

# 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.”

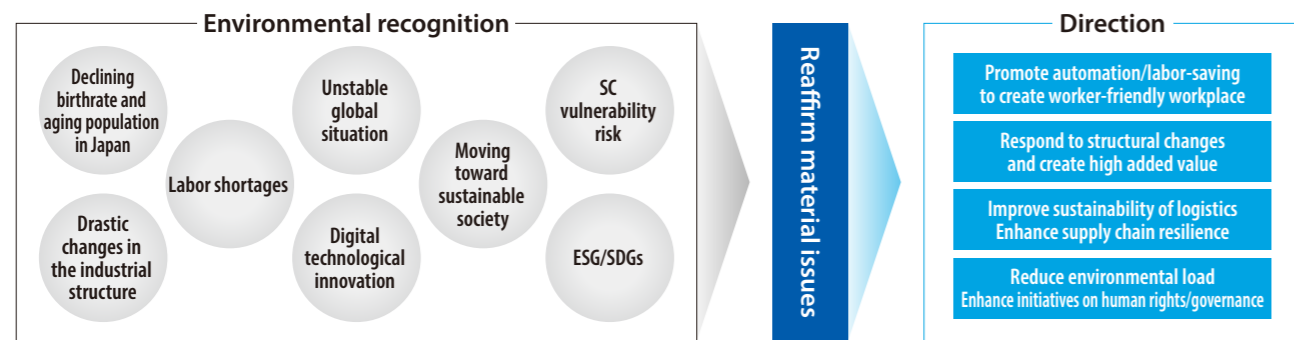
## Corporate Vision

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.”



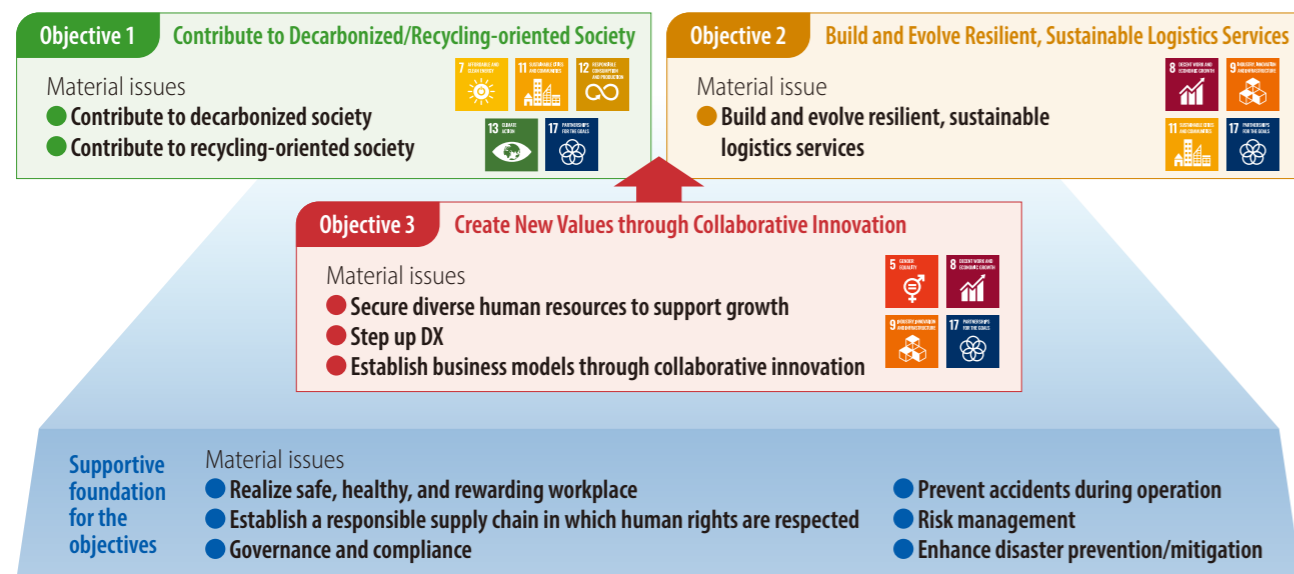
## Environmental Recognition and Direction

