

CSR Report 2015

Corporate Social Responsibility Report

Synergy, Innovation, and Speed

Communication Through Websites

SG Holdings Group uses various means of communication, including websites, to relay information to our stakeholders, regarding CSR and business activities.

CSR (Corporate Social Responsibility) Activities

<http://www.sg-hldgs.co.jp/csr/>

SG Holdings Corporate Website

<http://www.sg-hldgs.co.jp/>

Financial Information

<http://www.sg-hldgs.co.jp/finance/>

SG Holdings Group Websites

- Sagawa Express Co., Ltd.
<http://www.sagawa-exp.co.jp/>
- SG Moving Co., Ltd.
<http://www.sagawa-mov.co.jp/>
- World Supply Co., Ltd.
<http://www.world-supply.co.jp/>
- Sagawa Global Logistics Co., Ltd.
<http://www.sagawa-logi.com/>
- SG Holdings Global Pte. Ltd.
<http://sghg-sg.com/>
- SGH Global Japan Co., Ltd.
<http://www.sgh-globalj.com/>
- SG Realty Co., Ltd.
<http://www.sg-realty.co.jp/>
- SG Assetmax Co., Ltd.
<http://www.sg-assetmax.co.jp/>
- Sagawa Advance Co., Ltd.
<http://sg-advance.co.jp/>
- SG Motors Co., Ltd.
<http://www.sg-motors.co.jp/>
- SG Systems Co., Ltd.
<http://www.sg-systems.co.jp/>
- Sagawa Financial Co., Ltd.
<http://www.sg-financial.co.jp/>
- SG Fielder Co., Ltd.
<http://www.sg-fielder.co.jp/>
- SG Expert Co., Ltd.
<http://www.sg-expert.co.jp/>
- Nouvelle Golf Club Co., Ltd.
<http://www.nouvelle-gc.co.jp/>
- Sagawa Forestry Co., Ltd.
<http://www.sg-hldgs.co.jp/sagawa-fore/>

SG HOLDINGS CO., LTD.

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SG Holdings Group Corporate Philosophy

“Trust, Create, Challenge”

The SG Holdings Group will:

- Earn the trust of customers and society and grow together.
- Create new value and contribute to social development.
- Always take on the challenges presented to us, pursuing all possibilities.

SG Holdings Group's Approach to CSR



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Editing Policy

Two versions of the SG Holdings Group CSR Report have been published: a digest (PDF version) and a detailed report (an online version written in Japanese only). This CSR Report Digest emphasizes ease of reading, targeting readers such as customers, business partners, employees and the general public. The online version contains information related to our group CSR activities, including numerical data, targeting readers such as professional researchers of the environment and CSR.

In this report, we have included content that has major interest or significance for our stakeholders and which is extremely important for SG Holdings Group, based on our newly identified "priority challenges in CSR." Specifically, we have included special articles on "Revitalization of Towns and Cities" and "Promotion of Activities by Female Employees" - areas in which we made significant progress in fiscal 2014. At the end of the report, we have asked Professor Mika Takaoka of Rikkyo University's College of Business to provide us with an expert third-party opinion on our activities in each of the "priority challenges."

Reference Guidelines

Ministry of the Environment, "Environmental Reporting Guidelines 2012"
GRI, "Sustainability Reporting Guidelines (4th Edition)"
ISO26000 (Guidance on social responsibility)

Website

<http://www.sg-hldgs.co.jp/csr/>

Report Period

March 21, 2014 - March 20, 2015

*When reporting periods differ, clarification will be provided as needed.

Organizations Subject to Reporting

SG Holdings Group Companies and Foundations

*Group-wide business initiatives are referred to as SG Holdings Group initiatives.

*Activities related exclusively to specific companies and organizations are clarified as needed.

As the challenges faced by society become increasingly complex, the SG Holdings Group will contribute to the development of a sustainable society by meeting the needs of our customers from a variety of perspectives.

Steady implementation of the Mid-term Management Plan with a view to achieving the Management Vision

The business environment surrounding our group is changing at a dizzying pace. Changes include the globalization of the economy, declining birthrate, aging society, and the hollowing out of industries. In these changing times, the needs of our customers and the living environments of individuals are also undergoing major changes. As we face these turning points in the society, our group will implement reforms to achieve the following goals, as set out under our Management Vision: "Create new values by utilizing management resources and deepening cooperation inside and outside of the group, while aiming to strengthen our management foundation and achieve lasting growth."

As the second year of the "Third Stage Plan" (SG HOLDINGS GROUP's Mid-term Management Plan), during fiscal 2014 we promoted our business based on the following themes: "pursuing group synergy," "expanding global business," and "reforming business models."

As part of our efforts to pursue group synergy, we have established GOAL

(GO Advanced Logistics), cross-functional strategic sales development teams, and launched initiatives to allow us to make customized proposals for each customer in the field of advanced and optimized logistics. We will make use of this opportunity to expand the business, develop internationally integrated logistics, and promote the accelerated provision of new high value added services.

In terms of expanding our global business, we have acquired EXPOLANKA HOLDINGS PLC (the largest freight forwarder in Sri Lanka). The aim of the takeover is to develop our business westward from Asia with a view to establish a global network to complement our existing network in the Pacific Rim, where our group already has a strong presence.

Regarding innovation of our business models, in addition to launching a new "smart delivery" service, which has brought about logistics innovations at commercial facilities, we have provided "facilities management solutions" in a way that displays the combined strengths of the group to the maximum. Thereby developing new value-creating business with a view to promote community development and the revitalization of towns and cities. In April 2015, we entered into a business alliance with Lawson Inc., and established

a new company SG Lawson, Inc. in June 2015. By providing a delivery service at convenience stores nationwide, we have successfully established an even more convenient "last mile" in our delivery network.

CSR Management Reforms Identified Six Material Sustainability Issues

As the structure of society undergoes rapid change, social issues have become increasingly diverse and complex. Our group aims to work in partnership with a variety of stakeholders and make full use of group synergy to help overcome these social challenges through our business. We recognize that carrying out appropriate corporate management from the perspective of CSR has become more important than ever if we are to achieve this goal.

In fiscal 2014, we newly identified Six Material Sustainability Issues and developed management initiatives to increase the effectiveness of CSR at our group from the dual perspectives of developing a sustainable society and achieving ongoing growth of the business. We have also formulated a new "Environmental Philosophy and Environmental Policies" and "Supplier CSR Guidelines" and we believe that this is an important strategic move in terms of strengthening a platform on which to build a global governance system. Furthermore, we have developed a variety of additional measures, including a review of our risk management system and the further strengthening of BCP and BCM.

Responding to social challenges and implementing new initiatives to revitalize the organization

In fiscal 2014, in the field of the environment, we received accreditation for our on-site logistics initiatives under the "Tokyo regional logistics streamlining accreditation system," and took on the challenge of implementing numerous advanced measures, including the acquisition of carbon neutral accreditation and the introduction of electric vehicles. In response to the major social challenges faced as a result of the declining birthrate and aging of society, the entire group has come together to build workplaces for a diverse range of employees, including female employees, older employees and global human resources, as we seek to secure a diverse workforce. We have actively sought to promote diversity.

We believe that "group solidarity" will become increasingly important in

the future in the light of the business environment that surrounds our group. For this reason, revitalizing the organization and deepening communication between our employees is one of our most pressing management challenges. Through the WakuWaku Women's Project, we have pursued ongoing measures to promote the utilization of women's skills and in fiscal 2014. We also implemented a variety of measures to promote internal communication, including the establishment of the "Internal Corporate Entrepreneurship System."

Approaching and promoting CSR through the entire supply chain

One of the strengths of SG HOLDINGS GROUP is our ability to provide integrated logistics solutions through the supply chain from upstream to downstream. In terms of the area of our activities, we cover 60 countries and regions throughout the world. As we go about promoting CSR management in the future, it will become essential to implement initiatives across the supply chain. We intend to work in partnership with our more than one million suppliers throughout the world as we go about developing a sustainable society in a way that respects local cultures and the human rights of workers.

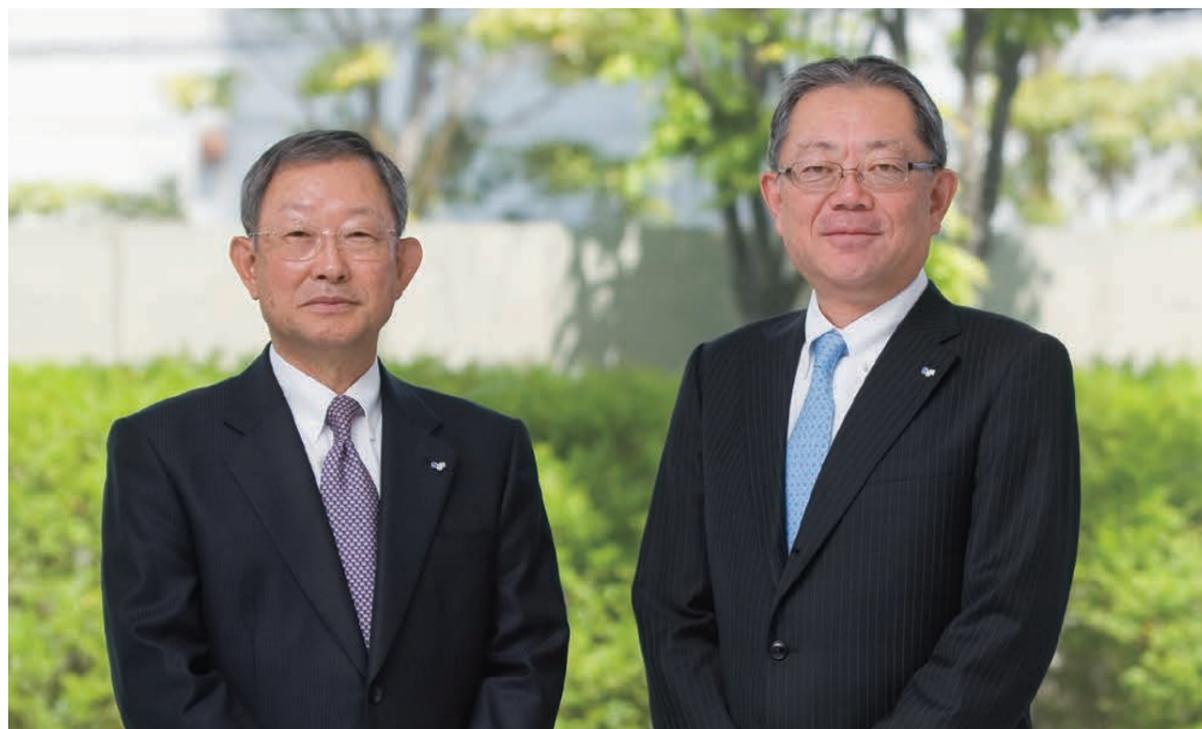
We have a responsibility to provide logistics as a key part of social infrastructure. Similar to the blood that flows through a human body, we will provide our logistics service to society steadily and continuously. In other words, we will meet our customers' demands with sincerity and deliver goods and services rapidly, reliably and carefully. The SG Holdings Group will work towards this goal as a united team so that we can continue to fill this role in the future.

Eiichi Kuriwada
Chairperson and CEO
SG Holdings Co., Ltd.

栗和田 栄一

Tadashi Machida
President and COO
SG Holdings Co., Ltd.

町田 公志



Chairperson and CEO Eiichi Kuriwada (left) and President and COO Tadashi Machida (right) of SG Holdings Co., Ltd.

SG Holdings Group: Connecting People, Society, and the Future

Key Figures - SG Holdings Group

As of March 2015



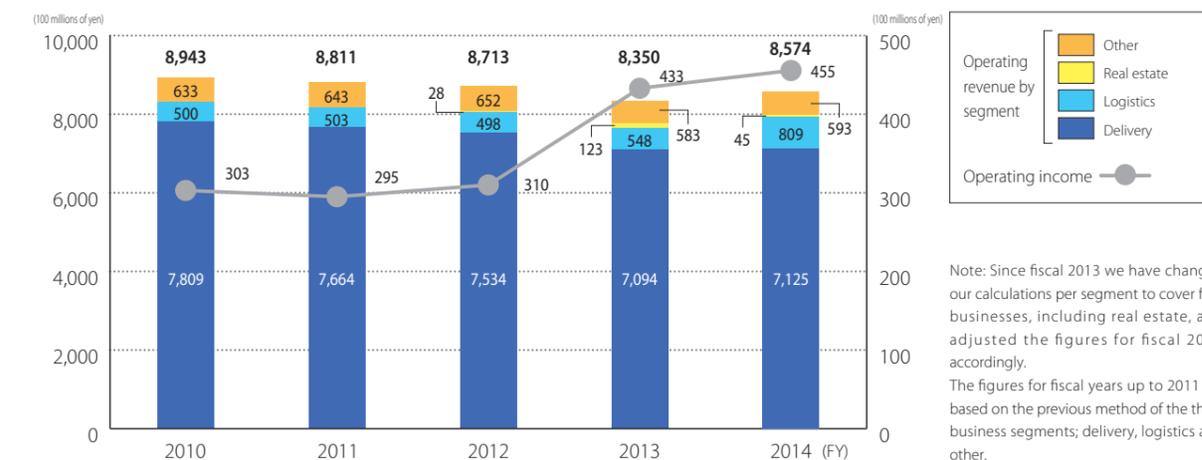
Company Outline

SG Holdings Co., Ltd. is the pure holding company of the SG Holdings Group, which implements management strategies and administration functions for the entire group. Each group company focuses on a specific area of expertise.

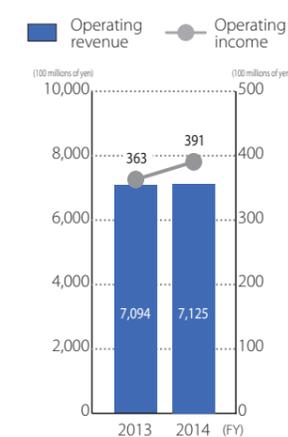
Name: SG HOLDINGS CO., LTD.
Established: March 21, 2006
Business Content: Group management strategies, administration, and related business.
Head Office Location: 68, Tsunoda-cho, Kamitoba, Minami-ku, Kyoto, Japan
CHAIRPERSON and CEO: Eiichi Kuriwada
PRESIDENT and COO: Tadashi Machida
Total assets: 585,230 million yen
Net assets: 207,547 million yen
Capital: 11,882 million yen



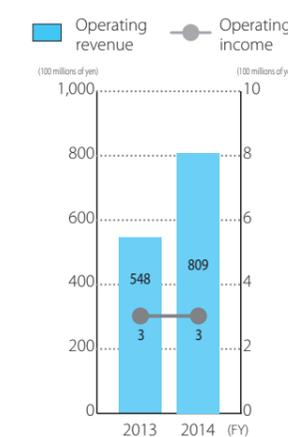
Consolidated Performance



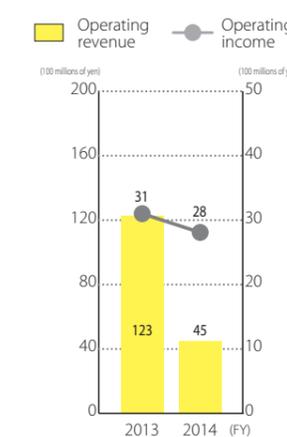
Delivery Business



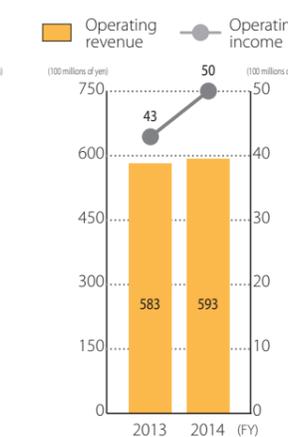
Logistics Business



Real Estate Business



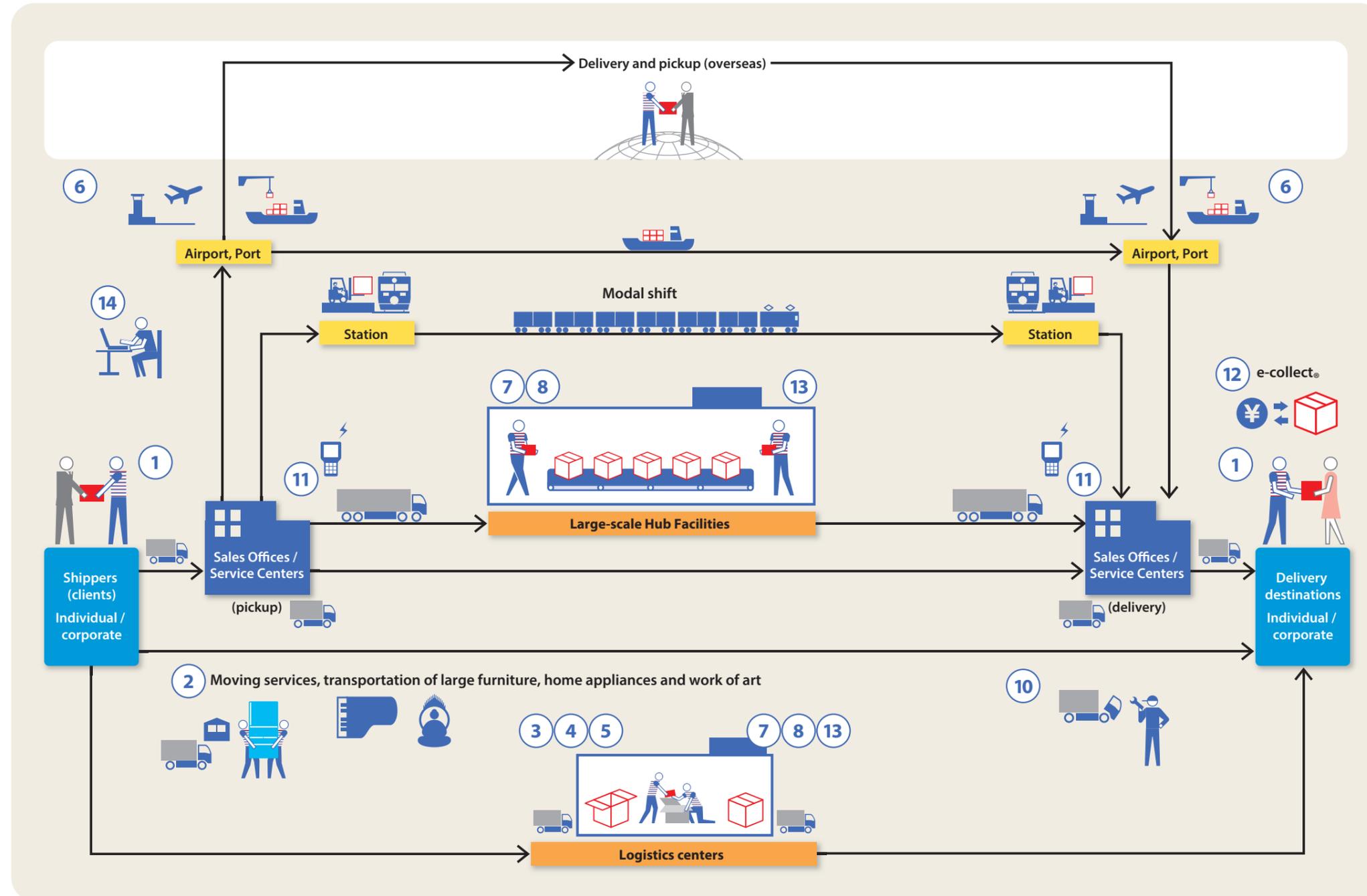
Other Business



SG Holdings Group Business Outline

SG Holdings Group has developed business both in Japan and overseas in a variety of fields, such as deliveries, logistics, real estate, finance and systems development, in a way that utilizes our group synergy to the full.

We will continue to make use of these strengths to increase the capabilities of the group in specific areas and achieve the provision of total solutions as a whole group. In this way, we aim to respond rapidly to the diverse needs of our customers, gain further trust from society, and become a corporate group that is needed by society.



Insurance agency business / travel business / product development business / fuel sales business (9)



Golf course management (15)



Forest preservation (16)



Foundation activities



Domestic Companies

Delivery Business

① Sagawa Express Co., Ltd.

