

Climate Change Initiatives – Response to Task Force on Climate-related Financial Disclosures (TCFD) –
Basic Policy on Climate Change

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,” and we position climate change response as one of our highest priority management issues. The Group is fully aware of the importance of initiatives to reduce CO2 emissions required by both in Japan and overseas, including SDGs which are universal goals for the international community as well as targets set by the Paris Agreement and the Japanese government. Accordingly, we have announced our endorsement of TCFD recommendations in September 2021 and are responding to climate change 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 by the President and CEO who is responsible for climate change initiatives. It also supervises the target setting for greenhouse gas (CO2) emission reduction and the determination of specific climate change responses such as energy-saving investments and budget allocation for them.

The executive officer in charge reports to the Board of Directors the progress of the initiatives to address management issues related to climate change annually or as needed.

Sustainability Promotion Department, Corporate Strategy Office in the head office oversees overall environmental management work under the supervision of 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 determine 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 status of initiatives to address climate change and the proposed strategy in the future are reported to the Executive Committee semiannually or as needed.

Meeting bodies/ Departments	Roles
Board of Directors	<ul style="list-style-type: none"> • Provides guidance and supervises initiatives to address management issues related to climate change • Approves reduction targets/measures/budgets
Executive Officer	<ul style="list-style-type: none"> • Understands the status of initiatives to address management issues related to climate change, and reports to the Board of Directors
Environmental Promotion Conference	<ul style="list-style-type: none"> • Confirms the achievement level of measures related to climate change, determines corrective measures and discusses proposed measures
Sustainability Promotion Department	<ul style="list-style-type: none"> • Oversees overall environmental management work • Holds Sustainability Promotion Committee, reports/proposes to the Executive Committee based on decisions at the Committee

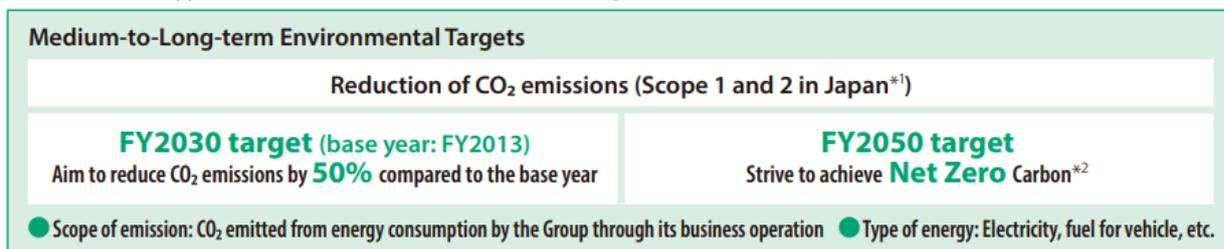
■ Risk management

The Group selected CSR material issues in consideration of all management risks identified. Sustainability Promotion Department, Corporate Strategy Office in the head office has selected risks and opportunities according to climate change response, one of the CSR material issues, and has identified items having large financial impacts as material risks and opportunities. Sustainability Promotion Department is responsible for incorporating responses to such risks and opportunities in each of the climate change-related plans and manages the execution 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

In July 2021, the Group reviewed the medium-to-long-term targets for CO₂ emission reduction to respond to risks and opportunities related to climate change.