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

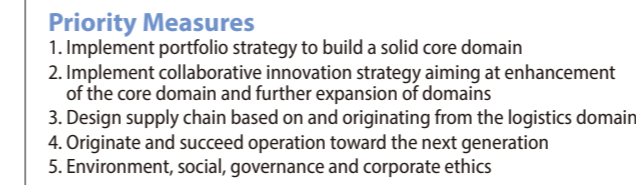
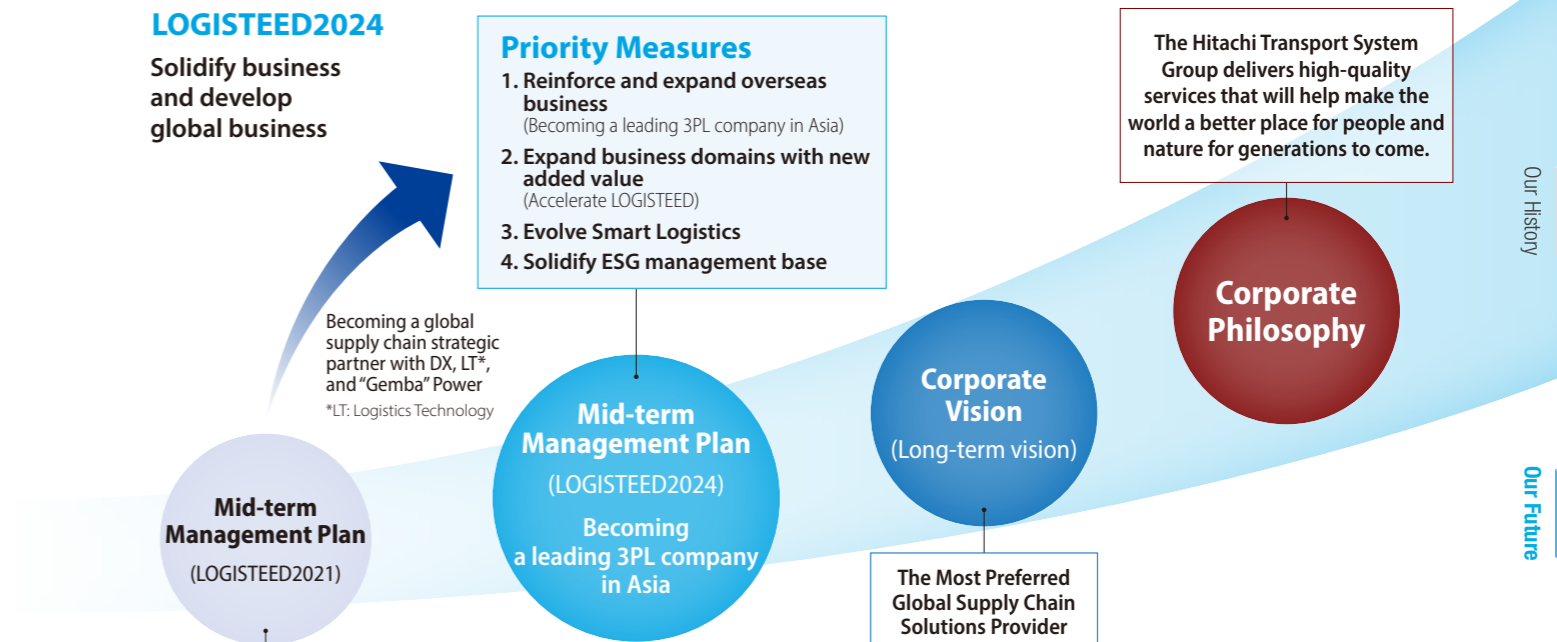
We reviewed the material issues identified in 2017 as follows to re-recognize social and environmental issues, expectations, and social responsibilities. The new Mid-term Management Plan has been developed based on these material issues, and we will promote measures to solve them.



