

The Birth of SG Holdings

On March 21, 2006, the Sagawa Express Group established SG Holdings Co., Ltd., as a pure holding company and commenced operations of the new group management structure.



Name of corporation : SG Holdings Co., Ltd.

Established : March 21, 2006

Business contents : Formulation and administration of Group management strategies and related operations

Location : 68 Tsunoda-cho, Kamitoba, Minami-ku, Kyoto

Chairman and President : Eiichi Kuriwada

Capital : 11.275 billion yen

End of fiscal term : March 20

SG Holdings Group Unified Slogan:

Safety, Environment, and Service

Bringing all quality factors up to global standards.

Management Vision

SG Holdings Group is committed to serving our clients as their first choice and aims to become the number one comprehensive logistics company in Asia.

Objectives of establishing a pure holding company

We put together a new management structure with the aim of becoming a company needed by society as well as a company favored by clients.

Accordingly, we will

- (1) Immediately respond to changes in both client needs and market environment;
- (2) Formulate new growth strategies that also focus on the expansion of operations outside the express courier service sector; and
- (3) Reform corporate groups that engage in ongoing group strategic investments in business sectors that can be expected to expand.

As a comprehensive logistics company aiming to becoming the number one ranked company in its field in Asia, we feel that an unassailable business foundation is indispensable and shall endeavor to fortify our networks within Japan as well as throughout the Asian region.



The role we should play towards realizing a prosperous society

A new Group management structure

On March 21, 2006, the Sagawa Express Group established SG Holdings Co., Ltd., as a pure holding company and commenced operations of the new group management structure. By undertaking this move and integrating the corporate strategy formulation and management functions for the entire Group, we aim to grant each company in our Group—which is headed by Sagawa Express—the ability to specialize in operational performance functions and seek to facilitate faster and higher-level decision-making to enable the accommodation of client needs that change on a daily basis. The establishment of this new management structure shall allow us to respond immediately to changes in client needs and market environment factors and will give us the tools to achieve new growth while also focusing on the expansion of operations outside the express courier service sector and thereby seek to become a company

needed by society.

The SG Holdings Group will provide benefits from the perspective of the economy, society, and the environment with a view to contributing to the realization of a prosperous society and will also pursue services designed to satisfy the demands of stakeholders. To that end, we would like to continue evolving to keep pace with the constant changes in the environment in which we operate. We hope to coexist harmoniously with all things on earth and march together towards a brighter future.

June 2006

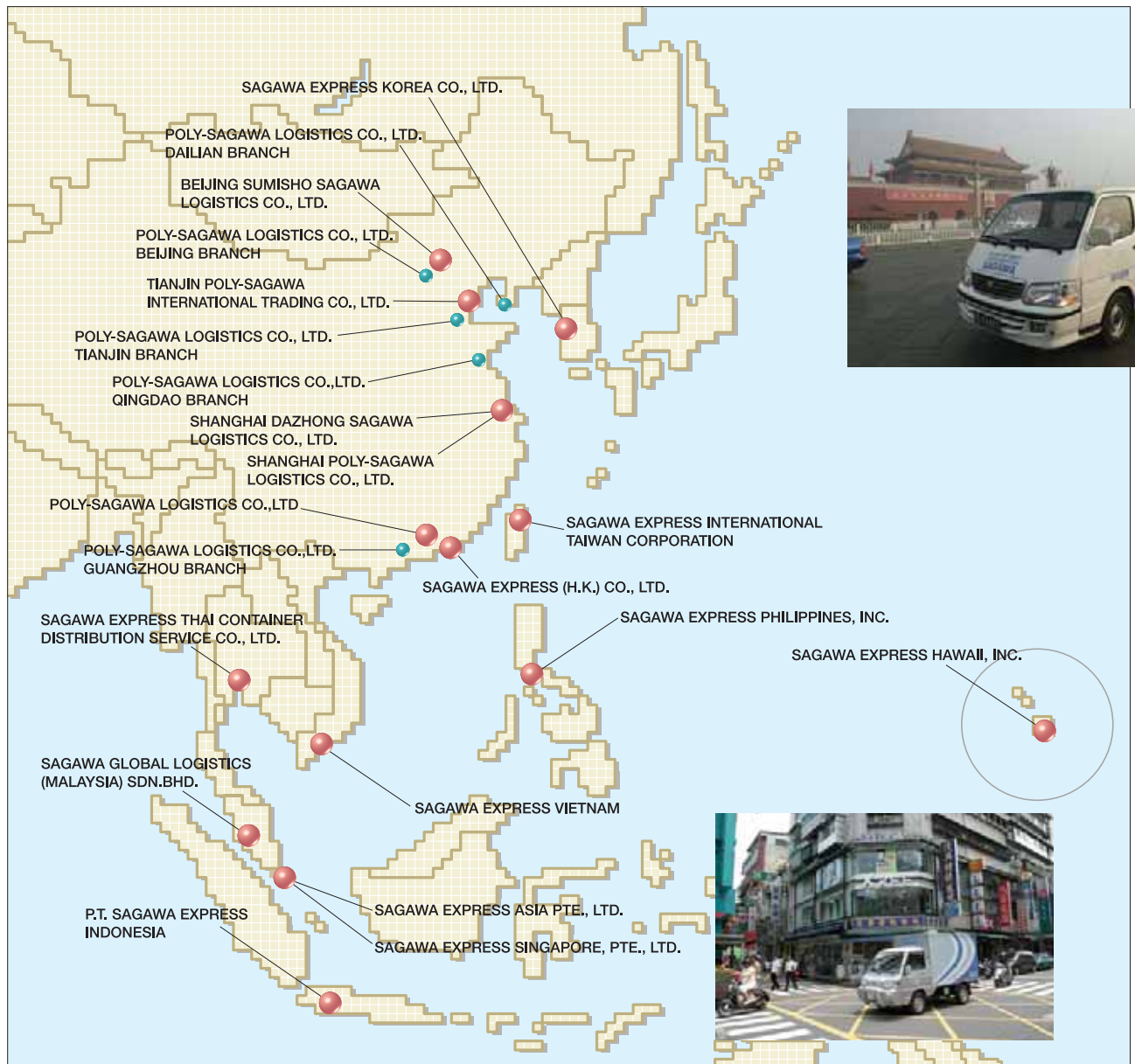
Eiichi Kuriwada

Chairman and President, SG Holdings Co., Ltd.

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Business Expansion in Asia

The SG Holdings Group aims to become the number one comprehensive logistics company in Asia so will expand its operations in Asia, where greater economic growth is expected to continue.

