

Mid-term Management Plan –LOGISTEED 2021–

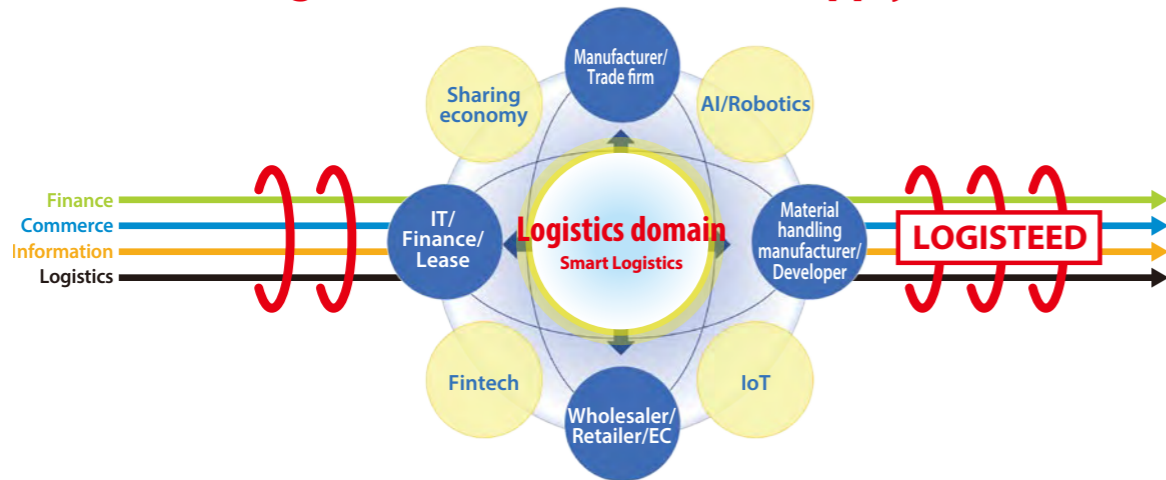
Outline of the Mid-term Management Plan

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.”

Mid-term Management Plan – LOGISTEED 2021–					
Period	FY2019-FY2021				
Basic policy	As the supply chain structure is changing significantly due to technological advancement and social changes, including “IoT,” “AI,” “Robotics,” “Fintech,” “Sharing Economy” and digitization, we promote digitalization of the Group and its collaborative innovation partners, and build open platform, in order to realize supply chain based on and originating from our logistics domain. The Group strives to enhance our new existence value and increase corporate value by changing and evolving to a company represented by “LOGISTEED” in order to become the most preferred solutions provider.				
Priority measures	<ul style="list-style-type: none"> • Implement portfolio strategy, including M&As and alliances, to build a solid core domain (Smart Logistics) • Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains • Design supply chain based on and originating from the logistics domain • Implement a topline growth strategy • Originate and succeed operation (hands-on approach) toward the next generation • Environment, social and governance as well as corporate ethics 				
Result and Plan		FY2018 Results	FY2019 Results	FY2020 Results	FY2021 Plans
	Revenues:	¥708.8 billion	¥672.3 billion	¥652.4 billion	¥690.0 billion
	Adjusted operating income:	¥31.2 billion	¥33.5 billion	¥36.7 billion	¥37.5 billion
	EBIT:	¥36.2 billion	¥39.6 billion	¥44.4 billion	¥37.2 billion
	ROE:	10.7%	9.5%	11.8%	12.7%

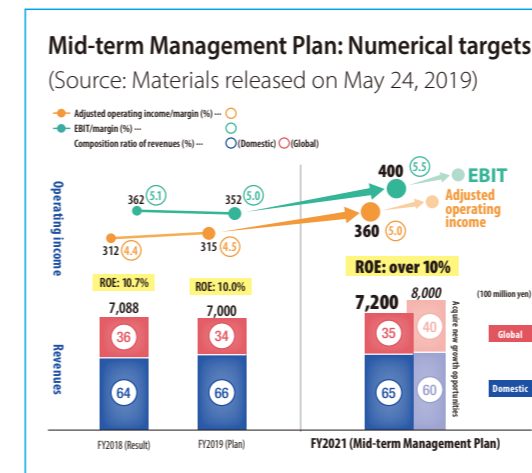
Response to Changes and Future Vision

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



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 optimal supply chain for customers based on and originating from logistics.

Progress of the Mid-term Management Plan



FY2021 Plan

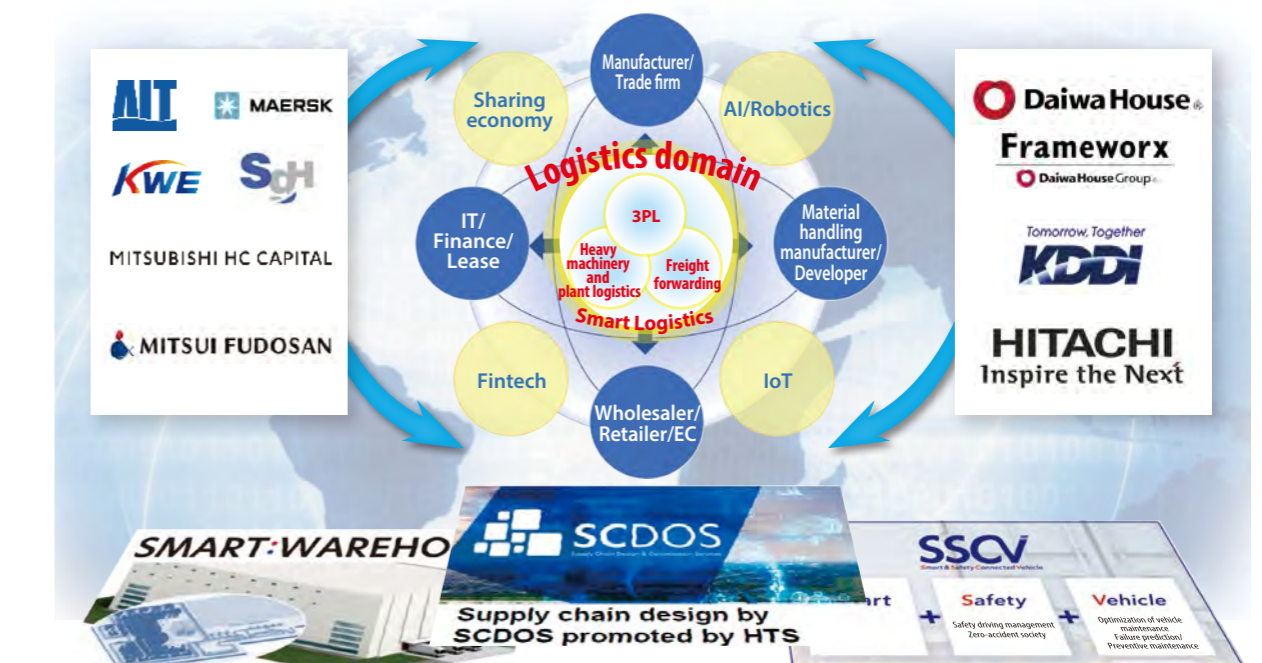
Revenues:	¥690 billion
Adjusted operating income:	¥37.5 billion
EBIT:	¥37.2 billion
ROE:	12.7%

