Toward New Dimensions

LOGISTEED

Integrated Report 2022
The HTS Group’s tools for information disclosure

**Financial information**
- Investor Relations (website)
- Annual Securities Reports (Japanese version only)
- Business Report (Japanese version only)
- Summary of Financial Results
- Presentation Material of Financial Results

**Non-financial information**
- About Us (website)
- Corporate Governance Report
- CSR/ESG
- Company Profile

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**Editorial Policy**

The HTS Group has published the Integrated Report from 2020 in lieu of the conventional Annual Reports. This report introduces the Group’s initiatives toward sustainable increase of corporate value to our stakeholders through the explanation of our value creation process and business model. 

This report has been compiled with reference to “the International Integrated Reporting Framework” published by the IFRS Foundation and “Guidance for Collaborative Value Creation” published by the Ministry of Economy, Trade and Industry.

**Reporting period**

The fiscal year ended March 31, 2022 (April 1, 2021– March 31, 2022 in general) 

However, recent activities are also reported in this report. “FY” refers to a financial period ended or ending on March 31.

**Companies covered in this report**

This integrated report covers Hitachi Transport System and the HTS Group (78 consolidated subsidiaries and 16 associates accounted for using the equity method) in principle.

**Forward-looking statements**

This integrated report contains forward-looking statements that reflect Hitachi Transport System, Ltd. and its Group companies’ forecast, targets, plans, and strategies. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and various other factors that may cause Hitachi Transport System and its Group companies’ actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.

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**Toward New Dimensions**

**LOGISTEED**

A word that combines LOGISTICS with Exceed, Proceed, Succeed, and Speed. It represents our determination to lead businesses to a new domain beyond the conventional logistics.

Details are available at the Company’s website.

Hitachi Transport System aims for "LOGISTEED"

Management Philosophy & Brand

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 corporate vision of the Hitachi Transport System Group is to become the most preferred global supply chain solutions provider for all of our stakeholders, including customers, shareholders, and employees, in the sophisticated, diversified and wide-ranging global supply chain, and strives to achieve sustainable growth by solving issues and creating “values” through various “collaborative innovation.” In addition, we have organized the role and future direction of the Group as “HB Way” with an aim to embody our Corporate Philosophy and Corporate Vision.

HB Way

Shows the role and the “Way” to move forward of the HTS Group and consists of “Corporate Philosophy,” “Corporate Vision,” “Guiding Principles,” and “Success Drivers.”

Corporate Philosophy
The Hitachi Transport System Group delivers high-quality services that will help make the world a better place for people and nature for generations to come.

Corporate Vision
The Most Preferred Global Supply Chain Solutions Provider

Guiding Principles
- Compliance: We value “Basics and Ethics.”
- Customer Focus: We deliver value to our customers.
- Innovation and Excellence: We strive for service excellence through collaborative innovation.
- Diversity and Inclusion: We leverage inclusive diversity for holistic growth.
- Sustainability: We think and act responsibly as a global citizen.

Success Drivers
“Gemba” Power, multiplied by Visualization

Brand Promise
In a world of constant change, we are committed to pioneering new trails, always looking ahead and energizing our society.

We build true trust with our customers, working tenaciously and charting a collaborative future. We create and deliver innovative solutions, embracing cutting-edge technologies. And we keep moving forward as one team, fostering mutual respect and releasing individual potential.

Going beyond the conventional domain of logistics, we will bring innovation to the future of business and people’s lifestyles.
Material Issues to be Addressed to Increase Corporate Value

Recognition of business environment
We are facing various changes in business environment including labor shortages amid declining birthrate and aging population in Japan, the spread of COVID-19, realization of geopolitical risks, climate change, and intensifying competition beyond industry boundaries.

Direction
To address changes in business environment, we will maintain resilient global supply chain by solving issues through innovation with IoT/AI/robotics/DX and work to realize sustainable society and increase corporate value.

Review of material issues and objectives

Material Issues to be Addressed to Increase Corporate Value

Objectives → P29

- Contribute to decarbonized/recycling-oriented society
- Establish resilient, sustainable logistics services
- Create new values through collaborative innovation
(Supportive foundation for the objectives)
Material Issues to be Addressed to Increase Corporate Value

Review of material issues and objectives

Objectives

Direction

To address changes in business environment, we will maintain resilient global supply chain by solving issues through innovation with IoT/AI/robotics/DX and work to realize sustainable society and increase corporate value.

Recognition of business environment

We are facing various changes in business environment including labor shortages amid declining birthrate and aging population in Japan, the spread of COVID-19, realization of geopolitical risks, climate change, and intensifying competition beyond industry boundaries.

Contribute to decarbonized/recycling-oriented society

Establish resilient, sustainable logistics services

Create new values through collaborative innovation

(Supportive foundation for the objectives)

Mid-term Management Plan LOGISTEED2024

Becoming a Leading 3PL Company in Asia

Priority Measures → P29-38

● Reinforce/Expand Overseas Business
  (Becoming a leading 3PL company in Asia)

● Expand Business Domains with New Added Value
  (Accelerate LOGISTEED)

● Evolve Smart Logistics

● Solidify ESG Management Base

By implementing priority measures, we will strengthen our business and promote global development to become a “leading 3PL company in Asia” and then aim for the next goal to become the most preferred global supply chain solutions provider.
At a Glance

Capitalizing on our global network and abundant experiences, the Group meets customers’ various logistics needs with our one-stop services of Smart Logistics consisting of 3PL business, Heavy Machinery and Plant Logistics business, and Freight Forwarding business, and aims to become the most preferred global supply chain solutions provider.

Resources — Bases for Value Creation — (As of March 31, 2022)

Number of Companies*1/Locations*2

<table>
<thead>
<tr>
<th>Locations</th>
<th>95 companies 763 sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Domestic: 26 companies 328 sites/Overseas: 69 companies 435 sites&gt;</td>
<td></td>
</tr>
</tbody>
</table>

Total Personnel*3

<table>
<thead>
<tr>
<th>Human Resources</th>
<th>45,681</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Domestic: 29,868 employees/Overseas: 15,813 employees&gt;</td>
<td></td>
</tr>
</tbody>
</table>

Area of Logistics Center*2

<table>
<thead>
<tr>
<th>Warehouses</th>
<th>7.55 Mm²</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;Domestic: 5.37 Mm²/Overseas: 2.19 Mm²&gt;</td>
<td></td>
</tr>
</tbody>
</table>

Number of Vehicles (Including Leased Vehicles)

<table>
<thead>
<tr>
<th>Vehicles</th>
<th>Total: 17,825</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truck*: 3,813</td>
<td></td>
</tr>
<tr>
<td>Trailer: 6,224</td>
<td></td>
</tr>
<tr>
<td>Forklift: 6,181</td>
<td></td>
</tr>
<tr>
<td>Other*: 1,607</td>
<td></td>
</tr>
</tbody>
</table>

FY2021 Performance Overview

Revenues

<table>
<thead>
<tr>
<th>¥743.6 billion</th>
<th>Y o Y +14%</th>
</tr>
</thead>
</table>

Adjusted Operating Income

<table>
<thead>
<tr>
<th>¥38.7 billion</th>
<th>Y o Y +5%</th>
</tr>
</thead>
</table>

FY2021 Business Overview by Segment

Domestic logistics business (FY2021)

<table>
<thead>
<tr>
<th></th>
<th>Segment profit (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>261</td>
</tr>
<tr>
<td>2020</td>
<td>252</td>
</tr>
<tr>
<td>2021</td>
<td>237</td>
</tr>
</tbody>
</table>

○ Revenues

Revenues of domestic logistics business decreased by 1% year-on-year to ¥417,162 million.

○ Segment profit

Segment profit decreased by 6% year-on-year to ¥23,678 million due to the fire at a logistics center in Maishima Sales Office of our group company, Hitachi Transport System West Japan Co., Ltd., despite the improvement in productivity.
As a domestic 3PL market leader*, we provide comprehensive logistics services excellent in safety, quality, and productivity by taking advantage of our extensive network in Japan and overseas as well as abundant experience and expertise as a pioneer.

\*Source: “3PL White Paper 2021” in September 2021 issue of monthly magazine LOGI-BIZ

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**Services — Businesses & Solutions —**

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### Ocean Transport

**Value**

We provide transportation, installation, and setting-up services, etc. for heavy machinery and precision instruments.

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### Air Transport

**Value**

We propose an optimal transportation plan from various transportation modes including aircraft, ship, rail, etc.

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**Global logistics business (FY2021)**

- **Revenues**  \(\uparrow\)  Y o Y  +45%
  
  Revenues of global logistics business increased by 45% year-on-year to ¥313,494 million due to an increase in handling volume mainly in the freight forwarding business and automobile-related business.

- **Segment profit**  \(\uparrow\)  Y o Y  +32%
  
  Segment profit increased by 32% year-on-year to ¥13,642 million due to an increase in revenues and improved profitability in the freight forwarding business.
To Our Stakeholders — Message from the Chairman —

LOGISTEED

We will accelerate LOGISTEED under a new partnership and aim to become a “leading global 3PL company.”

Yasuo Nakatani  
Chairman and CEO
Review of the Mid-term Management Plan “LOGISTEED2021”

Posted record high revenues and operating income*, achieving the targets set in the Mid-term Management Plan

Under the Mid-term Management Plan “LOGISTEED2021” which started in FY2019, aiming to become the most preferred global supply chain solutions provider, we worked on six priority measures of “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 logistics domain,” “Implement a topline* growth strategy,” “Originate and succeed operation (hands-on approach) toward the next generation,” and “Environment, social and governance as well as corporate ethics,” and were committed to changing and evolving into a company represented by “LOGISTEED*”.

As a result, in FY2021, the final year of the Plan, we were able to post record high consolidated revenues and operating income*, achieving the targets set in the Plan.

* Adjusted operating income-basis
* Topline: Net sales (revenues) presented at the top of the statement of profit or loss.

Issues in the Development of Overseas Business

Looking at each measure, as for “Implement portfolio strategy, including M&As and alliances, to build a solid core domain (Smart Logistics),” we transferred shares of Hitachi Auto Service Co., Ltd. and Hitachi Travel Bureau Ltd. (currently, HTB-BCD Travel Ltd.), but we added new sources of value creation through acquisition of shares of PALENET CO., LTD. and the distribution service business of Hitachi Life, Ltd. (currently, Hitachi Real Estate Partners, Ltd.), achieving some progress in the enhancement of core domain. The portfolio strategy in global logistics lost momentum partly due to the impact of COVID-19 despite a share exchange between Nisshin Transportation Co., Ltd. and AIT Corporation. I recognize this as the biggest issue that was carried over to the new Mid-term Management Plan.

Regarding “Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains,” although there was a partial amendment to the capital relationship with SG Holdings Group, collaborative innovation activities including sales tie-up and resource sharing made solid contribution to revenues, and we were also able to deepen mutual understanding and communication between two companies at each level, from top management to sites, so we will continue working on this initiative.

As for “Design supply chain based on and originating from logistics domain,” we made significant progress as we started external sales of DX solutions such as SSCV* (transport digital platform) and SCDOS* (Supply Chain Design & Optimization Services) and also acquired a patent for RCS*.

As for “Originate and succeed operation (hands-on approach) toward the next generation,” we continued to work mainly on VC activities* through online communication amid the COVID-19 pandemic and addressed DX and other various themes, producing steady achievements.

And for “Environment, social, governance and corporate ethics,” we developed and revised the medium-to-long-term environmental targets 2030/2050 and started initiatives to achieve net zero carbon by 2050, announced our endorsement of TCFD* recommendations and received “A-” in the CDP* Climate Change Report 2021 for two consecutive years.

* SSCV: Smart & Safety Connected Vehicle
* SCDOS: Supply Chain Design & Optimization Services
* RCS: Stands for Resource Control System and refers to an integrated control system equipped with work execution function that gives instructions to each facility and worker based on the information on the operation status of the automated equipment and the work results of workers within the logistics center.
* VC: Stands for Value Change & Creation and refers to daily improvement activities to implement the HB Way.
* TCFD: Task Force on Climate-related Financial Disclosures
* CDP: 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.

Recognition and Response to External Environment

Accelerate the “region-contained” overseas business in light of the fact that the world has become more VUCA* than ever and various risks are increasing

We recognize that the recent business environment has
become increasingly more “VUCA” as represented by the infectious disease risk such as COVID-19 and rising geopolitical risks such as the U.S.-China feud and the recent Ukraine crisis. In fact, COVID-19 and the Ukraine crisis caused disruptions in global supply chains mainly in the manufacturing industry, and its impact on the logistics sector is becoming bigger and bigger. For example, in the fiscal year ended March 31, 2022, the Group’s business for automobile-related customers showed relatively steady growth in the U.S. where region-contained supply chains are well established but the volume decreased in Asia due to production cut caused by the disruption in supply chains.

Also, in the freight forwarding business operating across multiple regions, the sea and air freight costs which are rising and hovering at a high level are contributing to revenue growth of the Group at the moment but will weigh on our customers’ business in the medium-to-long term and become a risk factor. In addition, because the sustainability/ESG initiatives on a global scale are prompting calls for respect for human rights in supply chains, the conventional global procurement networks giving top priority to cost efficiency must be reviewed.

Based on these trends, I think it is likely that the global supply chain in the future will be simplified and restructured toward the direction of “local production for local consumption”. The Group has developed most of its overseas business through collaborative innovation with local partners under the “region-contained business model” whereby local subsidiaries operate businesses at their discretion and we focus on the supervision. We will further promote this model and also accelerate new business development in North America, Europe, India, Thailand, and Malaysia, etc.

Take advantage of changes in industrial structure due to the expansion of EC markets by further evolving DX

Another point in the business environment is a significant change in the industrial structure in Japan and overseas due to the expansion of EC markets. Major EC platformers are beginning to take over a number of functions which used to be undertaken by wholesalers and retailers such as procurement, shipping, sales, and service. As the logistics industry has become even more “borderless,” which has been discussed in the Integrated Reports, the Group will continue to expand the initiatives to integrate four flows of “Finance,” “Commerce,” “Information,” and “Logistics,” one of the concepts under “LOGISTEED,” to take advantage of this change. Specifically, we will evolve automation in 3PL, our core business, using WMS*11 and RCS*12, optimize the entire supply chain through visualization, and focus on further enhancement of the system development infrastructure to promote external sales of IT systems enhanced by these DX.

*11 WMS: Stands for Warehouse Management System
*12 RCS: Resource Control System

Recognize “labor shortages” as “constant facts” and evolve “automation” and “sharing”

We recognize “labor shortages” deeply related to the expansion of EC markets and the “2024 problem*13” in Japan as “constant facts,” rather than changes, and continue to implement measures while evolving existing initiatives. Specifically, in addition to evolving various automation mentioned above, we will share resources, including human capital, with peer companies and stakeholders in other sectors and also apply the results of these efforts implemented in Japan as a “country facing many social issues” such as declining birthrate and aging population to Asian countries which are expected to face the same issue.

*13 2024 problem: Concerns about issues that might arise from the upper limit of drivers’ working hours, etc. set by the work style reform-related bills

Consider medium-to-long-term measures against “2030 issue” in decarbonization

As mentioned above, the Group strives to reduce CO₂ emissions by average 2.94% annually and aims to reduce CO₂ emissions in FY2030 by 50% compared to the FY2013 level under the medium-to-long-term environmental targets 2030/2050.

We plan to make a total of ¥5 billion of investment in “energy saving,” “electrification,” “procurement of renewable energy,” “energy creation,” and “emissions trading” during the period covered by the Plan. In addition to aggressively promoting shifts to electric trucks and to renewable energy in offices and logistics centers, we will consider medium-to-long-term measures such as “energy creation” by installing solar panel at logistics centers.
Revision to Material Issues

Identified new material issues incorporating the business perspective prior to the development of the new Mid-term Management Plan

Based on the recognition of the business environment described above, the Group will continue to focus on further business growth and enhancement of corporate value under the corporate philosophy and corporate vision. Before developing the new Mid-term Management Plan to achieve that goal, we reviewed material issues to re-recognize social and environmental issues we must address and social responsibilities we must fulfill. We incorporated the business perspective in addition to the ESG perspective to the new material issues and, based on DX, will work on 12 material issues linked to three objectives of “contribute to decarbonized/recycling-oriented society,” “build and evolve resilient, sustainable logistics services,” and “create new values through collaborative innovation” and supportive foundation for the objectives.

And we developed the new Mid-term Management Plan “LOGISTEED2024” in consideration of the achievements under the previous Mid-term Management Plan “LOGISTEED2021” and the new material issues with an aim to further solidify business and develop global business.

Mid-term Management Plan “LOGISTEED2024”

Promote four priority measures to become a “leading 3PL company in Asia”

Under the new Mid-term Management Plan “LOGISTEED2024” which started from FY2022, we will promote four priority measures consisting of “reinforce/expand overseas business,” “expand business domains with new added value,” “evolve Smart Logistics,” and “solidify ESG management base” under the slogan of “becoming a global supply chain strategic partner with DX, LT*14 and ‘Gemba’ Power,” with an aim to become a “leading 3PL company in Asia.”

Specifically, to “reinforce/expand overseas business,” we aim to become a “leading 3PL company in Asia” by expanding in-plant logistics at customers’ factories in North America, expanding regional 3PL business in Europe, accelerating introduction of automated/labor-saving facilities in China and expanding investments/businesses in growing markets including India, Thailand, Indonesia, and Malaysia, under the “region-contained business model” mentioned above.

To “expand business domains with new added value,” we will offer VAS*15 in logistics related domains, including boundary domain between manufacturing and logistics, of customers’ value chain, such as solving customers’ supply chain issues through DX and optimizing the entire supply chain by directly connecting procurement, manufacturing, and logistics.

To “evolve Smart Logistics,” we will enhance warehouse business through automation/labor-saving and DX and enhance and expand warehouse functions by building and enhancing three-temperature zone warehouses*16 and hazardous substances warehouses. In addition, we will enhance transport business to cope with the “2024 problem” mentioned above by implementing both physical and digital measures.

To “solidify ESG management base,” we will work on decarbonization as part of our efforts to address the new material issues mentioned above to achieve the medium-to-long-term environmental targets, and also realize centralized control for fire prevention and security at logistics centers through “safety cockpit” using AI and sensing technologies. To reinforce human capital to carry out priority measures in the new Mid-term Management Plan, we will increase and develop global and DX human resources to accelerate LOGISTEED.

Medium-to-Long-term Vision “LOGISTEED2030”

Aim to become a leading global 3PL company

When we developed the Mid-term Management Plan “LOGISTEED2024,” we also indicated our medium-to-long-term vision “LOGISTEED2030.”
term “Vision” beyond 2024 in “LOGISTEED2030.” Under “LOGISTEED2030,” we aim to achieve consolidated revenues of ¥1.5 trillion and overseas ratio of over 50% and also to reduce CO₂ emissions by 50% as mentioned above. In addition, as we strive for these targets, we will also work on management issues shown below such as “High value-added solutions to optimize the entire supply chain management (SCM),” “Improve customer convenience and efficiency through DX,” “Enhance overseas value chain with a consistent approach,” “Engage actively in projects making advance investment,” “Promote strategic M&As” and “Solidify position as a platform provider” through solid partnership. The most important new partner for the Group to realize “LOGISTEED2024” and “LOGISTEED2030” is Kohlberg Kravis Roberts & Co. L.P., a U.S. investment advisory firm, (“KKR” collectively with its associates and funds)

New Partnership to Realize LOGISTEED

Move forward with reforms toward “Future Vision” with KKR

As indicated in the news release dated April 28, 2022 and in the chart on the right, the Group resolved at its Board of Directors’ meeting held on that day to express an opinion supporting the tender offer made by HTSK Co., Ltd. for the Company’s shares and recommend the Company’s shareholders to tender their shares. This resolution was adopted on the assumption that the tender offeror intends to acquire all of the Company’s shares and that the Company’s shares will be delisted. The Group determined that, in order to promptly realize “Future Vision” of “LOGISTEED2030,” it needs collaborative innovation with partners who supplement organizational capabilities to increase our competitiveness by, for example, speeding up decision making process, acquiring investment funds to enable flexible business investment and bringing in external insights, and it considered various options to promote prompt management and reforms that are not restricted by the current capital structure. We have had a series of discussions with multiple companies and investment funds about our growth strategy including potential capital transactions, and in particular, we have continually discussed with KKR over the last five years about the competitive advantages to accelerate business growth and achieve future growth, including potential M&As between the Company and business partners. As a result, we shared with KKR the direction toward the six management issues in “LOGISTEED2030” mentioned above, and we believe that we were able to build trust relationship as partners to increase corporate value in the future. Also, based on KKR’s various support capabilities and remarkable past achievements, we determined that, to realize the Group’s LOGISTEED, it would be best to delist our shares and promote reforms without being restricted by the current capital structure through a partnership with KKR who has an understanding of our

Our future vision

LOGISTEED2030
Realizing our Future Vision by way of solid partnership

Collaborative innovation with partners to enhance capability
1. High value-added solutions to optimize the entire SCM
2. Improve customer convenience and efficiency through DX
3. Enhance overseas value chain with a consistent approach
4. Engage in projects to make advance investment
5. Promote strategic M&As
6. Solidify position as a platform provider

And go further
LOGISTEED 2030
Becoming a leading global 3PL company

Corporate Vision
(Long-term vision)

Revenues: ¥1.5 trillion
CO₂: Reduce by 50%
Overseas business ratio: Over 50%
business as well as insights, resources, strong commitment to the Japanese market and remarkable past achievements to support the enhancement of corporate value in the medium-to-long term.

Overview of the tender offer for the Company’s shares

Aim to further grow our business and increase corporate value through exponential expansion of overseas business and DX promotion

As we operate under the corporate vision to become the “most preferred global supply chain solutions provider,” the biggest business challenge for the Group is expansion of overseas business. Under “LOGISTEED2024,” we will aim to become a “leading 3PL company in Asia” by focusing on expanding business in Asia. Under “LOGISTEED2030,” we will change the direction with a strong will toward the achievement of consolidated revenues of ¥1.5 trillion and overseas ratio of over 50% as mentioned above. The Group has always worked on the development of human resources to support overseas business, but going forward, we will make the best use of KKR’s experience and insights to exponentially expand overseas business. And we will aim to evolve into a “leading global 3PL company” by promoting DX in Japan and overseas and keep enhancing 3PL business, our identity.

To Our Stakeholders

Start the new structure with CEO and COO

To ensure to carry out the above-mentioned strategies and realize the concept “to lead businesses to a new domain beyond the conventional logistics,” it is necessary to carry out a number of measures, including M&As, speedily and simultaneously. Accordingly, from April 2022, we started a new structure, with me as Chairman and CEO and Mr. Takagi as President and COO. Under the structure whereby CEO will be responsible for developing and finalizing management strategies including portfolio and capital strategies and monitoring of execution status, and COO will be focusing on execution of strategies and maintaining and expanding the existing business which are the base for sustainable growth, we will ensure to further grow our business and increase corporate value. We express our sincere apologies for causing a great deal of inconvenience and concern to our stakeholders because of the fire which occurred at a logistics center of our group company in November, 2021. We will devote our best efforts toward preventing any similar incidents from occurring by using DX such as “safety cockpit” mentioned above and establishing a resilient center that centrally controls safety, quality, productivity, fire prevention, and security through “visualization.” The group will be an unlisted company but will sustainably create values by steadily executing “LOGISTEED2024/2030” through a strong partnership and financial base with KKR. We look forward to your continued support.
To Our Stakeholders  -Message from the President-

Action Is the First Step Toward Success

I will lead “LOGISTEED2024” to a successful conclusion by drawing on my hands-on experience in Japan and overseas and demonstrating leadership in taking action.

President and COO
Hitachi Transport System, Ltd. Integrated Report 2022
Learned the essence of “manufacturing” logistics during the 24 years in Ibaraki

I am Hiroaki Takagi, have been appointed President and COO effective April 1, 2022. Today’s business environment is rapidly changing, but I am committed to achieving “LOGISTEED2024/2030” by responding to changes promptly and flexibly. I would like to take this opportunity to introduce myself to all stakeholders.

It has been 38 years since I joined the Group, but I believe the first 24 years that I spent challenging various work at the logistics sites in Ibaraki have made the basis of what I am today. For example, I was able to learn the essence of “manufacturing” logistics by engaging in factory logistics and packaging design. Large precision instruments that I was handling in logistics operation such as semiconductor manufacturing equipment, electron microscope, and medical equipment, require upstream operations such that they need to be disassembled before transportation, as well as plant logistics work including strict impact control and temperature/air pressure control during the transportation and special loading/unloading and installation. I acquired expertise in VAS and packaging design while I exerted myself to complete them. As for VMI**, I expanded business by providing procurement service in addition to parts inventory management and further developed it, which led to launch of a parts sales business with a Chinese company. In addition, when one of my customers set up a branch factory in China, I often visited there to offer support. These deep involvements in China-related businesses led to my assignment in China later.

** VMI: Vendor Managed Inventory

Fostered International Awareness in China

Requested the transfer to China because I was attracted by “untapped market”

After leaving Ibaraki, I was engaged mainly in 3PL business in the head office and South Kanto area engaging with customers in the ICT and distribution sectors as a sales general manager. I was able to acquire hands-on experience in all business domains of the Group, except the heavy machinery and plant logistics, through my work in Ibaraki and the Tokyo Metropolitan area.

From 2015, I was focusing on increasing our share in the 3PL market as president of a group land transportation company in Japan, but meanwhile, I saw China, where I used to visit frequently, shifting from “being the world’s factory” to “expanding domestic demand,” which made me have a strong desire to tap the “untapped market” in inland China. Thus, I made a direct appeal to then President Mr. Nakatani and was assigned as Chief Executive in China region in 2016. However, my first task there was to liquidate and downsize the business due to a decline in performance and non-performing receivables at the local company we acquired.

Amid such circumstances, it was incredibly difficult to cultivate from scratch the inland area where no HTS Group sites existed, but the situation gradually got better as I tenaciously practiced the principle in China that “business is based on communication between people” which I learned while working in Ibaraki. Eventually, I was able to cultivate a number of inland markets, including Xian, Chongqing, Chengdu, and Hefei, and also introduce automated/labor-saving equipment to improve productivity. I also learned firsthand in China that the success of business depends on communication between people that transcends nationality. I intend to draw on my “international awareness” that I fostered through my own experience to execute “LOGISTEED2024/2030” which drastically changed direction toward expansion of overseas business.

Action Is the First Step Toward Success

Pass on the “HB Way” as corporate culture

As I had accumulated hands-on experience in Japan and overseas, I came to realize that we as a group have been able to achieve our sustainable growth because we have consistently followed the “Gemba-oriented principle.” I also believe that the concept of the “Gemba-oriented principle” has become clearer after “HB Way” was developed in 2016.
Specifically, the “HB Way (P2)” clearly defined what the “Gemba-oriented principle” is, and it was communicated to employees clearly as “Success Drivers,” which facilitated the spread of “Corporate Philosophy,” “Corporate Vision,” and “Guiding Principles” among sites, deepening ties between management and sites. The Group will realize sustainable value creation by continuing to pass on the “HB Way” as the most important corporate culture.

My management philosophy “Action is the first step toward success”

I also believe that we can gain customer trust and realize sustainable growth by consistently following Success Drivers of the “HB Way”: “3 Key Goal Indicators,” “3 Disciplines,” and “3 Attributes” and by constantly providing the best logistics services. We will aim to get in the same boat with customers by sharing joys and sorrows, and we can impress customers precisely because we are in the same boat, which will make us more trustworthy and lead to the growth of our business.

If I were to reinterpret “Success Drivers” based on the recognition, they would be “Be a company/person that can constantly impress customers,” “Be a company/person that can always come up with ideas,” “Be a company/person that can act faster than others,” and “Be a company/person that can prevent accidents.” I think “action” is the source of value creation that supports all of these Success Drivers. Because “action” is what makes us take the first step toward success, we cannot impress anyone if we don’t “take action.” Also, ideas mean nothing if we don’t “take action” and use it. We can’t demonstrate speediness if we don’t “take action.” And it takes many “actions” to prevent accidents. All value creation in business is based on “action,” and there is no success without “action.” This is why I believe that “Action is the first step toward success” as a management philosophy.

“Action” leads to new value creation

I came to believe in this management philosophy while I spent lots of time with a person whom I looked up to as my mentor when I was in Ibaraki. As I mentioned earlier, I launched a number of new businesses in Ibaraki including procurement logistics and parts sales business with a Chinese company, and all of them were possible only because he told me, “Nothing will change if we keep doing the same thing. Let’s take an action.” I was so inspired that, after consultations with the customer, I persuaded our top management to launch the aforementioned business with a Chinese company because it was not possible under the internal rule of the time. Because the parts sales business was approved, we were able to create new value.” The Group will transition to a new value creation stage through a partnership with KKR, and I intend to demonstrate leadership under the motto that “Action is the first step toward success” in order to make our partnership successful.

Points of Priority Measures in “LOGISTEED2024”

Expand sites in the four key management areas to “reinforce/expand overseas business”

To achieve “Reinforce/expand overseas business,” which is the most important measure in “LOGISTEED2024,” we will expand business sites in the four key management areas (Asia, China, North America, and Europe) with an eye to achieving the future vision in FY2030 to become a “leading global 3PL company.” Especially, considering that the center of supply chains is shifting from China to Asia, we will focus on enhancing resources in Asia. In addition, we intend to add potential markets other than the four key management areas including Africa and Middle East to key areas as they are starting to show full-scale economic growth.

Further expand value creation domains through VAS to “expand business domains with new added value”

As I mentioned earlier, I have been working on VAS since my younger days. And because there are full of business opportunities in every “manufacturing” sector, including industrial products as well as food and apparel, I intend to seize them aggressively. We aim to acquire new customers by offering services not only in manufacturing and procurement but also in all domains of customers’ value chain such as shipping, sales, and services.
Build a platform linking WMS/RCS/ERP in DX toward “Evolve Smart Logistics”

To “evolve Smart Logistics,” we will further enhance DX. Specifically, DX in transportation has made a significant progress thanks to SSCV, and we will be able to offer value to many more customers once the labor management function for drivers, which is currently under development, is completed. As for DX to enhance the warehouse business, we will focus on establishing a platform enabling to provide optimal logistics services by closely linking WMS, RCS*2, and customers’ ERP*3.

Enhance decarbonization initiatives to “solidify ESG management base” including overseas

As the definition of “corporate value” has changed drastically to include social contribution and non-financial indicators in addition to business performance and financial indicators, I am fully aware that ESG is an important factor that is essential for the corporates’ development and sustainable growth. Especially in terms of the decarbonization initiatives, while we will steadily carry out initiatives including a shift to EVs and FCVs and establishment of solar power generation facilities in logistics centers to achieve the medium-to-long-term environmental targets to reduce CO2 emissions by 50% by FY2030 and achieve net zero carbon by FY2050, we also intend to enhance overseas initiatives.

Keep enhancing three “strengths”

We will ensure to achieve “LOGiSTEED2024” by further enhancing the Group’s three strengths (☞ P25) that are indispensable to promote the four priority measures described above.

As for the “ability to accomplish operation,” the Group’s greatest strength which has been enhanced for 72 years since its foundation, we will maintain flexibility in responding to customer needs, environmental changes, and a wide variety of product lines, as well as maintain and improve high quality and cost competitiveness to develop/strengthen site managers and global/DX human resources.

For another strength of “advanced logistics engineering capability,” as I mentioned earlier, we will accelerate DX in transportation and warehouse operations to sophisticate and optimize customers’ supply chains and also enhance the development of digital talents and cooperation with collaborative innovation partners.

For the third strength of “global network,” while we pursue the “region-contained business model” as mentioned in the message from Mr. Nakatani, CEO, (☞ P9), we will open sites in many countries through initiatives explained in the section on the priority measure “Reinforce/expand overseas business.”

To Our Stakeholders

We will carry out multiple initiatives speedily and simultaneously

The Group will first aim to become a “leading 3PL company in Asia” by steadily executing “LOGiSTEED2024” and then aim to become a “leading global 3PL company” through “LOGiSTEED2030.” On the other hand, some initiatives with an eye on FY2030 are already underway in “LOGiSTEED2024” such as those aimed at proactively enhancing and expanding businesses in Europe and the U.S. in addition to Asia. Mr. Nakatani, Chairman, and I will carry out multiple initiatives speedily and simultaneously to further grow the Group’s business and increase corporate value.

We look forward to your continued support.

*2 RCS: Resource Control System
*3 ERP: Stands for Enterprise Resource Planning and refers to a system to enable sophisticated operation by centrally managing the corporates’ core functions such as “production,” “procurement,” “inventory,” “sales,” and “accounting.”
Report on a Fire Which Occurred at a Logistics Center of Hitachi Transport System West Japan Co., Ltd.

We express our sincere apologies for causing a great deal of inconvenience and concern to our neighbors, customers, business partners, and related parties because of the fire which occurred at a logistics center of our group company Hitachi Transport System West Japan Co., Ltd. in November 2021. The detailed report on the fire is as follows.

1. Overview of the fire

2. When

Around 8:50 AM on November 29, 2021
The fire was put out at 5:00 PM on December 4, 2021.

3. Where

<table>
<thead>
<tr>
<th>Site name</th>
<th>Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd. (GLP Maishima II, logistics facility of GLP Japan Inc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>2-1-92, Hokkoryokuchi, Konohana-ku, Osaka City, Osaka Prefecture</td>
</tr>
<tr>
<td>Main items handled</td>
<td>Pharmaceutical products, medical supplies, foods, tools, etc.</td>
</tr>
</tbody>
</table>

3. Cause

The cause is currently under investigation by the fire department and police. An employee of a staffing agency under contract with Hitachi Transport System West Japan Co., Ltd. was arrested on suspicion of arson on January 15, 2022.

4. Damage

<table>
<thead>
<tr>
<th>Personal damage</th>
<th>All employees were confirmed safe. The Osaka City Fire Department reported one person was injured (mild case).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property damage</td>
<td>Of the total floor area of 53,000m², approx. 38,700m² were burned.</td>
</tr>
</tbody>
</table>

5. Impact on shipping, etc.

Alternative locations have been secured in our sites in neighboring regions and other regions to continue operation. The impact on consolidated financial results for the consolidated fiscal year ended March 31, 2022 was the recognition of other expenses (loss by fire) of 7.3 billion yen.

6. Environmental survey results in the surrounding area conducted in connection with the fire

1. Data analysis of the constant monitoring system installed by the Ministry of the Environment of Japan

In order to check the impact of the fire on the atmosphere before and after the fire, we analyzed the constant observation data of “Soramamekun (Atmospheric Environmental Regional Observation System: AEROS)” of the Ministry of the Environment.

