

HTS Group Sustainability

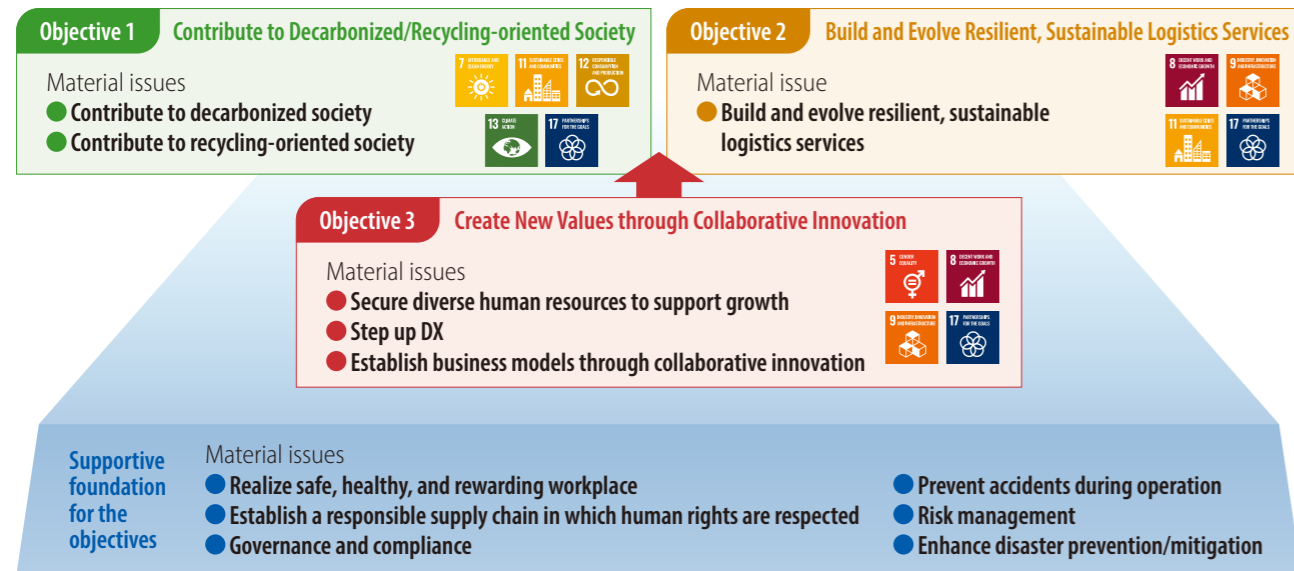
Review of Material Issues

The HTS Group identified 15 material issues in FY2017 and developed four objectives from CSV* viewpoint, but we reviewed the material issues in FY2021 in light of drastic changes in issues and management environment relating to sustainability. In doing so, we identified material issues not only from ESG perspective but also in consideration of their relevance to solutions for social issues in the logistics industry and the business strategy. As a result, we identified a total of 12 material issues including those with strong focus on business and those unique to logistics operations, which is a social infrastructure, such as "Prevent accidents during operation" and "Enhance disaster prevention/mitigation."

*Creating Shared Value (CSV): Refers to practices that balance activities to create economic benefits with solutions to social issues, or management strategies to achieve them

