



CSR Report 2016

Corporate
Social
Responsibility
Report



”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.



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Editing Policy

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.” This time, we have included a special feature on “GOAL®,” our advanced logistics project team. Also, 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 (4rd Edition)”

ISO26000 (Guidance on social responsibility)

*GRI: Abbreviation of Global Reporting Initiative. An international independent standards organization whose goal is to create international guidelines for sustainability reports and make them widely known.

Website

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

Report Period

March 21, 2015 - March 20, 2016

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

Organizations Subject to Reporting

SG Holdings Group Companies and Foundations

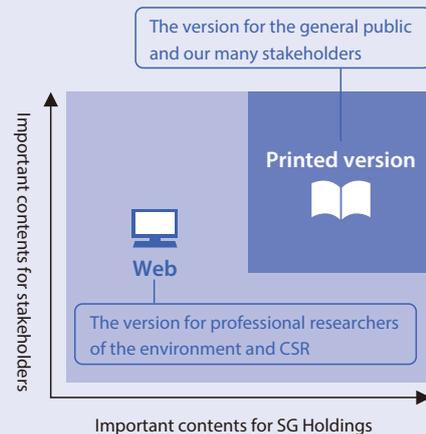
*Group-wide business initiatives are referred to as SG Holdings Group initiatives or our Group’s initiatives.

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

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).

The printed version is intended for the general public and our many stakeholders, while the online version is for professional researchers of the environment and CSR. The printed version describes initiatives we particularly want to introduce to readers. 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.

Our CSR Report 2016 website is written in accordance with the GRI’s 2013 Sustainability Reporting Guidelines (G4 Core).



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.

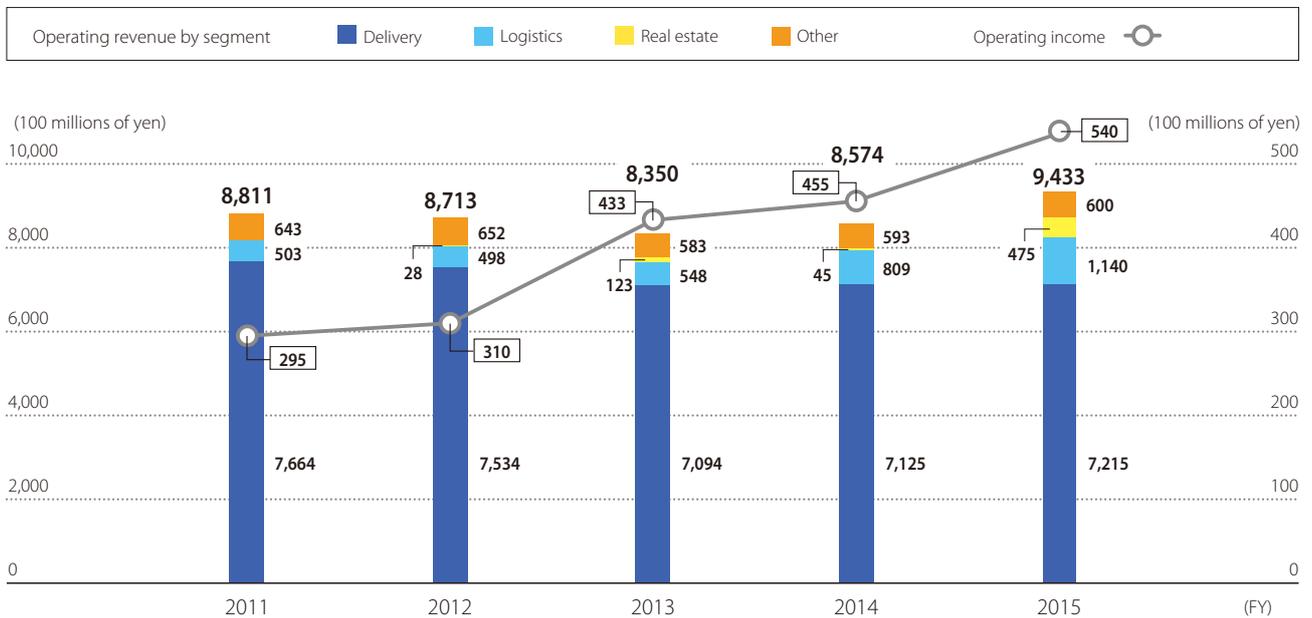
Head Office Location: 68, Tsunoda-cho, Kamitoba, Minami-ku, Kyoto, Japan

Established: March, 2006

Capital: 11,882 million yen

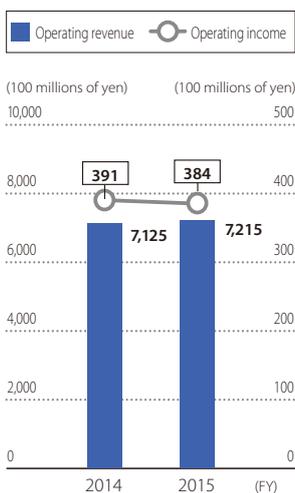
Employees: 83,954 (consolidated / for March 2016 period)

Consolidated Performance

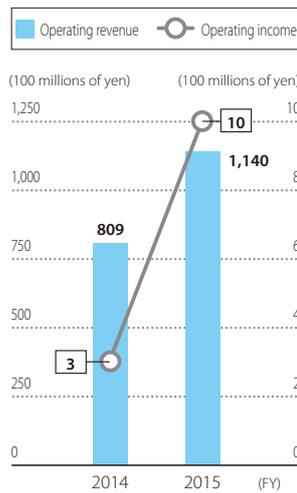


Note: Since fiscal 2013 we have changed our calculations per segment to cover four businesses, including real estate, and adjusted the figures for fiscal 2012 accordingly. The figures for fiscal year 2011 are based on the previous method of the three business segments; delivery, logistics and other.

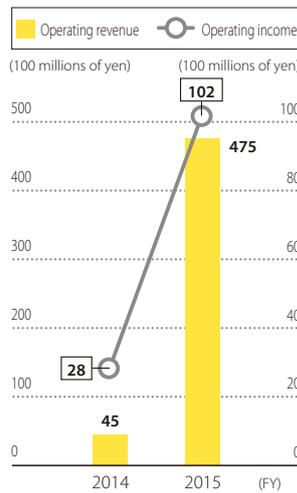
Delivery Business



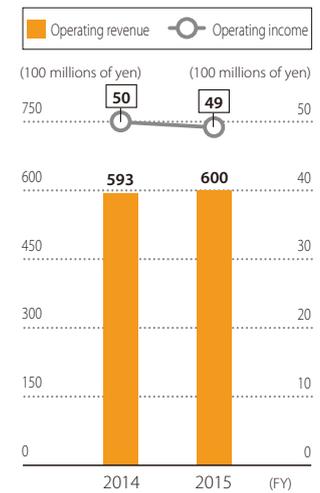
Logistics Business



Real Estate Business



Other Business



Message from Chairperson and President

Become Asia's Leading Comprehensive Logistics Group

Contributing to the development of a sustainable society by reflecting the challenges and hopes of society in our business activities

The SG Holdings Group Corporate Philosophy is as follows: “Trust” (earn the trust of customers and society and grow together); “Create” (create new value and contribute to social development); “Challenge” (always take on the challenges presented to us, pursuing all possibilities). Our Group aims to contribute to the development of a sustainable society by implementing this corporate philosophy.



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

“New Mid-Term Management Plan” and “Material CSR Issues”

In fiscal 2016 we launched our new mid-term management plan “First Stage 2018 (2016-2018).” (See pp.6-7) We are working to expand our business under a long-term management vision of “Become Asia’s Leading Comprehensive Logistics Group” which is the basis for our Mid-Term Management Plan. As we work towards achieving this vision, we have formulated five basic strategies as part of “First Stage 2018.”

The first basic strategy is to “Ensure sustainable development through productivity improvement and evolution of comprehensive logistics solutions.” We will provide added value by utilizing a variety of resources, including our IT and settlement services, global networks, and the delivery and logistics capabilities of SG Holdings Group.

The second basic strategy is to “Develop global logistics network through the strengthening and integration of domestic and overseas businesses.” We aim to establish a global logistics network by strengthening our forwarding business in partnership with EXPOLANKA, which has a strong presence in locations such as South Asia and Europe. What’s more, we will work to expand our delivery and logistics business overseas, and to promote the construction of an express delivery network and development of a refrigerated transport network.

The third basic strategy is to “Increase in value and optimization of peripheral logistics businesses.” We will strengthen and optimize our business by creating new services in numerous fields, including real estate and settlement services, in partnership with our delivery and logistics businesses.

The fourth basic strategy is to “Establish HR management system and utilize diversified human resources.” In order to continue securing the outstanding human resources needed to support the evolution of a global company, it is essential to carry out appropriate hiring, training, and human resources management, and to achieve an appropriate work-life balance for all employees. For this reason, we will work to develop our human resources management systems.

Lastly, the fifth basic strategy is to “Utilize the latest technology to deliver superior solution to our customers and streamline business activities.” We aim to provide new services to our customers and achieve quality and productivity improvements

by using the new technologies that arise through technological progress, including the use of AI (artificial intelligence), automated driving technology, Big Data and robots.

Our social environment is undergoing major changes, including changes to our business activities and lifestyles brought about by the globalization of the economy, the falling birthrate and ageing population, environmental problems and technological progress. We are aware of just how important it is to run our business from a CSR perspective in order to handle the increasingly diverse needs of our customers and to help overcome the challenges facing society. SG Holdings Group has established “Material CSR Issues” (see p.17) and promoted measures aimed at tackling these issues. Furthermore, we have promoted ongoing strengthening of management across the group as a whole with the goal of practicing CSR in a way that takes into account the business characteristics of each company.

Measures implemented in fiscal 2015

In fiscal 2015, we made a major contribution to the achievement of cross-group business expansion by proposing solutions led by our advanced logistics project team GOAL® (GO Advanced Logistics). In fields in which logistics operators have not traditionally been involved, such as the management, delivery and installation of building materials at construction sites for large structures, etc., we have reconstructed SG Holdings Group’s logistics supply chain management, and achieved efficient site operations and the optimization of inventories. We have continued to evolve our business in order to provide a better service, including the introduction of Smart Delivery® at approximately 150 bases with the aim of developing our service content. We offer a “temporary luggage storage” service for travelers at tourist locations, as well as temporary hand baggage storage and same-day luggage delivery to hotels.

We have taken the lead in our industry in promoting environmental initiatives. These have included reducing CO₂ emissions in our overall business activities in order to reduce our impact on the environment, expanding the scope of our carbon neutral accreditation acquired under the Ministry of the Environment, continuing to introduce environment-friendly vehicles, and promoting logistics for facilities at large-scale complexes.

In our global business, as part of our efforts to promote the development of our global logistics network by strengthening our forwarding business and expanding our customer base, we formed a capital and business alliance with Hitachi Transport System, Ltd. in March 2016 in order to establish a robust platform for providing integrated logistics in a way

that seamlessly links deliveries with 3PL. This will allow us to achieve Japanese delivery quality in promising markets, such as Southeast Asia, China and India, which are experiencing remarkable growth, and to expand our “last mile” network.

In terms of our efforts to support the growth of the group and build an organization that is capable of creating value, we have aimed to utilize diverse human resources, create businesses that encourage the participation of women, expand work fields, and promote the hiring and utilization of global human resources.

A message to our stakeholders

We believe that CSR at SG Holdings Group means that each and every employee is putting into practice our corporate philosophy of “Trust, Create, Challenge” in cooperation with our stakeholders, with the aim of developing a sustainable society. As we launch our new mid-term management plan, “First Stage 2018”, and set about the taking the next leap forward towards “Become Asia’s Leading Comprehensive Logistics Group” as set out in our long-term management vision, we will pursue our business and initiatives in ways that take into account the challenges and hopes of society.

Furthermore, so that SG Holdings Group continues to be needed by our stakeholders, we believe it is important to continue providing reliable logistics as a part of society’s infrastructure and to make an even larger contribution to society through our business. What’s more, as a corporate group that has developed a global business, we recognize our responsibility to take a serious approach to overcoming the challenges faced in each country and region and meet the expectations for SG Holdings Group.

Moving forward, we will carry out active communication with our stakeholders, be sensitive to any changes in our environment and the challenges or expectations we face, and execute our business and initiatives in ways that allow us to meet the demands of society.

We look forward to your ongoing support.

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

Mid-Term Management Plan

Third Stage Plan (2013-2015)

Aiming to build group synergy



Mid-Term Management Plan

SG Holdings was established in 2006. In 2007, we launched our Medium to Long-Term Management Plan with the aim of realizing our management vision. This was composed of three-year plans (mid-term management plans) set out in three stages, under which we promoted our business activities based on certain themes: in the First Stage Plan (2007-2009), we built a business platform; and in the Second Stage Plan (2010-2012), we expanded our business fields.

In the Third Stage Plan (2013-2015), we built new business models that make use of group synergy and promoted further global developments based on a theme of “synergy, innovation and speed.” Here, we have summarized the results of the Third Stage Plan, as the final year of the Medium to Long-Term Management Plan.

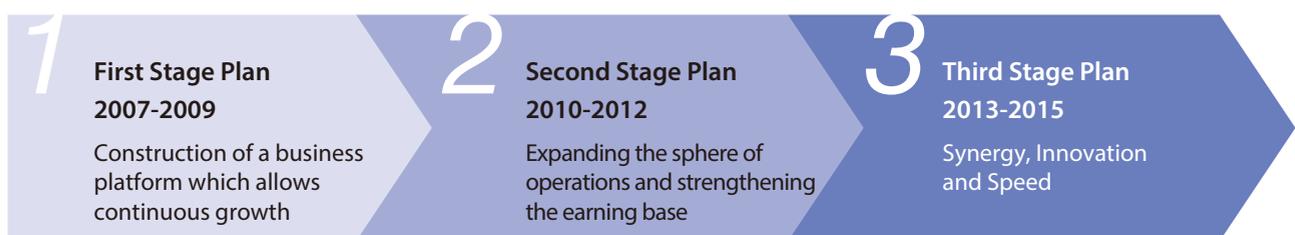
Vision and themes of the Medium to Long-Term Management Plan (2007–2015)

● Management Vision

Create 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.

We will swiftly respond to changes in our customers' needs and the market environment, continue to revolutionize and make new challenges for growth long into the future, creating new value, and striving to establish businesses that will become the second, third, and fourth pillars of the Group.

● Theme



Third Stage Plan(2013-2015)

1. Maximize the Group's earning capability
2. Enhance the comprehensive strength of the Group by expanding business areas
3. Reinforce and enhance operating platforms
4. Fully adopt stakeholder management

Summary of the Third Stage Plan (2013-2015)

Results

- Achieved a cross-group business expansion by proposing solutions led by the advanced logistics project team GOAL*
- Formed a private REIT and established a comprehensive real estate business, integrated from development through to sales
- Strengthened our Asian network through the acquisition of EXPOLANKA HOLDINGS PLC

* GOAL® is a registered trademark of SG Holdings Co., Ltd.

First Stage 2018 (2016-2018)

Become Asia's Leading Comprehensive Logistics Group

New Mid-Term Management Plan

In fiscal 2016, we launched our new mid-term management plan "First Stage 2018 (2016-2018)." The social environment surrounding SG Holdings Group is changing at a dizzying pace: a labor shortage has resulted from the declining birthrate and aging population, the economy has become increasingly globalized and companies have invested in new technologies and new industrial fields, there has been strong growth in Asia (including ASEAN, China and India), Japanese companies have made overseas investments, and the spread of e-commerce has resulted in an increase in the number of express deliveries. Recently, there has been an increasing trend towards restructuring in the logistics industry, including the rapid pursuit of M&As by logistics operators in both Japan and overseas.

In response to this trend, First Stage 2018 sets out a route-map to reforms aimed at achieving further sustainable growth. Taking new steps towards becoming Asia's leading comprehensive logistics group.

Basic strategies of First Stage 2018

1. Ensure sustainable development through productivity improvement and evolution of comprehensive logistics solutions
2. Develop global logistics network through the strengthening and integration of domestic and overseas businesses
3. Increase in value and optimization of peripheral logistics businesses
4. Establish HR management system and utilize diversified human resources
5. Utilize the latest technology to deliver superior solution to our customers and streamline business activities



Priority measures

1. GOAL®

SG Holdings Group aims to develop integrated logistics solutions that support our customers' value chains by utilizing our proposal capabilities and synergy in fields such as deliveries, logistics, IT, settlement services, and global business. In addition to further strengthening upstream sales in the supply chain, we aim to develop further synergy through active investments in new markets, such as medicine, healthcare and cold chains.

2. Overseas business

In addition to developing our business platform in Asia, we aim to establish a global logistics network by using the strengths of EXPOLANKA HOLDINGS PLC to enhance our forwarding network. We will continue to strengthen our deliveries and logistics businesses in Asian countries in a way that utilizes the know-how of our group.

3. Logistics-related business

We will strengthen all logistics-related fields, in partnership with our deliveries and logistics business. In our real estate business, we will carry out competitive real estate investments in conjunction with our logistics business. In our settlement service business, we aim to construct new settlement services based on our logistics-related settlement service, e-collect®.

4. Human resources management

We aim to secure talented human resources and labor by developing systems to hire, train and manage our human resources. We have set the following priority themes: "Utilization of diverse human resources"; "Reforming employees' work style"; and "Life support". We aim to build an organization that continues to produce competitive and talented human resources through the construction and operation of a new human resources management cycle.

