Outline of the Mid-term Management Plan
With an aim to become the most preferred global supply chain solutions provider, the HTS Group promotes the Mid-term Management Plan and strives to achieve sustainable growth by solving issues and creating “values” through various collaborative innovation*

<table>
<thead>
<tr>
<th>Period</th>
<th>FY2016-FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review and issues:</td>
<td>In FY2018, both revenues and operating income hit record highs and ROE achieved 10%. Under the Mid-term Management Plan, we aimed at creating values through collaborative innovation with our customers and partners, and worked on thorough enhancement of our core 3PL business, expansion of Freight forwarding business, and Heavy Machinery and Plant Logistics business and enhancement of logistics functions through collaborative innovation with Hitachi Capital Corporation and IT Corporation. In FY2018, we set a new business concept “LOGISTEED” representing our determination to lead businesses to a new domain beyond the conventional logistics. Our activities during these three years contributed to a significant rise in our stock price and the increase of corporate value.</td>
</tr>
</tbody>
</table>

| Results | Revenues: ¥708.8 billion | Adjusted operating income: ¥31.2 billion | EBIT: ¥36.2 billion | ROE: 10.7% |

**Mid-term Management Plan – LOGISTEED 2021–**

**Environment Surrounding the Company**
Recently, the environment surrounding the Company has been drastically changing, including shortages of labor and drivers, changes in customer businesses, sophisticated and complicated customer needs, changes in the environment surrounding supply chain due to digitalization and technological development, and intensifying competition in the 3PL market due to new entrants from outside the logistics industry.

Response to Changes and Future Vision
The HTS Group has grown to become a leading 3PL company providing services combining logistics and information, while we expect an increase in customer needs for supply chain solutions. We view these changes as opportunities to continue sustainable growth, and strive to extend our domains to finance and commerce through digital transformation platform. And we will create new solutions and design optimum supply chain for customers based on and originating from logistics.

Future Vision: The Most Preferred Global Supply Chain Solutions Provider
**Integrate four flows for better supply chain**

While the HTS Group has already been promoting various collaborative innovation under the concept of “LOGISTEED,” we will not only enhance the core domain but also further accelerate the collaborative innovation beyond the logistics domain and build an ecosystem, with an aim to become the most preferred global supply chain solutions provider.
**Progress of the Mid-term Management Plan**

**Priority Measure: Implement Portfolio Strategy to Build a Solid Core Domain (Smart Logistics)**

The HTS Group has formed alliance with partner companies in business areas where all companies can increase corporate value. Our aim is to achieve sustainable growth for all companies by enhancing competitiveness and profitability in our core logistics domain (Smart Logistics) and also by building a larger ecosystem group to expand the collaborative innovation domains beyond businesses and industries.

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**Build an ecosystem (to new domain)**

- AIT (including Nisshin Transportation) + VHF
- Hitachi Life
- Hitachi Automotive Systems
- EAST Japan Distribution Services
- Hitachi Travel Bureau
- Nisshin Transportation
- Hitachi Auto Service
- PALENET CO., LTD.

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**Our Future**

Our successful efforts in FY2019 include the consolidation of PALENET CO., LTD. through share acquisitions, the share transfer of Hitachi Travel Bureau, Ltd. (currently, HTB-BCD Travel Ltd.) and the decision to acquire the distribution service business of Hitachi Life, Ltd. (currently, Hitachi Real Estate Partners, Ltd).*1

**Priority Measure: Implement Collaborative Innovation Strategy Aiming at Enhancement of the Core Domain and Further Expansion of Domains**

Under the capital and business alliance with SG Holdings Group since 2016, we have been promoting cross-selling to take advantage of both companies’ strengths (mutual complement between logistics and delivery business) and offer 3PL of the HTS Group and delivery service of SG Holdings Group as one-stop service, and also working on the streamlining of business operation of both companies through the expansion of asset sharing.

Since FY2018, under the capital and business alliance with Hitachi Capital Corporation, we have been promoting initiatives to provide a comprehensive solution package including lease, insurance, maintenance, and joint procurement of vehicles under SSCV with an aim to realize a new innovation through “finance, commerce, logistics, and information” beyond the conventional logistics domain.

In FY2019, we have launched full-scale collaborative innovation activities with AIT Corporation, which has major strengths in the Freight Forwarding business between Japan and China, in order to create new customer value through seamless collaboration between Freight Forwarding and 3PL.