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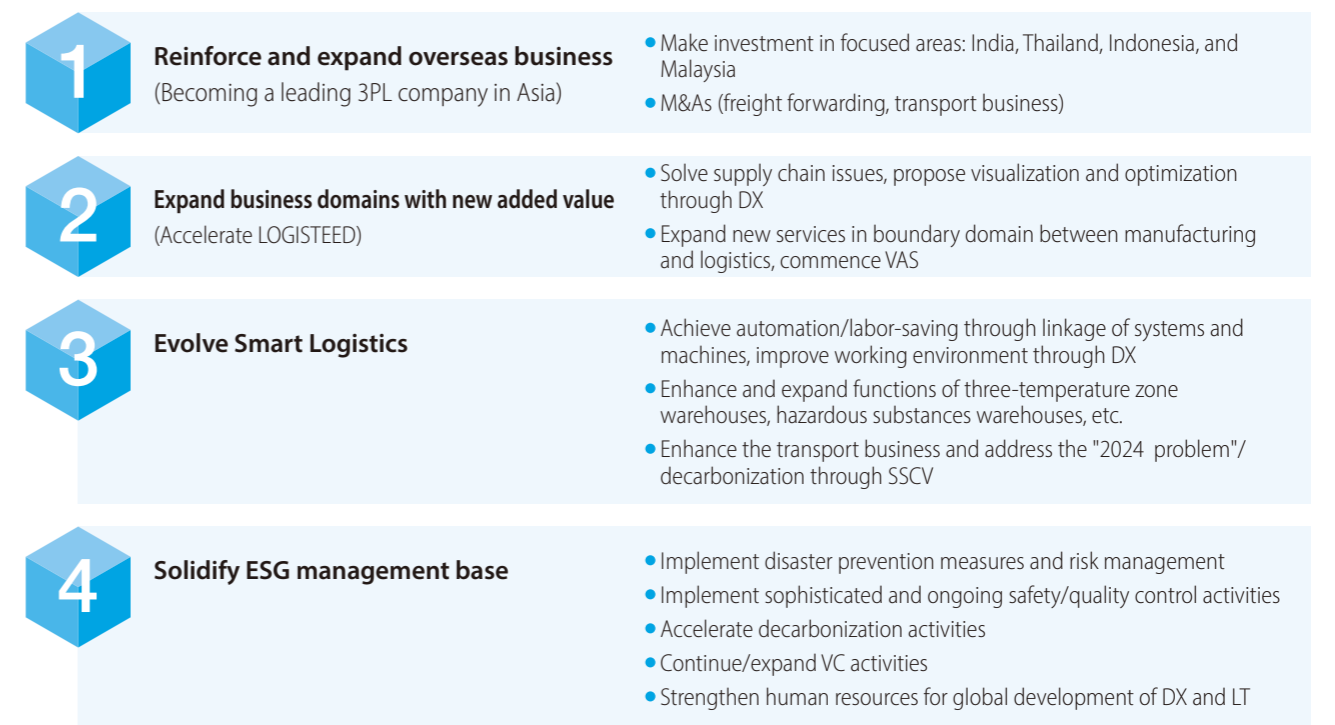
## Future Vision

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.



# 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** → P57
- **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 Viková 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-transportssystem.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** → P57
- **Expand Southwest area, develop Greater Bay Area**
- **Enhance high value-added logistics services**
- **Increase EV, solar power generation**



### North America

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** → P58
- **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**

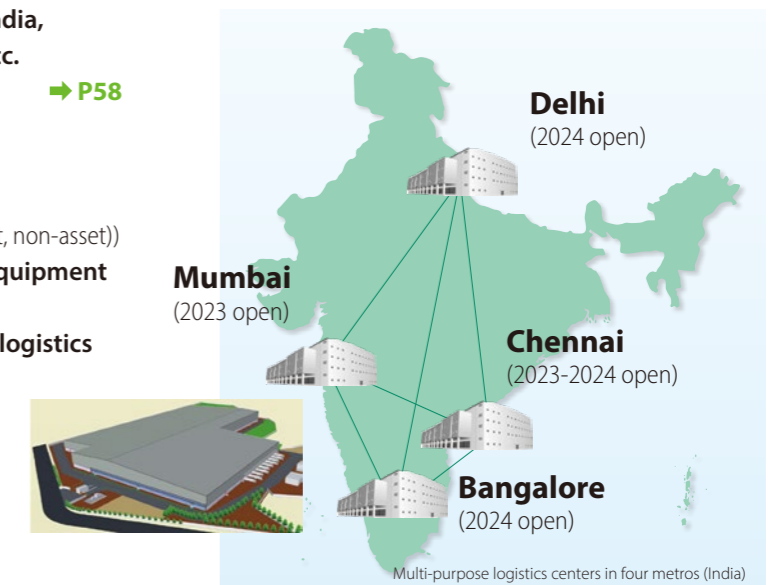


### Asia

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.** → P58  
(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**