<table>
<thead>
<tr>
<th>Data period</th>
<th>November 28 - December 11, 2021 (From the day before the fire broke out to one week after the fire was extinguished)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring station</td>
<td>Konohana Ward Office, Hamakoshien, Nanko Chuo Park, Dekijima elementary school</td>
</tr>
<tr>
<td>* Four nearest monitoring stations in the north, south, east, and west of Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd</td>
<td></td>
</tr>
<tr>
<td>Items to be analyzed</td>
<td>(1) Nitrogen dioxide (2) Suspended Particulate Matter (SPM)</td>
</tr>
<tr>
<td>Analysis results</td>
<td>It was confirmed that both (1) and (2) were within the environmental criteria.</td>
</tr>
</tbody>
</table>
2. Atmospheric investigation
Since we were not able to conduct the investigation during the fire, we collected and investigated air immediately after the fire was extinguished on December 4, 2021.

<table>
<thead>
<tr>
<th>Date of investigation</th>
<th>Collection site</th>
</tr>
</thead>
</table>
|                       | (1) East side of Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd.  
|                       | (2) North side of Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd. |

* We did not collect air in the west and south sides as they face public roads.

<table>
<thead>
<tr>
<th>Investigation item</th>
<th>Investigation results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous air pollutants, etc. (23 items in total, including benzene, toluene, and arsenic, which are substances requiring priority action designated by the Ministry of the Environment)</td>
<td>Of the investigation items in (1) and (2), the value of benzene in (1) exceeded the threshold of the environmental criteria. As a result of a follow-up investigation on benzene conducted on January 6, 2022, it was confirmed that the value was within the environmental criteria. The values of other items were confirmed to be below the threshold of the environmental criteria and the guideline values, being the same level as the results of the surrounding area.</td>
</tr>
</tbody>
</table>

**BCP initiatives at alternative sites**
We established a task force in our neighboring site to secure alternative sites in the Kanto and Kansai areas and continue operations. In addition to the nearby Kansai site, the Group opened a new Kumiyama Sales Office of Hitachi Transport System West Japan Co., Ltd. in Kumiyama-cho, Kuse-gun, Kyoto Prefecture in May 2022, and we are working to respond to customer requests.

**Future plan**
In light of the fire, the Group conducted a comprehensive inspection of the fire prevention status in December 2021 and checked firefighting equipment in the workplace. In addition, we reviewed measures and education, etc. related to firefighting/evacuation and began considering the use of firefighting robot equipment in the second half of FY2021. As a future initiative, we are considering introducing firefighting assistive devices to enhance firefighting capacity in terms of tangible aspects. In terms of intangible aspects, we will require all employees to participate in disaster prevention trainings to repeatedly learn how to use firefighting equipment. In addition, we will update the “Disaster Prevention Training Manual,” share it within the Group, incorporate essential knowledge of fire prevention into education by rank, visualize the status of trainings/fire inspections, and implement PDCA cycle for disaster prevention.

We will thoroughly implement fire prevention measures and share them across the Group with an aim to raise disaster prevention awareness of the organization and each employee.

**Disaster prevention measures**

<table>
<thead>
<tr>
<th>Tangible aspects</th>
<th>Intangible aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduce firefighting assistive devices (fire extinguisher ball, large fire extinguisher, etc.)</td>
<td>Update the “Disaster Prevention Training Manual” and share it within the Group</td>
</tr>
<tr>
<td>Consider the use of firefighting robots/equipment in cooperation with manufacturers</td>
<td>Incorporate essential knowledge of fire prevention management into education by rank</td>
</tr>
<tr>
<td>Introduce a system to visualize fire prevention managers, trainings, and fire prevention plans such as fire inspections</td>
<td></td>
</tr>
</tbody>
</table>

**Roadmap for the introduction of firefighting robot equipment**

<table>
<thead>
<tr>
<th>Item</th>
<th>Details</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early detection</td>
<td>Detect smoke and flames with sensors/cameras</td>
<td>Survey/select</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In-house requirements</td>
</tr>
<tr>
<td>Location identification</td>
<td>Automatically identify the point of origin</td>
<td>Survey/select</td>
</tr>
<tr>
<td></td>
<td>(shown on the map)</td>
<td>In-house requirements</td>
</tr>
<tr>
<td>Automatic fire extinguishing</td>
<td>Extinguish fire using autonomous robots</td>
<td>Survey/select</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In-house requirements</td>
</tr>
</tbody>
</table>

Kumiyama Sales Office of Hitachi Transport System West Japan Co., Ltd.
Value Creation Story of the HTS Group

Based on the HB Way indicating how the HTS Group should be and a path to take, we have been promoting VC activities, daily operational improvement activities, by making use of our strengths cultivated over the years. To embody the corporate philosophy, we have identified material issues that need to be addressed to realize that goal and are promoting the specific strategy set forth in the Mid-term Management Plan “LOGISTEED2024” through our unique business model and flexibly responding to changes in business environment.

Success Drivers
- “Gemba” Power, multiplied by Visualization
- 3 Key Goal Indicators: Safety, Quality, and Productivity
- 3 Disciplines: Attention to Detail, Uncovering Problems, and Strong Sense of Speed
- 3 Attributes: Customer Centricity, Teamwork, and Can Do Spirit

VC activities
- Daily improvement activities to implement HB Way

Risks and Opportunities
- Decarbonization
- Digital technological innovation
- Declining birthrate and aging population
- Labor shortage
- Increased need for supply chain optimization and sophistication
- Increased need for hazardous substances logistics and cold chains, etc.
- Changes in heavy machinery business needs
- Increased need for supply chain optimization and sophistication
- Changes in heavy machinery business needs
- Unstable global situation
- BCP

To realize the Mid-term Management Plan, we are promoting VC activities, daily operational improvement activities, by using our strengths cultivated over the years, through value creation process based on the HB Way indicating how the HTS Group should be and a path to take.
To realize the Mid-term Management Plan, we are promoting VC activities, daily operational improvement activities, by using our strengths cultivated over the years, through value creation process based on the HB Way indicating how the HTS Group should be and a path to take.

To embody the corporate philosophy, we will address material issues identified from perspectives of ESG as well as business.

We will work on the Mid-term Management Plan “LOGISTEED2024” as specific measures to address material issues. → P29-38

To embody the corporate philosophy, we will address material issues identified from perspectives of ESG as well as business. → P41-44

The Hitachi Transport System Group delivers high-quality services that will help make the world a better place for people and nature for generations to come.
Our History

History of the HTS Group

Historical background

1950–
Postwar reconstruction and high economic growth

Became independent by integrating transportation divisions
The Company was founded in February 1950 as a logistics subsidiary of Hitachi, Ltd. and commenced cargo transportation business. In 1967, the Company merged with Tokyo Monorail Co., Ltd. and another company, and changed its name to Hitachi Express & Tokyo Monorail Co., Ltd.

1976–
Globalization in manufacturing industry

Expanded overseas
In 1976, our first overseas subsidiary was established in Singapore as the first step of the overseas strategy. In 1984, we entered into the air cargo business against the backdrop of increasing air freight volume.

1986–
Bubble economy and its collapse

Launched 3PL business
We launched TRINET service, the prototype of 3PL business, for customers in apparel industry in August 1986. Then we expanded the target fields to include building materials, medical supplies, and food, etc.

Revenues

(100 million yen)

- Domestic logistics
- Global logistics
- Ratio of global logistics business (%)

- Listed on TSE Second Section in Jan. 1989
- Moved to TSE First Section in Sep. 1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic logistics</th>
<th>Global logistics</th>
<th>Ratio of global logistics business (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>3</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>6</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>12</td>
<td>233</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>11</td>
<td>254</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>13</td>
<td>353</td>
<td></td>
</tr>
</tbody>
</table>
1998- 
IT Bubble

Entered into large-scale 3PL business with own assets

We entered into large-scale 3PL businesses with own assets by undertaking overall logistics operation of adidas Japan K.K. in 1998 and AEON Co., Ltd. in 2002. Especially, Kansai NDC completed in February 2003 had the largest-class capacity in the Company and cutting-edge equipment.

2007- 
Prolonged deflation/adoptions of SDGs

Expansion strategy through M&As

With the aim of expanding the industry platform in Japan and overseas network, we expanded our business through a total of 18 M&As by 2013 including the acquisition of a logistics subsidiary of Shiseido Company, Limited in 2007.

2016- Present 
Sustainability/decarbonized society

Collaborative innovation strategy/Promotion of LOGISTEED

We expanded the collaborative innovation domains through the alliance with SG Holdings Co., Ltd. in 2016 and AIT Corporation in 2018. After forming an alliance with Hitachi Capital Corporation (currently Mitsubishi HC Capital Inc.) in 2018, we have been promoting development and utilization of a transport digital platform “SSCV” aimed at realizing sustainable logistics.

Transition to the “Prime Market” on TSE in Apr. 2022

2003
3PL ¥161.6 billion

2005
2010
2015
2021

2021 (FY)

2003
3PL ¥161.6 billion

2005
2010
2015
2021

2003
3PL ¥161.6 billion

2005
2010
2015
2021

2003
3PL ¥161.6 billion

2005
2010
2015
2021

2003
3PL ¥161.6 billion

2005
2010
2015
2021

2003
3PL ¥161.6 billion

2005
2010
2015
2021

2003
3PL ¥161.6 billion

2005
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2021

2003
3PL ¥161.6 billion

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2021

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2003
3PL ¥161.6 billion

2005
2010
2015
2021

2003
3PL ¥161.6 billion

2005
2010
2015
2021

2003
3PL ¥161.6 billion

2005
2010
2015
2021
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 VC 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.

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/Collaborative logistics services/Transportation services/Auto parts logistics/Packaging solution/ICT equipment solution/Reverse logistics solution/Hazardous substances solution

**Heavy Machinery and Plant Logistics Business**

**Freight Forwarding Business**

**Output**

**Outcome**

---

**Economic value**

**Financial capital**
- ROE: 8.3%
- Total Shareholder Return (TSR): 300.3%

**Manufactured capital**
- Use accumulated skills and expertise as reference models to build and manage new logistics centers and systems
- Revenues: ¥743.6 billion

**Social value**

**Intellectual capital**
- Number of patents held: 102
- Number of attendees of data scientist training course (accumulated): 83⁴
- Number of working hours saved by RPA⁵: Approx. 9,300 hours/month

**Human and organizational capital**
- Employee engagement (sustainable engagement): 65
- Ratio of female managers: 5.5%
- Workplace accident index: Frequency rate 0.88, Severity rate 0.017

**Social and relationship capital**
- Domestic share of 3PL business: 13.4%⁶
- No. of customers: Over 20,000 companies (80 industries)

**Environmental value**

**Natural capital**
- CO₂ emission reduction rate (domestic) (Scope 1 & 2): YoY -2.1%
- [Negative Outcome] CO₂ (greenhouse gas) emissions (domestic) (Scope 1 & 2): 111 (thousand tons-CO₂)

---

4 Logistics related to disposal of used products as well as return/collection of unneeded products to be reused, resold, and recycled
5 No. of attendees of in-house training to foster data scientist with advanced data analyst skills
6 Robotic Process Automation
7 Total score of favorable responses in employee engagement survey
8 Calculated by the Company using data in “Monthly Magazine LOGI-BIZ”

Hitachi Transport System, Ltd. Integrated Report 2022 24
The HTS Group’s Strengths

Value chain

<table>
<thead>
<tr>
<th>Analysis</th>
<th>Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Task analysis of the customers’ supply chain</td>
<td>Design and proposal for advanced operation</td>
</tr>
<tr>
<td>Analyze supply chain issues based on data and interviews by communicating with customers</td>
<td>Design and propose optimal site placement, delivery routes, transportation methods, and warehouse operations to customers based on analysis results</td>
</tr>
</tbody>
</table>

The HTS Group’s strengths

- Conduct realistic analysis and identify issues, leveraging abundant experience in logistics operations including 3PL as a domestic market leader
- Close collaboration between sales representatives and logistics engineers familiar with the relevant industries
- Understand customer needs accurately through communication with customers
- Support customers’ supply chain reforms by using “SCDOS” which enable central management of customers’ supply chain information, visualization, analysis, and simulation
- Unique training program to develop data analysis experts

- Expertise and internal system to optimize site placement, plan distribution centers, design warehouse layouts, and establish warehouse workflows
- Design and develop high-performance warehouse management system (WMS) applicable to various sectors
- Design sustainable logistics by introducing advanced technologies and strategically working on sophistication and automation/labor-saving of logistics
- Design and provide smart warehouse combining automation/labor-saving expertise and digital technologies
- Use latest technologies and design one-stop service including carrying out, transportation, installation, and setting up of heavy machineries such as plant cargoes and machineries relating to social infrastructure

Related solutions, tools, etc.

- SCDOS*1 (Supply Chain Optimization Service) → P33
- Develop data analysis experts
- SSCV*2 (transport digital platform)

*1 SCDOS: Supply Chain Design & Optimization Services
*2 SSCV: Smart & Safety Connected Vehicle

For details, please visit our website.

The HTS Group has three strengths: “Ability to accomplish operation,” “Advanced logistics engineering capability,” and “Global network.” Drawing on our expertise and network accumulated over 70 years since our foundation as a logistics operator, we provide comprehensive logistics services with superior safety, quality, and productivity.

**Flexible and reliable operation**
Accomplish operation based on well-designed workflows, and strictly manage safety, quality, and productivity

- 763 domestic and overseas business sites supporting global supply chain
- Operating structure capable of responding to changes in customers' sales channels and environment flexibly and promptly
- Favorable and solid relationships with customers and partner companies
- Implement KPI-based strict control and improvement measures for profitability, safety, quality, and productivity
- Implement measures using technology for packaging and transportation jigs to improve transportation quality and reduce environmental load
- Secure safety, comply with laws and regulations and improve operational efficiency with “SSCV” using IoT technology

**Ongoing improvement of productivity and quality**
Improve the productivity and quality of the entire organization through improvement activities reflecting customers’ feedback and employees’ opinions

- Visualize the progress and good examples of improvement activities and spread improvement culture through group-wide "VC activities"
- Use logistics engineering capability and digital business platform to continuously improve transportation routes, warehouse layouts, and warehouse operation processes
- Provide various improvement educations and practice at workplaces
- Implement cross-departmental productivity reform by making full use of digital tools such as RPA and AI-OCR
- Provide guidance to improve driving skills by using "SSCV-Safety" which makes full use of IoT technology

### Engineering Capability
management design, package design, and introduction of advanced technologies

- **SSCV (transport digital platform)**
- **RCS (resource control system)**

### Global Network
Business sites supporting global supply chain

- **Locations**
  - 763 sites in 29 countries
- **Logistics centers**
  - Total 7.55 Mm²

**3 Manufactured Capital**

- No. of AGV installed within the Group
  - Approx. 2,200
- No. of AGV installed within the Group
  - Approx. 260

*AGV: Automated Guided Vehicle*
Review of LOGISTEED2021

Under the Mid-term Management Plan “LOGISTEED2021,” the HTS Group had worked to solve issues and create “values” through various “collaborative innovation” with an aim to become the most preferred global supply chain solutions provider. As a result, the Group achieved record high revenues and operating income for FY2021.

### Mid-term Management Plan -LOGISTEED2021-

<table>
<thead>
<tr>
<th>Period</th>
<th>FY2019-FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority Measures</td>
<td></td>
</tr>
<tr>
<td>• Implement portfolio strategy, including M&amp;As and alliances, to build a solid core domain (Smart Logistics)</td>
<td></td>
</tr>
<tr>
<td>• Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains</td>
<td></td>
</tr>
<tr>
<td>• Design supply chain based on and originating from the logistics domain</td>
<td></td>
</tr>
<tr>
<td>• Implement a topline growth strategy</td>
<td></td>
</tr>
<tr>
<td>• Originate and succeed operation (hands-on approach) toward the next generation</td>
<td></td>
</tr>
<tr>
<td>• Environment, social and governance as well as corporate ethics</td>
<td></td>
</tr>
</tbody>
</table>

| Results | Revenues: ¥743.6 billion | Adjusted operating income: ¥38.7 billion | EBIT: ¥29.4 billion | ROE: 8.3% |

### Financial results

- Adjusted operating income/margin (%)
- EBIT/margin (%)
- Composition ratio of revenues (%) (Domestic) (Global)

### Non-financial indicators results

<table>
<thead>
<tr>
<th>CO₂ emissions (thousand tons-CO₂)*1</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eco-friendly vehicle ownership ratio (%)*2</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Frequency rate of workplace accidents*2</td>
<td>0.93</td>
<td>0.78</td>
<td>0.88</td>
</tr>
<tr>
<td>Severity rate of workplace accidents*2</td>
<td>0.013</td>
<td>0.019</td>
<td>0.017</td>
</tr>
<tr>
<td>Ratio of female managers (%)*3</td>
<td>4.7</td>
<td>4.9</td>
<td>5.5</td>
</tr>
<tr>
<td>Number of compliance trainings conducted*2</td>
<td>30</td>
<td>25</td>
<td>19</td>
</tr>
</tbody>
</table>

### Trend of dividend per share

<table>
<thead>
<tr>
<th>FY</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>43</td>
<td>50</td>
<td>56</td>
</tr>
<tr>
<td>Dividend payout ratio*1</td>
<td>22.2</td>
<td>20.8</td>
<td>34.7</td>
</tr>
</tbody>
</table>

### TSR (Total Shareholder Return) outperformed TOPIX

*1 Dividend payout ratio: Dividend per share/Net income attributable to stockholders of the parent company/Average number of shares during the term
*2 Index being the stock price as of March 31, 2017 as 100
Implementation Status of Priority Measures

1. Implemented portfolio strategy, including M&As and alliances, to build a solid core domain (Smart Logistics)

- Realized innovations through “Finance, Commerce, Logistics, and Information”
  - Transferred 40% shares of Hitachi Auto Service Co., Ltd. to Hitachi Capital Corporation (currently, Mitsubishi HC Capital Inc.) (Feb. 2019)
- Strengthened freight forwarding business to expand 3PL
  - Exchanged 100% shares of Nisshin Transportation Co., Ltd. for 20% shares of AIT Corporation (Mar. 2019)
- Reviewed portfolio
  - Transferred 70% shares of Hitachi Travel Bureau, Ltd. to BCD (currently, HTB-BCD Travel Ltd.) (Jul. 2019)
- Launched sharing service for logistics equipment
  - Acquired 70% shares of PALENET CO., LTD. from Hitachi Automotive Systems, Ltd. (currently, Hitachi Astemo, Ltd.) (Aug. 2019)
- Reinforced the system to centralize undertaking of logistics operation of cargo owners
  - Acquired distribution service business of Hitachi Life, Ltd. (currently, Hitachi Real Estate Partners, Ltd.) (Apr. 2020)
- Partially amended strategic and capital and business alliance with SG Holdings Group (Sep. 2020)

2. Implemented collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains

<table>
<thead>
<tr>
<th>Collaborative innovation strategy</th>
<th>Major collaborative innovation partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Created values through collaboration between freight forwarding and 3PL</td>
<td>AIT Group, A.P. Moller-Maersk</td>
</tr>
<tr>
<td>Promoted DX, sophisticated logistics, expanded the use of automated/labor-saving equipment</td>
<td>KDDI CORPORATION, Ayato Robotics Corporation, Mijn, Inc.</td>
</tr>
<tr>
<td>Provided one-stop 3PL/delivery service, improve efficiency of both groups through asset sharing</td>
<td>SG Holdings Group</td>
</tr>
</tbody>
</table>

3. Designed supply chain based on and originating from the logistics domain

- Developed DX strategy (Jan. 2021)
- Selected as a “DX Certified Operator” (May 2021) and “DX Stock 2022” (Jun. 2022) by METI
- Commercialized solutions
  - Digital transport platform
    - Started providing SSCV-Smart (Oct. 2020)
    - Started providing SSCV-Safety (Jul. 2021)
  - Supply chain digital platform
    - Started providing SCDOs (Sep. 2019)
- Acquired a patent for RCS (Apr. 2021)
- Started verification experiments for logistics sophistication using 5G (Oct. 2019)

4. Originated and succeeded operation (hands-on approach) toward the next generation

- Promoted VC activities*1
  The HTS Group has been working on "VC activities" as daily improvement activities to implement the HB Way. 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. Approximately 38,000 new improvement initiatives were registered during the period covered by the Mid-term Management Plan.
  *1: Stands for Value Change & Creation and refers to daily improvement activities to implement the HB Way

5. Environment, social, governance and corporate ethics

- Updated of the HTS Group Medium-to-Long-term Environmental Targets (FY2020)
- Signed the UN Global Compact (May 2020)
- Endorsed TCFD recommendations (Sep. 2021)
- Participated in “My Jinken Declaration (Declaration of Human Rights)” project (Jul. 2021)
- Received “A-” in CDP Climate Change Report (2nd straight year) (Dec. 2021)

Achievements under LOGISTEED2021
- Implemented a portfolio strategy to build Smart Logistics as a solid core domain
- Implemented collaborative innovation strategy aiming at further expansion of domains

Remaining challenge
- Establish solid global management base

No. of new improvement initiatives

<table>
<thead>
<tr>
<th>(Cases)</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,000</td>
<td>10,156</td>
<td>12,663</td>
<td>15,575</td>
</tr>
</tbody>
</table>

FY2030 target
Reduce CO₂ emissions by 50%
(compared to FY2013)

FY2050 target
Net Zero Carbon

Hitachi Transport System, Ltd. Integrated Report 2022
Mid-term Management Plan –LOGISTEED2024–

We newly developed the Mid-term Management Plan "LOGISTEED2024" in light of the external environment which had drastically changed since the time when "LOGISTEED2021" was developed and the material issues that need to be addressed in the new Mid-term Management Plan. We will solidify business and develop global business with an aim to evolve into a "leading 3PL company in Asia."

**Corporate Vision**

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 corporate vision of the Hitachi Transport System Group is to become the most preferred global supply chain solutions provider for all of our stakeholders, including customers, shareholders, and employees, in the sophisticated, diversified and wide-ranging global supply chain, and strives to achieve sustainable growth by solving issues and creating “values” through various “collaborative innovation.”

**Environmental Recognition and Direction**

Recognizing declining birthrate and aging population/labor shortages in Japan, unstable global situation, and supply chain vulnerability risk as changes in the external environment, we defined the direction to take as follows.

**Material Issues**

We reviewed the material issues identified in 2017 as follows to re-recognize social and environmental issues, expectations, and social responsibilities. The new Mid-term Management Plan has been developed based on these material issues, and we will promote measures to solve them.
Future Vision
Under “LOGISTEED2024,” we will further promote business solidification and global development which were achieved under “LOGISTEED2021,” to become a “leading 3PL company in Asia.”

Priority Measures
To realize our vision and to become a partner who supports customers’ global supply chain strategy with DX, LT, and “Gemba” Power, we will promote four priority measures.

1. Reinforce and expand overseas business
   (Becoming a leading 3PL company in Asia)
   • Make investment in focused areas: India, Thailand, Indonesia, and Malaysia
   • M&As (freight forwarding, transport business)

2. Expand business domains with new added value
   (Accelerate LOGISTEED)
   • Solve supply chain issues, propose visualization and optimization through DX
   • Expand new services in boundary domain between manufacturing and logistics, commence VAS

3. Evolve Smart Logistics
   • Achieve automation/labor-saving through linkage of systems and machines, improve working environment through DX
   • Enhance and expand functions of three-temperature zone warehouses, hazardous substances warehouses, etc.
   • Enhance the transport business and address the “2024 problem”/decarbonization through SSCV

4. Solidify ESG management base
   • Implement disaster prevention measures and risk management
   • Implement sophisticated and ongoing safety/quality control activities
   • Accelerate decarbonization activities
   • Continue/expand VC activities
   • Strengthen human resources for global development of DX and LT

Corporate Vision
(Blong-term vision)
The Hitachi Transport System Group delivers high-quality services that will help make the world a better place for people and nature for generations to come.

Mid-term Management Plan
(LOGISTEED2024)
Becoming a leading 3PL company in Asia

Becoming a global supply chain strategic partner with DX, LT*, and “Gemba” Power
*LT: Logistics Technology

Corporate Philosophy
The Hitachi Transport System Group delivers high-quality services that will help make the world a better place for people and nature for generations to come.
Mid-term Management Plan –LOGISTEED2024–

**Priority Measures 1. Reinforce and Expand Overseas Business (Becoming a Leading 3PL Company in Asia)**

To become a leading 3PL company in Asia, the HTS Group will further reinforce and expand its overseas business by promoting aggressive M&As and accelerating investments mainly in focused areas.

**Europe**

We will expand the network of intermodal transportation business (multimodal transportation) with low environmental load, operated by Mars Logistics Group Inc., our group company in Turkey. We will also expand the business in growing areas and markets in Europe including logistics services for the healthcare and apparel industries and temperature controlled transport. Regarding M&As, we acquired reverse logistics services for apparel e-commerce in June 2022* and are also considering further enhancement of 3PL and freight forwarding businesses for the apparel industry.

**Key Themes**
- Expand service area of intermodal business
- Expand business in growing areas and markets in Europe (Healthcare, temperature controlled transport, and apparel)
- Initiatives in EC-related business
- Promote M&As (Enhance 3PL, Freight forwarding (apparel))
- Introduce EV/fuel-efficient vehicles
- Eco-friendly logistics center

* ESA s.r.o., our group company, acquired the reverse logistics services for e-commerce operators from Vlková Partners s.r.o., a logistics company in Czech Republic. Please refer to the Company’s news release available on the link on the right: https://www.hitachi-transportsystem.com/en/news/20220527.html

**China**

We will accelerate the introduction of automated/labor-saving equipment for warehouse operations, further improve safety/quality/productivity, and enhance our system to deliver high value-added logistics services. We will also work on further improvement of logistics network by expanding businesses in Southwest and the Greater Bay Area.

**Key Themes**
- Further improve safety, quality, and productivity through automation and labor-saving
- Expand Southwest area, develop Greater Bay Area
- Enhance high value-added logistics services
- Increase EV, solar power generation
In addition to further expanding transportation business such as shared milkrun and trunk line transport, which has been one of our long-standing strengths, we will enhance our integrated logistics for customers’ factories such as in-plant logistics service, cross-docking warehouse, and milkrun.

We will also promote M&As to enhance non-asset based transport capability in the U.S.

Key Themes
- Expand shared milkrun service and trunk line transport
- Provide integrated logistics for factories
  (In-plant logistics service, cross-docking warehouse, milkrun/transport between warehouses)
- Enhance freight forwarding business base/functions
- Group restructuring/structural reform
- Promote M&As
  (Strengthen transport capability: The U.S. (non-asset))
- Address driver shortages

We will increase investments mainly in growing markets including India, Thailand, Indonesia, and Malaysia. By industry, we aim to expand our business by mainly targeting auto parts, food, and daily commodities, etc. and also focus on developing cold chains to enhance our local and regional networks.

We will also promote M&As to enhance both asset based and non-asset based transport capability in India.

Key Themes
- Expand investments/businesses in India, Thailand, Indonesia, and Malaysia, etc.
  (Auto parts, food, daily commodities, etc.)
- Develop cold chains
- Strengthen local/regional network
- Promote M&As
  (Strengthen transport capability: India (asset, non-asset))
- Introduce automated/labor saving equipment at full scale
- Increase eco-friendly/multi-purpose logistics center and EV

Multi-purpose logistics centers in four metros (India)
Evolution of Supply Chain Optimization Services
As the modern supply chains are becoming more complicated and sophisticated, we will work together with our customers to increase their business values as a strategic supply chain partner through the visualization and total optimization by DX.

Integrated management of supply chain data for manufacturers
To solve issues faced by our customers in the manufacturing industry in particular, we will optimize the entire supply chain by linking manufacturer system with logistics system to integrate management of supply chain data in procurement/manufacturing/logistics.
In addition to providing existing logistics management systems such as Warehouse Management System (WMS), Transport Management System (TMS), and Forwarding Management System (FMS), we will contribute to the implementation of a strategy for the entire supply chain using digital technology by linking with customers’ planning/execution systems such as Manufacturing Resource Planning (MRP) and Enterprise Resources Planning (ERP).

Expansion of SCDOS*1 functions
Our supply chain optimization service, SCDOS, offers a supply chain design service that supports customers’ logistics network design and a decarbonization monitoring service that supports decarbonization strategy development by automatically calculating CO2 emissions based on the actual transport/delivery records.
In the future, we will expand our services through a seamless linkage with trade information platforms and SSCV*2 in order to support customers to create resilient supply chain and optimize their entire supply chain as well as contribute to their initiatives to enhance environmental values such as decarbonization.

Supply chain design service
We visualize the current logistics network and identify issues based on data about sites/volume/costs/delivery condition to optimize site placement/logistics operations/inventory. By doing so, we contribute to reducing logistics costs and environmental load while maintaining service level. We use actual data of our domestic and overseas sites and scenarios in the analysis to provide support for designing high-frequency and dynamic supply chain to cope with changes in global business environment.

*1 Supply Chain Design & Optimization Services
*2 Smart & Safety Connected Vehicle
Decarbonization monitoring service
We collect/integrate transportation data from multiple companies and systems for optimization simulations and automatic calculation/monitoring of CO2 emissions.
We also support customers to start Scope 3* emissions control and monitor daily emissions as well as contribute to the development of decarbonization strategies including a medium-to-long-term roadmap to reduce CO2 emissions.

*3 Categories 4 and 9 (Logistics emissions related to purchases/sales of products and services)

Expansion of Value-Added Services (VAS*4)
We offer various value-added services (VAS) at each site that meet our customers’ requests for their wide range of products including food, apparel products, cosmetics, precision instruments, auto parts, and ICT equipment.
Going forward, we will mainly focus on developing and expanding new services in boundary domain between manufacturing and logistics as well as increasing logistics sites to offer our services.
In specific, we will provide values to logistics-related services in customers’ value chain by seamlessly linking our services including manufacturing support, packaging design solution, safety training services using VR*5, finance- and circular economy-related services through collaborative innovation, and procurement logistics/VMI*6.

*4 Value-Added Services
*5 Virtual reality
*6 Vendor Managed Inventory
In terms of warehouse operations, we will further introduce automated facilities as well as improve productivity and promote visualization using smart devices. By using a resource control system (RCS*) to manage those facilities, devices, and digital devices, we will realize further energy-saving and standardization. In addition, we link RCS-controlled data and WMS data to achieve total optimization with a digital twin of cyber-physical connection, and also link with customers’ ERP to achieve real-time operations. We will enhance warehouse business through this comprehensive warehouse management and deliver values to our customers as our DX.

Enhance Warehouse Business (Automation/Labor-saving, DX)

As for warehouse functions, we will build and enhance three-temperature zone warehouses to meet increasing needs for chilled/frozen storage, enhance GDP* compliance measures and respond to environmental changes such as digitalization. We plan to expand a chilled warehouse in Malaysia in 2024.

We will also build and expand hazardous substances warehouses against the backdrop of tightening of regulations and compliance requirements for hazardous products and increased volume of hazardous substances in the cosmetics and pharmaceutical fields. We opened hazardous substances warehouses in Chiba Prefecture in July 2021 and in Shiga Prefecture in January 2022.

*1 Resource Control System: an integrated control system, for which the Company has a patent, equipped with work execution function that gives instructions to each facility and worker based on the information on the operation status of the automated facilities and the work results of workers within the logistics center. Please refer to the Company’s news release shown below: https://www.hitachi-transportsystem.com/en/news/20210802.html

*2 Cyber Physical System

Enhance and Expand Warehouse Functions (Build/Enhance Three-temperature Zone Warehouses and Hazardous Substances Warehouses)

Increased needs for chilled/frozen products
Sophisticated GDP compliance measures
Digitalization (Increased demand for semiconductors)
Meeting regulation/compliance requirements
GDP compliance for cosmetics/medical supply
Increased demand for lithium batteries

Build/Enhance warehouses capable of responding to environmental changes and increasing demand to further improve service level

Chilled warehouse in Malaysia
Comfortable work environment
State-of-the-art automated warehouse for hazardous substances
Eco-friendly, disaster-resistant warehouse

Effectively use land, improve asset turnover ratio
Enhance Transport Business (to Cope with the “2024 problem” and Decarbonization)
We will accelerate both physical and digital measures to appropriately cope with the “2024 problem” and contribute to decarbonization. In terms of physical measures, we will use double-trailer trucks, relay transport and swap body to increase large capacity and short-haul truck transportation. We will also consolidate vehicle assignment with shared terminals and promote sharing to improve transport efficiency and reduce CO2 emissions.

In terms of digital measures, we will link loading dock booking management system and WMS to reduce drivers’ waiting time, and also use SSCV for digital roll-call and share and visualize information on risky area using internal/external data to offer solutions to secure drivers’ safety and support labor management.

*4 Various issues arising from the upper limit of drivers’ working hours, etc. which will become effective from 2024 under the work style reform-related bills.

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**Enhance transport business to cope with the “2024 problem”**

<table>
<thead>
<tr>
<th>Physical measures</th>
<th>Digital measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase large capacity and short-haul truck transport</td>
<td>Link loading dock booking and warehouse operation</td>
</tr>
<tr>
<td>Double-trailer trucks, relay transport, swap body</td>
<td>Reduce driver waiting time</td>
</tr>
<tr>
<td>Consolidate vehicle assignment, promote sharing, increase number of company vehicles</td>
<td>Comply with laws and regulations (drivers labor management)</td>
</tr>
<tr>
<td>Centralized management of all HTS and local companies, shared terminal</td>
<td>Accelerate introduction of digital roll-call</td>
</tr>
<tr>
<td>M&amp;As, business succession, collaborative innovation</td>
<td>Linking SSCV-Safety and SSCV-Smart</td>
</tr>
<tr>
<td>Strengthen transport partnership</td>
<td>Share/visualize information on risky areas</td>
</tr>
</tbody>
</table>

**Reduce truck drivers’ working hours and waiting time and ensure strict labor management to cope with the “2024 problem” and decarbonization**

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**Started a Joint Verification Project to Coordinate Truck Transportation with AI-Equipped Automated Forklifts**
In September 2021, together with DAIWA HOUSE INDUSTRY CO., LTD, AEON GLOBAL SCM CO., LTD, Kao Corporation, and Toyota Industries Corporation, we launched a joint project to improve cargo handling and logistics efficiency and promote energy saving by coordinating truck transportation with AI-equipped automated forklifts in logistics facilities. This project was publicly solicited by the Agency for Natural Resources and Energy of METI under the “Project to further improve transportation efficiency utilizing AI, IoT, etc. in FY2021.”

**Points of Verification Project**

1. Automation of “receiving” and “shipping” at logistics facilities by using automated forklifts
2. Data linkage between operators to improve efficiency of the entire supply chain
3. Improve efficiency and reduce energy consumption by reducing truck waiting time between shipper and consignee

*5 Project to improve transportation efficiency of the entire supply chain using new technologies, project to promote energy saving of truck transportation, and project to maintain energy saving performance of in-use automobile through efficient and appropriate automobile maintenance utilizing big data.

