Logistics Initiatives

Basic approach

To realize our growth strategy, we will proceed with improving logistics, one of the foundations of our manufacturing. With our mission of sustainability in our logistics and supply chains, we will eliminate "labor shortages" and "waste, inconsistency, and overburden" to further strengthen our competitiveness and promote carbon neutrality.

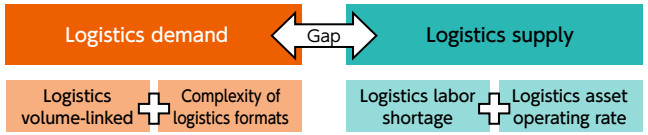
Sustainable logistics

The diversification of customer needs has led to smaller shipment lots, and increasingly complex routes and delivery units. Logistics supply capacity is determined by labor and the capacity of trucks, warehouses, and other facilities, which set the upper level of services that can be provided. Depending on this upper limit, manufacturing efficiency can also be affected, and if logistics is unable to withstand drastic changes in supply and demand, and reaches a critical state, business continuity may also be threatened.

Currently, some areas have inefficient logistics process designs and operations that rely heavily on labor, due to excessive customization to accommodate customer needs. Such inefficient use of logistics assets due to waste, inconsistency, and overburden is not only a labor issue but also a cause of increased CO_2 emissions in logistics.

We will achieve enhanced "sustainable logistics" by addressing labor shortages through automation of delivery arrangements and warehouse operations, and promoting carbon neutrality by changing to more efficient logistics process design.

● **Current logistics challenges**

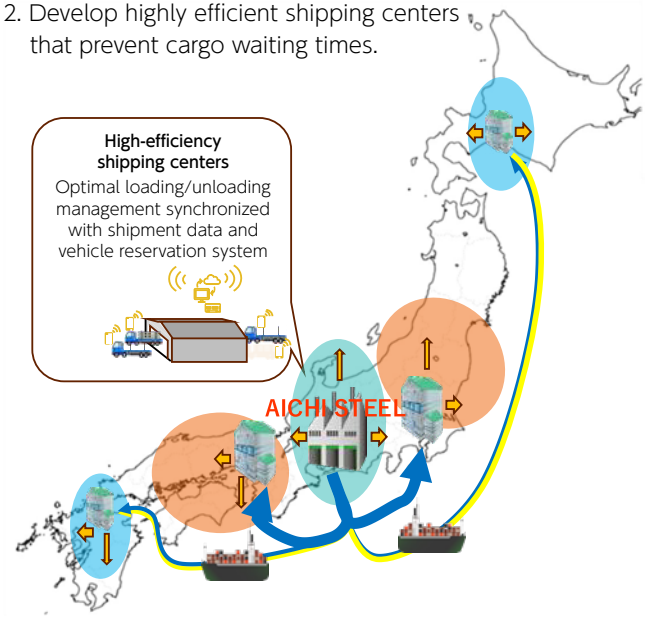


Driver- and environment-friendly logistics reform

To address 2024 logistics challenges and resolve driver shortages, as well as to contribute to society as "the most environmentally friendly steelmaker" by reducing CO_2 emissions, we aim to improve transport efficiency by at least 25% by eliminating vehicle allocation inefficiency caused by inventory inconsistencies and insufficient loading capacity.

To improve transportation efficiency, we will:

1. Establish highly efficient logistics that completely eliminate waste, inconsistency, and overburden.
2. Develop highly efficient shipping centers that prevent cargo waiting times.



Short-distance areas	High-efficiency transportation with full loads
Medium-distance areas	Concentrated delivery to optimally located depots Modal shift
Long-distance areas	Modal shift Expansion of joint deliveries with other companies

Logistics reform scenario (Specialty steel business)

Rather than looking only at transportation, we will review the entire production process and consider comprehensive logistics reform both inside and outside the facility, including plant layout changes and the establishment of on-site shipping centers. We will start by streamlining existing processes, then proceed in stages to manufacturing reform through new processes, and finally to logistics reform, setting targets for reducing cost and environmental impact, and aiming for highly efficient transportation.

● **Growth strategies and logistics reform scenarios in the specialty steel business**