5. Utilization of new technologies

We aim to provide our customers with new services and to achieve quality and productivity improvements by using the new technologies that arise through technological progress, including automation technology and robots that promote labor-saving and efficiency improvements achieved through the automation of warehouse operations.

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 efforts 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.

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.

Carries out development, application, and management of logistics facilities.

⑧ SG Assetmax Co., Ltd.

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

Delivery Business

We provide one-stop solutions not limited to simple transportation services and we resolve customer issues from a logistics perspective through coordination with our Group companies.

Logistics Business

We utilize the network we have established and spread across the entire country to provide complete logistics solutions that can resolve customer logistics issues.

Real Estate Business

While managing and operating our Group's real estate facilities, we are also involved in the development, application, and management of real estate and facility infrastructures centered on logistics.

Other Business

Our Group companies are involved in a variety of businesses, even in fields serving as business foundations such as finance, IT, and human resources cultivation.



Other Business

⑨ Sagawa Advance Co., Ltd.

Offers general services such as insurance business, travel business, and product development business.

⑩ SG Motors Co., Ltd.

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

⑮ Sagawa Forestry Co., Ltd.

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

⑮ Nouvelle Golf Club Co., Ltd.

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

⑭ SG Expert Co., Ltd.

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

⑬ SG Fielder Co., Ltd.

Offers outsourcing services of personnel such as warehouse related business.

⑫ Sagawa Financial Co., Ltd.

Offers financial services including e-collect® COD service.

⑪ SG Systems Co., Ltd.

Deploys businesses such as development and operation of package tracking and shipment support systems that are among the largest in the country.

Overseas companies

In addition to its companies in Japan, the SG Holdings Group, centered in Singapore and Sri Lanka, owns roughly 100 affiliated companies (of which 62 companies are related to overseas logistics businesses) in 24 countries and regions around Asia, the Pacific Ocean and Indian Ocean, and is developing international businesses.



① SG Holdings Global Pte. Ltd.

Supervision of our Group's international businesses (planning for international business, strategy formulation, fund raising, funding international subsidiaries, and other management operations).

East Asia

② Shanghai Poly-Sagawa Logistics Co., Ltd.

Freight Forwarding^{*1} / Logistics (storage, logistics processing, 3PL) / International express delivery^{*2}

*1 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.

*2 A service to transport small packages with fast turnaround using international air freight.

③ Poly-Sagawa Logistics Co., Ltd.

Freight Forwarding / Logistics (storage, logistics processing, 3PL) / International express delivery

*Sales branches: Beijing, Dalian, Tianjin, Qingdao, and Guangzhou

④ Shanghai Dazhong Sagawa Logistics Co., Ltd.

Delivery (express delivery, consolidated delivery, etc.) within Shanghai and its surrounding areas, as well as cash-on-delivery services and logistics

⑤ Wuxi Feisu Logistics Information Technology Co., Ltd.

Development and sales of logistics and mail-order ordering systems within China

⑥ Sagawa Express (H.K.) Co., Ltd.

Freight Forwarding / Logistics (storage, logistics processing, 3PL) / International express delivery

⑦ Sagawa Express International Taiwan Corp.

Freight Forwarding / Logistics (storage, logistics processing, 3PL) / International express delivery

⑧ Sagawa Logistics Korea Co., Ltd.

Freight Forwarding / Logistics (storage, logistics processing, 3PL) / International express delivery

Southeast Asia

⑨ Sagawa Express Philippines, Inc.

Freight forwarding / Delivery (such as domestic delivery and overseas moving) / International express delivery

⑩ Sagawa Global Logistics (Philippines) Inc.

Logistics (bonded warehouse)

⑪ Sagawa Express (Thailand) Co., Ltd.

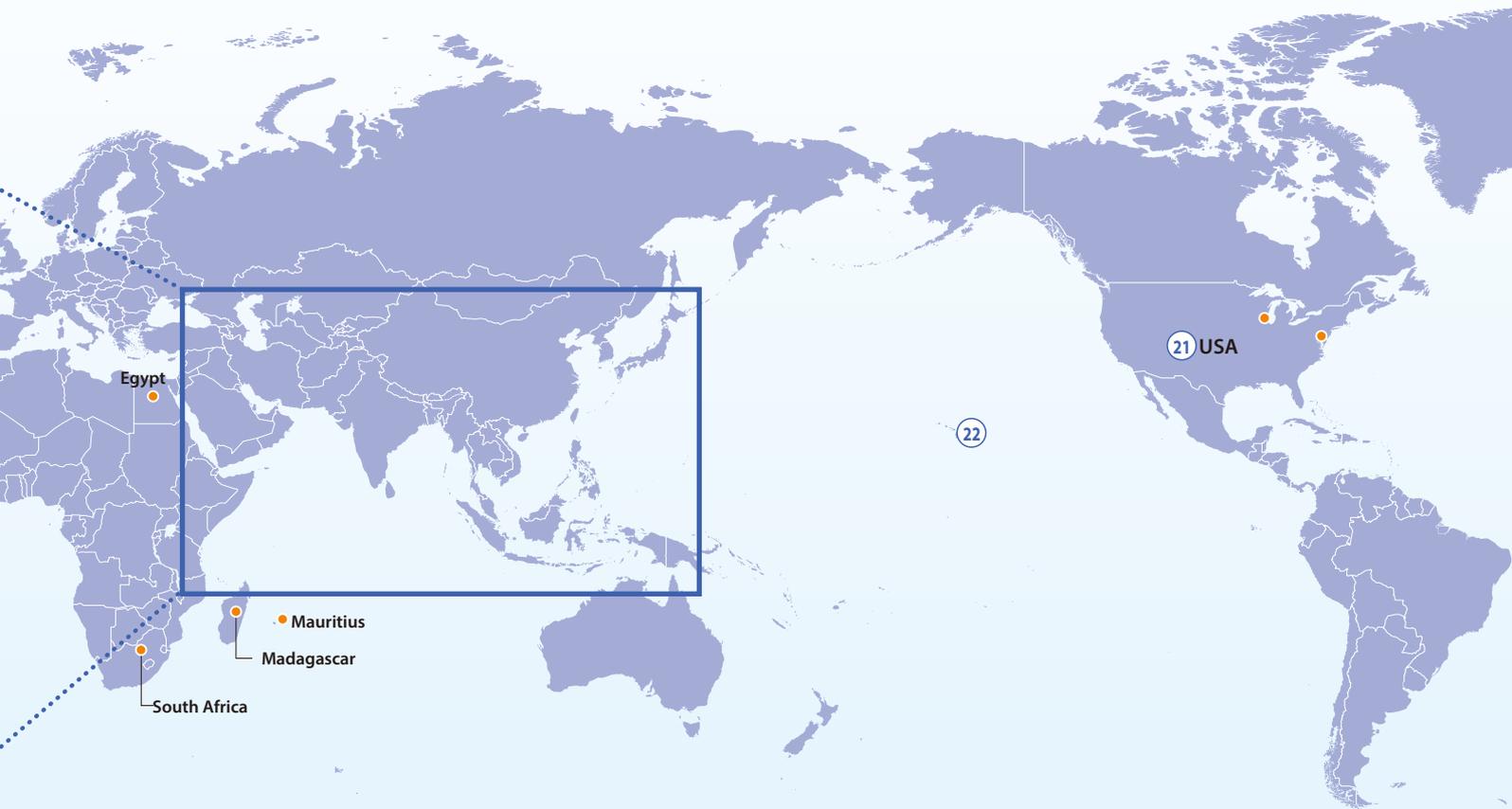
⑫ SG Sagawa (Thailand) Co., Ltd.

Freight forwarding / Logistics (storage, logistics processing, 3PL) / Delivery (domestic delivery, cross-border delivery) / International express delivery

⑬ Sagawa Express Vietnam Co., Ltd.

⑭ SG Sagawa Vietnam Co., Ltd.

Freight forwarding / Logistics (storage, logistics processing, 3PL) / Delivery (door-to-door delivery, domestic delivery, cross-border delivery) / International express delivery



● Head office location of EXPOLANKA HOLDINGS PLC

- ⑮ **Sagawa Global Logistics (Malaysia) Sdn. Bhd.**
Freight Forwarding / Logistics
- ⑯ **Sagawa Customs Brokerage (Malaysia) Sdn. Bhd.**
Export and import customs clearance
- ⑰ **Sagawa Express Singapore Pte. Ltd.**
Freight Forwarding / Logistics / International express delivery
- ⑱ **SG Sagawa Ameroid Pte. Ltd.**
Logistics / Delivery (domestic delivery)
- ⑲ **PT. Sagawa Express Indonesia**
Freight Forwarding / International express delivery

South Asia

- ⑳ **Expolanka Holdings Plc**
Core enterprises: Expolanka Freight (Pvt) Ltd.
With its Head Office set up in Sri Lanka, it owns 20 offices within India. It deploys businesses focusing on freight forwarding, with its strength lying in its network in the regions of South Asia, the Middle East, Africa, Europe, and North America.

North America

- ㉑ **SG SAGAWA USA, INC.**
Freight Forwarding / Logistics (storage, logistics processing, 3PL) / International express delivery
- ㉒ **SAGAWA EXPRESS HAWAII, INC.**
International express delivery



Close-up

Support Activities for Areas Affected by the Kumamoto Earthquakes

To return to everyday life as quickly as possible

We extend our deepest sympathies to the victims of the Kumamoto Earthquakes. The SG Holdings Group implemented its Group BCP*, which was built and enhanced based on its past experience in responding to disasters, and took steps toward continuing business and engaging in support activities. We are continuing to apply the efforts of the entire company so that the disaster-stricken areas can recover as quickly as possible.

*BCP (Business Continuity Plan): A company-wide action plan configured in advance so that business activities can be continued if an unforeseen event such as a disaster or accident occurs.

Start of Sales Office Pickup Services

In addition to standard express delivery services, Sagawa Express has started Sales Office Pickup Services allowing customers to make cargo pickups at Sales Offices, ahead of any of our competitors. We considered it very important to begin this

service as soon as possible, to address the wishes of customers desiring to pick up cargo or send goods to disaster-stricken areas even when disrupted road networks or other conditions make it difficult to provide standard express delivery services.



The Kumamoto Sales Office, which started Sales Office Pickup Services



Relief supplies which poured in from across the country



Cargo sent with heartfelt wishes "Please send it to the disaster area."

Transporting supplies to evacuation shelters

In areas with particularly extensive damage such as Mashiki Town in Kamimashiki District, Kumamoto Prefecture, we carried out activities to transport relief supplies in cooperation with the Japan Self-Defense Force.

Sagawa Express has concluded cooperative disaster relief

agreements with the government as well as with local governments, universities, and other parties across the country. (⇒ see p.31) These agreements arrange for cooperative efforts in transporting emergency supplies and managing emergency supply hubs in times of disaster.



Delivering supplies to the Mashiki Town Office



Separating supplies at a supply collection point



We have been developed our BCP based on experiences

The SG Holdings Group has taken steps to upgrade and enhance its crisis management system.

Our quick initial response measures based on our BCP fully apply the extensive experience we have gained from the Great Hanshin Earthquake and Great East Japan Earthquake.

From “sending aid to affected areas” to “sending aid to each victim”

The foundation for the construction of our Group’s BCP was our experience from the Great Hanshin Earthquake and the Great East Japan Earthquake.

Sagawa Express carried out quick support activities for the 1995 Great Hanshin Earthquake, which included transporting emergency supplies. During the period from January 30 to April

1 of that year, we gathered together support personnel from across the country and carried out activities so that relief supplies could be sent to disaster victims as quickly as possible. We established a foundation for support activities to properly respond to the needs of disaster victims by thoroughly collecting and sharing information.



In order to quickly and reliably deliver supplies to disaster victims awaiting them, we used Shin-Kobe Station as a temporary collection and distribution hub and delivered them to evacuation shelters in Kobe city.

“Deliver needed goods as needed to the people who need them”

Even at the time of the Great East Japan Earthquake which occurred on March 11, 2011, Sagawa Express collected regional information when carrying out deliveries, and responded to this information in ways such as making changes to the goods to be sent, in accordance with changes in the evacuation conditions. We also delivered goods to locations other than evacuation shelters depending on necessity. As time passes, the supplies required by disaster victims in affected areas change. The information collected by Sagawa Express was shared with cities and the Japan Self-Defense Force, proving highly valuable in properly responding to the needs of disaster victims for supplies. We also proposed improvements to the operation of supply collection points to cities and the Self-Defense Force, and promoted fundamental system arrangements for their operation as logistics hubs. Furthermore, we placed a high priority on resuming our express delivery services as quickly as possible, and on March 17 of the same year, we resumed our Sales Office Pickup Services which allowed customers to make cargo pickups at our Sales Offices. Even after this, we worked on restoring our standard services and were able to return, for the most part, to our normal operations within around 2 weeks after the disaster had occurred.



We delivered necessary supplies to evacuation shelters and individual residences

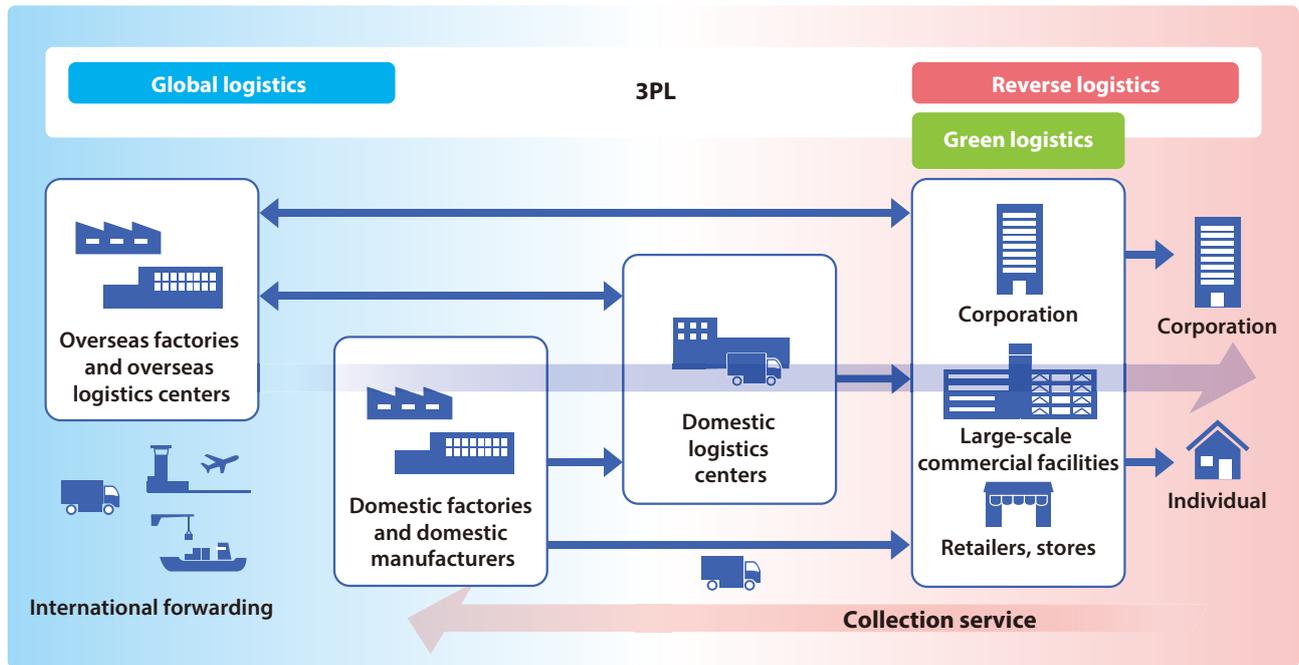
**The SG Holdings Group will continue to fulfill its social responsibilities
as a leading logistics group.**

Highlight

Resolving Customer Issues with “GOAL®” by Optimizing Overall Logistics

“GOAL®” is the SG Holdings Group’s advanced logistics project team. It strives to optimize overall logistics and improve the added value of solutions in response to the potential needs of both domestic and overseas customers, regardless of business type. This special feature introduces some of its initiatives.

GOAL®’s Priority Areas



What is the advanced logistics project team “GOAL®”?

Today, product life cycles are becoming shorter, service-related competition is becoming more intense, and business is becoming more global. Our Group can offer proposals to customers faced with issues arising from such changes in the market environment, on the key point of improving the efficiency of management by optimizing overall logistics. The advanced logistics project team “GOAL®” is the group that can provide these proposals. Its name “GOAL®” is derived from the initial letters of “GO Advanced Logistics”. It refers to its existence as a specialized organization that can press on toward the “goal” of resolving logistics issues together with customers by providing advanced logistics. The roughly 150 members of “GOAL®”, consisting of experts in various fields, combine the nationwide network of Sagawa Express with the diverse resources and functions possessed by our Group companies, to provide one-stop coordination of overall logistics. Through “GOAL®”, our Group is contributing to the further growth and development of our customers while also assisting in the resolution of various social issues.

* GOAL® is a registered trademark of SG Holdings Co., Ltd.

