



April 28, 2022

Mid-term Management Plan (LOGISTEED2024)

Hitachi Transport System, Ltd.



Mid-term Management Plan “LOGISTEED2024”

1. Review of LOGISTEED2021

2. Mid-term Management Plan “LOGISTEED2024”

- 1. Future Vision
- 2. Environmental Recognition under LOGISTEED2024
- 3. Priority Measures
 - (1) Reinforce/Expand Overseas Business
(To become a leading 3PL company in Asia)
 - (2) Expand Business Domains with New Added Value
(accelerate LOGISTEED)
 - (3) Evolve Smart Logistics
 - (4) Solidify ESG Management Base
- 4. Investment Plan



1. Review of LOGISTEED2021

■ Priority measures

1. Implement portfolio strategy, including M&As and alliances, to build a solid core domain (Smart Logistics)
2. Implement collaborative innovation strategy aiming at enhancement of the core domain and further expansion of domains
3. Design supply chain based on and originating from the logistics domain
4. Originate and succeed operation (hands-on approach) toward the next generation
5. Environment, social and governance as well as corporate ethics



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.

Corporate Philosophy

Corporate Vision
(Long-term vision)

The Most Preferred Global Supply Chain Solution Provider

Mid-term Management Plan
(LOGISTEED2021)

Mid-term Management Plan
(LOGISTEED2024)

LOGISTEED2024

Solidify business and enter global markets

Becoming a global supply chain strategic partner with DX, LT, and "Gemba" Power

- Priority measures
- 1. Reinforce/expand overseas business (to become a leading 3PL company in Asia)
- 2. Expand business domains with new added value (accelerate LOGISTEED)
- 3. Evolve Smart Logistics
- 4. Solidify ESG management base

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Mid-term Management Plan
 (LOGISTEED2024)
 To become a leading 3PL company in Asia

Mid-term Management Plan
 (LOGISTEED2021)

LOGISTEED2030

“Future Vision” to be realized by solid partnership

Collaborative innovation with partners to enhance capability

- “High value-added solutions to optimize the entire SCM”
- “Improve customer convenience and efficiency through DX”
- “Enhance overseas value chain with a consistent approach”
- “Engage actively in projects making advance investment”
- “Promote strategic M&As”
- “Solidify position as a platform provider”

Corporate Philosophy

Corporate Vision
(Long-term vision)

And go further

LOGISTEED 2030

To become a global leading 3PL company

- Revenues: 1.5 trillion yen
- CO₂: Reduce by 50%
- Overseas ratio: Over 50%

Mid-term Management Plan (LOGISTEED2021)

Mid-term Management Plan (LOGISTEED2024)
To become a leading 3PL company in Asia



Environmental Recognition

Declining birthrate and aging population in Japan

Labor shortages

Unstable global situation

SC vulnerability risk

Drastic changes in the industrial structure

Digital technological innovation

Toward sustainable society

ESG/SDGs

Material issues (Universal material issues)

1. Contribute to decarbonized society
2. Contribute to recycling-oriented society
3. Secure diverse human resources to support growth
4. Realize safe, healthy and rewarding workplace
5. Establish a responsible supply chain in which human rights are respected
6. Governance and compliance
7. Prevent accidents during operation
8. Risk management
9. Build and evolve resilient, sustainable logistics services
10. Deepen DX
11. Establish business models through collaborative innovation
12. Enhance disaster prevention/mitigation

Mid-term Management Plan (LOGISTEED2024)

Direction

Promote automation/labor-saving to create worker-friendly workplace

Respond to structural changes and create high added value

Improve sustainability of logistics
Enhance supply chain resilience

Reduce environmental load
Enhance initiatives on human rights/governance

Priority measures

1. Reinforce/expand overseas business
(to become a leading 3PL company in Asia)

2. Expand business domains with new added value
(accelerate LOGISTEED)

3. Evolve Smart Logistics

4. Solidify ESG management base

HIB WAY

Role and the way to move forward

LOGISTEED

Expand collaborative innovation domains across businesses and industries
New innovations

Aim to become a global supply chain strategic partner with DX, LT, and “Gemba” Power

1. Reinforce and expand overseas business (to become a leading 3PL company in Asia)

- Execute M&As in all areas: North America(transport), Europe(3PL/Forwarding), India(transport)
- Make investment in focused areas: India, Thailand, Indonesia, and Malaysia (Auto parts, food, daily commodities, etc), China (automation/labor-saving, etc.)