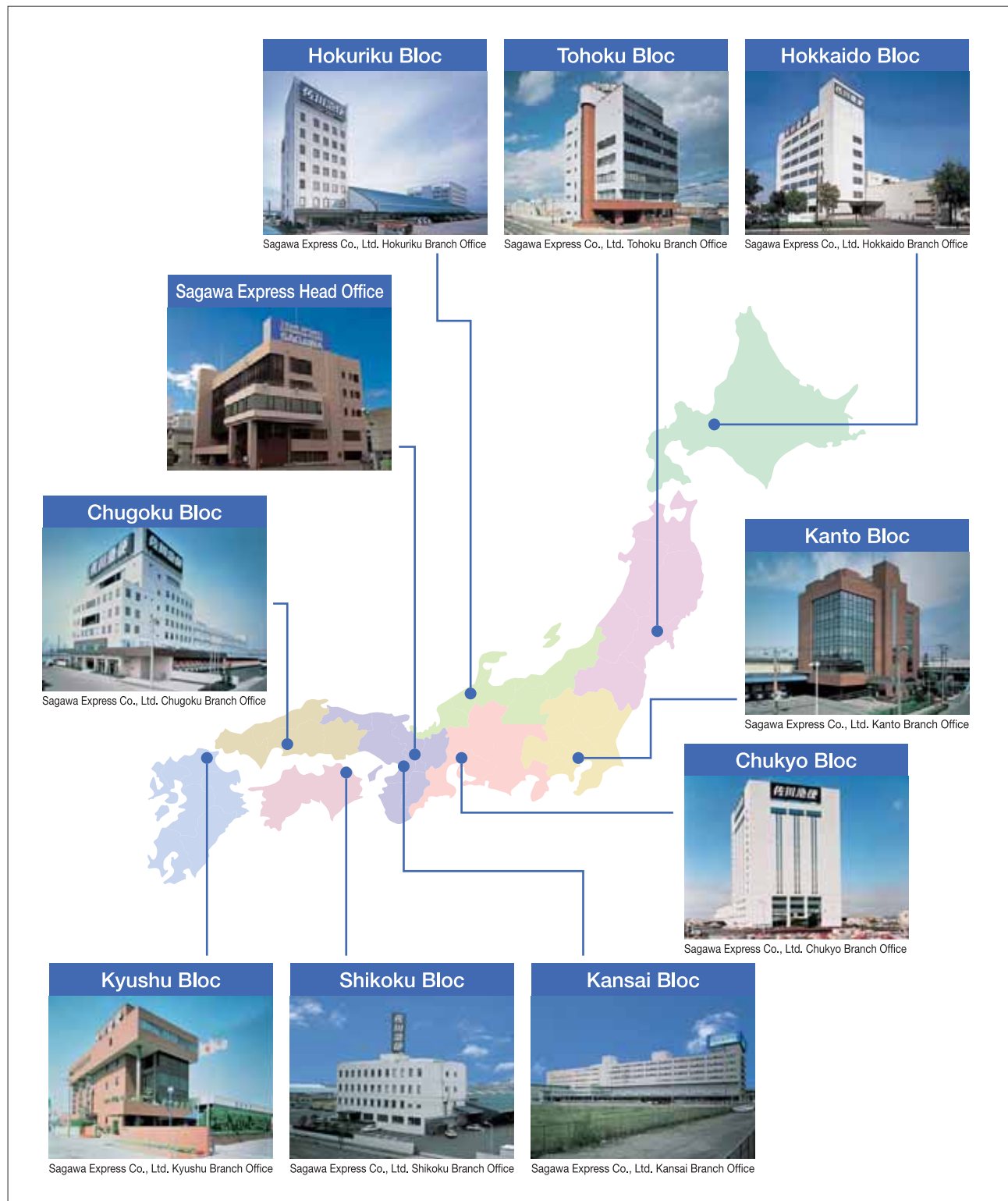


Asian Group companies

- SAGAWA EXPRESS ASIA PTE., LTD.
- BEIJING SUMISHO SAGAWA LOGISTICS CO., LTD.
- TIANJIN POLY-SAGAWA INTERNATIONAL TRADING CO., LTD.
- SHANGHAI POLY-SAGAWA LOGISTICS CO., LTD.
- SHANGHAI DAZHONG SAGAWA LOGISTICS CO., LTD.
- POLY-SAGAWA LOGISTICS CO., LTD.
- SAGAWA EXPRESS (H.K.) CO., LTD.
- P.T. SAGAWA EXPRESS INDONESIA
- SAGAWA EXPRESS PHILIPPINES, INC.
- SAGAWA EXPRESS VIETNAM
- SAGAWA EXPRESS KOREA CO., LTD.
- SAGAWA EXPRESS SINGAPORE, PTE., LTD.
- SAGAWA EXPRESS THAI CONTAINER DISTRIBUTION SERVICE CO., LTD.
- SAGAWA EXPRESS HAWAII, INC.
- SAGAWA EXPRESS INTERNATIONAL TAIWAN CORPORATION
- SAGAWA GLOBAL LOGISTICS (MALAYSIA) SDN.BHD.

Japanese Domestic Transport Network

Sagawa Express, the largest operating company in our Group, operates 340 establishments nationwide (as of March 20, 2006) across nine different jurisdictional blocs and offers both peace of mind and reliability through our stabilized transport network.



Introducing the SG Holdings Group

We offer clients both peace of mind and reliability through the operational structure of Sagawa Express and other Group companies.

Sagawa Express Co., Ltd.

Sagawa Express provides enhanced transport services through its domestic network and is also engaged in “Green Butsuryu” (clean distribution) practices, such as through the large-scale introduction of natural gas vehicles.



Sagawa Moving Center Co., Ltd.

Advanced transport technologies are harnessed to help clients move their valuable belongings through such services as: a moving service for individuals and companies, chartered transport services for refrigerated items, the shipment of precision equipment, a transport service for shipping works of art and more.



Sagawa Financial Co., Ltd.

Established in March 2005, Sagawa Financial is engaged in various financial operations, including the provision of a distribution settlement service for logistics companies. The company handles the settlement of approximately 880 billion yen per year (results for 2005) primarily through the provision of a settlement function in the form of e-collect service operated for Sagawa Express.

Sagawa Galaxy Motors Co., Ltd.

Sagawa Galaxy Motors as a total automotive business enterprise was created in September 2005 by merging Sagawa Auto Body Co., Ltd., which was responsible for producing the bodies of the pick-up and delivery vehicles run by Sagawa Express, with Sagawa Automotive Engineering Co., Ltd., which was responsible for vehicle maintenance, and consolidating all functions pertaining to sales vehicles used by companies within the Group.



Sagawa Galaxy Highways Co., Ltd.

While Sagawa Express is responsible for collection and delivery functions, Sagawa Galaxy Highways is in charge of highway transport. While responsibility for highway transport was originally split among the Group companies Higashi-Nihon Transport Kogyo, Hits Express, Metropolitan Transport, Sagawa Logitech Osaka, and Kinki Automotive Transport, integration in September 2005 allowed the Group to centralize the management structure and minimize transport costs.



Sagawa Global Logistics Co., Ltd.

Sagawa Global Logistics provides a complete range of support functions for every clients logistics needs, encompassing everything from the provision of warehouse space to the undertaking of outsourcing operations (inventory management, picking, packaging, shipping, and more). Sagawa Global Logistics Co., Ltd. changed its name from Sagawa Logistics Services Co., Ltd. in July 2006.



Sagawa Global Express Co., Ltd.

Sagawa Global Express Co., Ltd. handles international freight, undertakes customs brokerage services, deals with domestic air cargo, and offers international courier services in Asia. Sagawa Global Express Co., Ltd. changed its name from Sagawa Air Cargo Services Co., Ltd. in July 2005.