*6 Four companies including DAIWA HOUSE INDUSTRY CO., LTD, AEON GLOBAL SCM CO., LTD, Kao Corporation, and HTS applied for the “Project to further improve transportation efficiency utilizing AI, IoT, etc. in FY2021”
Review Objectives and Enhance Decarbonization Initiatives

Toward the realization of sustainable society and increase in corporate value, we are promoting actions focusing on environment, social, and governance and corporate ethics (ESG management). To further strengthen linkages with business activities, we have reviewed the “HTS Group’s Objectives” and will work to realize SDGs by focusing on the three areas below and leveraging our strengths of advanced logistics engineering capability, ability to accomplish operation, and global network.

1. Contribute to decarbonized/recycling-oriented society
2. Build and evolve resilient, sustainable logistics services
3. Create new values through collaborative innovation

In terms of the medium-to-long-term environmental targets, we will strive to reduce CO₂ emissions by average 2.94% annually to achieve the target of 50% reduction** by FY2030. Our CO₂ reduction efforts also include investment totaling ¥5 billion in energy saving, electrification, procurement of renewable energy, energy creation, and emissions trading during the period covered by the Mid-term Management Plan.

Examples of CO₂ emission reduction initiatives

*1 Total of Scope 1 and 2 in Japan  *2 Compared to FY2013

Visualize Safety/Quality/Productivity/Fire Prevention/Security

In terms of safety/quality control activities, in addition to existing measures such as security rounds and safety/quality/productivity measures, we will promote “visualization” of safety/quality/productivity/fire prevention/ crime prevention by introducing “safety cockpit” which centrally controls abnormality detection and issuance of alerts for incidents and hazardous work using AI recognition and deep learning, as part of our future measures to automate security/fire detection/firefighting as well as enhance safety/quality control activities and environmental management.

Future vision of logistics center

Our Future
**Human Resource Strategy**
We will carry out the human resource strategy more linked to our management and business strategies than ever to accelerate LOGISTEED.
In terms of personnel development and skill development, we will visualize human resources and skills to focus on the development of human resources with skills for site operation, DX/LT, and global business.
In terms of the personnel system, we will introduce job-based system to encourage each individual employee to autonomously carry out their roles, have a challenging spirit and grow. As for the working-style reform, we will continue our efforts to improve productivity through DX and improvement activities.

⇒ P.85-86

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**Investment Plan**

**Investment Strategy for Change and Evolution into “LOGISTEED”**
Under the brand slogan “Taking on the Future” and our business concept “LOGISTEED,” the HTS Group aims to create economic value as well as social and environmental values with the combination of “HB Way” and “LOGISTEED” by making business investments mainly to expand sites and strategic investments to change and evolve into a company envisioned by LOGISTEED using mainly operating cash flows and cash and cash equivalents.

**Investment Plan Under LOGISTEED2024**
We will make investments to carry out priority measures to solidify business platform and accelerate globalization to become “a leading 3PL company in Asia,” our goal.
We plan to make investments totaling ¥175 billion in growth opportunities including reinforcement and expansion of overseas business, M&As, and capital policy during the period of the Mid-term Management Plan.
HTS Group Sustainability

Under the HTS Group’s corporate philosophy “to deliver high-quality services that will help make the world a better place for people and nature for generations to come,” we have been promoting sustainability initiatives to contribute to the realization of a sustainable society.

Basic CSR Policy

Under the corporate philosophy, the HTS Group promotes activities in line with the Basic CSR Policy with an aim to realize a sustainable society through communication with our various stakeholders and integrate sustainability and management. As part of this cycle, we will also promote active disclosure of ESG (Environment, Social and Governance) information and contribute to achievement of SDGs in cooperation with our various stakeholders.

Contribution to SDGs

SDGs are 17 universal goals for the international community to be attained by 2030, and the HTS Group is fully aware of the importance of achieving the SDGs. Among 17 goals of SDGs, the following eight goals are especially relevant to our objectives. We will work to do our part in achieving these SDGs as we move into high gear to reach our objectives.

SDGs closely related to four objectives

SDGs relating to objectives of the HTS Group ⇒ P41

Participation in International Initiatives

The HTS Group signed the “UN Global Compact (“UNGC”)” in May 2020 to express its support for the principles. The UNGC is a voluntary initiative to participate in creating a global framework for the sustainable growth. To contribute to the realization of a sustainable society, the Group strives to comply with the ten principles by using various insights and good practice by participants for the implementation through Global Compact Network Japan, the local network of UNGC.

Toward the Creation of Economic, Social, and Environmental Values

Mid-term Management Plan [Priority Measures]

Emphasis on CSR

- Identified material issues
- Developed objectives
  (Recognize contributions to SDGs)
- Identified KPIs for objectives

Startled introduction of KPIs of objectives

- Stakeholder dialogue
  (Checked adequacy of objectives)

- Checked the progress of KPIs of objectives
- Disclosed and reported activities
- Checked feedback from stakeholders
  (Identified items that need to be improved)

Basic CSR Policy

Recognition of Social Responsibility

Corporate Activities

Review and improve

Environment, social, governance and corporate ethics

2016-2018

2019

2020

Participated in the United Nations Global Compact

The first response to CDP

Hitachi Transport System, Ltd. Integrated Report 2022

Our Future

P41

Hitachi Transport System, Ltd. Integrated Report 2022
Sustainability Promotion Structure
In order to promote sustainability on a group-wide level, the Group has set up the “Sustainability Promotion Committee,” chaired by Executive Vice President and Executive Officer, General Manager of Corporate Strategy Office, and holds meetings regularly. Important agenda discussed in the meetings are submitted to the Executive Committee.

Chairman and CEO
President and COO

Executive Officers

<table>
<thead>
<tr>
<th>Sustainability Promotion Committee</th>
<th>Secretariat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chair</strong> Executive Vice President and Executive Officer, General Manager of Corporate Strategy Office</td>
<td></td>
</tr>
<tr>
<td><strong>Vice Chair</strong> Deputy General Manager, Corporate Strategy Office</td>
<td></td>
</tr>
<tr>
<td><strong>committee member</strong> Person in charge of each division</td>
<td></td>
</tr>
<tr>
<td>Corporate Strategy Office</td>
<td></td>
</tr>
<tr>
<td>Sustainability Promotion Department</td>
<td></td>
</tr>
</tbody>
</table>

Overview of FY2021 Sustainability Promotion Committee

| Number of Sustainability Promotion Committee held | 2 times (August, January) |
| Major agenda items | • Discuss and approve the method to disclose sustainability information  
• Share the information about the ESG external evaluation and external trends regarding sustainability  
• Review and approve material issues, etc. |

Solidify ESG management base

- Reaffirmed material issues
- Updated objectives (Revised items that need to be improved)

Reflect to LOGISTEED2024 ➔ P41

Review and Improve ➔ P43

Recognition of Social Responsibility

Accelerate contribution to SDGs

Response to CDP (A- rating for two consecutive years)
Signed to endorse TCFD recommendations

<table>
<thead>
<tr>
<th>2021</th>
<th>2022</th>
<th>2023-</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>172nd</td>
<td>153rd</td>
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</table>

For details on sustainability, please visit our website.
The HTS Group identified 15 material issues in FY2017 and developed four objectives from CSV* viewpoint, but we reviewed the material issues in FY2021 in light of drastic changes in issues and management environment relating to sustainability. In doing so, we identified a total of 12 material issues including those with strong focus on business and those unique to logistics operations, which is a social infrastructure, such as “Prevent accidents during operation” and “Enhance disaster prevention/mitigation.”

*Creating Shared Value (CSV): Refers to practices that balance activities to create economic benefits with solutions to social issues, or management strategies to achieve them

### Positioning of material issues, objectives and SDGs

Of the identified 12 material issues, we classified those relating to value creation into three “Objectives” and those relating to the business base, such as compliance and risk management, into “Supportive foundation for the objectives.” We also clarified the relation between the objectives and SDGs.

### Process to identify material issues

- **Step 1: Identify Issues**
  - Understood issues of previous material issues identified in FY2017
  - Identified ESG issues (SDGs, evaluation items by ESG rating agencies, disclosure guideline for non-financial information, material issues in the logistics industry, issues in our business strategy, strategic issues of corporate divisions)
  - Created a list of material issues

- **Step 2: Prioritized issues**
  - Assessed the importance for stakeholders
    - Assessment weight of each industry by ESG rating agencies
    - Issues considered important by institutional investors
    - Investor survey
  - Assessed the importance for the Group
    - HB Way
    - Our business measures and ESG initiatives
    - Medium-to-Long-term environmental targets, etc.

- **Step 3: Check the adequacy**
  - Assessment by the management
    1. Assessment of material issues by the management
    2. Discussion at the management workshop based on the assessment result in (1)
  - Check of the adequacy by external experts
    - Interview by external experts about the assessment process and adequacy of material issues
  - Check of adequacy and approval by the Board of Directors

- **Identified**
  - Identified material issues
  - Developed objectives and KPIs based on material issues

### Objectives

- **Objective 1**
  - Contribute to Decarbonized/Recycling-oriented Society
    - Material issues
      - Contribute to decarbonized society
      - Contribute to recycling-oriented society

- **Objective 2**
  - Build and Evolve Resilient, Sustainable Logistics Services
    - Material issue
      - Build and evolve resilient, sustainable logistics services

- **Objective 3**
  - Create New Values through Collaborative Innovation
    - Material issues
      - Secure diverse human resources to support growth
      - Step up DX
      - Establish business models through collaborative innovation

- **Supportive foundation for the objectives**
  - Material issues
    - Realize safe, healthy, and rewarding workplace
    - Establish a responsible supply chain in which human rights are respected
    - Governance and compliance
    - Prevent accidents during operation
    - Risk management
    - Enhance disaster prevention/mitigation

### Themes

- Materiality theme
- Materiality theme
- Materiality theme
- Materiality theme

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**Our Future**

Hitachi Transport System, Ltd.  Integrated Report 2022
Check the adequacy of material issues — Comments from opinion exchange with external experts

I believe material issues for ESG management have been properly identified through an adequate process in which important matters are discussed and shared among the management in order to spread them across the company. I think following such process with an aim to increase HTS’s corporate value will increase effectiveness of the initiatives to solve issues. While themes of high importance to global logistics companies such as “decarbonization,” “resource recycling,” “human resources,” “work environment,” and “human rights/supply chain” are identified clearly and exhaustively, I felt that “Step up DX” and “Establish business models through collaborative innovation” that are supposed to remind the uniqueness of HTS don’t really sound like a logistics company to external parties. To enable smooth communication with stakeholders, it may be helpful to devise a way to describe them or set KPIs that show HTS’s uniqueness.

As the response to climate change in the logistics industry is drawing attention, placing top priority on “Contribute to decarbonized society” can be highly evaluated. So, I expect you will work on proactive engagement with investors to make sure they understand HTS’s long-term initiatives, including those to address physical risks identified by TCFD, in the context of the relevant material issues.

I think that appropriate deliberation was conducted from the perspective of both “logic” and “will” by pursuing “HTS’ uniqueness” through discussions with the management and secretariat, instead of relying only on the objective and rational analysis of social demand, investors’ recognition, and competition trends. I felt that the process was not only appropriate but also successful in identifying the “material issues unique to HTS” with the business concept of LOGISTEED by including “Step up DX” and “Establish business models through collaboration innovation” among the material issues. I trust that including issues related to CSR as well as those directly related to realization of the management strategy has achieved “good understanding” within the Company.

It was a little disappointing, however, that there are not enough material issues related to “new innovation beyond logistics domain.” I suppose HTS’s customers expect HTS to contribute to solving not only logistics issues but also management issues beyond logistics domain. I hope that greater value will be generated based on “DX” and “Collaborative innovation.”

Mari Yoshitaka
Fellow, Principal Sustainability Strategist
Mitsubishi UFJ Research and Consulting Co., Ltd.

Completed current School for Environment and Sustainability at the University of Michigan (Master of Science) and Graduate School of Media and Governance of Keio University (Doctor of Philosophy). After working for an IT company, a U.S. investment bank, etc. and Environmental Technology Dept. of International Finance Corporation (World Bank Group), she set up the Clean Energy Finance Committee in Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in 2000. Using her extensive experience in environmental financial consulting mainly in the area of climate change including developing countries, she provides advice to the government and various other clients in the fields of ESG investment, SDG business, climate change, and sustainable finance. Since May 2022, she serves concurrently at MUFG Bank, Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

Masashi Onozuka
Partner
Roland Berger GmbH

Completed Graduate School of Media and Governance of Keio University. Assumed current position after working at Fuji Research Institute Corporation and Mizuho Information & Research Institute, Inc. He provides various consulting services including long-term vision, management plan, growth strategy, new business development, M&A strategy, business restructuring, structural reform, and risk management mainly in the fields of logistics and supply chain. Using his insights acquired through his extensive experience, he has held various positions such as a member of policy committees related to logistics in administrative agencies including the Cabinet Office and the Ministry of Economy, Trade and Industry, and industry groups.
Material Issues and KPI of the HTS Group

The HTS Group has set KPIs for 12 identified material issues based on the priority measures, etc. of the Mid-term Management Plan “LOGISTEED2024.” Going forward, we will promote group-wide initiatives to address issues, manage the progress of KPIs, promote information disclosure, and aim to realize a sustainable society through dialogues with stakeholders.

**Objective 1  Contribute to Decarbonized/Recycling-oriented Society**

<table>
<thead>
<tr>
<th>Material issue</th>
<th>Contribution to decarbonized society</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Work to reduce greenhouse gas (CO₂) emissions including those from supply chains, improve energy efficiency, and create business opportunities to address climate change and realize a decarbonized society</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Reduction of CO₂ emissions (compared to FY2013: 26% reduction**)</td>
</tr>
<tr>
<td>● Support customers’ decarbonization by providing SCDOs “Decarbonization Monitoring Service” [Achieve annual target for the number of companies we approach]</td>
</tr>
<tr>
<td>● Promote initiatives to set CO₂ emission reduction targets including supply chains [Set targets for FY2023]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LOGISTEED2024 Priority measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Solidify ESG management base —— Initiatives for decarbonization</td>
</tr>
<tr>
<td>● Expand business domains with new added value (accelerate LOGISTEED) —— Evolve supply chain optimization services</td>
</tr>
</tbody>
</table>

**Objective 2  Build and Evolve Resilient, Sustainable Logistics Services**

<table>
<thead>
<tr>
<th>Material issue</th>
<th>Build and evolve resilient, sustainable logistics services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Implement measures to enhance transport business to address social issues including aging of managers, business slump of small- and medium-sized transportation companies, driver shortage, and recruitment challenges as well as build/evolve sustainable logistics services with a high level of safety/quality/ productivity, aiming to create business opportunities and fulfill our role as social infrastructure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Provide SCDOs to support customers’ SCM** [Achieve annual target for support]</td>
</tr>
<tr>
<td>● Realize a comfortable workplace by introducing automated/labor-saving equipment at logistics centers [Mechanize cargo handling work (100 FTE* per year)]</td>
</tr>
<tr>
<td>● Contribute to safe and more efficient transport by expanding user network of each SSCV function [Achieve the target for introducing SSCV-Safety/Smart into partner companies]</td>
</tr>
<tr>
<td>● Enhance transport business to address the “2024 problem”** [Number of violations of labor standards regarding drivers: 0]</td>
</tr>
<tr>
<td>● Expand GDP*- compliant equipment at medical DCs [Complete introductions in target sites]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LOGISTEED2024 Priority measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Expand business domains with new added value (accelerate LOGISTEED) —— Evolve supply chain optimization services</td>
</tr>
<tr>
<td>● Evolve Smart Logistics —— Enhance warehouse business (automation/labor saving, DX)</td>
</tr>
<tr>
<td>● Enhance and expand warehouse business (Build/enhance three-temperature zone warehouses and hazardous substances warehouses)</td>
</tr>
<tr>
<td>● Enhance transport business (Address the “2024 problem” and decarbonization)</td>
</tr>
</tbody>
</table>

**Objective 3  Create New Values Through Collaborative Innovation**

<table>
<thead>
<tr>
<th>Material issue</th>
<th>Secure diverse human resources to support growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enhance the performance and market competitiveness of the organization and employees by securing human resources with global, digital, and management capabilities in line with the business strategies as well as actively addressing diversity and equal opportunities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Implement education to develop DX human resources [Every fiscal year: All employees attend mindset training]</td>
</tr>
<tr>
<td>● Expand global human resources and reform organizational culture</td>
</tr>
<tr>
<td>● Improve operational efficiency by introducing digital tools such as RPA** [Reduction of working hours: Cumulative 1.2 million hours]</td>
</tr>
<tr>
<td>● Improve the score of “sustainable engagement” in the employee engagement survey [Score: 70 or more] [FY2023: Provide a survey in Japan and overseas at the same time]</td>
</tr>
<tr>
<td>● Ratio of female managers [FY2023: 10%]</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LOGISTEED2024 Priority measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Solidify ESG management base —— Human resource strategy</td>
</tr>
</tbody>
</table>

Unless otherwise stated, the figures in [ ] represent targets for FY2024

**Notes:**

- *1 Scope: HTS and domestic group companies (total of Scope 1 and 2)  
- *2 SCM: Supply Chain Management  
- *3 FTE (Full-Time Equivalent): A unit of the full-time work amount in an organization  
- *4 Various issues arising from the application of upper limit of drivers’ overtime, etc. in 2024 set by the working-style reform-related bills  
- *5 GDP (Good Distribution Practice): Appropriate distribution standard for medical supplies to ensure strict quality control  
- *6 RPA (Robotic Process Automation): A software robotics technology that automates administrative work performed by a person using a personal computer
### Material issue | Step up DX
---|---
Address social issues such as driver shortage and the “2024 problem” by promoting digitalization and labor-saving initiatives to create business opportunities

#### KPI
- Establish a digital platform to create innovation through DX
- Execute logistics service reform projects utilizing a digital business platform (data linkage hubs) [Total number of executions: 60]
- Introduce Resource Control System (RCS)*7 [Achieve the target number of introduction]
- Improve conformance rate of ONEsLOGI*8 new WMS-PF (platform) to logistics operations [FY2023: Conformance rate of 90%]
- Number and percentage of DX-related patent applications (publication) included in the total patent applications (publication)

#### LOGISTEED2024 Priority measures
- Expand business domains with new added value (accelerate LOGISTEED)
- Evolve supply chain optimization services
- Evolve Smart Logistics
- Enhance warehouse business (automation/labor saving, DX)

### Material issue | Establish business models through collaborative innovation
---|---
Work to develop new services and business models through collaborative innovation with business partners

#### KPI
- Develop new services and business models through collaborative innovation

#### LOGISTEED2024 Priority measures
- Expand business domains with new added value (Accelerate LOGISTEED)
- Evolve Smart Logistics

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**Supportive Foundation for the Objectives**

#### Material issue | Realize safe, healthy, and rewarding workplace
---|---
Create a system to ensure safety and health of employees by taking measures to prevent/avoid labor problems through the spread of occupational health and safety as well as risk assessment

#### KPI
- Workplace accident frequency rate/severity rate
- Number of serious accidents (fatal workplace accidents) [Every fiscal year: 0]
- Rate of paid leave taken
- Rate of sick leave days (promote health management)

#### Material issue | Establish a responsible supply chain in which human rights are respected
---|---
Promote a sustainable supply chain by taking measures to improve quality/productivity, conduct environmental/social assessments, ensure compliance with laws and regulations by suppliers, and avoid/prevent/mitigate human rights issues of relevant stakeholders

#### KPI
- Promote initiatives to develop a business platform that respects human rights
- Promote initiatives to establish a compliance screening system for suppliers [Perform regular screening]
- Human rights education

#### Material issue | Governance and compliance
---|---
Respect corporate ethics and prevent anticompetitive behaviors in the Company, and strengthen compliance in supply chains to establish a system to ensure sound corporate management

#### KPI
- Attendance rate for HTS Group Code of Conduct education (e-learning) [Every fiscal year: 100%]
- Ratio of female executive officers [10% or more]
- Reflect evaluation of ESG initiatives, etc. in compensation plan for officers [Increase factors to be reflected]

#### Material issue | Prevent accidents during operation
---|---
Strive for safe operation by promoting initiatives to prevent accidents at the Company and its suppliers

#### KPI
- Reduction rate for three types of accidents*9 [Down by 40% from FY2021]
- Implement measures to strengthen preventive maintenance
- Reduce incidents during vehicle operation by utilizing "SSCV-Safety"

#### Material issue | Risk management
---|---
Develop BCP and execute Business Continuity Management (BCM) to enable early business recovery in the event of an emergency as well as ensure appropriate and sufficient information management to prevent leakage of confidential information, etc. of business partners and the Company

#### KPI
- Conduct company-wide disaster prevention training and overseas BCP caravans*10
- Number of information security incidents [Every fiscal year: 0]
- Attendance rate for information security training course and rate of targeted threat emails for simulation trainings opened [Every fiscal year: Attendance rate of 100%/email open rate: 5%]

#### Material issue | Enhance disaster prevention/mitigation
---|---
Implement disaster prevention measures to prepare for natural disasters and prevent fires as well as strengthen systems for speedy recovery in the event of a disaster

#### KPI
- Enhance functions of “safety cockpit” (centralized safety control center)
- Establish a management system utilizing a visualization system for self-defense firefighting operations
- Number of trainings for initial response at disasters conducted

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*7 An integrated control system to achieve highly automated command functions in logistics centers and enable optimal logistics center operation
*8 ONEsLOGI (One Stop Logistics IT Solution): A group of logistics management systems provided by Hitachi Distribution Software Co., Ltd., our subsidiary
*9 Occupational accidents, vehicle accidents, and product accidents
*10 Activities to build and improve risk management systems in overseas sites by sending instructors from Japan

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Message from the CFO

We will accelerate our initiatives to further increase corporate value through “Dialogues” and “Collaborative innovation” with our stake holders.

Nobukazu Hayashi
Executive Vice President and Executive Officer, CFO
General Manager, Corporate Strategy Office

Review of the Mid-term Management Plan “LOGISTEED2021”

Under the Mid-term Management Plan “LOGISTEED2021” which ended in FY2021, although we fell short of some numerical targets including EBIT mainly due to the fire at a logistics center of a group company, we reported revenues of ¥743.6 billion exceeding the target of ¥720.0 billion and adjusted operation income of ¥38.7 billion exceeding the target of ¥36.0 billion (¥38.5 billion including the effect of applying IFRS 16 Leases). Although there was a special factor of a steep increase in the freight costs in the freight forwarding business, I believe we yielded moderate results overall during the three years under the Mid-term Management Plan.

On the other hand, the sluggish growth of topline is our current issue especially in the domestic 3PL business. In FY2021, both revenues and adjusted operating income decreased partly due to volume decreases in automobile and apparel under the COVID-19 crisis. Therefore, we will continue the ongoing “Topline Expansion Project” under the new Mid-term Management Plan “LOGISTEED2024” starting from FY2022 and focus on acquiring new customers. We will also accelerate the expansion of overseas businesses mainly through collaboration with the partnership with KKR.

As for our investment plan, we made business investments aimed at building a solid core domain (Smart Logistics) such as expansion of domestic and overseas logistics sites and renewal of vehicles, etc. and strategic investments in “promotion of DX and establishment of IT platform,” “development of new technology,” “development of new business,” and “human resources, safety, etc.” and they all went according to the plan. However, M&As didn’t do well due to the impact of COVID-19, etc. We will also follow up on this under “LOGISTEED2024” and accelerate through collaboration with KKR mentioned earlier. Regarding the R&I rating to facilitate fund raising from capital markets and diversify fund raising methods, despite some factors such as acquisition of treasury stock and a decrease in the total equity attributable to stockholders of the parent company ratio, we maintained a rating of A*1 as our long-term growth in adjusted operating income was recognized.

*1 Announced by Rating and Investment Information, Inc. (R&I) on May 2, 2022
Financial Strategy in the New Mid-term Management Plan “LOGISTEED2024”

Expand topline by acquiring new customers
As the biggest theme of our financial strategy in the new Mid-term Management plan “LOGISTEED2024,” we will focus on the expansion of topline as mentioned above.
In terms of domestic business, “Topline Expansion Project” is underway as mentioned earlier and we recently launched a relatively large project with new customers. So, we will boost topline and steadily improve profitability by increasing new projects.
For overseas business, as the Ukraine crisis and lockdowns under China’s zero-Covid policy have caused disruptions in global supply chains, we think it will take time before our freight forwarding business returns to normal.
Under such circumstances, the Group aims to expand topline by continuing to pursue the “region-contained business model” described in the message from Mr. Nakatani, Chairman (P9) and also allocating a large portion of strategic investment of ¥80 billion to ¥100 billion under “LOGISTEED2024” to M&As around the world. We are currently examining with KKR some domestic/overseas target companies and expected synergies and will promote such initiatives as increasing transportation capacity in the U.S. and India and enhancing 3PL and freight forwarding business in Europe through M&As.

Evolve the ROIC management by DX with a focus on the core system renewal
We have worked on the “ROIC management” since FY2018 and will further evolve it by promoting DX mainly through a large-scale core system renewal.
In specific, we plan to complete the replacement of current system with new one in our domestic group companies by the end of FY2022 and concurrently standardize and unify the sales/payment process using SPV**2. By doing so, we will implement initiatives to improve ROIC, which was previously implemented on each group company level, at the level of individual offices/customers/business types to further spread these initiatives at sites.
In overseas group companies, we are currently preparing to start the core system renewal at full scale from FY2023. In consideration of the high proportion of the freight forwarding business in overseas while 3PL is the main business in Japan, we are understanding the current situation and developing the renewal plan. As for cash management, in particular, we will evolve the initiatives to improve ROIC by introducing TMS**3 which allows us to monitor daily cash status of all overseas sites.
Through these initiatives, we aim to “visualize” financial situation and indicators including cash flows in Japan and overseas altogether, to improve ROIC of the Group as a whole.

*2 Smart Performance Visualization Platform (SPV): A system to manage domestic performance
*3 Treasury Management System (TMS): A system capable of centrally managing the entire group’s fund and financial risk, etc.

Major initiatives focusing on asset efficiency and capital efficiency (recent seven years)

<table>
<thead>
<tr>
<th>Mid-term Management Plan/FY</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-term Management Plan Value Creation 2018</td>
<td>FY2016</td>
</tr>
<tr>
<td>FY2017</td>
<td>• Asset liquidation (e.g. sale of distribution centers with low asset efficiency, leaseback)</td>
</tr>
<tr>
<td>FY2018</td>
<td>• Introduced “comparison of ROIC and WACC” as one of the investment decision criteria • Newly established the Financial Strategy Office • Created rules for strategic investments • Issued corporate bonds of ¥30 billion</td>
</tr>
<tr>
<td>Mid-term Management Plan LOGISTEED2021</td>
<td>FY2019</td>
</tr>
<tr>
<td>FY2020</td>
<td>• Introduced ROIC and WACC in the budget control</td>
</tr>
<tr>
<td>FY2021</td>
<td>• Introduced ROIC tree in the budget control</td>
</tr>
<tr>
<td>New Mid-term Management Plan LOGISTEED2024</td>
<td>FY2022</td>
</tr>
</tbody>
</table>
Enhance ROIC education for overseas group companies and mutual communications
We are focusing on ROIC education especially for overseas group companies because the improvement of ROIC requires not only a system renewal but also initiatives at each site such as “ROIC tree.”
For example, we prepare ROIC education materials in English and provide ROIC education to accounting managers and staff in four key management areas (North America/Europe/China/ASIA) every year, with an aim to promote close communication with the head office as well as deepen their understanding and raise awareness of ROIC. In FY2021, we held a full-scale meeting with overseas sites online for the first time after a few years hiatus due to COVID-19 and decided to continue this initiative as we were able to have beneficial and meaningful discussions with accounting managers and staff and also presidents of some overseas subsidiaries. In FY2022, in light of the easing of the COVID-19-related travel restrictions, General Manager of Financial Strategy Office will visit key management areas and have face-to-face meetings to deepen communications and focus on the ROIC management together with the entire Group.

Enhance finance human resources development with a global rotational system and a new educational program
We will make a proactive investment to “solidify ESG management base,” one of the priority measures in “LOGISTEED2024,” and especially in the human resource strategy, we will focus on increasing/developing global/DX human resources as well as enhancing finance human resources development.
For example, Financial Strategy Office focuses on the development of global human resources by including overseas assignment in the job rotation and is also promoting the use of FASS test*4 as well as enhancing systematic educational programs. In light of the fact that employees return from their overseas assignments with enough ability to contribute to the Corporate Strategy Office and Global Business Management Headquarters, and also that we plan to consolidate/expand the

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**Major action items on the ROIC tree**

- Improve NOPAT (Net Operating Profit After Taxes)
- Improve adjusted operating income
  - Reduce tax costs
  - Improve equity method profit or loss
- Improve business asset efficiency
- Improve working capital turnover ratio
- Improve fixed asset turnover ratio
  - Reduce both funds on hand and interest-bearing debt
  - Collect trade receivables early
  - Reduce inventories
  - Trade payables: Set appropriate payment terms
  - Acquire advances received
  - Improve turnover ratio of held assets (warehouses/trucks)
  - Sell idle real estate
  - Enhance pre-investment checks and post-investment monitoring
  - Review cross-shareholdings/equity method investments
  - Improve cash flow forecast accuracy
  - Reduce external funding, etc. by expanding pooling
size of domestic group companies, we will work on improving skills to deal with financial audit, enhancing the detailed human resource education based on career and skill level of individual employees, as well as invigorating organizations through job rotation. Furthermore, based on the request from overseas group companies, we will proactively consider accepting and providing educational opportunities in Japan to overseas employees as part of our effort to invigorate organizations through job rotation mentioned above.

Enhance and improve efficiency of global cash/receivables/credit management

By introducing TMS mentioned earlier, we will monitor the daily cash movement of the entire Group to further refine cash management and enhance corporate governance. We also further enhanced global credit and receivables management during the period of the previous Mid-term Management Plan after the U.S.-China trade friction in 2020 which caused non-performing receivables in some areas. As overseas business with the high proportion of the freight forwarding business is susceptible to market downturns, we will closely monitor the freight forwarding market and enhance effectiveness of corporate governance over credit and receivables management.

Continue to Focus on the Dialogues with our Stakeholders

Although we will become an unlisted company after the tender offer for the Company’s shares by HTSK Co., Ltd. and a series of procedures scheduled thereafter, we will continue to focus on sustainable value creation and further accelerate our initiatives to increase corporate value. In terms of dialogues with our stakeholders to achieve them, we will disclose fair and highly transparent information in a timely and appropriate manner, including proactive disclosure of non-financial information such as material issues and ESG/SDGs initiatives, in an effort to focus on constructive dialogues with all of our stakeholders.

*Finance & Accounting Skill Standard (FASS) test: A test based on the “Finance & Accounting Service Skill Standard” developed by METI with an addition of the U.S. test theory to measure objective practical knowledge and skill level in accounting and finance field.
To deal with social issues surrounding the logistics industry including “labor shortages,” “efficiency improvement” and “sustainable transport services,” the HTS Group developed and offered “SSCV (transport digital platform)” and “SCDOS (Supply Chain Design & Optimization Services)” and, in 2019, developed “Resource Control System (RCS)” to achieve highly automated operation in logistics centers and started operation of a shared automated warehouse “Kasukabe EC Platform Center” for EC logistics.

The HTS Group aims to achieve automation/labor-saving through linkage of systems and machines, as well as improve working environment through DX in one of its priority measures “Evolve Smart Logistics” in the Mid-term Management Plan “LOGISTEED2024” (P30, P35). What was the HTS Group’s perception about the issues when it started working on Logistics DX? And what kind of Logistics DX should the Group aim to achieve in the future?

We held a roundtable discussion with members who work on the front line of Logistics DX to hear opinions from the perspectives of “strategy,” “technology,” “development” and “Gemba (site).”

Logistics DX that the HTS Group Aims to Achieve

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Attendees in the discussion

Kazunori Azusawa
Manager, Corporate Strategy Department, Corporate Strategy Office

Masahiro Itotani
Manager, Corporate Strategy Department, Corporate Strategy Office

Takaharu Sakurada
Deputy Department Manager, Logistics Technology Department, Logistics Solution Business Development Headquarters

Xiaolin Fang
Engineer, Logistics Technology Department, Logistics Solution Business Development Headquarters

Kosuke Murakami
Manager-Sales Office, Kasukabe EC Platform Center, DX & Innovation Department, Business Development Headquarters

Atsushi Yanagisawa
Department Manager, Digital Solution Department, Digital Innovation Promotion Headquarters, Hitachi Distribution Software

*Names of organizations and positions are as of the date of the discussion
First, please tell us about your background and areas of expertise and roles in DX.

| Azusawa: After I joined the Company, I was first assigned to IT Department where I developed a warehouse management system and liaised with customers about the development. After that, I was transferred to Smart Logistics Development Department and then to Corporate System Management & Integration Department in 2017 where I worked with Financial Strategy Office in the company-wide standardization and improvement activities of the corporate system. My area of expertise is IT in general, and my recent project was a major renewal of the internal core system. Since 2022, I'm in Information & Communication Technology Strategy Headquarters working on DX in the 3PL and freight forwarding businesses. |
| Itotani: After working for a system integrator company, I joined the Company in 2020. My area of expertise is marketing activities including research on DX-related market/technology trend and identifying social trend. The main task of Corporate Strategy Department is the development and promotion of the Mid-term Management Plan, and my job there is the development of DX strategy and promotion of individual DX projects. The Company was selected as a "DX Certified Operator" in May 2021 and as a "DX Stock 2022" in June 2022, and I was in charge of filing these applications. |
| Sakurada: For three years after I joined the Company, I worked on one of the largest projects of the Group to launch the 3PL business for a leading distribution-related customer, and for the next ten-odd years, I worked on the introduction and consideration of various equipment at the launch of a number of customers. Then, after working at Smart Logistics Development Department, I was transferred to Digital Business Development Department where I worked on the development of new solutions. I’m specializing in considering automated/labor-saving equipment and engaging in new fields. Now I’m in Logistics Technology Department and working to promote DX mainly through the introduction of automated/labor-saving equipment and the development of control tools for logistics. |
| Murakami: After engaging mainly in the launch of the 3PL business with manufacturing customers and the improvement of customers’ sites in Logistics Technology Department, I spent the next around seven years in China and gained experience in a wide range of fields, including sales, logistics center management, and labor management. From 2018, I am in DX & Innovation Department engaging in operation and management of Kasukabe EC Platform Center and initiatives aimed at expansion in the future. My area of expertise is center operation and management with DX, and I am currently working on the introduction of the first automated/labor-saving equipment in the Group and the creation of workplaces with a combination of physical and digital measures. |
| Fang: Since I joined the Company, I’ve been with Logistics Technology Department, and for the first five years, I worked on the launch of the 3PL business and the site improvement. After that, drawing on my experience in site improvement, I worked on developing the optimization tool and creating simulations, which is my area of expertise. Simulation is a necessary and important means to verify the arrangement/setting/appropriate operation of equipment, and my current mission is to consider how to use simulation in a more useful way and develop human resources. |
| Yanagisawa: After I joined Hitachi Distribution Software, I worked on the development of a warehouse management system such as automated warehouse in the 3PL business, including material handling equipment linkage, and my area of specialty is system building by industry and business type. From 2015, I participated in the system design project for Smart Warehouse aimed at promoting automation of logistics centers from the stage of designing Resource Control System (RCS). Since 2020, I’ve been with Digital Solution Department and supporting the HTS Group’s DX from the IT perspective. |

I see that each of you has different skills and area of expertise. Now, please tell us why the HTS Group has been promoting Logistics DX.

| Azusawa: The environment surrounding the logistics industry has been drastically changing in recent years, and in Japan, it has become vital that we address labor shortages and reform working style. Also, due to the expansion of EC market and technological innovation, there is a growing move toward the transformation in logistics. Meanwhile, implementing initiatives toward the realization of sustainable society such as SDGs and ESG management is also another pressing matter of importance. Amid such circumstances, the first thing the Group should do is to create a safe and secure environment for its employees and at the same time provide its customers and business partners with high value-added services, while establishing a system capable of quickly responding to drastic structural changes. The Group also needs to enhance its...
sustainability and strengthen its responses to environmental issues and the governance. All these tasks can’t be achieved without using digital technologies, and that is why the Group has decided to work on DX.

