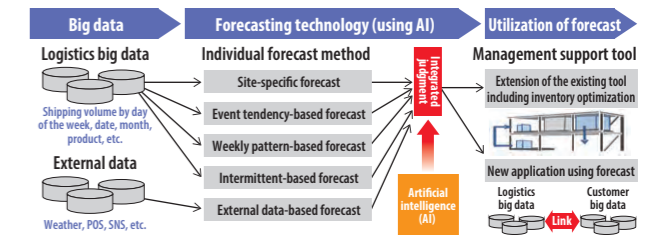
Promote Total Optimization of Supply Chain by Making Full Use of Advanced Technologies

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 in order to become a global supply chain solutions provider and improve operational efficiency.

Logistics/demand forecast

We aim to improve operational efficiency by optimizing inventories at logistics centers based on high-accuracy volume forecast using AI.



Number of cases of manufacturing/sales control support (demand forecast) (as of March 31, 2020, cumulative)

20

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.

Blockchain technology

We are studying transportation/delivery of products using distributed ledger technology and a mechanism to speed up payments for such operations.

Development of human resources meeting business needs -Development of data scientists-

We are fostering data scientists who use data to identify and solve issues of customers' supply chain.

Number of attendees of data scientist training course (as of March 31, 2020, cumulative)

58

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

Promote Diversity of the Workplace

Human and Organizational Capital Objective 2

KPI

- Ratio of female managers
- Development of OPEX designers

and others

Financial Impacts (Example)

- Acquisition of new know-how and creation of new businesses by securing diversified human resources
- Reduction of recruiting cost by increasing the employee retention rate
- Cost increase due to creation of a pleasant workplace

The HTS Group aims to create a pleasant workplace where diverse human resources of the entire Group of different gender, nationality, generation, skill, and career having various attributes, individuality, and values can fully demonstrate their potential and play an active role.

Respect for Human Rights

Human right 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. The HTS Group creates opportunities for its employees to acquire accurate understanding of human rights, including providing training in accordance with employee rank, at meetings and seminars, with an aim to boost individual awareness of human rights by using "HTS Group Code of Conduct," which incorporates "Respect for human rights" into basic behavioral guideline, as a manual.

Promotion of Diversity

For the HTS Group, diversity means that employees having different attributes, individuality, and values use their diversified way of thinking to create new ideas and businesses. 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.

Promotion of women's participation in the workplace

HTS positions the active participation of women as an essential issue for a global company and has implemented various initiatives. In FY2013, we established KPIs for the active participation of women to accelerate our initiatives to achieve the targets.

Ratio of female managers
FY2019 Result

4.7%

Target: Achieve 10% by FY2020

Scope: HTS

Systematic promotion of women to assistant managers and managers

To promote active promotion of women, we trust young woman employees with assignments with greater responsibilities to give them opportunities to gain knowledge and experience as well as raise their motivation, and systematically promote them to assistant managers and managers.

Promotion of working-style reform

We have been promoting working-style reform so that contributions of individual employees lead to improvement of the productivity of the entire organization. In specific, we manage work hours by managing PC logs and change mindset of employees and the managers as part of our initiatives to address long working hours. We also actively encourage employees to take annual paid leave. Additionally, we also encourage to improve work efficiency through operational reform, and promote labor-saving at logistics centers by gradually introducing automated facilities.

Training Upcoming Generations of Employees

The HTS Group College

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. 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. Furthermore, we have developed training systems including our Managerial Personnel Training, which fosters core personnel of 3PL business. These personnel development programs are implemented to further solidify our business base.



Creating a Workplace Full of Smiles and Vibrance

Promoting communications through Logistics OPEX

With the aim of creating a workplace full of smiles and vibrance, we promote "Logistics OPEX", a community where employees enjoy repeating learning and improvement through deep dialogue. Through these activities, we also encourage managers and employees to share and appreciate each other's experiences and insights for the purpose of active communication and productivity improvement. Additionally, we are promoting activities to develop human resources who utilize Logistics OPEX in each site to further spread it within the Company (Refer to page 29).



Logistics OPEX promotion movie (Japanese version only)
<https://www.youtube.com/watch?v=28oaq1B4AXo>

Number of OPEX designers developed (FY2019, cumulative)

32

Scope: HTS, domestic group companies

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

Our History

Our Future

Foundation Supporting Value Creation

Achievements of Value Creation

Financial/Non-Financial Information

Social Contribution/Strengthening of BCP

Social and Relationship Capital

Objective 2

Objective 3

KPI

- Activities based on the social contribution activity guideline
- Dissemination of behavioral standard in the event of a disaster to employees and others

Financial Impacts (Example)

- Stable operation as a result of earning local community's trust
- Increase in disaster prevention measures cost

We strive to create a community where diverse people have stronger connection and feel affluent, safe and secure, by collaborating with a variety of organizations.

Social Contribution

Basic principle

The HTS Group aims to be a good corporate citizen by supporting various activities in such fields as "traffic and road safety," "training a new generation of people," "innovation," "environmental protection," and "contribution to local community" both in Japan and overseas under the basic principle of "Objectives of Social Contribution Activities."

For activities in each field, please visit our website.

Traffic and road safety initiatives

As a logistics operator, we aim to realize a safe and secure traffic society. To achieve zero traffic accidents, we will contribute to creating opportunities to raise awareness and improve traffic manners of walkers and drivers through continuing traffic and road safety education.

Holding traffic and road safety class

In May 2019, Mars Logistics Group Inc., our Turkish group company, held a traffic and road safety class for children. 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 so that children can develop a better understanding about road signs while having fun.



Contribution to local community

-Disaster recovery assistance-

When some regions were stricken by a disaster, we send relief donations to support the affected region. We made a donation to the authorized NPO Japan Platform in FY2019.

The HTS Group Magokoro (Sincere Heart) Fund

As part of our social contribution activities, we established a social action program called "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.

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

Disaster Preparedness Measures

Promotion of BCP

Natural disasters and infectious diseases which occur often in recent years have significant impacts on corporate activities as well as threaten our daily life. Amid such circumstances, we believe that the BCP in the logistics business is not just a plan to continue our business but a preparation to make contributions by delivering medical supplies and foods to the affected regions and restoring social infrastructure to protect people's lives, which is our social mission.

Strengthening of BCP system

For prompt restoration and continuation of our business at the time of a large-scale disaster, we conduct trainings to enhance coordination between disaster prevention headquarters of the head office, management headquarters, and group companies on a regular basis, and we are also establishing emergency contact systems with overseas group companies.

Disaster prevention training in Japan

In Japan, we have BCPs mainly assuming large-scale natural disasters that threaten our business continuity. To enhance BCPs' effectiveness, we conducted a disaster prevention headquarter training (desktop simulation) assuming a large-scale earthquake hit Kanagawa area in August 2019. Trainings scheduled to be held in other areas were postponed to FY2020 due to the spread of COVID-19.

Strengthening risk management system in overseas

In overseas, we send BCP Caravan from Japan to our major sites in North America, Europe, China, and other parts of Asia to establish and develop risk management system. In addition, we gather information on developments such as large-scale-disasters, terrorism, etc., from information sources such as the Foreign Ministry as well as major communications companies, to alert our staff stationed or traveling overseas of imminent dangers. At the same time, we have instituted emergency contact systems based on the information from our overseas locations.

Dissemination of behavioral standard in the event of a disaster

We distribute "Emergency Handbook," an updated version of the former "Disaster Response Card," to all employees.



For more information about BCPs, please visit our website.
<https://www.hitachi-transportssystem.com/en/profile/csr/social/governance/riskmanagement>