Galaxy Airlines Co., Ltd.

Galaxy Airlines is an air transport company established in May 2005. The company provides air cargo transport services spanning all of Japan along key domestic routes (Shin-Chitose, Haneda, Shin-Kitakyushu, and Naha) using cargo-dedicated airplanes.



Sagawa Advance Co., Ltd.

Sagawa Advance powerfully supports its clients through its engagement in a broad range of fields relating to travel, insurance, commodity sales, store development, facility management, ISO support, and personnel support. Sagawa Advance Co., Ltd. changed its name from Sagawa Support Services Co., Ltd. in June 2006.



Sagawa Computer System Co., Ltd.

Sagawa Computer System is responsible for providing information system functions for the SG Holdings Group and is engaged in system consulting, development, and operational management. The company improves client operations through IT, by harnessing its advanced technological strengths and accumulated know-how.



Corporate Philosophy

All employees of the SG Holdings Group shall, as good corporate citizens, act sensibly and responsibly according to the corporate philosophy in place at the time of the foundation of the company.

Corporate philosophy at the time of the foundation of the company

The SG Holdings Group has inherited the “*Hikyaku*” messenger spirit that marked the point of origin upon which Sagawa Express was founded and is engaged in fair and free corporate activities while respecting human rights and observing the letter and spirit of laws and regulations. The “*Hikyaku*” messenger spirit is expressed by the motto “Quickly, Carefully, Courteously” and entails the following:

- Thorough adherence to a customer-first policy;
- Contribution to the growth of local communities; and
- Adopting the notions of responsibility and good faith as pillars of our mission.



Charter governing SG Holdings actions

Code of responsibilities

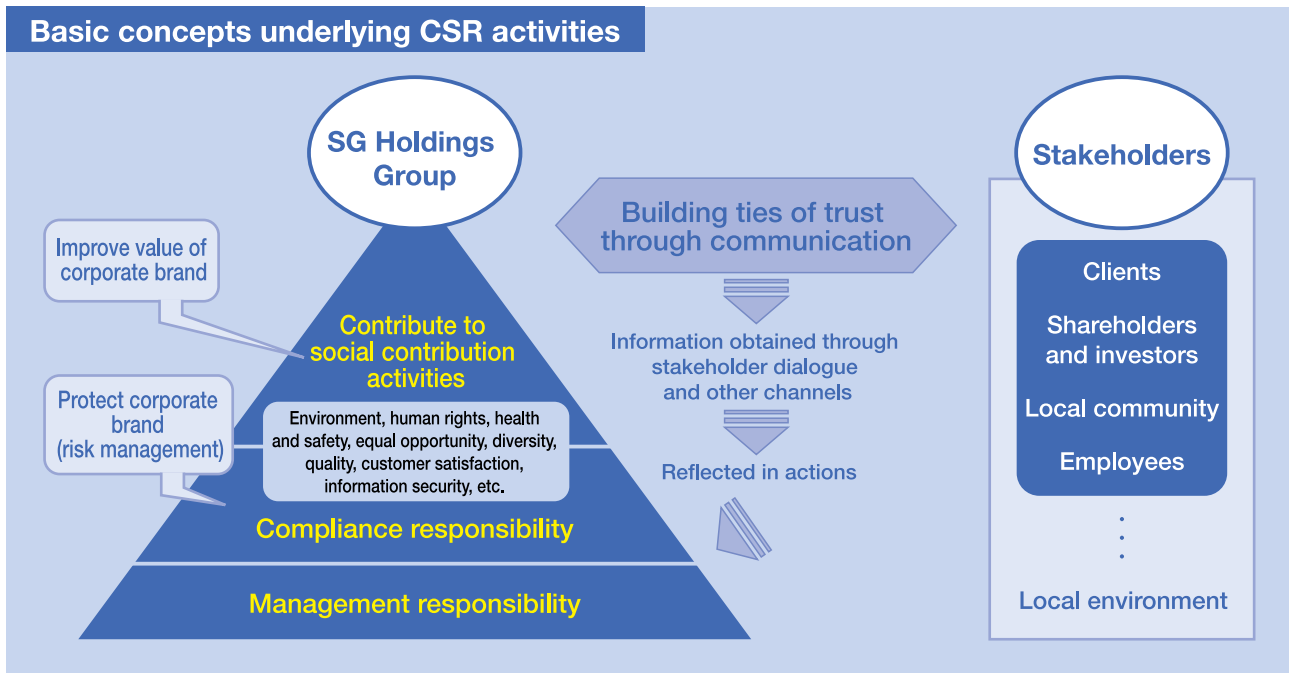
Each manager shall, upon gaining awareness of the fact that the realization of the spirit of this Charter falls within the purview of his or her own role and leading by example in this respect, strive to inform Group companies and all other relevant parties, develop effective corporate structures, and adhere to notions of corporate logic. In addition, in the event that a situation that contravenes this Charter arises, each manager shall assert a posture towards the resolution of issues vis-à-vis internal and external parties and aim to ascertain causes and prevent recurrences.

All managers and employees of the SG Holdings Group shall engage responsibly in actions in order to remain united irrespective of the situation and comply with the following principles.