Itotani: As we are facing issues such as labor shortages as well as aging population, it’s also necessary to make good use of digitalization to make it easier to share operation expertise. Also, because customers’ supply chains are becoming larger and more complicated, the level of demand from customers including EC is also becoming increasingly challenging. To meet it, we need to make full use of digital technology and aim to become a company that can solve customers’ supply chain issues and take a lead in DX.

Azusawa: In overseas, especially in Asia, an increase in the middle class led to an increased burden in logistics and a higher level of demand, raising concern over the resource shortages to meet it. It means that “people” is no longer our option for solutions in Japan and overseas. The logistics industry, especially in Japan, has depended on workers and individual skills so far, and DX is vital to break away from it.

Please tell us about the background of the development of Resource Control System (RCS) and Warehouse Control System (WCS), the recent major achievements in DX.

Sakurada: Even before the term “DX” began to attract attention in the world, the Group started working on initiatives called Smart Logistics, which gave rise to the idea of Smart Warehouse. The term “Smart Warehouse” referred to the development of various optimization technologies and the introduction of automated/labor-saving technologies at that time. Particularly with regard to the optimization technology, we aimed to let computers replicate and sophisticate adjustments and judgments made by work managers or experienced workers based on their experience/expertise. In some cases at the development stage, we were able to achieve efficiency improvement that cannot be achieved by human work, but in most cases, the computer only produced almost the same level of results as competent workers, which advanced the development of a system that enables everyone to produce the same level of results without depending on individual skills. The Smart Warehouse project back then progressed in individual optimization technologies such as considering optimal picking line and order assignment, but there was a limit in terms of total optimization that takes into account overall conditions of the whole center. Also, various optimization systems operating with different modules made it difficult to introduce/install them at sites, which made us realize that we needed a large platform to integrate all systems. So, as we worked on individual issues, the concept of Resource Control System (RCS) that enables an optimal control of the whole center and Warehouse Control System (WCS) that controls automated/labor-saving equipment was gradually formed.

Automated/labor-saving equipment, including Resource Control System (RCS) and Warehouse Control System (WCS), were introduced in Kasukabe EC Platform Center in September 2019. Please tell us what kind of advantages they brought to the center.

Murakami: Kasukabe EC Platform Center was opened with the concept of providing space/various equipment/systems in the center for multiple EC business operators to share, and is currently used by many customers. Compared to conventional logistics centers, this center has a lot more automated/labor-
saving equipment enabling to unify work method and maintain a certain level of quality and therefore achieves stable service quality and efficiency improvement. As automation/labor-saving enables extended operation for long time, one customer can now handle 1.5 to 2 times more of shipping compared to the time when it entrusted the operation to another logistics company, so it is now considering expanding its sales channels. We can also use the work result data to facilitate the site management and offer various proposals to customers.

From the perspective of system development in site, what do you think triggered the development of Resource Control System (RCS)?

Yanagisawa: In developing the idea of a warehouse automation system, we figured that if “machines” replace “humans” to do work, the system should also replace humans in giving instructions and managing work processes. In giving such instructions, the number of resources and their individual capabilities must be taken into account, and when to start each work must also be controlled, in the same way that humans have always done. In order to achieve that, we needed a system that breaks down each work process, predicts process time based on the capability of resources in each process and controls when to give work instructions. That’s why we started the development of Resource Control System (RCS).

I hear it took a considerable amount of time and effort to develop the system. Please tell us in detail how you did it.

Sakurada: The concept of Resource Control System (RCS) and Warehouse Control System (WCS) first came up in late 2010s.

Yanagisawa: To realize a comprehensive operation system for automated/labor-saving equipment, we needed two “new ideas.” First, we needed an idea of how to create a system capable of making flexible decisions depending on the situation just as work managers and experienced workers do. Second, we needed an idea of how to operate equipment efficiently while pursuing the total optimization after replacing humans with automated/labor-saving equipment. We worked to develop the system based on these ideas under the notion that we could probably develop a better system if we developed an original one by ourselves as we knew the sites quite well.

Please tell us what kind of advantages the HTS Group as a whole got by realizing the perfect mix of equipment, IT system, and human work.

Yanagisawa: I think that would be that we realized a platform for an automated operation system integrating various automated/labor-saving equipment. Resource Control System (RCS) controls when to give work instructions based on each equipment’s capability and volume aiming to maximize overall throughput. Resource Control System (RCS) is also capable of comprehensively managing the operation of the entire logistics center and realizing efficient operation through a close link with the Warehouse Management System (WMS). Having created a framework for them has brought a significant advantage to the Group. We believe an important notion applicable to all sites promoting automation is the combination of a series of functions we considered in the process of realizing the automated operation system i.e. process planning/task generation/optimization of resource allocation/prioritization/smoothing. We filed an application for and obtained a patent for the idea itself.
One of the DX keywords of the HTS Group is “Simulation.” Please tell us how you use “simulation” in developing the system and work plan.

Fang: Simulation is a process of simulating movements of people and products in chronological order and useful in understanding “when,” “where,” and “how” people and products are moving. Using simulation in the system development and operation allows us to quantify and visualize the status of the equipment and optimal allocation of workers. We can predict and verify something we couldn’t find out until we actually did it before. The Group has accumulated expertise in site operation such as how to instruct people and use equipment, which gives us a unique advantage in doing a precise simulation efficiently. However, about 10 years ago, we used to do simulations to prepare a work plan in advance based on average value using a general-purpose spreadsheet software, and there were some cases where problems occurred after the work actually started and we suddenly had to examine the response. Now, IT technology has advanced since then, which enables us to do simulations of every possible patterns, analyze any potential issues and take measures when preparing the work plan.

Azusawa: One of the characteristics of the logistics business is that cargo owners manufacture and sell products based on market forecasts. The Group makes logistics plans based on such forecast information, but in most cases, cargo owners only provide us with the information at the last minute of the shipping deadline. Previously, work managers and experienced workers dealt with it using their long years of experience and individual expertise, but the recent drastic changes in environment are causing an increase in cases where forecasts differ from actual results, and the simulation technology is also expected to reduce the gap.

Sakurada: For example, when we need to determine the most efficient picking method for an order received, if we can't know until we try it, it will cause a significant loss. If we use the simulation technology, we can estimate the time required for each method and verify it in advance. This is a typical example to show the need for simulation. Meanwhile, from the perspective of Cyber Physical System (CPS) and digital twin**, the basic concept of the Group’s DX, the simulation technology is the fundamental technology. Both collect the information of what is actually happening in the physical space as digital data and recreate it in the cyber space. By setting various conditions and parameters in the cyber space, we can estimate and verify work time.

Please tell us about actual cases where the implementation of DX in sites contributed to efficiency and quality improvement.

Murakami: Kasukabe EC Platform Center uses Business Intelligence (BI) tools and Warehouse Management System (WMS) to visualize the progress and labor shortage in each process, allowing work managers to assign appropriate number of workers based on the work volume in each process and equalize work at the logistics center.

Please tell us what you all think about the Logistics DX in the future in terms of what kind of customer and social issues you are going to address.

Itotani: In hopes to further enhance “Gemba” Power, we will try to provide useful information to work managers by digitalizing “Gemba” information in real time and visualizing it as well as adding forecasts and simulation. Also, in light of the fire at a logistics center of our group company in 2021, we started considering the potential use of DX technology as the core of disaster prevention measures such as to enhance security and firefighting activities at early stage using robots and drones, in addition to early detection of danger using cameras and sensor technology.

Sakurada: DX has been promoted not only by us but also our peer companies and many companies in other industries. Amid such situation, implementing DX initiatives in limited areas only produces limited results. So, we need to work with a larger number of companies and realize optimization in larger areas. In recent years, we have been witnessing a number of disruptions/divisions in supply chains caused by various risks including climate change/infection/ geopolitical risks, etc. Considering how we will find solutions to various social issues and realize more efficient and better society, one of the important roles of the industrial circles is to improve efficiency of the supply chain as a whole. The role of logistics industry in such challenge is quite important, and I think that the logistics industry is expected to implement DX in society as a whole.
not just in limited areas by individual companies. The Group has worked on many projects with influential customers in various industries. Based on the trust relationships with them built over the years, we hope to pursue DX standard accepted by the entire industry and then DX that can be implemented beyond the industry.

Thank you. Please tell us how Logistics DX can contribute, for example, to decarbonization, one of the major social issues.

Azusawa: From the Group’s point of view, decarbonization means reduction of CO₂ emissions from transportation and logistics centers. To achieve that goal, we have started with effectively measuring the volume of CO₂ emitted by the Group and our partner companies with DX and are now working to reduce it systematically toward the reduction target. These initiatives will include the use of renewable energy as well as activities to improve work efficiency with DX.

Itotani: Based on various data provided by our customers, we perform a simulation in cyber space of the methods to reduce CO₂ emissions from transportation and logistics centers to propose them as solutions. So, by creating solutions based on our own initiatives toward decarbonization, I think we can contribute to decarbonization of our customers and industry and, furthermore, society as a whole.

Please tell us about the internal DX, another pillar of the HTS Group’s DX strategy.

Azusawa: We have been using Robotic Process Automation (RPA) as part of VC activities aimed at operational improvement through company-wide bottom-up initiatives. The introduction of RPA not only improved operation but also fostered improvement mindset, which led to the development of literacy regarding a fundamental reform. On the other hand, the core of the internal DX is promotion of Enterprise Resource Planning (ERP) and renewal of the core system. All business activities are ultimately linked to the core system, and the Group is currently replacing the legacy core system with a next generation system adaptable to changes. So, once it is completed, we will introduce the latest DX across the Group and reinforce the efforts to meet global standard.

Lastly, please tell us about your future plans in DX.

Azusawa: We will continue to respond to environmental changes in society including customers and strive to enhance our services to become a “more accommodating” company that can support decisions of customers in the entire supply chain. In terms of ESG initiatives, we aim to increase corporate value through efforts to further quantify and visualize non-financial value with internal DX and let our stakeholders know about our social value creation.

Itotani: I think the Group was selected as a “DX Certified Operator” and “DX Stock 2022” because the successful practical applications in society of “SSCV” and “SCDOS” were recognized and gained attention. DX initiatives are precisely what we should do, and we hope to spread them until DX becomes a “standard” for everyone. And then, we will also work to link such initiatives to the creation of customer and social values.

Sakurada: As I mentioned earlier, I don’t want DX to end in sporadic initiatives by individual companies, so I hope to see DX improving efficiency of the entire supply chain in real sense through social implementation. To that end, we first need to promote a full-scale DX in the Group. Specifically, we will incorporate all of our accumulated expertise on sites in RCS, establish a model through collaborative innovation with material handling manufacturers, and offer it to more customers and cargo owners.

Murakami: As I’m working closely with sites, I hope to spread DX initiatives including optimization technology and automated/labor-saving equipment, to group companies in Japan and overseas and make “Gemba” Power even stronger. At the same time, I also hope to achieve the center operation not dependent on humans, always keeping in mind to create safe and secure logistics centers for employees who actually work there, and create customer and social values.

Fang: I think there will be more opportunities to use the simulation technology in the future, so I will increase human resources capable of using it. Also, the simulation technology is now used as a stand-alone function, but I hope to spread it by installing it in Resource Control System (RCS) as a standard function and make it a tool that is accessible to workers at sites and offers better logistics services to various customers.

Yanagisawa: My plans and visions about DX are the same as others. Our department will provide cross-organizational support to the Group’s DX from the IT perspective. Various DX initiatives are currently underway within the Group, and I hope to contribute to the Group’s growth by continuing to accumulate expertise and insights on site operation through cross-organizational support and provide higher value-added services.
3PL Business (Domestic)

For logistics operation at any stage of customers’ supply chain and its peripheral operations, we provide a comprehensive outsourcing service and excellent IT/technological capabilities to support it to improve service quality and logistics efficiency. As a leading 3PL company, we provide the best logistics solution by drawing on our abundant experience and consulting capabilities and comprehensive infrastructure, as well as always lead the industry evolution by continuing to work with customers and partners to promote collaborative innovation through installation of the next-generation logistics technology using the latest technology.

Positioning of the HTS Group in the Market

As a market leader in the ever-expanding domestic 3PL market, the HTS Group comprehensively undertakes logistics operations of customers in a wide range of sectors and industries (see chart on the right). We are a pioneer of 3PL and have been providing service since the 1980s. We support supply chains in Japan with our proposal capabilities backed by abundant experience and management capabilities offered by professionals with deep customer knowledge.

Major Services

- **Procurement logistics**: We provide a comprehensive service from picking up purchased products to acceptance inspection, storage, and supply. Our high value-added services include VMI*1, assembly/painting of parts, and delivering to production lines.
- **Production logistics**: We undertake various logistics operations in the manufacturing process including management, packaging, and shipping of materials and products. Our packaging professionals provide optimal packaging solutions according to product features and logistics conditions.
- **Distribution logistics**: We provide comprehensive support from the supply chain design stage, including a review of site allocation and inventory level. We support customers to expand orders received and sales through high-quality and highly efficient logistics design and operation making full use of the latest technology.
- **Solutions**: We provide a number of high value-added solutions such as services integrating logistics and CE*2’s skills for ICT equipment and collaborative logistics services for hazardous/chemical products.

FY2021 Result

**Results**

- **Revenues**: ¥366.0 billion (YoY -¥2.2 billion)
- **Operating income**: ¥22.14 billion (YoY -0.99 billion)

**New Orders/New Startups**

- **New Orders**: 14 projects
- **New Startups**: 13 projects

FY2021 Topics

**April 2021**: Acquired a patent for “Resource Control System (RCS)” to achieve highly automated command functions in logistics centers

**May 2021**: Selected as a “DX Certified Operator” by METI of Japan

**July 2021**: Received “Advanced Technology Award” at the 22nd Logistics Environment Awards

**September 2021**: Co-awarded “METI Minister’s Award,” and “Technical Packaging Award” at the Japan Packaging Contest 2021

**September 2021**: Started a joint verification experiment to coordinate truck transportation with AI-equipped automated forklifts

**November 2021**: Received the “Award of Modal Shift Initiative Excellent Business Operator (effective usage category) in 2021”
Examples of LOGISTEED2024 Priority Measures

Expand Value-added Services (VAS) in Boundary Domain Between Manufacturing and Logistics

With an aim to expand business domains with new added value (accelerate LOGISTEED) as set forth in priority measures in the Mid-term Management Plan, we are working to further increase business value by expanding domains. We will provide VAS by focusing on enhancement of value creation in the boundary domain between manufacturing and logistics using experience and expertise in factory logistics gained through many years of our services for manufacturing customers including the Hitachi Group and transport equipment manufacturers.

Examples of VAS for manufacturing customers

- **Procurement logistics/VMI**
  - Placement of raw materials/parts orders, VMI warehouse operation, proposal of materials, pickup/milkrun, and JIT delivery

- **Manufacturing support**
  - Inspection, equipment maintenance, assembly, packing mode change, painting, product disassembly for transport, repair, and process management

- **Packaging solution**
  - Development of special packaging material, packaging test, and packaging material procurement management

In addition to general logistics services, we also provide logistics-related services in a one-stop process, including placing orders in procurement logistics, operation of VMI warehouse, parts delivery before feeding to production line, assembly and inspection in the manufacturing process, and packaging design. For example, in the logistics center for a leading machinery manufacturer, the Group contributes to optimizing the customer’s cost and delivery time by undertaking a series of processes to turn unpainted parts received from a supplier into maintenance parts ready for delivery, including painting, packaging, and packing. As a partner throughout the customers’ supply chain strategy, we will further enhance value creation beyond logistics.

Develop/Introduce a Unique Truck Loading Dock Booking Management System

We set forth “Evolve Smart Logistics” and “Solidify ESG management base” as priority measures in the Mid-term Management Plan and are working on initiatives to enhance creation of economic and social values through our businesses. For example, we endorsed the “White Logistics” movement and are working on the development and introduction of an original truck loading dock booking management system linked to Warehouse Management System (WMS), etc. Booking and allocating loading dock for truck loading at our logistics center can reduce waiting time and traffic congestion and also improve drivers’ working conditions and truck usage efficiency and reduce CO2 emissions.

The feature of the system we are developing and introducing is that, in addition to having general functions, it is also capable of linking data with existing WMS and vehicle assignment systems, enabling more efficient operation as well as practical and detailed visualization/analysis by integrating information on cargoes, work, vehicles, and loading dock availability that are usually managed separately.

We have already completed the development/introduction and verification for a model site and plan to complete the introduction to major sites of domestic group companies by FY2023 to prepare for so-called the “2024 problem”.

Message from the officer in charge

We will further enhance DX, LT, and “Gemba” Power, the strengths of our 3PL business, to increase our business value. While we aim to deliver greater economic value to customers by using digital technology to visualize and solve supply chain issues and offering VAS through physical measures, we will also further evolve Smart Logistics to enhance creation of economic and social values through our business, including addressing the “2024 problem” and contributing to a decarbonized society.

Kazuhiro Nishikawa
Vice President and Executive Officer
Executive, Higashinippon Area Headquarters, Higashinippon Area Management Headquarters
Since the expansion into Singapore in 1976, the HTS Group has been expanding internationally, with a global network of 435 sites in 28 countries and regions (excluding Japan) as of March 31, 2022. Under the policy to become a leading 3PL company in Asia set in the Mid-term Management Plan “LOGISTEED2024” and then to become a global leader by FY2030, we will support our customers’ supply chain strategies with a wide range of services.

Examples of LOGISTEED2024 Priority Measures

**Europe** Expand service area of intermodal business

Mars Logistics Group in Turkey continues to act with an understanding of doing business that respects the nature by investing in environmentally friendly intermodal (multimodal) and railway transportation. In 2021, it invested approximately 10 million Euros to purchase 90 railway wagons and opened the Halkalı (Turkey) – Kolin (Czech Republic) railway line and also significantly increased the number of trips on direct intermodal lines for Germany and Czech Republic. As intermodal and railway transportation are sustainable and reliable service fit for high amount of mass transportation, Mars Logistics offers environmentally friendly solutions by expanding these services.

**Message from local leadership**

After starting the Turkey-Italy-Luxembourg line in 2012, we continued our environmentally friendly intermodal transportation investments with Turkey-Germany and Turkey-Czech direct intermodal lines. We opened a new page in our environmental solutions with these large investments in our wagons in 2021, and we will continue our Green Logistics investments under LOGISTEED2024 by continuing our feasibility studies for new lines.

**China** Evolve into the next-generation logistics through accelerated automation/labor-saving

In China, the environment surrounding the logistics business is drastically changing, giving rise to issues such as labor shortages and supply chain disruptions. In China, where the development of automation/labor-saving equipment is advanced, our subsidiary has aggressively implemented such equipment and aims to quickly realize the next-generation logistics sites that address social issues and are not dependent on human labor. It has already installed new technologies mainly in such processes as delivery and processing for distribution and made achievements. In addition, it is focusing on improving the sustainability of logistics and making supply chain more resilient by providing high value-added services such as visualizing potential issues through DX.

**Message from the officer in charge**

As the Group operates large 3PL and freight forwarding businesses in China, experiencing the impact of COVID-19 on our business activities made us realize once again the importance of resilient, sustainable logistics services. Going forward, to contribute to our customers and society, we will increase investment in and enhance automation, labor-saving and DX, demonstrate “Gemba” power, one of our strengths, more than ever, and strengthen business platform by improving safety, quality, productivity, and work environment while focusing on reducing environmental load.

**FY2021 Result**

- **Results (overseas)**
  - Revenues: ¥268.7 billion (YoY + ¥82.5 billion)
  - Operating income: ¥12.34 billion (YoY + ¥2.74 billion)

- **New Orders/New Startups**
  - New Orders: 7 projects
  - New Startups: 9 projects

**Garip Sahillioğlu**
CEO
Mars Lojistik Grup Anonim Sirketi

**Koji Kawakita**
Chief Executive for China
(President, Hitachi Transport System (China), Ltd.)

**Message from local leadership**

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Carter Logistics, engaging mainly in auto parts logistics and transportation in the U.S., is recognized by its customers as a top service provider for cross-docking production parts and transportation of service and production parts. The Shared Milkrun, the core service of the company, is a business model that embodies priority measures of “LOGISTEED2024” by achieving maximization of trailer cubes, increased delivery efficiency to customers, and reduction of the carbon footprint simultaneously. We expect an increase in demand for such business models amid soaring supply chain costs and we will meet customer needs through the growth of the company’s Shared Milkrun business.

**Message from local leadership**

The Supply Chain marketplace in North America is characterized by a shortage of truck drivers and equipment, resulting in inflated operation costs. We have built a good relationship with our core customers over the years, and we are confident that with these partnerships we will maintain business growth and achieve the Mid-term Management Plan by continuing to offer high-quality, valuable services at an optimal cost.

**North America**

Further expand the Shared Milkrun business

**Asia**

Expand investment mainly in India, Thailand, Indonesia, and Malaysia

The HTS Group plans to increase investment in the Asian region where steady economic growth is expected. In India, one of the key countries, we purchased approximately 90,000 m² of land in Mumbai and started construction of a warehouse in April 2022. In India, we will also construct warehouses in Chennai, Delhi, and Bangalore to establish a system to provide one-stop service including global and domestic logistics. Our plan also includes a construction of a warehouse and installation of automation equipment in Thailand, site expansion in Indonesia, expansion of a warehouse for chilled/frozen products, and increase in the number of vehicles to meet expanding demand for cold chain solutions in Malaysia.

**Message from the officer in charge**

To realize the vision to “become a leading 3PL company in Asia,” we will steadily and promptly carry out specific initiatives under the growth strategy and backcasting approach. In addition, to prepare for the post-COVID-19 era, we will pursue value creation with partners in various sectors and industries to offer optimal solutions to customers’ global supply chain becoming sophisticated and complicated, mainly in Asia which is evolving from the production area for the world to the biggest consumer market.
Freight Forwarding Business

The HTS Group makes full use of its global network and seamlessly connects various transport modes including ocean, air, truck, and rail to provide optimal transport services to customers. We meet a wide range of global logistics needs of customers including one-stop logistics service integrating freight forwarding, 3PL, and heavy machinery and plant logistics and operations that require high level of expertise such as agency service for trade administration, service related to exhibitions and overseas events, and trade agreement consultation.

To achieve our vision to "become a leading 3PL company in Asia," we aim to evolve into our customers' global supply chain strategic partner by providing seamless freight forwarding service with high added value. To enhance overall business platform, we will expand our global network, the Group's strength, through M&As and collaborative innovation with partners as well as improve operational efficiency of both customers and the Company through DX and promote proposals on optimization of customers' supply chains using accumulated data. In terms of individual businesses, we positioned pharmaceutical and healthcare-related, cross-border EC logistics, and decarbonization-related project freight forwarding as major targets for expansion and will focus on initiatives to invest in and expand these growing domains.

Examples of LOGISTEED2024 Priority Measures

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Message from the officer in charge

As the world situation is rapidly changing due to persistent disruptions in international transportation network and supply shortages, we believe it is important more than ever to select the optimal freight forwarding service. The Group will continue to support our customers' supply chains and social infrastructure by steadily promoting network expansion and DX initiatives as well as providing the optimal solution for a diverse range of international transportation needs on a timely manner.

Yuichi Kuroume
President,
VANTEC HTS FORWARDING, LTD.
Heavy Machinery and Plant Logistics Business

Since its foundation in 1950, we have supported the foundation of society and industries and strived to improve transport technology by providing one-stop logistics services covering from shipping to transportation and installation of heavy products, including power plant, industrial machinery, railway cars, and precision equipment and medical equipment requiring careful handling in Japan and overseas. We will provide total logistics solutions capitalizing on our experiences and expertise we have cultivated over the years to meet a wide range of customer needs and contribute to the development of society.

FY2021 Result

- Revenues (round amount included in the reportable segments of Domestic logistics and Global logistics)
  - ¥36.9 billion (YoY + ¥1.7 billion)

FY2021 Topics

- Transported power plant to the U.S.
- Transported railway cars to Vietnam and Taiwan (ongoing)
- Expanded new energy-related business in Japan (solar, biomass, and onshore wind power)
- Continued transport of toroidal field coil for International Thermonuclear Experimental Reactor (ITER)
- Undertook one-stop transportation of compact modular boilers in Japan

Examples of LOGISTEED2024 Priority Measures

We will further enhance the business domain composed of the technologies cultivated since our founding, around 1,000 full-time employees and dedicated assets as well as take advantage of the strengths to focus on new growing sectors in the social infrastructure industry toward the realization of energy transition and decarbonization, with an aim to provide services promptly meeting customer needs and accelerate social value creation.

Message from the officer in charge

As the social environment surrounding the heavy machinery and plant logistics business drastically changes, the service domains and contents needed by customers are also rapidly changing. To rapidly adapt to these changes, we will further improve ‘Gemba’ Power and proposal capabilities, the foundation of our services, and strive to fully meet customer needs, support customers’ business activities, and establish industrial foundation that will help make the world a better place.
Reasons for the Appointment of Directors

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position</th>
<th>Reasons for the appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>①</td>
<td>Miho Aoki</td>
<td>Outside Director</td>
<td>Mr. Miho Aoki served as executive officer in Deloitte Tohmatsu Consulting Co., Ltd. (currently known as ABeam Consulting Ltd.) and held executive positions at various other firms. Based on her abundant experience in company management, she currently works as an associate professor at a university. The Company expects that she can leverage her knowledge and experience for supervising the Company’s management and thus contribute to enhancing the function of the Board of Directors.</td>
</tr>
<tr>
<td>②</td>
<td>Sayoko Izumoto</td>
<td>Outside Director</td>
<td>Ms. Sayoko Izumoto has a long career in corporate accounting at a large audit corporation and has served in various public posts. Ms. Izumoto has sufficient knowledge and experience in the field of audit and supervision of business execution. The Company expects that such knowledge and experience is beneficial for the Company’s management and can be of help in enhancing the function of the Board of Directors.</td>
</tr>
<tr>
<td>③</td>
<td>Mitsudo Urano</td>
<td>Outside Director</td>
<td>Mr. Mitsudo Urano has worked to enhance management efficiency as a top executive in manufacturing and logistics businesses and has experienced a number of positions as an outside officer at various enterprises. As the Chair of the Company’s Board of Directors as an independent officer, he is striving to invigorate the Board and enhance the quality of discussions. He also worked on the introduction of the performance-linked stock compensation plan for executive officers, as then-Chair of the Compensation Committee. The Company expects that his excellent business sense and familiarity with various management issues make him qualified to supervise the Company’s management and can be of help in enhancing the function of the Board of Directors.</td>
</tr>
<tr>
<td>④</td>
<td>Takashi Nishijima</td>
<td>Outside Director</td>
<td>After serving as the president at Yokogawa Electric Corporation and holding various executive positions in the Yokogawa group, Mr. Takashi Nishijima currently serves as the chairman of Yokogawa Electric Corporation. The Company expects that his managerial excellence and profound understanding of various management issues make him qualified to supervise the Company’s management, which will surely contribute to enhancing the function of the Board of Directors.</td>
</tr>
<tr>
<td>⑤</td>
<td>Hiroshi Maruta</td>
<td>Outside Director</td>
<td>Mr. Hiroshi Maruta has deep insights in the field of finance and accounting and has extensive experience working overseas. The Company expects that he leverages his knowledge and experience for supervising the Company’s management and contributes to enhancing the function of the Board of Directors.</td>
</tr>
<tr>
<td>⑥</td>
<td>Hajime Watanabe</td>
<td>Outside Director</td>
<td>Mr. Hajime Watanabe is an attorney at law, who is savvy about international business and trade law. The Company expects that his specialized knowledge and experience are appropriate for supervising the Company’s management and helpful to enhance the function of the Board of Directors.</td>
</tr>
<tr>
<td>⑦</td>
<td>Hiroaki Takagi</td>
<td>Director</td>
<td>Since joining the Company, Mr. Hiroaki Takagi has been engaged in domestic sales and global business mainly in China, accumulating extensive experience. Since April 2016, he has successfully executed the growth strategy in the global business as Chief Executive for China. He assumed office as President and Chief Operating Officer in April 2022, and the Company has determined that his wide-ranging business experience and insight and leadership make him qualified as a director who can contribute to the increase of its corporate value.</td>
</tr>
<tr>
<td>⑧</td>
<td>Yasuo Nakatani</td>
<td>Director</td>
<td>Since his assumption of office in June, 2013 as Representative Executive Officer, President and Chief Executive Officer and Board Director, and in April, 2022 as Representative Executive Officer, Chairman and Chief Executive Officer and Board Director of the Company, Mr. Yasuo Nakatani has been exercising strong leadership in building the Group’s value creation process as well as enhancing the economic, social, and environmental values. In the pursuit of our vision to become “the most preferred global supply chain solutions provider,” the Company has determined that Mr. Nakatani has the competence to promote the Company’s global business management and ensure continued increase of its corporate value.</td>
</tr>
<tr>
<td>Age*1</td>
<td>Registration</td>
<td>Independent Officer</td>
<td>Committee</td>
</tr>
<tr>
<td>-------</td>
<td>--------------</td>
<td>---------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>61</td>
<td>2020</td>
<td></td>
<td>Nominating</td>
</tr>
<tr>
<td>68</td>
<td>2017</td>
<td></td>
<td>Audit</td>
</tr>
<tr>
<td>74</td>
<td>2014</td>
<td></td>
<td>Audit</td>
</tr>
<tr>
<td>64</td>
<td>2020</td>
<td></td>
<td>Audit</td>
</tr>
<tr>
<td>68</td>
<td>2015</td>
<td></td>
<td>Audit</td>
</tr>
<tr>
<td>62</td>
<td>2020</td>
<td></td>
<td>Audit</td>
</tr>
<tr>
<td>59</td>
<td>2022</td>
<td></td>
<td>Audit</td>
</tr>
<tr>
<td>66</td>
<td>2013</td>
<td></td>
<td>Audit</td>
</tr>
</tbody>
</table>

*1 As of June 23, 2022  *2 Chair
Board of Directors and Executive Officers/Executive Officers
(As of September 30, 2022)

Yasuo Nakatani*2
Representative Executive Officer
Chairman and CEO

Hiroaki Takagi*2
Representative Executive Officer
President and COO

Takashi Jinguji
Executive Vice President
and Executive Officer

Nobukazu Hayashi
Executive Vice President
and Executive Officer, CFO
General Manager, Corporate Strategy Office
General Manager, Project Management Office

Seiki Sato
Senior Vice President
and Executive Officer
General Manager, Business Management Headquarters

Kazuhisa Hatakeyama
Senior Vice President
and Executive Officer
Executive, Nishinippon Area Management Headquarters

Toru Watanabe
Senior Vice President
and Executive Officer
General Manager, Safety and Quality Control Management Office
Deputy General Manager, Corporate Strategy Office

Kenji Abe
Vice President and Executive Officer
General Manager, Business Development Headquarters, Business Management Headquarters

Kazuhisa Sakaguchi
Vice President and Executive Officer
Executive, Nishinippon Area Headquarters, Nishinippon Area Management Headquarters (President and Representative Director, Hitachi Transport System West Japan Co., Ltd.)

*1 Listed in Japanese alphabetical order by title        *2 Concurrently serve as Board Director
**Corporate Governance**

### Basic Principle

At the HTS group, we consider corporate governance to be key to realizing even greater management transparency and efficiency, as well as ensuring that our business is carried out with compliance and in accordance with correct corporate ethics. By extension, the crux of corporate governance lies in increasing corporate value and sustainable development. Rooted in this basic policy, we have adopted a corporate governance structure capable of responding deftly to changes in the business environment as well as boosting soundness and transparency—namely a company with a Nominating Committee, etc. System. This means that we have effectively separated our corporate management and our business implementation—a setup that largely transfers business decision-making rights from our Board of Directors to our Executive Committee. The result is rapid decision-making and implementation on initiatives such as restructuring and strategic investment. In addition, because we believe that considering the objective opinions of many outside directors facilitates both monitoring and transparency of management, we have also established three committees overseeing nomination, auditing, and compensation respectively.