Providing total logistics solutions in addition to a wide range of delivery activities with a particular focus on express delivery.

② SG Moving Co., Ltd.

Offers various installation and moving related services, including large furniture and home appliances.

③ World Supply Co., Ltd.

Offers delivery agency services to department stores, etc., 3PL, and cooperative food delivery services.

Logistics Business

④ Sagawa Global Logistics Co., Ltd.

Optimizes all aspects of the supply chain through 3PL operations, logistics processing, etc.

⑤ Sagawa Logistics Partners Co., Ltd.

Offers total logistics support, ranging from inspection and needle detection, to storage and logistics processing.

⑥ SGH Global Japan Co., Ltd.

Offers comprehensive international transport services, from international logistics and shipping storage to domestic transport.

Real Estate Business

⑦ SG Realty Co., Ltd.

Provides management and lease business for real estate facilities owned by the Group.

⑧ SG Assetmax Co., Ltd.

Makes real estate investments focusing on logistics facilities owned by the Group.

Other Business

⑨ Sagawa Advance Co., Ltd.

Offers general services such as insurance agency, travel business, and retail business.

⑩ SG Motors Co., Ltd.

Offers various services including vehicle maintenance support, new and used car sales, and body production.

⑪ SG Systems Co., Ltd.

An all-in-one logistics IT company offering system development and operation services, including a package tracking system.

⑫ Sagawa Financial Co., Ltd.

Offers a variety of financial services, including the e-collect, COD service.

⑬ SG Fielder Co., Ltd.

Offers outsourcing services of personnel for warehouse related business.

⑭ SG Expert Co., Ltd.

Brings together the Group's administrative tasks, such as general affairs, human resources, and accounting.

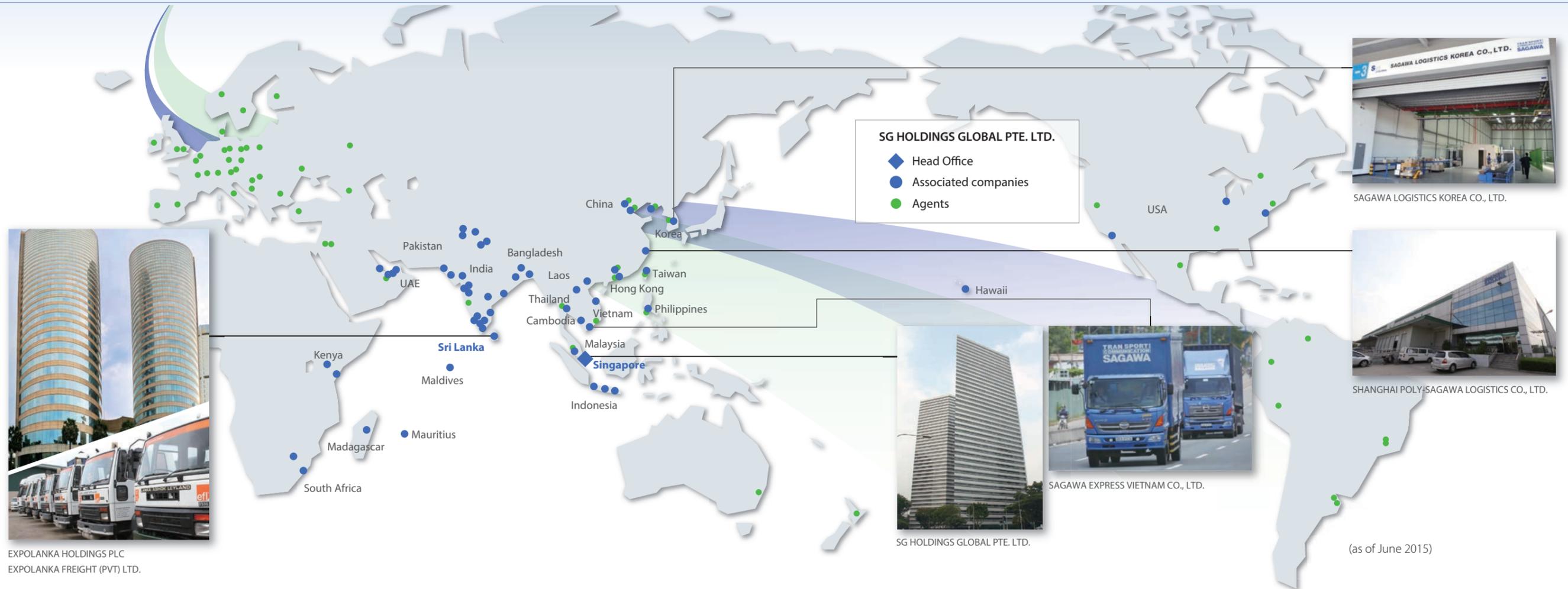
⑮ Nouvelle Golf Club Co., Ltd.

Manages a golf course in Oamishirasato, Chiba prefecture, which respects and is in harmony with nature.

⑯ Sagawa Forestry Co., Ltd.

Cultivates, preserves, and manages forests owned by the Group in Kochi and Tokushima prefectures.

Overseas companies



◆ SG Holdings Global Pte. Ltd.

The head office for the international business of the Group that provides planning for international business, strategy formulation, fund raising, funding to the subsidiaries, and other management operations.

● Tianjin Poly-Sagawa International Trading Co., Ltd.

Conducts trading and freight forwarding ⁽¹⁾, which includes storage agency service for metal parts, automobiles, etc., in its company-owned bonded warehouse.

*1 Freight forwarding: Services relating to the carriage, consolidation, storage, handling, packing or distribution of the Goods, including customs and fiscal matters, declaring the Goods, procuring insurance of the Goods and collecting or procuring payment or documents relating to the Goods.

● Shanghai Poly-Sagawa Logistics Co., Ltd.

Provides international express delivery ⁽²⁾, freight forwarding, and 3PL service to fulfill customers' needs.

*2 International express delivery (courier): A service to transport small packages with fast turnaround using international air freight.

● Poly-Sagawa Logistics Co., Ltd.

Offers freight forwarding and logistics processing service. Sales branches are located in Beijing, Dalian, Tianjin, Qingdao, and Guangzhou.

● Shanghai Dazhong Sagawa Logistics Co., Ltd.

Provides express home delivery within Shanghai. Many of the packages handled are mail-order products. Cash on Delivery service is also provided. Hold deposit centers in Shanghai.

● Sagawa Express (H.K.) Co., Ltd.

Offers freight forwarding, warehouse logistics, transport, international express delivery, and moving service.

● Sagawa Express International Taiwan Corp.

Offers warehouse logistics, ocean transport, international express delivery, etc. Also provides small parcel delivery service in Taipei.

● Sagawa Logistics Korea Co., Ltd.

Provides import customs clearance service, and comprehensive international transport service such as freight forwarding and international express delivery.

● Sagawa Express Philippines, Inc.

Offers a comprehensive range of transport services, including truck transport. Transports heavy goods such as building materials.

● Sagawa Global Logistics (Philippines) Inc.

Provides warehousing and storage services.

● Sagawa Express (Thailand) Co., Ltd.

● SG Sagawa (Thailand) Co., Ltd.

Features a company-owned warehouse to perform warehousing service. Also provides international express delivery, freight forwarding, etc.

● Sagawa Express Vietnam Co., Ltd.

● SG Sagawa Vietnam Co., Ltd.

Offers a comprehensive selection of logistics services including freight forwarding and truck transport. Also features a storage warehouse for logistics processing operations.

● Sagawa Global Logistics (Malaysia) Sdn. Bhd.

Offers customers freight forwarding service.

● Sagawa Customs Brokerage (Malaysia) Sdn. Bhd.

Provides agency service for export and import customs clearance.

● Sagawa Express Singapore Pte. Ltd.

Offers international express delivery, freight forwarding and warehousing logistics services.

● Ameroid Logistics(s) Pte. Ltd.

Provides domestic transport and warehousing services which related to freight forwarding, in Singapore.

● Amgas Asia Pte. Ltd.

Transports petrochemical products.

● PT. Sagawa Express Indonesia

Provides warehousing and international express delivery. Offers services mainly to Japanese corporations in the Jakarta region.

● Expolanka Holdings Plc

Provides freight forwarding and supply chain management solutions through its subsidiary Expolanka Freight (Pvt) Ltd. Also has diversified into travels and tours, trading, manufacturing and investment businesses.

● SG Sagawa USA, Inc.

Handles mail-order cargo for Japan and provides such services as international express delivery, freight forwarding and warehousing in the vicinity of Los Angeles, California.

● Sagawa Express Hawaii, Inc.

Provides inland transport and shipment of souvenirs and mail-order goods to Japan, as an outsourcing agent.

● Wuxi Feisu Logistics Information Technology Co., Ltd.

Joint venture company that provides development and sales of logistics and mail-order ordering systems within China.

Creating Attractive Towns and Cities

New Urban Development that Takes Logistics into Consideration

Recent years have seen a surge in redevelopment in the Tokyo metropolitan area. There is also a pressing need to improve urban amenities in both the city center and regional cities to further increase the number of foreign travelers.

In response to these new urban development activities, our group is contributing to the construction of new social infrastructure that generates economic, environmental, and social value by providing solutions drawn from our unique focus on the “flow of goods” instead of the “flow of people.”



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Improving Convenience for Foreign Travelers

The number of foreign travelers visiting Japan has dramatically increased over the last decade—from 5.21 million in 2003 to 13.41 million in 2014. The government has set a goal of attracting 30 million foreign visitors per year to turn Japan into a top travel destination. This has created a need in the logistics industry for support in securing a more efficient flow of goods to accommodate the expansion in consumption by travelers.

In response to these social developments, our group has taken on new challenges to provide logistical support for national and corporate inbound strategies and contribute to the revitalization of towns and cities. In March 2014, we opened the Tokyo Service Center, a Japanese-style service center in Tokyo Station that offers temporary luggage storage for visitors for sightseeing and other purposes. The center also provides services for same-day luggage delivery to the customer's lodgings or the airport. With the increase in foreign travelers, the service center temporarily stored around 23,000 pieces of luggage over its first year, exceeding expectations.

By providing these services, we have acquired valuable information, such

as differences in the cultures of checking luggage among the countries customers hail from and changes in customers' needs based on the time of day. We will work to further improve convenience for travelers and create new systems that facilitate collaboration with airports and lodging facilities to make their stay more comfortable.



The Tokyo Service Center with its Japanese design

Supporting the Construction of Infrastructure for New Urban Development

In April 2015, our group launched full-scale “Facility Management Solutions” that upgraded the efforts in facility logistics we had made up to that point (see Column 1 in the lower right-hand corner). These provide total management services for commercial facilities and office buildings including facility logistics management, management of document and assets such as office furniture and equipment. In anticipation of the deregulation of electric power that will take place in 2016, we will also design services that offer more efficient energy use through partnerships with New Power Companies (PPSs)*1. We have achieved economically and environmentally efficient facility management through the centralized management of “people, goods, and information (including vehicles).” At the same time, we have addressed the urban challenge of security through reliable matching of delivery permits with the numbers of vehicles entering and leaving facilities. We also have provided area-wide logistics management services. The OMY area (Otemachi, Marunouchi, and Yurakucho), located around Tokyo Station in Chiyoda-ku, is an economic hub packed with influential domestic and international companies that acts as an international business center.

As part of the efforts to optimize logistical efficiency there initiated by the “Committee to Promote Green Logistics in the OMY, Kanda, and Related Areas,” we participated in a logistics TDM*2 pilot program in fiscal 2001 and served as 1 of 4 companies providing in-building cooperative delivery to the Marunouchi Building that was completed the following year. In an area-wide collaborative logistics pilot program conducted in fiscal 2014, we played a central role in the “Task Force for Pickup and Delivery Experiments in the OMY Area” established under the Committee to Promote Green Logistics in the OMY, Kanda, and Related Areas, helping to build a cooperative delivery system. In 2015, we are replacing some of the trucks we use in the area with electric vehicles (EVs). We will build a cooperative hub delivery system, including cooperative transportation and delivery services for low-temperature goods, to construct a more efficient and economical collaborative logistics system that will further improve pedestrian space and enhance the business environment through cargo vehicle management in the OMY area.

Our group will contribute to green urban development, enabling pedestrians to walk the streets with ease at any time, by helping to build

infrastructure that balances efficiency with security from the perspective of the “flow of goods” in urban and rural areas.

- *1 PPS: Power Producer and Supplier
- *2 TDM: Transportation Demand Management



Experiment with cargo vehicle management using wide-area cooperative collection and delivery in the OMY area, conducted on October 21 and 22, 2014.

Column 1

Sagawa Express' Facility Logistics the First to be Certified by the Tokyo District Distribution Efficiency Certification System

Facility logistics is a logistics system that leads to a reduction in air pollution by improving logistical efficiency and security throughout the entire facility and alleviating congestion around it through the promotion of cooperative delivery and central management of entering vehicles, including direct delivery vehicles.

Sagawa Express has handled facility logistics in Tokyo Midtown since its opening in 2007. From that time onward, the company has continuously optimized the site's facility logistics, reducing direct delivery vehicles by 22%—from 219,300 vehicles in fiscal 2007, the opening year, to 171,000 vehicles in fiscal 2013.

These efforts and achievements were recognized as leading to increased logistical security, convenience, and efficiency, with Sagawa Express receiving a certification from the Tokyo Metropolitan Government in September 2014 under the Tokyo District Distribution Efficiency Certification System. This was the first such certification in facility logistics, making Sagawa Express the first logistics company to be certified under the system.



Delivering packages within a facility.

Voice 1

Building a Safe, Secure Transportation Environment through Logistical Optimization

As our first contribution to comprehensively address urban logistics under the Committee to Promote Green Logistics in the OMY, Kanda, and related areas, we developed cooperative transportation and delivery services for low-temperature goods. For this, we received the first certification given by the Tokyo Metropolitan Government under the Tokyo District Distribution Efficiency Certification System in September 2012.

In addition to these cooperative transportation and delivery services, we are currently considering the establishment of area-wide collection and delivery services centered in the OMY area as our second contribution. As part of this investigation, we are involved in facility logistics for the Marunouchi Building and Shin-Marunouchi Building and have enlisted the help of Sagawa Express with its facility and area-wide logistical know-how. We hope for your continued support as we work to build a safe, secure transportation environment.



Executive Director, Committee to Promote Green Logistics in the OMY, Kanda, and Related Areas (EX Research Institute Ltd.)

Takashi Tsubouchi

From Expansion of Work Fields and Career Development to Women-Driven Business Creation

Our Pioneering Management Promoting the Active Labor Force Participation of Women

With the expanding labor shortage caused by Japan's falling birthrate and aging population and growing social demands for organizational diversity, the Cabinet approved a bill to promote women's active participation in society in February 2015. Anticipating these developments, our group began projects for the advancement of female employees in 2011, set a goal in our medium-term management plan for having female employees be responsible for 30% of our revenue, and quickly set up a system for achieving this goal. We are now achieving various results in terms of reforming our business culture, generating business, and employing and retaining female employees.



Homemakers Handling the Last Stretch as "Delivery Mates"

Imagine a system in which homemakers deliver small quantities of packages to locations near their homes in their spare time from their housework, choosing the work days and hours that work for them. Sagawa Express' Delivery Mate system, which offers stay-at-home homemakers this new mode of working, has met with a favorable reception across a wide range of age groups since it was launched in 2014. A new collection and delivery system tailored for homemakers was constructed around delivery sites, creating a convenient work environment for homemakers already busy with housework and childcare. We employed around 2,500 Delivery Mates in fiscal 2014 and are planning to expand that number to 10,000 by fiscal 2016. With the recent spread of mail-order sales, packages have shrunk in size so that anyone, including homemakers, can deliver them easily on pushcarts or bicycles. The meticulous consideration shown by our female employees has been greatly appreciated by those at the delivery destinations. The ability to work close to home has contributed to the comfort of both mothers and children. Moreover, since trucks are not used to deliver the packages, the system has led to a reduction in CO₂ emissions.

The Japanese labor force has been declining year after year. Meanwhile, the labor force participation of women in their thirties and forties, which forms a so-called "M-shaped curve" of employment, has presented another social challenge. The Delivery Mate system represents a new form of business that addresses both issues and creates new jobs in local communities.

Our group will continue to proactively adopt flexible and diverse work arrangements and promote the participation of women in the workforce.



Delivery Mate, a system that has expanded work opportunities for homemakers.

Three-Year Results of the WakuWaku Women's Project

The WakuWaku Women's Project is an initiative promoting the establishment of a practical system for making women responsible for 30% of our revenue. Since the launch of the project in 2011, we have promoted the participation of women in three phases.

In Phase 1 (2011 to 2012), we got rid of office uniforms, reformed facilities to make it more convenient for women to work, reduced overtime, and increased the usage of paid time off under the theme of providing an optimal work environment. Then, in Phase 2 (2012 to 2013), we increased the number of women in sales, planning, and management positions under the theme of expansion of work fields and promotion of women to managerial roles. We also made significant strides in other areas, increasing the return rate of employees who had taken maternity and childcare leave and adding "promotion of women's participation" to the performance evaluations for companies of our group. The theme for Phase 3 (2013 to 2015) was women's participation in business development. During this phase, we gave out WakuWaku Awards to recognize offices that proactively worked to generate and improve business by women. The first round of awards was held in fiscal 2013, with the highest award going to Ladies Moving, a moving service for women by women. There were 148 applications for the second round of awards held in fiscal 2014. Out of these, the highest awards went to business plans submitted by Sagawa Express (Chiyoda Sales Office) and

Sagawa Global Logistics (Head Office).

As a result of these three years, the ratio of female employees has increased from 20.9% to 26.5%, and the number of women in managerial positions has increased from 44 to 98.

Our future tasks are to support women's career development and improve awareness among male managers. To address these issues, we held a Women's Career Support Training program in fiscal 2014, which was attended by about 80 employees, including board members and male managers from all the companies in our group.

Going forward, we will continue to set clear goals and accelerate efforts to further promote women's participation.



Women's Career Support Training

Goals to Achieve by the Year 2020



Voice 2

Opportunity to Work in a Fun, Flexible Way

You can work in a familiar area at times that fit your schedule. The delivery packages have a size range that is comfortable for powerless persons to handle. I thought, "I can do this," and decided to try working as a Delivery Mate. In our case, we are a team of four who met and became friends through our kindergarten-age children. We mainly handle deliveries to large apartment buildings and new residential areas. We voluntarily form shifts according to the amount of packages for each week and make deliveries with a system averaging two women per shift. Our work hours are typically from around 10 a.m. to 1 p.m. on weekdays, allowing us to still do housework and take care of our children. The system also allows us to handle emergencies—like a child coming down with a fever—in a flexible way through coordinated teamwork. For example, you can immediately contact the others and arrange a swap with another team member. Another advantage of the Delivery Mate system is how fun and healthy the work is. I think it is a form of work that aligns well with our lives.



The Delivery Mates at the Sagawa Express Narashino Sales Office

CSR Activities Report

Goals and Results of Material CSR Issues

In order to further deepen its CSR activities, the SG Holdings Group is prioritizing initiatives to address our six material CSR issues. Our mid-term goals and action plans are based on their respective activity topics, and CSR activities are being promoted throughout the Group.