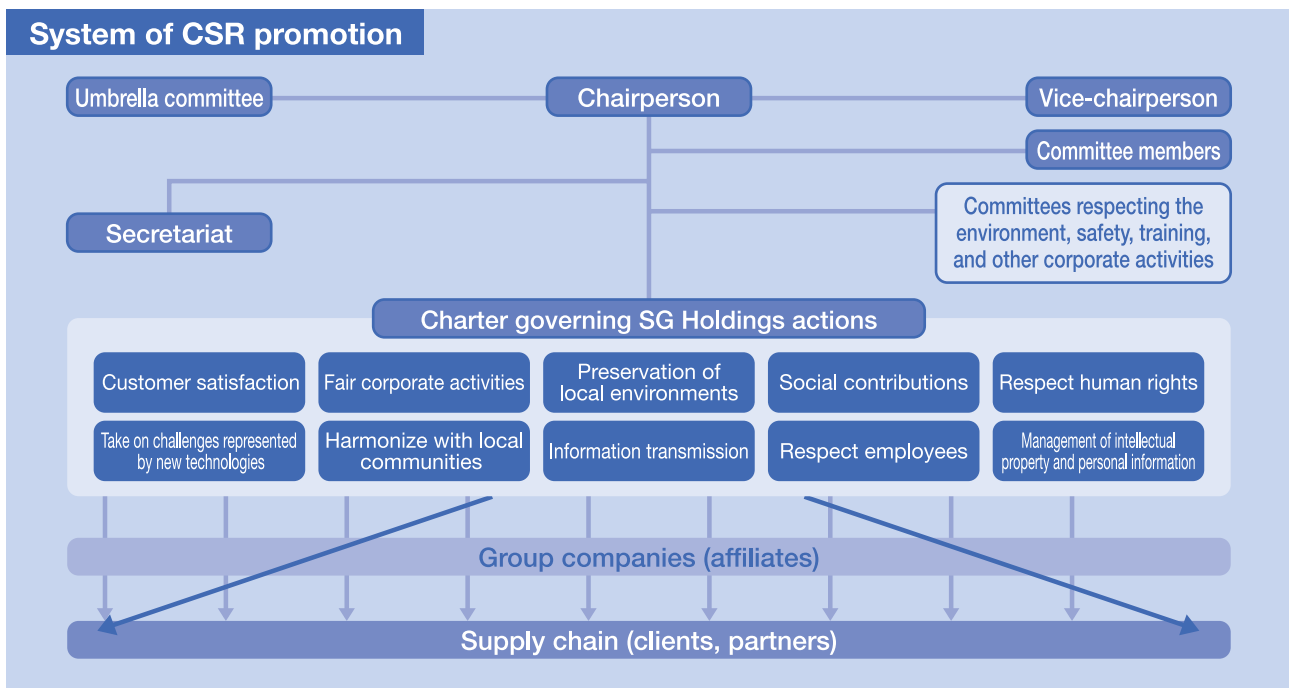
Action principles

1. Develop and provide goods and services that are socially useful while giving sufficient consideration to safety and the need to protect personal and client information and cultivate consumer and client satisfaction and trust.
2. Engage in fair, transparent, and free competition and in reasonable transactions. In addition, maintain sound, normal ties with the government and public administration institutions.
3. Communicate with shareholders as well as society in general and proactively and equitably disclose corporate information.
4. The addressing of environmental concerns represents an issue that affects all of humankind. Actions should be taken independently and proactively while acknowledging the need to address such concerns is an essential condition underlying the existence and activities of companies.
5. Proactively engage in activities that contribute to society as “good corporate citizens”.
6. While respecting the diversity, character, and individuality of each employee, secure an environment that is safe and that provides conditions conducive to work.
7. Emphatically confront antisocial forces and groups imposing threats against the order or safety of civic society.
8. Where business activities are conducted on a global basis, comply with international rules and the laws of each country, respect local cultures and customs, and engage in management that contributes to regional growth.

CSR System



Our goal is to become a company favored by everyone. We shall work towards this goal by reflecting the opinions of stakeholders in management and building solid ties of trust.



With members consisting of directors, the CSR committee discusses various agenda matters and makes policy decisions on CSR activities. All company employees shall act in compliance with the charter governing actions and the action principles.

Approach Towards Traffic Safety

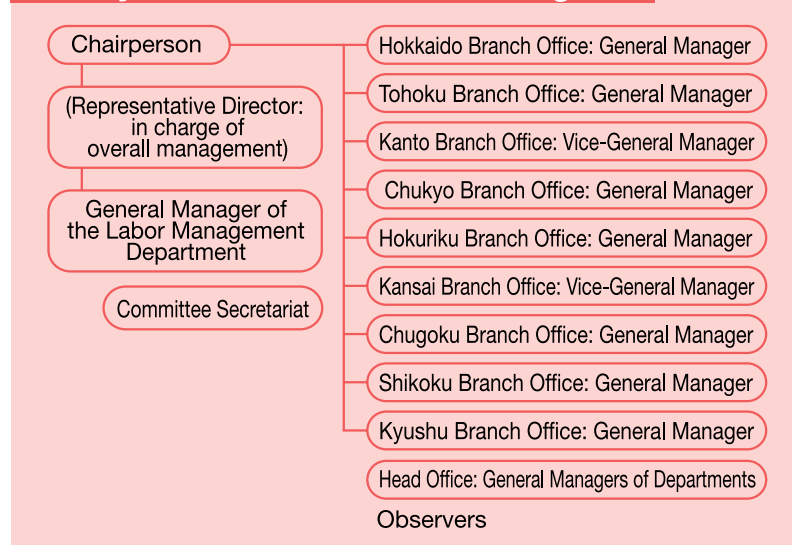
Safety is our number one concern.

With the goal of forging a safe society, we are engaged in actions that aim to cut traffic accidents to zero.

Safety management system

At Sagawa Express, a Safety Measures Committee has been formed whose members consist of executive managers (executive directors) with positions as general managers and vice-general managers of regional branch offices, each representing one of nine blocs nationwide.

Safety Measures Committee diagram



Guided by the objective of preventing traffic accidents, this committee of top managers engages in discussions concerning various issues based on their awareness of the current state of safety promotion activities and of incidents involving accidents and violations. An array of safety measures reflecting frontline opinions is subject to discussion, and safety rules and accident prevention measures standardized on a nationwide basis are considered.

Safety management plan



Example of quarterly priority safety measures poster

An “Annual Schedule of Transport Safety Measures” has been formulated with the goal of preventing vehicular accidents and achieving safety strategy targets. Accordingly, monthly measures are being implemented. In addition, the committee is endeavoring to raise safety awareness on the part of all employees, such as by carrying out safety education campaigns through the internal publication “*Hikyaku*” and internal video *Fureai* and putting up educational posters covering the priority safety measures for each quarter in each place of business.

Holding a driver contest

The Sagawa Express National Drivers Contest has been held annually since 1993 with the goal of “encouraging compliance with traffic rules, improve driving and inspection skills and prevent traffic accidents through raised awareness of traffic safety.” In addition, Sagawa Express finished in the top two for the second year in a row at the 37th National Truck Driver Contest, which is sponsored by the Japan Trucking Association and which was held in October 2005.

Promotion of eco-safe driving (fuel-saving driving)

At Sagawa Express, the eco-safe driving program is being promoted in hopes of achieving various results in the areas of *safety*, *the environment*, and *management* (such as environmental protection through environmentally-friendly driving, resource conservation, and cost reductions) by striving to raise safety awareness on the part of each driver and encourage smooth, gentle driving habits so as to avoid rapid acceleration, so-called “jack-rabbit” starts, and sudden braking.

■ Three effects of eco-safe driving

① Environmental effect

By refraining from idling when stopped; avoiding rapid acceleration, so-called “jack-rabbit” starts, and sudden braking; and engaging in other such actions, you can reduce the amount of exhaust gases that are emitted by your vehicle, thereby keeping the environmental burdens exerted by environmentally harmful substances to a minimum.

② Safety effect

By gently accelerating from a standstill without depressing the accelerator, braking while harnessing the engine brake, and engaging in other such actions, you will be sufficiently prepared to deal with unforeseen circumstances.

③ Management effects

As a byproduct of eco-safe driving, the amount of fuel consumption can be reduced, with resulting cost reductions.

Points pertaining to the promotion of eco-safe driving

- ① Nurture trainers who have acquired knowledge and skills
- ② Modify the current habits of drivers
- ③ Validation tool



7 conditions of eco-safe driving



The specific approach to promoting eco-safe driving was narrowed down to seven items, including “gently depress the accelerator” and “early upshifting,” from among a wide range of choices to formulate the 7 conditions of eco-safe driving. These seven conditions have been published in the employee handbook and printed on posters, such that we are striving to enlighten employees and ensure that these ideas become firmly fixed.

Poster outlining the 7 conditions of eco-safe driving

Recording a driver's driving status by means of video and still photos

We have introduced safety recorders that can retain video evidence of what transpired before and after base points, defined by hazardous behavior while driving (such as sudden braking incidents or accidents), as well as record photos at set times and to mark each driving action.