**Measures to Enhance Corporate Governance Implemented in the Past**

<table>
<thead>
<tr>
<th>Year</th>
<th>Measure</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>Transitioned to a Company with Committees (established Nominating Committee, Audit Committee and Compensation Committee)</td>
<td>To strengthen management supervision function of the Board of Directors</td>
</tr>
<tr>
<td>2014</td>
<td>Developed Criteria for Independence of Outside Directors</td>
<td>To secure independence of directors</td>
</tr>
<tr>
<td>2014</td>
<td>Appointed a female director</td>
<td>To diversify the Board of Directors</td>
</tr>
<tr>
<td>2015</td>
<td>Transitioned to a Company with a Nominating Committee, etc. System</td>
<td>To comply with the amended Companies Act</td>
</tr>
<tr>
<td>2015</td>
<td>Responded to the Corporate Governance Code Established Corporate Governance Guidelines of Hitachi Transport System</td>
<td>To strengthen governance</td>
</tr>
<tr>
<td>2016</td>
<td>Evaluated the effectiveness of the Board of Directors</td>
<td>To strengthen functions of the Board of Directors</td>
</tr>
<tr>
<td>2017</td>
<td>Appointed the second female director</td>
<td>To diversify the Board of Directors</td>
</tr>
<tr>
<td>2019</td>
<td>Evaluated the effectiveness of the Board of Directors by a third-party assessor</td>
<td>Ensured the neutrality and objectivity of the evaluation of the Board of Directors’ effectiveness</td>
</tr>
<tr>
<td>2020</td>
<td>Appointed the third female director (accumulated)</td>
<td>To diversify the Board of Directors</td>
</tr>
<tr>
<td>2020</td>
<td>Appointed an outside director as Chair of the Board of Directors</td>
<td>To strengthen functions of the Board of Directors</td>
</tr>
</tbody>
</table>

**The Current Corporate Governance System and Internal Control System**

**HTS’s Organization Design**

By using a Company with a Nominating Committee, etc. System, substantial authorities related to business execution are delegated from the Board of Directors to executive officers, who make prompt decision making about business restructuring and strategic investments. Executive Committee meeting consisting of all executive officers is held once a month in general to discuss material subjects which have impacts on the Company and the entire Group and clarify responsibilities and authorities of the executive officers.
to long-term sustainable growth and increase of corporate value.

HTS exercises its voting rights from the perspective of its medium-to-long-term sustainable growth and increase of corporate value. HTS exercises its voting rights from the perspective of its medium-to-long-term sustainable growth and increase of corporate value.

• Exercise of voting rights

HTS exercises its voting rights from the perspective of its medium-to-long-term sustainable growth and increase of corporate value.

- Policy on cross-shareholdings

HTS does not hold cross-shareholdings in principle, unless it is for a medium-to-long-term sustainable growth of the Company and increase of corporate value.

Definition of President's JD
Select candidates
Evaluate candidates
Develop candidates

• Policies regarding cross-shareholdings

HTS does not hold cross-shareholdings in principle, unless it is for a medium-to-long-term sustainable growth of the Company and increase of corporate value. Under such policy, of 26 issues held, we sold all shares of 14 issues in March 2016, one issue in October 2016 and one issue in June 2017, and we purchased one issue in March 2019; and as a result, we held 11 issues of shares as of March 31, 2022. As of March 31, 2022, the amount of cross-shareholdings accounted for less than 1% of total assets, which is insignificant on the balance sheet.

In addition, the Board of Directors evaluates every year whether to continue holding those shares from the viewpoint of the criteria for investment assessment (ROE, dividend payout ratio, and impairment risk, etc. of individual issues) and the criteria for business assessment (revenues from direct transactions with HTS, comparison with the capital cost of core businesses, credit information by third party agencies, and compliance, etc.).

Corporate Governance Guidelines


Responded to the Corporate Governance Code

HTS complies with all principles of the Corporate Governance Code including those for the Prime Market. For details, please visit "Corporate Governance Report" on the Company’s website.

Policy on cross-shareholdings

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• Exercise of voting rights

HTS exercises its voting rights from the perspective of its medium-to-long-term sustainable growth and increase of corporate value.

Succession plan

The Company has had in-depth discussions about a succession plan at the Nominating Committee and the Board of Directors. Appropriate supervision is conducted through decisions by President and Chief Operating Officer and business reporting and evaluation by executive officers at the Board of Directors.

For the development of the next-generation management members, the Company regularly selects and develops candidates, and holds discussions at the Nominating Committee. For President and Chief Operating Officer, we select candidates from the next-generation management member candidates based on the president job description (JD), give each candidate different challenges appropriate to their respective issues which they need to overcome to grow, allow them to gain experience, and evaluate and develop them taking into account the advice, etc. from the Nominating Committee.

Corporate Governance Report

Corporate Governance

Initiatives for intellectual property governance

HTS’s policy on investment and utilization strategies for intellectual property and intangible assets

In the previous Mid-term Management Plan "LOGISTEED2021," we launched new solution businesses such as "SCDOS," "SSCV," and "Recovice" with the aim of designing a supply chain that unifies the four streams of "Finance, Commerce, Logistics, and Information," working to optimize customers’ businesses and solve issues. The Group believes that intellectual property is an important management resource and provides standard protection for new service solutions or business models through the acquisition of industrial property rights including patents. In addition, we will consider protecting and adding high value to data accumulated in the course of our logistics activities, including the protection/utilization of such data to promote strategies capitalizing them on game change. In the Mid-term Management Plan "LOGISTEED2024," by focusing on "Gemba Power," we will work on visualizing DX, LT, and "Gemba Power" as intangible assets to promote the creation/utilization of further value.

Specific initiatives for intellectual property/intangible assets governance

The Group will (1) understand the current situation, (2) create scenarios for decarbonization and reduction of environmental load, (3) formulate a business plan for "game change," (4) acquire intellectual properties/intangible assets, (5) disclose necessary information, and (6) continuously implement intellectual property governance. Regarding (5), we will announce as soon as it is decided.

Policy on the positioning of material issues

Based on the environmental awareness of "LOGISTEED2024," we are visualizing CO₂ emissions and creating inventions related to decarbonization initiatives. In order to Step up DX from the DX that we have promoted so far, we will conduct surveys and secure the Group’s intellectual properties/intangible assets. In addition, we will conduct trend surveys, benchmarking, IP landscaping, etc. from a global perspective, and take necessary measures to expand our business domains.

Group’s current status

In Smart Logistics®, we have promoted DX centered on 3PL, our core business, and have accumulated knowledge and expertise through "task analysis of the customers’ supply chain" and "design and proposal for advanced operation." In line with the results of our research with Hitachi Ltd., our patent applications in the DX field have increased since 2014. In recent years, we have focused on acquiring patents on on-site DX, new businesses/business models, and applications for business-related inventions accounted for more than 85% to the Group’s total applications.

Intellectual property management system

The Intellectual Property Management Committee is established as a decision-making body on intellectual property strategy/management, which supervises the Group’s intellectual properties in a cross-organizational manner. In line with the revision of the Corporate Governance Code in June 2021, we will consider evaluation/supervision by the Board of Directors, etc. in the future.

Role of the Intellectual Property Management Committee

• Formation and development of intellectual property strategies
• Examination of invention awards
• Research/analysis of intellectual property trends
• Patent clearance and negotiations
• Response to intellectual property/intangible assets governance

Foundation Supporting Value Creation

Utilization as management resources in the global strategy and LOGISTEED2024

Packaging solutions related to renewable resources and decarbonization

Patent technology field portfolio by filing year

* First application only. The bubble size is proportional to the number of applications.
• Value creation related to intellectual property strategy-1
Resource Control System (RCS)
Resource Control System (RCS), which brings together the expertise/knowledge of automation/labor saving, is a system for total optimization based on data prediction and simulation (orchestration).
In the 3PL business, our core business, including the Resource Control System (RCS), we plan highly productive warehouse operations in the process of promoting DX in warehouses and in the process of incorporating automated/labor-saving equipment. The Group considers such warehouse operation design to be an important intellectual property and asset, and applies for a patent for necessary technologies as business-related inventions. We will accumulate and inherit intellectual properties and intangible assets that are integrated with our business to further strengthen our 3PL business.

• Value creation related to intellectual property strategy-2
SSCV-Safety*
Patent No. 7025457 “Management Support System”
Patent No. 6714036 “Management Support System”
In 2016, the Group began studying safe driving support technologies aimed at reducing the risk of accidents involving drivers, and has promoted the commercialization of these technologies as “Smart & Safety Connected Vehicle (SSCV).” With regard to SSCV-Safety, in addition to the basic logic shown in the chart, we have a patent-pending process for accident risk estimation logic (based on fatigue), and plan to develop the knowledge obtained in such process into innovation in various fields in the future.

* SSCV-Safety is provided to external parties as a solution service in collaboration with Hitachi, Ltd. and Mitsubishi HC Capital Inc.

Major Agenda Items and the Reports at the Board of Directors Meeting (FY2021)
The Board of Directors of the Company deliberates mainly agenda items related to management strategies by leaving those related to individual business execution to the executive side. In addition, in FY2020, we improved the efficiency of the Board of Directors meetings by efforts including providing sufficient explanations prior to the meetings* and we have secured sufficient time to discuss themes related to particularly important management strategies.

* For example, since FY2020, an executive officer makes an explanation instead of the secretariat. From FY2021, the monthly business results that were previously reported to the Board of Directors are reported only at preliminary briefings.

<table>
<thead>
<tr>
<th>Management strategies</th>
<th>Corporate governance</th>
<th>Business operation</th>
<th>Report from the Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic policy</td>
<td>Proposed agenda for the General Shareholders’ Meeting</td>
<td>Collaborative innovation activities</td>
<td></td>
</tr>
<tr>
<td>Next Mid-term Management Plan</td>
<td>Evaluation of the effectiveness of the Board of Directors</td>
<td>VC activities</td>
<td></td>
</tr>
<tr>
<td>Progress of LOGISTEED2021</td>
<td>Corporate Governance Report</td>
<td>Transport Business Enhancement Project</td>
<td></td>
</tr>
<tr>
<td>Capital policy</td>
<td>Agenda of the Board of Directors (annual plan)</td>
<td>Fire at Mashima Sales Office</td>
<td></td>
</tr>
<tr>
<td>Funding plans (dividend policy, growth investment and borrowings, etc.)</td>
<td>Appointment of Executive Officers</td>
<td>Report on execution of duties by Executive Officers, etc.</td>
<td></td>
</tr>
<tr>
<td>Dividends and method of surplus appropriation</td>
<td>Appointment and notification of independent officers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business investments</td>
<td>Conclusion of a limited liability agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancellation of treasury stock</td>
<td>Conclusion of D&amp;O insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resource strategy</td>
<td>Selection of members of the Special Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion of Diversity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Risk Management (ERM)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Climate change and other sustainability</td>
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<tr>
<td>Digital transformation</td>
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<td></td>
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<tr>
<td>Cybersecurity measures</td>
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<tr>
<td>Quality assurance</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Pipeline expansion projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring (Transformation)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial results, etc.</td>
<td></td>
<td></td>
<td>Reports from the Companies</td>
</tr>
<tr>
<td>Approval of financial statements and business reports</td>
<td></td>
<td></td>
<td>- Reports from the Nominating, Audit, and Compensation Committees</td>
</tr>
<tr>
<td>Annual securities reports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revision of management WACC</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Composition ratio by agenda item (FY2021)

Average length of monthly regular Board of Directors’ meetings

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours</td>
<td>3.8</td>
<td>3.7</td>
<td>3.4</td>
<td>3.3</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Hitachi Transport System, Ltd. Integrated Report 2022
Foundation Supporting Value Creation

Corporate Governance
(Analysis and Evaluation of Effectiveness of the Entire Board of Directors, and the Result)

Results of Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company, pursuant to Article 4, Section 7 “Board Self-Evaluation” of its Corporate Governance Guidelines, evaluates the effectiveness of its Board of Directors (BOD) annually. To evaluate the BOD’s effectiveness for the fiscal year ended March 31, 2022 (FY2021), the Company first asked all its directors to complete a questionnaire survey and then reviewed the results, with a focus on addressing the identified issues and the need to improve the BOD’s operation. For the fiscal year ended March 31, 2020 (FY2019), the Company, in addition to conducting a self-assessment of the BOD, engaged Japan Board Review Co., Ltd., a third-party assessor, to conduct an impartial and objective evaluation of the BOD for the first time. The Company intends to retain an independent assessor to evaluate its BOD every third year. Results of the self-assessments by the BOD and the three Committees for FY2021 are as follows:

Self-Assessment by the BOD

Six of the nine BOD members are independent outside directors, two of whom are women. The BOD comprises a certified public accountant, a scholar, two lawyers, and other members with a wealth of professional expertise and experience in a diverse range of fields such as corporate management, finance, and accounting. BOD meetings convened during FY2020 were chaired by one of these independent outside directors. Matters to be deliberated at each BOD meeting were proposed by the Chair, based on an annual plan resolved by the BOD at the beginning of the fiscal year as well as on the results of each Executive Committee meeting that the Chair attended throughout the year. Matters deliberated at BOD meetings during FY2021 consisted of management strategies (36%), corporate governance (25%), and business operation and others (39%), which reflected the BOD’s decision to spend less time making and approving decisions on specific business actions and spend more time discussing in depth the Company’s fundamental management issues, based on the results of the BOD’s self-assessment for FY2020. The BOD met 16 times during FY2021. The principle of holding a BOD meeting every month was appropriate, and the annual plan for BOD meetings incorporated prior input from its members and covered all bases.

Reflecting the results of the self-assessment conducted for FY2020, the BOD met five times during FY2021 to have preliminary and high-level discussions on updating the Company’s Mid-term Management Plan (MTMP) for FY2022-2024. Prior to the full-member sessions, outside directors provided their expert insights into the following four key initiatives to be incorporated into the MTMP for FY2022-2024: (1) driving the Group’s top-line growth, (2) transforming the Group’s organizational structure, (3) revisiting the Company’s talent management strategy, and (4) implementing DX solutions. The expert opinions and ideas provided by outside directors helped clarify key issues to be deliberated on at the full BOD meetings. Furthermore, outside directors kept in touch with each other via online sessions to exchange ideas as to how the Company can sustain its business growth and increase its medium- and long-term enterprise value.

Self-Assessments by the Three Committees

The self-assessments by the Three Committees are stated on the following page.

General Shareholders’ Meeting (Notice of convocation)
https://www.hitachi-transportsystem.com/en/ir/meeting/

Attendance record of Board of Directors meetings and Committee meetings in FY2021

<table>
<thead>
<tr>
<th>Name</th>
<th>Registration</th>
<th>Positions and assignments in the Company in FY2021</th>
<th>Number of attendances for the Board of Directors meetings during FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miho Aoki</td>
<td>2020</td>
<td>Outside Director</td>
<td>16/16</td>
</tr>
<tr>
<td>Sayoko Izumoto</td>
<td>2017</td>
<td>Outside Director</td>
<td>16/16</td>
</tr>
<tr>
<td>Mitsudo Urano</td>
<td>2014</td>
<td>Outside Director Chair of the Board of Directors</td>
<td>16/16</td>
</tr>
<tr>
<td>Takashi Nishijima</td>
<td>2020</td>
<td>Outside Director</td>
<td>16/16</td>
</tr>
<tr>
<td>Tetsu Fusayama</td>
<td>2016</td>
<td>Outside Director</td>
<td>16/16</td>
</tr>
<tr>
<td>Hiroshi Maruta</td>
<td>2015</td>
<td>Outside Director</td>
<td>16/16</td>
</tr>
<tr>
<td>Hajime Watanabe</td>
<td>2020</td>
<td>Outside Director</td>
<td>16/16</td>
</tr>
<tr>
<td>Takashi Jinguji</td>
<td>2016</td>
<td>Representative Executive Officer Executive Vice President and Executive Officer</td>
<td>16/16</td>
</tr>
<tr>
<td>Yasuo Nakatani</td>
<td>2013</td>
<td>Representative Executive Officer President and Chief Executive Officer</td>
<td>16/16</td>
</tr>
</tbody>
</table>

* The colored frames indicate respective Committees with the upper part showing the name of the Committee to which a director belongs or chairs and the lower part showing his/her attendance records during FY2021.
Corporate Governance (Officers’ Compensation, etc.)

Compensation Committee’s Policy and Process for Determining the Amount of Compensation, etc. of Directors and Executive Officers
As the HTS Group positions officers’ compensation, etc. as one of the important pillars underpinning corporate governance, we have in place the following compensation governance to ensure that our officers will work toward our brand slogan “Taking on the Future” and our business concept “LOGISTEED” under our corporate philosophy and operate the compensation program according to our basic policy on the compensation plan for officers to deliberate and decide their compensation, etc.

- **Compensation Governance**
- **Operation policy, etc. for the Compensation Committee**

We are in compliance with the Companies Act pertaining to a company with a Nominating Committee, etc., and stipulate rules on the Compensation Committee as follows.

**Functions of the Compensation Committee**
The Compensation Committee is responsible for determining details of compensation, etc. of each director and executive officer and shall have the authority of the followings:
- Determine the policies to determine the details of compensation of each director and executive officer
- Select the member of the Compensation Committee who can convene the Board of Directors
- Select the member of the Compensation Committee who reports on the execution of duties by the Committee to the Board of Directors
- Determine the matters delegated by the General Shareholders’ Meeting to decide
- Other matters stipulated by laws and regulations

**Size and composition of the Compensation Committee**
The Compensation Committee consists of more than three members selected from directors by a resolution of the Board of Directors, with the majority being outside directors.

**Operation of the Compensation Committee**
- Details of compensation are determined at the level commensurate with the ability and responsibilities required of the Company’s officers, taking into account the compensation level of other companies.
- The Compensation Committee reviews the above policy on a regular basis.

In determining details of compensation, etc. for each director and executive officer of the Company, the Compensation Committee deliberates appropriately based on objective, necessary and sufficient information including recent status of the officers’ compensation, point of discussion, and other companies’ plans while collecting information and seeking advice from external compensation consultants on the basic policy, compensation structure, performance-linked compensation scheme, and individual payments, etc. of our compensation plan for officers. We hire Willis Towers Watson as the external compensation consultant.

- **Activity Status of the Compensation Committee in Determining the Compensation Amount for the Recent Fiscal Years**
The composition of the Compensation Committee during the process to determine the compensation amount for the recent fiscal years is as follows:
- Three members (including two outside directors)
- Compensation Committee Chair (outside director) Ms. Izumoto, Director
- Compensation Committee Member (outside) Mr. Nishijima, Director
- Compensation Committee Member (inside) Mr. Nakatani, Director, Representative Executive Officer, Chairman and Chief Executive Officer

The Compensation Committee meetings to determine the compensation amount for the recent fiscal years were held four times in December 2020, March, June 2021 and May 2022, with the Chair and all members attending in all meetings (attendance rate: 100%).

For director compensation, etc. for FY2021, the Compensation Committee deliberated and determined compensation, etc. for each director on June 22, 2021 in accordance with the determination policy, established by the Compensation Committee on December 22, 2020.

For executive officer compensation, etc. for FY2021, the Compensation Committee deliberated and determined compensation, etc. for each executive officer on March 26, 2021 and performance-linked compensation for each executive officer on May 19, 2022 in accordance with the determination policy, established by the Compensation Committee on December 22, 2020.

- **Compensation Program**
- **Basic policy on the compensation plan for officers**

Our basic policy on the compensation plan for officers is as follows:
- Ensure that the plan is designed to reflect the evaluation for the Company’s social position while always keeping in mind 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”
- Ensure that the plan is designed to reflect the evaluation for aggressive challenges to create "new value" and realize "dynamic growth" based on Smart Logistics and collaborative innovation strategies under our business concept “LOGISTEED”
- Ensure that the plan is designed to appropriately reward highly capable management personnel who can contribute to the Company’s sustainable development and an increase in long-term corporate value
- Ensure that the plan is designed to motivate officers to achieve performance targets, reflect potential risks associated with efforts for such achievement and function as a sound incentive toward the Company’s sustainable growth
- Ensure that the plan is designed to encourage the management to work together toward increasing corporate value and achieving the targets of the company-wide strategies

- **Policy on the determination of the composition ratio of performance-linked compensation and other compensation**

We determine the composition ratio of performance-linked compensation and other compensation in accordance with the basic policy on the compensation plan for officers. In determining the composition ratio of performance-linked compensation and other compensation, we benchmark our compensation levels against those of peer companies with similar business size based
on the "management compensation database" compiled by the external compensation consultant every year to verify the appropriateness of our compensation levels and then determine the compensation levels, etc. for officers commensurate with the ability and responsibilities, etc. required for each position.

**Director compensation, etc.**

Director compensation levels are comprised of basic compensation which is fixed monetary compensation. Basic compensation reflects factors such as full-time or part-time service and position and is determined based on the deliberation at the Compensation Committee and is paid at a certain time every month. Directors who also serve as executive officers do not receive additional compensation, etc. as directors.

**Executive officer compensation, etc.**

Executive officer compensation levels are comprised of a combination of basic compensation and performance-linked compensation (annual bonus and stock compensation) as shown below, and determined by reflecting executive's performance review in a base amount commensurate with his/her position. Basic compensation is paid at a certain time every month, and annual bonus is paid once a year at a certain time, and stock compensation is paid at a certain time after the evaluation period of three fiscal years.

**Overview of composition and payment method of compensation**

<table>
<thead>
<tr>
<th>Composition of compensation</th>
<th>Basic compensation</th>
<th>Performance-linked compensation</th>
<th>Stock compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment method</td>
<td>Cash</td>
<td>Share + Cash</td>
<td></td>
</tr>
</tbody>
</table>

The composition ratio of executive officers’ compensation, etc. by type reflects the level of management responsibility with higher ratio of performance-linked compensation for senior officers. The table below shows the ratio of each compensation element by position with basic compensation being 100. The ratio of performance-linked compensation is calculated using the standard amount assuming a 100% achievement of the Company’s performance targets.

**Ratio of each compensation element**

<table>
<thead>
<tr>
<th></th>
<th>Basic compensation</th>
<th>Performance-linked compensation</th>
<th>Stock compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>100</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Executive vice president</td>
<td>100</td>
<td>40–41</td>
<td>40–41</td>
</tr>
<tr>
<td>Senior vice president/Year president</td>
<td>100</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Executive Officer</td>
<td>100</td>
<td>34–38</td>
<td>14–16</td>
</tr>
</tbody>
</table>

The ratio of performance-linked compensation is calculated using the standard amount assuming an achievement of the performance targets.

**KPIs for performance-linked compensation, reasons for selecting KPIs, and method to determine the compensation amounts**

**Annual bonus**

Annual bonus is linked to the achievement level of the consolidated performance targets, division missions, and individual missions for a single year. KPIs and reasons for selecting them are as follows. In evaluating the performance, the payment rate is calculated based on the achievement level of the targets, and the amount calculated using such payment rate is assessed and finalized at the Compensation Committee held after the year-end.

The payment rates based on the respective evaluation of the elements linked to consolidated performance, division missions, and individual missions fluctuate independently between 0 and 2 times, and the amount of annual bonus fluctuates between 0% to 200% of the standard amount determined for each position for a single year.

**Composition of annual bonus and KPIs**

<table>
<thead>
<tr>
<th>Elements</th>
<th>Eligible officers</th>
<th>KPIs</th>
<th>Reasons for selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated performance</td>
<td>All executive officers</td>
<td>Revenues for a single year</td>
<td>Because it is a financial indicator of the business scale</td>
</tr>
<tr>
<td>Division missions</td>
<td>Executive officers in charge of profit centers</td>
<td>Adjusted operating income for a single year</td>
<td>Because it is a financial indicator of the results from the main business activities</td>
</tr>
<tr>
<td>Individual missions</td>
<td>All executive officers</td>
<td>Indicators, etc. that do not show up on the financial results, etc.</td>
<td>Because they evaluate management activities that do not show up on the financial results, such as improvement of the Company's social position</td>
</tr>
</tbody>
</table>

*Calculated as "Adjusted operating income-Revenues - Cost of sales - Selling, general and administrative expenses"

**Stock compensation**

Stock compensation aims to raise executive officers' awareness to contribute to improving medium-to-long-term performance and corporate value by clarifying the relationship between their compensation and the Company's performance and equity value to let them share benefits and risks associated with stock price movements with shareholders.

For the evaluation period of three consecutive fiscal years from FY2021 to FY2023, officers are granted the base points (1 point = 1 share) calculated as the standard amount determined for each position divided by the Company's stock price in the trust before the start of the evaluation period (average of the closing prices in March), and such number of the Company's common stock as is calculated by multiplying the base points by the share grant ratio reflecting the performance evaluation (the "Company's Share") are granted after the evaluation period. When the Company’s Share is granted, approx. 50% of them are sold at the stock market to secure cash for tax payment, and the proceeds will be paid.

**Evaluation period**

Performance evaluation indicators are the Company's TSR/TOPIX growth rate and consolidated ROE (ratio of net income to equity attributable to stockholders of the parent company). The reason for selecting these indicators is that the Company’s TSR/TOPIX growth rate directly reflects the result of our efforts to create corporate value, and consolidated ROE is one of our important indicators of our management strategies with the target of over 10% for FY2021 included in the Mid-term Management Plan "LOGISTEED2021." For the evaluation based on consolidated ROE, a three-year average value is used to evaluate our corporate management which aims to maintain and improve efficiency continuously. A 50% evaluation weight is given to each of the Company’s TSR/TOPIX growth rate
If the consolidated ROE (average of three years) of 12% is achieved, the share grant ratio is 100%. If consolidated ROE (average of three years) is over 12%, the share grant ratio is the maximum of 150%, and if less than 50%, the share grant ratio is 0%.

The calculation methods for the Company’s TSR/TOPIX growth rate and incentive curves
The calculation methods for the Company’s TSR/TOPIX growth rate and incentive curves are as follows:

The Company’s TSR/TOPIX growth rate (%) = The Company’s TSR (%) ×/ TOPIX growth rate (%) ×

(Rounded to the nearest percent)

*2 The Company’s TSR (%) = (E+C)/A (rounded to the nearest percent)
B. Average closing price of the Company’s stock at TSE in May 2024 (rounded down to the nearest yen)
C. Total dividend amount per share of the Company’s stock from April 1, 2021 to March 31, 2024

*3 TOPIX growth rate (%) = E/D (rounded to the nearest percent)
D. Average closing value of TOPIX at TSE in May 2021 (rounded to the nearest point)
E. Average closing value of TOPIX at TSE in May 2024 (rounded to the nearest point)
F. For the purpose of this calculation, we will apply the criteria for TOPIX before the reclassification of the new market segments in April 2022 to ensure consistency at the beginning and end of the evaluation period.

If the performance target for the Company’s TSR/TOPIX growth rate of 120% is achieved, the share grant ratio will be 100%. If the Company’s TSR/TOPIX growth rate is 180% or more, the share grant ratio is the maximum of 150%, and if less than 50%, the share grant ratio is 0%.

Incentive curve of consolidated ROE
(Average consolidated ROE for the period from FY2021 to FY2023)
The incentive curve of consolidated ROE is as follows.

If the consolidated ROE (average of three years) of 12% is achieved, the share grant ratio is 100%. If consolidated ROE (average of three years) is over 12%, the share grant ratio is the maximum of 150%, and if 8% or less, the share grant ratio is 0%.

Compensation amount of directors and executive officers
■ Relationship between actual compensation and performance

Total compensation amount by officer category and total amount by type of compensation
Total compensation amount by officer category and total amount by type of compensation for directors and executive officers are as follows:

<table>
<thead>
<tr>
<th>Officer category</th>
<th>Total amount of compensation, etc. (Million yen)</th>
<th>Total amount by type of compensation, etc. (Million yen)</th>
<th>Number of eligible officers (persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding outside director)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Executive Officer</td>
<td>789</td>
<td>504</td>
<td>285</td>
</tr>
<tr>
<td>Outside Director</td>
<td>109</td>
<td>107</td>
<td>2</td>
</tr>
</tbody>
</table>

(Note)
1. The number of eligible officers for directors’ compensation, etc. excludes two directors who serve concurrently as executive officers.
2. The compensation is based on the resolution at the Compensation Committee for compensation for FY2021 of directors and executive officers who served from April 1, 2021 to March 31, 2022.
3. The detailed amount of non-monetary compensation, etc. for executive officers is 108 million yen of performance-linked compensation.

Targets and results of KPI related to performance-linked compensation of the recent fiscal years
Performance-linked compensation of the recent fiscal years are comprised of annual bonuses and stock compensation. However, FY2021 compensation is comprised only of annual bonus as stock compensation is based on the performance evaluation from FY2021 to FY2023.

The Compensation Committee deliberated and determined individual annual bonus amount based on the achievement level of FY2021 targets for revenues and adjusted operating income, which are consolidated performance indicators for annual bonus, in comprehensive consideration of the achievement level of division missions and individual missions. Targets and results of revenues and adjusted operating income for FY2021 are as follows:

Targets (initial plan)
Revenues: ¥690.0 billion (YoY +6%)
Adjusted operating income: ¥37.5 billion (YoY +2%)

Results
Revenues: ¥743.6 billion (YoY +14%)
Adjusted operating income: ¥38.696 billion (YoY +5%)

The reason why the Compensation Committee concluded that the details of individual directors and executive officers’ compensation for the recent fiscal years comply with the policy on the determination of compensation amount, etc. of directors and executive officers
The Compensation Committee concluded that its decision is in compliance with the determination policy as the Committee assesses the compensation amount of individual directors and executive officers based on a comprehensive deliberation, including consistency with the determination policy.
Compliance/Information Security

Compliance
In order to ensure management in compliance with laws and regulations, the HTS Group has put in place a system to clarify compliance functions and set a compliance basic policy, including matters concerning anti-corruption, to be observed by all officers and employees, to ensure thorough compliance with laws and regulations, company rules, and corporate ethics. We have also established “HTS Group Code of Conduct” defining how all officers and employees should act in their daily operations as it is vital for the entire group not only to comply with laws and regulations, including anti-corruption laws and competition laws, but also to act in accordance with corporate ethics in order to meet trust and expectations of the society.

- Compliance education
To build a solid corporate culture that will not accept any compliance violations, we provide rank-based group trainings for compliance education targeting new employees, young employees, new assistant managers/managers, and new directors of domestic group companies, in addition to e-learning for all employees including officers, for the purpose of deepening understanding of anti-corruption laws, warehousing business law, etc. We also have training programs tailored to the business of group companies and the training sessions travelling around sites by the Legal Department.

- Procurement compliance education
To ensure fair procurement activities, we provide e-learning for procurement compliance targeting all employees, as well as special e-learning and group trainings on a regular basis for those engaging in procurement in domestic and overseas group companies.

Number of companies implementing education for those engaging in procurement (FY2021)

Domestic: 19 companies Overseas: 35 companies

- Whistle-blowing system
The Group has established a whistle-blowing system with internal and external points of contact for reporting, which allows employees and other stakeholders to report illegal and/or inappropriate actions without hesitation in order to detect and correct them early on.

- Poster for dissemination of whistle-blowing system
To further improve internal awareness of “HTS Group In-company Compliance Reporting System”, posters for dissemination were prepared in 20 languages and posted in each office.

HTS Group Code of Conduct (Japanese version only)

For details of compliance information, please visit our website.

Information Security
We recognize that the highest priority is to properly manage and protect information assets of customers and the HTS Group, and accordingly the entire Group has been promoting the preparation of internal rules as well as education and awareness activities for employees. As part of our efforts to prevent information leakage and maintain a high-level security, we revise the internal rules in keeping with changes in social conditions and the overseas trend regarding personal information protection and confirm the management and operation status of personal information protection and information security. We are also enhancing governance across the entire Group and working on education and simulation trainings for targeted threat emails for employees, responses to GDPR* in EU and other relevant laws in other countries, and personal information protection in Japan and overseas, in an effort to maintain and bolster security levels to provide safe and secure logistics services to customers.

- Education and training for personal information protection/information security
In addition to e-learning for all employees, we provide rank-based group trainings for information security education targeting new employees, mid-career employees, and assistant managers/managers. Simulation trainings to cope with targeted threat emails are also conducted every year.

Attendance rate of information security training course (FY2021)
Scope: HTS, domestic/overseas group companies
100%

Rate of targeted threat emails for simulation trainings opened (FY2021)
Scope: HTS, domestic group companies
6.0%

- Acquisition and maintenance of third-party certification
Privacy mark/Information Security Management System (ISMS)
HTS and its domestic group companies have acquired the Privacy Mark certification which certifies that a business operator has established a system to take appropriate measures to protect personal information. We have also acquired ISO/IEC 27001 which is an international standard certifying that an information security management system satisfies certain criteria.

Privacy mark acquisition status at HTS and its domestic group companies (As of March 31, 2022)
12 companies

ISMS Certification* (As of March 31, 2022)
20 departments

Customer privacy
In FY2021, there were no complaints filed for the violation of customer privacy.

For details of information security, please visit our website.

* General Data Protection Regulation (GDPR): A regulation established by EU to protect personal data and privacy, which imposes severe restrictions on the handling of personal data (processing and transfer) by companies and organizations.
Risk Management

The HTS Group strives to manage risks that are difficult to foresee and require company-wide countermeasures by sharing risk recognition, visualizing risks, selecting priority risks and examining relevant measures, with an aim to increase corporate value and achieve sustainable growth.

Definition and classification of risks
The HTS Group defines risk as “the influence of uncertainty about our objectives and the possibility to influence the achievement of our strategy and business goals when an event occurs.”

We classify recognized risks as follows based on their type (strategic or pure) and factor (internal or external) to select “priority risk” that are highly likely to occur and have material impact and focus on discussing countermeasures against them.

The HTS Group’s risk management system
The HTS Group manages risks by appointing a Risk owner*1 and a Risk manager*2 for each risk factor. When creating an annual budget, risk items are identified and their quantification and responses are discussed, and risk owners or risk managers report the status of relevant risk items to the Executive Committee and also to the Board of Directors and the Audit Committee when necessary, in order to ensure effectiveness of Enterprise Risk Management (ERM).

*1 Risk owner: A person in charge of discussing risk responses and monitoring/supervising the implementation of measures.
*2 Risk manager: A person in charge of addressing risks in cooperation with a Risk owner and promptly implementing relevant measures.

Response to Large-scale Disasters
With respect to the risks associated with natural disasters and infectious diseases which occur frequently in recent years, the Group has implemented countermeasures to fulfill its responsibilities in dealing with them based on the BCP policies and measures determined by the Business Continuity Management Committee (BCM), chaired by the President and COO, with an aim to continue its business operation and provide high quality services to our customers even when faced with these risks.

Topics

Preventive Measures Against the Spread of COVID-19
We developed the “Guideline amid the spread of infection” based on the policy released by the Japanese government and Keidanren (Japan Business Federation) and have been working to prevent the spread of infection at workplace. In FY2021, we conducted workplace vaccination three times for employees, other stakeholders, and their family members to increase vaccination rates and also distributed face masks and sanitizers to reduce infection risks. We will continue our efforts to prevent infection and spread of COVID-19.