● Examples of “GOAL®”’s Total Solutions

Smart Delivery®	A delivery service offering custom tailored services to suit each customer’s needs and expectations.
Global logistics	Provides intermodal transportation services that coordinate logistics hubs in countries around the world with our domestic network.
3PL	3PL that combines warehouse facilities, storage spaces, distribution processing services, and multi-transformational services is provided on a one-stop basis through synergy between Group companies.
Reverse logistics	Optimal reverse logistics is provided that includes the collection of returned products and follow-up support functions (product buy-backs and repurchases).
Green logistics	Provides facility logistics services to large-scale composite facilities, office buildings, and mass retailers for increasing logistics efficiency, reducing environmental impact, and improving safety in surrounding areas.
Consulting	Reviews office placement and transportation/delivery methods, and examines and improves customer logistics from various viewpoints including internal warehouse operations and storage methods.

CASE 1 Kobori Sake Brewery

A one-stop solution for sending frozen sake overseas under thorough temperature control

Social Issue

While the overseas demand for unique and distinctive types of Japanese sake is on the rise, there were previously no logistics companies able to transport frozen products at temperatures of -18°C or lower to overseas markets.

Our Solution

We proposed a one-stop logistics process using the synergy between the transportation quality of our Hikyaku Cool Express and the overseas exporting know-how of SGH Global Japan.

Value Provided to Society

Smooth export transactions under frozen conditions became possible, expanding the sales channels for customer companies. We were able to contribute to introducing Japan's rich food culture to export destination countries.

The “Japanese food boom” occurring overseas is a valuable market expansion opportunity for companies involved with food production businesses. The Kobori Sake Brewery, a long-standing brewery in Hakusan City, Ishikawa Prefecture, has exported Japanese sake to locations primarily in Asia for the past 10 years. In spring of 2015, it received a request from a regular customer in Shanghai for unusual types of Japanese sake, and it suggested “Manzairaku Hakusan Himuro”, a type of frozen sake. Frozen sake is a variety of Japanese sake that has not undergone heating processes to extend its life, and is frozen as it is immediately after being pressed. Although the customer was interested in importing it, the brewery at that time was using room-temperature marine transportation for normal shipments, and did not know of any logistics companies that could transport frozen goods at -18°C or lower with stable quality.

When Sagawa Express was consulted regarding this, we sug-

gested that the products be transported using refrigerated transportation to the Kansai International Airport by Hikyaku Cool Express, and then SGH Global Japan would act as an agent to carry out the complicated export procedures (tax exemption application for alcoholic beverages) and export packing work. We carried out centralized management for both domestic and overseas matters including confirmation of the local conditions, through support by our Group's overseas offices at the export destinations. With this one-stop logistics process, the Manzairaku Hakusan Himuro products were successfully made available in Japanese restaurants in Shanghai in the summer of 2015, and were eagerly welcomed by many customers.

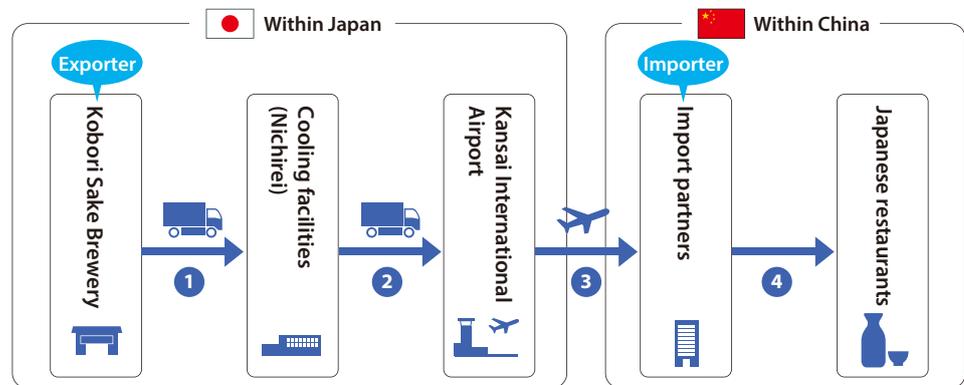
While playing a part in the global deployment of Japanese companies, “GOAL® is also contributing to introducing Japan's rich food culture overseas.



“Manzairaku Hakusan Himuro”, a frozen sake with a fresh flavor that previously could only be enjoyed at sake breweries



Kobori Sake Brewery, which has inherited the traditions of “Kaga Kiku-zake”, a long-standing brewery established in the Edo Kyoho era



Quality is preserved by comprehensive optimal temperature control

- 1 Products picked up by Sagawa Express are put under optimal temperature control by the cooperative use of Nichirei cooling facilities.
- 2 The products are transported to Kansai International Airport by Hikyaku Cool Express.
- 3 The products are loaded using our independent packing methods. After export customs clearance procedures (repacking, liquor taxes, etc.) are carried out by SGH Global Japan, the products are transported internationally to Shanghai Pudong International Airport by cooled international air transportation.
- 4 Import partners deliver the products to Japanese restaurants at the transaction destination.

Customer Feedback

Sagawa's one-stop management reassured us and strengthened our feelings of trust



Koichi Hashimoto

Corporate Officer and General Affairs Department Manager, Kobori Sake Brewery

Capturing the interest of the people of Shanghai, who always want new and high-quality products, requires unique products not found anywhere else. Just when we were searching for a way to transport Manzairaku Hakusan Himuro frozen sake to the people of Shanghai so they could enjoy its freshly-made flavor, we were fortunate that Sagawa Express happened to visit us, and we consulted with them on this matter. Sagawa not only arranged thorough temperature control, but provided one-stop management, acting as an agent in export-related document preparation and other customs procedures, and even gave us update reports after the products arrived at the local areas, giving us a tremendous sense of reassurance. Our company is intending to expand our business to the USA and Europe as well. We look forward to receiving additional future support from Sagawa.

CASE 2 Mitsui Fudosan Retail Management Co., Ltd. Providing Smart Delivery to the 263 tenants of LaLaport Ebina

Social Issue

If products were delivered to each tenant separately, it would lead to risks of negative effects such as creating traffic congestion in the areas around the facility, increased environmental impacts, and inefficient deliveries.

Our Solution

We proposed "Smart Delivery", a service for carrying out combined delivery by sorting products in advance using large-scale facilities and Sales Offices of the SG Holdings Group.

Value Provided to Society

The number of vehicles used for bringing in products was successfully reduced by consolidating deliveries, environmental impacts were lessened, and traffic conditions were eased. This also made it possible for the quality of deliveries to be improved.

Mitsui Shopping Park "LaLaport Ebina" is a large-scale commercial facility that was opened in October 2015 in Ebina City, Kanagawa Prefecture. To this commercial facility, sustained through its use by the approximately 130,000 local residents of the area, regional development with full consideration for an environment that would be welcomed by the community was an important issue. In particular, reducing traffic in the surrounding areas was a high-priority issue to ensure the safety of local residents. If, at a commercial facility like this with a large number of tenants and with tremendous quantities of products being delivered every day, all of the tenants were to purchase their products separately and they were delivered by multiple logistics operators, it would bring about risks of significant traffic problems occurring in the areas surrounding the facility. Therefore, the SG Holdings Group proposed a comprehensive solution for the opening of LaLaport Ebina. The core points of this proposal were "facility logistics" and "Smart Delivery", which

would allow deliveries to be made at definite and accurate times.

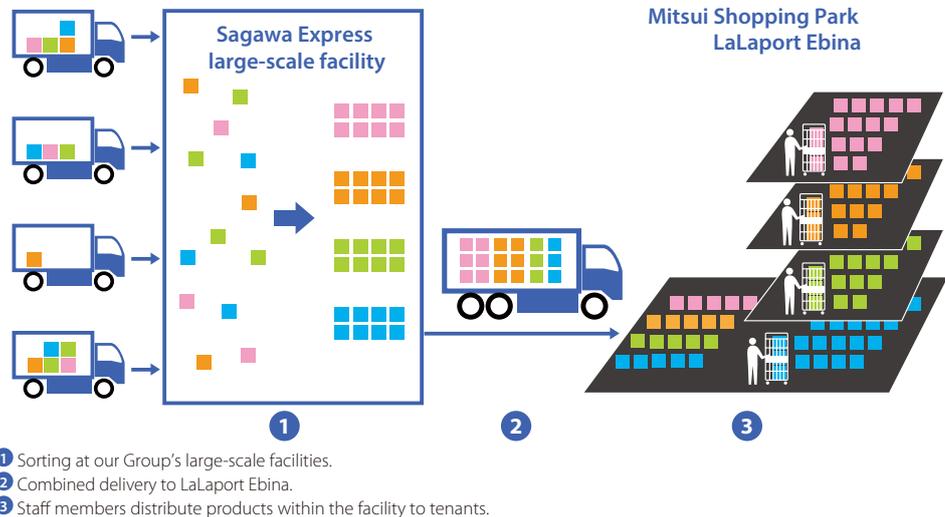
"Smart Delivery" is a form of "custom delivery" where products are delivered in batches after being sorted in advance at our Group's large-scale facilities. Furthermore, combining Smart Delivery with facility logistics enabled the overall number of delivery vehicles to be controlled, minimizing vehicle entry and exit, and thereby reducing congestion in receiving areas and aiding in the reduction of CO₂ emissions. This also contributed to improvements in delivery quality from a variety of perspectives, such as greatly reducing delivery completion times, increasing the efficiency of receiving and sorting work, and reducing the size of receiving spaces. It allows the time at which products will be received to be known precisely, providing great value not only to tenants, but even to facility users who wish to purchase products on back order, since they can clearly know what time they can go to pick up the ordered products.



LaLaport Ebina, which contains roughly 263 tenant stores



Combined delivery of sorted products



Customer Feedback

We received precise proposals one after the other, and are fully satisfied with the results.

Hidesugu Kikuta

Acting Director, LaLaport Ebina Operation Center, Mitsui Fudosan Retail Management Co., Ltd.

We chose Sagawa Express due to the sense of reliability we felt from their comprehensive proposals to resolve issues with outstanding cost performance, and the smoothness of consultation meetings with them. We feel that Smart Delivery enables products to be distributed smoothly on a constant basis without accumulating. It also allowed us to control the traffic conditions that are likely to occur when facilities are opened. After the opening, we received a proposal for services allowing cargo to be picked up at the Sagawa Express Delivery Support Center in the facility. It was an excellent proposal that will increase the opportunities for customers to visit Mitsui Shopping Park LaLaport Ebina. We look forward to further proposals from Sagawa in the future as a business partner.



CSR Activities Report

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.

Based on these concepts, in fiscal 2013 we organized activities centered on the seven core subjects and issues of ISO26000, and closely examined their related issues. In fiscal 2014, we identified the six material CSR issues and set activity topics and mid-term goals for each material issue. In fiscal 2015, we and our Group companies set activity themes and mid-term goals for each material issue, and moved forward with enhancing their management across the entire Group.

We will continue to promote practical CSR activities throughout the Group.

Material CSR Issues

Providing High-Quality Services with a Foundation of Safety ⇒p.18	<ul style="list-style-type: none"> 19 Contributing to a safe and secure transportation society 21 Quality control based on the customer's viewpoint 22 Developing and providing products and services from the customer's viewpoint 23 Reflecting customer feedback in corporate activities
Promoting Business Activities with the Goal of Environment-Friendliness ⇒p.24	<ul style="list-style-type: none"> 25 Reducing CO₂ emissions throughout all business activities 28 Reducing environmental impacts in cooperation with regional communities 29 Contributing to a recycling-oriented society 29 Preservation and environmental awareness of forests and biodiversity 30 Environmental Awareness for the Next Generation
Contributing to the Development of Communities ⇒p.31	<ul style="list-style-type: none"> 31 Supporting the foundations of local communities 33 Interacting with local communities through sports activities 44 Supporting academics, culture, and next-generation education (refer to "Foundation activities")
Building an Organization with Individuality and Diversity ⇒p.34	<ul style="list-style-type: none"> 35 Respect for human rights 35 Promotion of diversity 36 Promoting human resources cultivation 37 Promotion of work-life balance
Constructing Supply Chain CSR ⇒p.38	<ul style="list-style-type: none"> 38 Promotion of CSR in the supply chain 38 Cooperation with business partners
Building a Responsible Management Foundation ⇒p.39	<ul style="list-style-type: none"> 39 Building a foundation for CSR promotion 41 Compliance and internal control 42 Risk management 42 Information security 43 Crisis management

Processes for Identifying Material CSR Issues

To identify six material CSR issues, 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 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 on the validity of the draft. In November 2014, the material CSR issues, incorporating the opinions received from external experts, were shared 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.



Providing High-Quality Services with a Foundation of Safety

SD (Safe Driver) card certification rate

93.3%



Awareness of Social Issues

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.

SG Holdings Group’s Management

The SG Holdings Group considers “safety” to be its highest priority and actively promotes building an organizational system with the goal of completely eliminating traffic accidents. Under the safety management systems unifying management and job sites according to the Safety Measures Committee, we are striving to achieve a safe and secure transportation society by deploying the PDCA cycle based on the transport safety management system. We have also voluntarily specified seven quality KPIs regarding our product quality, and by constantly working toward the improvement of their completion rates, we are taking thorough action toward quality management that can meet the level of trust placed in us by our customers.

We are aware that with the needs of society and customers changing rapidly, it is vital to gather feedback and reflect it in our corporate activities, and so in fiscal 2015, in addition to developing new services, we made efforts to strengthen our time-related quality and temperature control quality as well. Our Group is fulfilling our duties as a corporation responsible for the social infrastructure component of logistics, by not only meeting the expectations of society and our customers, but exceeding them.



Hideo Araki

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

Goals and Results of Material CSR Issues

Activity Topic	Mid-Term Goal	Results in Fiscal 2015	Action Plans for Fiscal 2016
Contributing to a safe and secure transportation society → pp.19-21	<ul style="list-style-type: none"> To reduce accident index by 5 points every year from the fiscal 2012 reference value 	<ul style="list-style-type: none"> Applied measures including coming to full stops at temporary stop positions, achieving 100% compliance with parking-related safety measures, and putting Environmentally-Friendly Driving into practice, as important measures, and implemented safety education and accident prevention instruction (number of accident cases: 3.6% higher than previous year) 	<ul style="list-style-type: none"> To strive to prevent accidents at intersections and accidents involving the movement of unattended vehicles, which have a high risk of leading to serious accidents
	<ul style="list-style-type: none"> To eliminate accidents related to vehicle maintenance and to improve maintenance techniques 	<ul style="list-style-type: none"> Continued the implementation of vehicle maintenance training for safety promotion representatives at each Sales Office (number of vehicle maintenance training sessions implemented: 23) 	<ul style="list-style-type: none"> To plan to raise the expertise of instructors through ongoing implementation of training for safety promotion personnel
	<ul style="list-style-type: none"> To contribute to traffic safety for the entire society 	<ul style="list-style-type: none"> Developed safe driving know-how courses to general businesses as training services (number of participants in Safe Driving Training Services: 1,663) 	<ul style="list-style-type: none"> To implement training for employees as an organization carrying out Operation Manager courses, while also investigating further services to general businesses
Quality control based on a customer viewpoint → p.21	<ul style="list-style-type: none"> To acquire an even higher level of trust from customers 	<ul style="list-style-type: none"> Improved the speed of data disclosure by revising our quality management system, and increased the speed of cause investigations and response measures Implemented initiatives intended to improve convenience and quality for customers, such as Convenience Store Pickup Services (at all Lawson stores nationwide) and regular quality meetings 	<ul style="list-style-type: none"> To maintain and improve quality by promoting and supporting nighttime deliveries, which have a high rate of customers being at home, conducting impact tests, and building delivery quantity estimation tools
	<ul style="list-style-type: none"> 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"> Carried out regular inspections at Cool Centers and Sales Offices, and implemented quality improvements by randomly verifying temperature control conditions during transport Improved and repaired equipment related to cooled deliveries, in order to provide even safer and more secure low-temperature logistics services 	<ul style="list-style-type: none"> To continue implementation of temperature verification To strengthen our handling of refrigerated and frozen packages by improving and repairing sales terminal devices
	<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 	<ul style="list-style-type: none"> Deployed outstanding examples of initiatives by the advanced logistics project team “GOAL₊” horizontally in order to expand sales 	<ul style="list-style-type: none"> To further expand the logistics solutions created by “GOAL₊” across the Group To further expand internationally-seamless logistics
Developing and providing products and services from a customer viewpoint → p.22-23	<ul style="list-style-type: none"> To further expansion of new products and new services from a customer viewpoint 	<ul style="list-style-type: none"> Applied customer feedback to provide services such as the Same-Day Delivery Service for the 23 Tokyo Wards, Living Space Organization Services, and SG Extended Warranty Services Expanded the services of Smart Delivery[®] to increase the efficiency of goods receiving operations at large-scale commercial facilities and shopping malls (provided Smart Delivery 24^h and delivery information services) 	<ul style="list-style-type: none"> To develop and provide services that apply customer feedback even further To expand Smart Delivery[®] to large-scale commercial facilities and shopping malls nationwide
	<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"> Regularly provided the results of analysis of customer feedback using text mining Enriched customer feedback content analysis to enable a greater understanding of the basis and background of customer requests than before Regularly carried out customer satisfaction questionnaires and complaint response satisfaction questionnaires for online members 	<ul style="list-style-type: none"> To enhance the collection functions of customer feedback management systems, and to arrange environments for further internal sharing of analysis results To carry out improvements by providing effective analysis data To continually implement customer satisfaction questionnaires
Reflecting customer feedback in corporate activities → p.23			

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. Our mid-term goal is “To reduce the accident index by five points every year from the fiscal 2012 reference value”, and we are enhancing our efforts to achieve that goal.