The SG Holdings Group recognizes that providing a safe and secure infrastructure to our stakeholders, as Sagawa Express designated public institution under the Disaster Countermeasure Basic Act, is the foundation of its business activities. Also, in association with the further globalization of our businesses, we intend to fulfill even greater responsibilities by addressing social issues on a global scale. We strive to be conscious of the environment and to develop regional communities. Under this concept, to gain an understanding of the SG Holdings Group's CSR-

related topics, in fiscal 2013 we organized our activities and closely examined issues with a focus on the seven core subjects and issues of ISO26000, an international standard for social responsibilities of organizations. In fiscal 2014, we identified the six material CSR issues, and set activity topics and mid-term goals for each material issue in order to strategically deploy PDCA. The SG Holdings Group will continue to promote practical CSR activities throughout the Group.

| Material Issue | Activity Topic | Mid-Term Goal | Results in Fiscal 2014 | Action Plans for Fiscal 2015 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Providing High-Quality Services with a Foundation of Safety We will provide high-quality products and services in our role as a corporate group responsible for the social infrastructure component of logistics, by paying strict attention to providing business activities based on a customer viewpoint with the highest priority placed on safety and security. | Contributing to a safe and secure transportation society →P18 - 20 | <ul style="list-style-type: none"> To reduce accident index by 5 points every year from the fiscal 2012 reference value To eliminate accidents related to vehicle maintenance and to improve maintenance techniques To contribute to traffic safety for the entire society | <ul style="list-style-type: none"> Continued the implementation of measures such as safety training, safety patrols, and effective utilization of drive recorders Accident index: 30 (with year 2000 set at 100) Continued the implementation of vehicle maintenance training Deployed safe driving know-how to general businesses as training services Number of participants in Safe Driving Training Services: 1,073 (in 16 companies) | <ul style="list-style-type: none"> Drivers consider full stops at temporary stop lines as a policy of full stops at temporary stop positions as a policy of high importance, to increase safety awareness To acquire of the most current techniques through vehicle maintenance training To implement on-site training and training for small groups in order to increase the number of participants |
| | Quality control based on a customer viewpoint →P20 | <ul style="list-style-type: none"> To acquire an even higher level of trust from customers To enhance quality control system for refrigerated and frozen cargo, and to create mechanisms for monitoring temperature during transport | <ul style="list-style-type: none"> Enhanced improvement activities for ISO9001, for strict compliance with delivery times (Seven quality KPIs were set independently, and the progress of their fulfillment rates and other parameters were managed) Gave thorough attention to temperature management by verification of Hikyaku Cool Express temperatures Conducted monthly verification at Cool Centers and twice-a-year verification at Sales Offices | <ul style="list-style-type: none"> Faster disclosure of data on time-related quality items, and strict attention to their progress management To re-evaluate areas and delivery systems, and to improve delivery quality through pickup services in convenience stores To continue implementation of temperature verification To provide safe and secure low-temperature logistics services |
| | Developing and providing products and services from a customer viewpoint →P21, 22 | <ul style="list-style-type: none"> To apply the combined power of the Group to build systems that can provide new businesses and new services To further expansion of new products and new services from a customer viewpoint | <ul style="list-style-type: none"> Inaugurated the strategic sales development team "GOAL (GO Advanced Logistics)," which provides customers logistics solutions throughout the Group Provided Ladies Moving, a moving service intended for women Provided Smart Delivery, a system to increase the efficiency of goods receiving operations at large-scale commercial facilities and shopping malls (adopted at Premium Outlet locations, etc.) | <ul style="list-style-type: none"> To enhance the organization of the strategic sales development team "GOAL," and its further expansion To expand internationally seamless logistics from foreign countries to Japan, and vice versa To apply customer feedback for improvements to Ladies Moving services Further expansion at large-scale commercial facilities and logistics centers nationwide |
| | Reflecting on customers feedback about corporate activities →P23 | <ul style="list-style-type: none"> To expand contact windows for collecting customer feedback, while enhancing the mechanisms for fully applying this feedback to service improvement and product development. To establish support methods that can provide an even higher degree of satisfaction, and to enhance follow-up procedures with customers | <ul style="list-style-type: none"> Introduced text mining technology for multifaceted analysis of customer feedback Created mechanisms for sending feedback from customers who have visited our website to responsible staff within 15 minutes Implemented questionnaires on the degree of satisfaction with customer complaint support | <ul style="list-style-type: none"> To use text mining to arrange an environment where analysis results can be shared within the company To understand customer feedback to a higher degree than before, through collection of customer feedback using SNS and other methods To analyze the correlations between customer support methods and customer satisfaction, using the results of questionnaires on the degree of satisfaction with customer complaint support |
| Promoting Business Activities with the Goal of Environment-Friendliness We will take measures to prevent global warming and air pollution, and promote business activities with consideration for the global environment. | Reducing CO ₂ emissions throughout the delivery system →P24 - 26 | <ul style="list-style-type: none"> To reduce CO₂ emissions throughout the Group | <ul style="list-style-type: none"> Continued the implementation of measures such as the introduction of low-emission vehicles, promotion of modal shifts, and improvement of transportation efficiency Introduced electric vehicles in collection and delivery operations (total of 13 vehicles) | <ul style="list-style-type: none"> Further reduction of CO₂ emissions throughout the Group through continuing initiatives To continue the introduction of electric vehicles and other low-emission vehicles |
| | Reducing environmental impacts in cooperation with communities →P27, 28 | <ul style="list-style-type: none"> To actively participate in the creation of environmental impact reduction models through cooperation with national and local governments To expand facility logistics (services to achieve reduced environmental impacts, such as by lessening the number of trucks in operation and easing traffic congestion, through data management and aggregation of cargo) | <ul style="list-style-type: none"> Participated in the Ministry of the Environment's Carbon-Neutral Certification Test Project and Model Project Focusing on the Creation of a Low Carbon Society Reduced environmental burdens by increasing the efficiency of facility logistics | <ul style="list-style-type: none"> Further promotion of new services leading to increased numbers of carbon-neutral certified offices and reduction of CO₂ emissions To increase efficiency of facility logistics through cooperation with customers |
| | Contributing to a recycling-oriented society →P28 | <ul style="list-style-type: none"> To expand reverse solutions that can contribute to a recycling-oriented society | <ul style="list-style-type: none"> Received a commission for pickup and delivery in the Used Small Home Appliance Pickup Service under approval by RenetJapan Inc. | <ul style="list-style-type: none"> To deploy nationwide pickup and delivery for Used Small Home Appliance Recycling service, and to obtain approval by RenetJapan Inc. |
| | Preservation and environmental awareness of forests and biodiversity →P29, 30 | <ul style="list-style-type: none"> To promote initiatives for preserving ecosystems, focusing on ecological communities To promote energy saving through environmental awareness within the company To support next-generation education through environmental education | <ul style="list-style-type: none"> Implemented ecosystem studies and forest preservation activities in company-owned forests (Takao 100-Year Forest project in Hachioji City, Tokyo) Implemented energy saving through environmental awareness within the company Implemented environmental awareness through forest experience activities (roughly 200 participants) and rice cultivation experience activities (roughly 350 participants) Held the National Eco-Art Contest | <ul style="list-style-type: none"> To promote forest preservation activities in cooperation with Group employees, local citizens, and general volunteers To continue implementation of forest experience and rice cultivation experience activities To continue the National Eco-Art Contest |
| Contributing to the Development of Communities We will strive for co-existence with society by contributing to the development of domestic and overseas communities. | Supporting the foundations of local communities →P32 | <ul style="list-style-type: none"> To contribute to traffic safety in local communities by holding traffic safety classes. Participation of roughly 100,000 people every year. | <ul style="list-style-type: none"> Held traffic safety classes nationwide Total traffic safety classes: 1,069 classes, number of participants: 103,173 | <ul style="list-style-type: none"> To continue the implementation of traffic safety classes |
| | Interacting with regions through sports activities →P33 | <ul style="list-style-type: none"> To support next-generation education through sports | <ul style="list-style-type: none"> Held sports classes primarily aimed at elementary and middle school students | <ul style="list-style-type: none"> To continue the implementation of sports classes primarily aimed at elementary and middle school students |
| | Supporting academics, culture, and next-generation education →P42, 43 | <ul style="list-style-type: none"> To create a scholarship system for ASEAN students To expand countries and regions for vehicle maintenance and logistics human resources cultivation | <ul style="list-style-type: none"> Implemented interaction programs for foreign students with scholarships, and training for logistics human resource cultivation in Vietnam Implemented projects to donate vehicles (Laos) and accept trainees to study vehicle maintenance (China, Laos) | <ul style="list-style-type: none"> To implement advance investigations into scholarship systems for ASEAN students, and to expand logistics human resources cultivation training To enhance logistics human resources cultivation in ASEAN countries and other areas |
| | Respect for human rights →P34 | <ul style="list-style-type: none"> To create systems for fostering human rights awareness | <ul style="list-style-type: none"> Implemented ethical code of conduct training for all employees of domestic Group companies in August Expanded participants in employee attitude surveys to include all employees, including non-regular employees in domestic Group companies Held awareness training for all Group companies during June as Harassment Prevention Month | <ul style="list-style-type: none"> To share information on human rights issues with overseas Group companies |
| Building an Organization with Individuality and Diversity We will promote diversity and human resources development with the goal of reinforcing the individuality of our personnel and cultivating human resources that can actively and boldly take on new challenges. | Promotion of diversity →P35 | <ul style="list-style-type: none"> To establish a system where female employees are responsible for 30% of Group business revenue To enhance female management positions, and cultivation of female senior management candidates To create workplace environments where people with disabilities can exercise their expertise To secure the workforce through continued employment, and the succession of experience and know-how | <ul style="list-style-type: none"> Held Women's Career Support Training as a measure for the creation of female management positions Number of management position candidate (Chief level) participants: 79 Promoted the employment of people with disabilities Employment ratio: 2.08% Started support by Sagawa Express for independent express delivery businesses after retirement Number of employees continuing work after mandatory retirement: 134 of 149 | <ul style="list-style-type: none"> To continue the staging of the WakuWaku Awards To continue the implementation of Women's Career Support Training (number of training sessions held: 3, number of participants: roughly 60 scheduled) To encourage employment of people with disabilities, and formulation and implementation of plans for the firm entrenchment of such policies |
| | Promoting human resources cultivation →P35 | <ul style="list-style-type: none"> To systematize and enhance initiatives for human resources cultivation To introduce outstanding achievements and excellent examples, and to share their expertise | <ul style="list-style-type: none"> Held seminars for employees with Group Manager (GM) certifications, overseas training sessions through open application, and observation training in Japan for overseas Group company staff Held Group Award Ceremony Expanded shortened working hours systems (child care: up until admission to elementary school) Formulated guidelines for treatment accompanying the application of shortened working hours for managerial and supervisory personnel | <ul style="list-style-type: none"> To expand systems for people to be able to continue work even after retirement To implement hires within the Group, to create systems for development separated by level, and to encourage rotation of human resources To coordinate Group award ceremonies with activities to instill the personnel vision in staff members To improve the system to be easier to use, to plan for continued employment To share guidelines among the Group, and their proper operation |
| | Promotion of work-life balance →P36 | <ul style="list-style-type: none"> To promote life support functions To promote mental health To familiarize health awareness as an everyday practice for employees To acquire an understanding of and trust in the company by family members | <ul style="list-style-type: none"> Provided informational and educational materials through the Group benefits package website "FamLink" Held mandatory retirement seminars Operated SG Holdings Group Health Dial 24, and carried out initiatives for improving mental health by individual Group companies Carried out initiatives for maintaining health through coordination between our company and our Health Insurance Association, such as trial implementation of the 100 Healthy Days Project, Anti-Smoking Programs, and SG Smart Programs Held Children's Observation Days with workplace visits for next-generation education | <ul style="list-style-type: none"> In addition to available benefit provided, information transmitting of family events and health programs aimed at improving health To start investigations into the establishment of "benefit associations," and to expand such systems To formulate guidelines for mental health care policies To deploy the 100 Healthy Days Project to Group companies, and to expand the anti-obesity campaigns To continue the staging of Children's Observation Day workplace visits, and to investigate into their staging at Group companies |
| | Promotion of CSR in the supply chain →P37 | <ul style="list-style-type: none"> To create systems for strict attention to CSR procurement | <ul style="list-style-type: none"> Established and publicly announced the Business Partner CSR Guidelines | <ul style="list-style-type: none"> To share Business Partner CSR Guidelines both inside and outside the company, and to announce them to major business partners of domestic Group companies |
| Constructing Supply Chain CSR We will promote CSR activities throughout the supply chain and contribute to developing a sustainable society together with our business partners. | Cooperation with business partners →P37 | <ul style="list-style-type: none"> To enhance cooperation with respect to both safety and the environment | <ul style="list-style-type: none"> Continued cooperative activities with respect to both safety and the environment | <ul style="list-style-type: none"> Further promotion of cooperation with respect to both safety and the environment |
| | Building a foundation for CSR promotion →P38, 39 | <ul style="list-style-type: none"> To create a CSR promotion foundation based on global standards, and to acquire trust from society by strengthening stakeholder engagement | <ul style="list-style-type: none"> Held regular CSR Committee meetings Conducted stocktaking of activities based on the seven core subjects and issues of ISO26000 Held dialogues with stakeholders | <ul style="list-style-type: none"> To construct systems involving CSR activity promotion throughout the SG Holdings Group, and to implement education and awareness activities for domestic Group companies |
| | Compliance →P39 | <ul style="list-style-type: none"> To strengthen the compliance system (education, awareness) and to expand compliance hot-lines (internal notification system) | <ul style="list-style-type: none"> Revised the Basic Internal Control Policy Started compliance hot-line (internal notification system) operation Implemented education at Group companies using Code of Ethics and Conduct brochures | <ul style="list-style-type: none"> Further strengthening of internal control To start information exchanges with overseas Group companies on compliance To improve compliance awareness of Group employees |
| | Risk management →P40 | <ul style="list-style-type: none"> To promote initiatives for minimizing the occurrence of risks in domestic and overseas Group companies To construct systems for cooperation with the national government, local governments, and shipper companies | <ul style="list-style-type: none"> Revised risk management regulations and procedures, and maintained and enhanced their systems (re-implementation of assessments, establishment of PDCA systems such as evaluation and verification) Held risk management meetings monthly Constructed BCP and BCM systems throughout the Group Implemented BCP training (safety confirmation, large-scale disaster response training) Held BCM Informational Meetings | <ul style="list-style-type: none"> To enhance awareness activities for Group employees To enhance risk management systems (establishment and verification of PDCA cycles) To strengthen the cooperation with the national government, local governments, and shipper companies |
| Building a Responsible Management Foundation We will be responsible for the social infrastructure component of logistics, be aware of our responsibilities as a corporation that uses public roads to do business, and strive to enhance the foundation of our CSR promotion. | Information security →P40 | <ul style="list-style-type: none"> To promote information security measures (management resources), and to instill their understanding in all Group employees | <ul style="list-style-type: none"> Revised the Basic Information Risk Management Policies to the Basic Information Security Policies Revised information security regulations and procedures, and enhanced system arrangements Carried out training using security handbooks | <ul style="list-style-type: none"> To continue to enhance awareness activities for Group employees |

Providing High-Quality Services with a Foundation of Safety

As social concerns for "safety" and "quality" grow, we believe that it is important for us to provide high-quality products and services in our role as a corporate group responsible for the social infrastructure component of logistics by paying strict attention to providing business activities based on a customer viewpoint with the highest priority placed on safety and security.

Sagawa Express, which is SG Holdings Group's core businesses, continually verifies its safety initiatives based on the transport safety management system. We have also set up seven quality KPIs to ensure quality, and are focusing on their execution.



Contributing to a safe and secure transportation society

Consumer Issues Labor Practices

Safety Management Systems

Sagawa Express views transport safety as the most important management issue, and is promoting activities to achieve the mid-term goal of reducing the traffic accident index by 5 points every year (from the base of fiscal 2012).

In terms of the system, management and local staff work together to build a safety management system with the Safety Measures Committee playing a central role. In terms of operation, a PDCA cycle aimed toward ensuring transport safety is being put into practice based on the transport safety management system.

The Safety Measures Committee holds a safety meeting for its committee members each month in which the Committee deliberates on the progress of safety activities, and on multifaceted measures to ensure safety. The Committee also holds periodic safety review meetings, in which safety promotion staff from around the country participate, and considers feedback from on-site employees to improve safety measures. Furthermore, transport safety management evaluations are conducted once every 2 years by the Ministry of Land, Infrastructure, Transport and Tourism, with the next evaluation scheduled for fiscal 2015.

In addition to these measures, a system is being created for drivers to receive SAS (sleep apnea syndrome) screening examinations every 5 years, as one part of safety management with the goal of promoting health management for drivers. Drivers who are determined to be potential sufferers of SAS must take a detailed examination at a specialized agency, and if they are diagnosed with SAS, appropriate treatment is then administered.

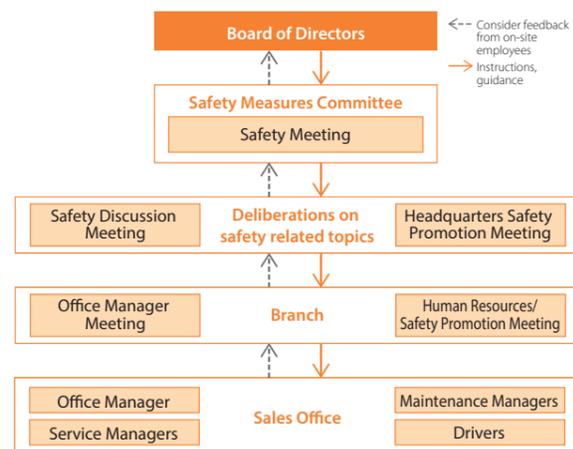


Transport safety management evaluation by the Ministry of Land, Infrastructure, Transport and Tourism

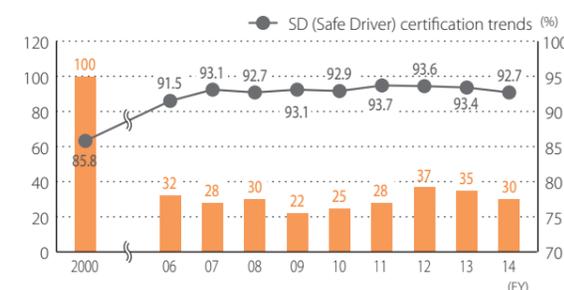
As a result of these measures, the number of traffic accidents occurring in fiscal 2014 was 13% lower than that of the previous year. To prevent accidents even further in fiscal 2015, we will continue to take measures including (1) coming to full stops at temporary stop positions, (2) achieving 100% compliance with parking-related safety measures, and (3) putting Environmentally-Friendly Driving* into practice.

*Environmentally-Friendly Driving: a form of driving that aims to consider the environment and prevent traffic accidents. Drivers do not start, accelerate, or stop their vehicles suddenly.

Safety Management Organization Diagram



Traffic accident index trends (with year 2000 set at 100)



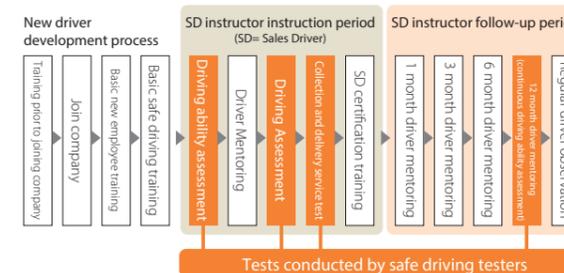
Promoting Safety Education

Sagawa Express carries out various types of training for developing safe drivers at its company-owned automobile training courses in Kanagawa, Aichi, and Kagawa Prefectures.

Newly-employed drivers begin by undergoing basic safe driving training, and continue to participate in training until they are able to become independent outstanding SDs (Sales Drivers). The training period, including follow-up activities, is set at a period of one year. Dedicated efforts are also made to develop instructors, with SD instructor certification training and safe driving tester certification training provided to employees engaging in on-site instruction.

In order for all drivers to practice Environmentally-Friendly Driving, we conduct specialized training for management and instructors, with roughly 100 instructors being cultivated every year.

Safety-related training



Sagawa Express Truck Driving Championships

At Sagawa Express, with the goal of cultivating professional drivers and increasing the safety awareness of all our employees as part of our responsibility as a corporation that uses public roads to do business, we hold the Sagawa Express Driving Championships every year.

In fiscal 2014, a total of 66 drivers (including employees of Group companies) were chosen from all over the country to use the driving skills and knowledge they have gained to compete in knowledge, driving, and inspection.

This championships not only serves to increase safety awareness, but is also a form of human resources cultivation and an opportunity to enhance driver motivation. Training is performed jointly at multiple Sales Offices before the championships, which allows participants to share related knowledge, hone their driving skills and etiquette, and develop a professional awareness.



Checking with an inspection hammer is one part of the championships

Traffic Accident Prevention Initiatives

SG Motors maintains company vehicles owned by the SG Holdings Group, with the goal of eliminating traffic accidents related to vehicle maintenance. Specifically, it is expanding its support organization and improving service in an attempt to enhance its maintenance network across the country.

Sagawa Express has equipped 28% of all of its vehicles (about 6,800) with drive recorders* to manage employee driving habits. Sharing of the information recorded in these drive recorders by many drivers will help to prevent traffic accidents. Drive recorders will be installed in all new vehicles added to our fleet.