As for disaster preparedness measures and BCM/BCP promotion system, please visit our website.
## Risk Management

### 1 Growth risk

<table>
<thead>
<tr>
<th>Risk factors</th>
<th>Description of risk/opportunity</th>
<th>Impacts when risk occurs</th>
<th>Group’s measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Concentration/ dependence on specific customers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Impact on business results and continued employment by losing projects</td>
<td>Sharp drop of revenues and profit due to poor performance or bankruptcy of customers and a significant increase in liabilities due to uncollectible accounts receivable</td>
<td>Account management through enhanced collaboration among group companies and divisions</td>
</tr>
<tr>
<td>Opportunity</td>
<td>Efficient business expansion and able to take advantage of scale</td>
<td>Downsizing of the business base</td>
<td></td>
</tr>
<tr>
<td><strong>Changes in a business model (technological innovation, etc.)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Obsolescence of existing services and business models due to rapid development of IT and other digital technologies</td>
<td>Loss of competitive advantages in the logistics industry</td>
<td>Develop new services and unique business models through collaborative innovation with business partners</td>
</tr>
<tr>
<td>Opportunity</td>
<td>Acquisition of growth opportunities through the development of revolutionary technology</td>
<td>Decrease in competitiveness due to delayed response to digitalization</td>
<td>Collect information on new business models including new technologies and different industries as well as benchmark other companies</td>
</tr>
<tr>
<td><strong>Securing human resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Labor shortage due to tighter regulation on drivers’/over time work by the Work Style Reform Act</td>
<td>Stagnation of the business</td>
<td>Expand network of partner companies and secure workforce by enhancing recruitment of in-house drivers (increase company vehicles) including reviewing drivers benefit</td>
</tr>
<tr>
<td>Opportunity</td>
<td></td>
<td>Increase in market competitiveness</td>
<td>Visualize human resource skills using the HR management system and make full use of skills</td>
</tr>
<tr>
<td><strong>Decrease in new orders received</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Difficulty in securing excellent human resources due to aging population combined with a declining birth rate and intensifying competition in the labor market</td>
<td>Decrease in market competitiveness</td>
<td>Secure human resources with site management, global, digital, and business management capabilities according to the business strategy (Enhance recruiting and establish a compensation system)</td>
</tr>
<tr>
<td>Opportunity</td>
<td></td>
<td>Slowdown in corporate growth</td>
<td>Enhance in-house training programs to foster and educate human resources</td>
</tr>
<tr>
<td><strong>Failure to acquire orders in existing projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Failure to acquire orders in existing projects due to a bidding system, etc.</td>
<td>Decrease in market competitiveness</td>
<td>Perform human resource retention control (create a pleasant working environment)</td>
</tr>
<tr>
<td></td>
<td>Business plan mistakes</td>
<td>Slowdown in business expansion due to a decline in customer trust</td>
<td></td>
</tr>
</tbody>
</table>

### 2 Environmental change risk

<table>
<thead>
<tr>
<th>Risk factors</th>
<th>Description of risk/opportunity</th>
<th>Impacts when risk occurs</th>
<th>Group’s measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sharp increase in cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Increase in procurement costs (fuel, car allocation expenses, and labor costs)</td>
<td>Decrease in profitability due to failure to collect adequate for corresponding to the increase in cost</td>
<td>Build close relationships with partner companies</td>
</tr>
<tr>
<td>Opportunity</td>
<td>Decrease in procurement costs</td>
<td>Decrease in reputation due to bankruptcy of customers and a significant increase in liabilities due to uncollectible accounts receivable</td>
<td>Optimize fees based on the movements of peer companies</td>
</tr>
<tr>
<td><strong>Sharp fluctuation of exchange rates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Exchange loss</td>
<td>Decrease in profit due to exchange loss (items below EB during the income statement)</td>
<td>Establish and manage exchange risks (centralize transactions such as forward exchange contracts and currency options in the head office)</td>
</tr>
<tr>
<td></td>
<td>Negative impact of translation of business results of overseas subsidiaries into Japanese yen due to sharp fluctuation of exchange rates</td>
<td>Decrease in profits and due to negative impact of translation of business results of overseas subsidiaries into Japanese yen</td>
<td>Enter into hedge transactions including forward exchange contracts with financial institutions</td>
</tr>
<tr>
<td>Opportunity</td>
<td>Exchange gain</td>
<td>Ratio of global business in revenues and adjusted operating income in FY2021</td>
<td>Maintain a balance of foreign currencies and continue investment in time deposits</td>
</tr>
<tr>
<td><strong>Climate change</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Impact on realization of sustainable society</td>
<td>Increase in carbon footprint due to climate change and cost increase due to tightening or introduction of regulations on greenhouse gas emissions</td>
<td>Establish an environmental management system and promote relevant activities</td>
</tr>
<tr>
<td></td>
<td>Rise in greenhouse gas emissions price</td>
<td>Suspension of the logistics business due to intensifying extreme weather</td>
<td>Strengthen alliance with collaborative innovation partners to achieve the medium- to long-term environmental targets (procurement of renewable energy, introduction of advanced eco-friendly vehicles, energy-saving buildings and facilities, and recycling)</td>
</tr>
<tr>
<td></td>
<td>Increase in average temperature</td>
<td>Develop decarbonizing solutions (visualization of CO₂ emissions) and promote green logistics</td>
<td></td>
</tr>
<tr>
<td>Opportunity</td>
<td>Use of more efficient transportation modes and production and distribution processes</td>
<td>Ability to diversify business activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ability to diversify business activities</td>
<td>Alternative/diversified resources</td>
<td></td>
</tr>
</tbody>
</table>
### Operational risk

<table>
<thead>
<tr>
<th>Risk factors</th>
<th>Description of risk/opportunity</th>
<th>Impacts when risk occurs</th>
<th>Group’s measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occurrence of incidents</td>
<td>Risk - Occurrence of industrial accident, fire, vehicle or product accidents</td>
<td>• Compensation for losses caused by accidents or fires to products or the affected people, and payment of damage compensation to the affected people</td>
<td>• Enhance disaster prevention/mitigation capabilities by providing education and trainings and installing equipment and systems&lt;br&gt;• Maintain proper insurance for assets in custody (inventory)</td>
</tr>
<tr>
<td>Compliance violations (violation of the labor law, bribery, infringement on human rights, etc.)</td>
<td>Risk - Violation of overtime regulations, etc.&lt;br&gt;• Disagreement with the authority on the interpretation of equal pay for equal work&lt;br&gt;• Violations of laws and regulations such as bribery and competition law&lt;br&gt;• Deviation from social norms&lt;br&gt;• Infringement on intellectual property rights&lt;br&gt;• Infringement on human rights including harassments, child labor, and low-wage labor</td>
<td>• Impairment of corporate value due to decline in social trust&lt;br&gt;• Decrease in revenues and profit due to decline in customer and social trust</td>
<td>• Establish the HTS Group Code of Conduct and educate all employees&lt;br&gt;• Introduce a whistle-blowing system&lt;br&gt;• Conduct investigation and education by legal divisions in each region&lt;br&gt;• Establish a structure to manage an attendance management system&lt;br&gt;• Clarify wage calculation method&lt;br&gt;• Establish a specialized IP division and educate all employees</td>
</tr>
<tr>
<td>Deterioration in service quality</td>
<td>Risk - Loss of customer trust&lt;br&gt;• Detriment in service quality and delays in delivery, etc.</td>
<td>• Decrease in revenues and profit due to decline in customer and social trust&lt;br&gt;• Compensation for losses such as reimbursement due to the incidents</td>
<td>• Manage KPIs by quality control divisions&lt;br&gt;• Quality control through process management&lt;br&gt;• Conduct monitoring based on the internal control system, perform audit, and enhance support</td>
</tr>
<tr>
<td>System failure</td>
<td>Risk - Significant delay in work or suspension of operations due to power outage or system failure caused by natural disasters&lt;br&gt;• Significant delay in work or suspension of operations due to system failure at external service providers&lt;br&gt;• Delay in operations due to deterioration of system response</td>
<td>• Compensation or penalty for customers’ opportunity loss due to delay in work&lt;br&gt;• Impairment of corporate value due to decline in social trust&lt;br&gt;• Decrease in revenues and profit due to decline in customer and social trust&lt;br&gt;• Expenses related to recovery or renovation</td>
<td>• Introduce redundant system&lt;br&gt;• Prepare alternative means in case of failure&lt;br&gt;• Strengthen backup measures for system recovery and conduct on-site training&lt;br&gt;• Implement measures for each service used and BCP</td>
</tr>
</tbody>
</table>

### Hazard risk

<table>
<thead>
<tr>
<th>Risk factors</th>
<th>Description of risk/opportunity</th>
<th>Impacts when risk occurs</th>
<th>Group’s measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severe disasters and global expansion of infectious disease (pandemic)</td>
<td>Risk - Damage to employees&lt;br&gt;• Disruption of logistics network&lt;br&gt;• Damage to the Group’s assets (e.g., buildings and facilities) and customers’ products</td>
<td>• Decrease in revenues due to impacts on business (e.g., shutdown)&lt;br&gt;• Restoration cost and impairment of assets</td>
<td>• Assess business interruption risk in each region&lt;br&gt;• Develop BCP (business continuity plan) for early business recovery (including pre-consultation with customers and business partners)&lt;br&gt;• Establish rules for information collection and work regulations as a global organization in case of pandemic&lt;br&gt;• Carry out BCR (business continuity management)</td>
</tr>
<tr>
<td>Threat to capital</td>
<td>Risk - Changes in capital policies of major shareholders&lt;br&gt;• Change of control as a result of acquisition of large number of the Company’s shares by a specific investor</td>
<td>• Decline of initiative of the current management&lt;br&gt;• Impact on corporate value of material changes in capital structure</td>
<td>• Increase corporate value to grow market capitalization&lt;br&gt;• Active communication with shareholders&lt;br&gt;• Invest in growth opportunities&lt;br&gt;• Increase shareholder returns</td>
</tr>
<tr>
<td>Loss/leakage of information</td>
<td>Risk - Loss or leakage of data such as customer information due to an information security incident, cyberattack or large-scale system failure</td>
<td>• Impairment of corporate value due to decline in social trust&lt;br&gt;• Decrease in revenues and profit due to decline in customer and social trust&lt;br&gt;• Restoration cost&lt;br&gt;• Claims for compensation damages from customers</td>
<td>• Strengthen the information asset management through internal audit and in-house trainings, etc.&lt;br&gt;• Establish and disseminate information security rules&lt;br&gt;• Build a system to deal with cyberattacks and regularly update the technology&lt;br&gt;• Increase frequency of monitoring including audit</td>
</tr>
<tr>
<td>War, terrorism, unstable political situation (geopolitical risk)</td>
<td>Risk - Damage to employees&lt;br&gt;• Damage to the Group’s assets (e.g., buildings and facilities) and customers’ products</td>
<td>• Decrease in revenues and profit due to impacts on business (e.g., shutdown)&lt;br&gt;• Restoration cost and impairment of assets</td>
<td>• Conduct routine situation analyses and monitoring&lt;br&gt;• Accelerate decision-making in case of emergency&lt;br&gt;• Develop BCP for overseas locations</td>
</tr>
</tbody>
</table>

As for risk factors other than priority risks, please visit our website. [https://www.hitachi-transportsystem.com/en/profile/csr/governance/riskmanagement/](https://www.hitachi-transportsystem.com/en/profile/csr/governance/riskmanagement/)
The HTS Group Environmental Management

Environmental Policy

The HTS Group is promoting “business activities with less environmental load” based on the following four policies. As for measures against global warming, we are working to enhance green logistics including collaborative logistics and modal shift together with our partner companies.

1. Reduce Environmental Load Generated at All Our Places of Business
   Reduce consumption of electricity, gasoline and LP gas and recycle waste, etc.

2. Provide Logistics/Services with Less Environmental Load
   Contribute to customers through CO₂ emission reduction and resource recycling.

3. Improve Eco-Mind Level and Enhance Eco-Management System
   Increase global environmental awareness. Observe environmental laws/ordinances and company regulations.

4. Promote Symbiosis with Nature and Environmental Communications
   Preserve biodiversity and ecosystem. Maintain environmental collaboration with customers and local communities.

Environmental Management Structure

Since the establishment of a department dedicated to environmental issues in the head office in August 1992, we have worked on reducing environmental load and are currently promoting group-wide activities toward the global “environment-conscious business operations.”

Under the supervision of the Board of Directors and the Executive Committee, Sustainability Promotion Department, Corporate Strategy Office chaired by Executive Vice President and Executive Officer in charge of environmental issues, is responsible for overall environmental management work and oversees the entire group.

Strengthen Environmental Management

We utilize management systems to understand and monitor actual data. In overseas, we conduct research on important environmental laws and regulations for the purpose of managing environmental load and legal compliance.

- Holding Environmental Promotion Conference
  We share environmental information in Japan and overseas to improve environmental awareness and the management level.

  - Number of environment conferences held (FY2021)
    - Domestic: Environmental Promotion Conference 2 times
    - Overseas: Environment Officers Meeting 2 times

- Performance of internal environmental audit
  We perform internal audit to prevent or promptly correct violations of the environmental compliance and improve the management level.

  - Number of sites subjected to internal environmental audits (Japan: FY2021) 107

Efforts to Raise Environmental Awareness

We are working to raise the environmental awareness of employees by promoting environmental activities linked to VC activities. In FY2021, we started new programs including holding “Green Action Workshop” on the theme of environmental protection and “Environment Prize in VC Award” to recognize initiatives contributing to reducing environmental load.

Number of environments subjected to internal environmental audits (Japan: FY2021) 107
The HTS Group Medium-to-Long-term Environmental Targets 2030/2050

The HTS Group developed the medium-to-long-term environmental targets 2030/2050 in FY2020 to contribute to the realization of sustainable society, and are striving to reduce CO₂ emissions. Amid the accelerating movements to realize a decarbonized society around the world, the Group updated the medium-to-long term environmental targets 2030/2050 developed in FY2020 with more aggressive targets in FY2021.

Medium-to-Long-term Environmental Targets

Reduction of CO₂ emissions (Scope 1 and 2 in Japan*)

**FY2030 target** (base year: FY2013)
Aim to reduce CO₂ emissions by 50% compared to the base year

**FY2050 target**
Strive to achieve Net Zero Carbon*

*Scope of emission: CO₂ emitted from energy consumption by the Group through its business operation

Type of energy: Electricity, fuel for vehicle, etc.

Decarbonization Promotion Project – Initiatives to Reduce CO₂ Emissions

The HTS Group has launched a decarbonization promotion project to achieve the medium-to-long-term environmental targets and is working proactively on initiatives in five areas.

Trend of HTS Group CO₂ Emissions*

<table>
<thead>
<tr>
<th>Year (FY)</th>
<th>Scope 1 (thousand tons-CO₂)</th>
<th>Scope 2 (thousand tons-CO₂)</th>
<th>Scope 3 (thousand tons-CO₂)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Base</td>
<td>129</td>
<td>120</td>
<td>113</td>
</tr>
<tr>
<td>2019</td>
<td>113</td>
<td>111</td>
<td>96</td>
</tr>
<tr>
<td>2020</td>
<td>96</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>2021</td>
<td>513</td>
<td>70</td>
<td>41</td>
</tr>
<tr>
<td>2024 M-T plan target</td>
<td>513</td>
<td>70</td>
<td>41</td>
</tr>
</tbody>
</table>

For details about CO₂ emissions data, please visit our website.

Please visit our website for details about CO₂ emissions data in Scope 3.

CO₂ emissions throughout the supply chain

We started to calculate “Scope 3” from FY2017 to identify and reduce CO₂ emissions from the entire supply chain.

Third-party certification on CO₂ emissions data

For greenhouse gas (GHG) emissions in FY2020, the HTS Group acquired a third-party certification based on ISO14064-3:2019 through an assessment by a certification body LRQA in FY2021. We will continue to secure the reliability of our calculated data by obtaining a third-party certification and also work to expand the scope to “Scope 3.”

*Scope: CO₂ emissions in scope 1 and scope 2 (domestic)
Climate Change Initiatives — Response to the Task Force on Climate-related Financial Disclosures (TCFD) —

Basic Policy on Climate Change

As the HTS Group’s corporate philosophy is “to deliver high-quality services that will help make the world a better place for people and nature for generations to come,” we position climate change response as one of our highest priority management themes and identifies “Contribute to decarbonized society” as one of the material issues. We also defined “Contribute to decarbonized/recycling-oriented society” as one of the business objectives to promote initiatives to address climate-related risks and opportunities and reduce CO₂ emissions. In addition, we announced our endorsement of the TCFD recommendations in September 2021 and are now promoting climate change initiatives and information disclosure based on the recommendations.

Governance

The Board of Directors provides guidance and supervises climate change initiatives included in the highest priority items of the Group’s management such as management strategies and business plans (e.g. target setting and determination of specific climate change responses such as energy-saving investments and budget allocation for greenhouse gas (CO₂) emission reduction) through Chairman and CEO who is responsible for climate change initiatives. The executive officer in charge reports to the Board of Directors the progress of the climate change initiatives annually or as needed. Sustainability Promotion Department, Corporate Strategy Office in the head office oversees overall environmental management work under the supervision of Executive Vice President and Executive Officer, Chief Strategy Officer (CSO) who is responsible for sustainability strategy. The Environmental Promotion Conference comprised of the Group’s environment officers including CSO is held semiannually to confirm the achievement level of climate change responses including reduction of energy consumption and CO₂ emissions, as well as determine necessary corrective measures and discuss measures to be taken in the future. Based on the decisions at the Environmental Promotion Conference with the CSO’s approval, the progress of climate change initiatives and the proposed strategy in the future are reported to the Executive Committee semiannually or as needed.

Risk management

In consideration of all management risks identified, Sustainability Promotion Department, Corporate Strategy Office in the head office has selected risks and opportunities related to “Contribute to decarbonized society,” one of the material issues, and has identified items having large financial impacts as material risks and opportunities. Sustainability Promotion Department is responsible for developing and executing plans to address them with approval of the Executive Committee and supervision by the Board of Directors.

Metrics and targets

Reduction targets of medium-to-long-term greenhouse gas (CO₂) emissions

The Group sets the medium-to-long-term targets for reduction of CO₂ emissions to address climate change risks and opportunities.

Greenhouse gas (CO₂) emissions

(Trend of HTS Group CO₂ emissions)/ (ESG Data)

Strategy

The Group uses a scenario analysis to identify and assess climate-related risks and opportunities that are expected to affect our medium-to-long-term business activities and also assess resilience and examine response measures.

(1) Scenario analysis process

The Group has performed scenario analyses according to the following procedures (Trend of HTS Group CO₂ emissions)/ (ESG Data). Under the scenario that assumes the goal of the Paris Agreement is achieved (1.5°C /2°C scenario) and the one that assumes that no new policies are implemented but each country’s announced policies are achieved (4°C scenario), we have assessed financial impacts of identified climate-related risks and opportunities based on the information such as the trend of key parameters.
(2) Assessment of climate-related risks and opportunities and financial impacts

We performed scenario analysis for nine items identified as our material climate-related risks and opportunities and assessed potential quantitative/qualitative financial impacts. We also examined resilience of our current response measures and future measures. As the Group is examining and implementing response measures to reduce risks and seize opportunities that may have significant financial impacts, we have confirmed that they are sufficiently resilient at present.

1 Transition risks (1.5°C scenario / Less than 2°C scenario)

<table>
<thead>
<tr>
<th>Types</th>
<th>Period</th>
<th>Potential risks</th>
<th>Potential impacts on business and response measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy and legal</td>
<td>Long-term</td>
<td>• Risk of increasing tax burden (e.g. carbon tax, fuel tax) in relation to climate change and risk of rising cost due to tightening or introduction of regulations on CO2 emissions</td>
<td>Cost increase due to carbon pricing Develop and implement systematic environment strategies toward decarbonization (1. Introduce renewable energy, 2. Introduce non-fossil fuel vehicles (e.g. EV/FCV), 3. Procure green power, and 4. Introduce Internal Carbon Pricing (ICP))</td>
</tr>
<tr>
<td>Technology</td>
<td>Mid-term</td>
<td>• Risk of increasing CO2 emission reduction cost and losing customers due to delay/failure in introducing environmental technology</td>
<td>Medium-to-long-term cost increase or earnings decrease due to delay in introducing renewable energy and low carbon vehicles Introduce advanced technologies toward decarbonization (1. Introduce renewable energy, 2. Introduce non-fossil fuel vehicles, and 3. Promote DX and IoT in warehouse operations)</td>
</tr>
<tr>
<td>Market</td>
<td>Mid-term</td>
<td>• Risk of losing customers due to inadequate response to customers who emphasize low-carbon or carbon-neutral transportation</td>
<td>Earnings decrease due to increase of customers who emphasize climate change initiatives (e.g. customers whose targets were certified by the Science Based Targets (SBT) initiative) Promote decarbonization measures in logistics services and strengthen information disclosure to stakeholders</td>
</tr>
<tr>
<td>Reputation</td>
<td>Mid-term</td>
<td>• Risk of losing corporate reputation due to insufficient climate change initiatives and information disclosure</td>
<td>-</td>
</tr>
</tbody>
</table>

2 Physical risks (4°C scenario)

<table>
<thead>
<tr>
<th>Types</th>
<th>Period</th>
<th>Potential risks</th>
<th>Potential impacts on business and response measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute</td>
<td>Short-term</td>
<td>• Risk of logistics operation being suspended due to intensifying wind and flood damage caused by extreme weather</td>
<td>Cost increase due to repairment or recovery of facilities damaged by wind and flood Strengthen BCP measures against hazard risks including wind and flood damage (1. Decentralize business sites, 2. Install solar power generation system/storage batteries, etc. and 3. Relocate sites to low-risk regions)</td>
</tr>
<tr>
<td>Chronic</td>
<td>Mid-term</td>
<td>• Risk that deterioration of working environment due to a rise in average temperature makes it difficult to secure human resources</td>
<td>Cost increase due to creation of a pleasant workplace Promote worker-friendly logistics operation (1. Promote automated/labor-saving/unmanned operations and 2. Provide a pleasant working environment)</td>
</tr>
</tbody>
</table>

3 Opportunities

<table>
<thead>
<tr>
<th>Types</th>
<th>Period</th>
<th>Opportunities</th>
<th>Potential impacts on business and response measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource efficiency</td>
<td>Mid-term</td>
<td>• Opportunity to reduce energy consumption by vehicles and CO2 emissions with advanced environmental technology</td>
<td>Decrease in energy cost due to efficiency improvement in logistics services Reduce energy cost by promoting decarbonization measures (1. Promote energy-saving measures, 2. Introduce renewable energy, 3. Introduce non-fossil fuel vehicles, and 4. Promote modal shift)</td>
</tr>
<tr>
<td>Products and services</td>
<td>Long-term</td>
<td>• Opportunity associated with diversification of business activities</td>
<td>Revenues increase due to diversification of business activities Provide logistics services using the Company’s unique Smart Logistics (1. Smart Warehouse, 2. SCDOs, and 3. SSCV)</td>
</tr>
<tr>
<td>Resilience</td>
<td>Long-term</td>
<td>• Opportunity associated with energy diversification</td>
<td>Cost decrease due to introduction of solar power generation system Reduce electricity procurement cost by introducing renewable energy and secure electric power source in case of emergency</td>
</tr>
</tbody>
</table>

* Reference scenario: 1.5°C scenario: IEA Net Zero Emissions by 2050 Scenario 2°C scenario: IEA Sustainable Development Scenario/IEA RCP2.6 4°C scenario: IEA Stated Policies Scenario/IEA RCP8.5

(3) Transition plan to achieve 1.5°C target

The Group has incorporated the five initiatives toward the realization of the medium-to-long-term environmental targets (energy saving, electrification, procurement of renewable energy, energy creation, and emissions trading) in the Mid-term Management Plan “LOGISTEED2024” and will promote CO2 emission reduction measures to limit the temperature increase to 1.5°C above pre-industrial levels.
Consideration for Disposal and Emission

Energy Saving and Global Warming Countermeasures of Vehicles
The HTS Group strives to reduce CO₂ emissions generated by vehicle fuel through such initiatives as the introduction of the advanced eco-friendly vehicles and improvement of transportation including promotion of eco-friendly driving.

Making the shift to eco-friendly vehicles and encouraging eco-friendly driving
We are promoting the shift to eco-friendly vehicles (highly fuel-efficient, low-pollution vehicles). We achieved the eco-friendly vehicle ownership ratio of 100% at the end of FY2016, except for certain special vehicles. In FY2021, we introduced an electric truck in a sales office of our group company Hitachi Transport System Metropolitan Co., Ltd in Noda City, Chiba Prefecture.

We will further promote the shift to the advanced eco-friendly vehicles in order to reduce air pollutant emissions and will also promote eco-friendly driving etc. to reduce environmental load.

Effective Use of Resources

Design/development of eco-friendly packaging
We are working to improve packaging technology and to reduce environmental load including reduction of packaging-related materials and wastes while meeting customers' needs.

In FY2021, we received “METI Minister’s Award” and “Technical Packaging Award” at the “Japan Packaging Contest 2021” hosted by Japan Packaging Institute. “METI Minister’s Award” is awarded to the best product at the contest, and our packaging was recognized as the best product from a comprehensive perspective, satisfying many requirements for packaging, including protectiveness and functionality, while giving consideration to economic efficiency and eco-friendliness.

Visualize CO₂ Emissions and Reduction

Support decarbonization in customers' business with SCDOS
As part of SCDOS, our DX service to support optimization of customers’ supply chain, we started to offer “CO₂ emission visualization function” from FY2021. This service enables to accurately understand and visualize CO₂ emissions and reduction in the supply chain by centrally managing and monitoring customers’ various data, contributing to customers reducing CO₂ emissions and to the realization of a recycling-oriented society and decarbonization.
Increase Energy Efficiency

To address climate change and realize a decarbonized society, we will steadily advance initiatives to improve energy efficiency and reduce CO₂ emissions.

Energy Saving and Global Warming Countermeasures Implemented in Buildings

- **Energy saving of forklifts**
  
The HTS Group introduced 14 lithium-ion forklifts in FY2021. Forklifts are indispensable in logistics operation in warehouses, etc. and generally powered by lead battery, but we are trying to reduce energy consumption by shifting to lithium-ion batteries with long cycle life and high charging efficiency. We will continue to work on energy saving of forklifts by expanding the use of lithium-ion batteries.

- **Installation of solar panels on the roof of logistics centers**
  
  VANTEC KYUSHU LOGISTICS CORPORATION, our group company, has installed solar panels on the roof of its logistics center in Fukuoka Prefecture. The center expects that the introduction of solar power generation will reduce CO₂ emissions by 56 tons per year.

- **Power saving by using human detection sensor**
  
  Chukyo Logistics Center in Aichi Prefecture is working on power saving by using human detection sensor. To reduce power consumption by lights in the storage room when it is unmanned, we installed supplemental lights with a human detection sensor between storage shelves which light when the sensor detects the presence of workers picking up or storing products, achieving both workers’ safety and power saving.

KPI

| • Reduction of electricity consumption per floor space in "buildings"  |
| • Development of new customers/routes for modal shift and others  |

For KPI results, etc. in FY2021, please visit our website. https://www.hitachi-transportsystem.com/en/profile/csr/pdf/sustainability_2021htskpis.pdf

- **Introduction of LED lighting fixtures**
  
The HTS Group is proactively installing LED lighting fixtures in new logistics centers and offices. We are also replacing existing fluorescent/mercury lights with LED lighting fixtures in the existing facilities and will continue until the replacement is completed in all facilities.

| FY2021 |
|-----------------|-----------------|
| Number of sites with LED lighting fixtures |  |
| New sites: 3 |  |
| Existing sites: 12 |  |
| CO₂ emissions suppressed with LED lighting fixtures | 799 t-CO₂ |

Scope: HTS, domestic/overseas group companies

- **Promotion of Modal Shift**
  
  To reduce CO₂ emissions and solve issues such as driver/vehicle shortages, we have been proactively promoting a modal shift from trucks to rail and ocean transport in Japan and overseas with an aim to “develop new customers/routes.”

  In FY2021, we proposed and promoted a modal shift to the use of coastal vessels for the transport of products of a hygiene products manufacturer from its factory in Kyushu to logistics sites in Kanto, which enabled us to deal with driver/vehicle shortages and reduce CO₂ emissions by approximately 80% over a year compared to truck transport. As a recognition for such efforts, we received the “Award of Modal Shift Initiative Excellent Business Operator (effective usage category) in 2021” hosted by Japan Association for Logistics and Transport.

| CO₂ reduction effect of modal shift |  |
| Award-winning case (effective use category) |  |
| (Number of vehicles) |  |
| Before modal shift |  |
| After modal shift |  |
| CO₂ emissions (t-CO₂/year) |  |
| No. of vehicles assigned/year |  |
| Before installation | 250 |
| After installation | 184 |
| (28.3%) |

| Number of vehicles | 100 |
| 50 |
| 0 |
| 50 |
| 0 |
| Before modal shift | After modal shift |

Received the “Award of Modal Shift Initiative Excellent Business Operator (effective usage category) in 2021” https://www.hitachi-transportsystem.com/en/news/20211126.html
Secure Safety in Operation and Transportation

Under the policy that “Safety is our first 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 high quality services during operations.

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 Board of Directors 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 and FY2021, 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. Again in FY2021, contestants who won out at prefectural-level preliminary contests around the country competed in the national contests and achieved excellent results.

- Education through experiential sessions using VR
  We envision a full range of scenarios in workplaces and cover practical training and experiential sessions. We provide safety education through experiential sessions with lavish visual contents using virtual reality technology. We ensure safe operation by letting workers experience behaviors with potential risk of causing occupational accidents through visual contents simulated on cyberspace. With two new contents added in FY2021, we now provide a total of 17 visual contents for VR education.

  - No. of attendees of VR experiential sessions (FY2021) 6 companies: 2,214
    *Scope: HTS, domestic group companies

- Adoption of safety technology
  - Safety cockpit
    We strive to prevent occupational accidents by visualizing unsafe behaviors using videos (“safety cockpit”). To visualize unsafe behaviors of forklifts operated inside the logistics centers, we installed cameras on the ceiling of the areas with a high risk of accident. When they fail to stop at stop signs, it will be automatically detected by the image recognition technology, and alarms will go off to warn the operator about the unsafe behavior. The video data is also analyzed for future measures. In FY2021, we added a warning function using a rotating red light to forklifts in three sites where the cameras have already been installed, resulting in a significant reduction of violations.

- Workplace accident index of the HTS Group
  (Domestic results in FY2021)
  Frequency rate: Inside the parentheses are non-consolidated figures
  0.88(0)
  Severity rate: Inside the parentheses are non-consolidated figures
  0.017(0)

For KPI results, etc. in FY2021, please visit our website.

For details of our safety initiatives, please visit our website.

*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
Pursue Next-generation Industries and Lifestyles

We will contribute to solving various environmental and social issues, including decarbonization and driver shortages, by developing and evolving sustainable logistics services with a high level of safety, quality, and productivity while fulfilling a role as a social infrastructure provider supporting next-generation industries and lifestyles.

Respond to Local Logistics Needs and Issues While Further Boosting Response Capability

- Labor-saving efforts at medical DCs
  In light of the importance of business continuity of manufacturing and sales of medical products, etc., we are working on labor-saving at medical DCs to deal with delays and interruptions in logistics and rising logistics costs caused by the pandemic and labor shortages. In the advanced medical DC which opened in FY2020, Resource Control System (RCS) developed by HTS has been installed, enabling the complex control linkage of automated equipment in the warehouse and achieving fully automated operation at certain processes.

- Transportation of social infrastructure-related equipment
  — Transport of wind power generation equipment —
  Moves toward a decarbonized society are now accelerating around the world. Under such circumstances, in FY2021, the HTS Group transported onshore windmills in Rankoshi-cho, Hokkaido, as part of our initiatives to transport social infrastructure-related equipment to contribute to expand renewable energy use. The route to the onshore windmill construction site included mountain roads that are too steep or narrow for ordinary trucks and trailers, but our specialized vehicle “Multi Carrier” made it possible to transport the equipment from the foot to the top of the mountain.
  This transport project was accomplished by leveraging our technologies and experience obtained from many years of our service to transport power generation equipment and also by maintaining close coordination with the construction company and regional partner companies. We will continue to contribute to the realization of a decarbonized society through transportation related to renewable energy business including wind, biomass, and solar power generation in Japan and overseas.

SSCV-Smart (transport operation support solution)

The truck transport industry is made up mostly of small and medium-sized businesses, and many of them still conduct operation using telephone, fax machine, and paper document. “SSCV-Smart” developed by HTS is an online system that connects cargo owners and truck transport operators via the internet and centrally controls everything from receiving transport orders to vehicle assignment, issue of driving instructions and billing, contributing to improvement of operational efficiency and earnings. In FY2021, we introduced the system in the Group’s transport centers and 60 regional partner transport companies. We will continue to support efficient operation of truck transport operators by enhancing various functions.

For details of SSCV-Smart, please visit our website.

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.

- Use of volume forecasting tool
  We aim to improve operational efficiency by optimizing inventories at logistics centers based on high-accuracy volume forecast using AI. In FY2021, we improved the precision of the volume forecasting tool which was designed and tested so far and successfully introduced it in 30 logistics sites. Currently, the number of cases using volume forecasting tool increased to a total of 50.

No. of cases using volume forecasting system (as of March 31, 2022, cumulative):

- Expand SCDOS services
  We are working to expand “SCDOS” services to contribute to optimization of customers’ supply chain. Specifically, our service includes the development of a supply plan based on capability of logistics resources and operating effectiveness and the support for restocking order placement using various logistics data. In FY2021, we launched an inventory optimization solution service which was co-developed with our customers and also started to verify the effectiveness at actual logistics sites of an inventory optimization approach originating from logistics centers.

For KPI results, etc. in FY2021, please visit our website.

Foundation Supporting Value Creation

Value Creation Achievements

For details of SSCV-Smart, please visit our website.
HTS Group Human Resource Strategy

The HTS Group will accelerate LOGISTEED by promoting the human resource strategy focusing on “enhancement of human resource capability” and “invigoration of organization.” We will enhance human resource capability by securing and developing superior human resources appropriate to business strategies and evaluating and rewarding employees according to their roles. We will also increase employee engagement and invigorate our organization through a working-style reform and diversity and inclusion initiatives.

Invigoration of Organization

To realize sustainable growth, we need to develop strong relationships between employees and the Company and increase employee engagement. To increase employee engagement, it is imperative to deepen understanding of and spread the HB Way which shows the Group’s role and the “way” to move forward and is the core of connections among employees. We will also conduct engagement surveys and address issues identified in the surveys to increase employee engagement and become a company where employees can keep working with enthusiasm.

Spread of the HB Way
To make the concept of the HB Way take root in employees’ behaviors and judgment criteria, we hold workplace meetings and regular education, such as rank-based trainings and e-learning, and implement initiatives such as VC activities on an ongoing basis.

Monitoring
- Employee engagement survey
We conduct engagement surveys annually to understand the degree of penetration of the HB Way and the level of active participation of employees in the management strategy. We are now considering conducting a global survey.

Follow-Up
We are working to invigorate the organization by analyzing the result of the engagement survey, identifying issues by organization and implementing necessary measures. As the survey result showed the necessity to increase engagement of young employees, we conducted one-on-one career development interviews in FY2021.