In terms of the system, we are building safety management systems that unify management personnel with job sites, such as by reflecting feedback from drivers in Safety Measures Committee meetings primarily centered on management staff. In terms of operation, a PDCA cycle aimed toward ensuring transport safety is being deployed based on the transport safety management system.

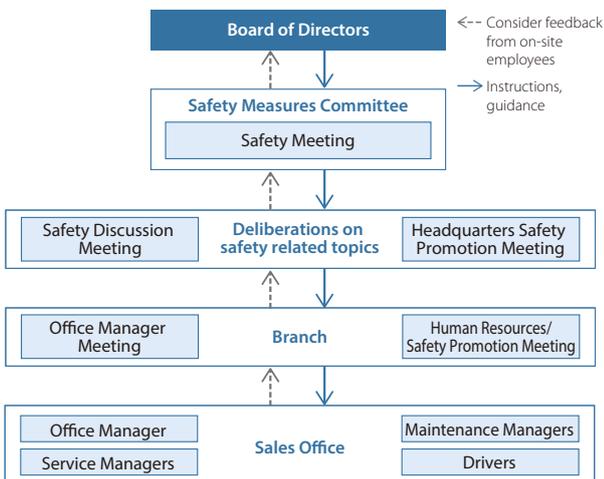
The Safety Measures Committee holds a safety meeting for its committee members each month in which the Committee deliberates on the progress of safety activities, and on multifaceted measures to ensure safety. We are also holding Sagawa Official Communication procedures participated in by employees across the country on a regular basis, applying feedback from job sites to safety measures. Furthermore, in fiscal 2015 we underwent a transport safety management evaluation by the Ministry of Land, Infrastructure, Transport and Tourism, as an initiative to maintain and improve the safety management system of our company.

Although in addition to these, we carried out (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, as important measures toward traffic accident prevention, the number of traffic accidents occurring in fiscal 2015 was 3.6% higher than the previous year.

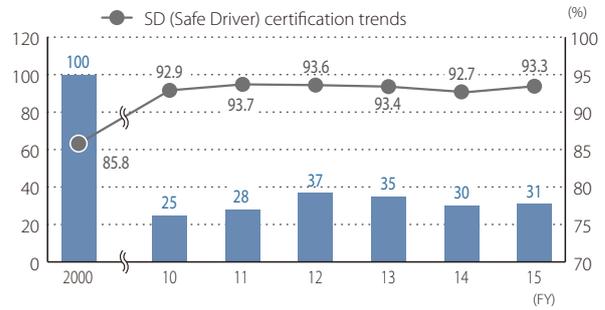
In fiscal 2016, we will place high priority on initiatives to prevent accidents at intersections and accidents involving the movement of unattended vehicles, which have a high risk of leading to serious accidents.

*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)



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

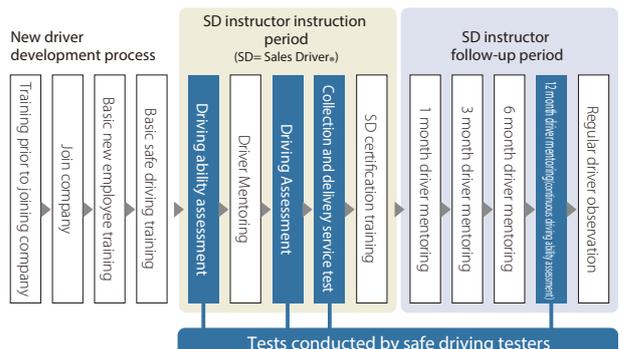
Promoting Safety Education

Sagawa Express carries out various types of training for developing safe drivers at its training courses in Kanagawa, Aichi, Hiroshima 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 addition, 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.

In continuation from last year, we are carrying out ongoing training for safety promotion representatives from each Sales Office, and in fiscal 2015 we conducted 23 training sessions on vehicle maintenance, to educate participants on the most current technology and knowledge.

Safety-related training



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 Driving Championships every year.

In fiscal 2015, a total of 81 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.

The championships are a form of human resources cultivation and an opportunity to enhance driver motivation. Training is performed jointly at multiple Sales Offices for the championships, which allows participants to share related knowledge, hone their driving skills and etiquette, and develop professional awareness.



Everyday inspection contest including inspection with lights

Traffic Accident Prevention Initiatives

SG Motors maintains 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 32.5% of all of its vehicles (about 7,900) with drive recorders* to utilize in providing driving instruction to drivers. Sharing of the information recorded in these drive recorders by many drivers will help to prevent traffic accidents.

*Drive recorder: Recording equipment specialized for installation in vehicles, used to record the causes of accidents or to raise safe driving awareness. The five actions consisting of "braking", "stopping", "steering", "turning", and "smooth driving" are being applied in instruction to correct unsafe driver behavior.



Drive recorder screen

Securing Safety for Highway Transportation

To improve safety in highway transportation, 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. IT performs vehicle inspections not only for partner companies but also on general trucks. Also, Highway Transport Terminal Inspections are being implemented in which 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 2015, managers from 243 companies participated in the seminars held at five locations across the country.



Highway Transport Terminal Inspections



Highway Transport Safety Patrols

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 it has gained until now to general operators as a Safe Driving Training Service. Provided 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 inquiries from not only corporations dealing with freight and transportation, but from other corporations in different type of business that use vehicles in their businesses, such as those shipping their own products or in the nursing care business. In fiscal 2015, 42 companies held 127 training sessions, with 1,663 participants.

In fiscal 2016, we would like to contribute to the traffic safety of our entire society as a service providing organization, by offering our extensive safety-related know-how to customers in all business fields while also enhancing the training we provide to instructors.



Instructions being given using a training vehicle

■ Providing Telematics Cloud Services

With consideration for the progress of IoT technology, SG Systems is providing telematics cloud services using cloud platforms. "Telematics" is a collective term that refers to providing information services combined with telecommunications systems to automobiles or other moving bodies. These services provide a wide variety of support capabilities, beginning with basic functions related to safety and security such as driving evaluation and daily driving report creation, and extending to functions based on individual requirements. By accumulating and analyzing various types of information during automobile operation, SG Systems is contributing to improvements in the safety and convenience of customers.



Image of driving data details screen

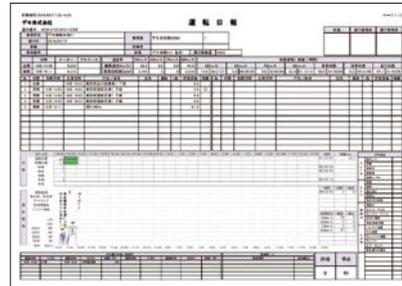


Image of daily driving report

Quality control based on a customer viewpoint

Consumer Issues

■ Quality Improvement Initiatives

With 457 Sagawa Express sales offices having obtained "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 2015, we strengthened our quality management by setting seven quality KPIs (time band service fulfillment rate, fulfillment rate of redelivery due to absence, just-in-time delivery fulfillment rate, morning delivery rate, number of Cool Express freight accidents which are our responsibility, number of freight accidents which are not our responsibility, and complaint occurrence rate), and implementing measures such as quickening the disclosure of data related to quality and improving and repairing driver mobile terminal devices. With data as recent as that for the previous day made available for viewing at all Sales Offices, investigations into the reasons for non-fulfillment cases that have occurred, and their response measures, can be carried out more quickly.

In fiscal 2016, we will take even greater steps to improve quality, such as continuing the creation and application of highly-effective quality KPI analysis tools and improving the efficiency of delivery operations further.



Delivery time selection service sticker



■ Improving Hikyaku Cool Express

With the goal of thorough temperature control for the Hikyaku Cool Express, we have carried out various improvements in the past including reprinting care mark stickers. In fiscal 2015, we made efforts to provide safer and more secure low-temperature logistics services, including the development of supplies for cooled delivery such as new types of shoulder bags, the implementation of regular inspections of temperature and equipment at Cool Centers (relay bases) and Sales Offices, and random verification of temperature during transport of cargo from pickup to delivery.

In fiscal 2016, while implementing site inspections on an ongoing basis, we will build an even more thorough temperature control system from the perspectives of both inspection and system construction, with the goal of preventing human-related errors that are one cause of Cool Express accidents, by introducing additional check systems when cargo enters refrigerating or freezing warehouses.



Hikyaku Cool Express delivery

■ Providing Moving Services to Answer a Variety of Needs

SG Moving began our Ladies Moving service in April 2014, as “a service provided by women, with special consideration for women”. This service was created in response to feedback from female customers who felt some resistance to male staff entering their residences or handling their belongings as a part of moving work. Female staff members can provide flexible support in accordance with customer requests, from price quotations and advance packing of belongings to same-day moving of belongings and unpacking work. In addition to customers living alone, there are also demands for this service from homemakers and elderly couples, with its scale growing every year.

In addition, to further respond to the needs of our customers, we started our Living Space Organization Services from fiscal 2015. These provide a variety of lifestyle-related services including personal effects organization (while alive), sorting and storage advice, room furnishing rearrangement, stand-in removal of unneeded items, housework stand-in services, and home staging. We are also promoting the acquisition of related qualifications (Personal Effects Organizers, Sorting and Storage Advisors, etc.) in accordance with providing these services.



Ladies Moving services

■ Start of Same-Day Delivery Service for the 23 Tokyo Wards

Recent trends show that requests for same-day delivery are becoming extremely frequent, with trends even for delivery from remote areas growing similarly. To respond to these requests, Sagawa Express started the Same-Day Delivery Service for the 23 Tokyo Wards in March 2016, in which air cargo intended for the 23 Tokyo wards that arrives at Haneda Airport using Hikyaku Air Express can be delivered on the same day. The delivery of cargo arriving at Haneda Airport by 14:00 can be completed by 18:00, while that arriving by 17:00 can be completed by 21:00 (delivery to individual residences is not possible).

■ Fulfillment Services in the Event of Recalls

In March 2012, the SG Holdings Group began offering “Recall Total Service”, a service to take care of 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. To a corporation, conducting recall operations in a timely manner not only aids in the avoidance of administrative risks but is also viewed as a part of fulfilling its social responsibilities.

■ Express Delivery Counter Supporting “Sightseeing Without Baggage”

SG Holdings Group provides logistical support for national and corporate inbound strategies and contributes to the revitalization of towns and cities.

Sagawa Express is establishing service bases to support “Sightseeing Without Baggage”, promoted by the government to increase customer satisfaction among foreign travelers visiting Japan, in seven locations that are visited particularly often by foreign travelers, such as JR Tokyo Station and Osaka Station, Tokyo Skytree®, and Asakusa Kaminarimon. These locations provide services that include temporary hand baggage storage for foreign travelers and same-day luggage delivery to the customer’s lodgings or the airport. We are also engaging in the provision of other detailed services for foreign travelers, such as appointing staff members able to speak multiple languages, applying the next-generation translation system “SG Smile Call”, and providing guidance on various services with the humanoid robot “Pepper®”.*

We will continue to aim toward enriching our services related to “Sightseeing Without Baggage” in order to improve the convenience of sightseeing for visitors to Japan.



Sagawa Express Shinjuku Service Center, within the Tokyo Tourist Information Center on the 3rd floor of the Shinjuku Expressway Bus Terminal



The Tokyo Service Center with its Japanese design

*“Pepper®” is a registered trademark of SoftBank Robotics Corp.

■ Providing Extended Warranty Services in the E-commerce (EC) Market

While extended warranty services are generally well-known and often used at large electronics retailers, they are less widely known in the EC market. They also have complex sales schemes and there are not many businesses offering them as services.

To answer the desires of consumers for such extended

warranties in the EC market, SG Moving started the SG Extended Warranty Service in October 2015 under joint development with The Warranty Group. This service offers one-stop support as a service providing repairs free of charge during a defined period after a manufacturer's warranty period, according to warranty terms specified in advance, and covering service operation, repair, collection, and return procedures for broken goods.

Reflecting customer feedback in corporate activities

Consumer Issues

■ Mechanisms for Fully Applying Customer Feedback

Sagawa Express is focusing on efforts to strengthen our mechanisms for fully applying opinions, requests, and other valuable customer feedback to service improvements as well as to product and service development.

In fiscal 2015, we specifically and finely classified the opinions and requests of customers received by our company using text mining technology. This made it possible to visualize the causes and trends linked to dissatisfaction and requests, enabling their application to initiatives for improving customer satisfaction.

From here on, we will improve the precision of analysis to achieve an even deeper understanding of the basis and background of customer requests, while analyzing the response of our company toward customers who have responded to satisfaction questionnaires and given us their requests, to strive for further improvement in customer satisfaction.



Providing customer support

■ Two-Year Consecutive Victory in Call Operator Contest

Sagawa Express aims to establish support procedures that can give customers an even higher level of satisfaction, and in addition to carrying out various types of call support satisfaction research, we are also actively taking steps to improve the telephone support skills of our employees. Specifically, we are carrying out telephone support education and training, as well as verifying telephone response at all Sales Offices nationwide to confirm and give instruction on the first thing Sales Office operators say during phone calls, as well as the level of product knowledge possessed by employees.

We also participate actively in the Call Operator Contest held by the Japanese Telephone and Telegraph Users Association as one part of improving our telephone support skills. In November 2015, the 54th contest was held in Gunma Prefecture, with 13 participants from Sagawa Express. An employee from the Komaki Support Center won the contest, achieving the outstanding result of consecutive victories for Sagawa over two years. The winner demonstrated support skills showing close consideration for the customer from the customer's viewpoint, with resourceful support ability evaluated highly by the judges. Four other participants from Sagawa Express also received awards of excellence.



Competing in the Call Operator Contest



Comment from an expert

Nobuhiro Takahashi

*Deputy Director, Safety Policy Division,
Road Transport Bureau,
Ministry of Land, Infrastructure, Transport and
Tourism*

Ensuring transport safety serves as the foundation for an automobile transportation business, and it is essential for such businesses to view safety as their highest priority and take steps to ensure it.

Sagawa Express has built a Safety Management System that unifies its top level of management with its job sites, and is showing its continual efforts to improve transport safety. It is also actively

carrying out advanced steps across the entire Group, including the upgrading and expansion of vehicle maintenance networks and the assurance of vehicle safety by SG Motors, as well as measures for the education and cultivation of drivers and instructors, driving instruction that utilizes drive recorders, and health management for drivers. Furthermore, in addition to conducting inspections on general trucks in collaboration with partner companies and providing public awareness on accident prevention measures such as by holding ongoing traffic safety classes for children, it is also contributing to the traffic safety of the entire society by providing its own internal safety education services and general services involving telematics technology that uses telecommunications systems.

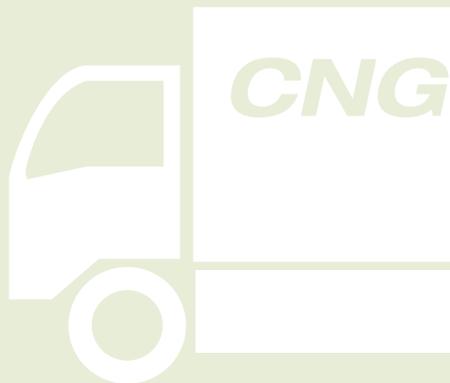
There are high expectations for Sagawa to lead the industry, in a wide range of fields including safety measures, improvement of transportation efficiency, and disaster response measures, in the future.

Promoting Business Activities with the Goal of Environment-Friendliness



Number of environmentally-friendly vehicles* owned

8,080



Awareness of Social Issues

With the danger of climate changes exceeding levels that can be sustained, we have a significant obligation as a logistics business operator that uses vehicles which have an impacts on the environment to do business, to take initiatives for reducing those impacts.

SG Holdings Group's Management

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 business activities. In fiscal 2015, in addition to our past environmental response measures, we expanded the number of our offices acquiring Carbon Neutral Certification as a way to further promote energy conservation. We also started Smart Delivery®, a service that can reduce environmental impact by streamlining and improving the efficiency of logistics processes when cargo is received, as a new logistics service contributing to the creation of a low-carbon society. In addition to deploying reverse solutions that use distribution systems for the creation of a recycling society, we are preserving the biodiversity of company-owned forests as an activity aiming for coexistence with society and nature, and cultivating the next

generation through environmental education. As a leading company in the industry, it is the duty of our Group to take action toward actively reducing environmental impact, and we wish to successfully fulfill the responsibilities we have by driving the industry with pioneering activities.



Hiroyuki Uchida
Director, Sagawa Express Co., Ltd.