Our recognition
 "Numerical targets in the Mid-term Management Plan (after the adoption)" reflecting an impact of adopting IFRS16 Leases
Adjusted operating income: ¥38.5 billion
EBIT: ¥42.5 billion

Catch-up in FY2022

Toward the next Mid-term Management Plan To become a leading 3PL company in Asia

- Establish a strong position in Japan and evolve into a regional leader in Asia
 - Establish and enhance a solid management base (enhance funding capability and ecosystem)
 - Next-generation logistics supporting Society 5.0
- Top line expansion
 - Improve profitability
 - Efficiency improvement (Asset/Equity)
 - Expansion of business domains (Service/Region/Sales channel, etc.)
 - Resource management (Assets/Human resources, etc.)
 - Cash generation (Asset securitization, etc.)
 - Collaborative innovation strategy
 - Partners (Industry peers/DX)
 - Real estate/Developer
 - Private Equity (PE) funds, etc.



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.

Progress of the Mid-term Management Plan

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

Collaborative Innovation Activities with SG Holdings Group and AIT Group

FY2020 Result

In FY2020, our collaborative innovation activities with SG Holdings Group and AIT Group generated additional contributions to revenues of approximately ¥3,200 million and operating income of approximately ¥480 million in total.

Collaborative innovation with SG Holdings Group

Under the capital and business alliance with SG Holdings Group since FY2016, we have been promoting cross-selling to take advantage of both companies' strengths (mutual complement between logistics and delivery business) and working on streamlining of business operation of both companies.

In FY2020, we started operation of logistics centers for food, sporting goods, and industrial equipment manufacturers and collaborated in broad areas including integration/relocation of logistics centers.

In September 2020, we partially amended the capital and business alliance with SG Holdings Group but maintain the alliance relationship with an aim to produce more benefits through collaborative innovation activities including sales tie-up and resource sharing.

Collaborative innovation with AIT Group

In FY2019, we have launched full-scale activities based on the capital and business alliance with AIT Group, which has significant strengths in the freight forwarding business between Japan and China, and we are working to create new customer value through collaboration between freight forwarding and 3PL.

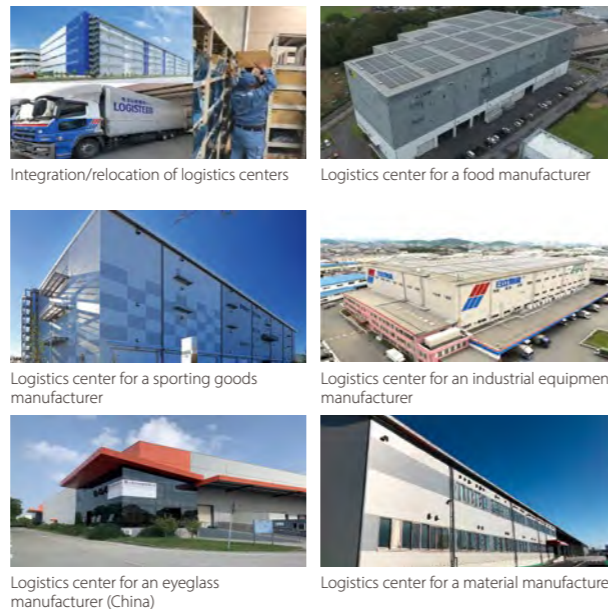
In FY2020, we newly started operation of a logistics center for an eyeglass manufacturer in China, making steady progress in building global logistics services capitalizing strengths of both companies.

Additional contributions generated by collaborative innovation activities in FY2020 (100 million yen)

	Revenues	Operating income
Domestic	25	3.3
Global	6	1.3
Others	1	0.2
Collaborative innovation effects	32	4.8

The table above includes collaborative innovation effects with SG Holdings Group and AIT Group.

Major new collaborative innovation projects



Collaborative Innovation Activities with Maersk

In FY2020, we newly started collaborative innovation activities with A.P. Moller-Maersk ("Maersk"), a leading marine shipping company in the world. We aim to build a service to seamlessly link customers' global supply chains by offering a one-stop service including global logistics services of Maersk centered on ocean transport and 3PL of the Group. We will also collaborate in import procedures for air cargo in Japan as well as jointly work on the verification in order to make more sophisticated analysis and optimization proposals on digital platform with the combination of "TradeLens," Maersk's blockchain base technology and "SCDOS," our supply chain visualization/optimization solution.

Basic strategy of Maersk: Expansion of L&S* service

Offer global, seamless Logistics through overseas import/export and **building of domestic logistics**



L&S Service Partner <Offer 3PL solutions>

Sales operation together with Maersk (Send dedicated sales representatives)

*L&S: Logistics & Services

Opened "LOGISTEED CAFÉ"

In December 2020, the Company opened "LOGISTEED CAFÉ," our first open innovation facility, in the head office building. This was opened as part of the collaborative innovation strategy to "share and explore knowledge" with partners and "accelerate projects through collaboration" and has various spaces including "LxHUB," a collaborative innovation space to hold workshops and other events, "Theatre S," a 270-degree large screen for virtual tours of logistics sites, and "Exhibition" introducing our history and businesses.



Facility description

LxHUB



Collaborative innovation space for seminars and workshops

Theatre S



A 270-degree theatre which offers the experience of the cutting-edge logistics sites with realistic videos

Exhibition



Introduction of the history and businesses of the Group

Project Room



Space for meetings and discussions for collaborative innovation projects

Solution



Exhibits of the latest solutions that make up LOGISTEED and development solutions with collaborative innovation partners



Location: 2-9-2, Kyobashi, Chuo-ku, Tokyo, Japan
* Visitors are required to make advance reservations through the Group employees.