Tracking movements/Photographic log

Ensuring safety during main-line transport operations



All Group companies participate in a nationwide safety patrol program and a nationwide terminal inspection program for main-line transport operations. In addition, cleanup activities for service and parking areas used for the safety patrol program were commenced in 2005 and efforts are being carried out to enhance environmental awareness.

Vehicle Inspection

Vehicular safety measures

In order to accommodate the limits affecting the human power of attention, we have studied safety equipment based on analyses of a broad range of past accidents and installed them into our vehicles. We are engaged in preventing accidents by incorporating hardware-type safety measures, such as equipping vehicles with special wide-view mirrors to eliminate the left-side blind spot and clear-view pillars, with thinner cross-sections than standard thereby greatly reducing the affected blind spot created by such pillars.



Wide-view mirror

Places of business obtain good safety practices certification



A total of 301 Sagawa Express sales offices were certified on March 20, 2006, as places of business that follow good safety practices. As this process entails the assessment and certification of the safety of truck transport operators, certification assists users in selecting highly safe operators and also aims to enhance awareness of safety improvements made by operators in general. The granting of certification helps us to earn the trust of the Ministry of Land, Infrastructure and Transport as well as that of our many clients.

Actions to Protect the Safety of Children

Holding Sagawa Express traffic safety seminars nationwide



Seminars are attended by many children nationwide

Using standardized banners, signboards, signs, signals, pamphlets, and more, we have been running Sagawa Express traffic safety seminars nationwide since 2003 based on the theme of “protecting the lives of children with promising futures from tragic accidents.”

“Traffic Safety Big Sisters” play a key role

Sagawa Express traffic safety seminars in 2005 were given 720 times throughout Japan and attended by 111,512 children. Female employees play a central role in the running of these seminars. Presently, the Safety Promotion Section of each Sagawa Express regional office is supplemented



by a rising number of female employees in sales offices who are also engaged in teaching the importance of traffic safety to children. The provision of carefully designed, easy-to-understand lessons by “Traffic Safety Big Sisters” speaking in a meaningful way to children has garnered high marks from educational institutions, PTAs, and even police forces.



Fourth year of Sagawa Express traffic safety seminars

Donating traffic safety picture-card kits

Sagawa Express contributed to the production of traffic safety teaching tool kits (including picture cards) issued by Gakken Co., Ltd. These teaching tool kits were donated to approximately 7,400 kindergartens nationwide by Gakken and are being used in efforts to help prevent traffic accidents involving small children. These picture-card kits were made in part by utilizing the know-how cultivated through the presentation of Sagawa Express traffic safety seminars given regularly by Sagawa Express. We also hope to be able to continue to contribute our operational know-how for the betterment of society in various different ways.

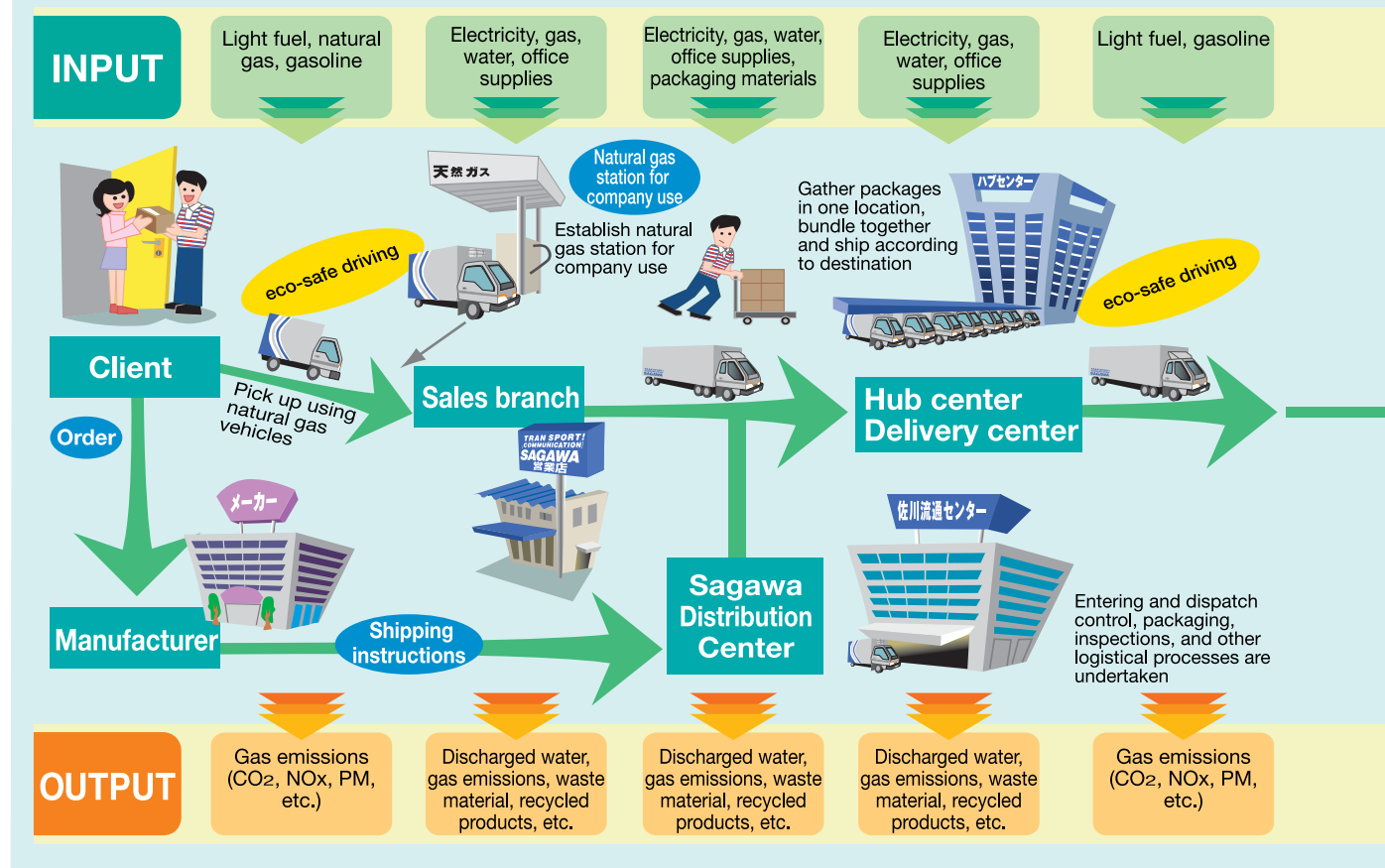


Traffic safety seminar for kindergarteners

Linking Sagawa Express with the Environment

Sagawa Express precisely ascertains the environmental burden generated by its operational activities and is engaged in efforts towards forging a recycling society.