*Environment-friendly vehicles:
Post-new long-term regulation compliant vehicles
CNG trucks
Hybrid trucks
Electric vehicles

Goals and Results of Material CSR Issues

Activity Topic	Mid-Term Goal	Results in Fiscal 2015	Action Plans for Fiscal 2016
Reducing CO ₂ emissions throughout all business activities → pp.25-27	<ul style="list-style-type: none"> To reduce CO₂ emissions throughout the Group 	<ul style="list-style-type: none"> Reduced CO₂ emissions through multiple business activities, such as the introduction of environmentally-friendly vehicles, promotion of modal shifts, and improvement of transportation efficiency 	<ul style="list-style-type: none"> To continue activities for reducing CO₂ emissions
Reducing environmental impacts in cooperation with communities → p.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 increase the efficiency of logistics processes 	<ul style="list-style-type: none"> Expanded the number of offices acquiring the Ministry of the Environment's Carbon Neutral Certification (total of 8 offices in the Group) Expanded facility logistics and introduced Smart Delivery® 	<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 expand facility logistics and Smart Delivery®
Contributing to a recycling-oriented society → p.29	<ul style="list-style-type: none"> Expansion of Reverse Solutions 	<ul style="list-style-type: none"> Responding to a request from RenetJapan Inc. which has received related approval, accepted a commission for pickup and delivery for their Used Small Home Appliance Pickup Service 	<ul style="list-style-type: none"> To expand pickup and delivery in the Used Small Home Appliance Pickup Service
Preservation and environmental awareness of forests and biodiversity → p.29	<ul style="list-style-type: none"> To promote activities to preserve biodiversity To promote energy saving through environmental awareness within the company 	<ul style="list-style-type: none"> Carried out measures to preserve biodiversity through preservation activities in the company-owned forest known as the Takao 100-Year Forest Implemented energy use reduction activities (1% increase in fuel efficiency, 1% decrease in power usage) at all Sales Offices 	<ul style="list-style-type: none"> To promote forest preservation activities in cooperation with Group employees, local citizens, and volunteers To implement energy use reduction activities and introduce LED lighting
Environmental Awareness for the Next Generation → p.30	<ul style="list-style-type: none"> To support next-generation education through environmental education 	<ul style="list-style-type: none"> Implemented activities including rice cultivation experience activities (roughly 310 participants) and nature experience activities in forests (roughly 300 participants) The Takao 100-Year Forest, a company-owned forest, was recognized by Hachioji City as a "Place for Experience Opportunities" based on the Act on Enhancing Motivation on Environmental Conservation and Promoting of Environmental Education Held the National Eco-Art Contest 	<ul style="list-style-type: none"> To implement rice cultivation experience activities and nature experience activities in forests Held the National Eco-Art Contest

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

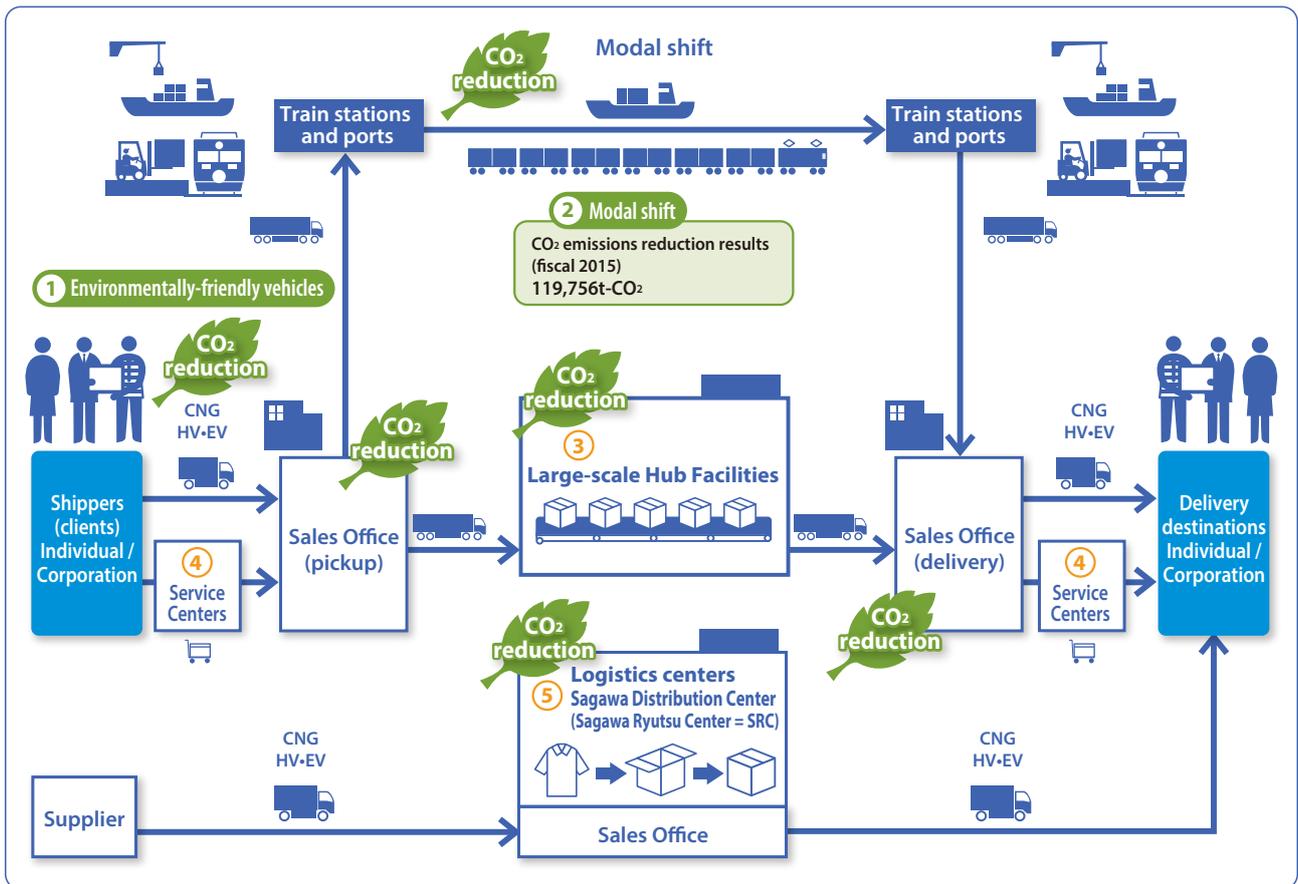
With the goal of achieving mutual understanding with communities, we will make active efforts to release information and to take extensive steps for environmental communication, primarily aimed at children who will be responsible for the next generation.

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

Reducing CO₂ emissions throughout all business activities

Environment

Reductions to environmental impacts in business activities



1 Environmentally-friendly 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 trucks and electric vehicles have also been introduced in the collection and delivery business.

⇒ See p.26

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 (23 locations nationwide). This will lead to reductions in the emissions of CO₂ and air pollutants from trucks.

⇒ See p.27

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-seven SRC locations are operated and managed as logistics processing locations.

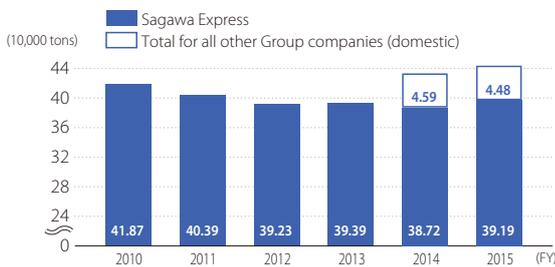
⇒ See p.27

■ Status of CO₂ Emissions

Although Sagawa Express took steps toward reducing its amount of CO₂ emissions with the goal of a 1% decrease compared to the previous year, its total CO₂ emissions in fiscal 2015 were roughly 391,900 tons (101.2% compared to the previous year).

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.

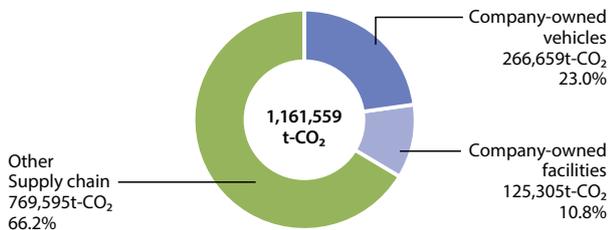
Trends in CO₂ emissions



Trends in total CO₂ emissions

*Data for fiscal 2014 and later includes all domestic emissions of the SG Holdings Group, while data up to fiscal 2013 includes only the emissions of Sagawa Express.

CO₂ emissions throughout the supply chain (fiscal 2015) [Sagawa Express]

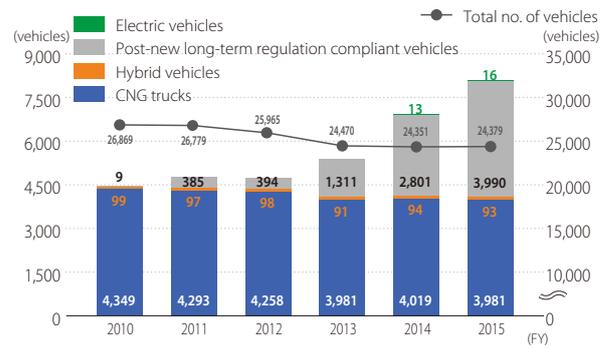


■ Introduction of Environmentally-friendly Vehicles

Sagawa Express owns a total of approximately 8,080 vehicles (roughly 30% of the total number) that include post-new long-term regulation compliant vehicles, compressed natural gas (CNG) trucks, hybrid trucks, and electric vehicles. Among them are 3,981 compressed natural gas (CNG) trucks (4,002 trucks throughout the entire Group), and Sagawa Express was recognized as the top company in the world in terms of number of such trucks owned in 2011 (International Natural Gas Vehicle Association).

Also, 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 environmental friendliness for large vehicles, it introduced five large CNG trucks in March 2014, ahead of the rest of the industry. Furthermore, it is actively striving to reduce environmental impact with measures such as introducing 16 electric vehicles (EV).

Trends in environmentally-friendly vehicle introduction (Sagawa Express)



■ 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 approximately 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.



Special container train, Super Rail Cargo

■ Establishment of Service Centers

Sagawa Express has established Service Centers in 337 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 CO₂ and air pollutant emissions.



Tokyo Yaesu Exit Service Center

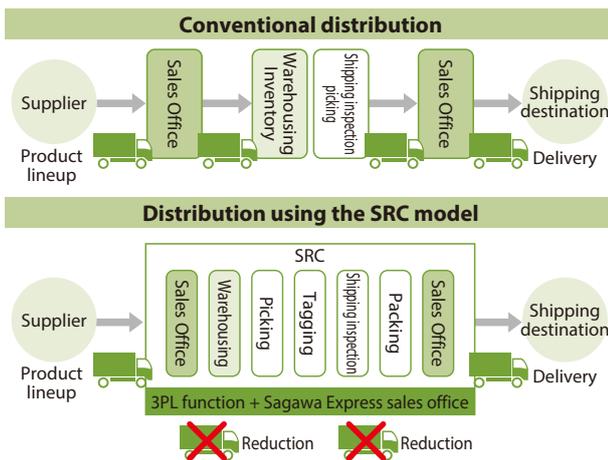
Promoting Increased Logistics Efficiency with Sagawa Distribution Centers

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 by 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



Improving Transportation Efficiency with Large-scale Hub Facilities

As part of efforts to build a transport supporting network, Sagawa Express is taking steps to optimize transportation processes using large-scale Hub Facilities (23 locations nationwide). By temporarily consolidating cargo picked up from individual regions at large-scale Hub Facilities and transporting them in batches to each destination, the number of trucks used can be reduced, which can aid in the suppression of CO₂ emissions and prevention of atmospheric pollution.



Higashimatsuyama Center
(Higashimatsuyama city,
Saitama prefecture)

Clean Energy Supply Businesses

SG Realty began clean energy supply businesses in April 2013, utilizing the assets owned by the Group (delivery bases and distribution centers).

With the goal of contributing to stable supplies of power and reducing environmental impact, it is carrying out solar power generation at 98 facilities nationwide and supplying clean energy to power companies in each region. The total area of the installed solar panels is roughly 191,000 m², and the total annual power generated is roughly 23.2 megawatts. Compared to power generation by means other than natural energy, the scope of this power generation is equivalent to a reduction of roughly 13,383 tons of CO₂ emissions.



SG Realty Kashiwa, equipped with solar power generation equipment

Environmentally-Conscious Logistics Facilities

In November 2015, SG Realty completed the construction of SG Realty Higashimatsuyama, an environmentally-conscious logistics facility in Higashimatsuyama City, Saitama Prefecture. A leading-edge solar power generation system was installed in the facility, with a power generation volume of roughly 2,000 kW, the largest scale in the Group. This facility acquired CASBEE certification (rank A) and also achieved the highest rank of five stars for a DBJ Green Building Certification* by the Development Bank of Japan in April 2016. In this certification, the following points were highly evaluated: (1) environmental consciousness such as the installation of LED lighting and solar power generation panels; (2) improved transportation efficiency with a structure allowing the delivery center and warehouse area to be connected; and (3) arrangement of environments making it easier for employees to work in, such as refreshment corners set up for tenant employees.

*System for selection and certification of real estate properties having consideration for the environment and society (Green Buildings), implemented by the Development Bank of Japan (DBJ).



SG Realty Higashimatsuyama

Converting to LED Lighting

Sagawa Express is proceeding with the conversion of mercury lamps, which are often used in logistics facilities and have high power consumption, to LED lighting, as well as the introduction of LED lights equipped with sensors, which are highly effective in energy conservation. In fiscal 2015, LED lighting was introduced at 21 locations, including large-scale logistics facilities with high power consumption. If compared to a situation without the introduction of LED lighting, this is equivalent to a reduction of roughly 1,240 tons of CO₂ emissions.

Reducing environmental impacts in cooperation with communities

Environment

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 such as Tokyo Skytree Town[®] and Tokyo Midtown acting as models, Sagawa Express is currently developing a service for constructing facility logistics 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 emissions by lessening the number of vehicles involved in the deliveries. The Group has been contracted for 88 such facility logistics projects.

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



Delivery at Tokyo Solamachi[®] in the Tokyo Skytree[®]

Expansion of Carbon-Neutral* Certified Businesses

In March 2014, Sagawa Express became the first company in the logistics industry to receive the Ministry of the Environment's carbon-neutral certification. As of March 2015, this certification has been obtained by six locations: the Tokyo Station Yaesu Exit SC, the Kyoto Shijo Takakura SC, the Hakata Ekimae 1-chome SC, the Tokyo Service Center, Gion Sagawa Express, and the Kyoto (Fuyacho) Sales Office. At these locations, while also making efforts to reduce CO₂ emissions, the CO₂ emissions from fuel use for transportation between warehouses from Sales Offices and from electricity use required for office administration are calculated, and their total amounts are converted to carbon-neutral form using offset credits (J-VER).

Furthermore, SG Moving was selected for the Ministry of the Environment's Carbon-Neutral Certification Model Project by the Ministry of the Environment in December 2013, and took steps toward acquiring certification. In September 2015, this initiative was



Carbon-neutral certification

approved as fulfilling the prescribed certification standards of the Carbon Offset System Registration and Certification Committee, becoming the first in the moving industry to acquire certification.

To acquire this certification, the Tokyo Sales Office and Head Office, whose main delivery area is the central Tokyo area, carried out reduction measures such as introducing natural gas powered trucks and promoting environmentally-friendly driving, with the remaining emissions being offset by J-VER credits for forest sinks created by Sagawa Forestry of the SG Holdings Group.

*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.



Improvement in vehicle fuel efficiency due to instruction on driving skill and other matters

Environment Related Awards

In fiscal 2015, the initiatives taken by Sagawa Express toward environmental preservation and environmental education were highly evaluated, and we received the three awards consisting of: the “Fiscal 2015 Kinki District Transport Bureau Director’s Award for a Transportation-Related Business Operator for Outstanding Environmental Preservation” (Sponsor: Kinki District Transport Bureau of the Ministry of Land, Infrastructure, Transport and Tourism); the “Fiscal 2015 Review Committee’s Honorable Mention Award for a Corporation Promoting Youth Experience Activities” (Sponsor: Ministry of Education, Culture, Sports, Science, and Technology), and the “2015 Award of Excellence for a Corporation Cultivating Environmental Leaders” (Sponsors: Ministry of the Environment, Environmental Consortium for Leadership Development).



Fiscal 2015 Kinki District Transport Bureau Director’s Award for a Transportation-Related Business Operator for Outstanding Environmental Preservation



Fiscal 2015 Review Committee’s Honorable Mention Award for a Corporation Promoting Youth Experience Activities



Award certificate for 2015 Award of Excellence for a Corporation Cultivating Environmental Leaders

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” by utilizing reverse logistics.

Home Pickup Services for Used Small Home Appliances

At the request of ReNet Japan Inc., which has received approval from the Ministry of Economy, Trade and Industry and the Ministry of the Environment, Sagawa Express began undertaking small home appliance pickup services in all areas nationwide from March 2015, as an initiative based on the Home Appliance Recycling Act.

Home Appliance Repair Service

At the Home Appliance Repair Center in the Sagawa Tokyo Logistics Center, Sagawa Express offers a one-stop solution from picking up devices and performing the actual repair on them, to delivery after repairs are complete. Items can be repaired as long as they are home appliances sold within Japan, with a dramatically shortened lead time from pickup to delivery after repairs.



The Home Appliance Repair Center within the Sagawa Tokyo Logistics Center

A full range of services can be contracted in the case of voluntary recalls, which include quick pickup and repair of applicable items, delivery of repaired items, call center operation, and information management.

■ 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 2015, approximately 94,300 eco-friendly uniforms were manufactured (converted into 500 mL plastic bottles, this is equivalent to roughly 393,000 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 474,600 pairs of these gloves used in fiscal 2015.



Eco-friendly uniform made from recycled materials

Preservation and environmental awareness of forests and biodiversity

Environment

■ Forest Preservation Activities

The SG Holdings Group owns a total of approximately 735 hectares (equivalent to the area of approximately 160 Tokyo Domes) of forest in Shikoku's Kochi and Tokushima Prefectures, as well as in Hachioji City (Takao), Tokyo. 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 (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).

