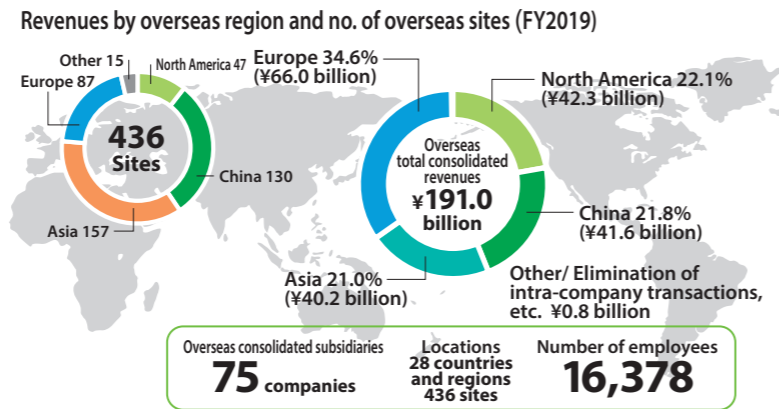


## 3PL Business (Overseas)

As of March 31, 2020, the HTS Group has established a global network of 436 sites in 28 countries and regions outside of Japan, since expanding into Singapore in 1976. In order to support our customers' increasingly large and complicated global supply chain, we offer a wide range of services including 3PL and Auto Parts Logistics.



## FY2019 Result

**Results**

Revenues: **¥191.0 billion** (YoY -¥17.9 billion) | Operating income: **¥6.35 billion** (YoY -¥0.56 billion)

**New orders/new startups**

New orders: **6 projects** | New startups: **7 projects**

### FY2019 Topics

#### Europe Turkey-based Mars Logistics Group promoting the intermodal business between Turkey and Europe has established a Spanish subsidiary

In December 2019, Mars Logistics Europe S.A. was established in Barcelona, Spain, to expand business in Europe. The company provides chartered transportation between Turkey and Spain, consolidated delivery, and cross-docking service to electronic device and apparel manufacturers. It will expand its service by offering domestic transportation in Spain and intra-European transportation departing from Barcelona. The company was established to expand Mars Logistics Group's intermodal business network.



Appearance of the warehouse/office

### Intermodal

"Intermodal transportation service" is a combined transport service that combines multiple modes of transportation (e.g. railways, trailer trucks, aircrafts, ships) to transport freight in containers all the way to the final destination using successively two or more modes. Mars Logistics Group, who is familiar with the local situations, effectively combines various modes of transportation to offer customers the optimal route of the wide-area transportation from Middle East to Eastern and Western Europe, taking into account costs, delivery time and environmental friendliness.



#### ● Example of transportation route

The cargoes are transported by trailer trucks from various places in Turkey to main ports such as Istanbul and transported to Trieste, Italy, by ship, and then to Luxemburg by train. After that, trailers are loaded onto trailer trucks again at the terminal and delivered by land to all over Europe, including Belgium, Netherlands, U.K., France, and Germany.

#### ● Environmental friendliness

Modal shift that combines marine and rail transportation for the trunk line transport leads to a reduction of environmental load caused by transportation. The intermodal business sets a CO<sub>2</sub> emissions reduction target\*1 at 13,000 tons per year and reduced approx.17,800 tons in FY2019.

\*1 Comparison with truck transportation

#### Message from the officer in charge

In Europe, we provide a wide range of services from transportation service including 3PL, intermodal and cross-border transportation to heavy construction equipment transportation and Auto Parts Logistics to customers in 12 countries. For intermodal service, we plan to develop new routes such as a Romania route in the future.