# Mid-term Management Plan –LOGISTEED2024–

## Priority Measures 2. Expand Business Domains with New Added Value (Accelerate LOGISTEED)

### Evolution of Supply Chain Optimization Services

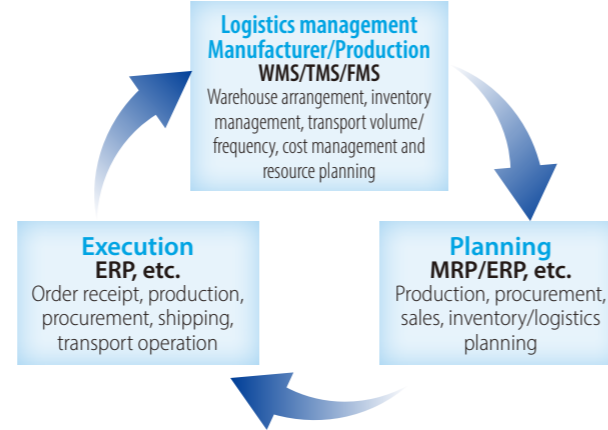
As the modern supply chains are becoming more complicated and sophisticated, we will work together with our customers to increase their business values as a strategic supply chain partner through the visualization and total optimization by DX.

#### 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).

#### Illustration of a linkage between manufacturing systems and logistics systems



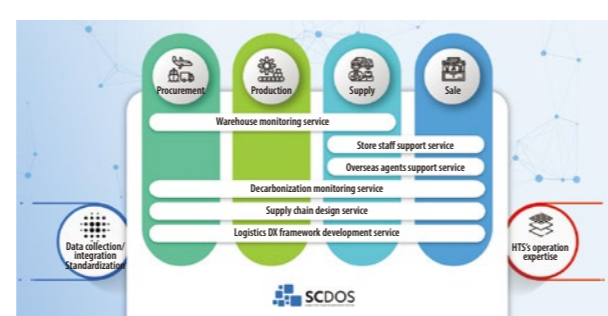
#### Expansion of SCDOS\*1 functions

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 CO<sub>2</sub> 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.

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

#### SCDOS functions



#### 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.

#### Supply chain design service

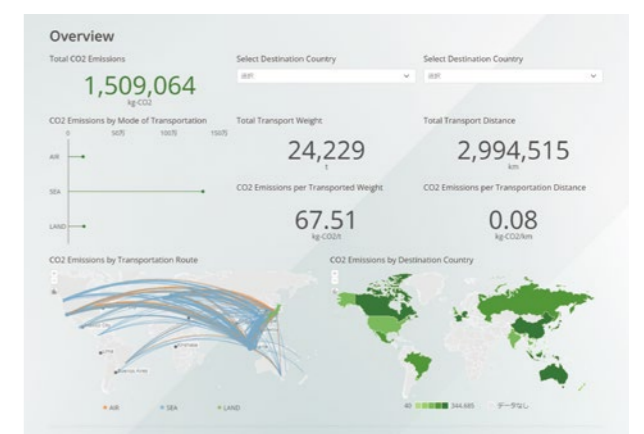


#### Decarbonization monitoring service

We collect/integrate transportation data from multiple companies and systems for optimization simulations and automatic calculation/monitoring of CO<sub>2</sub> emissions. We also support customers to start Scope 3\*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 CO<sub>2</sub> emissions.