Employee engagement survey results
— Sustainable engagement score*1

during the engagement survey.

(2021)

Target: Achieve 10% by FY2023

Scope: HTS

*1 An index highly correlated with the company’s growth that can be measured by questions on motivation for contribution and a sense of belonging, etc. We set a target value to increase engagement.

*2 Total score of positive answers

Diversity and Inclusion

As labor force is expected to decrease due to declining birthrate and aging population and the logistics industry faces noticeable labor shortage, active participation of diverse human resources is essential for the HTS Group to contribute to society through logistics more than ever. We have established systems and structures to realize diverse working styles, as well as create/promote a culture of diversity and inclusion mainly through education.

Boostering understanding of diversity and changing mindset
Rank-based training adopts a curriculum that leads to deeper understanding of diversity and change in mindset. Seminars by external lecturers have been held since FY2014. In FY2021, approximately 600 employees (including online attendees) including those of domestic group companies attended a diversity seminar focusing on working-style reform.

Support of women’s participation in the workplace
We position the active participation of women as an essential issue for a global company and have implemented various initiatives. In FY2021, 67 employees attended diversity seminars focusing on working-style reform.

Promotion of women’s participation in the workplace
We position the active participation of women as an essential issue for a global company and have implemented various initiatives. In FY2021, 67 employees attended diversity seminars focusing on working-style reform.

Ratio of female managers

FY2021 result

Target: Achieve 10% by FY2023

Scope: HTS

5.5%

65

Increase in Employee Engagement

Working-style Reform

We are promoting the “working-style reform” through various initiatives that ensure employees can stay healthy, feel secure, and find their work rewarding, with an aim to increase the productivity of the organization as a whole and the corporate value through active participation of each and every employee.

Promotion of VC activities
We are promoting VC activities as daily improvement activities with an aim to accomplish the working-style reform through initiatives to improve safety/quality/productivity and vitalize workplaces as well as the use of digital tools such as RPA.

Optimization of working hours
We are working to reduce overtime hours by encouraging employees and managers to change their mindsets using computer log management and biometric identification and also to create an environment which makes it easier to take annual paid leave.

Overtime hours (average) (FY2021)

Scope: Full-time employees of HTS

27.5 hours/month

16.9 (15.7) days

Number of paid leave taken

(2021)

Scope: Full-time employees of HTS; Figures in parenthesis are the number of full-time employees of domestic group companies

For details of employee-related initiatives, please visit our website.
Enhancement of Human Resource Capability

Securing/Retaining Human Resources

Following the development of the Mid-term Management Plan “LOGISTEED2024,” we are promoting various measures to proactively secure and retain DX and global human resources to accelerate LOGISTEED and become a leading 3PL company in Asia.

- **Securing human resources appropriate to business strategies**
- **DX human resources**

In addition to adopting a direct recruiting approach, we also offer internship programs and hold roundtable discussions with employees to provide those who were not familiar with the logistics industry with opportunities to know about and become interested in Logistics DX.

- **Global human resources**

We are focusing on securing human resources who have practical language skill as well as understanding of the culture and business environment of relevant countries and can work together toward globalization to enhance and expand overseas business. We also actively hire foreign new graduates to deepen understanding of other employees around them about foreign cultures and also to promote globalization.

<table>
<thead>
<tr>
<th>Personnel Development/Skill Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>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. As we value our employees’ learning attitude, we have created an environment to support their autonomous growth. We also conduct regular surveys to understand the actual education hours and costs as well as check the training needs and effectiveness.</td>
</tr>
<tr>
<td><strong>Education time per employee (FY2021):</strong> 8.4 hours</td>
</tr>
<tr>
<td><strong>Education expenses per employee (FY2021):</strong> ¥27,960</td>
</tr>
</tbody>
</table>

- **The HTS Group College**

Under the “HTS Group College,” we define expectations, roles, and required skills for each position and offer specialized programs linked to the business strategies, including rank-based trainings, site management, and logistics technology. We also conduct a skill survey to visualize the gap between the “Goal” and the reality and continually reflect the result in the education system. Following the development of the Mid-term Management Plan “LOGISTEED2024,” we are focusing on fostering DX and global human resources.

- **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.

- **Education for all employees:** DX mindset education, basic IT education
- **Specialized education:** Project management, business analysis, data analyst/data scientist training, etc.

- **Global human resources**

We offer programs including a global communication education and an overseas business training program to develop human resources who think on a global scale, have a high degree of expertise and contribute to business by transcending differences in culture or values.

<table>
<thead>
<tr>
<th>Percentage of foreign employees among new graduates hired (FY2021)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target:</strong> 3% of all employees by FY2023</td>
</tr>
<tr>
<td><strong>Percentage:</strong> 11%</td>
</tr>
</tbody>
</table>

Establishing a Basis of Personnel System

As the HTS Group works to standardize the evaluation criteria, we are shifting, ahead of others, to the Group common “personnel system” applicable to managers in Japan in which we clarify roles, responsibilities, expectations, results, and required skills, placing “the right person in the right job” based on their ability and motivation. We will aim to create greater value for the Group as a whole by encouraging each employee to autonomously carry out their roles, have a challenging spirit and grow, as well as better reflecting their actions, processes, and results in evaluation and compensation in order to build their sense of satisfaction and accomplishment.

- **Introduce job-based personnel system**

With a view to introducing the job-based personnel system, we are working to unify the criteria to establish organizations within the Group to enable flexible job rotation to place “the right person in the right job.” We are also creating position profiles which clarify and stipulate roles to shift to a compensation system based on the evaluation criteria for the “position.”

<table>
<thead>
<tr>
<th>Renew personnel management system</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are starting the reform of the personnel management system from Japan. Based on the roles and positions organized in the job-based personnel system, we will develop a management system to centrally manage employee information including each employee’s career history or job skills with an aim to achieve optimal personnel allocation and strategy from a global perspective.</td>
</tr>
</tbody>
</table>
Stakeholder Engagement

Responsible Dialogue with Stakeholders

The HTS Group manages and maintains our business activities through interaction with our broad array of stakeholders including customers, shareholders, local communities, and local administrations. We provide stakeholders with information and promote communication activities such as direct dialogue to deepen the understanding of the Group by stakeholders, and we also reflect their feedback and requests in our corporate activities to maintain and enhance trust relationships, with an aim to increase corporate value.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Purpose</th>
<th>Communication channels/methods</th>
<th>No. of conduct* or frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customers</strong></td>
<td>Improve customer satisfaction</td>
<td>Web seminars/briefings</td>
<td>13 times, 653 attendees</td>
</tr>
<tr>
<td></td>
<td>Raise corporate brand value</td>
<td>Networking events using LOGISTEED CAFÉ</td>
<td>1,250 attendees from 496 companies* in total</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Participation in large-scale exhibition</td>
<td>Annually</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer survey</td>
<td>As needed</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>Enhance employee motivation</td>
<td>Presentation and commendation of excellent improvement cases (VC Award)</td>
<td>Annually</td>
</tr>
<tr>
<td></td>
<td>Create a workplace full of smiles and vibrance</td>
<td>Roundtable discussion with the management (dialogue session)</td>
<td>3 times, 230 attendees in total</td>
</tr>
<tr>
<td></td>
<td>Constantly maintain good employer-employee relationship</td>
<td>Setting up of intranet site for improvement assistance (VC JUMP)</td>
<td>Regularly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Establishment of learning platform (event management system)</td>
<td>e-Learning: 83 sessions were held</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee engagement survey</td>
<td>Approx. 140,000 attendees in total</td>
</tr>
<tr>
<td><strong>Business partners</strong></td>
<td>Build good relationships with partners beyond the logistics domain</td>
<td>Networking events using LOGISTEED CAFÉ</td>
<td>1,250 attendees from 496 companies* in total</td>
</tr>
<tr>
<td></td>
<td>Maintain long-term, stable, and effective relationships with partner transport companies</td>
<td>Seminars for partner transport companies</td>
<td>Semiannually in various locations*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Award for partner transport companies</td>
<td>As applicable</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Setting up of dedicated inquiry contact for suppliers</td>
<td>Regularly</td>
</tr>
<tr>
<td><strong>Shareholders /Investors</strong></td>
<td>Achieve sustainable growth and increase corporate value over the medium-to-long-term with active dialogue through fair and highly transparent information disclosure in a timely and appropriate manner</td>
<td>Results briefings</td>
<td>4 times</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small-scale meetings</td>
<td>6 times</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Individual meetings by executives (including overseas investors and ESG investment interviews)</td>
<td>26 times</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular General Shareholders’ Meeting</td>
<td>Annually</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Exercise of voting rights</td>
<td>90.2%*</td>
</tr>
<tr>
<td><strong>Local administration/Industry associations</strong></td>
<td>Share recognition of cross-sectoral issues related to logistics</td>
<td>Participation in committees/conferences/meetings</td>
<td>As needed</td>
</tr>
<tr>
<td></td>
<td>Contribute to solving issues through collaboration and solidarity and realize sustainable logistics</td>
<td>Participation in economic associations/industry groups</td>
<td>As needed</td>
</tr>
<tr>
<td><strong>Local community</strong></td>
<td>Contribute to sustainable lifestyles and society through support for logistics innovation, etc.</td>
<td>Individual dialogue with NGOs/NPOs, etc.</td>
<td>15 times</td>
</tr>
<tr>
<td></td>
<td>Raise awareness on social role of logistics toward the next generation</td>
<td>Support for holding sporting events/sports promotion</td>
<td>As needed/Establishment of Track and Field Club</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dialogue with local governments</td>
<td>14 times</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Participation in volunteer activities</td>
<td>As needed</td>
</tr>
</tbody>
</table>

*1: Counted as of March 31, 2022
*2: The number of participants and companies is the total of customers and business partners.
*3: We refrained from holding seminars in FY2021 to prevent the spread of COVID-19.
*4: Ratio of exercise of voting rights at the Regular General Shareholders’ Meeting held on June 23, 2022.
Efforts for Constructive Dialogue with Shareholders and Investors

The Group communicates with our shareholders and investors through a variety of means including financial results briefings, telephone conferences, small-scale meetings, overseas roadshows, and individual meetings, etc. for securities analysts and institutional investors, etc. In FY2021, in light of the spread of COVID-19, we held individual meetings, financial results briefings, and small-scale meetings with investors including shareholders online and also disclosed materials in English in a timely manner, in an effort to promote dialogue with shareholders and investors.

External Evaluation

Commendations/recognition from outside the Company

2021

July: Received “Advanced Technology Award” at the 22nd Logistics Environment Awards
September: Co-awarded “METI Minister’s Award” and “Technical Packaging Award” at the Japan Packaging Contest 2021
October: Won both “General” and “Women’s” categories at the 36th National Forklift Driving Contest
October: Won the “Prime Minister’s Prize” at the 53rd National Truck Driver Contest and also won in “4-ton” and “Trailer” categories
November: Received the “Award of Modal Shift Initiative Excellent Business Operator (effective usage category) in 2021”
December: Our “Investor Relations” site received awards in major IR website rankings

ESG

Inclusion in ESG Indexes
Selected as a constituent of five ESG indexes adopted by GPIF*

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)
2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

ESG evaluations

Received “A” on the Climate Change Report 2021

* GPIF: Government Pension Investment Fund

Other evaluations

Theme stock
Selected as an excellent Integrated Report by GPIF’s asset managers entrusted with domestic equity investment (February 2022)

Integrated Report

IR website evaluations

For other external evaluations, please visit our website. https://www.hitachi-transportsystem.com/en/profile/csr/evaluation/
## Financial Data

### Highlights

We will create values to meet all of our stakeholders’ expectations through steady implementation of growth strategy and continuous self-transformation.

### Financial Highlights: The Track Record of 10 Years

<table>
<thead>
<tr>
<th>(As of March 31, 2022)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues (Service Revenues)*1</td>
<td>¥547,517</td>
<td>¥624,504</td>
<td>¥677,108</td>
<td>¥678,573</td>
</tr>
<tr>
<td>Domestic logistics</td>
<td>375,560</td>
<td>388,765</td>
<td>397,844</td>
<td>397,954</td>
</tr>
<tr>
<td>Global logistics</td>
<td>152,485</td>
<td>215,193</td>
<td>258,354</td>
<td>258,231</td>
</tr>
<tr>
<td>Other services (logistics related businesses)</td>
<td>19,472</td>
<td>20,546</td>
<td>20,910</td>
<td>22,388</td>
</tr>
<tr>
<td>Operating income*5</td>
<td>19,535</td>
<td>20,992</td>
<td>21,198</td>
<td>21,465</td>
</tr>
<tr>
<td>Domestic logistics</td>
<td>27,452</td>
<td>28,523</td>
<td>26,082</td>
<td>14,071</td>
</tr>
<tr>
<td>Global logistics</td>
<td>1,123</td>
<td>2,910</td>
<td>5,897</td>
<td>4,848</td>
</tr>
<tr>
<td>Other services (logistics related businesses)</td>
<td>2,619</td>
<td>2,743</td>
<td>2,883</td>
<td>2,546</td>
</tr>
<tr>
<td>Elimination or company-wide expenses*2</td>
<td>(11,659)</td>
<td>(13,184)</td>
<td>(13,664)</td>
<td>—</td>
</tr>
<tr>
<td>Net income attributable to stockholders of the parent company (Net income)*1</td>
<td>11,156</td>
<td>5,433</td>
<td>10,932</td>
<td>13,250</td>
</tr>
<tr>
<td>At year-end:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥374,206</td>
<td>¥427,733</td>
<td>¥450,048</td>
<td>¥459,386</td>
</tr>
<tr>
<td>Total equity (Net assets)*1</td>
<td>174,904</td>
<td>181,401</td>
<td>188,935</td>
<td>176,726</td>
</tr>
<tr>
<td>Equity attributable to stockholders of the parent company (Stockholders’ equity)</td>
<td>169,327</td>
<td>168,683</td>
<td>176,714</td>
<td>173,720</td>
</tr>
<tr>
<td>Consolidated Cash Flows:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>¥24,689</td>
<td>¥25,689</td>
<td>¥31,578</td>
<td>¥32,266</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(16,759)</td>
<td>(24,595)</td>
<td>(19,860)</td>
<td>(19,886)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(7,522)</td>
<td>(2,038)</td>
<td>(11,648)</td>
<td>(12,065)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>33,052</td>
<td>33,614</td>
<td>34,542</td>
<td>34,544</td>
</tr>
<tr>
<td>Per share data (Yen):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income attributable to stockholders of the parent company (Net income)*1</td>
<td>¥100.01</td>
<td>¥48.70</td>
<td>¥98.00</td>
<td>¥118.78</td>
</tr>
<tr>
<td>Equity attributable to stockholders of the parent company (Net assets)*1</td>
<td>1,517.93</td>
<td>1,512.16</td>
<td>1,584.16</td>
<td>1,557.32</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>25.00</td>
<td>26.00</td>
<td>28.00</td>
<td>28.00</td>
</tr>
<tr>
<td>Share price at year-end</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures*3</td>
<td>¥17,854</td>
<td>¥27,948</td>
<td>¥26,528</td>
<td>¥26,528</td>
</tr>
<tr>
<td>Purchased assets*4</td>
<td>15,187</td>
<td>21,622</td>
<td>13,601</td>
<td>13,601</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>14,958</td>
<td>16,579</td>
<td>18,403</td>
<td>18,715</td>
</tr>
<tr>
<td>Financial ratios:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating margin (%)*6</td>
<td>3.6</td>
<td>3.4</td>
<td>3.1</td>
<td>3.2</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>6.8</td>
<td>3.2</td>
<td>6.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Other data:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employees (excluding senior employees, part-time or temporary employees)</td>
<td>22,793</td>
<td>24,425</td>
<td>24,728</td>
<td>24,728</td>
</tr>
<tr>
<td>Total floor space of warehouse (Ten-thousand square meters)*6</td>
<td>564</td>
<td>637</td>
<td>691</td>
<td>691</td>
</tr>
<tr>
<td>Domestic</td>
<td>426</td>
<td>461</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Overseas</td>
<td>138</td>
<td>176</td>
<td>191</td>
<td>191</td>
</tr>
</tbody>
</table>

*1 Terms in parentheses are used for J-GAAP. *2 From the FY2015 (IFRS), the Group altered to allocate company-wide expenses to each business segment. The segment information of the FY2014 (IFRS) had also reflected the alternation above. *3 Based on tangible and intangible assets accepted. *4 Based on non-current assets recorded.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues (Service Revenues)</strong></td>
<td>¥680,354</td>
<td>¥665,377</td>
<td>¥700,391</td>
<td>¥708,831</td>
<td>¥672,286</td>
<td>¥652,380</td>
<td>¥743,612</td>
<td></td>
</tr>
<tr>
<td><strong>Domestic logistics</strong></td>
<td>405,080</td>
<td>411,796</td>
<td>417,835</td>
<td>432,793</td>
<td>435,311</td>
<td>421,190</td>
<td>417,162</td>
<td></td>
</tr>
<tr>
<td><strong>Global logistics</strong></td>
<td>253,144</td>
<td>253,144</td>
<td>253,144</td>
<td>253,144</td>
<td>253,144</td>
<td>253,144</td>
<td>253,144</td>
<td></td>
</tr>
<tr>
<td><strong>Other services (logistics related businesses)</strong></td>
<td>19,472</td>
<td>20,546</td>
<td>20,910</td>
<td>22,388</td>
<td>22,130</td>
<td>21,854</td>
<td>22,130</td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>19,535</td>
<td>20,992</td>
<td>21,198</td>
<td>21,465</td>
<td>28,320</td>
<td>29,466</td>
<td>29,803</td>
<td></td>
</tr>
<tr>
<td><strong>Domestic logistics</strong></td>
<td>27,452</td>
<td>28,523</td>
<td>26,082</td>
<td>14,071</td>
<td>20,333</td>
<td>21,830</td>
<td>21,740</td>
<td></td>
</tr>
<tr>
<td><strong>Global logistics</strong></td>
<td>1,123</td>
<td>2,910</td>
<td>5,897</td>
<td>4,848</td>
<td>5,652</td>
<td>5,693</td>
<td>6,280</td>
<td></td>
</tr>
<tr>
<td><strong>Other services (logistics related businesses)</strong></td>
<td>2,619</td>
<td>2,743</td>
<td>2,883</td>
<td>2,546</td>
<td>2,335</td>
<td>1,943</td>
<td>1,783</td>
<td></td>
</tr>
<tr>
<td><strong>Elimination or company-wide expenses</strong></td>
<td>(11,659)</td>
<td>(13,184)</td>
<td>(13,664)</td>
<td>(13,664)</td>
<td>(13,664)</td>
<td>(13,664)</td>
<td>(13,664)</td>
<td></td>
</tr>
<tr>
<td><strong>Net income attributable to stockholders of the parent company (Net income)</strong></td>
<td>11,156</td>
<td>5,433</td>
<td>10,932</td>
<td>13,250</td>
<td>14,011</td>
<td>18,703</td>
<td>20,916</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥374,206</td>
<td>¥427,733</td>
<td>¥450,048</td>
<td>¥459,386</td>
<td>¥464,399</td>
<td>¥549,924</td>
<td>¥564,903</td>
<td></td>
</tr>
<tr>
<td><strong>Total equity (Net assets)</strong></td>
<td>174,904</td>
<td>181,401</td>
<td>188,935</td>
<td>176,726</td>
<td>178,552</td>
<td>190,919</td>
<td>208,291</td>
<td></td>
</tr>
<tr>
<td><strong>Equity attributable to stockholders of the parent company (Stockholders’ equity)</strong></td>
<td>169,327</td>
<td>168,683</td>
<td>176,714</td>
<td>173,720</td>
<td>175,543</td>
<td>187,482</td>
<td>204,328</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated Cash Flows:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>¥24,689</td>
<td>¥25,689</td>
<td>¥31,578</td>
<td>¥32,266</td>
<td>¥38,820</td>
<td>¥26,372</td>
<td>¥27,924</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(16,759)</td>
<td>(24,595)</td>
<td>(19,860)</td>
<td>(19,886)</td>
<td>(10,373)</td>
<td>(69,004)</td>
<td>(6,178)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(7,522)</td>
<td>(2,038)</td>
<td>(11,648)</td>
<td>(12,065)</td>
<td>(16,712)</td>
<td>55,592</td>
<td>(16,445)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>33,052</td>
<td>33,614</td>
<td>34,542</td>
<td>34,544</td>
<td>45,146</td>
<td>57,483</td>
<td>63,497</td>
<td></td>
</tr>
<tr>
<td><strong>Per share data (Yen):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income attributable to stockholders of the parent company (Net income)</strong></td>
<td>¥100.01</td>
<td>¥48.70</td>
<td>¥98.00</td>
<td>¥118.78</td>
<td>¥125.60</td>
<td>¥167.66</td>
<td>¥187.50</td>
<td></td>
</tr>
<tr>
<td><strong>Equity attributable to stockholders of the parent company (Net assets)</strong></td>
<td>1,517.93</td>
<td>1,512.16</td>
<td>1,584.16</td>
<td>1,557.32</td>
<td>1,573.67</td>
<td>1,680.70</td>
<td>1,831.72</td>
<td></td>
</tr>
<tr>
<td><strong>Cash dividends</strong></td>
<td>25.00</td>
<td>26.00</td>
<td>28.00</td>
<td>28.00</td>
<td>30.00</td>
<td>34.00</td>
<td>36.00</td>
<td></td>
</tr>
<tr>
<td><strong>Share price at year-end</strong></td>
<td>¥1,500</td>
<td>¥1,676</td>
<td>¥1,817</td>
<td>¥1,817</td>
<td>¥1,882</td>
<td>¥2,313</td>
<td>¥2,990</td>
<td></td>
</tr>
<tr>
<td><strong>Capital expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>¥17,854</td>
<td>¥27,948</td>
<td>¥26,528</td>
<td>¥26,528</td>
<td>¥33,755</td>
<td>¥21,961</td>
<td>¥17,355</td>
<td></td>
</tr>
<tr>
<td><strong>Purchased assets</strong></td>
<td>15,187</td>
<td>21,622</td>
<td>13,601</td>
<td>13,601</td>
<td>22,340</td>
<td>15,670</td>
<td>13,010</td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>14,958</td>
<td>16,579</td>
<td>18,403</td>
<td>18,715</td>
<td>19,125</td>
<td>18,741</td>
<td>19,059</td>
<td></td>
</tr>
<tr>
<td><strong>Financial ratios:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating margin (%)</strong></td>
<td>3.6</td>
<td>3.4</td>
<td>3.1</td>
<td>3.2</td>
<td>4.2</td>
<td>4.4</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td><strong>ROE (%)</strong></td>
<td>6.8</td>
<td>3.2</td>
<td>6.3</td>
<td>8.0</td>
<td>8.0</td>
<td>10.3</td>
<td>10.7</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Other data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of employees (excluding senior employees, part-time or temporary employees)</strong></td>
<td>22,793</td>
<td>24,425</td>
<td>24,728</td>
<td>24,728</td>
<td>24,744</td>
<td>25,274</td>
<td>25,074</td>
<td></td>
</tr>
<tr>
<td><strong>Total floor space of warehouse (Ten-thousand square meters)</strong></td>
<td>564</td>
<td>637</td>
<td>691</td>
<td>691</td>
<td>709</td>
<td>719</td>
<td>731</td>
<td></td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>496</td>
<td>497</td>
<td>499</td>
<td>513</td>
<td>709</td>
<td>719</td>
<td>731</td>
<td></td>
</tr>
<tr>
<td><strong>Purchased assets</strong></td>
<td>213</td>
<td>222</td>
<td>231</td>
<td>221</td>
<td>496</td>
<td>497</td>
<td>499</td>
<td></td>
</tr>
</tbody>
</table>

*In order to present business conditions more appropriately, the HTS Group started to use “Adjusted operating income” as a major indicator from FY2016 and also presented “Adjusted operating income” for FY2015. *6 Excluding AIT Group and HTB-BCD Travel Group. *7 Effective April 1, 2019, the Group adopted IFRS 16 Leases.
Hitachi Transport System, Ltd.    Integrated Report 2022

ESG Data

Environment

Environmental Management

Coverage of environmental management system (ISO14001) (percentage of certification acquisition) ● ● Head office acquired "Eco Stage 2" (equivalent to ISO14001) and implemented it in domestic group companies 3.8% 3.8% 3.6% 3.6% 4.0%

Number of non-compliance with environmental laws and regulations (environmental compliance) ● ● ● 0 0 0 0 0

Attendance rate of environmental e-learning courses ● ● ● 99.8% 99.8% 99.7% 99.5% 99.0%

Reduction of Environmental Load by Products and Services

Eco-friendly vehicle ownership ratio ● ● ● 100% 100% 100% 100% 100%

Advanced eco-friendly vehicle ownership ratio ● ● ● 90% 93% 96% 97% 98%

Greenhouse Gas (GHG)

Improve fuel efficiency by vehicle type (driving distance/fuel consumption) a) CO2 emission reduction target 0% 0% 0% 0% 0%

Improve fuel efficiency by vehicle type (driving distance/fuel consumption) a) (Result of reduction of CO2 emission) ● ● ● Compared to FY2014 +3% Compared to FY2014 +4% Compared to FY2018 +1% Compared to FY2018 +2% Compared to FY2020 +1.76%

CO2 emission reduction by modal shift (t-CO2)b) ● ● ● Modal shift to sea transport for recyclable waste such as medical waste and therapy waste reduced from 66.0% to 53.5% Modal shift to railway transport for hazardous waste reduced from 48.3% to 33.6% Modal shift to sea transport for recyclable waste reduced from 71.5% to 65.3% Modal shift to railway transport for hazardous waste reduced from 54.4% to 34.2%

Total of above CO2 emissions reductions in comparison with truck transport ● ● ● -50% -79% -28%*7 -71.5% Approx. -60%

CO2 emissions suppressed with LED lighting fixtures (t-CO2) ● ● ● 1,300 2,730 141.2 1,471 799

Total GHG emissions (Scope 1) (t-CO2) ● ● ● 44,290 43,656 42,207 40,669 40,519

Total GHG emissions (Scope 1 & 2) (t-CO2) ● ● ● 132,122 127,561 119,753 112,995 110,616

Total GHG emissions (Group) (t-CO2) ● ● ● 537,272 537,960 527,187 496,788 513,312

Air/Chemicals

Emissions of NOx, SOx and other significant air emissions ● ● Since 1992, we purchased only the vehicles equipped with measures against NOx and SOx to comply with emission regulations.

Energy

Electricity consumption per "floor space" in "buildings" (Reduction target for energy consumption intensity) ● ● ● Compared to FY2014 -3% Compared to FY2014 -4% Compared to FY2018 -1% Compared to FY2018 -2% Compared to FY2020 -1.76%

Electricity consumption per "floor space" in "buildings" (Result of reduction of energy consumption intensity) ● ● ● Compared to FY2014 -1.0% Compared to FY2014 +0.9% Compared to FY2018 -3% Compared to FY2018 -8.3% Compared to FY2020 -8.1%

Total energy input/consumption (amount used) (GJ) ● ● ● 2,454,703 2,462,590 2,409,865 2,327,399 2,218,798

Waste/Recycling

Total waste emissions (t) ● ● ● 33,304 30,827 28,982 29,533 32,245

Reduction target for copy paper consumption [reduction of resource use] ● ● ● YoY: -1% YoY: -1% YoY: -1% YoY: -1% YoY: -1% YoY: -1%

Results of copy paper consumption [reduction of resource use] ● ● ● YoY: -2% YoY: -2% YoY: -5.3% YoY: -5.3% YoY: -2.6% YoY: -4.7%

Recycling rate target [waste reduction] ● ● ● 99% 99% 99% 99% 99%

Recycling rate [waste reduction] ● ● ● 99.6% 99.4% 99.0% 99.0% 99.0%

Amount of recycled waste (t) ● ● ● 133 121 246 263 278

Amount of recycled waste (same amount: total) (t) ● ● ● 33,171 30,406 29,564 29,124 31,928

Emissions of hazardous waste (total volume) (t) ● ● ● Although we do not track the exact amount of PCB, other waste oil and polluted mud because their amount is low, we manage them properly in accordance with laws.

Green Purchasing

Green purchasing rate ● ● ● 90.0% 88.3% 86.0% 87.6% 82.0%

Water

Input of water resources (m3) ● ● ● 333,803 340,129 318,916 306,770 295,018

Social

Employee Basic Data

Number of employees (including senior employees, part-time or temporary employees) ● ● ● Male 1,781 1,571 1,374 1,328 1,224

Female 1,498 1,309 1,126 1,056 963

Total personnel ** (Senior employees, part-time or temporary employees) ● ● ● 47,784 46,295 45,328 43,729 45,681

Domestic (22,710) (22,156) (21,491) (21,047) (22,763)

Overseas (22,710) (22,156) (21,491) (21,047) (22,763)

Average age (full-time employees) (years old) ● ● ● 41.1 41.7 42.3 42.6 42.9

Average service years (full-time employees) (years) ● ● ● 17.3 18.4 19.3 19.8 20.0

Ratios of employees (male:female) (excluding headquarters) and overseas (male:female) (100)% ● ● ● 52 41 60 50 61 41

Senior executive officers (male:female) (excluding headquarters) and overseas (male:female) (100)% ● ● ● 5.9 4.1 2.5 2.5 1.6 2.1%

Diversity

Ratio of female new graduates hired ● ● ● 3.8% 3.8% 3.6% 3.6% 4.0%

Ratio of male new graduates hired ● ● ● 0 0 0 0 0

Numbers of female managers (persons) ● ● ● 19 26 34 37 41

Ratio of female managers ● ● ● 2.7% 3.7% 4.7% 4.9% 5.5%

Numbers of female assistant managers (persons) ● ● ● 56 66 61 71 77

Ratio of female assistant managers ● ● ● 9.7% 11.5% 11.1% 13.1% 14.3%

Number of foreign employees (persons) ● ● ● 38 48 42 43 40

Ratio of foreign employees ● ● ● 2.3% 2.4% 2.2% 2.3% 2.2%

Number of foreign managers (persons) ● ● ● 1 3 3 3 3

Ratio of persons with disabilities hired (as of June each year) ● ● ● 2.35% 2.46% 2.57% 2.48% 2.65%

Ratio of re-employment of the elderly (only those who requested) ● ● ● 100% 100% 100% 100% 100%

HTS Domestic 99.8% 99.8% 99.7% 99.5% 99.0%

HTS Overseas 99.0% 99.0% 99.0% 99.0% 99.0%

Head office acquired "Eco Stage 2" (equivalent to ISO14001) and implemented it in domestic group companies. Since 1992, we purchased only the vehicles equipped with measures against NOx and SOx to comply with emission regulations. Although we do not keep track of the exact amount of PCB, other waste oil and polluted mud because their amount is low, we manage them properly in accordance with laws.

HTS Domestic 99.0% 99.0% 99.0% 99.0% 99.0%

HTS Overseas 99.0% 99.0% 99.0% 99.0% 99.0%

Since 1992, we purchased only the vehicles equipped with measures against NOx and SOx to comply with emission regulations.
Foundation Supporting Value Creation via video conference system

*20 Postponed due to the spread of COVID-19 in Hokuriku area and at Hitachi Collabonext Transport System Co., Ltd., originally scheduled in March 2020 were postponed to FY2020 or later due to the spread of COVID-19

*17 Hitachi

*13 The scope is changed to HTS and domestic and overseas group companies from FY2020

*14 Number of visitors to R&D Center (opened in March 2016) until FY2018 (FY2016: from

*12 Includes donation and matching gifts

*11 Covers 13 group companies: Hitachi Transport System East

*10 Started aggregating data of domestic group companies from FY2018.

*9 Rate of paid leave taken (non-consolidated)*10

*8 Frequency rate of workplace accidents (non-consolidated)*18

*7 Number of those who took maternity leave (persons)

*6 The

*5 Please refer to page 64 of Integrated Report 2020 for details.

*4 Please refer to page 28 of Annual Report 2018 for details.

*3 Specific case

*2 CO₂ emission reduction target was changed from "Reduction of CO₂ emission intensity" until FY2017 to "Improvement of fuel efficiency" (from FY2018).

*1 Large, Medium, and Small size (fuel efficiency km/l)

Job Creation

Number of new graduates hired (Members of the Task and Field Club) (persons) ● ● ● Joined in April 2018: 34(4) Joined in April 2019: 22(1)

Number of new graduates hired (persons) ● ● 10 11 11 16 16 14

Number of new graduates who remained for three years (excluding those in the Task and Field Club) (persons) ● ● ● Joined in April 2015: 51 Remained as of April 1 2018: 47

Retention rate of new graduates hired after three years ● ● ● 92.2% 92.1% 92.6% 100.0% 87.0%

Number of experienced workers hired (persons) ● ● 19 20 23 14 17

Number of female experienced workers hired (persons) ● ● 9 9 5 6 10

Ratio of experienced workers hired ● ● 41% 40% 50% 36% 35%

Work-life Balance

Number of those who took maternity leave (persons) ● 12 11 17 18

Number of those who took childcare leave (persons) ● 16 14 19 15 27

Number of male employees (persons) ● 3 4 4 1 6

Ratio of those who returned to work after childcare leave ● ● 94.4% 100% 100% 100% 100%

Number of those who took nursing care leave (persons) ● ● 0 2 2 2 0

Number of paid leave taken (non-consolidated) (days)*19 ● ● (17.4) 14.5(18.5) 15.9(18.5) 14.2(16.7) 15.7(16.9)

Rate of paid leave taken (non-consolidated)*16 ● ● (72.5%) 63.3%(78.0%) 68.8%(77.3%) 61.0%(69.8%) 67.9%(70.7%)

Denture hours (average of full-time employees including nurses) (hours/meal) ● ● ● 32.2 30.2 28.6 26.1 27.5

Occupational Health and Safety

Frequency rate of workplace accidents (non-consolidated)*18 ● ● (0) 0.85(0) 0.93(0) 0.78(0) 0.88(0)

Seventy rate of workplace accidents (non-consolidated)*19 ● ● (0) 0.022(0) 0.013(0) 0.019(0) 0.017(0)

Number of traffic accidents defined in Article 2 of the Transportation Safety Management Regulation (incidents) ● ● ● 1 0 0 0 1

Social

Total expenditure for social contribution (millions of yen) *13 ● ● ● ● 9.0 18.0 290 69.7 87.1

Open innovation

Number of visits to the Company’s facilities (persons)*14 ● ● 1,386 573 709 468 1,250

Governance

Corporate Governance

Number of directors (female) (persons) ● ● 8(2) 8(2) 8(2) 9(2) 9(2)

Outside director ● ● 6(2) 6(2) 6(2) 7(2) 7(2)

Independent officer ● ● 4(2) 4(2) 4(2) 6(2) 6(2)

Number of executive officers (female) (persons) ● ● 16(0) 15(0) 18(0) 18(0) 19(0)

Compliance

Number of compliance training conducted *45 ● ● ● 25(3) 24(9) 30(2) 25(4) 19(2)

Number of compliance meeting held ● ● ● 4 6 6 7 7

Number of whistle-blowing reports/consultations (cases) ● ● ● 17 42 44 54 67

Risk Management

Areas which conducted BCP simulation trainings and number of attendees (persons) ● Kyushu area 22 Saitama area 20

Overseas sites which conducted BCP Caravan and number of attendees (persons) ● ● Kyushu area 22 Saitama area 20

Information Security

Number of attendants of information security training course (persons) ● ● ● 36,508 37,497 37,778 38,267 37,670

Rate of targeted threat emails for simulation trainings opened ● ● 8.0% 0.7% 5.0% 9.6% 6.0%

Number of sites which obtained third-party certifications for information security ● ● ● ISMS 35 departments ISMS 36 departments ISMS 36 departments ISMS 26 departments ISMS 26 departments

Number of departments which conducted information security audit ● ● ● 767 782 729 715 717

Intellectual Properties

Number of patent applications ● ● 15 17 46 28 37

Number of patents held ● ● ● 27 31 49 78 102

*1 Large, Medium, and Small size (fuel efficiency km/l)

*2 CO₂ emission reduction target was changed from "Reduction of CO₂ emission intensity" until FY2017 to "Improvement of fuel efficiency" from FY2018.

