Value Creation Process of the HTS Group

A business model to realize value creation of the HTS Group consists of a value chain comprising of task analysis, design for operation, operation and improvement of the customers' supply chain and structure to support it such as collaborative innovation, R&D, human resource development, and VC21 activities, with the HB WAY indicating how the Group should be and a path to take as the source of all values.

Using our strengths of "Ability to accomplish operation," "Advanced logistics engineering capability," and "Global network" as key drivers, we strive to reinforce our value chain to sustainably create economic, social, and environmental values to our stakeholders. We will contribute to SDGs through sustainable increase of corporate value.

SDGs (Sustainable Development Goals) on which we focus for sustainable growth















Outcome



Stakeholders

Customers

Employees

Business

partners

Shareholders/

Investors

Local

dministration

Input

Financial capital

Stable financial base

• Surplus funds to enable flexible investments Cash and cash equivalents at end of year

¥787.9 billion ¥104.8 billion

Manufactured capital

- Global business sites
- Transport vehicles
- Digital business platform underpinning LOGISTEED

Domestic 330 sites Area of logistics center* Overseas 422 sites

7.53 Mm²

Intellectual capital

- Patent (warehouse design/management system, etc.)
- Expertise (SCM optimization, safety, advanced logistics technology)

R&D expenses ¥670 million

No. of systems in operation 499*2

Human and organizational capital

• Diverse human resources well-versed in logistics Human resources who carry out the HB WAY

43,729

Education expenses per employee (domestic) ¥19,934

Social and relationship capital

Trust relationships with stakeholders

• Business ecosystem to be built together with collaborative partners

Transportation partners (domestic)

Approx. 1,400 companies

Natural capital

• Resources and energy that we use through logistics service with less environmental load*

Total energy consumption (domestic) (crude oil equivalent) 2) Fuel consumption

44,461 kl

* As of March 31, 2021

15,591 kl

Toward New Dimensions LOGISTEED Visualization/optimization Cycle to accúmulate knowledge Flexible and reliable operation Design and propos Strengths Ability to accomplish Advanced logistics Global operation engineering capability network - Structure to support value creation -Collaborative R&D Human resource innovation development → P33-34 **Sustainability management** → P75-88 **Corporate governance** → P63-74 **HB WAY** → P2 ("Gemba" Power, multiplied by Visualization)

Business model

Output

We support people's lives and assume a role as a social infrastructure provider by providing comprehensive logistics services with high level of safety, quality, and productivity.



3PL business

Procurement logistics services/Production logistics services/ Distribution logistics services/Reverse logistics services/ Auto parts logistics



Heavy Machinery and Plant Logistics Business

Plant-related transport/Machinery and equipment transport/ Railway-related equipment transport/Precision instruments transport/ Various research equipment transport



Freight Forwarding Business

International air transport/International ocean freight transport/ International truck transport/International railway transport

Financial capital

Total Shareholder Return (TSR) 208 % **ROE** 11.8%

Credit rating (R&I)

Manufactured capital

Use accumulated skills and expertise as reference models to build and manage new logistics centers and systems

¥652.4 billion

Intellectual capital

Number of Number of attendees of data scientist patents held training course (accumulated)

Number of working hours saved by RPA*5

Approx. 6,600 hours/month

Human and organizational capital

Employee engagement (Understand of goals/targets) *6

74

[Negative outcome] Workplace accident index Frequency rate 0.78 Severity rate 0.019

Social and relationship capital

Domestic share of 3PL business **14.4**%*7

No. of customers Over **20,000** companies (80 industries)

Ratio of female

4.9%

Natural capital

CO₂ emission reduction rate (domestic)

(Scope 1 & 2) YoY -5.6%

[Negative Outcome]

Greenhouse gas emissions (domestic) (Scope 1 & 2) 113(thousand tons-CO₂)

Local

→ P45-52

External environment

- Decrease in labor population/consumers in Japan
- Increases in climate change risk and large-scale natural disasters
 Increase in geopolitical risk *1 Number of locations and area of logistics centers exclude those of AIT Group and HTB-BCD Travel Group.
 *2 Self-developed systems
 *3 Including modal shift, use of eco cars, introduction of double-trailer trucks and sharing of facilities and equipment
- Rise of protectionism and escalation of trade friction

- Occurrence of big disasters and global pandemic
 Advancement of digital technologies (5G/IoT/AI, etc.) Expansion of EC market

 - Changes in environment surrounding the logistics business
- *4 No. of attendees of in-house training to foster data scientist with advanced data analyst skills

 *5 Robotic Process Automation

 *6 Total score of favorable responses in employee engagement survey *7 Calculated by the Company using data in "Monthly Magazine LOGI-BIZ"

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