

To Our Stakeholders -Message from the President-

Action Is the First Step Toward Success



I will lead “LOGISTEED2024” to a successful conclusion by drawing on my hands-on experience in Japan and overseas and demonstrating leadership in taking action.

高木宏明
President and COO

Accumulated hands-on Experience

Learned the essence of “manufacturing” logistics during the 24 years in Ibaraki

I am Hiroaki Takagi, have been appointed President and COO effective April 1, 2022. Today’s business environment is rapidly changing, but I am committed to achieving “LOGISTEED2024/2030” by responding to changes promptly and flexibly. I would like to take this opportunity to introduce myself to all stakeholders.

It has been 38 years since I joined the Group, but I believe the first 24 years that I spent challenging various work at the logistics sites in Ibaraki have made the basis of what I am today. For example, I was able to learn the essence of “manufacturing” logistics by engaging in factory logistics and packaging design. Large precision instruments that I was handling in logistics operation such as semiconductor manufacturing equipment, electron microscope, and medical equipment, require upstream operations such that they need to be disassembled before transportation, as well as plant logistics work including strict impact control and temperature/air pressure control during the transportation and special loading/unloading and installation. I acquired expertise in VAS and packaging design while I exerted myself to complete them. As for VMI^{*1}, I expanded business by providing procurement service in addition to parts inventory management and further developed it, which led to launch of a parts sales business with a Chinese company. In addition, when one of my customers set up a branch factory in China, I often visited there to offer support. These deep involvements in China-related businesses led to my assignment in China later.

*1 VMI: Vendor Managed Inventory

Fostered International Awareness in China

Requested the transfer to China because I was attracted by “untapped market”

After leaving Ibaraki, I was engaged mainly in 3PL business in the head office and South Kanto area engaging with

customers in the ICT and distribution sectors as a sales general manager. I was able to acquire hands-on experience in all business domains of the Group, except the heavy machinery and plant logistics, through my work in Ibaraki and the Tokyo Metropolitan area.

From 2015, I was focusing on increasing our share in the 3PL market as president of a group land transportation company in Japan, but meanwhile, I saw China, where I used to visit frequently, shifting from “being the world’s factory” to “expanding domestic demand,” which made me have a strong desire to tap the “untapped market” in inland China. Thus, I made a direct appeal to then President Mr. Nakatani and was assigned as Chief Executive in China region in 2016. However, my first task there was to liquidate and downsize the business due to a decline in performance and non-performing receivables at the local company we acquired.

Amid such circumstances, it was incredibly difficult to cultivate from scratch the inland area where no HTS Group sites existed, but the situation gradually got better as I tenaciously practiced the principle in China that “business is based on communication between people” which I learned while working in Ibaraki. Eventually, I was able to cultivate a number of inland markets, including Xian, Chongqing, Chengdu, and Hefei, and also introduce automated/labor-saving equipment to improve productivity. I also learned firsthand in China that the success of business depends on communication between people that transcends nationality. I intend to draw on my “international awareness” that I fostered through my own experience to execute “LOGISTEED2024/2030” which drastically changed direction toward expansion of overseas business.

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Pass on the “HB Way” as corporate culture

As I had accumulated hands-on experience in Japan and overseas, I came to realize that we as a group have been able to achieve our sustainable growth because we have consistently followed the “Gemba-oriented principle.” I also believe that the concept of the “Gemba-oriented principle” has become clearer after “HB Way” was developed in 2016.

Specifically, the “HB Way (→ P2)” clearly defined what the “Gemba-oriented principle” is, and it was communicated to employees clearly as “Success Drivers,” which facilitated the spread of “Corporate Philosophy,” “Corporate Vision,” and “Guiding Principles” among sites, deepening ties between management and sites. The Group will realize sustainable value creation by continuing to pass on the “HB Way” as the most important corporate culture.

My management philosophy “Action is the first step toward success”

I also believe that we can gain customer trust and realize sustainable growth by consistently following Success Drivers of the “HB Way”: “3 Key Goal Indicators,” “3 Disciplines,” and “3 Attributes” and by constantly providing the best logistics services. We will aim to get in the same boat with customers by sharing joys and sorrows, and we can impress customers precisely because we are in the same boat, which will make us more trustworthy and lead to the growth of our business.

If I were to reinterpret “Success Drivers” based on the recognition, they would be “Be a company/person that can constantly impress customers,” “Be a company/person that can always come up with ideas,” “Be a company/person that can act faster than others,” and “Be a company/person that can prevent accidents.”

I think “action” is the source of value creation that supports all of these Success Drivers. Because “action” is what makes us take the first step toward success, we cannot impress anyone if we don’t “take action.” Also, ideas mean nothing if we don’t “take action” and use it. We can’t demonstrate speediness if we don’t “take action.” And it takes many “actions” to prevent accidents. All value creation in business is based on “action,” and there is no success without “action.” This is why I believe that “Action is the first step toward success” as a management philosophy.