Online special site "LOGISTEED CAFÉ"

We share information related to events held in the facility on the special site. Such information includes advanced examples of our services, collaborative innovation activities with various partner companies beyond industries, interviews focusing on "individuals" engaging in these services and announcements of workshops and seminars.



Contents (as of September 2021)

Facility information	About "LOGISTEED CAFÉ" in the head office building
Co-Creation	About partner companies sharing passion for collaborative innovation with us
Services	About advanced examples including "Smart Warehouse," "SSCV," and "SCDOS"
Event/Seminar (Japanese version only)	Information on events and seminars to be held by the Company and the registration for events
Downloads (Japanese version only)	Materials about our advanced services available for download
Insight (Japanese version only)	Latest information on logistics and interview articles, etc.

LOGISTEED CAFÉ <https://www.hitachi-transportssystem.com/en/logisteed-cafe/>

Progress of the Mid-term Management Plan

Priority Measure: Design Supply Chain Based on and Originating from the Logistics Domain

Promotion of Digital Transformation (DX)

In order to enhance our new existence value and further increase corporate value by changing and evolving into a company represented by "LOGISTEED," the HTS Group has formulated "DX Strategy - toward the Realization of "LOGISTEED 2021."

Basic policy of DX strategy

Value creation through collaborative innovation with Cyber Physical System (CPS)

We will collect and accumulate various data in logistics sites (physical space) through the sensor network and systems. We will use AI, etc. to analyze these big data and turn them into knowledge in the cyber space. We will provide these accumulated information and value to the logistics sites to further strengthen our "Gemba" Power. In addition, we will use these data to vitalize open innovation with various collaborative innovation partners with the aim of creating new businesses and business models.

Priority measures

- External DX that changes data to value through collaborative innovation
- Internal DX that improves operational efficiency and collects data
- Development of an organization and human resources to realize DX
- Enhancement of IT governance
- Continuation of DX investments
- Establishment of a PDCA cycle for DX by setting and managing KPIs

External DX cases

We commercialized three solutions. In 2021, we added "function to visualize CO₂ emissions" in SCDOS and promoted decarbonization at both customers and the Company.

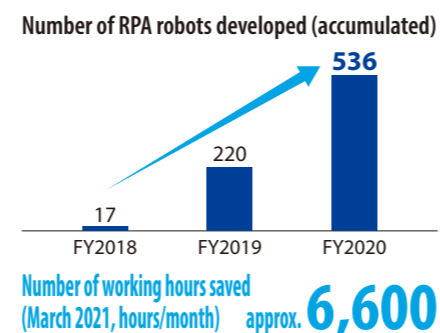
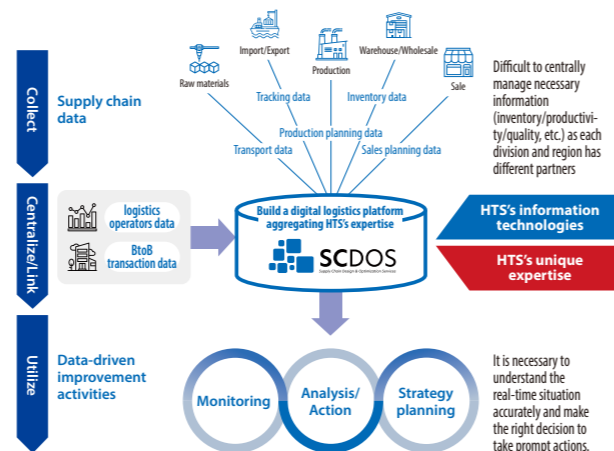
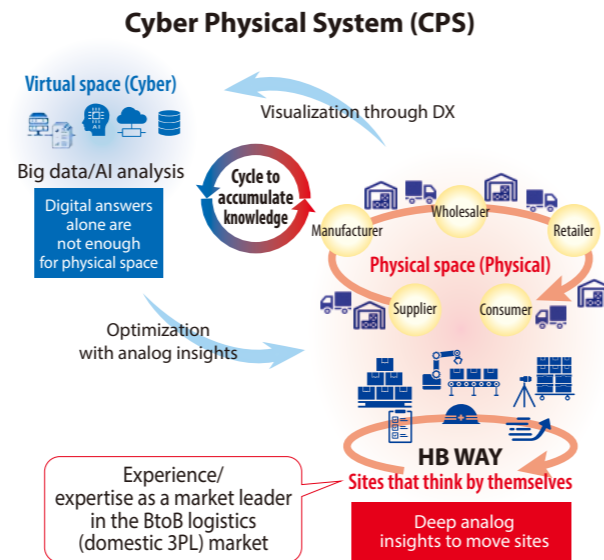
SCDOS*1	Centrally manage and visualize supply chain information supporting processes to solve issues
SWH*2	Combine the automation/labor-saving expertise and digital technology and standardize them for each industry
SSCV*3	Help transporters improve operational efficiency and achieve zero-accidents by making full use of IoT technology

*1 Supply Chain Design & Optimization Services
*2 Smart Warehouse
*3 Smart & Safety Connected Vehicle

Internal DX cases

We have promoted the standardization of WMS*4 and the core system renewal to aggregate data in a digital business platform. We have also been promoting RPA as part of VC21 activities aimed at operational improvement through company-wide bottom-up initiatives and working on initiatives to spread DX at sites. Through RPA, we have developed 536 types of robots in the entire Group until March 31, 2021, which enabled us to save approximately 6,600 hours of work per month.

*4 Warehouse Management System



Responded to the Digital Governance Code

"Digital Governance Code" is a document prepared and released by the Ministry of Economy, Trade and Industry (METI) of Japan, which summarizes responses required of managements to encourage companies' voluntary efforts for DX.

In response to the Digital Governance Code, the Company is implementing measures such as development and execution of DX strategy, establishment of a governance system including the involvement of the Board of Directors, and information disclosure to stakeholders. The Company was recognized for these efforts and selected as a "DX Certified Operator" in May 2021.

Enhancement of IT governance

We established the IT Governance Code under the Digital Governance Code to define principles and general rules for introduction/operation of IT. In addition, we established the management rules according to the IT Governance Code and monitor/evaluate the entire Group's IT activities to build an IT platform that contributes to DX promotion.