Environmental burdens imposed by logistical operations

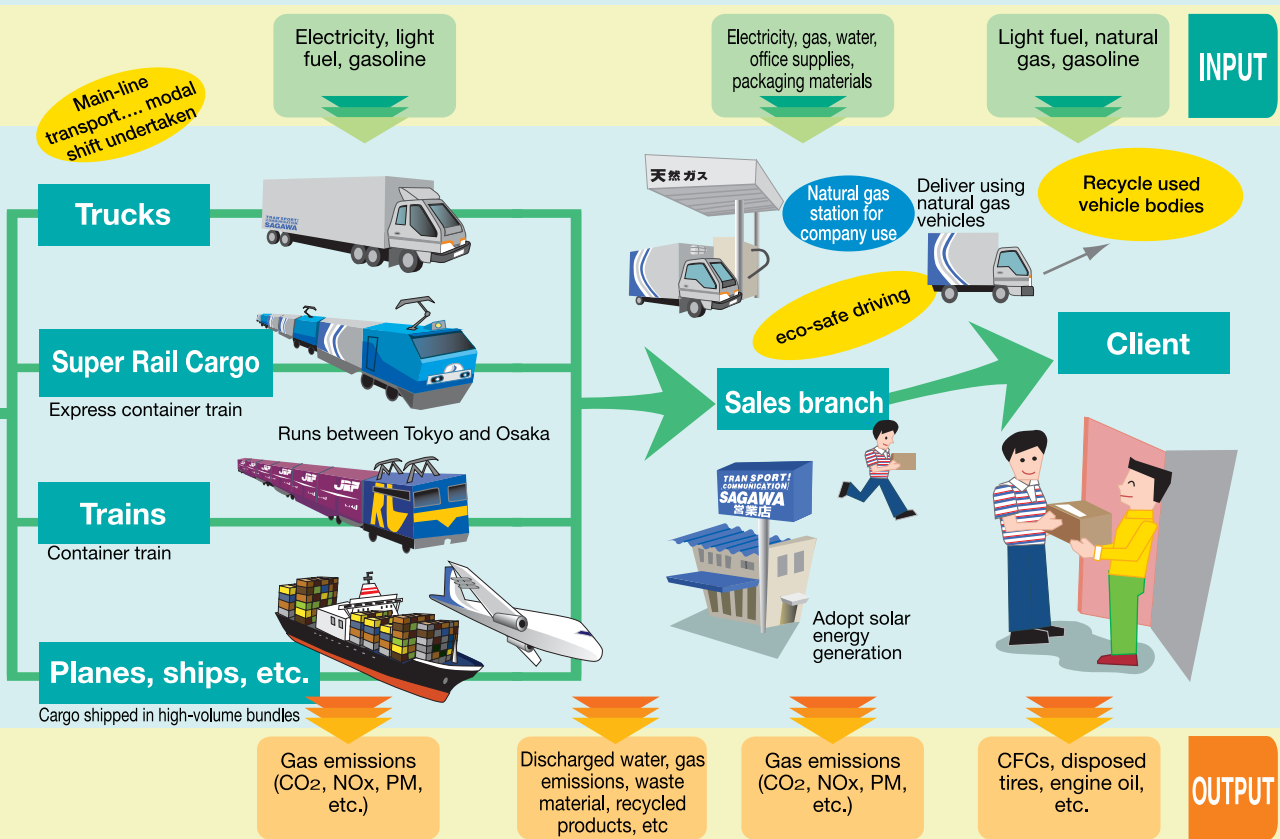


Environmental Principles

Sagawa Express will formulate a basic policy for autonomously and continuously protecting the environment as a good corporate citizen, endeavor to coexist harmoniously with society and nature, deal with environmental issues on a global scale, and contribute to the growth of local communities.

Environmental Policy

1. In order to prevent global warming and air pollution attributed to exhaust gases, we seek to promote greater transport efficiencies, the adoption of low-emission vehicles, and the practice of eco-driving and make continuous improvements in efforts to conserve the environment.
2. We shall promote resource- and energy-saving measures and make improvements, plans, and proposals towards such initiatives.
3. We shall comply with environmentally related statutory regulations, ordinances, pacts, and other such requirements and endeavor to minimize the burdens placed on the environment and prevent environmental pollution.
4. We shall ensure that all employees are familiar with this policy through environmental education programs and shall promote the broad sharing of environmentally related information with the general public and the undertaking of environmental activities pertaining thereto.
5. By formulating environmental goals and targets and reviewing these on a periodic basis, we will strive to make ongoing improvements to our system of environmental management.



Volume of emissions	CO ₂	344,800 tons
	NO _x (trucks only)	1,474 tons
	PM (trucks only)	95 tons

Environmental accounting

We have introduced a system of environmental accounting to realize a more effective approach to environmental management. With respect to the 2005 fiscal year, environmental investments amounted to approximately 150 million yen and environmental costs amounted to approximately 6,790 million yen.

Environmental protection-related effects

Environmental performance measures	2004	2005	Environment protection-related effect
Light fuel (kℓ)	84,432	82,816	-1,616
Natural gas (km ³)	7,483	9,656	2,173
Propane gas (kg)	588,863	921,512	332,649
Gasoline (kℓ) (incl. high octane)	8,387	8,932	546
Electricity (kWh)	233.34 million	233.47 million	120,000
Volume of recycled PET bottles (units)	—	—	480,771

and environmental costs amounted to approximately 6,790 million yen. In comparing these figures to those corresponding to fiscal 2004, our environmental related investments were reduced by approximately 220 million yen and our environmental related costs rose by approximately 860 million yen, due to the introduction of safety recorders and wide view mirrors, etc.

Efforts undertaken to Prevent Global Warming and Atmospheric Pollution

Challenges facing Sagawa Express

The responsibilities that we, as a comprehensive logistics company, assume in a modern society, in which various environmental issues have arisen, are great. We regard efforts undertaken to prevent global warming and atmospheric pollution to be the most important issues for maintaining our business operations on an ongoing basis and have taken on the challenge of reducing emissions of carbon dioxide and the particulates that lead to atmospheric pollution.

Six percent target for reducing carbon dioxide emissions by Sagawa Express

Sagawa Express is the first Japanese company and first logistics company in the world to participate in the Climate Savers Program organized by the WWF. The Climate Savers Program is designed to establish partnership links between the WWF and companies and formulate and implement plans to reduce greenhouse gases emitted by these companies. A memorandum of understanding was concluded in 2003 with the WWF. Under this memorandum, we are committed to a 6% target for the reduction of total carbon dioxide emissions by 2012 in comparison with the base year of 2002 and will work towards meeting this target on a company-wide basis. In order to meet this target, Sagawa Express will introduce 7,000 natural gas vehicles to its fleet by 2012.

Environmentally friendly natural gas vehicles

Natural gas vehicles use natural gas for fuel and emit less carbon dioxide and nitrogen oxide compared to diesel-powered vehicles and no particulate matter whatsoever.



A 3.11% reduction in carbon dioxide emissions achieved in three years (2002-2005)

2002-2005 total volume of CO₂ emissions (x tons of CO₂)

	Light fuel	Gasoline (incl. high octane)	Natural gas	Electricity	Total
2002	244,552	18,780	5,810	97,477	366,619
2005	217,648	20,741	18,916	97,927	355,232
Percent change (2002 to 2005)	89.00%	110.44%	325.58%	100.46%	96.89%

Sagawa Express expanded its fleet of natural gas vehicles from 1,110 to 2,693 units in three years from 2002 to 2005 and reduced its fleet of light oil (diesel) vehicles from 17,246 to 15,568 units during the same time period. Consequently, carbon dioxide gas emissions were reduced through the introduction of natural gas vehicles and other measures by 3.11% compared with the base year of 2002, which represents a reduction of 11,387 tons of carbon dioxide.

