Secure Safety in Operation and Transportation

Under the policy that “Safety is our first priority” and the safety slogan based on the policy, the HTS Group ensures that each employee carries on the safety cultures and strives to provide safe and high quality services during operations.

Safety Slogan
“Safety First”

Safety Priority Policy
The HTS Group establishes a unified priority initiative policy every year and works on activities based on the policy and the safety slogan.

Safety Promotion Structure
HTS assigns “an officer in charge of safety” appointed by the Board of Directors and establishes a top-down safety promotion structure to promote group-wide safety activities. Monthly Executive Committee deliberates and receives reports on accident occurrence and the Audit Committee also receives reports on the progress of safety activities and accident occurrence, in order to implement improvement activities. To ensure thorough health and safety management, we developed regulations on health and safety, assigned safety supervisor in the Company and group companies to provide safety instruction, and set up a Health and Safety Committee in each office to promote various safety activities. We also recognize that safety activities in full coordination with our partner companies are essential, and accordingly each group company holds a top seminar semiannually and invites representatives of partner companies to share information about good safety examples and preventive maintenance. Due to the spread of COVID-19, we decided not to hold these seminars in FY2020 and FY2021, but we will consider resuming them in light of the situation.

Safety Initiatives
- Boosting safety knowledge and operation skill
- Sending contents to non-HTS forklift and trucking competition
Each year, we send contents in the National Forklift Driving Contest*1 and the National Truck Driver Contest*2 for the purpose of acquiring specialized knowledge, improving driving skills and inspection skills, and boosting awareness of safety issues. Again in FY2021, contents which won out on prefectural and national level preliminary contents around the country competed in the national contests and achieved excellent results.

Safety Promotion Structure

KPI
- Frequency rate/severity rate of workplace accidents and others

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

Education through experiential sessions using VR
We envision a full range of scenarios in workplaces and cover practical training and experiential sessions. We provide safety education through experiential sessions with lavish visual contents using virtual reality technology. We ensure safe operation by letting workers experience behaviors with potential risk of causing occupational accidents through visual contents simulated on cyberspace. With new visual contents added in FY2021, we now provide a total of 17 visual contents for VR education.

No. of attendees of VR experiential sessions (FY2021)
6 companies: 2,214

Adoption of safety technology
- Safety cockpit
We strive to prevent occupational accidents by visualizing unsafe behaviors using videos (“safety cockpit”). To visualize unsafe behaviors of forklifts operated inside the logistics centers, we installed cameras on the ceiling of the areas with a high risk of accident. When they fail to stop at stop signs, it will be automatically detected by the image recognition technology, and alarms will go off to warn the operator about the unsafe behavior. The video data is also analyzed for future measures. In FY2021, we added a warning function using a rotating red light to forklifts in three sites where the cameras have already been installed, resulting in a significant reduction of violations.

Workplace accident index of the HTS Group (Domestic results in FY2021)

| Frequency rate: Inside the parentheses are non-consolidated figures | 0.88(0) |
| Severity rate: Inside the parentheses are non-consolidated figures | 0.017(0) |

For details of our safety initiatives, please visit our website, https://www.hitachi-transportsystem.com/en/profile/csr/social/safety/

Pursue Next-generation Industries and Lifestyles

Respond to Local Logistics Needs and Issues While Further Boosting Response Capability
- Labor-saving efforts at medical DCs
In light of the importance of business continuity of medical businesses and sales of medical products, etc., we are working on labor-saving at medical DCs to deal with delays and interruptions in logistics and rising logistics costs caused by the pandemic and labor shortages. In the advanced medical DC which opened in FY2020, Resource Control System (RCS) developed by HTS has been installed, enabling the complex control linkage of automated equipment in the warehouse and achieving fully automated operation at certain processes.

- Transportation of social infrastructure-related equipment
- Transport of wind power generation equipment
- Moves toward a decarbonized society are now accelerating around the world. Under such circumstances, in FY2021, the HTS Group transported onshore windmills in Rokkoshiba-cho, Hokkaido, as part of our initiatives to transport social infrastructure-related equipment to contribute to expand renewable energy use. The route to the onshore windmill construction site included mountain roads that are too steep or narrow for ordinary trucks and trailers, but our specialized vehicle “Multis Carrier” made it possible to transport the equipment from the foot to the top of the mountain. This transport project was accomplished by leveraging our technologies and experience obtained from many years of our service to transport power generation equipment and also by maintaining close coordination with the construction company and regional partner companies. We will continue to contribute to the realization of a decarbonized society through transportation related to renewable energy business including wind, biomass, and solar power generation in Japan and overseas.

- SSCV-Smart (transport operation support solution)
The truck transport industry is made up mostly of small and medium-sized businesses, and many of them still conduct operation using telephone, fax machine, and paper document. “SSCV-Smart” developed by HTS is an online system that connects cargo owners and truck transport operators via the internet and centrally controls everything from receiving transport orders to vehicle assignment, issue of driving instructions and billing, contributing to improvement of operational efficiency and earnings. In FY2021, we introduced the system in the Group’s transport centers and 60 regional partner transport companies. We will continue to support efficient operation of truck transport operators by enhancing various functions.