Development of DX human resources

We have established a system to develop DX human resources and promoted development of highly skilled personnel as well as providing basic education to all employees including executives in order to raise the level of digital literacy. We also focus on fostering data analysts capable of practical data analysis at logistics sites and are working on operation analysis/improvement using actual data. In order to secure human resources, we promote long-term, stable retention of human resources from partner companies in addition to hiring experienced personnel.

For details about DX strategy, please visit our website.
<https://www.hitachi-transportssystem.com/en/ir/corporate/vision/dx/>

Message from the officer in charge

We will promote DX by making full use of three core functions i.e. SCDOS, Smart Warehouse, and SSCV to contribute to the resolution of social issues in the logistics domain and promote LOGISTEED. Capitalizing on a wide range of data at sites (physical space) and the cutting-edge digital technologies, we will invigorate open innovation with various collaborative innovation partners and use it to create new businesses and models with the view to further increasing corporate value.

Kiyoshi Nagao
Vice President and Executive Officer
General Manager, Business Management Headquarters
General Manager, Logistics Solution Business Development Headquarters
General Manager, Transport Business Enhancement Project Team



Message from the officer in charge

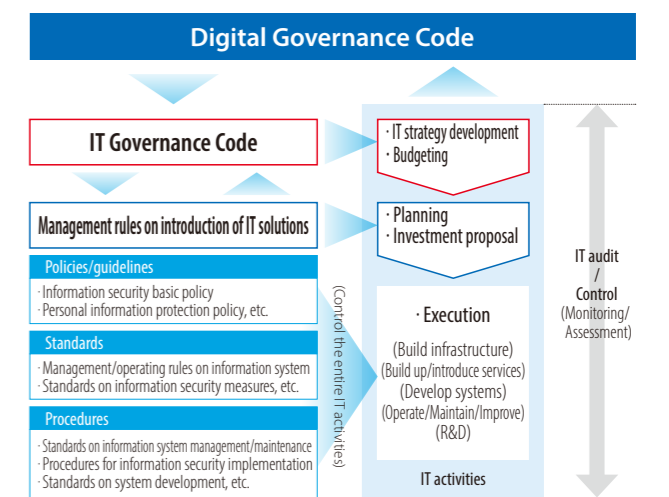
Under the IT Governance Code, we monitor and evaluate IT activities of the entire Group to build an IT platform for DX. We are also enhancing our risk response by raising the cybersecurity level to fulfill our role as social infrastructure that supports supply chains. In terms of development of DX human resources, we will improve digital literacy of all employees and foster on-site data analysts in business divisions through various trainings.

Shunsuke Yonekura
Executive Officer
General Manager, Information and Communication Technology Strategy Headquarters, Business Management Headquarters
General Manager, Information Security Office
Deputy General Manager, Transport Business Enhancement Project Team
(President, Hitachi Distribution Software Co., Ltd.)



Hitachi Transport System, Ltd. was selected as a "DX Certified Operator" in the DX Certification Program established by METI of Japan.

Establishment and operation of the IT Governance Code



DX human resources development system

All employees	Education of IT basics + DX mindset For all employees from FY2021
Business divisions	Training for data scientists (Tech Boot-camp) Number of attendees: 72 (cumulative)
IT divisions	Project management/business analysis training data architect/data analyst training Number of attendees: 214 (cumulative)

(As of July 2021)

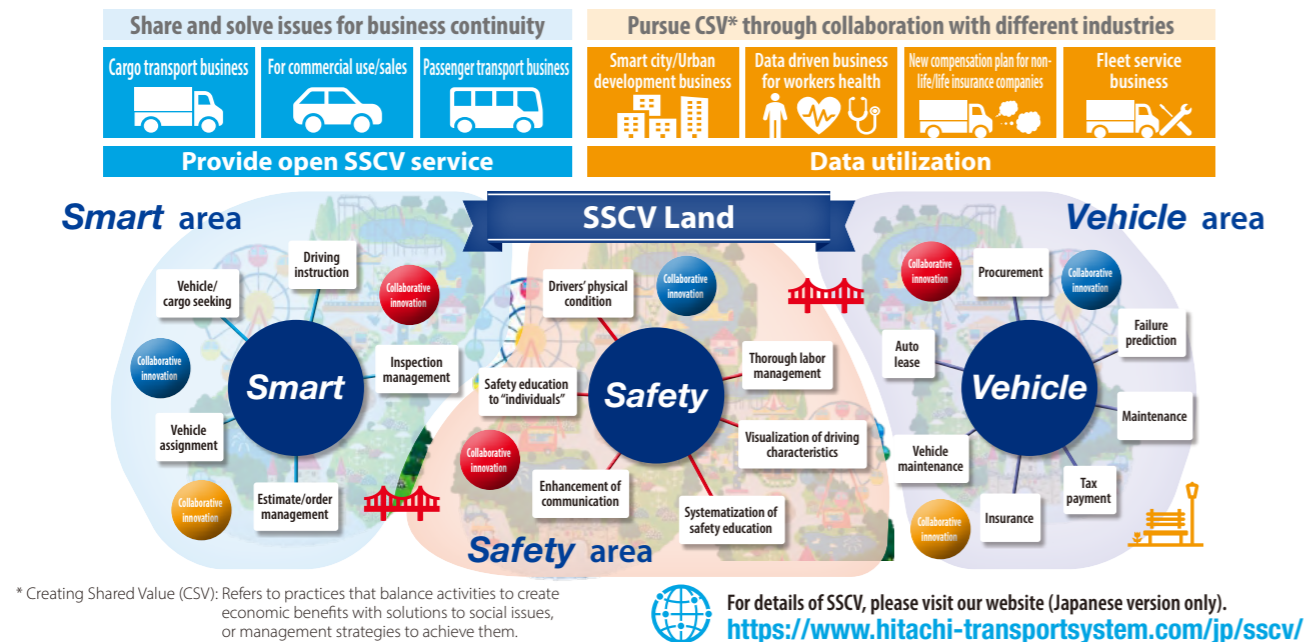
Progress of the Mid-term Management Plan

Priority Measure: Design Supply Chain Based on and Originating from the Logistics Domain

We are working to build a transport digital platform and enhance the transport business in order to solve transport issues faced by the Group and other transporters and to realize “sustainable transportation services” and “zero-accident society.”