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 and logistics, commence VAS

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 issue/decarbonization through SSCV*1

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*2 activities
- Strengthen human resources for global development of DX and LT*3



North America: Expand in-plant logistics at customers' factories

- **Expand shared milkrun and trunk line transportation business**
- **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 (Enhance transport capability in North America: U.S. (non-asset))**
- Address driver shortages



Automobile cross-docking center



Europe: Expand regional 3 PL business

- 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 and freight forwarding (apparel))
- Introduce EV/fuel-efficient vehicles
- Eco-friendly logistics center



Expand intermodal business (Europe)



Eco-friendly logistics center (Turkey)



China: Accelerate introduction of automated/labor-saving facilities

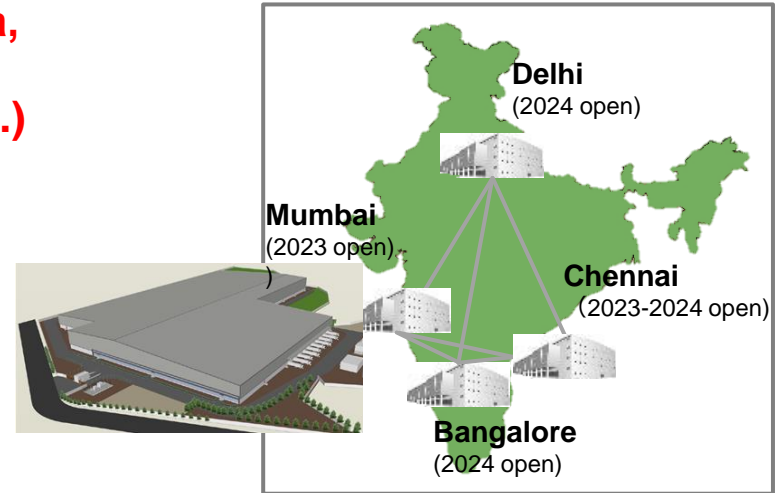
- Further improve safety, quality and productivity through automation and labor-saving
- Expand Southwest area, develop Greater Bay Area
- Enhance high value-added logistics services
- Increase EV, solar power generation





Asia: Expand investments/businesses in growing markets

- **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 facilities at full scale**
- **Increase eco-friendly/multi-purpose logistics center and EV**



Multi-purpose logistics centers in four metros (India)



Demonstration experiment by Mitsubishi Motors (MINICAB-MIEV)
Introducing EVs (Thailand)



Dry/Chilled Integrated Center (Malaysia)

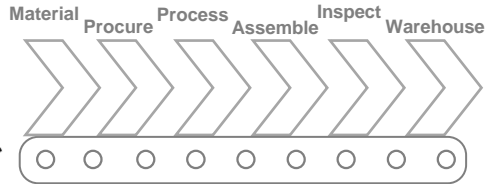


Supply chain optimization

【Supply chain services for manufacturers】

Integrated management of SC data

Linkage between manufacturer system and logistics system



VAS*2

Procurement support

Manufacturing support

(Packaging design/assembly/painting/processing for distribution, etc.)



Cyber + Physical

Logistics management
 Manufacturer/production
WMS*3/TMS*4/FMS*5
 Warehouse arrangement, inventory management, transport volume/frequency, and cost management + resource planning

Operation
ERP*6 etc.

Order receipt, production, procurement, shipping, transport operation

Planning
MRP*7/ERP, etc.