*Drive recorder: Recording equipment specialized for installation in vehicles, used to record the causes of accidents or to raise safe driving awareness. Scores are assigned to five actions: "braking," "stopping," "steering," "turning," and "smooth driving." These can aid in improving a driver's awareness of safe driving as well as driving skill.



Drive recorder screen

Securing Safety for Highway Transportation

To improve safety in highway transportation that is used for mass transport, Sagawa Express is engaged in a variety of initiatives together with partner companies.

Highway Transport Safety Patrols carry out activities to prevent traffic accidents and vehicle breakdowns, by performing vehicle checks and mentally and physically refreshing our drivers at main service areas and parking areas on arterial routes, and even perform vehicle inspections by request on general trucks outside of the employment of partner companies. In Highway Transport Terminal Inspections, administrators from all Sagawa Express locations work together with administrators from partner companies, using special check sheets to conduct the inspections. Furthermore, safety seminars are held for managers of partner companies related to highway transportation. In fiscal 2014, managers from 238 companies participated in the seminars held at five locations across the country.



Highway Transport Terminal Inspections

Highway Transport Safety Patrols

Superior Safe Driving Office Award

The SG Holdings Group obtains the driving records for the licenses of each of its employees from the Safe Driving Center. They are obtained upon the consent of each driver, and this allows us to check whether drivers have traffic violations outside of working hours, which is valuable in increasing safety awareness among all employees.

In fiscal 2014, 176 Group offices received Superior Safe Driving Office Awards from the Safe Driving Center, through a system set up to use driving records and award operators who promote safe driving management (platinum award: 11 offices, gold award: 37 offices, silver award: 60 offices, bronze award: 68 offices). Out of approximately 6,000 business locations, 1,100 were eligible for the award, roughly 16% of which were within our company Group.

Providing Safe Driving Training Services

To contribute to the traffic safety of society as a whole, Sagawa Express also provides the knowledge of traffic safety education it has gained until now to general operators as a Safe Driving Training Service. Training is

provided at a company-owned training facility for driving (approximately 31,680 m²) in Kanagawa Prefecture, which is also able to handle programs that meet the needs of our customers.

This service includes programs such as safety lectures for instructors and drivers as well as driving aptitude tests, and it is notable for not being limited to classroom instruction but also offering practical training through use of the company's facilities. We have received many inquiries from not only corporations dealing with freight and transportation, but from other corporations that use vehicles in their businesses, such as those shipping their own products or in the nursing care business. In fiscal 2014, 16 companies held 42 training sessions, with 1,073 participants.

In fiscal 2015, we will strive to expand our services even further, flexibly responding to a variety of needs such as by conducting on-site training at sites specified by the customer.



Instructions being given using a training vehicle

Quality control based on a customer viewpoint

Consumer Issues

Quality Improvement Initiatives

With 458 Sagawa Express sales offices having obtained the ISO9001:2008 international quality management accreditation, Sagawa Express continues to improve transport service processes with the goal of achieving an even stronger relationship of trust with its customers. In fiscal 2014, three new items (Cool Express freight accident rate, number of Cool Express freight accidents which are our responsibility, number of mailbox complaints) were added to the four quality KPIs for our independent management system (shipping freight accident rate, arrival freight accident rate, morning delivery rate, and time band service fulfillment rate), strengthening our quality control to consist of seven quality KPIs.

In fiscal 2015, we will take even greater steps to improve quality, such as increasing the speed at which data on time-related quality items is disclosed, and paying strict attention to their progress management.



Delivery time selection service sticker

Improving Hikyaku Cool Express

In November 2013, it came to light that some Hikyaku Cool Express packages were handled at an inappropriate temperature. Sagawa Express realizes that this is a serious issue related to food safety, and have carried out improvements such as replacing cooling boxes and reprinting care mark stickers.

In fiscal 2014, in addition to paying strict attention to temperature management with continuous temperature verification during transport, we carried out monthly inspections of Cool Express equipment and facilities as well as complete inspections of all Sales Offices and Cool Centers (23 locations). We have also further strengthened our quality control system for refrigerated and frozen packages.

In fiscal 2015, we have plans to introduce 1,290 new vehicles specialized for Cool Express packages, while also continuing to carry out temperature verification. We will continue to address this issue in order to improve our Cool Express services.



Hikyaku Cool Express delivery

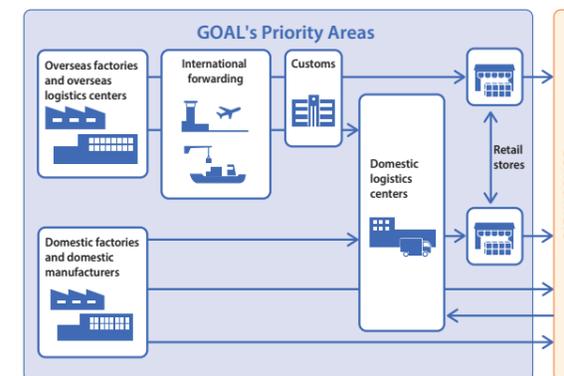
Developing and providing products and services from a customer viewpoint

Consumer Issues

Inauguration of the Strategic Sales Development Team "GOAL"

Together with the rapid changes occurring in the market environment, the shape of logistics itself is also becoming highly diversified. In April 2014, Sagawa Global Logistics inaugurated the joint strategic sales development team "GOAL" (GO Advanced Logistics). By providing advanced logistics, this team aims to become a specialized organization that can press on toward the "goal" of resolving logistics issues together with customers. Through the fusion of the nationwide network of Sagawa Express and its strengths in logistics between companies, with the know-how gained by Sagawa Global Logistics which includes knowledge of logistics processes and warehousing businesses, together with the functions of individual Group companies such as international forwarding, IT systems, and settlement operations, it provides comprehensive logistics solutions such as procurement logistics, 3PL, and logistics center management. In the future, it will propose logistics that fully apply the strengths of Group companies, for the expansion of international comprehensive logistics with the goal of achieving seamless logistics operations that are unified domestically and overseas.

Flow of Domestic and Overseas Logistics Solutions that "GOAL" is Striving for



Restructuring of Service System for Improved Convenience

To improve customer convenience and to enhance the ability of drivers to offer on-site proposals, Sagawa Express restructured its service system in October 2014. With our products and services expanding year by year, it has now become possible for customers to select the ideal services that match their needs.

Under the new S-Quality Strategies service system, products, services, and solutions have been grouped together in accordance with customer needs, into three categories: "Standard (basic transportation, delivery)," "Support (value chain support)," and "Solutions (resolution of multiple issues)."

Providing Products and Services to Protect Customer Information

The types of documents for which consideration must be paid to information security such as confidential corporate documents are increasing. Sagawa Express offers the Confidential Document Recycle Express Service, which offers uniform confidential transport, from the receipt of documents to their disposal.

SG Moving has also introduced specialized vehicles equipped with pulping functions, and has begun the On-site Confidential Document Disposal Service - a first in the moving industry - from April 2014.

From December 2014, in a joint operation with Mitsubishi Paper Sales Co., Ltd., we have also begun deploying services for collecting the materials remaining after documents have been pulped, and recycling them into toilet paper or other products.



SG Moving pulping vehicle (four-ton truck)

Providing Moving Services to Answer a Variety of Needs

SG Moving began our Ladies Moving service in April 2014, in which female employees assist in moving. This service was created in response to feedback from female customers who felt some resistance to male staff entering their residences.

We are involved in developing and providing services with high added value, not limited only to moving. These include advising services by qualified staff such as Home Stagers and Sorting and Storage Advisors, acting as professionals in cleaning and organizing household belongings, and services in which our company's staff members perform housework on behalf of customers.

We are the first in the industry to assign staff who have Service Assistant certifications to our Sales Offices nationwide, and to station memento processor and Sorting and Storage Advisors on a continuous basis.



Ladies Moving services

Fulfillment Services in the Event of Recalls

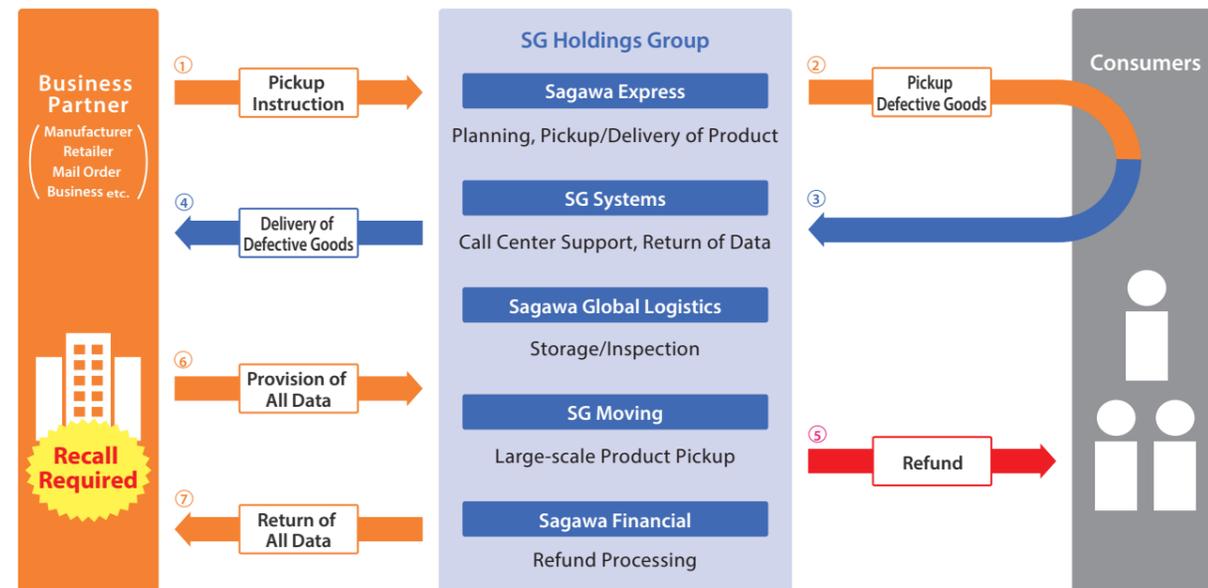
Conducting recall operations in a timely manner not only aids in the avoidance of administrative risks but it also plays a role in fulfilling the corporation's responsibilities.

In March 2012, the SG Holdings Group began offering a service to support

all aspects of recalls.

In addition to picking up, replacing, and refunding defective products, the service manages a call center to respond to customer inquiries, and also provides total support for many other necessary operations involved in recalls.

Recall Total Service



Column 2

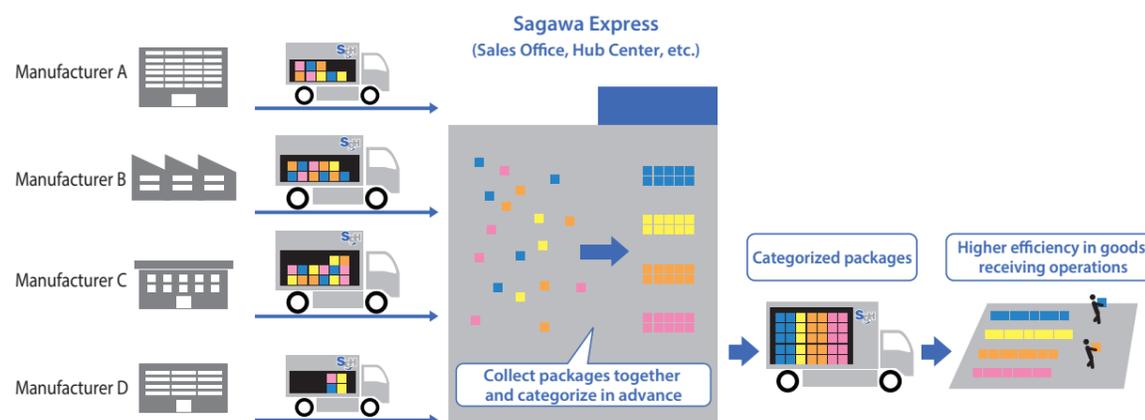
Higher Efficiency of Goods Receiving Operations with Smart Delivery

At large-scale commercial facilities or shopping malls, congestion often occurs as a result of delivery vehicles bringing in products before the start of business. Resolving this congestion and shortening the time required for deliveries is a significant issue for customers managing such facilities.

To resolve these issues, Sagawa Express started the Smart Delivery service from October 2014. Smart Delivery is the first delivery service in the industry to offer custom tailored service to suit each customer's needs and expectations. Through the application of our large-scale facilities such as Sales Offices or Hub Centers, deliveries

can be categorized in advance by time period, including late-night or early-morning periods, as well as by product categories and locations. This allows goods receiving becomes more efficient if deliveries are carried out from Sagawa Express alone.

The Smart Delivery service began at the 9 domestic Premium Outlet locations operated by Mitsubishi Estate · Simon Co., Ltd., and has currently spread across the country. Developed from the viewpoint of the customer, Smart Delivery will change the structure of logistics from here on.



Reflecting customer feedback in corporate activities

Consumer Issues

Mechanisms for Fully Applying Customer Feedback

In addition to expanding our contact windows for receiving customer feedback, Sagawa Express is also focusing on efforts to strengthen our mechanisms for fully applying this feedback to service improvements and to product and service development.

In January 2014, a dedicated Customer Support Section was newly established, and text mining technology was introduced for multifaceted analysis of customer feedback. Furthermore, restructuring of our Customer Feedback Management System has allowed feedback received from customers visiting our website to be sent to responsible staff within 15 minutes, enabling quicker responses than ever before.

We have also begun carrying out Customer Questionnaires on the degree of satisfaction with complaint support. By using the results of these questionnaires and analyzing the correlations between customer support methods and customer satisfaction, we will make efforts to strengthen our follow-up system.



Providing customer support

Achieving Winning Results at the National Call Operator Contest

Sagawa Express is committed to improving the telephone support skills of its employees. In addition to carrying out telephone support education and training, we verify the first thing Sales Office operators say during phone calls, as well as their product knowledge, and are working to establish support procedures that can give customers an even higher level of satisfaction.

We also participate each year in the Call Operator Contest held by the Japanese Telephone and Telegraph Users Association to improve our phone support skills. In November 2014, 60 contestants selected from 13,362 participants across the country assembled together for the 53rd national contest held in Ishikawa Prefecture. Among them, 13 staff members from our company attended, and the grand prize winner of the contest was an employee from our Customer Service Section. The winning employee concentrated on the customer's voice and placed prime importance on listening when providing support, and as a result received high praise stating that "the conversation felt very natural". Furthermore, 7 of the 18 contestants who received awards of excellence were from our company.



Competing in the Call Operator Contest

Comment from management

The SG Holdings Group considers safety to be its highest priority and is building an organizational system with the goal of completely eliminating traffic accidents. While carrying out transport safety management, we are also taking thorough steps for safety management in terms of both institution and operation such as providing strict safety education and training on a continuous basis. Under the concept of achieving traffic safety for the entire society, since fiscal 2013 we have provided the safe driving skills cultivated by our Group to general business operators as educational services, with over 1,000 participants in fiscal 2014. From here on, by having each and every employee in our Group practice the fundamentals of safe driving without fail, and by continue to implement initiatives to contribute to the safety of our society, we wish to successfully fulfill the responsibilities we have as a corporate group that uses public roads to do business.



Director, SG Holdings Co., Ltd.
President, Sagawa Express Co., Ltd.
Hideo Araki

Comment from an expert



Senior Officer for Accident Prevention, Safety Policy Division,
Road Transport Bureau, Ministry of Land, Infrastructure,
Transport and Tourism
Tomonobu Sugisaki

It is essential for transportation businesses to view safety as their highest priority and take steps to ensure it. Sagawa Express appears to be positioning safety as the utmost priority for its business, and has set the goal of completely eliminating traffic accidents, with management and local staff working together to undertake safety measures. Regarding safety education, initiatives for contributing to the most critical factor-familiarization with on-site situations include measures such as to cultivate safety instructors, to raise motivation of employees, and to provide Safe Driving Training Services to general business operators. This way, it is contributing to the traffic safety of our entire society. It is also building systems to promote the health management of its drivers, by offering SAS screening examinations every 5 years. We look forward to the continuation of these initiatives as well as further improvements and expansions to their content.

With the progress of IT technology in recent years, we also anticipate active leadership with initiatives to effectively utilize information pertaining to "people, vehicles, and things" in the entire transportation industry, as well as the promotion of efforts across a wide variety of topics such as safety measures, methods for increasing transportation efficiency, and disaster countermeasures.

Promoting Business Activities with the Goal of Environment-Friendliness

With the danger of global warming exceeding the level that can be sustained, we have a significant obligation as a logistics business operator that uses vehicles to do business to take initiatives for reducing our impact on the environment.

The SG Holdings Group is making efforts to prevent global warming and air pollution. It is also promoting activities with consideration for the global environment while looking toward the development of a sustainable society. Following an environmental philosophy and policies that are shared across the Group, we are cooperating with the national and local government, and corporations to achieve even more effective measures to curb environmental impacts, beginning with the reduction of CO₂ emissions throughout our delivery system.

SG Holdings Group Environmental Philosophy and Policies

SG Holdings Group Environmental Philosophy

To exist in harmony with society and nature, the SG Holdings Group will promote business activities with consideration for the global environment and will take steps for voluntary and continuous environmental management.

SG Holdings Group Environmental Policies

1. Prevention of global warming

By providing products and services that take the environment into consideration, and through resource-conserving and energy-conserving activities, we will reduce the emissions of CO₂ resulting from our business activities and take steps to prevent global warming.

2. Prevention of pollution

We will strive to prevent air pollution, water pollution, and soil pollution resulting from our business activities.

3. Promotion of 3R*

All Group companies will reinforce their efforts to promote 3R in our business activities, to contribute to achieving a sustainable society.

4. Environmental education initiatives

We will provide environmental education on reducing environmental impacts and preserving and revitalizing the natural environment to all Group employees, in order to raise awareness of environmental issues.

5. Environmental communication initiatives

With the goal of achieving mutual understanding with communities, we will make active efforts to release information and to take extensive steps for environmental communication, primarily aimed at children who will be responsible for the next generation.

*The term "3R" is derived from the initials of its main points: "Reduce," "Reuse," and "Recycle."

Reducing CO₂ emissions throughout the delivery system

Environment

Status of CO₂ Emissions

Sagawa Express, which is responsible for the core businesses of the SG Holdings Group, has set the CO₂ emission reduction goal of "1% reduction compared to the previous year". The total volume of CO₂ emissions in fiscal 2014 was 387,200 tons, a reduction of 1.7% from the previous year.

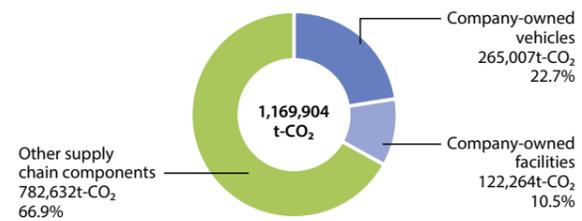
Trends in CO₂ emissions



*With the absorption of domestic air cargo businesses from Group companies into Sagawa Express in fiscal 2010, CO₂ emissions that previously were excluded from tabulation became a part of the calculations for Sagawa Express.
**Data for fiscal 2014 includes all domestic emissions of the SG Holdings Group, while data up to fiscal 2013 includes only the emissions of Sagawa Express.

Also, in recent years the volume of emissions has been made visible across the entire supply chain, and steps have been taken to disclose such information. In addition to information on its "Own emissions (Scope 1, Scope 2)," Sagawa Express was one of the first companies in the industry to publicly disclose information on "Other indirect emissions (Scope 3)" as well.

CO₂ emissions throughout the supply chain (fiscal 2014) [Sagawa Express]



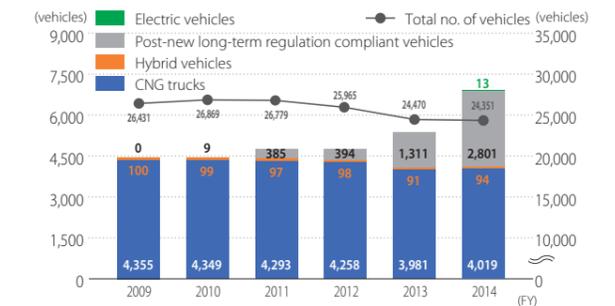
*The CO₂ emissions noted above were verified by a third-party institution.

