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.”

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.

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.

Objective 1
Contribute to Decarbonized/Recycling-oriented Society

- Contribution to decarbonization
- Contribution to recycling-oriented society

Objective 2
Build and Evolve Resilient, Sustainable Logistics Services

- Build and evolve resilient, sustainable logistics services

Objective 3
Create New Values through Collaborative Innovation

- Secure diverse human resources to support growth
- Step up DX
- Establish business models through collaborative innovation

Supportive foundation for the objectives

- 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

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.”

LOGISTEED2024
Solidify business and develop global business

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 logistics and commerce WMS

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
Mid-term Management Plan –LOGISTEED2024–

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

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
- 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. (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

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

* 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
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 platform 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

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 support designing high-frequency and dynamic supply chain to cope with changes in global business environment.

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*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**)

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/FM*M6.

*5 Virtual reality
*6 Vendor Managed Inventory

Examples of our services

- Visualization of CO2 emissions
- Decarbonization monitoring service
- Expansion of Value-Added Services (VAS**)
- Illustration of a linkage between manufacturing systems and logistics systems
- Execution ERP, etc. Order receipt, production, procurement, shipping, transport operation
- Planning MRP/ERP, etc. Production, procurement, sales, inventory/logistics planning
- SCDOS functions
- Supply chain design service
- Procurement logistics/WM
- Manufacturing support
- Packaging design solution
- Services
- Shipping
- EC operation/Product info preparation
- Sales
- Safety training services (e.g. VR)
- PC kitting
- Packing model change of auto parts
- Temporary disassembly of precision instruments before transportation
- Product coating
- Good Distribution Practice

*7 Good Distribution Practice

Hitachi Transport System, Ltd.  Integrated Report 2022

Value Creation Achievements Financial/Non-Financial Information

Our Future

Mid-term Management Plan –LOGISTEED2024–
Enhance Transport Business to cope with the “2024 problem*4 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.

Physical measures
- Increase large capacity and short-haul truck transport
- Double-trailer trucks, relay transport, swap body

Digital measures
- Link loading dock booking and warehouse operation
- Reduce driver waiting time
- Link WMS and loading dock booking management system
- Comply with laws and regulations (drivers’ labor management)
- Accelerate introduction of digital roll-call
- Linking SSCV-Safety and SSCV-Smart

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

Started a Joint Verification Project to Coordinate Truck Transportation with AI-Equipped Automated Forklifts

In September 2021, together with DAIWA HOUSE INDUSTRY CO., LTD., AION 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

*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.

*5 Project to improve transportation efficiency of the entire supply chain using new technologies, projects to promote energy saving of truck transportation, and project to maintain energy-saving performance of electric vehicles. The project is supported by the Agency for Natural Resources and Energy of METI under “The Project to further improve transportation efficiency utilizing AI, IoT, etc.” in FY2021. *6

*6 Four companies including DAIWA HOUSE INDUSTRY CO., LTD., AION 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

In the medium-term to long-term environmental targets, we will strive to reduce CO2 emissions by average 2.94% annually to achieve the target of 50% reduction*2 by FY2030. Our CO2 reduction efforts also include investment totaling ¥3 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

Visualize Safety/Quality/Productivity/Fire Prevention/Security

In terms of safety/quality/product 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/product 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/IT, 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.

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.

LOGISTEED2024 (accumulated)

<table>
<thead>
<tr>
<th>Strategic investments (M&amp;A, etc.)</th>
<th>(000–1.000)</th>
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</thead>
<tbody>
<tr>
<td>Investments (Cash basis)</td>
<td>1,504</td>
</tr>
<tr>
<td>Business investments (Over 70%)</td>
<td>1,750</td>
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</tbody>
</table>

Invent in growth opportunities

- Enhance/Expand Overseas Business
- Future, capital/stock, etc.
- Expansion/businesses
- Future Smart Logistics
- Data/Network
- Digital/Transport, etc.
- Solidify ESG management base