*3 Specific case

*4 Please refer to page 28 of Annual Report 2018 for details.

*5 The case in which received shipping Model Shift Grand Prize at Eco-Ship Modal Shift Excellent Business Awards 2021 and Advanced Technology Award at the 23rd Logistics Environment Awards

*6 Comparison with transport by former container carriers. *7 Excluding employees of associates accounted for by the equity method. *8 One male and one female employees joined the company in December due to COVID-19.

*10 Started aggregating data of domestic group companies from FY2018. *11 Covers 13 group companies.

*12 Includes donation and matching gifts from FY2021. *13 Includes e-learning for all employees of domestic group companies: number shown in [ ].

*16 Trainings in Hokuriku area and at Hitachi Collaborative Transport System Co., Ltd., originally scheduled in March 2020 were postponed to FY2020 or later due to the spread of COVID-19.

*17 Hitachi Transport System Central Japan Co., Ltd. conducted an online training in March 2021.

*18 Conducted online initial response trainings at 16 group companies.

*19 Includes attendees via video conference system.

*20 Postponed due to the spread of COVID-19.
**Financial Position**

Total assets as of March 31, 2022 amounted to ¥791,878 million, an increase of ¥3,942 million compared with the end of the previous fiscal year. Current assets increased by ¥2,120 million due to increases of ¥8,181 million in trade receivables and contract assets mainly due to increases in revenues and ¥6,202 million in other financial assets resulting from payments into Turkish lira-denominated time deposits by our consolidated subsidiary Mars Lojistik Grup Anonim Sirketi despite a decrease of ¥9,088 million in cash and cash equivalents. Non-current assets increased by ¥1,822 million mainly due to an increase of ¥9,309 million in property, plant and equipment resulting from capital expenditures for hazardous materials warehouses built in Otsu City, Shiga Prefecture, and Kashiwa City, Chiba Prefecture, and renewal of vehicles despite a decrease of ¥6,765 million in right-of-use assets due to recording of depreciation and amortization and loss related to the fire at a logistics center at Maishima Sales Office of Hitachi Transport System West Japan Co., Ltd., our consolidated subsidiary (“Fire at our consolidated subsidiary”).

Total liabilities as of March 31, 2022 amounted to ¥613,665 million, a decrease of ¥12,164 million compared with the end of the previous fiscal year. Current liabilities increased by ¥16,486 million mainly due to increases of ¥9,772 million in current portion of long-term debt resulting from reclassification from long-term debt and of ¥6,485 million in other current liabilities due to recording of provision for damages related to the Fire at our consolidated subsidiary. Non-current liabilities decreased by ¥28,650 million mainly due to decreases of ¥19,917 million in long-term debt and of ¥9,877 million in lease liabilities mainly due to repayments and reversal in relation to the Fire at our consolidated subsidiary.

Total equity as of March 31, 2022 amounted to ¥178,213 million, an increase of ¥16,106 million compared with the end of the previous fiscal year. Total equity attributable to stockholders of the parent company increased by ¥15,012 million mainly due to a decrease of ¥98,996 million in treasury stock, at cost as a result of cancellation. Total equity attributable to stockholders of the parent company ratio increased from 19.7% as of March 31, 2021 to 21.5%.

**Operating Results**

**Revenues, adjusted operating income**

For the fiscal year ended March 31, 2022, revenues increased by 14% year-on-year to ¥743,612 million due to recovery in handling volume. Adjusted operating income increased by 5% year-on-year to ¥38,696 million mainly due to revenues increase, improved productivity, and improved profitability of freight forwarding business. Operating income decreased by 25% year-on-year to ¥30,738 million mainly due to loss related to the Fire at our consolidated subsidiary and decreases in gains from transfer of all shares of SAGAWA EXPRESS CO., LTD. and from sales of fixed assets despite a decrease in COVID-19-related loss.

**EBIT (Earnings before interest and taxes)**

Earnings before interest and taxes (EBIT) decreased by 34% year-on-year to ¥29,417 million mainly due to decreases in operating income and in share of profits of investments accounted for using the equity method mainly due to transfer of all shares of SAGAWA EXPRESS CO., LTD. as well as foreign exchange loss.

**Net income attributable to stockholders of the parent company**

Net income attributable to stockholders of the parent company decreased by 41% year-on-year to ¥13,513 million mainly due to a decrease in income before income taxes.
Cash Flows

Cash flows from operating activities
Net cash provided by operating activities was ¥65,135 million, an increase of ¥9,826 million compared with the fiscal year ended March 31, 2021. This is mainly due to increases in cash from depreciation and amortization of ¥50,828 million and recording net income of ¥14,622 million despite a decrease in cash from income taxes paid of ¥7,202 million.

Cash flows from investing activities
Net cash used in investing activities was ¥24,877 million, an increase of ¥94,656 million compared with the fiscal year ended March 31, 2021. This is mainly due to a decrease in cash resulting from purchase of property, plant and equipment and intangible assets of ¥20,359 million which consists mostly of capital expenditures for hazardous materials warehouses built in Otsu City, Shiga Prefecture, and Kashiwa City, Chiba Prefecture, and renewal of vehicles, and payments into time deposits of ¥6,049 million which consists mostly of payments into exchange-rate-protected Turkish lira time deposits by our Turkish subsidiary Mars Lojistik Grup Anonim Sirketi to be eligible for tax exemptions introduced by the Turkish government for valuation gains on foreign currency-denominated assets.

Cash flows from financing activities
Net cash used in financing activities was ¥52,511 million, a decrease of ¥108,545 million compared with the fiscal year ended March 31, 2021. This is mainly due to a decrease in cash from repayments of lease liabilities of ¥33,758 million and repayments of long-term debt of ¥10,329 million.

Outline of Capital Expenditures
The Group (HTS and its consolidated subsidiaries) carefully selected and executed investments to expand logistics sites and renewed vehicles as part of ordinary business operation. The details of capital expenditures (based on tangible and intangible assets accepted) for the fiscal year ended March 31, 2022 are as follows:

In domestic logistics, we acquired hazardous substances warehouses (Otsu City, Shiga Prefecture, and Kashiwa City, Chiba Prefecture) as property, plant and equipment in an effort to expand logistics sites.

We also renewed existing assets and made investments for streamlining and labor-saving. As a result, capital expenditures totaled ¥26,022 million.

In global logistics, we renewed existing assets, mainly vehicles. As a result, capital expenditures amounted to ¥16,140 million.

In other, we renewed existing assets such as vehicles for rental business. As a result, capital expenditures amounted to ¥3,136 million.

<table>
<thead>
<tr>
<th>Details of capital expenditures</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic logistics</td>
<td>512</td>
<td>260</td>
</tr>
<tr>
<td>Global logistics</td>
<td>115</td>
<td>161</td>
</tr>
<tr>
<td>Other</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>Company-wide</td>
<td>22</td>
<td>40</td>
</tr>
<tr>
<td>Total</td>
<td>681</td>
<td>493</td>
</tr>
</tbody>
</table>

Tax policy
Recognizing that fulfilling tax obligations properly is one of our social responsibilities, the Group has established the internal “Rules of the Group Tax Management.”

1. Compliance with international standard of tax rules and tax regulations
Group companies observe international standards of tax rules, such as OECD Transfer Pricing Guidelines and Action Plan on Base Erosion and Profit Shifting (BEPS) and conduct operations in accordance with tax rules of each jurisdiction, all relevant laws and regulations in the territories in which they operate.

2. Managing its tax affairs efficiently, continuously, and proactively
Consistent with their roles as socially responsible organizations, the aims of Group companies are to manage their tax affairs efficiently, continuously, and proactively while maximizing shareholder value.

3. Building up a sincere and good relationship with tax authorities
Group companies develop and sustain good relations with tax authorities in countries where they operate.

4. Enhancement of risk management
Group companies have to correspond to the diversification of taxation issues and the tax audits carried out by authorities, and report to relevant departments as soon as such issues start.
Key Management Indicators: Financial and Non-Financial Highlights

Financial Highlights

Revenues (100 million yen)

Revenues showed positive growth since FY2017 but decreased in FY2019 due to a decrease in volume of automobile parts and freight forwarding business and in FY2020 due to the spread of COVID-19. Revenues increased in FY2021 due to a recovery in handling volume.

EBIT (100 million yen)/EBIT margin (%)

EBIT had been increasing since FY2013 but decreased in FY2021 due to loss by fire at a consolidated subsidiary and decreases in gains on sales of investments in associates and fixed assets recorded in FY2020.

Adjusted operating income (100 million yen)/Adjusted operating margin (%)

Adjusted operating income has been increasing since FY2013. The increase in FY2021 was mainly due to revenues increase, improved productivity, and improved profitability of freight forwarding business.

Total equity (100 million yen)/ROE (%)

ROE remained flat since reaching 10% in FY2016. In FY2020, it increased due to a decrease in equity attributable to stockholders of the parent company as a result of the acquisition of approximately ¥98.8 billion of treasury stock, but decreased in FY2021 as net income attributable to stockholders of the parent company decreased mainly due to recording of loss by fire.

Capital expenditures/Purchased assets (100 million yen)

Capital expenditures including lease*1 remained at around ¥20 billion to ¥70 billion and purchased assets*2 remained at around ¥13 billion to ¥20 billion. In FY2021, we made an effort to expand business sites by purchasing assets including hazardous substances warehouses.

Cash dividends per share (Yen)/Dividend payout ratio (%)

We have continued to increase dividends every year since FY2010. We seek profit distribution linked to business performance while considering medium-to-long-term business expansion and securing internal reserves to strengthen corporate structure.*3

*1 Based on tangible and intangible assets accepted *2 Based on non-current assets recorded *3 As announced in the news releases dated April 28, 2022, “Announcement of Expression of Opinion in Support of the Scheduled Commencement of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Recommendation of Tender” and “Notice regarding Dividend Distribution (No Dividend),” we do not plan to pay an interim and a year-end dividends for the fiscal year ending March 31, 2023 in light of the scheduled commencement of the tender offer by HTSK Co., Ltd. for the Company's common shares.

Hitachi Transport System, Ltd. Integrated Report 2022
Non-Financial Highlights

**CO2 emissions (thousand tons-CO2)/Intensity per revenues (tons-CO2/100 million yen)**

- **CO2 emissions (left axis)**
- **Intensity per revenues (right axis)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2</td>
<td>132</td>
<td>128</td>
<td>120</td>
<td>113</td>
<td>111</td>
</tr>
<tr>
<td>Int.</td>
<td>300</td>
<td>282</td>
<td>265</td>
<td>259</td>
<td>257</td>
</tr>
</tbody>
</table>

Both CO2 emissions and its intensity per revenues are on a declining trend mainly due to efforts to reduce electricity consumption and improve vehicle fuel efficiency.

Scope: HTS, domestic group companies (total of Scope 1 and 2)

**Eco-friendly vehicle ownership ratio (%)**

- **Eco-friendly vehicles**
- **Advanced eco-friendly vehicles**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>90%</td>
<td>95%</td>
<td>98%</td>
<td>97%</td>
<td>97%</td>
</tr>
</tbody>
</table>

To further reduce environmental load, we aim to achieve the advanced eco-friendly vehicle ownership ratio of 100% through, for example, the introduction of EVs and FCVs, etc., with higher environmental performance.

Scope: HTS, domestic group companies

**Workplace accident index: Frequency rate/Severity rate**

- **Frequency rate (left axis)**
- **Severity rate (right axis)**

In FY2021, the “frequency rate” representing the frequency of workplace accidents slightly increased but the “severity rate” representing the severity of accidents decreased mainly due to the introduction of education through realistic experience.

Scope: HTS, domestic group companies

**Ratio of female managers (%)**

- **Ratio of female managers**
- **Ratio of female assistant managers**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>10.0</td>
<td>11.5</td>
<td>13.1</td>
<td>14.3</td>
<td>5.5</td>
</tr>
</tbody>
</table>

In FY2021, the ratio of female managers nearly doubled from FY2017 due to our systematic efforts to develop female employees.

Scope: HTS

**Number of compliance trainings and meetings conducted (times)/Number of whistle-blowing reports and consultations (cases)**

We continue to implement measures to enhance compliance of the entire Group in Japan and overseas. The number of reports/consultations is on the rise due to the spread of the whistle-blowing system.

Scope: HTS, domestic group companies

**Directors and outside directors (persons)/Ratio of female directors (%)**

The Board of Directors, which is the supervisory body of management, invites outside directors in order to incorporate objective outside opinions. Also, we have promoted female directors to ensure diversity.

Scope: HTS

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*1 Eco-friendly vehicles are as follows: hybrid, natural gas, and electric as well as highly fuel-efficient vehicles certified by the government (vehicles meeting a specified standard), and low emissions vehicles. Total of personal and business vehicles excluding special vehicles. *2 A frequency rate, representing the frequency of accidents resulting in lost workdays, is expressed in terms of the number of injuries or deaths resulting from workplace accidents for each one million total hours worked by employees. A severity rate, representing the severity of accidents, is expressed in terms of the number of lost workdays for each 1,000 total hours worked by employees. *3 Compliance trainings and e-learning programs are provided to all employees of HTS and its domestic group companies. Number of compliance meetings and whistle-blowing reports/consultations is the total for the entire HTS Group including overseas group companies. *4 Female directors are all independent officers.
## Consolidated Statement of Financial Position

Hitachi Transport System, Ltd. and subsidiaries

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of March 31, 2022 (Millions of yen)</th>
<th>As of March 31, 2021 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥ 94,907</td>
<td>¥ 104,815</td>
</tr>
<tr>
<td>Trade receivables and contract assets</td>
<td>131,862</td>
<td>123,681</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,363</td>
<td>1,083</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>10,580</td>
<td>4,378</td>
</tr>
<tr>
<td>Other current assets</td>
<td>10,758</td>
<td>13,393</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>249,470</td>
<td>247,350</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>6,762</td>
<td>6,372</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>169,290</td>
<td>159,981</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>281,265</td>
<td>288,030</td>
</tr>
<tr>
<td>Goodwill</td>
<td>25,881</td>
<td>25,228</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>21,270</td>
<td>23,824</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>14,022</td>
<td>11,732</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>17,259</td>
<td>18,459</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>6,659</td>
<td>6,960</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>542,408</td>
<td>540,586</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥ 791,878</td>
<td>¥ 787,936</td>
</tr>
</tbody>
</table>
### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>As of March 31, 2022</th>
<th>As of March 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>¥ 54,561</td>
<td>¥ 51,733</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>1,114</td>
<td>2,152</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>20,092</td>
<td>10,320</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>31,926</td>
<td>30,600</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>5,385</td>
<td>6,089</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>22,019</td>
<td>24,202</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>38,044</td>
<td>31,559</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>173,141</td>
<td>156,655</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>120,386</td>
<td>140,303</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>251,343</td>
<td>261,220</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>39,436</td>
<td>37,071</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>7,969</td>
<td>7,467</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>18,435</td>
<td>20,075</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>2,955</td>
<td>3,038</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>440,524</td>
<td>469,174</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>613,665</td>
<td>625,829</td>
</tr>
</tbody>
</table>

### Equity

**Equity attributable to stockholders of the parent company**

<table>
<thead>
<tr>
<th>Description</th>
<th>As of March 31, 2022</th>
<th>As of March 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>16,803</td>
<td>16,803</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>145,026</td>
<td>236,311</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>9,162</td>
<td>1,861</td>
</tr>
<tr>
<td>Treasury stock, at cost</td>
<td>(821)</td>
<td>(99,817)</td>
</tr>
<tr>
<td><strong>Total equity attributable to stockholders of the parent company</strong></td>
<td>170,170</td>
<td>155,158</td>
</tr>
</tbody>
</table>

**Non-controlling interests**

<table>
<thead>
<tr>
<th>Description</th>
<th>As of March 31, 2022</th>
<th>As of March 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-controlling interests</strong></td>
<td>8,043</td>
<td>6,949</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>178,213</td>
<td>162,107</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>¥ 791,878</td>
<td>¥ 787,936</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Profit or Loss

**Hitachi Transport System, Ltd. and subsidiaries**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>¥ 743,612</td>
<td>¥ 652,380</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(649,000)</td>
<td>(566,582)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>94,612</td>
<td>85,798</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(55,916)</td>
<td>(49,087)</td>
</tr>
<tr>
<td>Adjusted operating income</td>
<td>38,696</td>
<td>36,711</td>
</tr>
<tr>
<td>Other income</td>
<td>2,071</td>
<td>10,787</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(10,029)</td>
<td>(6,448)</td>
</tr>
<tr>
<td>Operating income</td>
<td>30,738</td>
<td>41,050</td>
</tr>
<tr>
<td>Financial income</td>
<td>76</td>
<td>413</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(1,888)</td>
<td>(44)</td>
</tr>
<tr>
<td>Share of profits of investments accounted for using the equity method</td>
<td>491</td>
<td>3,010</td>
</tr>
<tr>
<td>EBIT (Earnings before interest and taxes)</td>
<td>29,417</td>
<td>44,429</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,299</td>
<td>1,197</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(6,085)</td>
<td>(6,492)</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>24,631</td>
<td>39,134</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(10,009)</td>
<td>(15,180)</td>
</tr>
<tr>
<td>Net income</td>
<td>¥ 14,622</td>
<td>¥ 23,954</td>
</tr>
</tbody>
</table>

### Net income attributable to:

- Stockholders of the parent company: ¥ 13,513
- Non-controlling interests: ¥ 1,109

### Earnings per share attributable to stockholders of the parent company

- **Basic**: ¥ 161.47
- **Diluted**: –

## Consolidated Statement of Comprehensive Income

**Hitachi Transport System, Ltd. and subsidiaries**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>¥ 14,622</td>
<td>¥ 23,954</td>
</tr>
</tbody>
</table>

### Other comprehensive income (OCI)

- **Items not to be reclassified into net income**
  - Net changes in financial assets measured at fair value through OCI: (747) 475
  - Remeasurements of defined benefit plans: 52 213
  - Share of OCI of investments accounted for using the equity method: (1) 18
  - Total items not to be reclassified into net income: (696) 706

- **Items that can be reclassified into net income**
  - Foreign currency translation adjustments: 8,133 6,274
  - Net changes in cash flow hedges: 8 2
  - Share of OCI of investments accounted for using the equity method: 118 20
  - Total items that can be reclassified into net income: 8,259 6,296

### Other comprehensive income (OCI)

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive income</td>
<td>¥ 22,185</td>
<td>¥ 30,956</td>
</tr>
</tbody>
</table>

### Comprehensive income attributable to:

- Stockholders of the parent company: ¥ 20,516
- Non-controlling interests: ¥ 1,669
## Consolidated Statement of Cash Flows
Hitachi Transport System, Ltd. and subsidiaries

### Cash flows from operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>¥ 14,622</td>
<td>¥ 23,954</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>50,828</td>
<td>52,159</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>4</td>
<td>1,339</td>
</tr>
<tr>
<td>Income taxes</td>
<td>10,009</td>
<td>15,180</td>
</tr>
<tr>
<td>Share of profits of investments accounted for using the equity method</td>
<td>(491)</td>
<td>(3,010)</td>
</tr>
<tr>
<td>Loss by fire</td>
<td>7,294</td>
<td>–</td>
</tr>
<tr>
<td>Insurance proceeds</td>
<td>(429)</td>
<td>(50)</td>
</tr>
<tr>
<td>Gain on sale of investments in associates</td>
<td>–</td>
<td>(4,945)</td>
</tr>
<tr>
<td>Gains on sale of property, plant and equipment</td>
<td>(219)</td>
<td>(2,769)</td>
</tr>
<tr>
<td>Interest and dividends income</td>
<td>(1,375)</td>
<td>(1,270)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>6,085</td>
<td>6,492</td>
</tr>
<tr>
<td>(Increase) decrease in trade receivables and contract assets</td>
<td>(3,816)</td>
<td>(4,366)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>(256)</td>
<td>77</td>
</tr>
<tr>
<td>Increase (decrease) in trade payables</td>
<td>2,276</td>
<td>3,084</td>
</tr>
<tr>
<td>Increase (decrease) in retirement and severance benefits</td>
<td>2,283</td>
<td>1,976</td>
</tr>
<tr>
<td>Changes in other assets and other liabilities</td>
<td>(11,733)</td>
<td>(5,203)</td>
</tr>
<tr>
<td>Other</td>
<td>1,743</td>
<td>996</td>
</tr>
<tr>
<td>Subtotal</td>
<td>76,825</td>
<td>83,644</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>1,571</td>
<td>4,145</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(5,987)</td>
<td>(6,399)</td>
</tr>
<tr>
<td>Fire-related payments</td>
<td>(501)</td>
<td>–</td>
</tr>
<tr>
<td>Insurance proceeds received</td>
<td>429</td>
<td>50</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(7,202)</td>
<td>(26,131)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>65,135</td>
<td>55,309</td>
</tr>
</tbody>
</table>

### Cash flows from investing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property, plant and equipment and intangible assets</td>
<td>(20,359)</td>
<td>(19,792)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment and intangible assets</td>
<td>760</td>
<td>3,814</td>
</tr>
<tr>
<td>Proceeds from sale of investments in associates</td>
<td>14</td>
<td>87,183</td>
</tr>
<tr>
<td>Purchase of subsidiaries' shares</td>
<td>–</td>
<td>(1,476)</td>
</tr>
<tr>
<td>Payments into time deposits</td>
<td>(6,049)</td>
<td>(572)</td>
</tr>
<tr>
<td>Other</td>
<td>757</td>
<td>622</td>
</tr>
<tr>
<td>Net cash (used in) provided by investing activities</td>
<td>(24,877)</td>
<td>69,779</td>
</tr>
</tbody>
</table>

### Cash flows from financing activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in short-term debt, net</td>
<td>(1,165)</td>
<td>(1,575)</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>(10,329)</td>
<td>(10,409)</td>
</tr>
<tr>
<td>Repayments of lease liabilities</td>
<td>(33,758)</td>
<td>(36,648)</td>
</tr>
<tr>
<td>Proceeds from sale of shares of consolidated subsidiaries to non-controlling interests</td>
<td>–</td>
<td>114</td>
</tr>
<tr>
<td>Acquisition of shares of consolidated subsidiaries from non-controlling interests</td>
<td>(1,792)</td>
<td>(7,541)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(4,696)</td>
<td>(4,299)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>(174)</td>
<td>(121)</td>
</tr>
<tr>
<td>Acquisition of treasury stock</td>
<td>(1)</td>
<td>(99,633)</td>
</tr>
<tr>
<td>Other</td>
<td>(596)</td>
<td>(944)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(52,511)</td>
<td>(161,056)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>2,345</td>
<td>1,762</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(9,908)</td>
<td>(34,206)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>104,815</td>
<td>139,021</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>¥ 94,907</td>
<td>¥ 104,815</td>
</tr>
<tr>
<td><strong>Intermodal transportation</strong></td>
<td>Multimodal transportation combining different transport modes such as railroad, truck, aircraft, and ship, which enables to deliver cargoes in containers all the way to the final destination. Combining rail and ocean transportation for the trunk line transport is also expected to reduce environmental load.</td>
<td></td>
</tr>
<tr>
<td>----------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>UN Global Compact</strong></td>
<td>A global framework aimed at realizing sustainable growth by encouraging companies/organizations to exercise responsible and creative leadership and act as good members of society. It sets ten principles related to protection of human rights, elimination of unfair labour, response to environmental issues, and anti-corruption.</td>
<td></td>
</tr>
<tr>
<td><strong>2024 problem</strong></td>
<td>Collectively refers to various issues that might arise in the transport/logistics industry as a result of the application of the &quot;upper limit of overtime allowed for automobile drivers&quot; set by the working-style-reform-related bills effective April 1, 2024. In particular, truck drivers’ overtime will be limited to 960 hours per year.</td>
<td></td>
</tr>
<tr>
<td><strong>Milkrun</strong></td>
<td>Transportation method whereby one truck visits bases of multiple suppliers to collect production parts and deliver them to a production plant. It can not only improve transport efficiency and streamline the management of shipment receiving process at production plants but also contribute to solving environmental issues such as emissions of CO2 and air pollutants.</td>
<td></td>
</tr>
<tr>
<td><strong>AGV</strong></td>
<td>Stands for Automated Guided Vehicle. It is equipment that automatically drives and delivers pallets/roll box pallets mainly in logistics centers and factories.</td>
<td></td>
</tr>
<tr>
<td><strong>CDP</strong></td>
<td>An NGO established in 2000 and managed by a U.K. charitable organization, which runs the global disclosure system for investors, companies, nations, regions, and cities to manage their environmental impacts. It discloses information on global leading companies’ initiatives on a universal scale by gathering information on CO2 emissions and climate change initiatives through questionnaires and analyzing/scoring their responses, with an aim to improve engagement in environmental issues.</td>
<td></td>
</tr>
<tr>
<td><strong>DX</strong></td>
<td>Refers to Digital Transformation. “The Guidelines for Promotion of Digital Transformations” by the Ministry of Economy, Trade and Industry of Japan define DX as “a situation where a company deals with dramatic changes in business environments, changes its products, services and business models so as to meet the demands of customers and society by taking advantage of data and digital technologies and changes its services per se, organizations, processes, corporate and business culture so that it can establish competitive advantages.”</td>
<td></td>
</tr>
<tr>
<td><strong>ERP</strong></td>
<td>Stands for Enterprise Resource Planning. It is a system to enable sophisticated management by centrally managing the corporates' core functions such as &quot;production,&quot; &quot;procurement,&quot; &quot;inventory,&quot; &quot;sales,&quot; and &quot;accounting.&quot;</td>
<td></td>
</tr>
<tr>
<td><strong>GDP</strong></td>
<td>Stands for Good Distribution Practice and refers to appropriate distribution standard for medical supplies to ensure strict quality control. It is applied to the procurement, storage, and distribution processes of medical supplies after they are shipped to the market until they reach pharmacies, pharmaceutical distributors, and medical institutions.</td>
<td></td>
</tr>
<tr>
<td><strong>RCS</strong></td>
<td>Stands for Resource Control System, which is an integrated control system equipped with a work execution function that gives instructions to each equipment and worker based on the information on the operation status of the automated equipment and the work results of workers within the logistics center.</td>
<td></td>
</tr>
</tbody>
</table>

* Listed in Japanese or English alphabetical order
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPA</td>
<td>Stands for Robotic Process Automation and refers to software robotics technology that automates administrative work performed by a person using a personal computer. By registering operating procedures in advance, RPA can operate and run multiple systems just like a person does.</td>
</tr>
<tr>
<td>SCDOS</td>
<td>Stands for Supply Chain Design &amp; Optimization Services and refers to the HTS Group's supply chain optimization services. They centrally manage and visualize customers' various supply chain data to support solving issues and strategy planning.</td>
</tr>
<tr>
<td>SSCV</td>
<td>Stands for Smart &amp; Safety Connected Vehicle and refers to a transport digital platform that the HTS Group develops and provides to realize &quot;sustainable transportation services&quot; and &quot;zero-accident society.&quot; It consists of three solutions of SSCV-Smart (order management, vehicle assignment management, and driving management), SSCV-Safety (safe driving management), and SSCV Vehicle (optimization of vehicle management, failure prediction and preventive maintenance).</td>
</tr>
<tr>
<td>SWH</td>
<td>Stands for Smart Warehouse and refers to the HTS Group's logistics center equipped with advanced technologies to pursue efficiency and flexibility. The EC Platform Center in Kasukabe, Saitama Prefecture, a shared automated warehouse for EC logistics, started operation in September 2019. We will combine automation/labor-saving expertise with digital technologies to provide services standardized for each industry in addition to EC industry.</td>
</tr>
<tr>
<td>TCFD</td>
<td>Stands for Task Force on Climate-related Financial Disclosures. It recommends that companies, etc. disclose relevant information on their climate change initiatives that could have financial impacts on them under the four thematic areas of Governance, Strategy, Risk Management, and Metrics/Targets.</td>
</tr>
<tr>
<td>TEU</td>
<td>Stands for Twenty-Foot Equivalent Unit and refers to a unit of volume converted into the number of 20-foot-long marine containers.</td>
</tr>
<tr>
<td>TMS</td>
<td>Stands for Transportation Management System. It mainly consists of functions to support delivery planning, movement management, and driving record management.</td>
</tr>
<tr>
<td>VAS</td>
<td>Stands for Value-Added Services and refers to the Company's logistics services and their peripheral operations in the customers' value chains of procurement/manufacturing/shipping/sales/service.</td>
</tr>
<tr>
<td>VC activities</td>
<td>Stands for Value Change &amp; Creation and refers to daily improvement activities to implement the HB Way. Its aim is that &quot;the Company continues to grow and employees find their work rewarding.&quot; We are establishing an improvement culture through &quot;visualization of improvement activities&quot; and &quot;cultivation of the culture of praise&quot; such as exchanging ideas among employees under different themes and giving awards to excellent cases.</td>
</tr>
<tr>
<td>WCS</td>
<td>Stands for Warehouse Control System, which is an automated control system to operate automated/labor-saving equipment at logistics centers.</td>
</tr>
<tr>
<td>WMS</td>
<td>Stands for Warehouse Management System. It manages processes from receiving products in a warehouse to shipping them with functions such as management of receipt/inventory/shipment/operational progress/inventory, and preparation of slips.</td>
</tr>
</tbody>
</table>

SCDOS, SSCV, and Smart Warehouse are registered trademarks of Hitachi Transport System, Ltd.
Corporate Data

**Corporate name:** Hitachi Transport System, Ltd.

**Head office:** 2-9-2, Kyobashi, Chuo-ku, Tokyo, Japan

**Founded:** February 1950 (Established: August 1959)

**Paid-in capital:** ¥16,802 million

**Total personnel:** 45,681

**Main businesses:**
- 3PL Business [integrated logistics services for corporate customers]
  (Logistics System Building, Information Control, Inventory Control, Orders Control, Processing for Distribution, Logistics Center Operation, Factory Logistics, Transportation, Customs Clearance, International Nonstop Delivery through Land/Ocean/Air Transportation)
- Transportation, Installation and Setting of General Cargo, Heavy Machineries, and Artworks
- Factory and Office Moving
- Warehousing and Trunk Room Services
- Collection and Transportation of Industrial Waste
- Logistics Consulting, etc.

Stock Information

**Stock Exchange**
Tokyo
Securities Code: TSE-9086

**Number of shares outstanding**
84,101,714 shares

**Number of shares per unit**
100 shares

**Composition of shareholders**

As of March 31, 2022

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>Number of shares held (thousands)</th>
<th>Percentage of shares held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hitachi, Ltd.</td>
<td>33,471</td>
<td>39.91 %</td>
</tr>
<tr>
<td>SG Holdings Co., Ltd.</td>
<td>8,210</td>
<td>9.79</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>6,674</td>
<td>7.96</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY 510312</td>
<td>2,694</td>
<td>3.21</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY 510311</td>
<td>2,402</td>
<td>2.86</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (Trust Account)</td>
<td>1,841</td>
<td>2.20</td>
</tr>
<tr>
<td>GOLDMAN, SACHS &amp; CO. REG</td>
<td>1,444</td>
<td>1.72</td>
</tr>
<tr>
<td>BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)</td>
<td>1,425</td>
<td>1.70</td>
</tr>
<tr>
<td>OASIS INVESTMENTS II MASTER FUND LTD.</td>
<td>1,394</td>
<td>1.66</td>
</tr>
<tr>
<td>Hitachi Transport System, Ltd. Employees’ Shareholding Association</td>
<td>1,216</td>
<td>1.45</td>
</tr>
</tbody>
</table>

**Number of shares outstanding**
84,101,714 shares

**Number of shares per unit**
100 shares

**Changes in share price (as of the end of the month) and volume**

(Reference) Expression of opinion in support of the scheduled commencement of the tender offer by HTSK Co., Ltd. for the shares of Hitachi Transport System, Ltd., and recommendation of tender

The Company, at the board of director’s meeting held on April 28, 2022, resolved to express its opinion supporting the tender offer by HTSK Co., Ltd. (the “Tender Offeror”) for the common shares of the Company if the Tender Offer is commenced and to recommend that the Company’s shareholders tender their shares in the Tender Offer. The above-mentioned board resolution was made on the assumption that the Tender Offeror intends to acquire all the Company shares and that the Company shares are planned to be delisted through the transaction including the Tender Offer and a series of transactions and procedures scheduled thereafter.

Announced on April 28, 2022 “Announcement of Expression of Opinion in Support of the Scheduled Commencement of the Tender Offer by HTSK Co., Ltd. for the Shares of Hitachi Transport System, Ltd., and Recommendation of Tender”


Rating agency

Rating and Investment Information, Inc. (R&I)

Rating (announced on May 2, 2022)

Issuer rating: A Rating outlook: Negative
Network Extending to 29 Countries and Regions

Companies: 95
Locations: 763

* Number of companies includes associates accounted for using the equity method.
* Number of sites excludes AIT Group and HTB-BCD Travel Group.

Website/SNS Account Information
Various information including the corporate information and IR information is available on our website and SNS.

- **Website:**

- **LOGISTEED CAFÉ**
  Home page > LOGISTEED CAFÉ

- **Investor Relations**
  Home page > Investor Relations

- **CSR/ESG**
  Home page > CSR/ESG

- **YouTube official channel:**
  https://www.youtube.com/channel/UChfA_IsMeJpFI8I10Qq_1Kg

- **Twitter official channel:**
  https://twitter.com/hb_logisteed (Japanese version only)