

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.

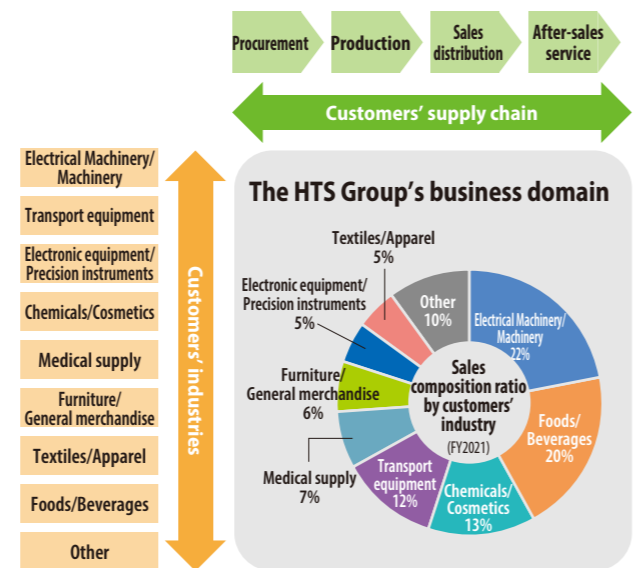
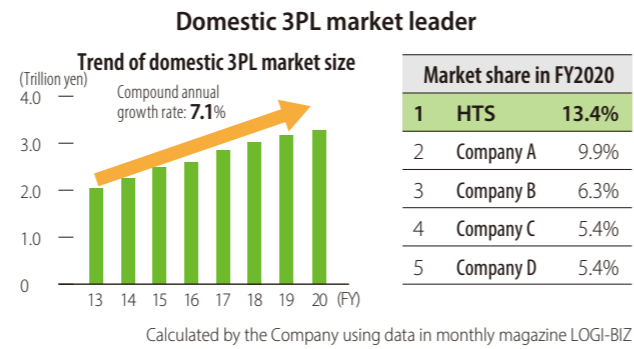
Positioning of the HTS Group in the Market

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.

^{*1} VMI: Vendor Management Inventory
^{*2} CE: Stands for customer engineers who configure and perform operation check of ICT equipment



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 → P49-54
- 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 → P81
- September 2021:** Started a joint verification experiment to coordinate truck transportation with AI-equipped automated forklifts → P36
- November 2021:** Received the "Award of Modal Shift Initiative Excellent Business Operator (effective usage category) in 2021" → P82

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	Manufacturing support	Packaging solution
Placement of raw materials/parts orders, VMI warehouse operation, proposal of materials, pickup/milkrun, and JIT delivery	Inspection, equipment maintenance, assembly, packing mode change, painting, product disassembly for transport, repair, and process management	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.



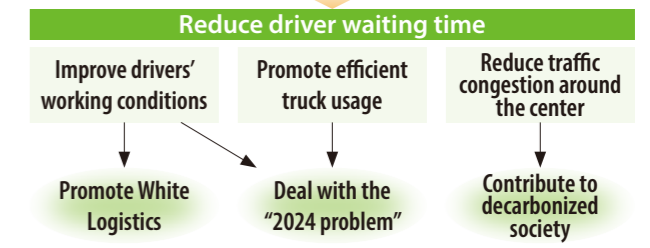
Painting of parts for a machinery manufacturer

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