At the Takao 100-Year Forest (in Tokyo), activities for the coexistence of people and nature, to restore and preserve undeveloped woodlands that can be sustained for 100 years, began in 2007. The restoration of undeveloped woodlands in fields rich with the splendor of nature, valuable for mitigating global warming and where people and nature can exist in harmony, carried out by the cooperative



Forest preservation activities

efforts of numerous parties including citizens, universities and other educational institutions, academic experts, and NPOs, are symbolized by the phrase “100 years”, with the project proceeding on an unhurried, natural time scale.

■ 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 2015, 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 and cleanup were also taken in business offices of individual Group companies.



Scene at Cleanup Day

■ Nature program

At the Takao 100-Year Forest (in Tokyo), nature experience learning activities are held on an ongoing basis for children who will represent the next generation to learn about connections between nature and people through undeveloped woodlands. During fiscal 2015 a total of 300 students from elementary schools and high schools visited these forests, explored, and created wooden items such as chopsticks.

Such ongoing environmental education activities conducted by Sagawa Express have been highly evaluated, and received a Review Committee's Honorable Mention Award for the Fiscal 2015 Award for a Corporation Promoting Youth Experience Activities (Sponsor: Ministry of Education, Culture, Sports, Science and Technology).

Also, in March 2016 the Takao 100-Year Forest was recognized by Tokyo's Hachioji City as a "Place for Experience Opportunities" based on the Act on Enhancing Motivation on Environmental Conservation and Promoting of Environmental Education. This is the first example where initiatives such as environmental preservation activities and nature experience learning activities were recognized in Tokyo.

On the other hand, we have been conducting 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. Approximately 300 of 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.



Scene at Takao nature experience learning class



Rice cultivation experience activity

■ Eco-Art Contest

SG Holdings and Sagawa Express held the National Eco-Art Contest 2015 (with backing from the Ministry of the Environment). The goal of this contest is to contribute as a corporation to cultivating the next generation through awareness education.

Held for the second time, the theme of the contest was "Preserving our Natural Environment for the Future", and 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 10,311 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. 100 trucks are in operation from March 2016 in major cities across the country.



Piece awarded the Ministry of the Environment Minister's Award
Upper grade division: "Fireflies"



Piece awarded the Ministry of the Environment Minister's Award
Lower grade division: "The Earth"



Departing ceremony for trucks with wrap design



Comment from an expert

Masafumi Nojiri

Chief Examiner, Climate Change Policy Division,
Global Environmental Bureau,
Ministry of the Environment

The SG Holdings Group is implementing effective measures at Sagawa Express after gaining an understanding of CO₂ emissions not only for the company itself but over its entire supply chain, such as introducing environment-friendly vehicles across the entire Group, promoting modal shifts, and improving the efficiency of logistics. Regarding carbon-neutral initiatives, in continuation from the achievement of Sagawa Express becoming the first in

the logistics industry to obtain certification, last year SG Moving became the first in the moving industry to obtain this certification. Last year, the Group also received an Award of Excellence for a Corporation Cultivating Environmental Leaders, presented by the Ministry of the Environment to recognize corporations carrying out initiatives for the cultivation of outstanding environmentally-conscious personnel among their own employees.

Based on the adoption of the Paris Agreement, a new international framework for reducing greenhouse gases in December of last year, a global warming countermeasure plan received Cabinet approval in May of this year to mark a new beginning where initiatives in the transportation field, which accounts for roughly 17% of Japan's CO₂ emissions, will be an upcoming key point for the government. We are greatly looking forward to the Sagawa Group continuing to play a prominent role in driving the transportation field.

Contributing to the Development of Local Communities

Express packages handled per year

about
1,200
million



Awareness of Social Issues

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.

SG Holdings Group's Management

As individual lifestyles continue to become more diverse, the demands placed on logistics by local communities are also changing. The SG Holdings Group believes it is our responsibility as a corporation involved in business in many regions both domestically and overseas, to strive for stronger harmony with local communities by proposing and building logistics systems aligned with the differing issues and needs for each region. Our activity themes for contributing to the development of local communities include "Contributing to the development of local communities", "Interacting with regions through sports activities", and "Supporting academics, culture, and next-generation education". We are taking steps to support safe and secure lifestyles in collaboration with local governments and other corporations, offering services to support our aging society, and engaging in safety education activities for children beginning with traffic safety classes. We also have concluded new comprehensive agreements for the regional revitalization of

Kyoto Prefecture and Yamanashi Prefecture. From here on, we will further enhance the potential of logistics as a component of regional infrastructure, and contribute to the development of a sustainable society by responding to the diversifying needs of local communities.



Yasuji Ioka

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

Goals and Results of Material CSR Issues

Activity Topic	Mid-Term Goal	Results in Fiscal 2015	Action Plans for Fiscal 2016
Supporting the foundations of local communities → pp.31-33	<ul style="list-style-type: none"> To revitalize local communities through logistics services To contribute in local communities by holding traffic safety classes. Participation by roughly 100,000 people every year. 	<ul style="list-style-type: none"> Concluded Comprehensive Partnership Agreements on Regional Revitalization, with Kyoto Prefecture and Yamanashi Prefecture Continued the implementation of traffic safety classes (731 traffic safety classes, 117,330 participants) 	<ul style="list-style-type: none"> To promote the conclusion of Comprehensive Partnership Agreements on Regional Revitalization To continue the implementation of traffic safety classes
Interacting with local communities through sports activities → p.33	<ul style="list-style-type: none"> To support next-generation education through sports 	<ul style="list-style-type: none"> Continued the implementation of sports classes primarily aimed at elementary and middle school students (6 classes, roughly 800 participants) 	<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 → p.44	<ul style="list-style-type: none"> To build logistics human resources cultivation businesses in ASEAN countries 	<ul style="list-style-type: none"> Implemented practical lecture classes for 125 students specializing in logistics at Ho Chi Minh City University of Transport 	<ul style="list-style-type: none"> To continue logistics human resources cultivation in Vietnam, and to expand to other ASEAN countries where our businesses are deployed

Supporting the foundations of local communities

Participating in the Community and Supporting Community Development

Concluding Comprehensive Partnership Agreements on Regional Revitalization with Local Governments

The revitalization of local regions has become a prominent issue in recent years, and many local governments are engaging in active initiatives to revive the attraction and charm that cities can offer. The SG Holdings Group is applying its full Group power to provide expansive logistics services and is promoting the conclusion of comprehensive agreements with local governments.

In March 2016, Sagawa Express concluded such agreements with Kyoto Prefecture and Yamanashi Prefecture. By promoting large luggage transportation services and "Sightseeing Without Baggage" networks to tourists visiting Japan, we are contributing to activities by local governments to spread tourism, and building systems to cooperate

with the distribution and sales promotion of specialty items. We are also supporting the goal of building secure cities that are easy to live in, under coordination and cooperation with local governments, with multifaceted methods regarding the cultivation of children and youths, support for the elderly and disabled, and preservation of the environment.

Sagawa Express is also involved in concluding cooperative disaster relief agreements with the national government, as well as with local governments, universities, and other parties across the country.

Scene at ceremony for conclusion of agreement at Kyoto Prefectural Office



■ SG Lawson's major efforts

In 2015, the SG Holdings Group concluded a business partnership contract with Lawson, Inc. and established SG Lawson, Inc., a joint venture carrying out delivery services of Sagawa Express cargo and Lawson products to customers living within a 500-meter radius of Lawson stores. The use of hand carts or bicycles instead of automobiles for delivery can aid in reducing environmental impact, and we are intending to contribute in other ways by proposing new work methods to create more opportunities for active participation by women and to resolve the issues of our aging society. This service was started at stores in an area centered on Tokyo's Setagaya Ward, and expanded to include 16 stores (as of June 2016) in the span of one year.

Sagawa Express also began Convenience Store Pickup Services at Lawson stores nationwide (excluding Lawson Store 100 locations) where products purchased by consumers from mail-order and online business operations are available for 24-hour pickup. With these services, we are aiming to improve our delivery quality while also increasing convenience for our customers.



SG Lawson, carrying out deliveries with hand carts and bicycles

■ 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 2015, 731 classes were held across the country, with 117,330 people participating.



Traffic safety class

■ Providing Services to Answer the Needs of Society

SG Moving is deploying moving services for the elderly offering support by staff members who possess Service Assistant certifications, so that even the elderly and people with disabilities can move with a sense of security.

We are also deploying Living Space Organization Services in accordance with the needs of society, such as personal effects organization (while alive) services and home staging services to present living spaces so that they have greater asset value during real estate sales.

As of March 2016, there are a total of 71 of our staff members with qualifications such as Service Assistants, Personal Effects Organizers, Home Stagers, and Sorting and Storage Advisors (Level 1 and Level 2 certifications) across the country. In the future we intend to increase their numbers as necessary and expand our service deployment areas.

■ Learning about "Logistics Mechanisms" through Experience

In September 2015, 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 Head Office. Since its start in 2007, this event has served as an opportunity for career education where children could learn and think about society and work through a work experience activity, and has been participated in by over 140 children.

On the day of the event, 20 5th and 6th-grade elementary school students put on Sagawa Express uniforms, rode along with drivers in trucks, learned about the mechanisms of the home delivery business by observing equipment such as automatic sorting machines at the Sagawa Tokyo Logistics Center facility, and engaged in practical package 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

■ Holding Workplace Experience Activities in Coordination with Special Support Education Schools

In coordination with nearby special support education schools, Sagawa Global Logistics is holding workplace experience activities for first-year students with the goal of experiencing logistics work, and practical learning activities for second-year

students and later with the goal of future employment. Every year, a number of students enter our company through these activities (five new employees entered in April 2016). Since elder students who have graduated from these special support education schools look after younger students from the same school, a comfortable work environment is created which allows their guardians to feel a sense of security as well.

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 six classes in fiscal 2015 and taught roughly 800 students, including elementary school students and middle school students, the joy of softball.

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



Scene at the softball team class



Track-and-field team

Foundation Activities to Support Academics, Culture, and Next-Generation Education (⇒p.44)



Comment from an expert
Kaori Kuroda
Executive director
CSO Network Japan

In addition to contributing to the resolution of regional issues by measures such as Comprehensive Partnership Agreements on Regional Revitalization and SG Lawson "Machi no Kurashi Support"

which are being promoted together with other sectors, the SG Holdings Group is receiving attention as a coordination model utilizing logistics services, shown by its deployment of businesses responding to new local community needs. However, we would like Sagawa to also report not only on the points of improving safety, security, and convenience such as by its support for the elderly and services to organize vacant residences, but on the points of taking full consideration for connections between people and for their important memories.

Building an Organization with Individuality and Diversity



Awareness of Social Issues

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

SG Holdings Group's Management

Under the concept that the sustainable growth of a corporation depends on the support of its people, the SG Holdings Group places people at the center of its business, formulating a personnel vision and human resources system shared throughout our Group, and is enhancing the creation of such a foundation in terms of both systems and culture. The shortage of labor associated with the progress of the aging society and declining birth rate, and the related acquisition of human resources, are significant issues for our Group, and we are actively promoting reforms in human resources management. In fiscal 2015, while taking steps, such as expanding job categories for female employees, supporting diverse work styles, and employing global human resources at each Group company, we established a new Human

Resources Cultivation Committee and made plans to encourage human resources rotation within the Group, which have shown steady results. From here on, we will place high emphasis on diversity management, and are putting a PDCA cycle into practice to cover the process from recruitment to cultivation, assignment, and evaluation.



Hiroyuki Urushizaki
Director, SG Holdings Co., Ltd.

Goals and Results of Material CSR Issues

Activity Topic	Mid-Term Goal	Results in Fiscal 2015	Action Plans for Fiscal 2016
Respect for human rights → p.35	<ul style="list-style-type: none"> To create systems for fostering human rights awareness 	<ul style="list-style-type: none"> Implemented Code of Ethics and Conduct training (April) and harassment prevention training (May) for all employees of domestic Group companies 	<ul style="list-style-type: none"> To continue the implementation of Code of Ethics and Conduct training and harassment prevention training. To implement studies on actual situations at overseas subsidiaries.
Promotion of diversity → p.35-36	<ul style="list-style-type: none"> To establish a system where female employees are responsible for 30% of Group business revenue 	<ul style="list-style-type: none"> Held the WakuWaku Awards, a contest for competition in the expansion of work scope for and increases in contributions by females (131 entries), held the Diversity Forum by WakuWaku Women's Project with the goal of career progression for women (number of participants: roughly 400) 	<ul style="list-style-type: none"> To continue the staging of the WakuWaku Awards and Diversity Forum
	<ul style="list-style-type: none"> To enhance female management positions, and cultivation of female senior management candidates 	<ul style="list-style-type: none"> Held Career Support Training for the creation of female management positions (number of participants: roughly 75), held training for current female Group Managers (GMs) and personnel who have newly acquired qualifications (current GMs: 75, newly appointed: 15) 	<ul style="list-style-type: none"> To continue the implementation of Women's Career Support Training (number of training sessions held: 3, number of participants: roughly 60 scheduled) and training for personnel who have newly acquired GM qualifications
	<ul style="list-style-type: none"> To create workplace environments where people with disabilities can exercise their expertise 	<ul style="list-style-type: none"> Actively collected information from external sources for promoting employment of people with disabilities, and enhanced the distribution of this information to related parties (employment rate: 2.06% *as of June 2016) 	<ul style="list-style-type: none"> To continue the promotion of encouraging employment of people with disabilities and entrenchment of such policies
	<ul style="list-style-type: none"> To secure the workforce through continued employment, and the succession of experience and know-how 	<ul style="list-style-type: none"> Investigated re-employment promotion measures at Group companies, to expand opportunities for continued work even after retirement (rate of continued employment of personnel after reaching retirement age: 81.0%, 128 people) 	<ul style="list-style-type: none"> To expand opportunities for people to be able to continue work even after retirement
Promoting human resources cultivation → p.36	<ul style="list-style-type: none"> To systematize and enhance initiatives for human resources cultivation 	<ul style="list-style-type: none"> Implemented initiatives for global human resources cultivation such as establishing a Human Resources Cultivation Committee, encouraging human resources rotation within the Group, holding Group selective education, and enhancing overseas training 	<ul style="list-style-type: none"> To continue implementing hires within the Group and establishing development systems, to expand the targets of selective education, and to enhance prior learning for overseas training
	<ul style="list-style-type: none"> To introduce outstanding achievements and excellent examples, and to share their expertise 	<ul style="list-style-type: none"> Shared the activities of employees embodying our personnel vision and aiming for its understanding and installment 	<ul style="list-style-type: none"> To continue implementing activities to instill the personnel vision in staff members
Promotion of work-life balance → p.37	<ul style="list-style-type: none"> To arrange a working environment accommodating both work and family 	<ul style="list-style-type: none"> Gained a case-by-case understanding of employee needs and opinions, and implemented investigations to revise the systems of the Group overall 	<ul style="list-style-type: none"> To improve the system to be easier to use such as by expanding short-term work systems, to plan for continued employment
	<ul style="list-style-type: none"> To promote life support functions 	<ul style="list-style-type: none"> Distributed information and provided education on improving lifestyle enjoyment and health awareness with the Group benefits package services "Eraberu Club" and "Familink" Started investigations into the establishment of "Group benefit associations" with the goal of more extensive and secure benefits package systems 	<ul style="list-style-type: none"> To further enrich the benefits package system and to encourage its use by widely communicating information To execute preparations for the establishment of Group benefit associations, and support the construction of infrastructure for employee lifestyles
	<ul style="list-style-type: none"> To promote mental health 	<ul style="list-style-type: none"> Prepared for the start of stress checks in June 2016, such as by selecting consignment businesses standardized across the Group related to measures making stress checks mandatory, determining the policies for their implementation, and organizing related regulations 	<ul style="list-style-type: none"> To further improve workplace environments applying the implementation of stress checks and organizational diagnosis
	<ul style="list-style-type: none"> To familiarize health awareness as an everyday practice for employees 	<ul style="list-style-type: none"> While starting the "population approach" that has become a model project for the Ministry of Health, Labour and Welfare's Data Health Plan focusing on obesity prevention and anti-smoking measures, the 100 Healthy Days Project and Lifestyle Disease Prevention Campaigns were implemented on an ongoing basis including at Group companies 	<ul style="list-style-type: none"> To advance initiatives for health administration such as further improvement of health awareness, obesity prevention, and measures against worsening conditions
	<ul style="list-style-type: none"> To acquire an understanding of and trust in the company by family members 	<ul style="list-style-type: none"> Held Children's Observation Day workplace visits at Group companies (SG Moving, SG Motors) 	<ul style="list-style-type: none"> To continue and firmly establish Children's Observation Days and Family Days at Group companies as a form of distributing information to employees and their families

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

Human Rights Labor Practices

■ 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 2015, we provided training on our Code of Ethics and Conduct to all employees of domestic Group companies, with the goal of creating systems for fostering human rights awareness. 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 2016 and beyond, we will take extensive steps to communicate these points, including to overseas Group companies.

■ 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. These were held for roughly 50,000 Group employees in fiscal 2015, with results showing that the level of employee satisfaction was higher overall than in fiscal 2014. Based on these results, each business company will make plans and carry out initiatives for measures to improve items with low satisfaction.

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.

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. We are continuing to implement system-related arrangements and culture-related reforms, as well as supporting career progression for female employees.

Activities of the Wakuwaku Women's Project

In fiscal 2015, in addition to the 2nd WakuWaku Awards, which recognize offices that actively take steps to create business opportunities or make business improvements for women, Women's Career Support Training was held for female employees who are candidates to assume management roles in the next term, and the target job categories and number of participants were expanded. The Diversity Forum by WakuWaku Women's Project was also held as a part of career progression support for female employees. A total of 400 female employees and managers participated, raising their awareness toward taking the initiative for career development.