Introduction of Low-Emission Vehicles

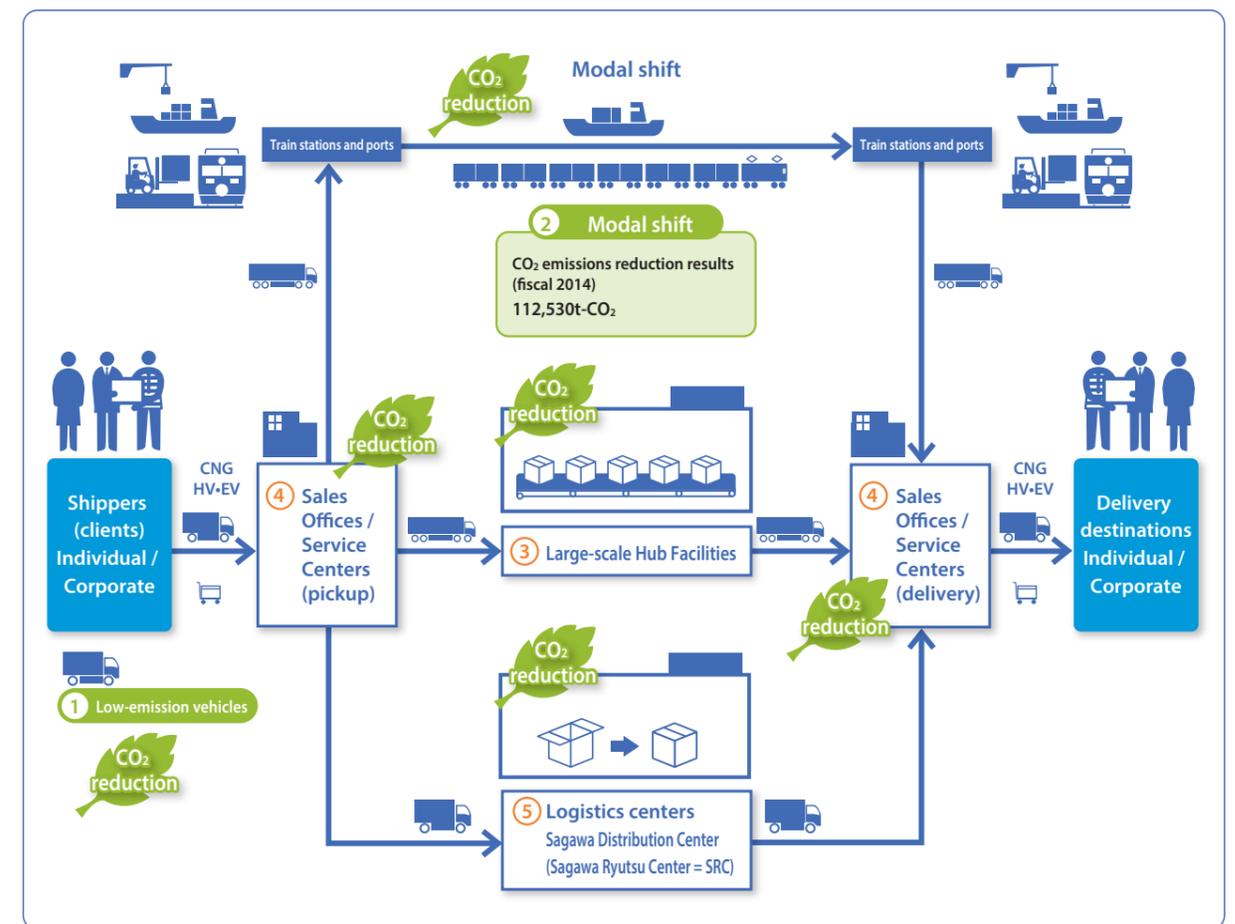
As of March 2015, Sagawa Express owns a total of approximately 7,000 vehicles (roughly 30% of the total number) that include post-new long-term regulation compliant vehicles, compressed natural gas (CNG) trucks, hybrid vehicles, and electric vehicles. Among them are 4,019 compressed natural gas (CNG) trucks (4,039 trucks throughout the entire SG Holdings Group), and Sagawa Express was recognized as the top company in the world in terms of number of such trucks owned (International Natural Gas Vehicle Association, 2011). Furthermore, Sagawa has private-use natural gas filling stations set up in 22 locations across the country, and is also independently promoting infrastructure arrangements. As a means of lowering the pollution produced by large vehicles, it introduced 5 large CNG trucks in March 2014, ahead of the rest of the industry. In terms of

electric vehicles (EV), it has introduced eight light automobiles in the Fukuoka and Kyoto areas as well as five 1-ton vans in the Tokyo area, and has carried out verification experiments of electric trucks jointly with Nissan Motor Co., Ltd. (see p. 26, 27).

Low-emission vehicle introduction trends (Sagawa Express)



Reductions to environmental impacts in business activities



1 Low-emission vehicles

CNG trucks feature low CO₂ and NO_x (nitrogen oxides) emissions, and do not emit SO_x (sulfur oxides) or PM (fine particulate matter). In addition to these, hybrid vehicles and electric vehicles have also been introduced in the collection and delivery business.
⇒ See above

2 Modal shift

"Modal shifts," or transitioning from traditional truck transportation to methods with less of an environmental impact such as boats and trains, are being promoted. The Super Rail Cargo special container train, jointly developed with the Japan Freight Railway Company, is in operation between Tokyo and Osaka.
⇒ See p. 26

3 Large-scale Hub Facilities

As part of efforts to build a transport supporting network, we are working to reduce the number of vehicles we use by optimizing transport using large-scale Hub Centers (25 locations nationwide). This will lead to reductions in the emissions of CO₂ and air pollutants from trucks.
⇒ See p. 26

4 Service Centers

We have established Service Centers in approximately 340 locations throughout Japan, which collect and deliver packages with human powered vehicles, such as push carts and three-wheeled delivery cycles, rather than using trucks. Each service center has reduced the use of automobiles by 3 to 5 vehicles per office.
⇒ See p. 26

5 Logistics Centers (SRCs)

By having customers use SRCs as logistics facilities, products are centrally managed within the facilities, so transportation from shipping centers to separate storage or processing centers is not required. Twenty-five SRC locations are operated and managed as logistics processing locations.
⇒ See p. 26

Modal Shift Promotion

Sagawa Express is promoting "modal shift" in order to carry out transportation with a low environmental impact. Express delivery by Super Rail Cargo, a special container train jointly developed with the Japan Freight Railway Company, is one component of this modal shift. Since its start in 2004 it has expanded to cover 10% of all freight transported between Tokyo and Osaka. It is operated for one trip each way late every night, with the total volume of cargo it carries over the round trip equivalent to 56 10-ton trucks. It is currently making great strides in reducing our burden on the environment, such as by reducing CO₂ emissions.



The special container train, Super Rail Cargo

Establishment of Service Centers

Sagawa Express has established Service Centers in approximately 340 locations throughout Japan, which collect and deliver packages with human powered vehicles, such as push carts and three-wheeled delivery cycles, rather than using trucks, etc. Each service center has reduced the use of automobiles by 3 to 5 vehicles per office. This can lead to about 1,500 fewer automobiles on the road in total, thus contributing to a reduction in air pollutant emissions.



Asakusa Kaminarimon Service Center

Tokyo Skytree® Service Center

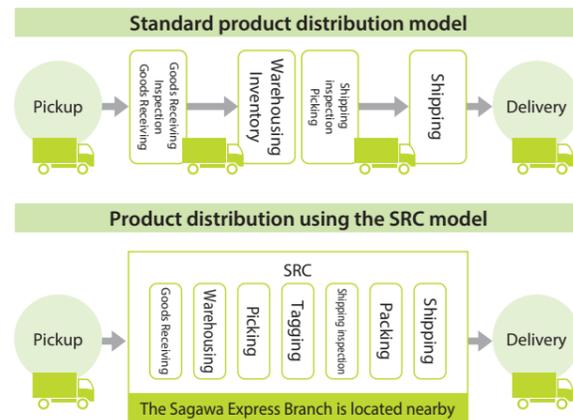
Promoting Increased Logistics Efficiency with Sagawa Distribution Centers

Sagawa Global Logistics operates and administers Sagawa Distribution Centers (Sagawa Ryutsu Centers = SRCs), logistics facilities directly connected to Sagawa Express Sales Offices.

In general, many processes are involved in the distribution of merchandise from factory to market. It needs trucks or other vehicles between each stage. However, products in an SRC are centrally managed within the facility, so transportation to separate storage or processing centers is not required, which allows us to simplify our customers' logistics operations and reduce costs. At the same time, CO₂ emissions and air pollutants such as NO_x and PM can also be curbed by reducing energy and minimizing truck transport.

Active efforts are also being made to reduce environmental impacts, such as thoroughly separating and collecting waste materials produced by logistics processes in SRCs, promoting their recycling, and proposing packing with environment-friendly materials.

SRC transport flowchart



Reducing environmental impacts in cooperation with communities Environment

Model Project Focusing on the Creation of a Low Carbon Society Commissioned by the Ministry of the Environment in the Hakata Station Area

In September 2012, Sagawa Express took on the Model Business Project Focusing on the Creation of a Low Carbon Society commissioned by the Ministry of the Environment, and implemented the Model Project for the Creation of a Low Carbon Delivery and Collection System in the Hakata Station Area during the 2.5 year period until March 2015. This project involved initiatives in the logistics processes of express delivery operations that are thought to be effective as countermeasures against global warming, with investigations held on the effectiveness of CO₂ emissions reductions, business profitability, and repercussions to other regions.



Hakata Station delivery box

An electric automobile charging up

(Specific content of verification)

■ Implementation of cooperative delivery

In the past, there have been no cases of cooperative delivery achieved by a single company, and this was considered difficult to realize without cooperation with regional public organizations or trade organizations. It has now been achieved with Sagawa Express acting as the central element and through repeated investigations with multiple logistics providers.

■ Introduction of electric vehicles (EV)

Electronic Vehicles had not been the means of freight transportation up to this point. Since there was not enough data on drivable distance of EV, we accumulated the data through the verification project.

■ Creation of delivery box reception services

As a new type of method for receiving packages that are re-delivered due to absence, a service has been created where packages can be received at delivery boxes set up in train stations or commercial facilities. Through this, we were able to understand the needs of users and the practicality of this method.

systems.

Facility logistics is a system that allows efficient central management concerning moving "people, things, and information" in and out of large scale commercial complexes. It can relieve traffic congestion within and around the facilities, and it can contribute to the reductions in CO₂ emission by lessening the number of vehicles involved in the deliveries.

It has been receiving positive comments, and has received a certification from the Tokyo District Distribution Efficiency Certification System in fiscal 2013. Also, it was awarded the Outstanding Green Logistic Partnership Business.

To contribute to building environment-friendly cities in cooperation with regional communities, Sagawa will continue to strengthen its cooperation with customers and take steps to further improve the efficiency of facility logistics.



Delivery at Tokyo Solamachi® in the Tokyo Skytree®

Expansion of Carbon-Neutral* Certified Businesses

In 2014, Sagawa Express became the first company in the logistics industry to receive the Ministry of the Environment's carbon-neutral certification at three of our business offices. We are continuing to take initiatives with the goal of increasing the number of our offices acquiring this certification.

Also, in May 2015, SG Moving was recognized for its plan to achieve carbon-neutral status by the Ministry of the Environment's Carbon Offset System Registration and Certification Committee, and the plan was then registered.

Under this plan, of its 13 Sales Offices across the country, the Tokyo Sales Office and Headquarters, whose primary delivery area consists of the central Tokyo area, will be the target of carbon neutral certification. It will achieve carbon-neutral status beginning with its moving business and extend to all of its businesses, by introducing natural gas powered trucks, and reducing CO₂ emissions through the promotion of Environmentally-Friendly Driving with the remaining emissions being offset by forest system-related J-VER (offset credits) or other methods.

*Carbon-neutral: An extended form of carbon offsetting. It is an initiative where all greenhouse gases emitted by businesses such as through their business activities are offset by reducing emissions or by amounts of absorption in other areas.



Carbon-neutral certification

Facility Logistics Initiatives

The execution of the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment in 2000 has led to a need for facility management that takes regional communities into consideration. Based on these conditions, Sagawa Express has implemented full-scale facility logistics initiatives. With our past results in large-scale commercial complexes including Tokyo Skytree Town®, Tokyo Midtown, JR Hakata City, and Shinshizuoka Cenova acting as models, Sagawa Express and World Supply are currently developing a service for constructing facility logistics

Column 3

Start of Collection and Delivery using Electric Vehicles (EV)

Electric vehicles (EV) are also known as "zero-emission cars." They emit no CO₂ and no exhaust gases while in operation. However, they are associated with issues such as high initial costs and requirements for infrastructure such as charging stations.

In July 2014, Sagawa Express and Nissan Motor jointly carried out verification runs of electric trucks over a period of 2 months and confirmed their practicality. Based on the resulting data, Sagawa finalized the introduction of "e-NV200" commercial EVs in February 2015.

At that time, five vehicles were introduced. Carried out as part of measures to construct Green Logistics mechanisms in the OMY area (Otemachi, Marunouchi, and Yurakucho) (see p. 13), charging stations for five vehicles were set up at the Chiyoda Sales Office.

Commercial EVs are equipped with power supply functions, and can also be used as emergency power supplies in the event of disasters. With low noise, low vibration, and excellent acceleration, EVs are not only friendly to the environment, but can also contribute to BCP measures within local areas.



Voice 3

Nissan Motor Co., Ltd.
Fleet Office Manager, Sales
Headquarters

Masayuki Houshou



Reduction of exhaust gases and noise through the introduction of electric vehicles

Nissan Motor believes that having zero emissions is especially important for commercial vehicles, and launched the zero-CO₂ emission EV "e-NV200" in October 2014. With the reduction of environmental burdens considered a vital CSR topic, Sagawa Express made the decision to introduce these vehicles without delay. EVs, which have the potential to create new values, are also effective in CSR and BCP applications as "mobile storage batteries" for emergency situations. If the number of Sagawa Express electric vehicles operating in cities can be increased in the future, exhaust gases and noise can be reduced. They will be able to offer a sense of security by enabling business continuity in times of disaster, and are expected to receive high praise from local citizens.

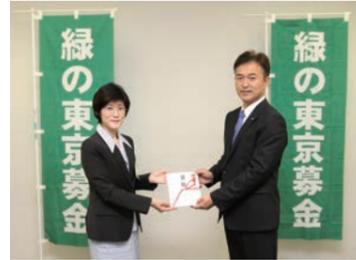
Participating in Carbon Offset Moving Services and the Acorn Point System

In February 2013, SG Moving became the first company in the industry to offer "carbon offset moving services." This is a transportation service where CO₂ emitted by moving trucks is offset with offset credits (J-VER) generated by such organizations as the Kamaishi Regional Forestry Association in Iwate Prefecture. Users of the service can contribute to both reducing their environmental impact and supporting earthquake recovery efforts.

In November 2014, it also became a participant in the Acorn Point System of the Ministry of Economy, Trade and Industry. Carbon offset moving

services are eligible for "acorn points," and in March 2015 a total of 500,000 points were accumulated.

By donating to the Green Tokyo Fundraiser at a conversion rate of 1 yen per point, the collected points (funds) can be provided to projects for renewing Tokyo into a city abundant with plant life.



Gift being received by Green Policy Promotion Senior Manager, Natural Environment Division, Bureau of Environment, Tokyo Metropolitan Government Sakae Sudo (left)

Contributing to a recycling-oriented society

Environment

Enhancement of Reverse Solutions

The SG Holdings Group is contributing to the construction of a recycling-oriented society by providing a variety of "reverse solutions" for reverse logistics.

●Commission for Home Pickup Services for Used Small Home Appliances

With the execution of the Home Appliance Recycling Act in April 2013, the pickup of small home appliances using collection boxes set up in individual municipalities was begun.

Amidst these circumstances, Renet Japan, a company with extensive know-how in the procedures for pickup of used home appliances, made preparations to initiate home pickup services for small appliances, and conducted verification experiments in 14 cities including Kyoto and Yokohama. In January 2014, this program obtained its first certification as a resource recovery business plan by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. As the first initiative in the country based on the Home Appliance Recycling Act, home pickup services of small home appliances were started in all areas across the country from March 2015. Sagawa Express has received a commission for the pickup and delivery operations involved with these services from Renet Japan.

Both companies will continue to promote the recycling of small home appliances by utilizing home pickup services, and will contribute to securing resources and carrying out proper recycling in accordance with the goals of the Home Appliance Recycling Act.

●Home Appliance Repair Service

At its Home Appliance Repair Centers, which offer 24-hour home electronics repair services, Sagawa Express offers a one-stop solution from picking up devices and repairing them, to delivery after repairs are complete. This reduces the lead time involved to around one-fourth what it would normally be, and customers can receive their repaired electronics the next day if they are within metropolitan or surrounding areas.

Since beginning the service, Sagawa Express had mainly been commissioned by home appliance mail-order businesses and home appliance extended warranty companies offering warranties longer than the manufacturer's

warranty period, for the repair of home appliances. Since last year, Sagawa Express has also been commissioned for the total scope of pickup and repair of voluntary recall products of home appliance manufacturers.

In fiscal 2014, the number of pickups and repairs reached roughly 2,400 (200% compared to the previous year), and these services are therefore contributing to the effective utilization of resources.



The Home Appliance Repair Center within the Sagawa Tokyo Logistics Center

Adoption of Eco-friendly Uniforms

The SG Holdings Group is currently promoting green purchasing, and is actively purchasing products that contribute to reducing our environmental impact. As one component of these efforts, EcoMark-certified reused polyester products made from recycled plastic bottles have been adopted for Sagawa Express uniforms. During fiscal 2014, approximately 89,400 eco-friendly uniforms were manufactured (converted into 500 mL plastic bottles, this is equivalent to roughly 284,000 bottles).

Additionally, used uniforms that cannot be easily reused are collected at the uniform management center, and recycled as blast furnace reductants for ironworks. EcoMark-certified products are also used for the cotton gloves worn by Sales Drivers, with roughly 551,000 pairs of these gloves used in fiscal 2014.



Eco-friendly uniform made from recycled materials

Column 4

Ecological Activities Carried Out by Sagawa Express Receive three Environmental Awards

In December 2014, the environmental initiatives implemented by Sagawa Express received high commendations, and were awarded the Ministry of the Environment Minister's Award for Global Warming Prevention Activities, the Award for Outstanding Green Logistics Partnership Businesses, and the Eco-Products Award.

●Ministry of the Environment Minister's Award for Global Warming Prevention Activities, Category of Practical Implementation and Promotion of Activity Measures

Sponsor: Ministry of the Environment

●Award for Outstanding Green Logistics Partnership Businesses Ministry of Land, Infrastructure, Transport and Tourism Minister's Award

Sponsors: Japan Institute of Logistics Systems; Japan Association for Logistics and Transport; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism

With cooperation from: Keidanren (Japan Business Federation)

*Awards received together with Tobu Railway Co., Ltd.; Tobu Tower Skytree Co., Ltd.; and Tobu Town Solamachi Co., Ltd.

●Eco-Products Award: Promotion Council Chairperson's Award (Award of Excellence)

Sponsor: Eco Products Award Promotion Council



Award ceremony for Ministry of the Environment Minister's Award for Global Warming Prevention Activities (left: Mamoru Fukuyama, Parliamentary Secretary of the Environment)



Award for Outstanding Green Logistics Partnership Businesses Ministry of Land, Infrastructure, Transport and Tourism Minister's Award

Preservation and environmental awareness of forests and biodiversity

Environment

Forest Preservation Activities

The SG Holdings Group owns a total of approximately 735 hectares of forest in Shikoku's Kochi and Tokushima Prefectures, as well as in Hachioji City (Takao), Tokyo. This is equivalent to the area of approximately 160 Tokyo Domes. Preserving these forests allows us to use them as a source for CO₂ absorption, as well as places for environmental communication and education.