Production, procurement, sales, inventory/logistics planning

【Expand SCDOS*1 services】



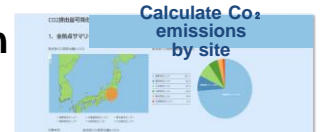
Cargo tracking

Seamless linkage with SSCV and trade information platform

Create resilient supply chain

Visualize emissions

Decarbonization



Solve customer supply chain issues, optimize the entire supply chain by directly connecting procurement, manufacturing, and logistics

*1. Supply Chain Design & Optimization Services *2. Value Added Services *3. Warehouse Management System
 *4. Transport Management System *5. Forwarding Management System *6. Enterprise Resources Planning
 *7. Manufacturing Resource Planning



(2) Expand Business Domains with New Added Value **LOGISTEED**

Value Added Services (VAS)



*1. Vendor Managed Inventory *2. Good Distribution Practice



Enhance warehouse business (Automation/labor-saving, DX)

Smart automation linking system and machine

DX of warehouse management (Link WMS with RCS*1)



Optimize resource usage

Link



Link

Total optimization based on data prediction and simulation (Orchestration)

Cyber

Physical



Connect operation in real time through linkage with customers' ERP

Achieve enhancement of real-time linkage with customers and sophisticated SCM

Digital control and instruction

Digitalization of work management domain

Expand introduction of automated facilities (Accelerate implementation at site)

Warehouse Control System (WCS)



Improve productivity using smart devices

Full utilization of smart watch, smartphone, and 5G

Monitor and warn using digital devices

Drones, robots, security cameras, anomaly detection

Achieve energy-saving/standardization of work management domain and sophisticated anomaly detection

AI
CPS*2

Data

Feedback

*1.Resource Control System *2.Cyber Physical System



(3) Evolve Smart Logistics

Enhance and expand warehouse functions

(Build/enhance three-temperature zone warehouses and hazardous substances warehouses)

Three-temperature zone warehouse
Environmental change

Increased needs for chilled/frozen products



Sophisticated GDP compliance measures



Digitalization
(Increased demand for semiconductors)



Hazardous substances warehouse
Environmental change

Needs to meet regulations/
compliance requirements

GDP compliance for cosmetics/
medical supply

Increased demand for
lithium batteries

Build/enhance warehouses capable of responding to environmental changes and increasing demand to further improve service level



Save electricity and water resources
Comfortable work environment



State-of-the-art automated warehouse for hazardous substances
Eco-friendly, disaster-resistant warehouse
➔ Effectively use land, improve asset turnover ratio

Enhance transport business to cope with “2024 issue”

Physical measures

Increase large capacity and short-haul truck transport

Double-trailer trucks, relay transport, swap body



Double-trailer trucks

Consolidate vehicle assignment, promote sharing, increase personal vehicles

Centralized management of all HTS and local companies, shared terminal



Shared terminal

M & As, business succession, collaborative innovation

Strengthen transport partnership

 Hitachi Transport System
 (Group/partner companies)