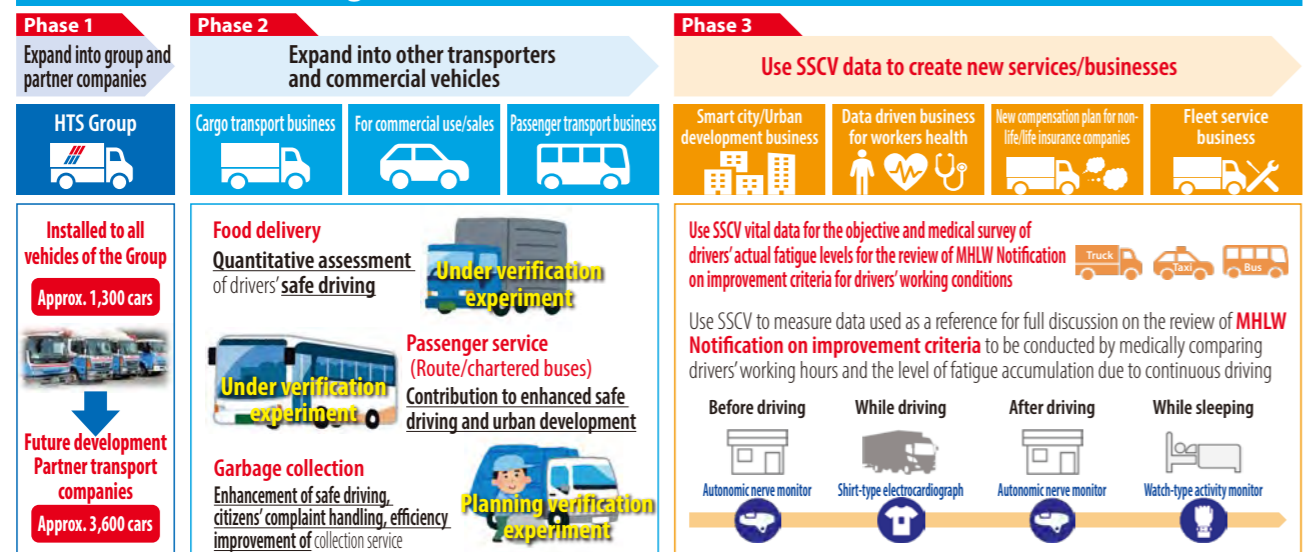
Building a Transport Digital Platform

We are building a transport digital platform designed to solve transport issues using “viewpoints of a logistics company + power of technology” the Company provide. SSCV is a platform consisting of three solutions of SSCV-Smart, SSCV-Safety, and SSCV-Vehicle, through which we will share data with our collaborative innovation partners to create new services and businesses.



SSCV-Safety has already been installed to all vehicles of the Group. Going forward, we will introduce the service to our partner transport companies and transportation operations in a wide range of industries such as retail, bus, and taxi. Also, we will use big data obtained through SSCV to create new services and businesses including smart city/urban development business, data driven business for health, and a new compensation plan for non-life/life insurance companies.

Promote expansion into the entire transport business (land, passenger, etc.) Use big data obtained to create new services/businesses



Contribute to solving social issues such as drivers' health/labor management and reduction of CO₂ emissions through efficient transportation

*For SSCV initiatives, please refer to "Special Feature –Employee Roundtable Discussion" on pages 39 to 44.

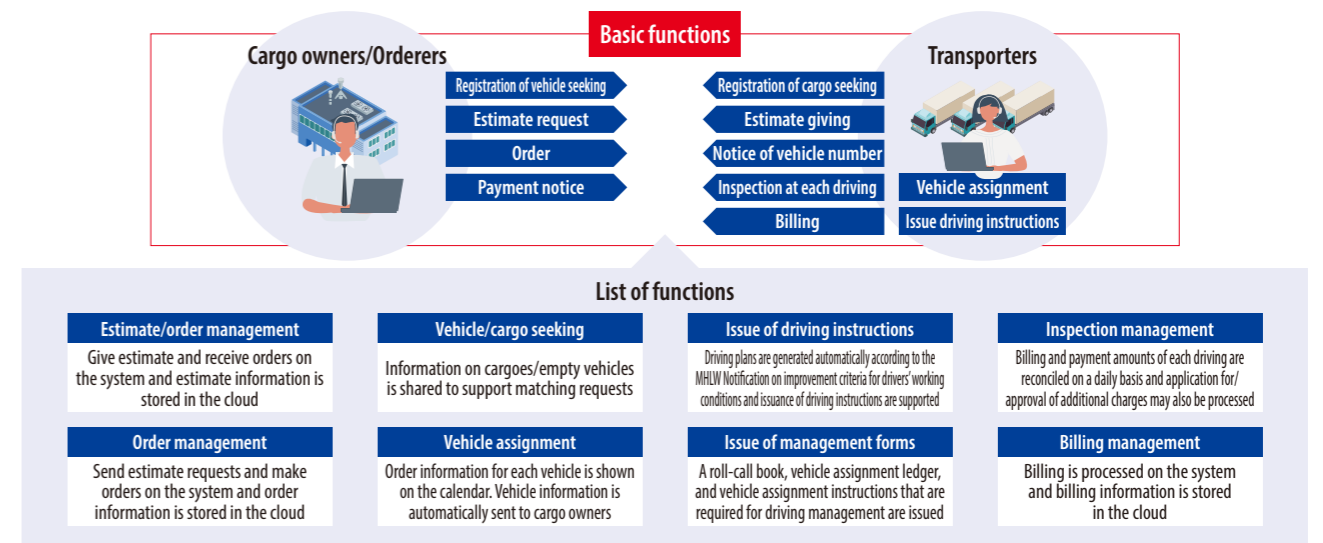
Start of external sales of SSCV-Safety

After the use within the Group, we started selling SSCV-Safety to external customers through collaboration with Hitachi, Ltd. and Mitsubishi HC Capital Inc. in July 2021 as a SaaS-type* new service “SSCV-Safety on Hitachi Digital Solution for Logistics” targeting transportation operations in a wide range of industries including logistics, manufacturing, wholesale, retail, bus, and taxi. Amid growing demand for transportation operations in the New Normal era, we hope to contribute to driving management and improvement of drivers' safety through the introduction and spread of this service.

*SaaS: Software as a Service

Start of Providing SSCV-Smart

In October 2020, we started to provide SSCV-Smart, a SaaS-type service designed to solve issues faced by transporters including “driver shortage and improvement of working conditions” and “complicated slip management” by offering, as basic functions, estimate/order management, vehicle assignment/driving management, and billing management, which have traditionally been handled manually, in digital formats. We will support sustainable management of transporters with SSCV-Smart by assisting improvement of operational efficiency, enhancement of compliance, promotion of paperless operation, and strengthening of financial and administrative base.