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

#### Visualization of CO<sub>2</sub> emissions



#### 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.

➔ P56

\*4 Value-Added Services  
\*5 Virtual reality  
\*6 Vendor Managed Inventory

#### Examples of our services



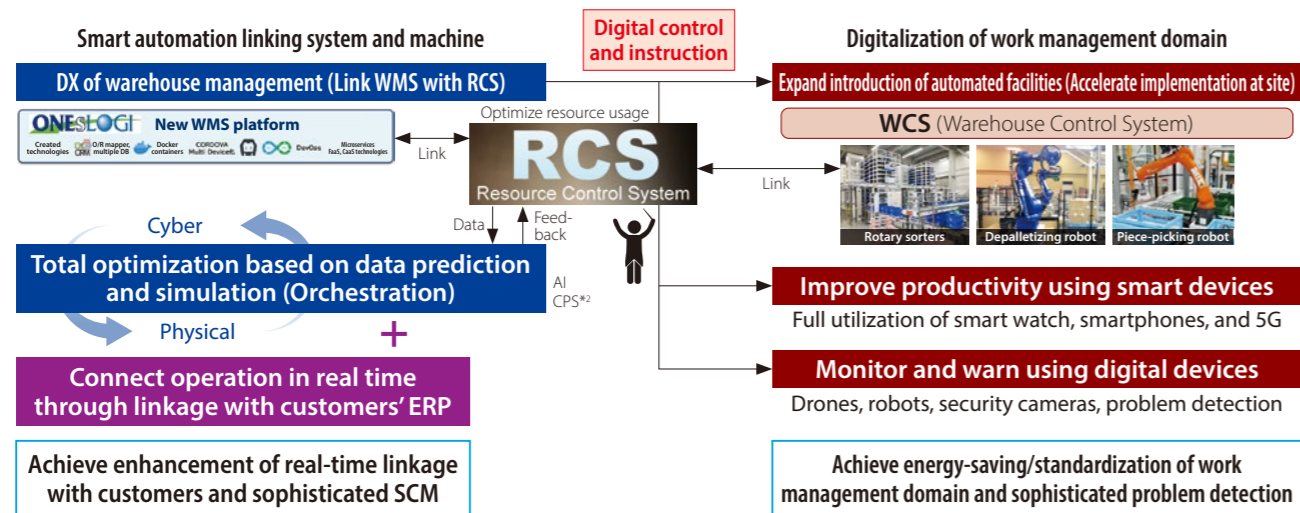
\*7 Good Distribution Practice

# Mid-term Management Plan –LOGISTEED2024–

## Priority Measures 3. Evolve Smart Logistics

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

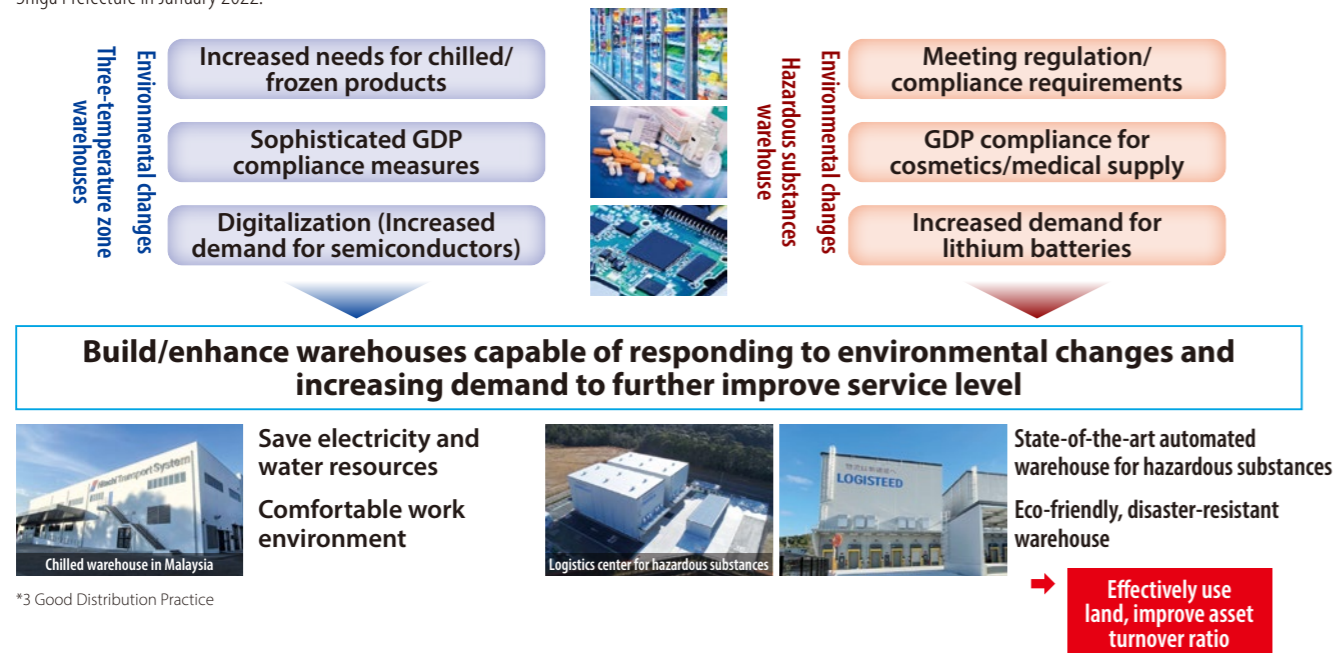
In terms of warehouse operations, we will further introduce automated facilities as well as improve productivity and promote visualization using smart devices. By using a resource control system (RCS\*) to manage those facilities, devices, and digital devices, we will realize further energy-saving and 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.