Expand transport eco system

Local transport companies



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

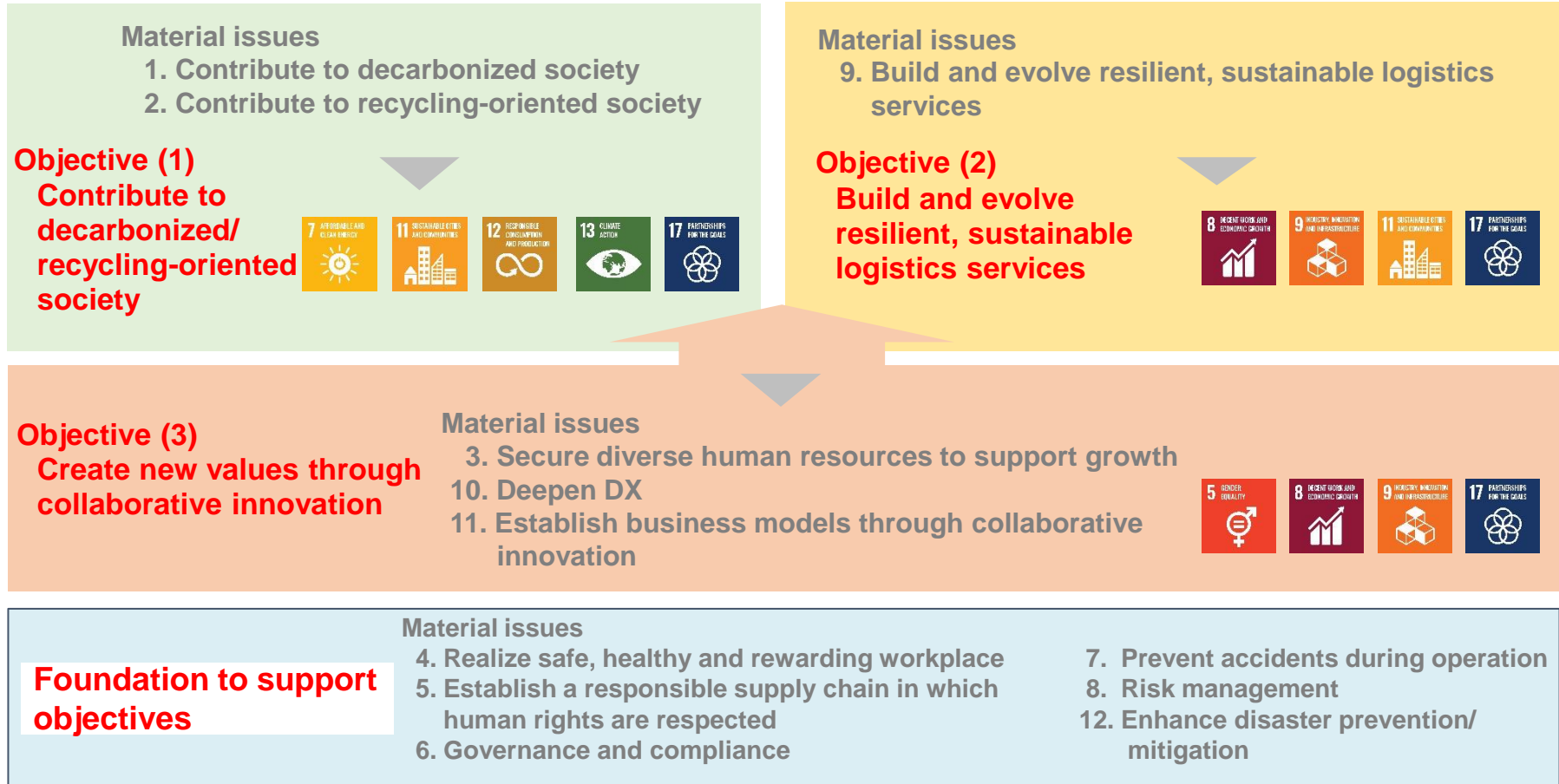
Link SSCV-Safety and SSCV-Smart

Share/visualize information on risky areas
 →Improve safety

Collect Company-wide data, import external data

Reduce truck drivers' working hours and waiting time and ensure strict labor management to cope with “2024 issue” and decarbonization