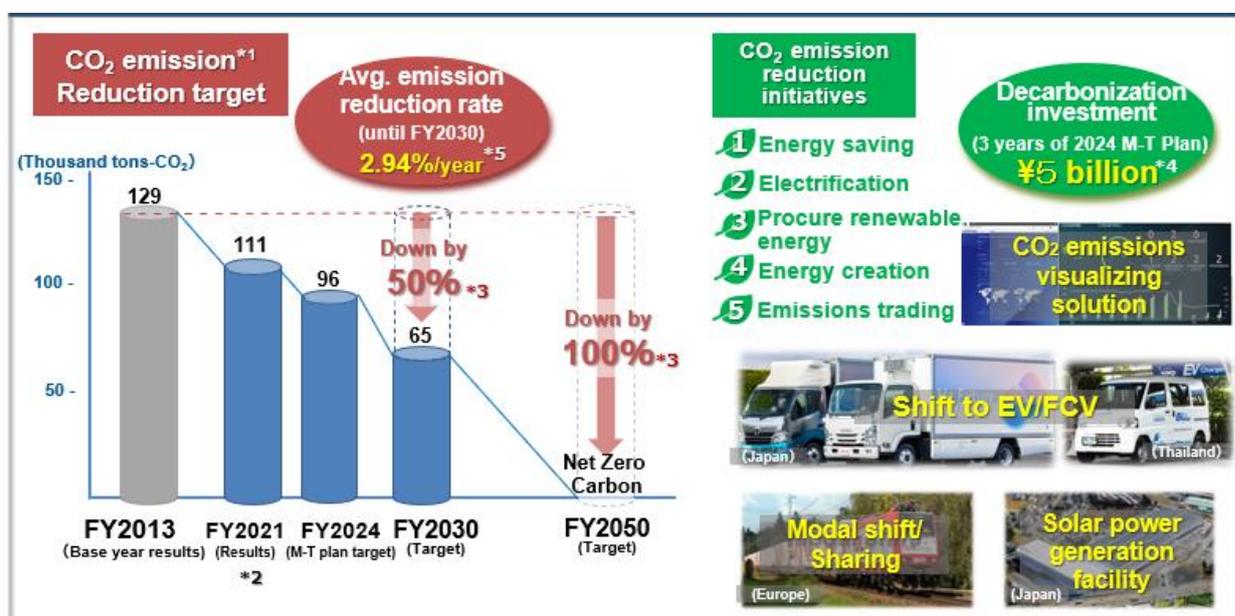
*1 Definition of scope

Scope 1: Direct emissions from in-house energy (fuel, etc.) use (e.g. CO₂ released by company vehicles)

Scope 2: Indirect emissions from the use of energy supplied by other companies (e.g. CO₂ released by a third party power plant due to electricity use in the company's facility)

Scope 3: Indirect emissions by supply chain other than Scope 1 and 2 (total of 15 categories including transportation outsourcing and business trip of employees)

*2 Net Zero Carbon: To balance emissions of CO₂, one of greenhouse gases, and its absorption/removal



*1 Sum of Scope 1+2 in Japan.

*2 Results as of June 24, 2022

*3 Compared to FY2013

*4 Total of investments and expenses during the M-T Plan period

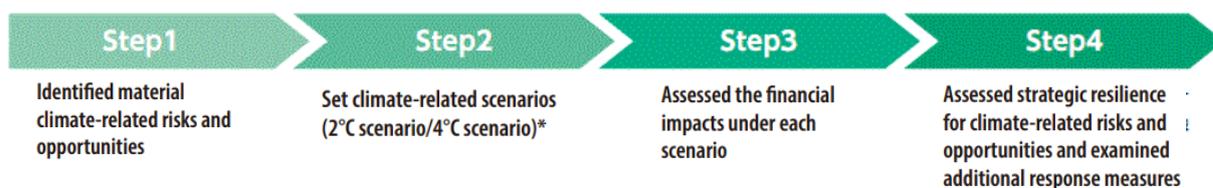
*5 Average reduction rate until FY2030

■ Strategy

The Group uses a scenario analysis to identify and assess climate-related risks and opportunities that are expected to affect our medium-to-long-term business activities and also assess resilience and examine response measures.

(1) Scenario analysis process

The Group has performed scenario analyses according to the following procedures. Under the scenario that assumes the goal of the Paris Agreement is achieved (2° C scenario) and the one that assumes that no 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.