The Sagawa Forest (in Kochi Prefecture) project has been approved as a source of greenhouse gas absorption by the Ministry of the Environment J-VER Certification Committee. Our Group is the first in the logistics industry to have received offset credits (5,612t-CO₂).

We are also involved in restoring undeveloped woodlands in cooperation with volunteers and local citizens, with the Takao 100-Year Forest (in Tokyo) project. Ecosystem studies conducted in fiscal 2014 have allowed



Forest preservation activities

us to understand the actual conditions of a variety of ecosystems. We are carrying out cooperative forest preservation activities such as accepting volunteer activities by corporations and holding training activities on forest preservation as well.

Continually Conducting Eco Actions

Year-round environmental awareness activities known as Eco Actions were started from fiscal 2003 with participation by all employees, and every year these activities are carried out throughout the entire Group with a focus on energy conservation.

In fiscal 2014, Sagawa Express set the goal of reducing energy consumption by 1% compared to the previous year, and engaged in activities such as energy conservation in the summer and winter, and the adoption of Environmentally-Friendly Driving. Measures focusing on electricity conservation were also taken in business offices of individual Group companies.



Company internal awareness poster

Environmental Awareness for the Next Generation

Environment

Nature program

We have been conducting nature experience learning activities including rice cultivation experiences in rice fields in Moriyama City, Shiga Prefecture, since 2007 to help children realize the bounty of nature, the importance of food, and learn about the vibrant ecosystem living in rice fields. Group employees, their families, and local citizens experience traditional methods of making rice, such as planting, harvesting, and drying the rice on racks.

We are also involved in activities to support the Fish Nursery Paddy Field Project promoted by Shiga Prefecture, where "nigorobuna" (round crucian carp), a type of fish indigenous to Lake Biwa, are raised in rice fields and then released.

We also conduct forest school at the Sagawa Forest and Takao 100-Year

Forest that allow children to experience nature, in collaboration with environmental incorporated non-profit organizations and educational groups. During fiscal 2014 a total of 200 students from elementary schools and high schools visited these forests, explored, and created wooden items such as photo frames and chopsticks.



Rice cultivation experience activity



Parents and children making photo frames together

Comment from management

The SG Holdings Group is taking steps to reduce environmental impacts, beginning with reducing CO₂ emissions throughout its entire delivery system. Beginning with the active introduction of low-emission vehicles, we have also promoted measures to curb the use of delivery vehicles through the establishment of Service Centers. While using facility logistics in large-scale commercial facilities to reduce fuel consumption by easing congestion in the areas around such facilities and by lessening the number of delivery vehicles, we have continued to take initiatives for CO₂ reduction. Having these actions received high praise, Sagawa Express earned three environmental awards in fiscal 2014. By also participating in the construction of environmentally-friendly logistics systems around the OMY area together with relevant local companies, exhaustive efforts are being made toward the development of products and services not only by our group itself, but also in cooperation with stakeholders. We will continue to promote business activities with consideration for the global environment while striving to exist in harmony with society and nature, and will take steps for voluntary and continuous environmental management.



Director, Sagawa Express Co., Ltd.
Hiroyuki Uchida

Eco-Art Contest

With backing from the Ministry of the Environment, SG Holdings and Sagawa Express held the 1st Eco-Art Contest 2014. This was an initiative in response to the staging of the UNESCO Global Conference on ESD (Education for Sustainable Development) in November 2014, in Nagoya City, Aichi Prefecture. Its goal is to contribute in our role as a corporation to the development of the next generation through environmental education.

With the theme of "Cherishing our Earth for us all", it was an opportunity for children to think about environmental preservation by creating works of art, and provided them with an enjoyable experience while also raising their environmental awareness. Out of 2,599 total entries, 52 pieces received awards. The two entries that received the Ministry of the Environment Minister's Award, given to the most outstanding pieces, were adopted as wrap designs on Sagawa Express trucks which were in operation for a limited time from February 2015 in major cities across the country.



Top: Pieces awarded the Ministry of the Environment Minister's Award (for higher grades [left], for lower grades [right])
Bottom: Departing ceremony for trucks with wrap design



Comment from an expert

Deputy Director, Environmental Transport Policy Division, Environment Management Bureau, Ministry of the Environment
Maki Nakamura

The SG Holdings Group is continuing to take a variety of actions to reduce environmental impacts in its logistics services. Activities such as taking the initiative in, as well as engaging in the continuing introduction of, low-emission vehicles, participating in verification experiments for electric vehicles, and improving the efficiency of collection and delivery systems. All of the above can be seen as extensive environmental preservation measures in the core areas of its business activities, and as ways to encourage the further technical development of vehicles and information systems. It is also demonstrating an active stance toward the goal of reducing environmental burdens in a variety of ways, such as with its Delivery Mate service which integrates environmental measures with responses to multiple social needs, and by increasing the number of its business offices with the carbon-neutral certification, which is linked to CO₂ reduction efforts throughout its business activities. These initiatives can be viewed as ways to aid in developing environmental measures in the industry as well as contributing to higher awareness of environmental preservation for service users. We have high expectations for the SG Holdings Group to further expand the potential of environmental measures in the logistics field, while also making the processes involved in its initiatives known to the public whenever possible.

Contributing to the Development of Communities

In recent years, issues such as responding to the decreasing birthrate and aging population, and encouraging the revitalization of local areas are becoming urgent issues for regional communities. To achieve the sustainable development of communities, our group believes that it will be necessary to face these issues as a unified society together.

Through interaction with both domestic and overseas communities, particularly by activities with the three themes of "Supporting the foundations of communities," "Interacting with communities through sports activities," and "Supporting academics, culture, and next-generation education," we will fulfill our responsibilities as a corporate citizen deeply rooted in the local community.



Supporting the foundations of communities

Participating in the Community and Supporting Community Development

Construction of a New Delivery Infrastructure and New Last-Mile Initiatives

Due to changes in lifestyle brought about by the increased numbers of women in the workplace, the aging society, and greater numbers of 1- and 2-person households, the needs of society are becoming more and more diversified. This is in turn causing increased diversification of consumption styles as well, and as e-commerce continues to spread and advance, the services that we provide must be able to respond to those needs.

Based on these circumstances, our Group deemed convenience stores a valuable network and an infrastructure component for home delivery to, and in April 2015, we concluded a business partnership contract with Lawson, Inc., the owner of roughly 12,000 convenience store locations nationwide. In June, the joint venture SG Lawson, Inc. was established, to carry out services such as small commercial zone delivery and order-taking within a 500-meter radius of Lawson stores.

Through SG Lawson, Inc., delivery services of Sagawa Express packages and Lawson products are being offered to customers in an area within a 500-meter radius centered on Lawson store locations. Delivery in small commercial zones enables detailed and precise support, allowing last-mile provision with an even higher level of convenience. This new service was started at approximately 20 stores in an area centered on Tokyo's Setagaya-ku, and is scheduled to expand to include roughly 100 stores in the span of one year.

Since the services provided by SG Lawson use push carts instead of vehicles, they are also linked to reducing environmental impacts. Through the new working styles offered by this system, we are intending to create more opportunities for active participation by women and to contribute to resolving the issue of our aging society.

From July, Sagawa Express will also begin services at Lawson stores nationwide

(excluding Lawson Store 100 locations) where products purchased from mail-order and online business operations of Sagawa Express business partners will be available for 24-hour pickup. By specifying the desired Lawson store for pickup at the time of ordering, customers can designate pickup locations for their packages that match their lifestyles, such as homes, workplaces, and travel destinations. We will strive to establish a new business style that can offer a one-stop solution for the varying needs of communities through the operation of SG Lawson and Sagawa Express.

SG Lawson's major services

1. Deliveries of Sagawa Express packages and Lawson products (products sold in stores, fresh products from Lawson Fresh, etc.), with Lawson stores serving as delivery bases.
2. Pickup of Lawson store products and delivery to homes or other locations, after orders are received at dedicated call centers and by full-time delivery managers.
3. Agency operations for various life support services and provision of product special-order services using multi-functional tablet devices.



Home deliveries and assistance with your lifestyle.

"Machi no Kurashi Support"

SGI x LAWSON

Safety Awareness Initiatives

As a company that uses local public roads to do business, contributing to a safe and secure transportation society is our highest priority.

Sagawa Express holds Sagawa Express Traffic Safety Classes taught by Sagawa employees in every region, in an attempt to protect our children from tragic traffic accidents. Course content includes how to properly cross the street and the meanings of road signs and traffic signals. Subjects such as truck blind spots and examples that are likely to lead to accidents are explained with impact by using actual trucks as examples.

As an effort to keep children safe throughout the entire community, local police and parents are asked to participate as well, creating an environment where everyone involved can learn. During fiscal 2014, 1,069 classes were held across the country, with 103,173 people participating. In the 12 years since its start in 2003, 9,000 classes have been held with a total of 1.2 million participants.



Traffic safety class

Moving Services Provided by Service Assistants

At SG Moving, staff members who possess Service Assistant certifications can respond to the various needs of the elderly and people with disabilities.

During a case of simultaneous admission of all residents to an elderly facility in Sapporo City in Hokkaido (169 units), a team was organized by our Service Assistants, and transportation was carried out over a week-long process while listening closely to the requests of the residents. This undertaking received great praise by the residents' family members. Even aside from Service Assistants, our system can offer support from staff members who hold certifications as Sorting and Storage Advisors and Personal Effects Organizers.

As of April 2015, there are 47 Service Assistants and 15 Sorting and Storage Advisors (Level 1 and Level 2 certifications) stationed at our Sales Offices across the country on a continuing basis. We will continue to encourage the acquisition of these certifications by our staff members.

Learning about Logistics Mechanisms through Experience

In April 2014, Sagawa Express worked in cooperation with the Future Innovation Forum (FIF) to hold the Logistics Frontline Work Experience Event, an event for children planned and managed by the FIF at our Tokyo Headoffice. This event served as an opportunity for career education where children could learn and think about society and work, through a work experience activity. Since its start in 2007, it has been participated in by over 120 children.

On the day of the event, 17 randomly-selected students, including 6th-grade elementary school students and 1st-year middle school students, put on Sagawa Express uniforms and participated in a variety of educational experiences such as riding along with drivers in trucks, learning about the mechanisms of the home delivery business by observing equipment such as automatic sorting machines at the Sagawa Tokyo Logistics Center, and engaging in practical delivery training exercises.

During a question-and-answer session held by Chairperson Kuriwada, many questions were received from the participating children, and it was an excellent opportunity for them to think in depth about leadership and work.



The Logistics Frontline Work Experience Event

Column 5

Contributions to Local Communities by Sales Drivers

Sagawa Express is taking steps for crime prevention and watching over the elderly under cooperative systems with local police and regional governments across the country.

With incidents of fraud using home delivery for criminal purposes occurring frequently in recent years, cases where Sales Drivers or Customer Service Section Staff are able to notice suspicious matters during their work and prevent incidents before they occur are increasing, and are proving valuable in preventing fraud cases.

Also, to contribute to creating cities where the elderly can live without worry, we conclude agreements for projects, such as watching over the elderly with local governments, and arrange systems so that if any unusual circumstances involving elderly people are noticed, they can be communicated to local government contact windows. As of March 2015, we have been concluded such agreements with roughly 60 local governments.

Interacting with local communities through sports activities Participating in the Community and Supporting Community Development

Initiatives Supporting Sports

The SG Holdings Group is engaged in initiatives to support the development of the next generation, through the activities of its track-and-field team and softball team.

Our softball team held eight classes in fiscal 2014 and taught roughly 1,000 students, including elementary school students and middle school students, the joy of softball.



The softball team warming up

Also, to encourage sporting events for physical and mental health, our Group is helping to create an environment in which athletes who work for us and want to continue playing sports can do so. Supporting employee athletes in the track-and-field team and softball team encourages participation in sports. At the same time, when people cheer on their top-level athlete coworkers it contributes to a sense of company loyalty.

We will continue to design and implement new plans so that our track-

and-field team can train to win the New Year Ekiden, and our softball team can reach the top of the Japanese Women's League Division 1.



Softball team



Track-and-field team

Foundation Activities to Support Academics, Culture, and Next-Generation Education (p. 42, 43)

Comment from management

In recent years, the state of logistics in local communities has been diversifying together with the diversification of logistics in general. In addition to paying attention to safety and the environment, the construction of logistics systems that can contribute to resolving regional issues is also being required. Our Group is taking steps in various locations toward these goals, as part of our responsibility as a corporation involved in business in many regions both domestically and overseas. Our initiatives cover a wide range of fields and apply the know-how we have cultivated up to this point, and include continuing our activities to encourage traffic safety, as well as providing services to support the elderly and opportunities to educate children. In April 2015 we entered a business partnership with Lawson, Inc., beginning services to further enhance the convenience we can offer to mail-order shopping users and local residents. We will continue to cooperate with communities and corporations to contribute to the development of a sustainable society.



Executive Officer and Business Promotion Department General Manager, SG Holdings Co., Ltd. Yasuji Ioka



Comment from an expert
Executive Director, CSO Network Japan
Kaori Kuroda

The SG Holdings Group, which is primarily involved in the transportation industry, is directly connected to citizens and communities through its main businesses.

SG Lawson City Life Support, which will begin during this fiscal year, is expected to lead to initiatives that can help resolving the shopping difficulty issue for the elderly, which is one of the major problems the society of Japan is facing. Answering the needs of citizens in ways like this can not only improve convenience, but measures such as helping to watch over elderly people living alone and offering support to ensure that they have nutritional and balanced diets will become increasingly important from the standpoint of providing safety and security.

Other than the currently involved initiatives of contributing to traffic safety, reducing environmental impacts, and cultivating the next generation, we are also looking forward to SG Holding Group to establish their image of the ideal community that they wish to achieve.

Building an Organization with Individuality and Diversity

While our demographics is undergoing great changes, we, as a corporate group with 80,000 employees, recognize that securing and applying our diverse range of human resources as a critical issue.

The SG Holdings Group promotes diversity and human resources development with the goal of reinforcing the individuality of its personnel and cultivating human resources that can actively and boldly take on new challenges. Under the concept that the sustainable growth of a corporation depends on the support of its people, we have formulated a personnel vision and human resources system shared throughout our Group, and are promoting activities in terms of both systems and culture.



Basic Philosophy

SG Holdings Group Personnel Vision

The SG Holdings Group established our personnel vision in 2012, so that all employees of the SG Holdings Group can act independently and make the best use of their abilities and individuality. Our personnel vision clarifies our organizational culture and the various ways of working, necessary to cultivate human resources, and communicates the

importance of each employee acting independently. Furthermore, since 2013, GMs (Group Managers*) were given the task of promoting improved communication activities, and are engaged in activities to communicate these new values to all employees.

*Group Managers: Division manager-level employees.

Respect for human rights

Conducting Ethical Code of Conduct Training

In its code of conduct, the SG Holdings Group gives the highest respect to various international norms including human rights, as well as culture and customs, and clearly indicates these considerations to its stakeholders. In fiscal 2014, training on our Code of Ethics and Conduct was provided to all domestic employees. Our goal is to raise the ethical standards of the Group by enhancing the humanity (character building) of our employees, and developing a wide variety of knowledge, skills, and ethical viewpoints (moral framework). From fiscal 2015 and beyond, we will take extensive steps to communicate these points, including to overseas Group companies.



Code of Ethics and Conduct training tools

Continuing Implementation of Employee Attitude Surveys

While promoting stakeholder management, we conduct employee attitude surveys with the goal of understanding Group employee attitudes, identifying issues, and making improvements. In fiscal 2014, the participants in these surveys were expanded to all employees, including non-regular employees in domestic corporations.

We will continue to improve the satisfaction of our employees in the future, and realize the creation of a positive growth cycle connected with increasing customer satisfaction by incorporating the opinions of our employees who also play roles as stakeholders into management.

Preventing Harassment

Each June, the SG Holdings Group holds Harassment Prevention Month. During this period efforts are made to create a bright workplace environment in which the diversity, character, and individuality of all employees are respected, and where employees are not subject to harassment but instead are able to feel ambition toward their work. Awareness promotion through videos and informational materials, self-checks of the workplace, and other activities are engaged in by the entire Group.

Promotion of diversity

Human Rights Labor Practices

Promoting the Activities of Female Employees

To promote the activities of female employees within the SG Holdings Group, we actively continue to expand job categories for female employees and recruit more women into management roles. In addition to establishing an environment in which women can work comfortably in terms of both systems and culture, we are taking initiatives to promote career progression for our female employees. Business development with participation by women was a major topic in fiscal 2014. In addition to the continued staging of the WakuWaku Awards, which recognize offices that actively take steps to create business opportunities or make business improvements for women, we also conducted Women's Career Support Training, intended for female employees who are candidates to assume management roles in the next term.



WakuWaku Awards presentation

*For details on promotion of the activities of female employees, see Highlight 2 (p. 14, 15)

Employing People with Disabilities

The SG Holdings Group continues to promote the arrangement of environments allowing both those with disabilities and those without to exercise their individuality and expertise and to work in a lively manner (employment rate of people with disabilities: 2.08%).

Initiatives for the Continuing Employment of the Elderly

Every year, the SG Holdings Group holds Advance Seminars for Mandatory Retirement for all employees who are preparing to retire during the next fiscal year, with the goal of helping them imagine their situation after retirement in specific terms. Information is provided on work, financial planning, public pensions, health, and other subjects. 149 employees retired in fiscal 2014. Of them, 134 employees, or nearly 90%, desired to continue working. While utilizing their accumulated experience in workplaces suited to their individual abilities, they are taking on active roles to provide excellent instruction and consultation to young employees.

Promoting human resources cultivation

Human Rights Labor Practices

Enrichment of Training Systems

The SG Holdings Group has set systemization and enhancement of its initiatives for human resources cultivation as a mid-term goal. In fiscal 2014, it carried out seminars for employees with GM (Group Manager) certifications. In these, personnel who were candidates for management roles that support the core of the Group's businesses participated in internal training for a total of 5 sessions over 9 days, and seminars at an external school over a period of 3 months.

We have also conducted overseas training sessions throughout the 35 years since 1979. In fiscal 2014 as well, roughly 80 employees aspiring to be active on the global stage were selected, and visited our local Group companies and shipper companies in ASEAN regions with outstanding growth. After exchanging information, the training participants gave a presentation on our Group's deployment of overseas businesses. We will continue to focus on further cultivation of our global human resources.

We also hold training sessions for staff from international Group companies on a continuous basis. In fiscal 2014, 19 manager-level staff members affiliated with international Group companies assembled in Japan to share their company cultures and participate in training that included visits to our major offices.



Training for overseas staff

Awards for Employees

The SG Holdings Group has set up an Employee Excellence Awards System in which Group employees who have delivered superior results are recognized each year. Award recipients among them who have achieved particularly noteworthy results and could be a model for others to follow are also invited to an awards ceremony together with their families. The motivation of award recipients is raised further by receiving congratulations from their families and work superiors, and the morale of other employees is strengthened as well. By reflecting the work-related attitude and skills of the award recipients in the form of videos and sharing them with the rest of the Group, the quality of service throughout the Group can be improved and the awareness of employees can be enhanced.

Internal Venture System

The SG Holdings Group believes that creating a corporate culture in which each employee is aware of issues and works toward innovation will lead to business growth. Under this concept, an Internal Venture System was newly established in 2014, with the goal of creating new businesses and cultivating human resources with an entrepreneurial mindset. This system invites business ideas and investigates the development of outstanding proposals into actual businesses. 501 applications were received in its initial year, and the final review (Venture Business Grand Prix) was held in November.

Constructing Supply Chain CSR



With demands related to human rights and the environment increasingly being placed on companies worldwide, we believe that it is vital to carry out sustainable business activities over our entire domestic and overseas supply chain.

To build sustainable cooperative relationships with business partners, the SG Holdings Group has established Business Partner CSR Guidelines that clearly indicate our concepts of CSR and our corporate stance toward procurement and other subjects.

We will promote CSR activities throughout the supply chain and contribute to develop a sustainable society together with our business partners.