Selecting transport aims to reduce burdens on the environment (promotion of modal shift)

Switching to trains, shipping vessels, and other means of transport that exert a small burden on the environment and using methods of transporting goods that involve combining such means of transporting goods in an intermodal fashion is referred to as “modal shifting.” Sagawa Express is reducing the load on the environment exerted by its operations by switching from truck-based main-line transport to train-based and maritime-based transport.

In March 2004, we launched Super Rail Cargo, an express container train service running between Tokyo and Osaka, in

Number of reduced truck shipments in 2005

	Number of reduced shipments per year (at 10 tons per shipment)	Volume of reduced CO ₂ output (tons of CO ₂)
Super Rail Cargo	16,115	12,060
Train transport (other than Super Rail Cargo)	26,059	46,099
Ferry transport	38,847	17,204
Total	81,021	75,363

Source: Ministry of Land, Infrastructure and Transport; calculated based on standard units of CO₂ emissions by cargo transport facilities (2001)

order to address the considerable environmental load between these two cities along a corridor where the highest volume of traffic engaged in domestic main-line transport in the country can be found. This move has allowed us to significantly lower the amount of main-line shipments by large trucks.



Super Rail Cargo

Establishing service centers



Service center in Chiyoda ward, Tokyo

We have established service centers, primarily in large urban areas, where traffic volumes are high, and parking spaces are at a premium. Delivery vehicles are not based at these centres, instead deliveries and collections are made using hand trolleys. This approach allows us to help eliminate traffic jams and minimize unnecessary traveling and fuel consumption brought about by the search for parking spaces.

Lowering the frequency of shipments by utilizing Sagawa Ryutsu (Distribution) Centers (SRC)

Each Sagawa Ryutsu (Distribution) Center (SRC) integrates total support functions encompassing a sequence of processes extending from the receipt of client goods to pricing, inspections, packaging, and shipments. Centralized management allows us to realize streamlining and undertake precise inventory control. In addition, undertaking all processes to shipping from one location reduces the frequency of shipments and leads to a lower environmental burden exerted by transport operations.

Realizing transport streamlining through the use of hub centers

In February 2006, Sagawa Express newly established the “Tokyo Big Bay”, which boasts the largest cargo handling capacity in our company. It joins the Nishi-Nihon, Chubu, and the Kuki Hub Centers as our fourth hub center and enables us to raise our transport truck-loading ratio and achieve efficient vehicular operations.



Tokyo Bigbay

Environmental Education Activities

JOC environmental partner activities

In order to preserve local environments and build a sustainable society, partnerships with stakeholders are indispensable. Sagawa Express participates in educational programs organized by the Japanese Olympic Committee (JOC) as an official environmental partner and undertakes educational activities accordingly.



Jogging with an olympic athlete

Environmental actions undertaken by the SG Holdings Group

The SG Holdings Group has formulated a program of environmental actions to be undertaken by the Group with the aim of raising awareness of the need to protect the environment, on the part of employees. In this respect, the Group engages in actions throughout the year in accordance with its environment action program, based on a model of employee participation.



Environmental action poster

Participating in Team Minus 6%

We are participating in Team Minus 6%, a national project that aims to cut greenhouse gas emissions by 6%.

Environmental lessons given at environmental events

The number of primary school students who attend environmental events as part of their lessons has risen. Sagawa Express sets up special corners within their exhibition booths where staff members take on the role of instructors who convey the importance of protecting our global environment, using an easy-to-understand approach.



Environmental lesson at an environmental event

Award conferred by the Minister of the Environment for climate change actions in 2005



An award was conferred in 2005 by the Minister of the Environment in recognition of climate change actions undertaken by the company. Such an award endorses the actions—such as the formulation of environmental action guidelines applicable to all employees of the SG Holdings Group, participation in environmental events, and the distribution of booklets—taken out of a sense that raising awareness of the need to protect the global environment, on the part of each individual, is important.

Other Environmental Considerations

Developing the Sagawa Computer Delivery Service

Sagawa Express has launched the new Sagawa Computer Delivery service, which is the first such service in the industry to practice the 3 Rs. This service allows clients to ship computers between manufacturers and users by using the “Sagawa soft-air package”, which can be repeatedly used for example, when sending computers to be repaired.



Sagawa Computer Delivery service

Launching the Sagawa Green Mail Service



In March 2006, we launched the Sagawa Green Mail service that works by simply affixing special tapes and address labels that can be easily peeled off without damaging the openings of booklets and other such items to be delivered.

Special tape peels off easily

Transporting household appliances to be recycled

In order to support efforts to recycle certain household appliances, pursuant to the Household Appliance Recycling Law, twenty-four Sagawa Express sales offices throughout the Kinki, Chubu, and Shikoku regions have been assigned as designated handling locations, at the request of household appliance manufacturers. Appliances are shipped from these locations to the facilities that will recycle them for commercial purposes.

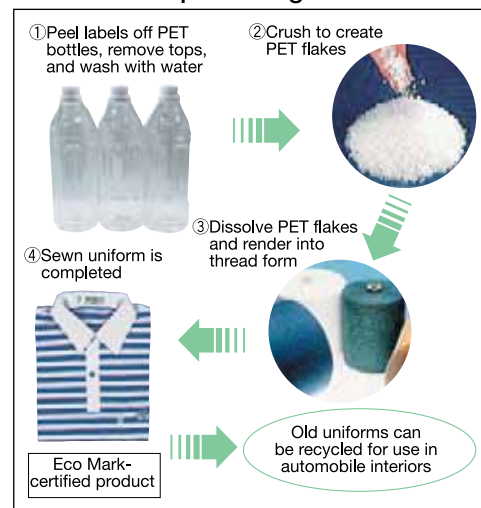
Developing the ECO vehicle body

Sagawa Galaxy Motors is involved in the development of an environmentally friendly ECO vehicle body and in the recycling of used vehicle bodies.

Promoting green purchases

Uniforms worn by our employees are made using polyester spun from recycled PET bottles and have been granted official Eco Mark certification. We ordered the manufacture of 164,000 uniforms in 2005, a quantity corresponding to approximately 480,000 recycled PET bottles.

■ Process of producing eco-uniforms



Respect for People and the Use of Human Resources

In accordance with a policy of engaging in the training of personnel in order to expand the diverse abilities of each individual while respecting the dignity of workers and providing opportunities to motivated persons, the SG Holdings Group is committed to becoming a company that grows with its employees.