**Riichiro Hirano**

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



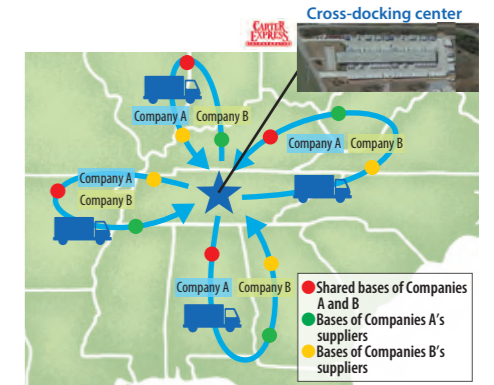
#### North America Expanded a shared cross-docking center for two leading automobile manufacturers and started a Shared Milkrun service

Carter Express, headquartered in Indiana, U.S., operates an Auto Parts Logistics business with its unique Milkrun business model. It has been providing procurement logistics services to Tier 1 suppliers\*1 for leading automobile manufacturers, and in November 2019, it expanded a cross-docking center in Knoxville, Tennessee and started the management of cross-docking service\*2 for them.

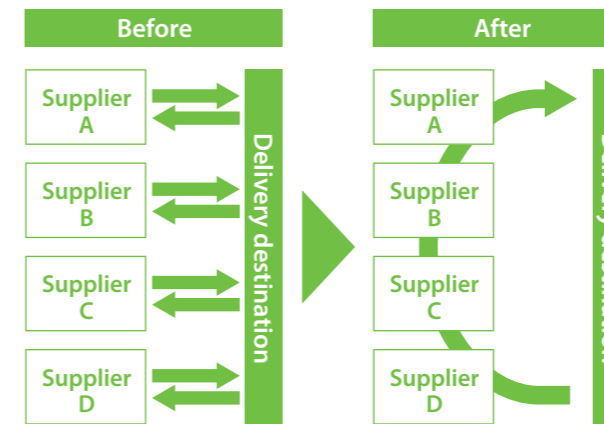
It also started a Shared Milkrun service whereby one truck visits bases of multiple suppliers to collect parts for two manufacturers. It aims to reduce driving distance and achieve environment-friendly transportation service by sharing a warehouse and pickup routes.

\*1: Tier 1 suppliers: Primary suppliers who directly deliver parts manufactured and developed in-house to manufacturers  
\*2: Cross-docking: One of the warehouse operations. To promptly sort received goods/cargoes and re-prepare shipments for delivery right after its arrival, without taking in any inventories.

Details of Shared Milkrun service are available at: <https://carterlogistics.com/shared-milkrun/>



### Milkrun



A Milkrun is a transportation method whereby one truck visits bases of multiple suppliers to collect production parts and deliver them to a production plant. It can improve transport efficiency and streamline the management of shipment receiving process at customers (manufacturers). The company repeats simulations to optimize pickup routes and streamline the transportation/delivery process while minimizing costs. As the Milkrun reduces the number of vehicles and improves the loading ratio, it can contribute to solving social issues including traffic/transportation accidents and driver shortages as well as environmental issues including emissions of CO<sub>2</sub> and air pollutants.

#### Message from the officer in charge

We offer end-to-end supply chain management with a network that spans North America, including a strong Intra-Mexico operation. The Shared Milkrun Network gives our customers the strategic advantage in cost-savings and efficiency.

**John N. Paugh**

Director, Chief Executive for North America & President, J.P. Holding Company, Inc.



### ESG Topics

#### ■ FY2019 topics

- April 2019: Mars Logistics Group in Turkey received the 2018 ETİKA Turkey Ethics Award that awards companies who value ethics and make exemplary efforts**
  - Its approach to corporate governance and social responsibility was evaluated
- June 2019: Rolled out vehicle sharing service to benefit Thailand's logistic sector**
  - Vehicle sharing among multiple shipping companies enables a reduction in cost and delivery time
  - Reduce traffic congestion, accidents, and air pollution by improving logistics efficiency through the reduction of the number of vehicles and improvement of loading ratios
- October 2019: Carter Logistics in U.S. was awarded as a 2019 "Top Company for Women to Work for in Transportation"**
  - Elected as a top company for women to work for from among more than 150 companies
  - Active involvement of women in various types of job, including executives, truck drivers, and mechanics, was highly evaluated