\*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-transportssystem.com/en/news/20210802.html>  
\*2 Cyber Physical System

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

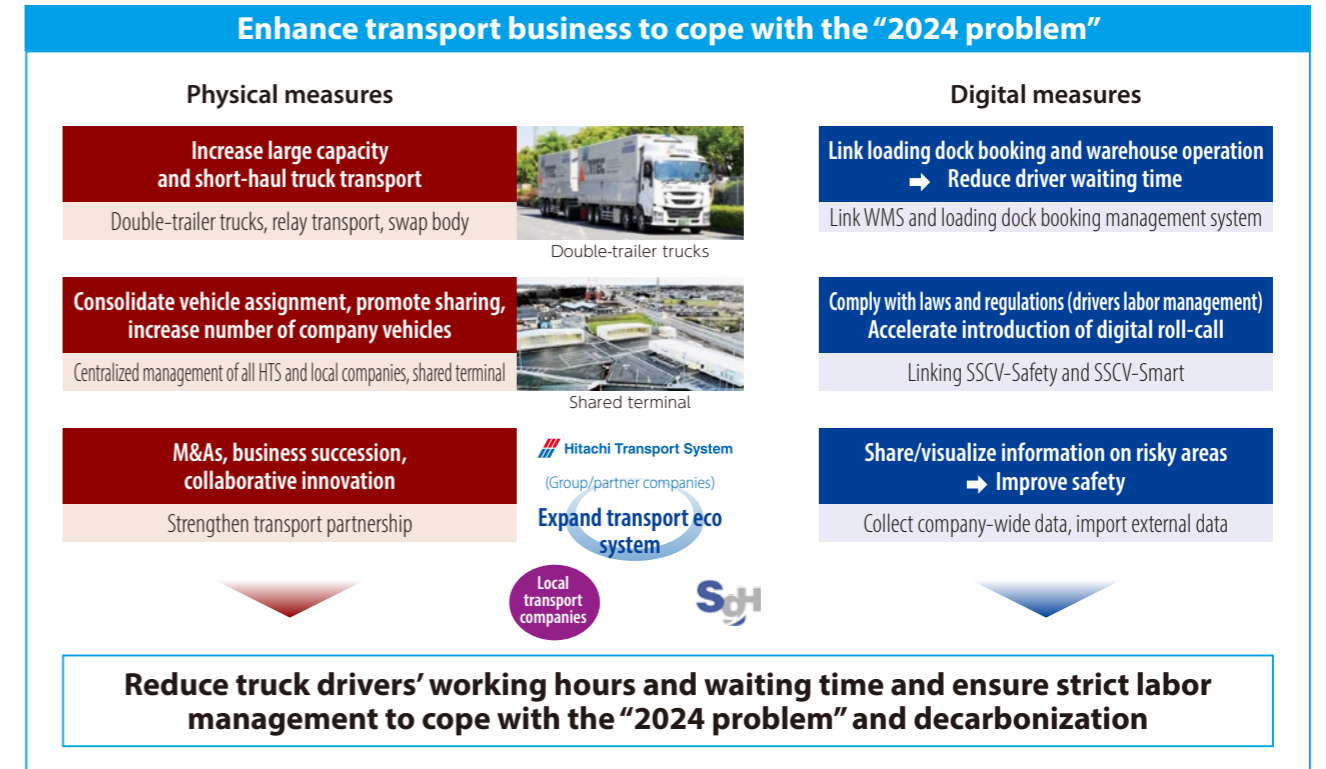
As for warehouse functions, we will build and enhance three-temperature zone warehouses to meet increasing needs for chilled/frozen storage, enhance GDP\*3 compliance measures and respond to environmental changes such as digitalization. We plan to expand a chilled warehouse in Malaysia in 2024. We will 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.



