

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 a "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. Due to the spread of COVID-19, we decided not to hold these seminars in FY2020, but we will consider resuming them in light of the situation.

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 inspection skills, and boosting awareness of safety issues. In FY2020, both contests were cancelled due to the spread of COVID-19, but we are continuing to work on the initiatives to improve our skills, technology, and safety awareness in preparation for the next contest.

*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

■ Adoption of safety technology

● Installation of SSCV-Safety (safety operation management solution)

In order to protect drivers as an organization and not to become either the victim or assailant, we are promoting the installation of "SSCV-Safety," a solution to prevent accidents due to absent-minded driving. In Japan, we have completed the installation of SSCV-Safety in the Group's all business vehicles including 1,272 trucks and 37 personal vehicles by FY2020. The installation of "SSCV-Safety" has allowed us to provide drivers with guidance based on the daily review, reducing the number of incidents by 80% in one year after the installation. It has also contributed to enhancing compliance by raising drivers' safety awareness and realizing stable and systematic vehicle assignment by raising awareness on health management. → P.39-44

Installation target of SSCV-Safety
Commercial trucks and personal vehicles of all domestic group companies as well as trucks of partner transport companies

Approx. **6,000** by FY2023

● Adoption of safety technology to forklifts

The HTS Group has installed dashboard cameras not only in trucks but also in forklifts owned in Japan for daily safety activities such as confirmation with finger pointing and calling during operation. We are also installing dashboard cameras in overseas group companies. In FY2020, we have completed its installation in all forklifts owned by the HTS Group, achieving a year-on-year decrease in the number of forklift accidents by 40% in western Japan.



Forklift equipped with dashboard camera
(as of March 31, 2021) **Approx. 4,600**
Scope: HTS, domestic/overseas group companies

Workplace accident index of the HTS Group (Domestic results in FY2020)

Frequency rate:
Inside the parentheses are non-consolidated figures

0.78₍₀₎

Severity rate:
Inside the parentheses are non-consolidated figures

0.019₍₀₎

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

Pursue Next-generation Industries and Lifestyles

Manufactured Capital Intellectual Capital Objective 1

KPI

- Storage and transportation/delivery conforming to GDP
- Transportation of social infrastructure-related equipment
- On-site implementation of RFID system
- Utilize artificial intelligence and develop supply chain solutions and others

Financial Impacts (Example)

- Acquisition of business opportunities through vitalization of regional economy
- Creation of new businesses through new expertise and accumulation of technologies
- Increase in technology development and R&D costs

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

■ Adequate storage and transportation/delivery of medical supplies

The HTS Group has enhanced medical DCs across the country and provides storage and shipping services specialized in pharmaceutical logistics. In order to enhance intangible aspects of GDP, we are working to strengthen quality assurance system in the pharmaceutical logistics. For example, we set up an organization dedicated to promoting GDP, which is developing a quality management system for GDP management and also conducting verification experiments such as for the next-generation temperature sensor to monitor temperature during transportation. In FY2020, East Japan II Medical DC, a cutting-edge medical DC, began operation in Kazo City, Saitama Prefecture, to expand the scope of our services. → P.46



■ Transportation of social infrastructure-related equipment/ One-stop car transportation from factory to site

-Transport of finished railway cars for the Ho Chi Minh City Metro Rail System-

Ho Chi Minh City, the largest city in Vietnam, is facing issues such as traffic jam and air pollution due to an increase in cars and motorcycles associated with the country's economic development and fast-growing population. To cope with these issues, the Vietnamese government, with the cooperation of Japan International Cooperation Agency (JICA), developed a plan for infrastructure development aimed at mitigating traffic jam and launched the construction of the country's first underground rail system in 2012. Under such circumstances, HTS was engaged in the one-stop transportation covering from shipment of 51 railway cars that have been manufactured in Kasado Works, Hitachi, Ltd. since 2020 to ocean transportation and delivery to the local site. These railway cars will be used for an approx. 19.7 kilometer-long line connecting 14 stations from the center of Ho Chi Minh City to Suoi Tien in the eastern area of the city. As an expert of rail transportation, we have developed a safe and timely transport plan and successfully delivered railway cars for one organization of three-car train in collaboration with Hitachi, Ltd. in FY2020. The project is still underway. → P.51-52



■ Introduction of RFID* technology to logistics services

Recently, introducing RFID technology which is near field communication is expected to become a solution for product management in the retail industry, but its high cost is now preventing it from spreading. HTS has continued to study toward the introduction of the RFID technology to logistics site since FY2017, and in FY2020, we successfully achieved it by introducing the RFID technology to the logistics services for customers that provide the use/experience-type services including rental, subscription, and sharing. RFID technology can be used to manage the status of individual items such as receiving/shipping, return or maintenance of rental products, etc. solving issues such as complicated management and timely data visualization, which contributes to establishing a new consumption cycle of the cyclical use of products and improving convenience of providers and users of rental/subscription services.

