



CSR Report 2017

Corporate
Social
Responsibility
Report



SG Holdings Group Corporate Philosophy

“Trust, Create, Challenge”

The SG Holdings Group will:

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

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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 in particular features logistics efficiency solutions that aim to save energy and reduce the environmental burden in Vietnam, which is one of our international logistics sites, as well as in other aspects of logistics.

Reference Guidelines

Ministry of the Environment, “Environmental Reporting Guidelines 2012”

GRI* “Sustainability Reporting Guidelines (4th 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, 2016 - March 20, 2017

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

Organizations Subject to Reporting

SG Holdings Group Companies and Foundations

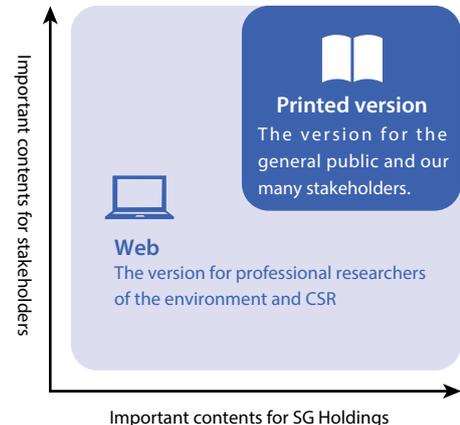
*Group-wide business initiatives are referred to as SG Holdings Group initiatives or our Group’s initiatives.

*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 all of the information related to our group CSR activities, including numerical data.

Our CSR Report 2017 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.

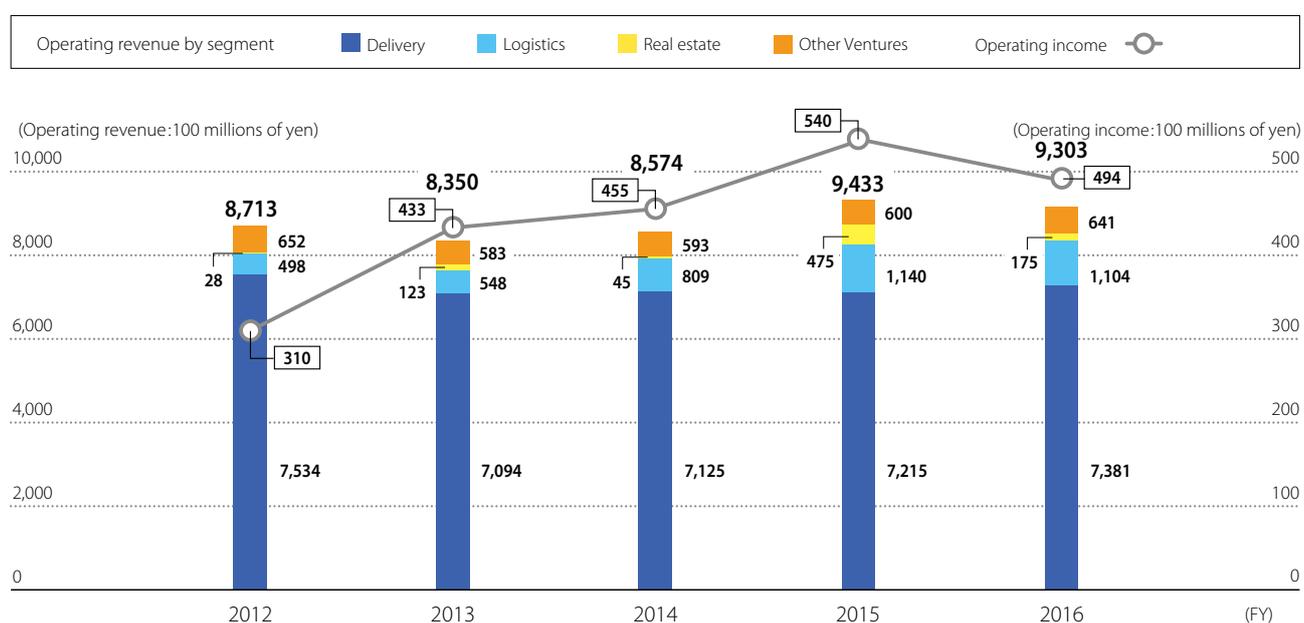
Head Office Location: 68, Tsunoda-cho, Kamitoba, Minami-ku, Kyoto, Japan

