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

- **Material issue:** Contribute to decarbonized society
  - Work to reduce greenhouse gas emissions by including those from scope 1, spins, improve energy efficiency, and create business opportunities to address climate change and realize a decarbonized society

- **KPI:**
  - Reduction of CO2 emissions (compared to FY2013: 26% reduction)*1
  - Support customers’ decarbonization by providing SDGs “Decarbonization Monitoring Service” (Achieve annual target for the number of companies we approach)
  - Promote initiatives to set CO2 emission reduction targets including supply chains (Set targets for FY2023)

- **LOGISTEED2024 Priority measures:**
  - Solidify ESG management base — Initiatives for decarbonization
  - Expand business domains with new added value (accelerate LOGISTEED) — Evolve supply chain optimization services

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

- **Material issue:** Build and evolve resilient, sustainable logistics services
  - 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/products, aiming to create business opportunities and fulfill our role in social infrastructure

- **KPI:**
  - Provide SDGs to support customers’ SCM*2 (Achieve annual target for support)
  - Realize a comfortable workplace by introducing automated/labor-saving equipment at logistics centers (Mechanize the handling work 100 FTE*3 per year)
  - Contribute to safe and more efficient transport by expanding user network at each SSC*4 function (Achieve the target for introducing SSC-Safety/Smart into partner companies) (Achieve the target for introducing SSC-Vehicle in the group)
  - Transport business to address the “2024 problem”*4 (Number of violations of labor standards regarding drivers: 0)
  - Expand G2P*5-compliant equipment at medical DCs (Complete introductions in target sites)

- **LOGISTEED2024 Priority measures:**
  - Expand business domains with new added value (accelerate LOGISTEED) — Expand the number of companies we approach
  - Enhance business transport (Address the “2024 problem” and decarbonization)
  - Evolve Smart Logistics — Enhance warehouse business (automation/labor saving, DA)
  - Evolve ESG management services

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

- **Material issue:** Secure diverse human resources to support growth
  - 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

- **KPI:**
  - Implement education to develop DK human resources [Every fiscal year: All employees attend mindset training]
  - Expand global human resources and reform organizational culture
  - Improve operational efficiency by introducing digital tools such as BPA*6 (Reduction of working hours: Cumulative 1.2 million hours)
  - 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]
  - Ratio of female managers [FY2023: 18%]

- **LOGISTEED2024 Priority measures:**
  - Solidify ESG management base — Human resource strategy

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:**
  - Workforce accident frequency rate/severity rate
  - Number of cases: accidents (total workplace accidents) per 100,000 employees/year
  - Number of cases: occupational accidents, vehicle accidents, and product accidents

- **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
  - Strengthen safety management by promoting initiatives to prevent accidents at the Company and its suppliers

- **KPI:**
  - Reduction rate for three types of accidents**7 (Down by 40% from FY2021)**
  - Number of cases: accidents of medical DCs (Per 100,000 employees/year)
  - Number of cases: occupational accidents, vehicle accidents, and product accidents

- **Material issue:** Risk management
  - Develop CEM and secure 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 CEM exercises**8
  - Number of cases: 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 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

- **KPI:**
  - Implement education to develop DK human resources [Every fiscal year: All employees attend mindset training]
  - Expand global human resources and reform organizational culture
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