Promotion of work-life balance

Human Rights Labor Practices

Diverse Work Systems

With the goal of achieving a good work-life balance and the diversification of working styles, the SG Holdings Group is carrying out initiatives to expand the available options for working styles that fit each individual. Up to fiscal 2014, we arranged environments making it easier for employees who had obtained child care leave to return to the workplace. We have extended the period of time for shortened working hours up until a child's admission into elementary school. From March 2014, SG Expert has implemented an at-home work system to further diversify working styles. Also, in order to improve job and employee satisfaction, we are promoting life support functions through the enhancement of benefit programs. In addition to the informational and educational materials available on the Group benefits package website "Familink", the benefits service "Eraberu Club" was introduced in December 2014.



Familink top page

Mental Healthcare Initiatives

As a support measure for maintaining and improving the mental health of employees and their families, we have established SG Holdings Group Health Dial 24, which is operated by specialized institutions and offers consultation services by Internet and toll-free telephone. If desired, examinations by clinical psychologists can be received at no charge at counseling rooms located across the country. Systems for face-to-face counseling with clinical psychologists are also available for maintaining mental health.

Health Management for Employees

A Health Management Project Promotion Meeting is held once a year, to support the promotion of health for employees by determining time periods, target levels, achievement levels, and practically applying the PDCA cycle to important initiatives. Due to these initiatives, the Health Insurance Association of the SG Holdings Group was selected as a model case in the Ministry of Health, Labour and Welfare's Data Health Plan for fiscal 2014.

The 100 Healthy Days Project for voluntary improvement of health and strengthening of mutual communication by setting individual health goals and sharing information with work colleague has also been implemented. Furthermore, Anti-Smoking Programs are being deployed as well.

As additional initiatives for health maintenance with cooperation between our company and our Health Insurance Association, Lifestyle Disease Prevention Campaigns are carried out. The measures include providing SG Healthy Balance Meals in cafeterias, displaying calorie content, and providing food related information.

Children's Observation Day

For family members of employees to obtain a higher understanding of the company, and to raise the motivation of employees themselves, the Children's Observation Day program was started from 2014. Allowing children to observe their working parents (employees) and their workplace and colleagues in this program contributes to next-generation education by giving them an opportunity to learn about society. In the initial year, this was held at SG Holdings and SG Motors, with 49 children and their guardians participating.



Situation on Children's Observation Day

Comment from management

With social issues such as the aging society and the decrease in working population caused by the declining birth rate becoming more and more apparent, it is being required for companies to respond to those issues by re-evaluating personnel strategies and constructing new employment and labor systems, such as by promoting diversity and work-life balance. The SG Holdings Group places people at the center of its businesses, and while fully applying the regional features and characteristics of each business, it is taking steps to arrange and achieve working environments where employees can feel greater motivation for their work. Particularly with respect to initiatives for promoting the activities of female employees, focus is being placed on enhancing systems to provide a workplace environment not only with good work-life balance but where work can be performed with enthusiasm and excitement, incorporating a stronger viewpoint of "inclusion" in order to create new businesses. We will



continue to strengthen our foundations to foster a corporate structure allowing us to respond to diversifying customer needs.

Director, SG Holdings Co., Ltd.
Hiroyuki Urushizaki

Comment from an expert



Executive Director, Caux Round Table - Japan
Hiroshi Ishida

Diversity and inclusion in workplace are essential for today's organization, in the 2014 Stakeholder Engagement Program that we carried out, the workplace environments of employees, particularly with regard to labor hours, work safety, discrimination in employee treatment, and equality in work opportunities, are viewed as points that should be emphasized in the logistics industry.

Under these circumstances, we would like to praise these full-scale initiatives to support the activities of female employees, such as the Delivery Mate service and having female employees be responsible for 30% of business revenue, as progressive measures in the industry.

On the other hand, we also look forward to the deployment of initiatives for diversity and inclusion toward SG Holdings Group employees working overseas.

Promotion of CSR in the supply chain

Fair Business Practices

Establishment of the SG Holdings Group's Business Partner CSR Guidelines

In order to contribute to developing a sustainable society, the SG Holdings Group believes that it is important to carry out initiatives for CSR not only in our own Group but throughout the supply chain.

Therefore, to aid business partners in understanding our Group's concepts of CSR and corporate stance toward procurement and other subjects, and to gain their related cooperation, the SG Holdings Group established the Business Partner CSR Guidelines in November 2014.

We will continue to build strong partnerships in cooperation with business partners and promote activities with consideration for social responsibilities such as safety, security, human rights, labor, and the environment.

SG Holdings Group Business Partner CSR Guidelines

- 1. Strict compliance with laws**
We will strictly comply with domestic and foreign laws, and carry out fair and impartial business activities based on corporate ethics.
- 2. Maintenance and improvement of safety and security**
We will consider safety and security to be our highest-priority issues. We will make every effort to maintain and improve safety together with our business partners.
- 3. Consideration for human rights and work environments**
We will respect basic human rights and ensure a safe and sanitary work environment. We will also strictly comply with any applicable regional laws.
- 4. Fair trade transactions**
We will carry out contact with our business partners with an attitude of sincerity, and provide opportunities for free and fair competition. We will strive for co-existence and mutual prosperity with our business partners by building proper relationships of trust.
- 5. Consideration for the global environment**
We will take measures to prevent global warming and air pollution, and promote business activities with consideration for the global environment.
- 6. Preservation of information security**
We will carry out strict management of confidential information and personal information related to our business activities, and take steps to prevent acts such as information leakage and manipulation.
- 7. Co-existence with communities**
We will aid in the development of domestic and overseas communities, and strive for co-existence with society together with our business partners.

Cooperation with business partners

Fair Business Practices

Initiatives from the Viewpoint of Safety

Sagawa Express carries out Highway Transportation Safety Patrols and Highway Transport Terminal Inspections with cooperation from partner companies, in order to secure safety during highway transportation.

We also are involved in initiatives to ensure safety carried out through the supply chain, such as holding Safety Seminars for managers of partner companies every year, and staging lectures on subjects including the basic and legal responsibilities of transportation businesses, and how to avoid work-related accidents.

Initiatives from the Viewpoint of the Environment

With the goal of achieving transportation that is safe and also environment-friendly, Sagawa Express and the Japan Freight Railway Company have jointly developed the Super Rail Cargo special container train and are promoting transportation using railways in place of trucks.

We are also using EcoMark-certified uniforms produced by Mizuno Corporation.

In addition, we are carrying out a wide range of initiatives for reducing environmental impacts, such as actively introducing low-emission vehicles in cooperation with various automobile manufacturers.

Building a Responsible Management Foundation

We are deeply aware of our social responsibility as a corporation which uses public roads to do business, and believe that it is essential for us to enhance the foundation of our CSR promotion.

To carry out responsible business activities, the SG Holdings Group is involved in initiatives to construct decision-making systems, strengthen its corporate governance and internal controls. We are also moving forward with stakeholder management, in order to remain relevant as a business group that society depends on, and to enable us to grow together with society in a sustainable manner.



Building a foundation for CSR promotion

Organization Governance

Corporate Governance

The SG Holdings Group strives to slim down our management structure and practice speedy management, as well as work to enhance governance through separating management audit functions and business affairs, and to clarify authority and responsibility.

Since fiscal 2012, we have held a CSR committee meeting every quarter to carefully consider the content of material CSR activities to be carried out, create management systems, and promote continuous improvement activities.

Overview of CSR Committee

Members

- Committee Chairperson: Chairperson and CEO, SG Holdings Co., Ltd.
Eiichi Kuriwada
- Committee Members: 7 Directors and 2 Executive Officers of SG Holdings Co., Ltd.

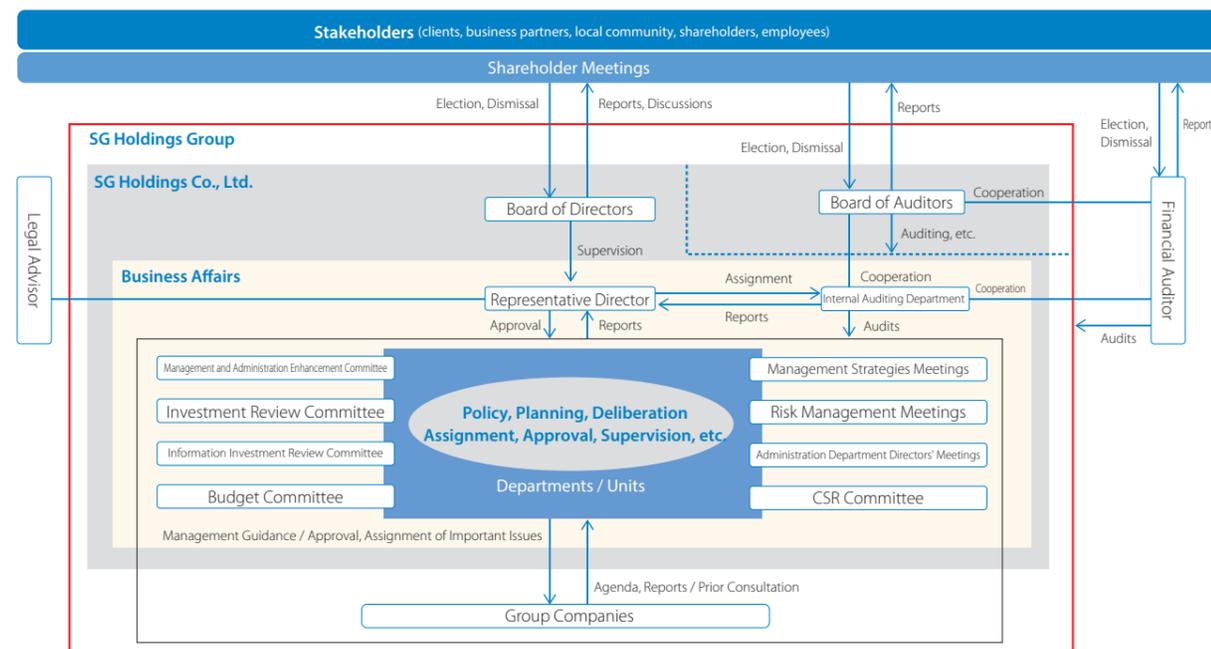
Record of meetings held in fiscal 2014

- Four meetings within the fiscal year (April 2014, August 2014, November 2014, February 2015)

Major discussion topics in fiscal 2014

- Overall organization of CSR activities
- Approval of material CSR issues
- Promotion and monitoring, such as of Group environmental philosophy and policy establishment

Corporate Governance System



Promotion of Stakeholder Management

We believe that CSR for the SG Holdings Group consists of looking toward the development of a sustainable society, and of each employee putting the SG Holdings Group corporate philosophy of "Trust, Create, Challenge" into practice with cooperation from stakeholders.

Under this concept, we earnestly listen to the opinions from experts received through dialogues and the instructions of our customers, then investigate and implement policies in response to widely apply the opinions of stakeholders to our businesses. Dialogues in particular have been held on a continuing basis since fiscal 2004, with their 11th session held in fiscal 2014. They provide opportunities for opinion exchanges with stakeholders from various standpoints regarding issues considered to be important by the SG Holdings Group.

Procurement, Business Promotion, etc.) to extract the issues that were significant to our Group, and prepared a tentative draft of the material CSR issues.

We then exchanged opinions with external experts (Hiroshi Ishida, Executive Director, Caux Round Table - Japan; and Kaori Kuroda, Executive Director, CSO Network) on the validity of the draft. While the current initiatives received a certain degree of positive evaluation during the opinion exchanges, items for investigation such as the importance of understanding social issues in the regions of various countries were also identified, with consideration given to forthcoming global deployment.

In November 2014, the material CSR issues, incorporating the opinions received from external experts, were approved by the CSR Committee. Furthermore, in February 2015 a meeting was held with the responsible personnel from each department, and the progress of the material issues was confirmed.

Processes for Identifying Material CSR Issues

In fiscal 2014, the SG Holdings Group identified six material CSR issues. To do this, we first applied ISO26000 as an important matter for stakeholders, organizing activities centered on its seven core subjects and issues, and closely examined their related issues.

After this, we conducted hearing sessions with responsible personnel from each department (Safety, Quality, Environment, Personnel,



Mr. Hiroshi Ishida

Ms. Kaori Kuroda

Compliance

Organization Governance

Fair Business Practices

Basic Internal Control Policy

We make sure that our internal controls function effectively, and evaluate them to make necessary improvements. We also continuously review our policies to keep up with changes in the management environment, and strive to develop more effective internal controls. SG Holdings has formulated a Basic Internal Control Policy.

Internal controls for the Group are managed by the SG Holdings Internal Controls Promotion Office, with the Internal Controls Promotion Section of the Group's core business, Sagawa Express. Sagawa Express provides explanations of internal control-related documents to the heads of each branch office and each sales office, while also maintaining and evaluating internal controls for the Sagawa Express headquarters and each branch office.

employees, their families, and business partners to report behavior in violation of laws, company rules, or the Code of Ethics and Conduct.

We will continue to promote initiatives as pillars supporting the internal controls of the entire Group.

Cutting Relationships with Antisocial Forces

The basic policy of the SG Holdings Group is to cut any ties with antisocial forces in order to take a firm stance against such groups that endanger the order or safety of civil society.

This policy is found in our basic internal control policy and Corporate Charter of Business Conduct. The same policy is also defined in our Code of Ethics and Conduct, so that all employees can understand it thoroughly. As specific examples of related activities, fact-finding surveys on business partners (payment destinations) are conducted, and a Consultation Window for Undue Requests has been established for early-stage resolution of cases where employees receive inappropriate requests.

We will continue to develop the system, thoroughly share information on antisocial forces and our response, and prevent or block those who would interfere with our business partners and others.

Strengthening the Compliance System

To deal with changing social and management environments, and to build a corporate culture that performs business activities with integrity, we are working to improve the maintenance and management of our compliance system, which abides by the SG Holdings Group Code of Ethics and Conduct.

In fiscal 2014, the SG Holdings Group Compliance Hotline was established based on the internal notification system, as a contact window for

Risk management

Organization Governance

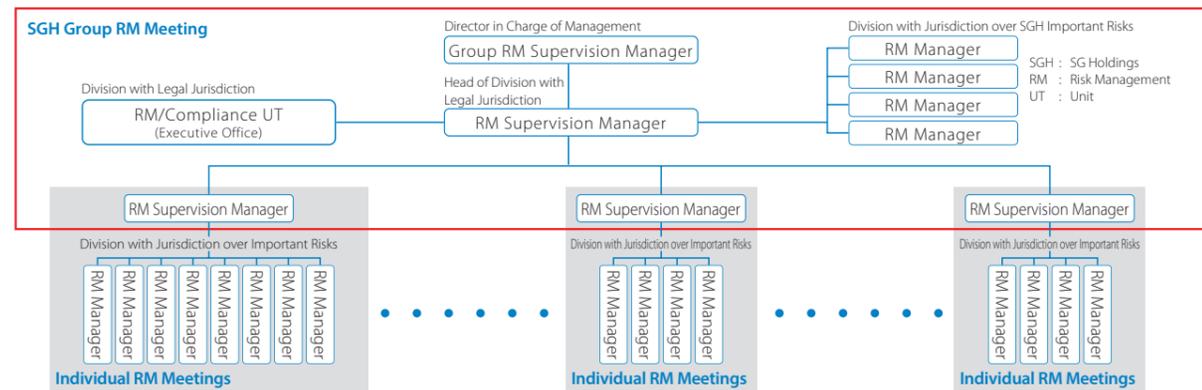
Risk Management System Enhancement

The SG Holdings Group is proceeding with the enhancement of risk management systems to understand, evaluate, and manage risks in the business operations of its Group companies.

At Risk Management Meetings, systems are arranged to investigate and report risks in Group companies. Also, BCPs (Business Continuity Plans)

are formulated and BCM (Business Continuity Management) systems are constructed so that business can be continued in the event of a large-scale disaster. In fiscal 2014, advanced risk management was promoted by preparing risk management regulations and procedures, and risks were made more visible by establishing new risk management methods. We will continue to further build and enhance our risk management systems.

Risk Management System



Information Security

Organization Governance Consumer Issues

Basic Information Security Policies

The SG Holdings Group considers the protection of our Group's information assets, including information assets received from customers, to be our social responsibility. We have therefore formulated Basic Information Security Policies and are involved in initiatives to maintain and manage information security.

We are also taking further steps to strengthen information security by enhancing measures for information security resources and arranging information security regulations and procedures.

Information Security Training

The SG Holdings Group provides information security training to all of its employees. With the goal of raising information security awareness, measures for communication and education, such as reading through the SG Holdings Group Security Handbook, are carried out at Group companies, and these activities are also managed in the form of educational records.

Obtaining ISO27001

Sagawa Express (Sales Department, Sales Section and Reverse Solutions

Section) has obtained the international ISO27001:2014 information security management system certification, in order to meet our customers' needs and improve userfriendliness by providing services that require high levels of information security.

Protection of Intellectual Property

SG Holdings Group protects the intellectual property rights of our Group to maintain the health of our business activities, manage our intellectual property rights, and spread knowledge and awareness so that the intellectual property rights of other parties are not infringed upon.

Our initiatives for protecting the intellectual property of the Group include acquiring rights for the intellectual property of each company in the Group, and maintaining control of our intellectual property rights. We regularly confirm the intellectual property rights of other parties to avoid intellectual property right infringement, and share this information with relevant divisions and send out awareness messages.

We also spread knowledge and awareness of these activities throughout the entire Group. The SG Holdings Code of Ethics and Conduct includes a basic intellectual property policy as one part of "Management of Corporate Property and Information."

We will continue to appropriately manage intellectual property.

Column 6

BCM Initiatives

Fulfilling our responsibilities as a designated public institution in case of disaster by building strategic BCP and BCM

In October 2013, Sagawa Express was selected as a designated public institution, as defined by the Disaster Countermeasure Basic Act. As a logistics provider supporting infrastructure for the safety and lifestyles of people, we are responsible for delivering emergency assistance goods over the Group's logistics network.

Even before this selection, our Group had begun re-evaluating its emergency management system, prompted by the 2011 Great East Japan Earthquake. Since 2012 we have imagined disaster scenarios such as earthquakes directly under the capital, abnormal climates, and large-scale disease outbreaks, and have established highly viable BCP and BCM. Our BCP contains specifications for selecting alternate sites, ensuring fuel and power sources, and strengthening the recovery functions of our systems and data in the event of disasters, among other initiatives. We are also promoting strategic BCM that includes carrying out training to enhance the practicality of those plans, and making improvements to our business operations for business continuity. Even in ordinary times when no disasters occur, as a provider responsible for social infrastructures directly connected to people's lives and a provider deeply connected with supply chains in corporate activities, continuing our business is a social mission for our Group. We will continue to consider strategic cooperation and system construction with the national government, local governments, and shipper companies, for initiatives to strengthen the BCP and BCM throughout the Group.

Large-Scale Disaster Response Training

On November 20, 2014, we carried out Large-Scale Disaster Response Training with the goal of identifying the most important issues for our Group in the event of a large-scale disaster.

This training was implemented comprehensively together with administrative organizations and shipper companies in order to more accurately simulate the establishment of policies for delivery business continuity within 24 hours of a disaster. Beginning with safety confirmation training and initial response training, missions were arranged assuming cooperation with administrative organizations and shipper companies. With the inclusion of our own company, issues of procedures for responding to demands from these three sources were clarified.

We will continue to carry out advanced training sessions to establish even more viable delivery business continuity management.



Large-scale disaster response training

Reception of Best Practice Award and Special Award in the BCAA Awards 2014, at the Public Forum of the UN World Conference on Disaster Risk Reduction

At the Public Forum of the 3rd UN World Conference on Disaster Risk Reduction, held in March 2015 in Sendai City, Miyagi Prefecture, our Group became the first in the logistics industry to be awarded the Best Practice Award and Special Award in the business continuity category of the BCAA Awards 2014, hosted by the BCAA (Business Continuity Advancement Organization).

For the Best Practice Award, we were evaluated highly on points that included the formulation of BCPs involving all companies under the jurisdiction of SG Holdings, and their implementation as a part of management strategies; and the fact that our training exceeded the bounds of just the Group, extending into a range that included shipper companies, external corporations and organizations, and even foreign countries. Our reception of the Special Award was connected to high praise on the collection of opinions from parties outside the company through stakeholder dialogue sessions with experts, administrative personnel, and shipper companies, and the active incorporation of those opinions into our BCM.