* Reference scenario:

2° C scenario: IEA's Sustainable Development Scenario/IPCC RCP2.6

4° C scenario: IEA's Stated Policies Scenario/IPCC RCP8.5

(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.

Categories	Types	Potential risks/opportunities	Potential impacts on business and response measures
Transition risks	Policy and legal	<ul style="list-style-type: none"> Manager, Public Relations Department, Corporate Strategy Office : Takayuki Kido 	<p>Impact : Cost increase due to carbon pricing (2° C scenario > 4° C scenario)</p> <p>Measures : Develop and implement systematic environment strategies toward decarbonization (1. Introduce renewable energy, 2. Introduce non-fossil fuel vehicles (e.g. EV/FCV), 3. Procure green power, and 4. Introduce Internal Carbon Pricing (ICP))</p>
	Technology	<ul style="list-style-type: none"> Risk of increasing CO2 emission reduction cost and losing customers due to delay/failure in introducing environmental technology 	<p>Impact : Medium-to-long-term cost increase or earnings decrease due to delay in introducing renewable energy and low carbon vehicles (2° C scenario > 4° C scenario)</p> <p>Measures : Introduce advanced technologies toward decarbonization (1. Introduce renewable energy, 2. Introduce non-fossil fuel vehicles, and 3. Promote DX and IoT in warehouse operations)</p>
	Market	<ul style="list-style-type: none"> Risk of losing customers due to inadequate response to customers who emphasize low-carbon or carbon-neutral transportation 	<p>Impact : Earnings decrease due to increase of customers who emphasize climate change initiatives (e.g. customers whose targets were certified by the Science Based Targets (SBT) initiative) (2° C scenario > 4° C scenario)</p>
	Reputation	<ul style="list-style-type: none"> Risk of losing corporate reputation due to insufficient climate change initiatives and information disclosure 	<p>Measures : Promote decarbonization measures in logistics services and strengthen information disclosure to stakeholders</p>

Categories	Types	Potential risks/opportunities	Potential impacts on business and response measures
Physical risks	Acute	<ul style="list-style-type: none"> • Risk of logistics operation being suspended due to intensifying wind and flood damage caused by extreme weather 	<p>Impact : Cost increase due to repairment or recovery of facilities damaged by wind and flood (2° C scenario < 4° C scenario)</p> <p>Measures : Strengthen BCP measures against hazard risks including wind and flood damage (1. Decentralize business sites, 2. Install solar power generation system /storage batteries, etc. and 3. Relocate sites to low-risk regions)</p>
	Chronic	<ul style="list-style-type: none"> • Risk that deterioration of working environment due to a rise in average temperature makes it difficult to secure human resources 	<p>Impact : Decrease in energy cost due to efficiency improvement in logistics services (2° C scenario > 4° C scenario)</p> <p>Measures : 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 modal shift)</p>
Opportunities	Resource efficiency	<ul style="list-style-type: none"> • Opportunity to reduce energy consumption by vehicles and CO2 emissions with advanced environmental technology • Opportunity to introduce efficient logistics operations using Smart Logistics and shared logistics services 	<p>Impact : Revenues increase due to diversification of business activities (2° C scenario > 4° C scenario)</p> <p>Measures: Provide logistics services using the Company' s unique Smart Logistics (1. Smart Warehouse, 2. SCDOS, and 3. SSCV)</p>
	Products and services	<ul style="list-style-type: none"> • Opportunity associated with diversification of business activities 	<p>Impact : Cost decrease due to introduction of solar power generation system (2° C scenario > 4° C scenario)</p> <p>Measures : Reduce electricity procurement cost by introducing renewable energy and secure electric power source in case of emergency</p>
	Resilience	<ul style="list-style-type: none"> • Opportunity associated with energy diversification 	<p>Impact : Cost decrease due to introduction of solar power generation system (2° C scenario > 4° C scenario)</p> <p>Measures : Reduce electricity procurement cost by introducing renewable energy and secure electric power source in case of emergency</p>