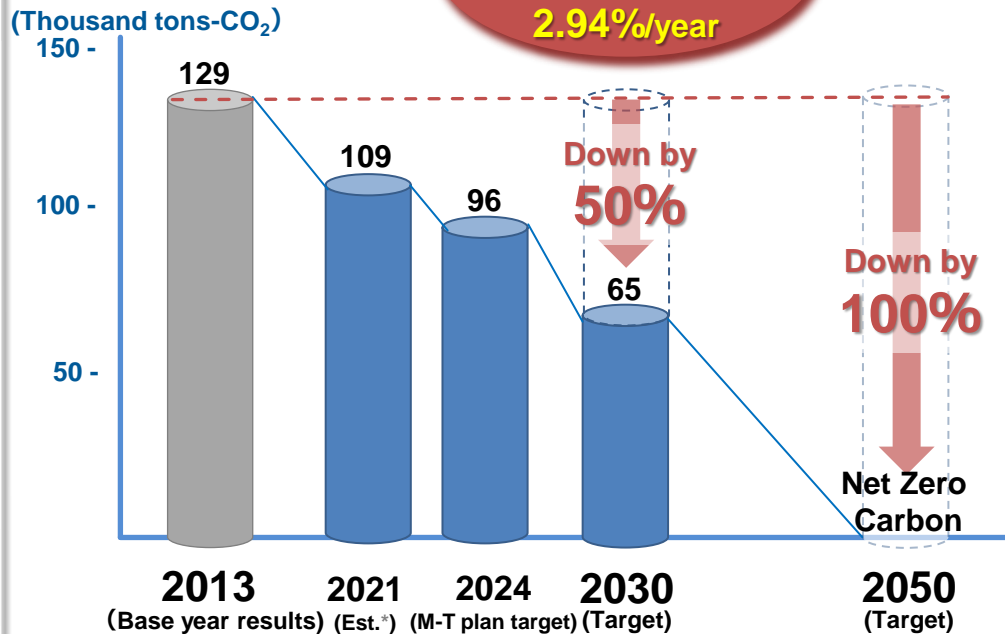
Positioning of objectives and SDGs



Medium-to-Long-term Environmental Targets (Decarbonization initiatives)

CO₂ emission*₁ Reduction target

Avg. emission reduction rate
(until 2030)
2.94%/year



CO₂ emission reduction initiatives

- 1 Energy saving
- 2 Electrification
- 3 Procure renewable energy
- 4 Energy creation
- 5 Emissions trading