Established: March, 2006

Capital: 11,882 million yen

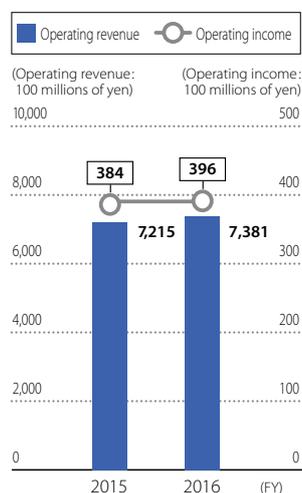
Employees: 85,808 (consolidated / for March 2017 period)

Consolidated Performance

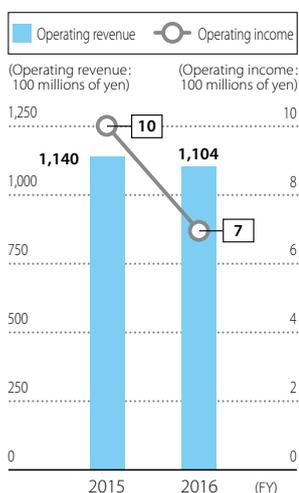


Note: Since fiscal 2013 we have changed our calculations per segment to cover four businesses, including real estate, and adjusted the figures for fiscal 2012 accordingly.

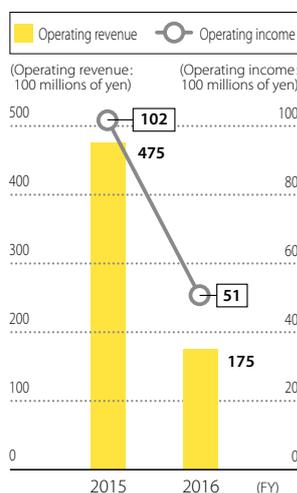
Delivery Businesses



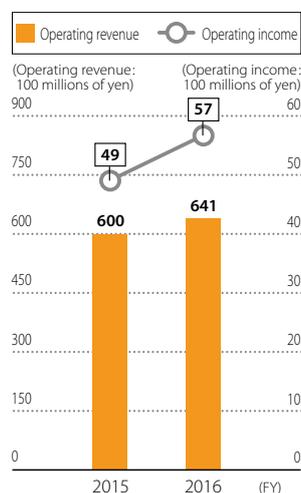
Logistics Businesses



Real Estate Businesses



Other Businesses



Always Anticipating the Challenges Ahead

Our 60-year history rooted in a spirit of express messengers in the Edo period has always taken a path to anticipate the future and overcome challenges.

We will continue to anticipate the ever-changing logistics and customer needs while adapting through self-examination and reflection of the governance before us.

Even as the range of our business has become global, our approach to persevere will remain steadfast and never waver.

1957 ▶ 1976

Courier Business and Period of Rapid Growth After the War

In 1957, Founder Kiyoshi Sagawa started a courier business between Kyoto and Osaka all on his own. At the time, small and medium-sized companies from private stores to workshops flourished at the height of economic growth following the period of recovery after the war. Small cargo transport by rail was common in the midst of this economic boom. Couriers had to travel to railway stations for both shipping and pick-up. Shipping luxury goods such as precious metals as well as kimonos, precision machines, foodstuff and other commodities requiring special care as needed was also difficult. Kiyoshi Sagawa set his sights on these needs and built a unique business model to collect these types of shipments as a courier business which would gradually work toward business to business (B to B) door-to-door transport. In 1965, Sagawa Express was established in Kyoto to leverage the acquisition of a General Section Cargo Automobile Transport Business License. Thereafter, the company found a foothold with corporations across Japan, which started with Osaka (1966) and Kagawa (1967). This accelerated the formation of the Sagawa Express Group.