“Action” leads to new value creation

I came to believe in this management philosophy while I spent lots of time with a person whom I looked up to as my mentor when I was in Ibaraki. As I mentioned earlier, I launched a number of new businesses in Ibaraki including procurement logistics and parts sales business with a Chinese company, and all of them were possible only because he told me, “Nothing will change if we keep

doing the same thing. Let’s take an action.” I was so inspired that, after consultations with the customer, I persuaded our top management to launch the aforementioned business with a Chinese company because it was not possible under the internal rule of the time. Because the parts sales business was approved, we were able to create new value.”

The Group will transition to a new value creation stage through a partnership with KKR, and I intend to demonstrate leadership under the motto that “Action is the first step toward success” in order to make our partnership successful.

Points of Priority Measures in “LOGISTEED2024”

Expand sites in the four key management areas to “reinforce/expand overseas business”

To achieve “Reinforce/expand overseas business,” which is the most important measure in “LOGISTEED2024,” we will expand business sites in the four key management areas (Asia, China, North America, and Europe) with an eye to achieving the future vision in FY2030 to become a “leading global 3PL company”. Especially, considering that the center of supply chains is shifting from China to Asia, we will focus on enhancing resources in Asia. In addition, we intend to add potential markets other than the four key management areas including Africa and Middle East to key areas as they are starting to show full-scale economic growth.

Further expand value creation domains through VAS to “expand business domains with new added value”

As I mentioned earlier, I have been working on VAS since my younger days. And because there are full of business opportunities in every “manufacturing” sector, including industrial products as well as food and apparel, I intend to seize them aggressively. We aim to acquire new customers by offering services not only in manufacturing and procurement but also in all domains of customers’ value chain such as shipping, sales, and services.

Build a platform linking WMS/RCS/ERP in DX toward “Evolve Smart Logistics”

To “evolve Smart Logistics,” we will further enhance DX. Specifically, DX in transportation has made a significant progress thanks to SSCV, and we will be able to offer value to many more customers once the labor management function for drivers, which is currently under development, is completed. As for DX to enhance the warehouse business, we will focus on establishing a platform enabling to provide optimal logistics services by closely linking WMS, RCS*2, and customers’ ERP*3.

*2 RCS: Resource Control System

*3 ERP: Stands for Enterprise Resource Planning and refers to a system to enable sophisticated operation by centrally managing the corporates’ core functions such as “production,” “procurement,” “inventory,” “sales,” and “accounting”

Enhance decarbonization initiatives to “solidify ESG management base” including overseas

As the definition of “corporate value” has changed drastically to include social contribution and non-financial indicators in addition to business performance and financial indicators, I am fully aware that ESG is an important factor that is essential for the corporates’ development and sustainable growth. Especially in terms of the decarbonization initiatives, while we will steadily carry out initiatives including a shift to EVs and FCVs and establishment of solar power generation facilities in logistics centers to achieve the medium-to-long-term environmental targets to reduce CO₂ emissions by 50% by FY2030 and achieve net zero carbon by FY2050, we also intend to enhance overseas initiatives.

Keep enhancing three “strengths”

We will ensure to achieve “LOGISTEED2024” by further enhancing the Group’s three strengths (→ P25) that are indispensable to promote the four priority measures described above.

As for the “ability to accomplish operation,” the Group’s greatest strength which has been enhanced for 72 years since its foundation, we will maintain flexibility in responding to customer needs, environmental changes, and a wide variety of product lines, as well as maintain and improve high quality and cost competitiveness to develop/strengthen site managers and global/DX human

resources.

For another strength of “advanced logistics engineering capability,” as I mentioned earlier, we will accelerate DX in transportation and warehouse operations to sophisticate and optimize customers’ supply chains and also enhance the development of digital talents and cooperation with collaborative innovation partners.

For the third strength of “global network,” while we pursue the “region-contained business model” as mentioned in the message from Mr. Nakatani, CEO, (→ P9), we will open sites in many countries through initiatives explained in the section on the priority measure “Reinforce/expand overseas business.”

To Our Stakeholders

We will carry out multiple initiatives speedily and simultaneously

The Group will first aim to become a “leading 3PL company in Asia” by steadily executing “LOGISTEED2024” and then aim to become a “leading global 3PL company” through “LOGISTEED2030.” On the other hand, some initiatives with an eye on FY2030 are already underway in “LOGISTEED2024” such as those aimed at proactively enhancing and expanding businesses in Europe and the U.S. in addition to Asia. Mr. Nakatani, Chairman, and I will carry out multiple initiatives speedily and simultaneously to further grow the Group’s business and increase corporate value.

We look forward to your continued support.