Policy on human resources

Sagawa Express has 33,649 employees, including part-time workers (as of March 20, 2006). For Sagawa Express, a company devoted to delivering the essential sincerity of clients through the hands of people, personnel constitute an invaluable asset that cannot be easily replaced, such that companies are supported by a type of resource in people who are capable of exercising free will. Each of our employees enables us to offer peace of mind and trust to clients and serve as the wellspring upon which our corporate brand is entrenched. We respect human resources as a corporate asset and have established four systems with a view to stimulating our organizational strengths:

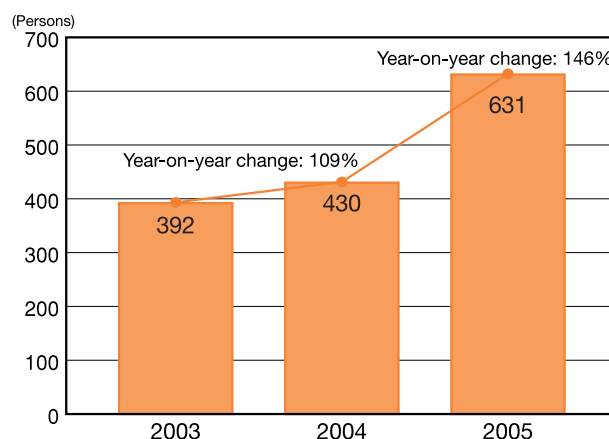
- A fair and highly persuasive evaluation system
- A treatment system that improves motivation among employees
- A system that promotes the optimal assignment of human resources
- A system that enhances the abilities of employees

Breakdown of workforce

We expect exceptional performances and results by our workforce based on the perception held by our employees of their long-term status as professionals in their field. A salient feature lies in the fact that 94.3 percent of all staff are active permanent employees. In addition, of that number, 78.1 percent are working in sales, such that our sales force constitutes a considerable engine underscoring our success.

Furthermore, the contributions of women are essential for our Group as we seek to cast off the traditional, strongly-held perception of the logistics industry as one populated by male workers and evolve into a new comprehensive logistics company. In particular, Sagawa Express is engaged in efforts to expand its range of positions to give women a chance to participate in our workforce. We are even hiring women workers as drivers and service center staff members. The hiring of women employees in 2005 increased significantly by 146% on a year-on-year basis. The attentiveness and courtesy associated with female employees are favorably received by our clients. We will be regarding sales positions as occupying a stage on which women can also participate and will be actively recruiting with a view to realizing this vision.

Number of female employees who have joined the company



Developing a Workplace that is Conducive to Working

Aiming to forge a safe workplace

We aim to promote the development of a work environment in which employees can safely and securely work and thereby achieve a rate of occupational injuries equal to zero.

Securing the safety of employees in the workplace is an important issue in terms of the happiness of employees and their families as well as in terms of the maintenance and enhancement of the quality of service provided to our clients. As specific measures in this regard, we examined historical trends relating work injuries, strove to implement health and safety measures on a company-wide basis, and established numerical benchmarks based on new plans.

Creating a system for the management of mental and physical healthcare

On March 21, 2004, we established the Sagawa Express Group Health Dial 24 Program (mental health support program) for the benefit of employees and their spouses and dependent family members. This program provides a consultative pipeline to outside specialist institutions whereby users can seek the opinions of doctors, clinical psychotherapists, and

other experts by calling a toll-free number 24 hours a day, 365 days a year for advice on all mental and physical health issues ranging from family life inquiries involving matters dealing with health, medical care, nursing, childcare, and referrals to healthcare facilities to concerns, stress, and poor health stemming from work and relationships. In addition, interested persons can take advantage of counseling services offered by specialist counselors at counseling centers located nationwide. On April 1, 2006, system upgrades were made to also permit access to this program from mobile phones as part of efforts to broadly listen to the voices of employees and their family members and improve their living environment.



Health Dial 24 program poster

Fringe benefits

Internal events

The SG Holdings Group holds various events at the Group company, business office, and regional levels where friendships among employees and family members are cultivated. Among these events, the SG Holdings Group Sports Festival—which is held annually at the beginning of May—is the largest event involving the entire Group and is held with the aim of promoting physical fitness and good health.

Resort centers

The SG Holdings Group operates a number of resort centers in Japan and overseas as facilities where employees can be rewarded for their daily service or relax and spend time with their families.



SG Holdings Group sports festival at Sagawa Express Moriyama Park

Engaging in Efforts to Improve Services

Opinion surveys concerning express courier services

As an initiative for improving services, we carried out an opinion survey about our express courier services administered to general courier service users. We received various responses regarding the courier service market, which is growing yearly, thanks in part to the growth of the market for correspondence sales. These responses revealed that designated-time services were most frequently used. In addition, requests for low prices and assured deliveries illustrate the need to provide high-quality services at low prices, lest we fail in responding to the demands of the market.

Telephone response contest

At Sagawa Express, customer service representatives who serve to bridge the gap between clients and our sales drivers endeavor to precisely and sincerely respond to clients' queries over the telephone and strive to further improve levels of customer satisfaction.

In December, nine company employees (out of 6,719 total participants) participated in the 44th National Telephone Response (CTI) Contest held by the Japan Telephony Users Association and two employees representing the Kanto Branch Office won awards.



Sagawa Security Package



The leakage of personal information has grown into a serious social issue. With the enactment of the Private Information Protection Law, the paying of close attention to the handling of personal and other types of confidential information has become a necessary obligation to be assumed by companies. Accordingly, the increased demand for transport services for which even greater levels of safety and confidentiality have been secured led Sagawa Express to develop a dedicated dial-lock-type case for such purposes.

Efforts towards making quality improvements

Sagawa Express is engaged in efforts to improve the quality of its services in order to respond to the needs of its clients. We have established 15 strict benchmarks, including one calling for the rate of cargo incidents for which we can be held liable to be kept at 1 in 20,000 shipments (one incident per 20,000 units shipped), and administer a system by which sales offices that provide high-quality services to the satisfaction of clients are granted a Quality Mark certification. As of March 2006, 106 sales offices have been certified.



Social Contribution Activities

Field trips and work-study programs



Sagawa Express supports field trips and work-study programs organized on behalf of primary school students. We would like to continue to learn alongside children who will be responsible for the next generation and teach children about the structure of logistical operations and the general importance of work.

Field trip for primary school students

Supporting sports events and other such programs

Sagawa Express supports community programs and sports events as well as activities that contribute to the richness of people's lives.



Local runners in the Oume Marathon

The activities of four foundations

Sagawa Foreign Students' Scholarship Foundation

–Supporting the dreams of international students who will be responsible for the next generation–

Scholarship assistance and lifestyle guidance tips are given to foreign students from across Southeast Asia who are studying in Japan at their own expense.



Sagawa International Economic Cooperation Foundation

–Sagawa Express trucks operate throughout Asia–

Used trucks and other transport vehicles are donated to developing countries in Asia and training is provided to engineers and technicians involved in maintaining these vehicles.

Sagawa Cancer Research Promotion Foundation

–Aiming to eradicate cancer–

Research advancement work is undertaken with respect to basic cancer research and practical cancer treatments.

Sagawa Art Museum Foundation

–The development and promotion of culture and art–

This institution was established in commemoration of the fortieth anniversary of the founding of Sagawa Express. Plans are in the works to open the Sagawa Art Museum, Raku Kichizaemon XV Gallery in the autumn of 2007 to coincide with the fiftieth anniversary of the founding of this company.



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