Enhancement of Transport Business

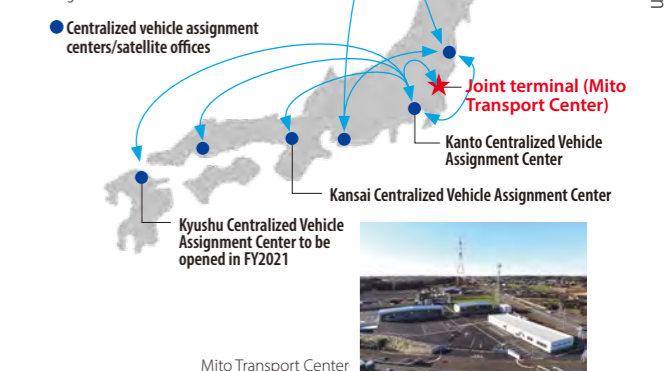
Launch of the Transport Business Enhancement Project

In October 2020, we launched “Transport Business Enhancement Project” with an aim to provide high-quality, sustainable transportation services, and we are working on the following initiatives:

- Accelerate the building of a transport digital platform
- Create a transport ecosystem by offering SSCV services to partner transport companies and other transporters
- Establish “centralized vehicle assignment centers” to establish a group-wide vehicle assignment and transport/delivery network
- Develop engineer drivers who can provide added values of “transportation plus something extra”

Centralized vehicle assignment center plan

- Establish centralized vehicle assignment centers and satellite offices in various locations
- Share transport resources between the Group's transport divisions and collaborative innovation partners
- Centralize operation and management of medium-to-long-distance transportation through system linkage such as SSCV-Smart and mobile TMS



Opened a joint terminal (Mito Transport Center)

In February 2021, we opened Mito Transport Center in Tokai Village, Naka-gun, Ibaraki Prefecture, as part of the “centralized vehicle assignment center plan.” The center was opened as a joint terminal with Nichiun Ibaraki Business Cooperative*, a regional business partner, with the aim of achieving efficient business operations in the entire transport ecosystem including partners by sharing transport resources in the region (cargoes/vehicle information, offices, and garages, etc.).

*Nichiun Ibaraki Business Cooperative: A cooperative located in Tokai Village, Naka-gun, Ibaraki Prefecture and engaged in cargo transportation with 21 member companies

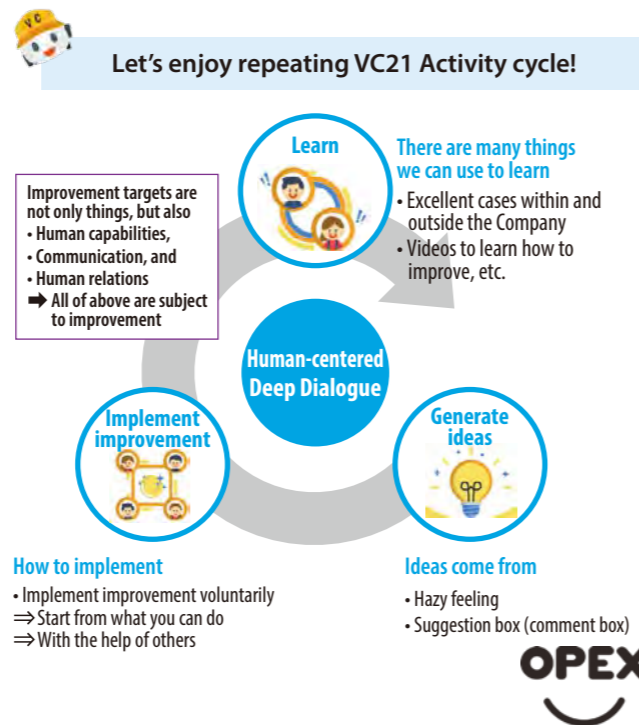
Progress of the Mid-term Management Plan

Priority Measure: Originate and Succeed Operation (Hands-on Approach) toward the Next-generation

Promotion of VC21 Activities

Outline of activities

The HTS Group has been working on "VC 21 Activities" as daily improvement activities to implement the HB 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 dedicated 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.



Logistics OPEX
Build a community where employees can repeat learning and improving through deep dialogue while enjoying them

Dialogue café
Have deep dialogue in interview-style workshops

Workshop for generating ideas
Generate improvement ideas by directly hearing the voices of employees working on-site

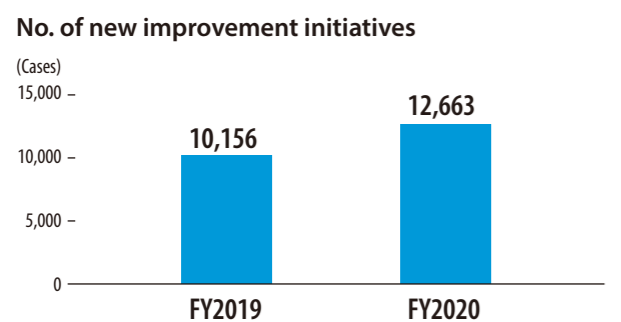
Improvement education
Provide unique improvement education adopting Industrial Engineering (IE), etc.

Use of digital tools such as RPA
Implement cross-departmental productivity improvement by making full use of digital tools

Sharing of excellent improvement cases
Share excellent improvement cases within the Group and manage the progress of improvement initiatives using the dedicated system

Activities in FY2020

The number of improvement initiatives of the entire HTS Group proposed in FY2020 reached approximately 13,000.

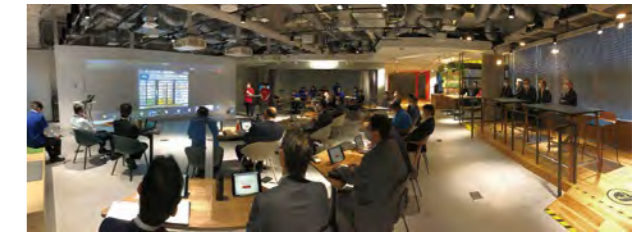


In FY2020, most of our activities were held online due to COVID-19. Group companies have conducted various activities in addition to those listed below.