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**Our History**

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**Achievements in FY2019**

Our successful efforts in FY2019 include the consolidation of PALENET CO., LTD. through share acquisitions, the share transfer of Hitachi Travel Bureau, Ltd. (currently, HTB-BCD Travel Ltd.) and the decision to acquire the distribution service business of Hitachi Life, Ltd. (currently, Hitachi Real Estate Partners, Ltd).*1

** Acquisition of shares of PALENET CO., LTD.**
- June 27, 2019: Concluded a share transfer agreement - August 1, 2019: Acquired shares
  - Jun. 27, 2019: The Company signed a share transfer agreement to acquire 70% of shares of PALENET CO., LTD. from Hitachi Automotive Systems, Ltd. and transferred PALENET CO., LTD. in August 2019.

**Share transfer of Hitachi Travel Bureau, Ltd.**
- July 1, 2019: Concluded a share transfer agreement and completed the transfer
  - Jul. 2019: 70% of shares of Hitachi Travel Bureau Ltd. (engaging in three BTM*3 businesses) was transferred to BCD Travel Asia B.V., a leading global company in the field.

**Acquisition of the distribution service business of Hitachi Life, Ltd.**
- November 29, 2019: Concluded a share transfer agreement
  - Nov. 29, 2019: Signed a share transfer agreement - April 1, 2019: Acquired shares of a new company—Hitachi Transport System East Japan Distribution Services Co., Ltd.

*1 In April 2020, we acquired all shares of a new company to which Hitachi Life, Ltd. transferred its distribution service business through a company split
*2 We stipulate Smart & Safety Connected Vehicle. For details of SSCV, please see page 28
*3 Business Travel Management

**Achievements in FY2019**

In FY2019, our collaborative innovation activities, mainly with SG Holdings Group, generated additional contributions to revenues of approximately 463 million yen and operating income of approximately 495 million yen.

As for the collaborative innovation activities with SG Holdings Group, we newly started operation of large-scale logistics centers for construction machinery, cosmetics, and home appliance manufacturers, and also promoted collaboration in broader areas from PC kitting service to transportation of the fuel cell bus.

As for the collaborative innovation activities with AIT Corporation which started in full scale in FY2019, we have been providing seamless services taking advantage of both company’s strengths such as jointly engaging in international transportation of large equipment from Japan to the Philippines and its installation at the destination.

**Additional contributions generated by collaborative innovation activities in FY2019**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>52</td>
</tr>
<tr>
<td>Global</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
<tr>
<td>Collaboration effect</td>
<td>62</td>
</tr>
</tbody>
</table>

The table above includes collaborative innovation effects with SG Holdings Group and AIT Corporation.
Progress of the Mid-term Management Plan

Promotion of Digital Transformation (DX)

Whole picture of DX

The HTS Group is working to visualize logistics sites through DX and offer LOGISTEED services using data. First, we visualize the physical platform which is the logistics site through DX to improve on-site efficiency. Then, we accumulate data obtained through DX on a digital platform via digital business platform. We analyze these data to organize core service functions such as SCDDOS, Smart Warehouse, and SSCV. We provide values to our stakeholders including customers (cargo owners), partner transport companies, and collaboration partners through LOGISTEED services using core functions.

LOGISTEED service (1) Supply Chain Design & Optimization Services (SCDOS)

Outline

SCDOS are services that centrally manage and visualize customers’ supply chain information with a digital business platform to support processes from identifying issues to advising them through analysis to optimizing business operations. The HTS Group makes full use of its expertise accumulated in the 3PL business, human resources, and advanced IT tools to provide a wide variety of services covering development of supply chain strategy, optimization of logistics, and BPO. We launched SCDDOS in FY2019, and they have been used by customers in various industries and sectors.

Example

Customer: Daily commodities manufacturer

Issue: Unable to grasp the real operating status of its marine container transport

Proposal: Summarize and visualize the transport status interactively

Effect: Assess the effects of improvement measures and understand the quality of each shipping company

Analysis of volume/delays/fees of each shipping company

Message from the officer in charge

The HTS Group will achieve “Design Supply Chain Based on and Originating from the Logistics Domain,” one of the priority measures in the Mid-term Management Plan by integrating DX and business operation. As one of DX initiatives, we are promoting overall digitization of the entire Group by building a “DX engine” structure to transform the business by integrating IT and business operation. In addition, we will focus our IT division resources on the implementation of DX with an aim to realize data-driven business and provide higher added value.