Scene of final selection at WakuWaku Awards

Promoting the Activities of Female Drivers

Swap-body vehicles, developed in 2015 by Sagawa Express, are able to connect and disconnect their vehicle bodies and cargo beds from each other, making it possible for loading and driving to be carried out by separate staff members. With this, it is anticipated that even large vehicles that were formerly primarily operated by male staff members will be operated by more female drivers in the future, which will contribute greatly to the expansion of job categories for female employees.



Swap-body vehicle

Delivery Mate, Carried Out by Homemakers

Sagawa Express' Delivery Mate system 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 3,000 Delivery Mates in fiscal 2015 and are planning to expand that number to 5,000 by fiscal 2016.

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



Expansion of "LogiShift"

Sagawa Global Logistics uses "LogiShift", a work scheduling system with which working days and times can be freely selected, allowing employees to effectively use their available time and expanding the opportunities for employment of homemakers in local regions. As of March 2016, this has been in operation at 28 offices, with a total number of over 3,000 people registered. Currently, recruitment is carried out not only for homemakers (men or women) but also university students and vocational school students, with plans to further expand the segments it is available to.



Scene of work

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: 2.06% as of June 2016). Also, in order to enhance the acquisition of accurate knowledge and understanding that is a prerequisite to encouraging the employment of people with disabilities, we are actively participating in external study sessions and distributing information to related internal parties.

Global Human Resources Employment and Promotion of Activities

Currently, there are roughly 6,000 foreign employees working in a variety of fields in the SG Holdings Group. At some business companies, there are mechanisms in place where training is provided in Japan to outstanding employees, who then utilize their experience after returning to their home countries and continuing to work at local subsidiaries. From here on, we will continue to entrench foreign employees with high ability and motivation in our Group, and promote the creation of opportunities and infrastructure which allow them to be active.

Sagawa Global Logistics is partnered with Japanese language schools, cooperating mutually by creating opportunities for employment of international students by posting recruitment information within schools. Also, as one part of logistics human resources cultivation businesses, we are developing human resources who will be responsible for our future by accepting requests from overseas universities to hold lecture classes at those locations for students specializing in logistics.

SG Motors has employed foreign personnel from 2012, with 28 members from seven countries currently enrolled. We will continue to strengthen our understanding and expand employment of foreign personnel by arranging work environments where foreign personnel can be even livelier and active, and providing opportunities for employees across the country to interact with each other.

Promoting human resources cultivation

Human Rights Labor Practices

Enrichment of Training Systems

The SG Holdings Group has set the systemization of human resources cultivation and the enhancement of initiatives for global human resources cultivation as mid-term goals. In fiscal 2015, it carried out seminars for current GMs (Group Managers), with 4 seminars held for 75 management personnel members who support the core of the Group's businesses.

It also carried out selective training for 25 members in Section Chief positions, with the goal of systematically developing future management personnel at an early stage. The training not only covered knowledge and skills required for management, but also incorporated content emphasizing the ability to think of new ideas, to foster a management-oriented mindset as early as possible.

Furthermore, as part of the overseas training that has been implemented continually for 36 years, a "Challenge Course" was newly established in fiscal 2015 under the concept of experiencing

the different cultures of South Asia and facilitating one's own growth as a global personnel member, with visits made to major bases and customers in India and Sri Lanka.

Meanwhile, training for staff at overseas subsidiaries also continued to be held. In fiscal 2015, 17 managers from overseas local subsidiaries in various countries assembled in Japan to visit and observe major business companies and deepen their understanding of the Group. We will continue to create opportunities like these for human resources cultivation and information exchange in the future.



Scene at overseas training



Training for overseas staff

Promotion of work-life balance

Human Rights Labor Practices

■ Diverse Work Systems

The SG Holdings Group is aiming to support work-life balance and diversify working styles so that each employee can engage in work while demonstrating the highest level of ability.

From fiscal 2016, we will arrange environments making it easier for employees who had obtained child care leave to return to the workplace, such as extending the period of time for shortened working hours up until the end of a child's 4th grade in elementary school. Also, in order to improve job and employee satisfaction, we are taking steps to promote life support functions through the enhancement of benefit programs, with the start of operation of Group benefit associations scheduled from fiscal 2017.

SG Systems is planning to introduce work-at-home systems and develop and provide services for ICT* tools associated with them. To advance these plans, we first set a temporary trial for the one-month period of February 2016, and conducted tests with the cooperation of the Group companies to verify the ICT tools and clarify any system-related problems. Based on the results, a new full-scale trial is being executed for approximately half a year, with preparations for the official introduction of the final "work-at-home system" underway.

*ICT: Abbreviation for "Information and Communication Technology".

■ Mental Healthcare

The SG Holdings Group has carried out initiatives for mental healthcare even before stress checks were made mandatory in December 2015, and to support 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 and counseling by clinical psychologists can be received at no charge at counseling rooms located across the country. From fiscal 2016, policies related to the implementation of stress checks will be determined, and related regulations will be organized so that standardized checks can be performed across the entire company. We will carry out organizational analysis based on their results, and strive to provide an even better working environment.

■ 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. These initiatives were 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 colleagues 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. From November 2015, a vegetable recipe contest with collaboration between our Health Insurance Association and Sagawa Advance was held on the "Famalink" benefits package website, to improve the health awareness of employees and their families.

■ 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 SG Holdings Group started the Children's Observation Day program on an ongoing basis at business companies 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 fiscal 2015, this was held by SG Motors at its Tokyo location and its Minami-Tokyo location, with 27 children participating. It was also held by SG Moving at its Head Office and Tokyo Sales Office, with 36 children and their guardians participating.



Situation on Children's Observation Day at SG Motors



Experience with packaging gifts and delivering packages at SG Moving



Comment from an expert

Hiroshi Ishida

Executive Director

Caux Round Table - Japan

We would like to acknowledge the SG Holdings Group for its initiatives showing great respect for human rights in fiscal 2015 that aim toward becoming an organization with high diversity, particularly its activities focusing on the expansion of job categories for female employees (promotion of activity by female drivers), and the improvement of ease of work in its Group companies (LogiShift).

In the future, we look forward to its efforts for due diligence regarding human rights required by "Business and Human Rights", and the deployment of initiatives for diversity and inclusion toward SG Holdings Group employees working overseas.

Constructing Supply Chain CSR

Customer accounts

about **100** million

Goals and Results of Material CSR Issues

Activity Topic	Mid-Term Goal	Results in Fiscal 2015	Action Plans for Fiscal 2016
Promotion of CSR in the supply chain → p.38	<ul style="list-style-type: none"> To create systems for strict attention to CSR procurement 	<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 	<ul style="list-style-type: none"> To continue promoting sharing of the Business Partner CSR Guidelines
Cooperation with business partners → p.38	<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

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. 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 2014. In fiscal 2015, we promoted sharing of these Guidelines both inside and outside the company, and announced them to major business partners of domestic Group companies. 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 regional communities

We will aid in the development of domestic and overseas regional 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 impact, such as actively introducing environmentally-friendly vehicles in cooperation with various automobile manufacturers.

Building a Responsible Management Foundation

Dialogue with Stakeholders

12th occasion

Awareness of Social Issues and our Group's Management

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.

Goals and Results of Material CSR Issues

Activity Topic	Mid-Term Goal	Results in Fiscal 2015	Action Plans for Fiscal 2016
Building a foundation for CSR promotion → pp.39-41	<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"> Expanded the number of participating Group companies and held regular CSR Committee meetings 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 and internal control → p.41	<ul style="list-style-type: none"> To upgrade the compliance system 	<ul style="list-style-type: none"> Enacted regulations to prevent insider trading Carried out initiatives related to strengthening internal control (informational meetings, etc.) 	<ul style="list-style-type: none"> To further strengthen compliance and internal control
Risk management → p.42	<ul style="list-style-type: none"> To upgrade the risk management system 	<ul style="list-style-type: none"> Carried out risk management based on the risk management flow (identification, evaluation, trend analysis, verification) Collected and distributed information on overseas risks, managed information on overseas travelers 	<ul style="list-style-type: none"> To improve the accuracy of risk analysis and evaluation, aiming for a more effective risk management system according to Group company operations and risk characteristics To strengthen global response capabilities for risk management and crisis management
Information Security → p.42-43	<ul style="list-style-type: none"> To upgrade the information security system 	<ul style="list-style-type: none"> Carried out initiatives related to strengthening information security (Group information security coordination meetings, training, e-learning, etc.) 	<ul style="list-style-type: none"> To further strengthen information security (management, incident response, training, etc.)
Crisis Management → p.43	<ul style="list-style-type: none"> To upgrade the crisis management system (1) To formulate Group BCP and coordinate BCM To upgrade the crisis management system (2) To upgrade the Group crisis management system 	<ul style="list-style-type: none"> Formulated a BCP for each Group company Implemented Group large-scale disaster response training and Group BCM coordination meetings Carried out responses to the occurrence of incidents (collection and distribution of information) 	<ul style="list-style-type: none"> To construct BCP and BCM with Group coordination from the BCP of each individual company, and to ensure strong Group coordination To strengthen the Group crisis management system and plan to improve response capability in the event of incidents

Building a foundation for CSR promotion

Organization Governance

Concepts for CSR

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.

Create 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

Declaration to Earn the Trust and Empathy of Society

The SG Holdings Group aims to be a company that is beneficial to society, by creating added value, through fair competition, whilst supporting the development of economies and societies.



■ 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. In addition to building systems to promote Group company CSR management and various initiatives, we are holding informational meetings and seminars related to CSR.

Overview of CSR Committee

■ Members

- Committee Chairperson: SG Holdings Co., Ltd.
Eiichi Kuriwada, Chairperson and CEO
- Committee Members: SG Holdings Co., Ltd.
6 Directors and 1 Executive Officers

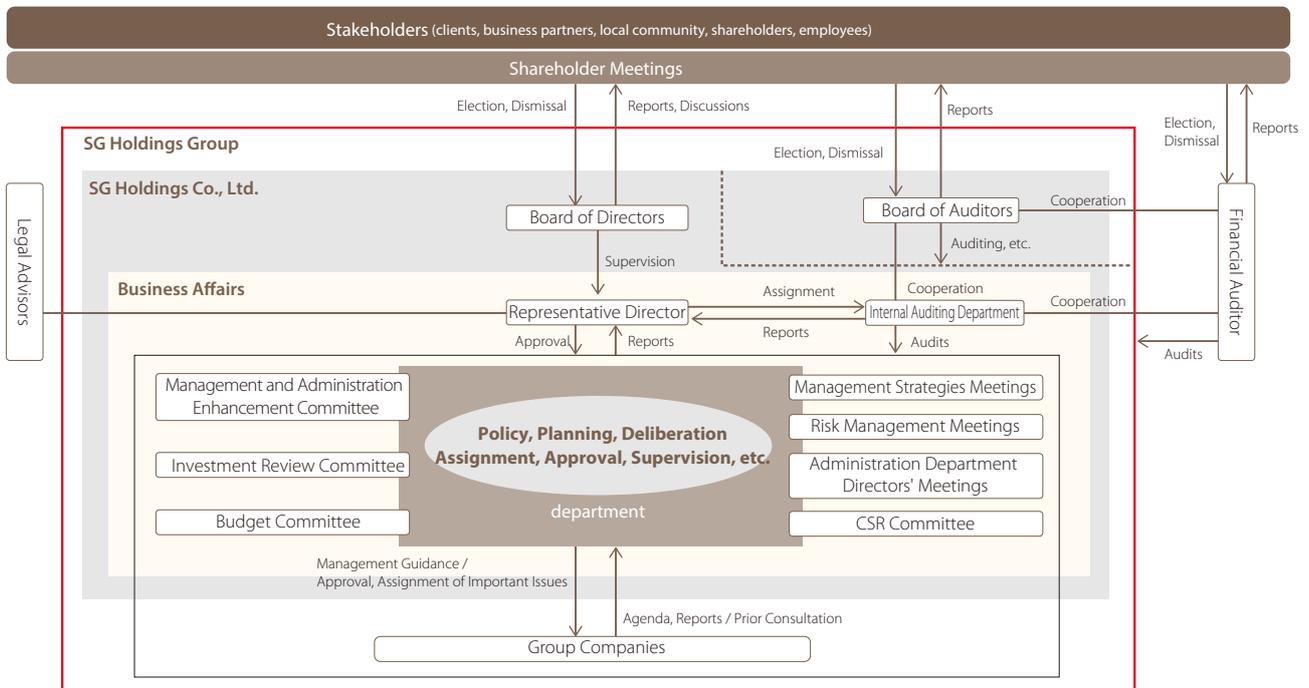
■ Record of meetings held in fiscal 2015

- Four meetings within the fiscal year (May 2015, September 2015, November 2015, February 2016)

■ Major discussion topics in fiscal 2015

- Report of items pertaining to CSR management
- Progress report of CSR-related activities

Corporate Governance System



■ Promotion of Stakeholder Management

We believe that CSR for our 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 12th session held in fiscal 2015. They provide opportunities for opinion exchanges with stakeholders from various standpoints regarding issues considered to be important by our Group and requests from society.

■ Dialogue with Stakeholders

The fiscal 2015 dialogues with stakeholders were held in March 2016. The main subject of this session was “Aiming for CSR based on social issues and changes in the business environment”. Practical discussions were held with external experts on various topics, including the ideal state of CSR overall and issues that should be addressed from this point on. We intend to rank the issues and requests identified through these discussions by priority, and take steps to address them.



Scene at dialogue with stakeholders

Compliance and internal control

Organization Governance Fair Business Practices

■ Strengthening the Compliance System

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

As one part of this, the SG Holdings Group Compliance Hotline is being operated based on the internal notification system, as a contact window for employees, their families, and partner companies to report behavior in violation of laws, company rules, or the Code of Ethics and Conduct.

Also, in consideration for increasing opportunities such as transitions of overseas listed companies to Group companies or the creation of business alliances and capital alliances with listed companies, efforts are being made to prevent insider trading by enacting new insider trading prevention regulations and implementing education by seminars.

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

■ Basic Internal Control Policy

SG Holdings Group 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, while specifying the SG Holdings Basic Internal Control Policy as the guideline for our internal control.

To be specific, 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.

■ 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 stipulated in our Corporate Charter of Business Conduct and 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, and thoroughly prevent or block those who would interfere with our business partners and others by measures such as sharing information on antisocial forces and our responses to them.

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.

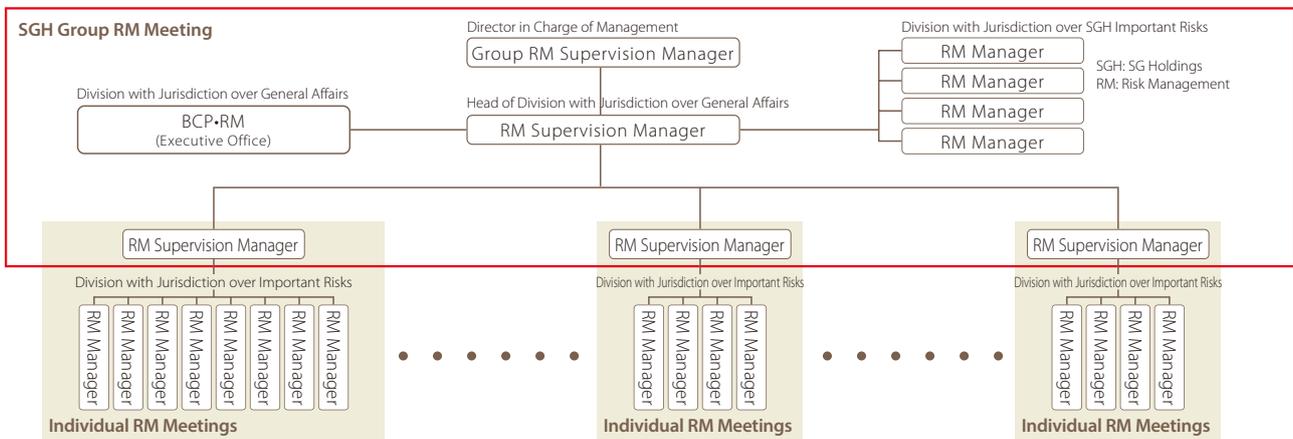
At Risk Management Meetings, systems are arranged to investigate and report risks in Group companies. Also, BCPs (Business Continuity Plans) are formulated and BCM (Business Continuity Management) systems are constructed so that business can be continued in the event of a large-scale disaster.

Our Group companies thoroughly carry out risk management

based on the risk management flow. This unified risk management is carried out across the entire Group toward risks identified by each company, and includes analyzing their trends and putting risks into visual form by creating risk maps.

In fiscal 2015, we strengthened our reporting system so that initial responses can be performed quickly and reliably if risk events occur at Group companies. We have also started collecting and distributing risk information at global bases, and will proceed with further system arrangement and enhancement from here on.

Risk Management System



Information Security

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.

Initiatives Related to Information Security

In fiscal 2015, we started holding Group Information Security Coordination Meetings for information sharing and opinion exchanges among information security representatives, and also held seminars by external lecturers for managers and representatives. We also implemented a variety of information security training measures, including e-learning training and targeted e-mail attack response training for representatives at

Group companies.