Name of activity	Number of times
VC21 Award	1
Workshop for generating ideas	17
Digital dialogue events	13
Improvement education/assistance	62
Logistics OPEX-related activities	27
VC21 activities steering committee meetings	13
Total	133

VC21 Award 2020

In November 2020, we held "VC21 Award 2020" online. As we had to refrain from holding meetings in a large group as a preventive measure against the spread of COVID-19, we connected LOGISTEED CAFÉ in the head office building and offices in each region online, allowing more than 1,000 including the Company's officers and the employees of group companies to participate the event. Among 19 improvement/excellent cases selected by group companies and departments, six cases selected by vote of 4,396 employees were elaborately presented.



Applications

Number of applications: **164**

VC21 Award Grand Prize: **19** cases

Themes (excerpt)

- Improvement at sites**
 - Introduction of "Pictograms (notices)" at sites
 - Enjoy and challenge! Can we move a 300kg super heavy wagon easily!?
 - Development of one-way stacking jig
- Improvement by digitalization**
 - Efforts to promote RPA
 - Promotion of paperless operation using digitalization tools and DX through introduction of AI-OCR
 - DX efforts using SCDOS
- Report of orders received**
 - Production logistics projects
 - Report on a project to transport manufacturing equipment to new Tainan factory
 - Urgent delivery of automobile parts after heavy rains in Kyushu region
 - Sales expansion due to orders received for enclosing, sorting, and delivery services
 - Completion of PC replacement
 - Orders received for trailer maintenance
 - New core system integration project
- Business renovation**
 - Activities of the group procurement "improvement" department
 - Enhancement of awareness of transport reform
 - Efforts to improve quality

Digital dialogue session

We held online "digital dialogue session" twice in a bid to promote communication beyond job positions with approximate 200 attendees from around the nation. We exchanged ideas under the theme of "let's envision a digitalized future office" and actively discussed how to promote DX at workplace. We used to hold face-to-face dialogue session in the past, but the online session enabled employees around the nation to join at the same time over geographical distances. Participants learned how to come up with and sophisticate ideas through "deep dialogue" in this event and are using it in their daily improvement activities at their workplaces.



Efforts to improve work environment and vitalize workplaces



Workshop for generating ideas

Employees are striving to improve work environment and operating process by sharing what they think is unnecessary or inefficient and exchanging ideas about how to improve them.

Good Job cards

Employees exchange words of appreciation and cultivate "the culture of praise."

Progress of the Mid-term Management Plan

Priority Measure: Environment, Social, Governance and Corporate Ethics

Initiatives for SDGs—Four Objectives—

In order to promote actions in consideration of environment, social, and governance as well as corporate ethics (ESG management) with an aim to realize sustainable society and increase corporate value, we developed “HTS Group’s Objectives” and are implementing activities to enhance our initiatives for four objectives that contribute to the achievement of SDGs.

Contribution to SDGs

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



Four objectives

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

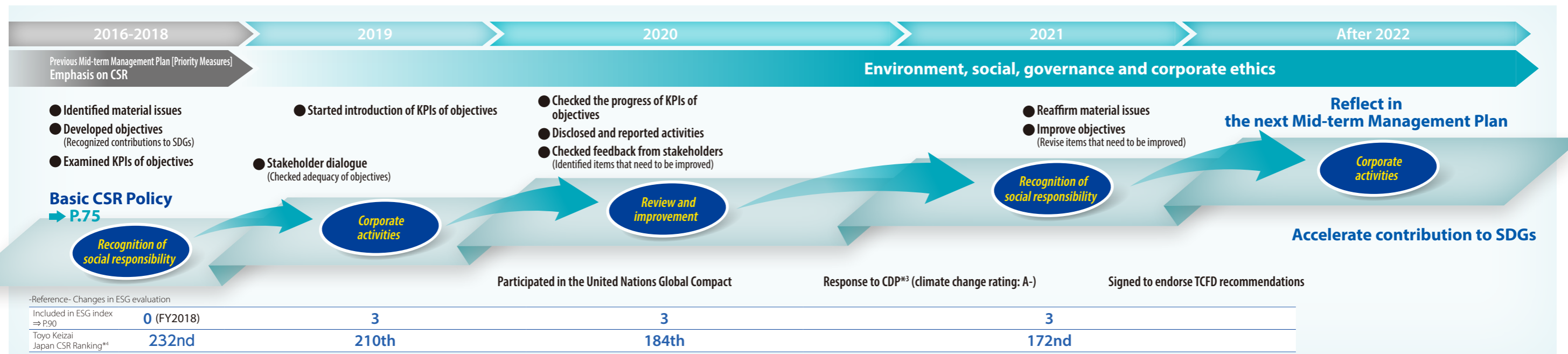
4 Realize Decarbonized Business Processes

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

*Defined as “the capability of a people or things to recover quickly from difficult conditions such as shock and injury” or “the ability to return to its original form after being bent, stretched or compressed.” → P.75-88

Toward the Realization of Sustainable Society



*3 A non-profit organization in the U.K., which investigates, evaluates, and discloses information on “climate change” and other environmental matters of corporations upon request of investors in the world.
 *4 A company ranking independently assessed and published by TOYO KEIZAI INC. annually to identify reliable companies in Japan from CSR and financial perspectives.

ESG Initiatives

It is important for companies’ management and growth to have consideration from the Environment, Social, and Governance perspectives and contribute to the achievement of SDGs by enhancing each initiative for “E,” “S,” and “G.”

Initiatives from FY2021

E: Environment	<ul style="list-style-type: none"> Realize decarbonized business processes <ul style="list-style-type: none"> Establish a model site to measure the effects and examine how to assess (accumulating expertise) Visualize CO₂ emissions using SCDOS and promote a sense of personal ownership for environmental activities through VC21 Activities Adequate disclosure of the Company’s initiatives (endorsement of TCFD*1 recommendations, Integrated Report)
S: Social	<ul style="list-style-type: none"> Accelerate diversity & inclusion and working-style reform <ul style="list-style-type: none"> Increase the ratio of female managers in the entire Group (FY2023 target: 10%*2) Promote investment in human capital <ul style="list-style-type: none"> Observe and visualize employee engagement, and develop and secure DX human resources
G: Governance	<ul style="list-style-type: none"> Ensure to keep in mind “Basics and Ethics” <ul style="list-style-type: none"> Improve operational efficiency and enhance governance through core system renewal (Develop digital audit environment, etc.) Appoint risk owners and risk response managers Conduct in-depth discussion on the essence of management at the Board of Directors (sustainability, DX, etc.)