Shunsuke Yonekura
Executive Officer, General Manager, Information and Communication Technology Strategy Headquarters, Business Management Headquarters

LOGISTEED service (2) SSCV

[What is SSCV?]

SSCV is a service platform to help transporters improve operational efficiency and achieve zero-accidents by making full use of IoT technology. We also aim to create new services and businesses by sharing data with our collaborative innovation partners.

SSCV-Smart

Digitalize operations related to transportation and delivery to help transporters improve operational efficiency and enhance compliance.

SSCV-Safety

Sense driver’s vital signs and vehicle conditions and analyze them using AI. Give real-time warnings to drivers and driving managers to prevent accidents.

SSCV-Vehicle

Improve the vehicle utilization rate and reduce management processes through visualization and digitalization of vehicle management and maintenance records.

On-site DX using RPA

Outline

We have been promoting RPA as part of the VC21 activities aimed at operational improvement through company-wide bottom-up initiatives. We have developed 220 types of robots in the entire Group until March 31, 2020, which enabled us to save 2,570 hours of work per month.

Improvement examples

• Performance management, in overseas subsidiaries
• Survey of usage status of VM® within the Company
• Data analysis of CRM® and e-mail distribution of its results

Future plan

• AI-OCR which reads data of paper slips
• Process mining which identifies areas for improvements based on the work load analysis

RPA *1 No. of robots developed (accumulated)

2018/4Q 2019/1Q 2019/2Q 2019/3Q 2019/4Q

Number of working hours saved (March 2020, hours/month)

2,570

*1 RPA: Robotic Process Automation

For details of SSCV, please visit our website (Japanese version only).

https://www.hitachitransportsystem.com.jp/scsv/
Progress of the Mid-term Management Plan

Promotion of VC21 Activities

Outline of activities

The HTS Group has been working on “VC 21 Activities” as daily improvement activities to implement the H8 Way.

The aim of these activities is that “the Company continues to grow and employees find their work rewarding.”

We have been repeating a cycle where employees in each site and department exchange ideas under different themes, register initiatives in a dedicated system and carry out and follow up the improvement activities systematically.

We share initiatives of all sites among the entire Group via the system and give an award to excellent cases at the presentation meetings held on a regular basis as an effort to establish an improvement culture through “visualization of improvement activities” and “cultivation of the culture of praise.”

We have enhanced our organization and ability to accomplish operations through a cycle where we have human-centered deep dialogue, enjoy learning, generate ideas, and implement improvements.

Each employee has been working on “VC 21 Activities” with a sense of “personal ownership,” and the accumulation of such efforts has taken root as the improvement culture and has become the foundation to support our business model and the source of value creation.

Activities in FY2019

The number of improvement initiatives of the entire HTS Group proposed in FY2019 reached approximately 10,000.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of new improvement initiatives in FY2019 (accumulated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019Q1</td>
<td>8,100</td>
</tr>
<tr>
<td>2019Q2</td>
<td>4,787</td>
</tr>
<tr>
<td>2019Q3</td>
<td>6,983</td>
</tr>
<tr>
<td>2019Q4</td>
<td>10,156</td>
</tr>
</tbody>
</table>

Various initiatives are underway to support activities in each site

- Logistics OPEX (Operational Excellence)
- Dialogue café
- Workshop for generating ideas
- Improvement education
- Use of digital tools such as RPA

We held meetings and award ceremonies for employees to participate to vitalize VC21 activities.

Let’s enjoy repeating VC21 Activity cycle!

There are many things we can do to learn:
- Excellent cases within and outside the Company
- Videos to learn how to improve, etc.
- Ideas come from:
  - Everyday thinking
  - Suggestion box (comment box)

We will pursue the “dialogue culture” that is characterized by:
- Dialogue café
- Lose-lose” or “win-win
- Shared leadership

Good VC Award 2019:

It is praised by activities with other departments and gave an award to excellent cases

Our Future

Priority Measure: Take Actions in Consideration of Environment, Society and Governance as Well as Corporate Ethics

Initiatives for SDGs — Four Objectives —

We have taken actions in consideration of environment, society and governance as well as corporate ethics (ESG management) and promoted four objectives that contribute to the achievement of SDGs, with the view to realizing sustainable society and increasing corporate value.