\*3 Good Distribution Practice

### 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 CO<sub>2</sub> 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.



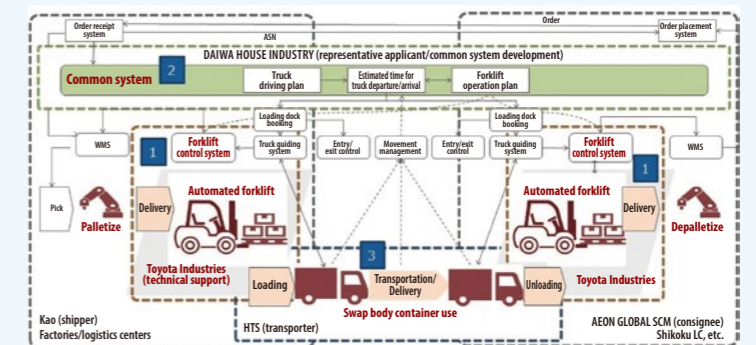
\*4 Various issues arising from the upper limit of drivers' working hours, etc. which will become effective from 2024 under the work style reform-related bills.

### 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."\*5\*6

#### 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"

# Mid-term Management Plan –LOGISTEED2024–

## Priority Measures 4. Solidify ESG Management Base

### 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

→ P.39-44

In terms of the medium-to-long-term environmental targets, we will strive to reduce CO<sub>2</sub> emissions by average 2.94% annually to achieve the target of 50% reduction\*<sup>2</sup> by FY2030. Our CO<sub>2</sub> 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.

→ P.78

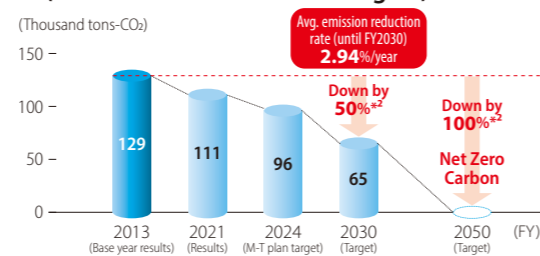
### Examples of CO<sub>2</sub> emission reduction initiatives



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



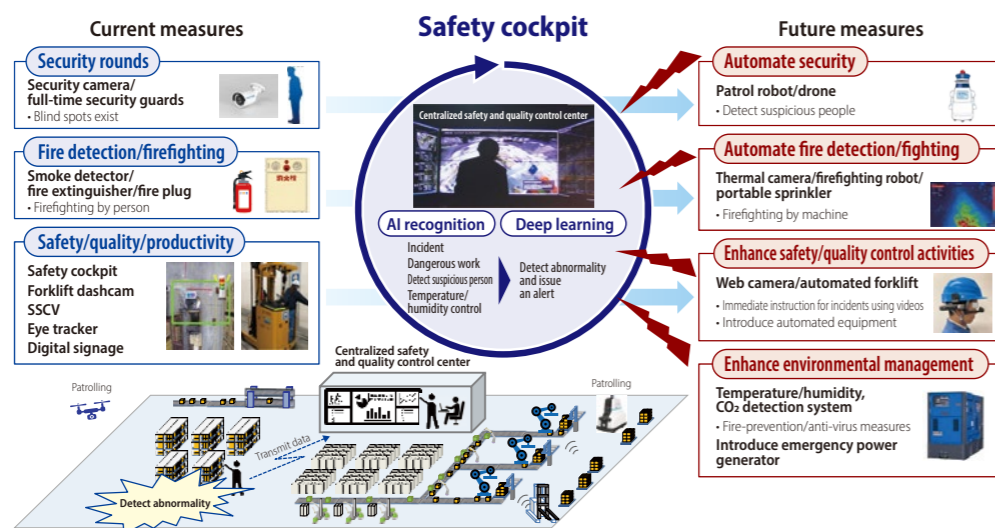
### Medium-to-long term environmental targets (CO<sub>2</sub>\*<sup>1</sup> emission reduction targets)