Dialogue with Stakeholders

Continuing on from the large-scale disaster response training, dialogues were also held with stakeholders. Before engaging in these dialogues, presenters participated in actual training to share impressions of the roles and duties of logistics providers in the event of large-scale disasters, which allowed them to hold discussions with a greater sense of real situations.

The dialogue theme was "Aiming for BCP construction and BCM to respond stakeholder demands." The previous year's dialogue was based on the Great East Japan Earthquake and centered on discussions about transportation of public emergency assistance goods, while this year the content extended to "Supply chains built through cooperation between corporations, that will be secured even during disasters."

Dialogue Participants

- Kenji Watanabe, Professor, Graduate School of Engineering, Nagoya Institute of Technology (Facilitator)
- Eigo Nomura, Director, Distribution and Retail Industry Division and Director, Logistics Policy Planning Office, Commerce, Distribution and Industrial Safety Policy Group, Ministry of Economy, Trade and Industry
- Kenta Sakamaki, Minister's Director for Logistics Industries Affairs, Ministry of Land, Infrastructure, Transport and Tourism
- Noriko Takemoto, Education and Research Coordinator, College of Business, Rikkyo University
- Yoshiki Hiruma, Director, Enterprise Resiliency Rated Loan Program, Environmental Initiative & CSR-Support Department, Development Bank of Japan Inc.
- Hirokazu Mori, Resiliency Service General Manager, ITS Operation Department, IBM Japan, Ltd.
- Yoshihiko Watanabe, Director, Wellthy Corporation (Mitsubishi Rayon Group)
- Tsutomu Furumoto, Head of Business Continuity Management Training Center, Fujitsu Ltd.
- Kiichi Suzuki, Managing Director, Sagawa Express Co., Ltd.
- Hiroyuki Uchida, Executive Officer, Head of General Affairs and General Affairs Department General Manager, SG Holdings Co., Ltd.

Main Opinions

- BCPs and other non-financial information are viewed as highly important information by investors. Actively providing information extending as far as BCM is rare even on a global basis.
- BCPs are often perceived from the viewpoint of protective measures, but overseas there is a tendency to perceive them as opportunities.
- Since not many companies in the logistics industry have built BCPs, we would like the scope of these BCPs to be expanded even further in the role as a top runner.
- If investigations are held in advance by both shippers and logistics providers on what will be required in the event of a large-scale disaster, it should be possible to create more effective measures.



Dialogue with Stakeholders

Foundation Activities

The SG Holdings Group has established incorporated foundations to contribute widely to the public good, and continues to conduct various activities to develop local regions and support academics, culture, and next-generation education. *For details, see individual websites (refer to individual URLs).

SGH Public Interest Foundation

<http://www.sgh-foundation.or.jp/>

In April 2015, the Sagawa Foreign Students' Scholarship Foundation, the Sagawa Foundation for Promotion of Cancer Research, and the Sagawa International Economic Cooperation Foundation, with the Sagawa Foreign Students' Scholarship Foundation as the corporation remaining after the merger. At the same time, it changed its name to the "SGH Public Interest Foundation" and embarked on a new start. With the goal of contributing to multifaceted and extensive social activities for the creation of a global and active society, it assists with research and business activities to promote and develop fields such as economics, industry, education, culture, medicine, and social welfare.

Foreign Student Scholarships

We provide scholarships to students from countries in Southeast Asia to attend Japanese universities.

During fiscal 2014, 93 students from 78 universities all over the country applied, of which 16 applicants were selected as our 29th term scholarship students.

At a network event, 28th and 29th term scholarship students and graduates experienced Japanese culture, art, and hospitality.

72 students from 63 universities all over the country applied in fiscal 2015, with 16 scholarship students already selected.



Ngouv Hayliang, giving an expression of thanks 29th Scholarship Student Graduating Class Award Ceremony

Promotion of Cancer Research

We are involved in activities such as offering support and awards to research on basic cancer studies and applied treatments, holding cancer-related lectures and publicly-open citizen courses, and publishing reports on research results.

In fiscal 2014, 214 applications were received from research institutions nationwide, and we provided support to 15 of them. We also presented the Sagawa Special Award and the Sagawa Nursing Care Special Award to people with distinguished achievements in cancer research and the development of nursing care, who also have high promise for future developments.

26th Sagawa Cancer Research Support 15 projects (15 million yen)
12th Sagawa Special Award 2 awards (10 million yen)
12th Sagawa Nursing Care Special Award 2 awards (2 million yen)



Public Lecture 26th Awards Ceremony

International Economic Cooperation

We are engaged in supportive projects for transportation and logistics that support economic and industrial activities (such as donating transport vehicles to developing and emerging countries in Asia, and accepting trainees to study vehicle maintenance skills).

In fiscal 2014, we donated five used trucks to Laos. We also accepted six trainees from China and five trainees from Laos for vehicle maintenance skill training.

In fiscal 2015, we plan to continue to develop the Logistics Human Resources Cultivation Project in Southeast Asian countries introduced as a test project commissioned by the Ministry of Land, Infrastructure, Transport and Tourism in fiscal 2014. We also will investigate and discuss donating vehicles to Myanmar, and accepting trainees from Myanmar to learn vehicle maintenance skills.

Results of accepting trainees for vehicle maintenance skill training (cumulative total from 1987 to 2014)

China, Laos: **total of 193 trainees**

Results of donating repaired used trucks (cumulative total from 1985 to 2014)

China, Mongolia, Laos, Peru, etc: **total of 3,321 vehicles**



Ceremony for donation of vehicles in Laos Vehicle maintenance skill training in Thailand

Sagawa Art Museum Public Interest Foundation

<http://www.sagawa-artmuseum.or.jp/>



The Sagawa Art Museum exists to cultivate creativity and develop culture in citizens through the holding public exhibitions of works of art and handicrafts. The Museum also works to collect, store, and research works of art, as well as to promote activities to spread education with the goal of widely contributing to social creativity as a space for cultural exchange.

The Museum also holds specially planned art exhibitions, focusing on

permanent exhibitions of the works of Ikuo Hirayama, Churyo Sato, and Kichizaemon Raku. The Museum also promotes education through events such as Sagawa Kids Museum (p. 34) and concerts, to cultivate aesthetic sensibility that creates abundant senses of expression and sensitivity.

We will continue to further open the Museum as a place for cultural communication with regional communities.

Specially planned exhibitions

- Ultraman Century Exhibition
From the birth of Ultra Q to Ultraman 80
- Hokusai and Riviere: Two Series of "Thirty-Six Views" and Hokusai Manga
- Kichizaemon X - Shinbei's Raku Ware and Kichizaemon's Hagi Ware
- Art in Wonderland - Magical Museum: The Fantasy of Light and Shadow



"Hokusai and Riviere" summer exhibition for fiscal 2014

Events

- Christmas Festa



Twilight Concert

Main educational activities

- Exhibition-related workshops, and the Sagawa Kids Museum for the children who will be our next generation
Participants: **705**
- Art Appreciation Classes held in cooperation with the Moriyama City (Shiga Prefecture) Board of Education
Participants: **933** (28 classes from 9 public elementary schools)
- Tea ceremonies (seiro and kanro tea ceremonies, roshu tea ceremonies, special commemorative tea ceremonies, ryurei (seated) style tea serving)
Participants: **288**
- Other activities to promote education: Commemorative lectures for exhibitions (2 sessions); Twilight Concert (3 sessions); Welfare Day (2 days)
Total number of participants: **2,114**



Children enjoying their finished creations in the "Let's Make a Pinhole Cinema" workshop



Special commemorative tea ceremony for the exhibition "Kichizaemon X - Shinbei's Raku Ware and Kichizaemon's Hagi Ware"

Promoting forwarding business, Expolanka joins the SG Holdings Group



—Activities of a leading company in CSR that focus on social & environmental contribution

In May 2014, Sri Lanka's largest freight forwarder (international carrier) Expolanka^{*1} became a new addition to the SG Holdings Group by way of an acquisition. With its hubs mainly in South Asia, the Middle East, Africa, the USA, and also a sizable presence in Europe, Expolanka is a leading company in CSR for actively promoting 'Sustainable development of society' and 'Environmental management'.

Through synergy with the company, from a logistics standpoint, SG Holdings Group are strongly underpinning advancement into our customer's international markets and expansion of overseas business, particularly in developing operations in South Asia and African countries that are earmarked for future high economic growth.

^{*1} : Expolanka
Freight forwarder with a HQ in Colombo City.
Expolanka has offices in 45 cities in 18 countries around the world and offer air transportation of apparel in the core territories from Africa in the West to America in the East, and also has a strong agency network in Europe. In South Asia, it is included in the top 10 of the International Air Transport Association (IATA) Ranking. In addition to its core freight & logistics business, Expolanka also plays a role in travel & leisure, international trading & manufacturing, and investment & services sectors.

| | | |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Trade name | Expolanka Holdings PLC | http://www.expolanka.com/home/ |
| Description of business | Freight & Logistics business, travel & leisure international trading & manufacturing, investment & services sectors | |
| Year of establishment | 1978 | |
| Location | Colombo, Sri Lanka | |
| Representative | Chairman of The Board : Nobuaki Kondo Executive Director and CEO : Hanif Yusoof | |
| Number of employees | Consolidated: 2,965 people | |
| Consolidated net sales | 54,379 billion LKR (approx. 43 billion yen) ^{*2} | |

^{*2} : Information listed in March 2013 financial results
Calculated by 1LKR = 0.79JPY

Top Message

From inception, Expolanka's corporate philosophy was built on integrity, reliability and ethical business practices. Our vision for the future is entrenched in sustainability. Our CSR vision pledges 'to be a leader in enhancing long term sustainability of not only within our business but also within the communities we function in.'

As such, the Group's corporate strategy is fused with its sustainability strategy creating a scenario where all corporate objectives are directly aligned to sustainability objectives. In a nutshell, the intent therefore is to create a multiplier effect of positive, broadly contributing sustainable outcomes that will shape society, economy and the environment.



Executive Director and CEO
Hanif Yusoof

CSR Vision

Expolanka Group's CSR Vision prescribes 'to be a leader in enhancing the long term sustainability of the communities it serves; our CSR practices will be integrated throughout our business operations and will deliver social, economic and environmental benefits to our employees, communities and other stakeholders, while delivering a business advantage to our organization.'

We have nominated the five important areas of 'Environment, Health, Education, Community Development and Disaster Relief' as the pillar of our CSR activities.



Sri Lanka's first "Carbon Neutral certification" acquired company

Expolanka Freight Ltd (EFL), which is a core company of Expolanka Group, received Carbon Neutral recertification in FY2014. Since becoming the first freight & logistics company to acquire certification in Sri Lanka in the previous year, the company has become an industry leader in contributing to reducing the carbon footprint.

Achieving Carbon Neutral status is one of the logistic company group's main sustainability targets.

Expolanka aims to continue being a model company within Sri Lanka in business activities and environmental consciousness.



Carbon Neutral certificate

To protect biodiversity Participation in tree planting activities for World Environment Day

Sri Lanka is globally renowned for its rich biodiversity. However, due to destruction to forests caused by deforestation and use of pesticides, currently only 4% of the country's land area is covered by rain forest.

Expolanka Group participated in 'World Environment Day 2014'. Between Sinharaja and Kaneriya, where the damage to the rain forest is significant, Expolanka has established a corridor of biodiversity by planting more than 1,000 trees. In addition, through such activities, the Group also implemented a project that will contribute to improving the lives of the people in the traditional inhabited areas of the surrounding area.



Participating in tree-planting activities in Hiniduma (Sri Lanka)

To conserve water resources Sponsoring the World Water Day project

Expolanka Group, by cooperating with the United Nations Development Program (UNDP) and Sri Lanka's Ministry of the Environment and Renewable Energy, has shown renewed commitment to protecting the environment and, in particular, conserving water resources through financially supporting the 'Every Drop Matters (EDM)' project. The project was launched on World Water Day on March 22 and is intended to raise

water-saving consciousness among residents in the area surrounding Seethawaka facing the Kelani River.

* 'Every Drop Matters' means 'Each and every single drop is important to us.'



Financial support to EDM projects

EDM ceremony

Participating in startup business support programs

In March 2014, the third Venture Engine event, a startup business support program, was held in Colombo. Over 100 plans were received and finally narrowed down to 14 plans were the startup entrepreneurs presented to a panel of angel investors from Sri Lanka and India.

The most potential 3 were chosen and given trophies and cash prizes at the finale. However, almost all of the final 14 received funding to transform their plans into actual businesses.

Although Expolanka Group has since grown to become Sri Lanka's leading business group, in the 1970s it started from a single business premises. This entrepreneur spirit is inherent in its corporate DNA, giving strong support as a leading sponsor of the Venture Engine programme. This event, in the past three years has raised funding of over 500 million LKR.



Winner 'Intellocut', of the Venture Engine programme receiving his award

Offering affordable health care to people with lower income

Expo Medix is a health clinic run by Expolanka Group. This is for people in the lower income bracket, who are generally unable to receive expensive private health care from medical organizations or adequate emergency medical treatment. Presently, we have opened clinics in eight locations within Colombo and suburbs where each month over 5,000 people receive consultation. Giving precedence to our local communities in all of our activities is rooted in our Group's business culture.



Medical care at Expo Medix

Other Major Initiatives by International Group Companies

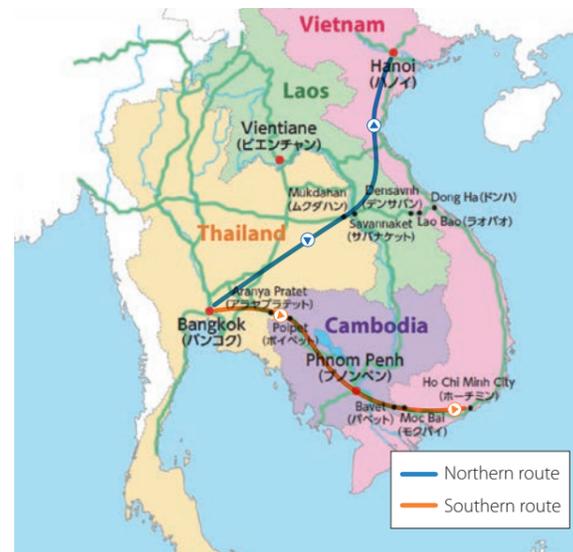
The SG Holdings Group continues to increase convenience for our stakeholders and solve social issues through our international businesses and services.

SG Holdings Global SG Sagawa (Thailand) Sagawa Express Vietnam

Commission for Investigation by the Ministry of Land, Infrastructure, Transport and Tourism

SG Holdings has received a commission for the Project to Investigate the Feasibility of and Issues Related to Cross-Border Express Delivery Transportation in the Mekong Region*, by the Ministry of Land, Infrastructure, Transport and Tourism. With cooperation from the international Group companies SG Holdings Global, SG Sagawa (Thailand) (former company name: Sagawa Express Thai Container Distribution Service), and Sagawa Express Vietnam, a cross-border express delivery transportation test (using 2 routes, northern and southern) was conducted in this region in March 2015. This transportation test was the first initiative involving mixed loading of commercial-purpose cargo and small lots of cargo for individuals into a single container, and through the test the issues involving transportation in this region were clarified. We will continue to investigate the improvement of transportation services while coordinating within our Group, to resolve these issues and to realize cross-border express delivery transportation in this region.

*Mekong region: Vietnam, Cambodia, Thailand, Laos, Myanmar



Sagawa Express Singapore and SG Holdings Global Participation in Charity Marathon

Two teams from Sagawa Express Singapore and SG Holdings Global participated jointly in the long-distance relay category of the Standard Chartered Marathon Singapore 2014, a marathon event held in Singapore in December 2014. At that time, donations totaling S\$1,220 were made to the Make-A-Wish Foundation, an organization which carries out activities to give children facing serious illnesses the hope, strength, and joy needed to survive.



Long-distance relay participants

Shanghai Dazhong Sagawa Logistics Co., Ltd. Certification as a Credible Enterprise Corporation

In October 2014, Shanghai Dazhong Sagawa Logistics Co., Ltd. was certified as a "credible enterprise" corporation by the Committee for Shanghai Credible Enterprise Campaign and the Shanghai Transportation Association. This is a certification presented to corporations recommended by the Shanghai Transportation Bureau, who have built an honest and sincere market environment that strictly follows ethical business practices. This company is the only Japan-affiliated logistics company to have received it.



Credible Enterprise Certificate

Sagawa Express Vietnam Support for Joint Japan-Vietnam Movie

Sagawa Express Vietnam gave its support to the first joint Japan-Vietnam movie, "Blown by the Vietnam Wind," produced in commemoration of the 40th anniversary of the founding of the country of Vietnam. As part of the cultural exchange between both countries in the production of this movie, a subsidy was received from the Japan Agency for Cultural Affairs. This cooperative effort was made possible by the friendly relationships built by the SG Holdings Group with Vietnam since its entry into the country, ahead of the rest of the industry. In the movie, boxes showing our Group logo are used in scenes depicting goods transported during moving or express deliveries from Japan.

Cleanup Activity

Sagawa Express Vietnam regularly engages in cleanup activities of the areas around its offices, to exist in harmony with the local region.



Cleaning up the area around an office

SG Holdings Group Third Party Opinions Regarding "CSR Report 2015"

Positively-rated Aspects

In continuation from last year, I believe this is a good CSR report that reflects the innovative corporate stance taken by the SG Holdings Group, shown by their corporate philosophy of "Trust, Create, Challenge". As stated in the introductory message, the business environment surrounding the SG Holdings Group has been changing greatly in recent years. It can be fully understood from reading this report how much this Group is attempting to achieve its management vision of "Creating new value by utilizing management resources and deepening cooperation inside and outside of the Group, while aiming to strengthen our management foundation and achieve lasting growth," even as the domestic and overseas social environments are approaching a period of transition. The report includes information on the work situations of individual stakeholders and many honest opinions from on-site personnel, and really shows the character of the Group.

Fiscal 2014 marked the second year of the mid-term management plan called the Third Stage Plan. With regards to the three topics of "Pursuing Group synergy," "Expanding global businesses," and "Reforming business models," new measures such as the inauguration of the strategic sales development team "GOAL" (p. 21), Group inclusion of the largest freight forwarder in Sri Lanka, EXPOLANKA HOLDINGS PLC (p. 11, 44, 45), the launch of Smart Delivery (p. 22), and facility management solutions (p. 13), are being started. I would also like to commend the Group on fully applying the strengths possessed by large-scale logistics centers and proceeding steadily with CSR that takes great consideration for the needs of society and people, such as by utilizing logistics to contribute to activities for creating cities with great appeal.

Compared to the previous version of this report, the greatest advancement I can see is the identification of the six material CSR issues based on ISO26000, and the setting of activity themes, mid-term goals, and action plans for each material issue (p. 16, 17). Setting such items are essential in enhancing the viability of this Group's CSR, from the standpoints of both developing a sustainable society and achieving sustainable business growth. I believe we can look forward to even more in-depth CSR activities through elaboration of the mid-term goals and action plans, and application of the PDCA cycle.

From the environmental perspective, this fiscal year the SG Holdings

Group has enacted new environmental philosophies and policies (p. 24). In the past, this Group has actively engaged in environment-related initiatives based on its business characteristics, being one of the first in the logistics industry to publicly announce the amounts of its CO₂ emissions throughout its supply chain, and taking the lead in introducing low-emission vehicles. I would like to evaluate the Group very highly for promoting business activities with the goal of harmonious existence with the environment.

Future Requests

The SG Holdings Group established its Business Partner CSR Guidelines in fiscal 2014. With concern for ensuring human rights and protecting the environment growing across the world, enacting guidelines such as these show this Group's high awareness of governance. I look forward to the promotion of suitable supply chain CSR measures in accordance with these guidelines together with stakeholders in individual countries as it proceeds with global deployment.

Looking toward the domestic business environment, the problem of a lack of vehicle drivers is evident and will only become more serious in the future. Along with arranging further improvements in productivity over medium and long distances, and preparing environments that are easy to work in by deepening the understanding of diversity (activities of women and the elderly) over the "last-mile," reforms to the current business models are likely to also be required. I would like for the SG Holdings Group to proceed with CSR activities through their main businesses, by continuing to provide services reliably and at suitable costs, with no disruptions to the logistics operations that are part of society's infrastructure.



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