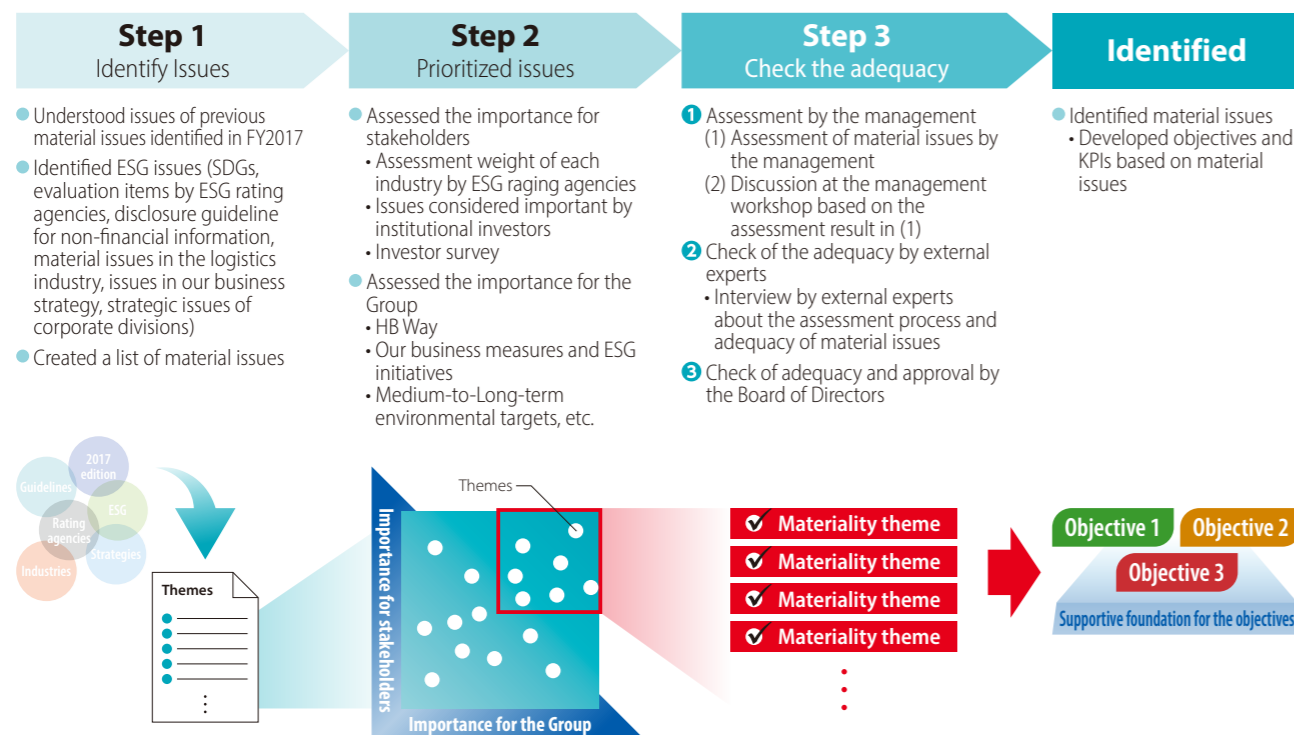
Positioning of material issues, objectives and SDGs

Of the identified 12 material issues, we classified those relating to value creation into three "Objectives" and those relating to the business base, such as compliance and risk management, into "Supportive foundation for the objectives." We also clarified the relation between the objectives and SDGs.



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Process to identify material issues



Check the adequacy of material issues —Comments from opinion exchange with external experts

I believe material issues for ESG management have been properly identified through an adequate process in which important matters are discussed and shared among the management in order to spread them across the company. I think following such process with an aim to increase HTS's corporate value will increase effectiveness of the initiatives to solve issues.

While themes of high importance to global logistics companies such as "decarbonization," "resource recycling," "human resources," "work environment," and "human rights/supply chain" are identified clearly and exhaustively, I felt that "Step up DX" and "Establish business models through collaborative innovation" that are supposed to remind the uniqueness of HTS don't really sound like a logistics company to external parties. To enable smooth communication with stakeholders, it may be helpful to devise a way to describe them or set KPIs that show HTS's uniqueness.

As the response to climate change in the logistics industry is drawing attention, placing top priority on "Contribute to decarbonized society" can be highly evaluated. So, I expect you will work on proactive engagement with investors to make sure they understand HTS's long-term initiatives, including those to address physical risks identified by TCFD, in the context of the relevant material issues.

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I think that appropriate deliberation was conducted from the perspective of both "logic" and "will" by pursuing "HTS' uniqueness" through discussions with the management and secretariat, instead of relying only on the objective and rational analysis of social demand, investors' recognition, and competition trends. I felt that the process was not only appropriate but also successful in identifying the "material issues unique to HTS" with the business concept of LOGISTEED by including "Step up DX" and "Establish business models through collaboration innovation" among the material issues. I trust that including issues related to CSR as well as those directly related to realization of the management strategy has achieved "good understanding" within the Company. It was a little disappointing, however, that there are not enough material issues related to "new innovation beyond logistics domain." I suppose HTS's customers expect HTS to contribute to solving not only logistics issues but also management issues beyond logistics domain. I hope that greater value will be generated based on "DX" and "Collaborative innovation."

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