### 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



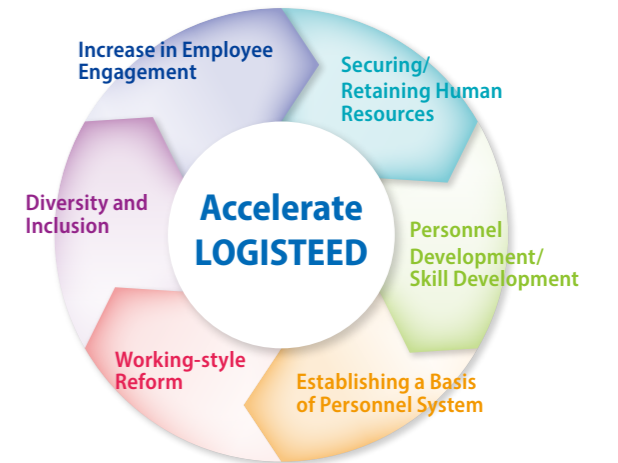
### Human Resource Strategy

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



### Investment Plan

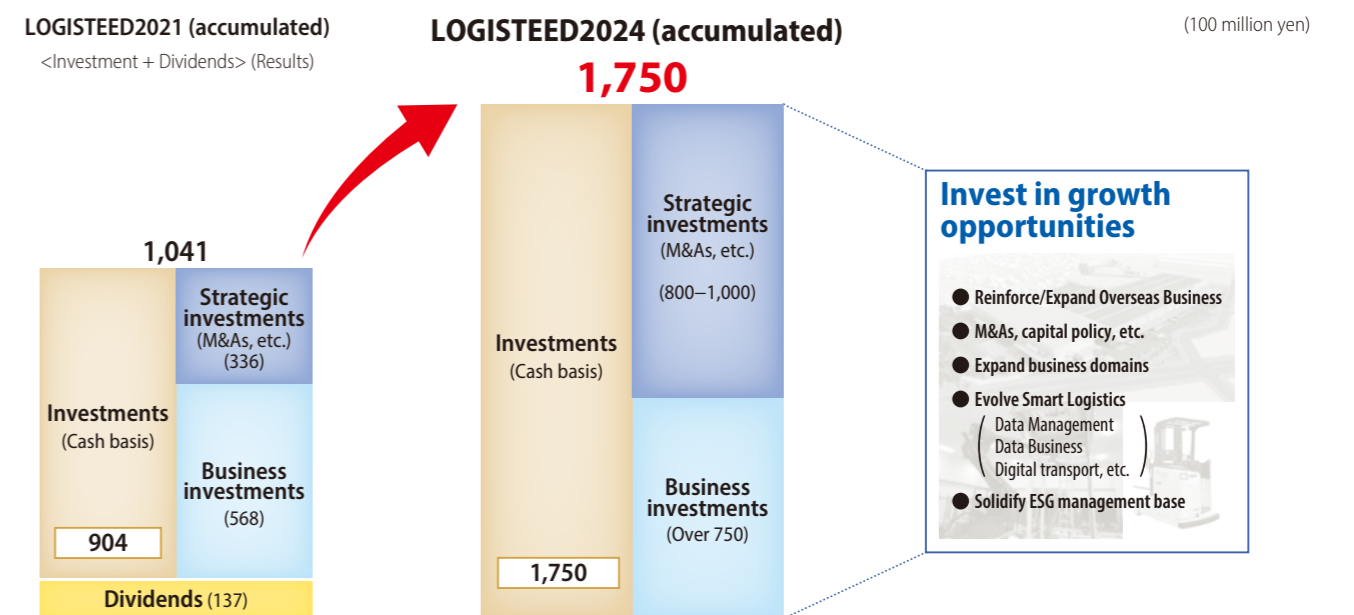
#### Investment Strategy for Change and Evolution into “LOGISTEED”

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.



#### Invest in growth opportunities

- Reinforce/Expand Overseas Business
- M&As, capital policy, etc.
- Expand business domains
- Evolve Smart Logistics (Data Management, Data Business, Digital transport, etc.)
- Solidify ESG management base