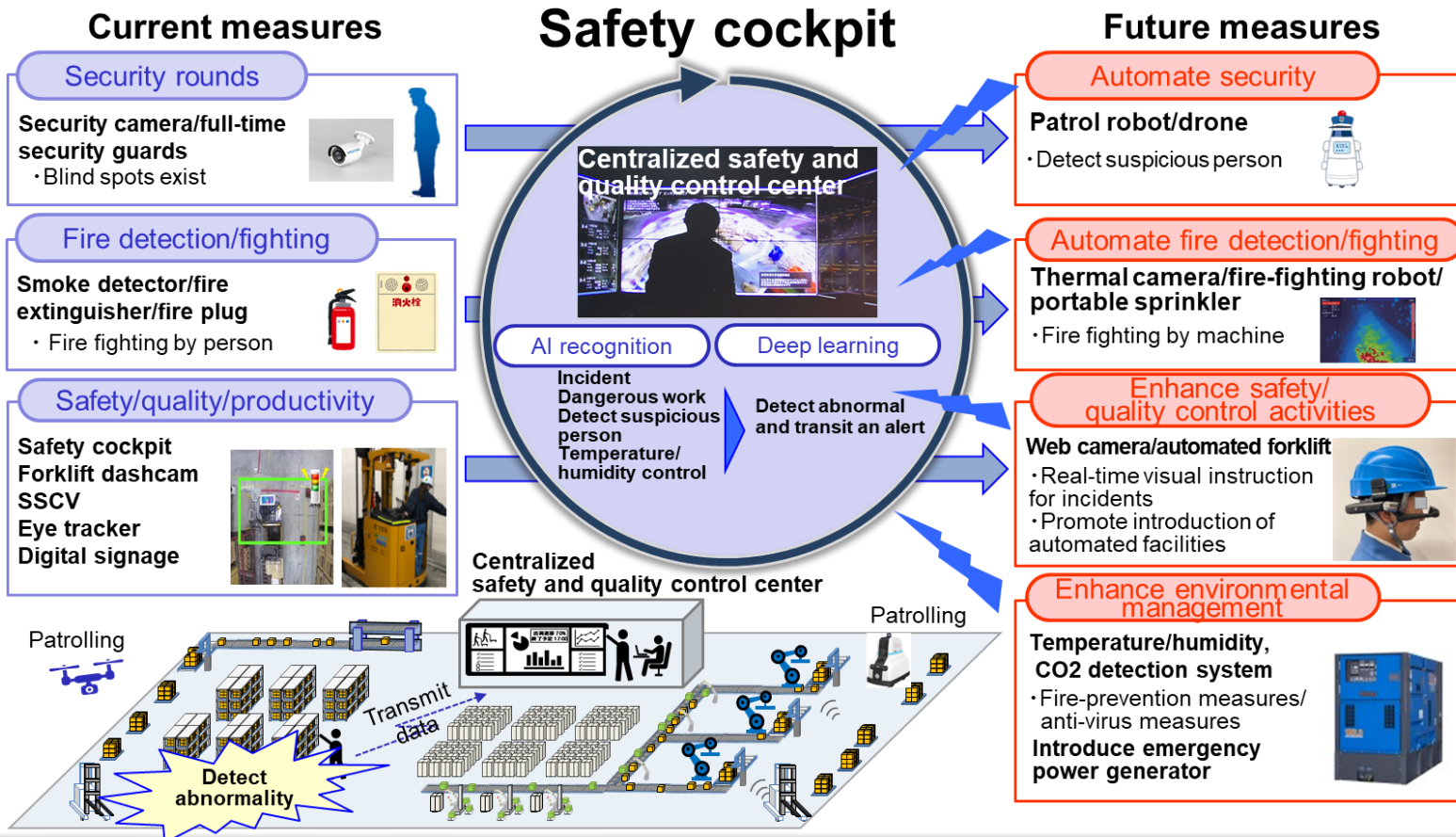
Decarbonization investment

(3 years of 2024 M-T Plan)
¥5 billion



*1 Sum of Scope 1+2 in Japan. *2 Compared to FY2013 *3 Total of investments and expenses during the M-T Plan period *4 Average reduction rate until 2030

Future vision of logistics center (visualize safety/quality/productivity/fire prevention/security)



Human resource strategy

Accelerate LOGISTEED by increasing/enhancing development of global/DX human resources

Increase in employee engagement

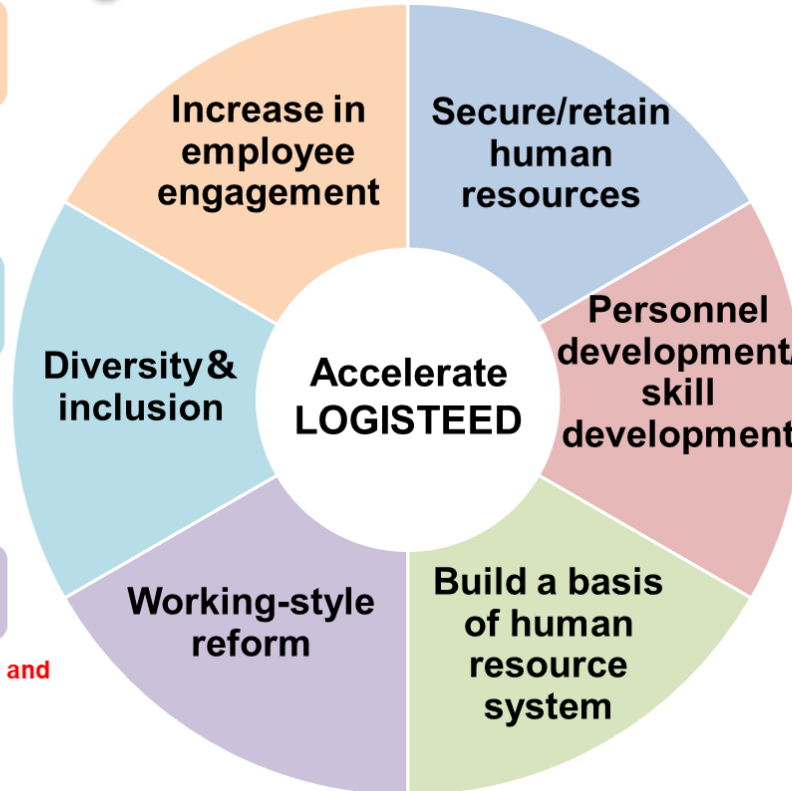
- Promotion of VC Activities
- Conduct employee survey
- Hold career interview