Furthermore, with the goal of raising the information security awareness of all employees, ongoing measures for communication and education, such as reading through the SG Holdings Group Security Handbook and implementing confirmation tests, are carried out at Group companies.

Obtaining ISO27001

Sagawa Express (Sales Department, Sales 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.

This certification has also been obtained by Sagawa Global Logistics (Head Office Sales Department, Sales Development Department, Logistics Solutions Department, Nagoya Branch Kanazawa SRC, Kita-Kanto Branch Kita-Kanto Sales Office), with certification newly obtained by the Nishi-Tokyo Branch Oi SRC, one of its major offices, at the start of fiscal 2016.

■ 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.

■ New Establishment of Cyber-Security Promotion Unit

Under recent conditions where there is a high risk of exposure to numerous cyber-attacks from outside sources, it is necessary to prevent serious security incidents before they can

occur. Therefore, in fiscal 2015 SG Systems established a new cyber-security promotion unit as a specialized department, for the purpose of taking active steps toward enhancing and promoting cyber-security. With the initiatives of this unit as our focus, we will investigate the introduction of an internal CSIRT* in coordination with external organizations such as government institutions and specialized vendors, and will further strengthen our system for responding to security incidents.

*CSIRT: Abbreviation for "Computer Security Incident Response Team". A specialized team that handles information security problems.

■ Implementing Security Assessments

In order to prevent serious security incidents before they can occur, the current conditions of internal and external environments must be understood, and the cyber-security management system must be evaluated. Then, after benchmarking with other companies and setting target security levels, the issues that must be addressed to reach the desired state must be identified, policies and measures must be defined, and relevant items must be ranked by priority. SG Systems is implementing such security assessments while considering the entire SG Holdings Group, which is widely involved in overseas deployment, and is formulating roadmaps so that even more effective security measures can be reliably executed.

Crisis Management

Organization Governance

■ BCM Initiatives

The SG Holdings Group is aiming to upgrade its crisis management systems, and is taking steps toward Group BCP formulation and BCM coordination, while also enhancing the Group crisis management system.

Formulating BCP for Each Group Company

Since 2012, we have started initiatives for BCP construction, and have formulated basic plans and action plans shared across the Group and for the Group's core company of Sagawa Express. Even regarding IT-BCP, we have also implemented BCP measures such as system redundancy for systems related to essential operations, after formulating basic policies. From 2015, we have been formulating BCP for each Group company in sequence, and in the future will proceed with linking these Group BCPs together.

Large-Scale Disaster Response Training

In the Group Large-Scale Disaster Response Training held in November 2015, third-party evaluation was conducted by Deloitte Touche Tohmatsu LLC based on the training contents and results, and we received external evaluation on the effectiveness of our Group's BCP and BCM.

Arrangement of BCM Contact System

By arranging a BCM contact system in the SG Holdings Group, we investigated the Group's business continuity management, shared information, and made plans to enhance the Group's crisis management system.

We are also holding BC Corporate Exchange Meetings at Sagawa Express for the exchange of information such as initiatives and issues regarding the BCP of companies in different business fields. Roughly 50 corporations and administrations participated in fiscal 2015, engaging in active discussions and offering proposals on resolving common issues related to business continuity and promoting specific cooperative relationships.

Collection and Distribution of Information when Incidents Occur

We improved our emergency information system as one type of reporting tool to increase the reliability of reporting in the case of emergencies. We will continue aiming to further improve our response capability for the occurrence of incidents.

Foundation Activities

SGH Public Interest Foundation

With the goal of contributing to multifaceted and extensive social activities for the creation of a global and active society, the SGH Public Interest Foundation 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 privately financed international students from countries in Southeast Asia. Since this project began in 1986, 474 students have been selected, with the total monetary amount of scholarships provided reaching 1.071 billion yen. In addition to granting scholarships, we are also striving to enable international students to enjoy a rich experience in Japan by publishing written anthologies and holding award ceremonies, social gatherings, and reunions.

During fiscal 2015, 72 students from 63 universities all over the country applied, of which 16 applicants were selected as our 30th term scholarship students.



30th Scholarship Student Selection Certificate Award Ceremony



Scene at awards 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 2015, 221 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.



27th Awards Ceremony, 13th Prize Ceremony

27th Sagawa Cancer Research Support

15 awards (15 million yen)

13th Sagawa Special Award

2 awards (10 million yen)

13th Sagawa Nursing Care Special Award

2 awards (2 million yen)

International Economic Cooperation

We donate transport vehicles to developing and emerging countries in Asia, and accepting trainees to study vehicle maintenance skills.

In 2015, we accepted five trainees from China and five trainees from Laos for vehicle maintenance skill training. In cooperation with the Ministry of Land, Infrastructure, Transport and Tourism, we are also involved in a project to support human resource development of logistics management at the Ho Chi Minh City University of Transport in Vietnam. We are intending to investigate and discuss other projects, such as projects for human resources cultivation of logistics management in Laos similar to that in Vietnam, from here on.



Scene at lecture class at Ho Chi Minh City University of Transport

Results of accepting trainees for vehicle maintenance skill training (cumulative total from 1987 to 2015)

China, Laos: **total of 203 trainees**

Results of donating repaired used trucks (cumulative total from 1985 to 2015)

China, Mongolia, Laos, Peru, etc: **total of 3,327 vehicles**

Sagawa Art Museum Public Interest Foundation

In March 1998, the Sagawa Art Museum was opened in Moriyama City, Shiga Prefecture. 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 and concerts, to cultivate aesthetic sensibility that creates abundant senses of expression and sensitivity. *Total number of visitors in fiscal 2015: 160,462



Specially planned exhibitions

- Kiyoshi Yamashita Exhibition: The Wandering Genius Artist
- Keith Haring Exhibition
- Oribe Furuta Exhibition: 400 Years After Death
- Exhibition of winning pieces from 7th Children's Art Contest
- Baikoan Collection: Exhibition of Magnificent Beauties

Activities to spread art culture

- Exhibition-related lectures (299 participants)
- Concerts (469 participants)

- Tea parties (129 participants)

- Sagawa Kids Museum educational promotion activities for the children who will be our next generation (workshops: 407 participants, exhibition events: 28,136 participants)

Interaction with local communities

- Art Appreciation Classes in cooperation with the Moriyama City Board of Education (929 4th-grade students in 27 classes from 9 elementary schools)
- Welfare Day (1,785 participants from 124 welfare facilities)

Global Group Company CSR Activities

Expolanka Group

■ Celebrating World Environment Day with the “Bulb for Bulb Campaign”

Expo Freight (EFL) conducted the “Bulb for Bulb Campaign”, in which free LED light bulbs were given to 1,000 employees and 1,000 homes in the Orugodawatta area, to celebrate World Environment Day. The campaign sought to create awareness on the benefits of LED bulbs, which are highly effective in saving energy, which also reduce greenhouse gas emissions from power plants, also helps in lowering electricity bills. Also these Free LED bulbs were exchanged with the employees as we firmly believes that we should “walk the talk”.

In addition, EFL is taking measures as a Group to reduce its amount of CO₂ emissions and mapping greenhouse gasses obtaining ISO 14064, which is an international standards procedure on calculating the GHG emissions and implementing procedures in cutting down CO₂ emission.



Distribution of free LED light bulbs

■ Rathugala Water & Sanitation Project

The Veddah community, Sri Lanka’s oldest indigenous community, in Rathugala, with a population of roughly 400 people, faced many hardships with limited access to clean water. Expolanka provided funds and arranged the necessary equipment to build clean water storage tanks and water supply pipelines, allowing the residents of this community to enjoy the use of clean water. After this project was completed Expolanka embarked on a project to provide sanitation for the community by building 5 common toilets for the people of Rathugala. They were erected in key points in the village. The construction of common toilet facilities in 5 locations that can be used by the local people has given them a healthier lifestyle and has enabled residents of the community to elevate their standard of living.



Providing clean water to the Rathugala village

■ Continuing the ‘Eyes of Hope’ project in celebration of ‘World Sight Day’

Continuing the ‘Eyes of Hope’ project from last year to fall in line with the ‘World Sight Day’, Expolanka facilitated 25 cataract surgeries free of charge, bringing the number of patients the Group has supported to 50. A series of free health checkups were also held to examine over 300 senior citizens, and the Group donated spectacles to these patients as well.

According to a United Nations WHO (World Health Organization) report, 80% of visual impairment, including blindness, is avoidable. In our various efforts to help senior citizens in Sri Lanka,

we noticed that a number of these individuals are forced to live with ailments such as cataracts and are unable to receive proper treatment. Expolanka is hoping to continue its efforts in doing free cataracts surgeries through the “Eyes of Hope Project”.



Performing free cataract surgeries

■ Celebrating Universal Children’s Day with “Children’s Health Camp”

Expolanka celebrated Universal Children’s Day by holding a “Children’s Health Camp” participated in by 250 children, including children with disabilities from Five Children’s Homes. Established by UNICEF in 1954, Universal Children’s Day aims to improve and maintain the welfare and health of children everywhere and encourages global initiatives to save the lives of children around the world. In this view, this free event held by Expolanka began by providing dietary advice based on the results of health checkups. Following the health camp, the children enjoyed a delicious lunch, took part in games and activities, and received gifts to conclude the event.



Scene at the “Children’s Health Camp”

■ Health camps and microfinance initiatives for the elderly

Since the year 2014, Expolanka has been conducting support programmes for the elderly every year to give needed assistance, and to celebrate World Elders Day, the “Healthy Living” health camp was held to provide free health care to over 300 elderly people. General health examinations were given and medicine was prescribed and distributed, free of charge to low income senior citizens who required regular general medical checkups. Inspired idea of free medical consultation, the Group also conducts an ongoing free healthcare programme called ‘Expo Medix’, which is a fast-growing network of medical clinics able to offer affordable medical services to the low-income class. To help in overcoming the emerging social problems faced by Sri Lanka’s aging society, Expolanka initiated a microfinance project to assist entrepreneurship by senior citizens and the establishment of business eco-systems in a variety of ways.



Health camp for the elderly

SG Sagawa (Thailand)

■ Environmental Greening Projects

SG Sagawa Thailand is currently carrying out environmental greening projects. It is improving the environment around its workplaces by actively cultivating and growing various kinds of plants, such as by planting seedlings of trees and flowering plants in bare fields with no plant life on its premises in June 2015. These activities for filling the surroundings with plant life are expected to not only improve the environment, but also to encourage enjoyment in work and arouse the spirit of making improvements to yield positive results.



Scene at greening activities

Sagawa Express Philippines

■ Earthquake Disaster Training

Sagawa Express Philippines participated in an earthquake disaster training event on the largest scale in the country, held in July 2015 in the entire Manila metropolitan area, and presented a series of videos related to the training. Information on response procedures recommended before, during, and after an earthquake at each stage of its occurrence were summarized in the form of safety cards which were distributed to employees. We are aiming to maintain a management system able to ensure safety and provide high-quality services even in an emergency.

■ Training Meetings for Drivers and Delivery Staff

As one part of human resources cultivation programs and education, training was held for drivers and delivery staff in September 2015. The participants deepened their knowledge and understanding, learning about cargo handling and standard business procedures related to delivery. Discussions were also held by participants during this conference on the topic of how to provide outstanding customer service. Participants presented their respective views using projectors and spoke about them with each other.

SG Sagawa Ameroid (Singapore)

■ Initiatives for Safe Driving and Accident Prevention

At SG Sagawa Ameroid, a Safety Committee was established in July 2015 and began efforts in accordance with the principle of "health, safety, and environmental policies". It launched monthly departmental reviews and web portal systems (reporting systems for accidents, etc.) to gain an understanding of problems, and to prepare related countermeasures and prevention plans. It also introduced systems for driver education and driving analysis, in addition to equipping its vehicles with high-resolution cameras for the purpose of monitoring driving behavior.

Sagawa Express Vietnam

■ Providing Collection Services for Waste Paper Resources

The transportation know-how of Sagawa Express Vietnam and the advanced waste paper dissolution and household paper manufacturing technology of recycled household paper manufacturer JP Corelex Vietnam are being applied to commercial provision of confidential document collection services. In these services, confidential documents collected by Sagawa Express Vietnam are brought to a JP Corelex Vietnam factory and used as raw materials to produce toilet paper. With this system, the companies from whom waste paper has been collected then purchase the manufactured toilet paper, contributing to paper resource circulation. This service is primarily used by Japan-affiliated companies, which handle large amounts of confidential documents and have a high desire to contribute to a recycling-oriented society, with several tons of confidential documents collected and recycled every year.



After confidential documents arrive at the factory, they are fed directly to a belt conveyor and dissolved under customer observation.

Shanghai Dazhong Sagawa Logistics

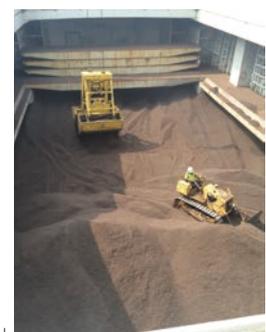
■ Receiving Used Home Appliances and Transferring them to Proper Disposal Businesses

Shanghai Dazhong Sagawa Logistics receives requests from business partners selling televisions, microwave ovens, and other home appliances, so that when it transports new appliances to sales customers, it also picks up old appliances and other items to transfer them to proper disposal businesses. Illegal dumping and similar acts are becoming a widespread issue in China, so taking custody of used appliances and bringing them to disposal businesses contributes to the prevention of illegal dumping and other forms of improper disposal.

Sagawa Express Malaysia

■ Export Cargo Handling of Biomass Power Generation Fuel

As a marine export operation, Sagawa Express Malaysia is engaged in port cargo handling of Malaysia-produced biomass fuel for burning at thermal power plants in Japan. Biomass is a form of clean energy with reduced CO₂ emissions.



Biomass power generation fuel

Third Party Opinion on SG Holdings Group “CSR Report 2016”

Positively-rated Aspects

I believe that overall this is an excellent report which clearly indicates the concept held by the SG Holdings Group toward CSR, namely “Contributing to the development of a sustainable society by reflecting the challenges and hopes of society in business activities”. In continuation from last year, the report includes many examples of opinions from stakeholders such as customers, employees, NPOs, and government administrations, as well as job site photographs, and really shows the character of the Group.

As stated in the Top Message, in recent years changes to business activities and consumer lifestyles brought about by the globalization of the economy, environmental problems, the falling birth rate and aging population, and technological progress, are moving forward at a rapid pace, giving rise to a succession of new social issues. For a corporation to earnestly promote CSR under such conditions, it is important to have ideas for CSV that incorporate the resolution of social issues into its main business. As stated above, the SG Holdings Group has the stance of “Contributing to the development of a sustainable society by reflecting the challenges and hopes of society in business activities”. In the special feature section of this report (⇒ see pp.14-16), examples are given where the Group has fully applied its total capacity to contribute to the expansion of overseas sales channels for food product manufacturers and has reduced environmental impacts in areas around shopping centers. There are also similar examples given of the establishment of service bases to support “Sightseeing Without Baggage” (⇒ see p.22) which can lead to higher satisfaction for foreign travelers visiting Japan. I would like to highly praise this Group’s corporate stance of engaging in CSR through its main business.

What I would like to praise the most in this report is its presentation of the “Awareness of Social Issues” → “Views of Management (Responsible Personnel)” → “Mid-Term Plans / Action Plans” on title pages provided for each of the material CSR issues identified based on ISO26000 (⇒ see p.17). The Global Reporting Initiative (GRI) requires the publication of management procedures to address specified impacts to the economy, environment, and society (DMA: Disclosure on Management Approach) in G4 guidelines. Also, in fiscal 2015, the three companies of Sagawa Global Logistics, SG Realty, and SG Systems were positioned as Group companies to make focused efforts for this, and plans were made to enhance the level of CSR further across the entire Group.

There is no question that the SG Holdings Group is actively releasing information required by stakeholders while also steadily proceeding with measures to raise the effectiveness of CSR management.

Sagawa Express owns a total of approximately 8,080 environment-friendly vehicles, which is equivalent to roughly 30% of the total number, that include post-new long-term regulation compliant vehicles and compressed natural gas (CNG) trucks (⇒ see p.26). It also has an established reputation of having a high awareness of environmental considerations, shown for example by the calculation and disclosure of its CO₂ emissions over its entire supply chain (Scope 3), ahead of the logistics industry. In this fiscal year, it completed a new logistics facility in Higashimatsuyama City, Saitama Prefecture, which received a Rank A CASBEE evaluation and also obtained the highest rank of five stars for the DBJ Green Building Certification by the Development Bank of Japan (⇒ see p.27). Initiatives to address environmental fields are a vital issue for the Group due to its business characteristics. I hope that the Group will continue to promote initiatives in the future that will lead the industry.

Finally, I would like to refer to SG Holdings Group’s “Building an Organization with Individuality and Diversity” (⇒ see pp.34-37). Diversity is an element that is essential in building a lively organization and creating innovation. I would like to give high commendations to the Group’s steps taken in fiscal 2015 to expand the target job categories and number of participants in Women’s Career Support Training, and to address the employment and career development of foreign employees on an ongoing basis.

Future Requests

The SG Holdings Group is a global corporate body with bases in 24 countries and regions. Although this report introduces many examples of overseas Group company projects and CSR activities (⇒ see pp.45-46), the information released regarding the six material CSR issues stated by the Group is limited to domestic data. I would like the report for the next financial year to include more complete descriptions of these points with regard to overseas Group companies.



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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/>