* Radio Frequency Identification: Contactless automatic recognition technology that reads information via radio waves

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.

● Volume forecast

We aim to improve operational efficiency by optimizing inventories at logistics centers based on high-accuracy volume forecast using AI. In FY2020, we improved the precision of the volume forecasting tool which was designed and tested in FY2019 and successfully introduced it in 20 logistics sites.

No. of cases using volume forecasting system (as of March 31, 2021): **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. In FY2020, we tested an inventory/supply optimization solution at the actual logistics site under the joint development with a customer and verified an improvement in storage and transportation efficiency.

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
- Rate of childcare leave taken by male employees and others

Financial Impacts (Example)

- Acquisition of new expertise 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 be an organization where diverse human resources of different "gender," "race," "religion," "age," "disability," "sexual/religious/political orientation," "nationality," "social/cultural background" having various attributes, values, and backgrounds 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

Decreasing working population in Japan is a serious management issue. In particular, the logistics industry faces noticeable labor shortage, and thus, active participation of diverse human resources is essential for the HTS Group to contribute to society through logistics more than ever. In 2012, we established the Diversity Promotion Center with the aim of embedding and promoting diversity and inclusion.

Boosting understanding of diversity

Since FY2014, we have invited external lecturers to hold seminars for executives and managers aimed at deepening their understanding of diversity, facilitating systematic approaches, and changing employees' mindset. In FY2020, approximately 1,000 employees including those of domestic group companies attended seminars focused on the active participation of women.



Held online simultaneously

Since FY2014, we have invited external lecturers to hold seminars for executives and managers aimed at deepening their understanding of diversity, facilitating systematic approaches, and changing employees' mindset. In FY2020, approximately 1,000 employees including those of domestic group companies attended seminars focused on the active participation of women.

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 FY2020 result 4.9%

Target: Achieve 10% by FY2023

Scope: HTS

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 strive to develop an environment and workplace that allow diversified working-styles by, for example, establishing a system to provide more support for employees' work-life balance than the legal requirements to ensure employees can continue working with a sense of security while raising their children or caring for their family members and also trying to raise the profile of the system by actively providing employees with relevant information.

Rate of childcare leave taken by male employees (FY2020) 2.2%

Scope: HTS

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

Initiatives for working-style reform

The HTS Group complies with local laws and regulations on working hours and overtime work in countries and regions where we operate. To reduce overtime hours in Japan, we are encouraging employees and managers to change their mindsets by managing objective records such as computer log management and biometric recognition, and also actively encouraging employees to take annual paid leave. In addition, we are also encouraging to improve work efficiency through operational reform such as office digitization using RPA, etc. Labor-saving equipment such as automated guided vehicles and automated forklifts are gradually introduced in the logistics centers. During truck transportation, "SSCV-Safety" using IoT manages the driving status in real time, helping protect the drivers from accidents.

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.

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

Social Contribution/Strengthening of BCP

Social and Relationship Capital Objective 2 Objective 3

KPI

- Activities based on the social contribution activity guideline
- Implement disaster prevention training and others

Financial Impacts (Example)

- Stable operation as a result of earning local community's trust
- Increase in disaster and infection prevention costs

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.

Development of the next generation through donation

Support for children

To support as a global company the activities for sound growth of children around the world who will unlock the future, we made a donation in FY2020 to Save the Children Japan, an NGO dedicated to supporting children with a parent organization having a 100-year history as a pioneer for children's rights.

Support to develop human resources for innovation research

Under the belief that the advancement of mobility-related technologies will contribute not only to the development of the Company's business but also to the improvement of convenience and safety of society, in FY2020, we made a donation to Global Research Institute for Mobility in Society, Institutes of Innovation for Future Society, Nagoya University, that is conducting research in three areas of "Advanced vehicles," "Mobility services," and "Social values."

Encouragement of employees' social contribution activities

The HTS Group Magokoro (Sincere Heart) Fund

The HTS Group established a social action program called "Magokoro" (Sincere Heart) program in 2008 as a scheme to encourage employees' social contribution activities. The "Magokoro" program is a matching gift system where funds donated by our group employees and officers are matched by the Company to meet the cost for the activity, allowing employees and the Company to engage in activities together.



Example of support activities Supported "Children's Forest" Program of the Organization for Industrial, Spiritual and Cultural Advancement (OISCA) (public interest incorporated foundation), to install rainwater harvesting systems (Za Ya Ma Primary School/Myanmar)

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 had conducted a disaster prevention headquarter training (desktop simulation) systematically in several sites every year, assuming a large-scale earthquake hit, but we had to postpone it in FY2020 to prevent the spread of COVID-19. Under such circumstances, in March 2021, a site in Ishikawa Prefecture conducted the training safely by thorough infection prevention measures and using online tools. We will share the training expertise amid the pandemic across the entire Group to further improve the effectiveness of BCP.

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 FY2020, we postponed BCP caravan to prevent the spread of COVID-19. In FY2021, we will plan to conduct the caravan while considering the situation.

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