Diversity & inclusion

- Boost understanding of diversity
- Promotion of women's participation in the workplace
- Support for balancing work and childrearing/nursing care

Working-style reform

- Improve productivity through DX and improvement activities
- Enhance health



Secure/retain human resources

- Recruitment and retention of excellence human resources, including DX/global human resources

Human resource development/skill development

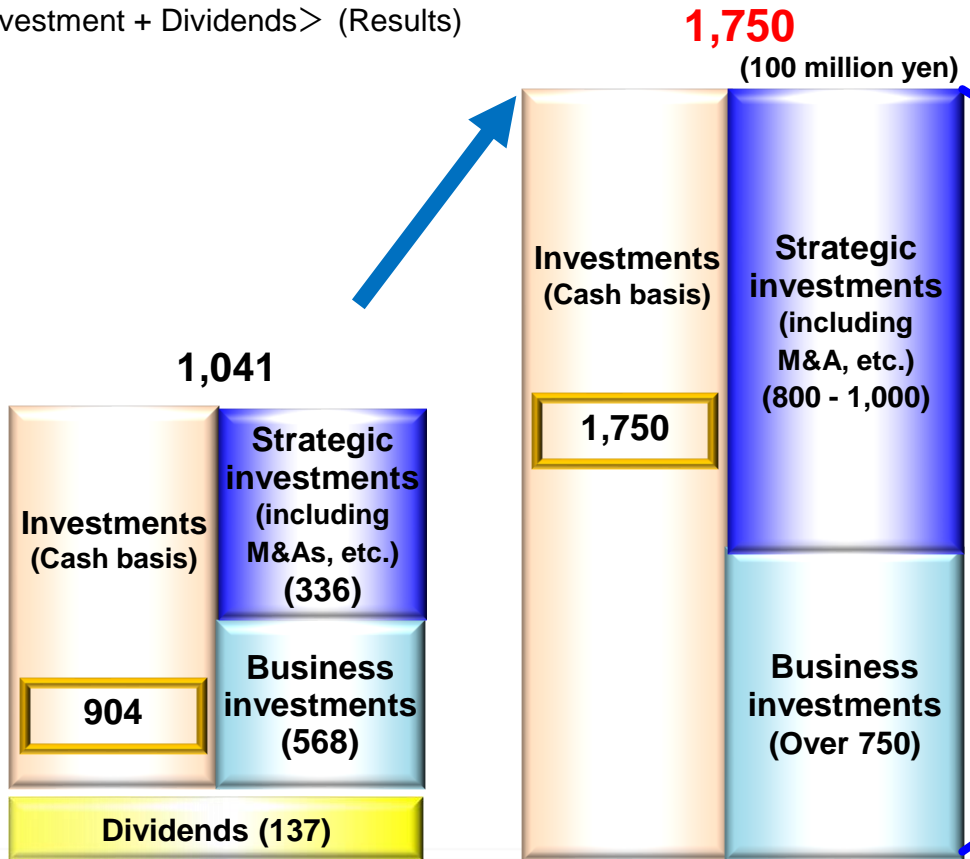
- Develop on-site management HR, DX/LT HR, and global HR
- Improve digital literacy, promote reskilling
- Review educational system
- Visualize human resources/skill

Build a basis of human resource system

- Introduce job-based human resource system
- Renew human resource management system

Strategic investment for change and evolution into “LOGISTEED”

【LOGISTEED2021 (cumulative)】 【LOGISTEED2024 (cumulative)】
 <Investment + Dividends> (Results)



- Invest in growth opportunities**
- ☑ Reinforce/expand overseas business
 - ☑ M&As/capital policy, etc.
 - ☑ Expand business domains
 - ☑ **Evolve Smart Logistics**
 Data management, data business
 Digital transport, etc.
 - ☑ **Solidify ESG management base**



Toward New Dimensions

LOGISTEED