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 far as measures against global warming are concerned, 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 Places of Business
   Reduce consumption of electricity, gasoline and LP gas and 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 Environment Management System
   Increase global environmental awareness. Observe environmental laws/ordinances and company regulations.

4. Promote Synergy with Nature and Environmental Communications
   Promote biodiversity and ecosystems. 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 environmental conferences held (FY2021)
  Domestic: Environmental Promotion Conference 2 times
  Overseas: 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 VIC activities. In FY2021, we started new programs including holding “Green Action Workshop” on the theme of environmental protection and “Environmental Prize in VIC Award” to recognize initiatives contributing to reducing environmental load.

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

**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, UQA 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.”

For details about environmental information, please visit our website: https://www.hitachi-transportsystem.com/en/profile/csr/environment/
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 C02 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 strategic initiatives and other policies 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 to discuss 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

The Group has performed scenario analysis according to the following processes.

(1) Scenario analysis process

The Group has performed scenario analysis according to the following procedures. Under the scenario that assumes the government plans are achieved (1.5°C / 2°C scenario) and the Agreement is achieved (1.5°C / 2°C scenario) and the one that assumes the 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.

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

<table>
<thead>
<tr>
<th>Type</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>Develop and implement systematic environment strategies toward decarbonization (1. Introduce renewable energy, 2. Introduce non-fossil fuel vehicles (e.g. EV/FCV), 3. Promote green power, and 4. Introduce Internal Carbon Pricing (ICP))</td>
</tr>
<tr>
<td>Technology</td>
<td>Medium-term</td>
<td>• Risk of increasing CO2 emission reduction cost and losing customers due to delay/failure in introducing environmental technology</td>
<td>Reduce to bring term cost increase on earnings decrease due to delay in introducing renewable energy and low carbon vehicles</td>
</tr>
<tr>
<td>Executive Officer</td>
<td>Medium-term</td>
<td>• Understands the progress of initiatives to address management issues related to climate change, and reports to the Board of Directors</td>
<td>Introduce advanced technologies toward decarbonization (1. Introduce Renewable energy, 2. Introduce non-fossil fuel vehicles, and 3. Promote DK and IS in warehouse operations)</td>
</tr>
<tr>
<td>Sustainability Promotion Department</td>
<td>Medium-term</td>
<td>• Oversees overall environmental management work, holds Environmental Promotion Conference, and reports/proposes to the Executive Committee based on decisions at the Committee</td>
<td>Earnings decrease due to increase of customer who emphasize climate change initiatives (e.g. customers whose targets were certified by the Science Based Targets (SBT) initiative)</td>
</tr>
<tr>
<td>Environmental Promotion Conference</td>
<td>Medium-term</td>
<td>• Confirms the achievement level of measures related to climate change, determines corrective measures, and discusses proposed measures</td>
<td>Promote decarbonization measures in logistics services and strengthen information disclosure to stakeholders</td>
</tr>
</tbody>
</table>

Physical risks (4°C scenario)

<table>
<thead>
<tr>
<th>Type</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>• Logistical disruption resulting from acute climate-related shocks</td>
<td>Reduce to increase in price of assets damaged by fire and flood</td>
</tr>
<tr>
<td>Chronic</td>
<td>Medium-term</td>
<td>• Risk that deterioration of working environment due to an increase in average temperature makes it difficult to secure human resources</td>
<td>Strengthen BCP measures against risk of damages to: (1. Decentralize business sites, 2. Install solar power generation system/storage batteries, etc. 3. Relocate sites to low-risk regions)</td>
</tr>
</tbody>
</table>

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>Medium-term</td>
<td>• Opportunity to reduce energy consumption by vehicles and CO2 emissions with advanced environmental technology</td>
<td>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 modual SH)</td>
</tr>
<tr>
<td>Products and services</td>
<td>Long-term</td>
<td>• Opportunity associated with diversification of business activities</td>
<td>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 modual SH)</td>
</tr>
<tr>
<td>Resilience</td>
<td>Long-term</td>
<td>• Opportunity associated with diversification of business activities</td>
<td>Reduce cost due to introduction of solar power generation system and reduce electricity procurement cost by introducing renewable energy and secure electric power source in case of emergency</td>
</tr>
</tbody>
</table>

(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 Medium-term Management Plan “LOGISTEED2024” and will promote CO2 emission reduction measures to limit the temperature increase to 1.5°C above pre-industrial levels.
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 vehicle). 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 Metropolis Co., Ltd. in Hoda City, Chiba Prefecture. We will further promote the shift to the advanced eco-friendly vehicles in order to reduce pollutant emissions and will also promote eco-friendly driving, etc., to reduce environmental load.

**HTS Group eco-friendly vehicle ownership ratio (domestic) (as of March 31, 2022)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Eco-friendly vehicle</th>
<th>Advanced eco-friendly vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>93%</td>
<td>96%</td>
</tr>
<tr>
<td>2019</td>
<td>94%</td>
<td>96%</td>
</tr>
<tr>
<td>2020</td>
<td>96%</td>
<td>100%</td>
</tr>
<tr>
<td>2021</td>
<td>98%</td>
<td>100%</td>
</tr>
<tr>
<td>2022</td>
<td>99%</td>
<td>100%</td>
</tr>
<tr>
<td>2023</td>
<td>99%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**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.

**Award-winning case/Award titles**

- Development of packaging materials for domestic transport of large equipment/METI Minister’s Award (Japan Star Award)
- Redesigned under-tray of washing machine/Technical Packaging Award
- Co-awarded “METI Minister’s Award” and “Technical Packaging Award” at the Japan Packaging Contest 2021

**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.

For more information about SCDOS, please visit our website: https://www.hitachi-transportsystem.com/en/logistec-cafe/service.html#scdoss

**Vehicle fuel efficiency (domestic)**

Increase of vehicle fuel efficiency by vehicle type (driving distance/fuel consumption) (FY2021 target and result for CO₂ emission reduction)

<table>
<thead>
<tr>
<th>Target</th>
<th>Compared to FY2020</th>
<th>Result: compared to FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2021</td>
<td>+1.76%</td>
<td>+0.4%</td>
</tr>
</tbody>
</table>

**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.

**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 Kyusyu 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.

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

**Promotion of Modal Shift**

<table>
<thead>
<tr>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of sites with LED lighting fixtures</td>
</tr>
<tr>
<td>New sites:</td>
</tr>
<tr>
<td>Existing sites:</td>
</tr>
<tr>
<td>CO₂ emissions suppressed with LED lighting fixtures</td>
</tr>
</tbody>
</table>

Scope HTS, domestic/overseas group companies

**Packaging Award**

Packaging Award” at the “Japan Packaging Contest 2021”

In FY2021, we received “METI Minister’s Award” and “Technical Packaging Award” at the “Japan Packaging Contest 2021”

For more information about SCDOS, please visit our website: https://www.hitachi-transportsystem.com/en/logistec-cafe/service.html#scdoss

**Received the “Award of Modal Shift Initiative Excellent Business Operator (effective usage category)” in 2021”**


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