For details of SSCV-Smart, please visit our website, https://www.hitachi-transportsystem.com/en/logisteed cafe/ service.html#smart

Promote Total Optimization of Supply Chain by Making Full Use of Advanced Technologies
- Utilize artificial intelligence and develop supply chain solutions
We are working on establishing volume forecasting technology using AI and developing new solutions utilizing forecasting technology.
- Use of volume forecasting tool
We aim to improve operational efficiency by optimizing inventories at logistics centers based on high-accuracy volume forecast using AI. In FY2021, we improved the precision of the volume forecasting tool which was designed and tested so far and successfully introduced it in 30 logistics sites. Currently, the number of cases using volume forecasting tool increased to a total of 50.

No. of cases using volume forecasting system (as of March 31, 2022, cumulative):
50

- Expand SCDS services
We are working to expand “SCDS” services to contribute to optimization of customers’ supply chain. Specifically, our service includes the development of a supply plan based on capability of logistics resources and operating effectiveness and the support for reconstructing order placement using various logistics data. In FY2021, we launched an inventory optimization solution service which was co-developed with our customers and also to verify the effectiveness at actual logistics sites of an inventory optimization approach originating from logistics centers.
The HTS Group Human Resource Strategy

The HTS Group will accelerate "LOGISTEED" by promoting the human resource strategy focusing on "Enhancement of human resource capability" and "Innovation of organization." We will enhance human resource capability by securing and developing superior human resources appropriate to business strategies and evaluating and rewarding employees according to the roles. We will also increase employee engagement and invigorate our organization through a working style reform and diversity and inclusion initiatives.

**Foundation Supporting Value Creation**

**S: Social**

- **Increase in Employee Engagement**
  - Degree of penetration of the HT Way and the level of active participation of employees in the management strategy. We are now conducting a global survey.
  - Follow-Up: We will be working to invigorate the organization by analyzing the result of the engagement survey, identifying issues by organization and implementing necessary measures. As the survey results showed the necessity to increase engagement of young employees, we conducted one-on-one career development interviews in FY2021.

- **Employee engagement survey results**
  - **Sustainability engagement score**
    - 65.2
  - **Scope:** HTS, domestic group companies
  - **Target:** Achieve 100% by FY2023

- **Percentage of foreign employees among new graduates hired (FY2021)**
  - 11%
  - **Scope:** Full-time employees of HTS
  - **Target:** 3% of all employees by FY2023

**Diversity and Inclusion**

- **As labor force is expected to decrease due to declining birthrate and aging population and the logistics industry faces noticeable labor shortage, active participation of diverse human resources is essential for the HTS Group to contribute to society through logistics more than ever.**
- We have established systems and structures to realize diverse working styles, as well as create/promote a culture of diversity and inclusion mainly through education.
- To build understanding of diversity and changing mindset among employees, Human Resource Development Department established a program to raise awareness for appointing female managers.
- To make the concept of the HB Way take root in employees’ behaviors and judgment criteria, we hold workplace meetings and regular meetings, such as rank-based trainings and e-learning, and engage employees in 4C activities on an ongoing basis.
- **Employee engagement survey**
  - We conduct engagement surveys annually to understand the degree of penetration of the HT Way and the level of active participation of employees in the management strategy. We are now conducting a global survey.

**Personnel Development/Skill Development**

- **We have established the "HTS Group College" as an educational system for all of our employees, designed to draw out the strengths of each individual through practical and specialized training courses. As we value our employees’ learning attitude, we have created an environment to support their autonomous growth.**
- We also conduct regular surveys to understand the actual education hours and costs as well as check the training needs and effectiveness.
- **Education time per employee (FY2021):**
  - 8.4 hours
  - **Scope:** Full-time employees of HTS
  - **Target:** 27,960 hours per employee by FY2023

- **The HTS Group College**
  - In the "HTS Group College," we define expectations, roles, and required skills for each position and offer specialized programs linked to the business strategies, including rank-based trainings, site management, and logistics technology.
  - We also conduct a skill survey to visualize the gap between the "Goal" and the reality and continually reflect the result in the education system.

**Enhancement of Human Resource Capability**

- Following the development of the Mid-term Management Plan "LOGISTEED2024," we are promoting various measures to proactively secure and retain DX and global human resources to accelerate "LOGISTEED" and become a leading JPL company in Asia.
- **Secure human resources applicable to business strategies**
  - DX human resources
    - In addition to adapting a direct recruiting approach, we also offer internship programs and hold roundtable discussions with employees to provide those who were not familiar with the logistics industry with opportunities to know about and become interested in Logistics DX.
  - Global human resources
    - We are focusing on securing human resources who have practical language skill as well as understanding of the culture and business environment of relevant countries and can work together toward globalization to enhance and expand overseas business. We also actively hire foreign new graduates to deepen understanding of other employees around them about foreign cultures and also to promote globalization.

**Working-style Reform**

- **We are promoting the "working style reform" through various initiatives to enable employees to stay healthy, feel secure, and find their work meaningful, such as revising the understanding of the organization as a whole and the corporate value through active participation of each and every employee.**
- **Promotion of "VC activities"**
  - As an improvement activity with an aim to accomplish the working style reform through initiatives to improve safety/quality/productivity and stabilize workplace as well as a source of digital tools such as HR, etc.
  - **Optimization of working hours**
  - We are working to reduce overtime hours by encouraging employees and managers to change their mindset using conform management and demographic identification and also to create an environment which makes it easier to take annual leave.

**For details of employee-related initiatives, please visit our website.**