Unique business model for door-to-door transport



"Courier" logo registered as a design in 1976

Main CSR Initiatives

- 1975 Supported the donation of 10,000 yellow triangular flags for pedestrian crossings

1977 ▶ 1986

National Growth, Organization, and Contributions to Society

The Sagawa Express Group completed its national shipping network in 1977, 20 years after the courier business was established between Kyoto and Osaka. The group next established business firms in charge of supporting the transport business, including Sagawa Automobile Company (vehicle maintenance; current Sagawa Galaxy Motors), Sagawa Logistics Services (warehousing; current Sagawa Global Logistics) and Sagawa Computer Systems (configuration of logistics systems; current SG Systems). In 1985, the group adopted portable data terminals (PDTs) to operate national freight tracking systems. This innovation helped in improving customer satisfaction by allowing customers to know the status of their shipments. On another front, we also began initiatives toward social contributions by establishing three foundations in 1986, including the Sagawa Scholarship Foundation (current SGH Foundation).



Ceremony celebrating the 20th anniversary



PDT adopted in 1985

Main CSR Initiatives

- 1982 Contributed to large-volume transport of relief and emergency supplies after heavy rains in Nagasaki
- 1985 Started used truck donations to China

1987 ▶ 1996

Rebirth of Sagawa Express After Adversity

The group, which had gradually expanded its business, restructured itself as regional transport companies using methods such as franchising and capital participation to become an organization built upon a network. At the time, 62 companies bore the name "Sagawa Express," including the 12 companies at the core. Each one of these companies was an independent corporation and, while competition was one factor for growth of the group, it also came with many governance issues. In 1991, the group faced disbandment when uncollectible accounts of more than 500 billion yen were discovered at Tokyo Sagawa Express, which had boasted the highest sales throughout the Group. The main bank decided to support the revival of the group on its own through mergers and consolidation and began the reorganization with Eiichi Kuriwada, who was the president of Osaka Sagawa Express, at the helm. Sagawa Express was reborn to start its path toward reformation after three mergers in 1992, in 1994 and in 1997.



First merger of Sagawa Express



Recovery support after the Great Hanshin Earthquake

Main CSR Initiatives

- 1991 Assisted in opening mission-critical forest roads in Kochi prefecture
- 1991 Adopted low-emission "methanol vehicles" at Tokyo and Osaka branches
- 1993 Conducted disaster relief activities after the Hokkaido-Nansei-Oki Earthquake
- 1995 Conducted disaster relief activities after the Great Hanshin Earthquake

1997 ▶ 2006

2007 ▶ 2016

Internationalization and Start of SG Holdings

In 1998, Sagawa Express began its first three-year reformation action plan. Thereafter, the company examined and move to execution of policies inherited by group management such as the acquisition of ISO9001 international standards for quality management, restructuring of information systems, expansion of overseas locations and response to the environment. In the same year, we started a door-to-door delivery service that adopted home delivery rates to respond to the rapid expansion of the home delivery market. We gradually started new services from "Hikyaku Cool (chilled) Express" service in the following year as well as the "e-collect" service for cash on delivery using a credit card in 2000 to the "Hikyaku Global Express" and "Hikyaku Mail Express" services. Moreover, in 1997, we began establishing overseas sites for the first time in Hong Kong. In 2006, SG Holdings was established as a holding company in order to shift to a structure with the purpose to grow secondary and tertiary businesses while keeping Sagawa Express at the core.

Furthermore, in 1998, Sagawa Art Museum was opened as a celebration of our 40th anniversary to contribute to society both inside and outside of the company through arts and culture.

Sagawa Art Museum opened in 1998 (Front)



SG Holdings founded in 2006

Main CSR Initiatives

- 1997 Adopted compressed natural gas (CNG) vehicles
- 2000 Started publishing the Sky Blue Environmental Report (current CSR Report)
- 2001 Acquired the ISO14001 international certification based on international standards for environmental management at Sagawa Express and Sagawa Global Logistics
- 2002 Started initiatives toward WWF "Climate Savers Program"
- 2003 Adopted Super Rail Cargo
- 2006 Entered into an agreement with the Japanese Red Cross to transport relief supplies