- Contribution to SDGs
- ESG Initiatives
- Environment
- Social
- Governance

Contribution to SDGs

We will focus on four objectives to drive innovation forward in supply chains with an eye to creating a sustainable society.

1. Pursue Next-generation Industries and Lifestyles
   - 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.
   - Promote total optimization of supply chain by making full use of advanced technologies
   - Respond to local logistics needs and issues while further boosting response capability

2. Enhance Occupational Safety and Productivity
   - We will work on realizing further occupational safety and enhancing productivity in logistics sites across the globe.
   - Secure safety in operation and transportation
   - Minimize workload at logistics sites
   - Promote diversity of the workplace

3. Ensure Excellent Quality and Resilience
   - We will pursue quality of the next-generation logistics that meets the social expectation and resilience against disaster and climate change.
   - Pursue high-quality logistics services
   - Consideration for disposal and emission
   - Contribution to disaster recovery assistance

4. Realize Low-carbon Business Processes
   - While we steadily proceed with initiatives to enhance efficiency of energy and resources, we will also work on decarbonizing* from the long-term perspective.
   - Increase energy efficiency
   - Introduce renewable energy
   - Strengthen environmental management

Participate in the United Nations Global Compact

The HTS Group signed the “UN Global Compact (UNGCC),” advocated by the United Nations, in May 2020 and joined its local network in Japan “Global Compact Network Japan.” The UNGC is a voluntary initiative to participate in creating a global framework for the sustainable growth. Under the corporate philosophy “to deliver high-quality services that will help make the world a better place for people and nature for generations to come,” the HTS Group strives to achieve sustainable growth by solving social issues and creating “values” through various “collaborative innovation.”

ESG Initiatives

- Environment
  - Develop medium-to-long-term environmental targets
  - Strengthen environmental management
  - Consideration for disposal and emission
  - Increase energy efficiency

- Social
  - Secure safety in operation and transportation
  - Pursue next-generation industries and lifestyles
  - Promote diversity of the workplace
  - Social contribution/Strengthening of BCP

- Governance
  - Ensure to bear in mind the notion of “Basics and Ethics” (Enhance compliance/governance)

"Improvement Handbook"

We will build a community where employees can repeat learning and improving through deep dialogue while enjoying them.

- Have deep dialogue in interview-style workshops for mainly sales representatives
- Generate improvement ideas by directly hearing the voices of employees working on site
- Provide various improvement education based on the self-developed “Improvement Handbook”
- Implement cross-departmental productivity improvement by making full use of digital tools

"Good VC Award 2019"

Good VC Award 2019 is a prize for sharing activities with other departments and gave an award to excellent cases.
Investment Plan

Investment Strategy for Change and Evolution into “LOGISTEED”

The HTS Groups aims to expand collaborative innovation domains beyond businesses and industries and create new innovation beyond the conventional logistics domain while focusing on the enhancement of logistics as a function (Smart Logistics) as our core target. In order to achieve them, the Group has made business investments mainly to expand logistic sites and strategic investments to evolve into a company envisioned by LOGISTEED using mainly operating cash flows and cash and cash equivalents.

Strategic Investments

Under the basic policy to make ‘investment to establish sustainable competitive advantage by building a structure no one can imitate’, the HTS Group focuses on investments in the cores of digital platform including supply chain solutions, Smart Warehouse, and transport digitalization, to strengthen core functions and expand customer services.

Initiatives in FY2020

- **Sharing/Pay-per-use**
  - Customers pay for only what they use
  - Support speedy business launch

- **Visualization of customers’ SC**
  - Optimum inventory arrangement in each region
  - Reinforce resilience of supply chain

- **Protect drivers/transportation companies**
  - Technology to prevent accidents
  - Improve eco-driving technology/vehicle assignment

- **Robotics/Group Control**
  - Collaboration between people in the region and machines
  - Backtracking operation to eliminate waiting time in post-process

Business Investments

The HTS Group carefully selects business investments to build robust core domain (Smart Logistics). In specific, we have expanded logistics sites and renewed vehicles, etc.

Major Investments in FY2019

- **Operations started April 2019:** Automated warehouse in Toyama IV Logistics Center (Toyama Prefecture)
- **Operations started Dec. 2019:** Tsukuba DC Extended Building (Ibaraki Prefecture)
- **Operations started Nov. 2019:** Knoxville XD Center (U.S.)
- **Renewal of vehicles, etc.** (Turkey and other areas)