*1: Task Force on Climate-related Financial Disclosures *2: Scope: HTS

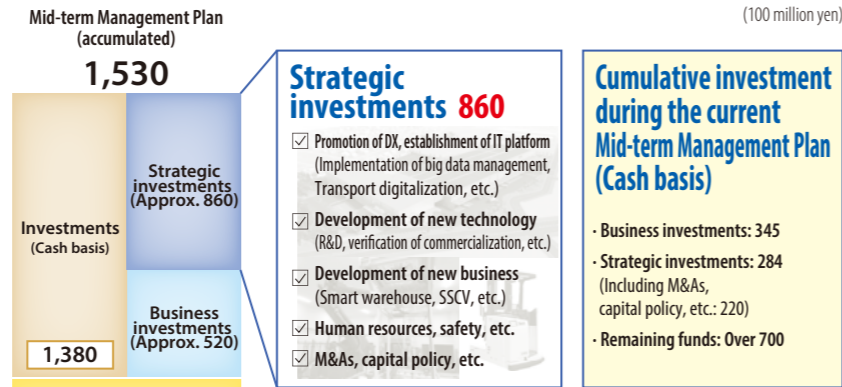
Objectives from ESG perspectives

	Relevant objectives	Pages for related information
E: Environment	Objective 3, Objective 4	Environmental policy and its management structure, etc. /Medium-to-long-term environmental targets/Climate change initiatives/Consideration for disposal and emission/ Increase of energy efficiency → P.79-84
S: Social	Objective 1, Objective 2	Secure safety in operation and transportation/Pursue next-generation industries and lifestyles/ Promote diversity of the workplace/Social contribution/Strengthening of BCP → P.85-88
G: Governance	Objective 3	Enhance compliance/governance → P.63-74

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.



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 FY2020

Operations started June 2020:
Oragadam Logistics Center (India) → P.47

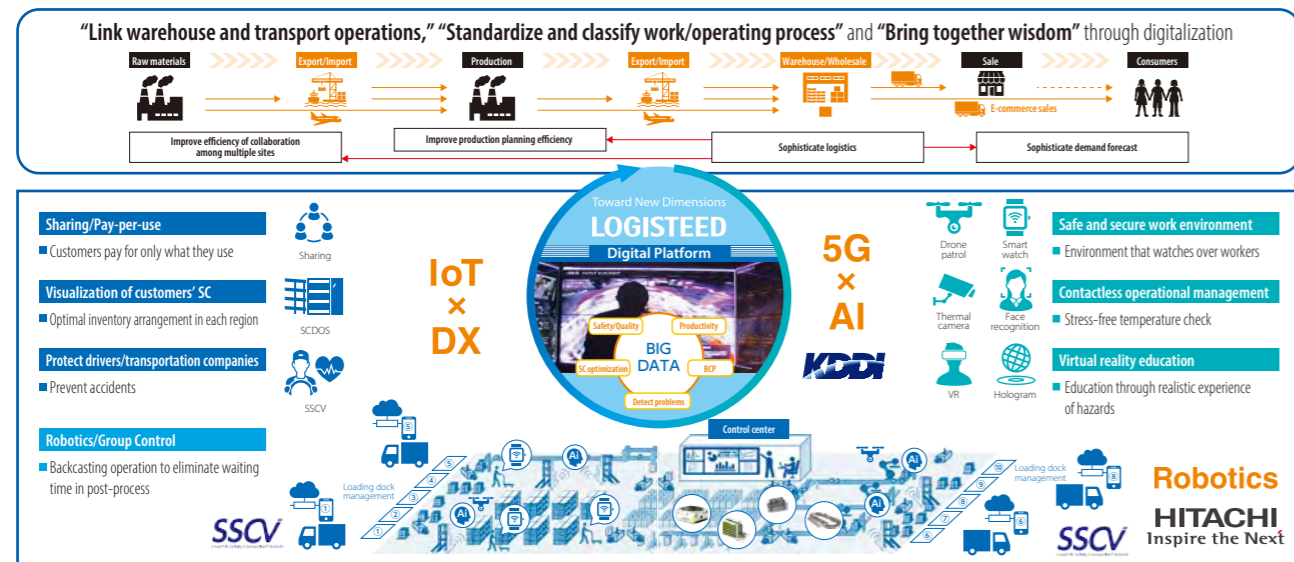
Operations started February 2021:
East Japan II Medical DC (Saitama Prefecture) → P.46

Operations started March 2021:
Mito Transport Center (Ibaraki Prefecture) → P.32

Renewal of vehicles, etc.
(North America/Turkey and other areas)

Strategic Investments

Under the basic policy to make "investment to establish sustainable competitive advantage by building a structure no one can imitate," we focus 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.



Future Plans to Expand Logistics Sites and Equipment

We plan to expand domestic and overseas logistics sites and equipment to further enhance our mainstay 3PL business. In the domestic business, we will invest in logistics centers that serve as foundations to provide higher value-added services, such as coordination with customers' production process and enhancement of handling of hazardous goods, and in automated/labor-saving equipment. In the overseas business, we will accelerate the global growth strategy mainly in Asia toward the next Mid-term Management Plan.

Domestic Business

- Yamaguchi Prefecture:** Manufacturing parts logistics center (Start of operation: FY2022)
- Nationwide:** Introduction of automated/labor-saving equipment
- Shiga Prefecture:** Hazardous goods logistics center (Automated warehouse) (Start of operation: FY2021)
- Fukuoka Prefecture:** Multipurpose logistics center (Start of operation: FY2022)
- Hyogo Prefecture:** Materials logistics center (Start of operation: FY2021)
- Shizuoka Prefecture:** Materials logistics center (Start of operation: FY2021)

Overseas Business

- The U.S.:** Automobile related XD Center (Order expansion) (Start of operation: FY2021)
- The Netherlands:** Enhancement of center (Order expansion) (Start of operation: FY2021)
- Malaysia:** Chilled warehouse (Cold chain) (Start of operation: FY2023)
- India:** Multipurpose logistics center (Start of operation: FY2022)
- China, etc.:** Introduction of automated/labor-saving equipment
- Indonesia:** Enhancement of center (Bonded + freight forwarding) (Start of operation: FY2023)

Total investments: Over ¥53 billion (Cumulative total of key plans*)
Further enhancement/higher added value of 3PL

Total investments: Over ¥12 billion (Cumulative total of key plans*)
Acceleration of global growth strategy
(Including joint investment with collaborative innovation partners)

Chennai/Mumbai (Scheduled to be launched in Delhi and Bangalore)
*Major investment plans for FY2021-2023