Becoming Asia's Leading Comprehensive Logistics Group

We started the three-year three-quarter medium to long-term management plan in 2007. As operations expand in our total logistics corporate group, we have successively established business ventures with a wide range of functions such as personnel dispatching companies. SG HOLDINGS GLOBAL PTE, LTD. was established in 2012 to supervise overseas companies in Singapore tasked with promoting our overseas ventures. We welcomed AMEROID in Singapore in 2013 and EXPOLANKA in Sri Lanka in 2014 as group companies and accelerated the construction of a logistics network in Asia. "GOAL" advanced logistics project also began operation in 2014 to offer proposals leading to solutions in the logistics challenges our customers face while flexibly organizing teams with each group company, which possess broad-ranging functions, with Sagawa Express at the core. In 2016, Sagawa Holdings and Sagawa Express entered into a strategic capital and business alliance with Hitachi Transport System, Ltd. We also started the "First Stage 2018 (2016-2018)" new mid-term management plan in the same year and are championing the "Becoming Asia's Leading Comprehensive Logistics Group" long-term management vision established simultaneously.

EXPOLANKA FREIGHT



先進的ロジスティクス
プロジェクトチーム
「ゴール」。

GOAL[®]
(GO Advanced Logistics)

"GOAL" operated in 2014

Main CSR Initiatives

- 2011 Acquired offset credits (J-VER) at Sagawa Forestry
- 2011 Conducted disaster relief activities after the Great East Japan Earthquake
- 2013 Sagawa Express specified a Designated Public Corporation as stipulated in the Basic Act on Disaster Control Measures
- 2014 Acquired the first "Carbon Neutral Certification" in the logistics industry
- 2016 Conducted disaster relief activities after the Kumamoto earthquake
- 2016 Acquired the first "Resilience Certification" in the logistics industry



Becoming Asia's Leading Comprehensive Logistics Group

We will pursue “sustainability and growth” globally with efforts to address social challenges and environmental improvements through all of our group businesses.

Turning Point 60 Years After Our Founding

The SG Holdings Group will celebrate its 60th anniversary since its founding in Kyoto in 1957 thanks to all of our stakeholders. At the time of our founding when the Japanese economy boomed with the end of recovery after the war in sight, many small and medium sized companies from private stores to workshops burst with energy. The demand for small cargo transport, such as product stocking and deliveries, also had grown. As the roots of our group, Sagawa Express modernized the traditional courier business that quickly, securely and carefully delivered shipments from sender to recipient to evolve into a business model that transported goods door-to-door between corporations. Over 60 years, the

group has grown its transportation network from Kyoto and Osaka across Chugoku, Shikoku, Kyushu and all other regions of Japan to Asia and the rest of the world. We have also enhanced our primary shipping-related business ventures, such as warehousing, vehicle maintenance, IT systems, payment services, real estate and personnel dispatching.

In the last fiscal year, we set a long-term vision to become Asia's leading comprehensive logistics group as a way of moving into a new stage in our group's history. We began the “First Stage 2018 (2016-2018)” medium-term management plan to achieve this goal.

Developing a global logistics network through the strengthening and integration of domestic and overseas businesses was raised as one basic strategy of “First Stage 2018.”

We welcomed Ameroid in Singapore in 2013 and Expolanka in Sri Lanka in 2014. We focused on building a logistics network in Asia in the last fiscal year, including operational alliances with RPX in Indonesia and LBC in the Philippines as well as making Phat Loc* in Vietnam a group company. Especially in Vietnam where growing delivery needs have to be satisfied, we are heightening our presence as a comprehensive logistics group by acquiring local companies who have a delivery network throughout all of the provinces.

*The current name of the company is "SG Sagawa Express Vietnam"

We are also operating the "Smart Import®" international integrated shipping service from each region in Asia to Japan through a partnership with Hitachi Transport System. We have been able to enhance our intentional logistics network through this alliance. In the future, we will actively use our established network to propose logistics solutions able to respond to the diversifying needs of our customers in each corner of the world.

CSR management in-line with the environment and society requires of a company

Aligning ourselves with the environment and society is more important than ever before as we grow our businesses globally. We are furthering a corporate framework and legal compliance necessary to address the environment and human rights as well as prevent corruption around the requirements of the United Nations, Europe and America. We also need to move from the conventional concepts of a business primarily conducted in Japan to that tailored to global standards. The value of a company in-line with the environment and society that engages in medium-term sustainable management is growing internationally. We are working to earn the trust of various stakeholders by advancing CSR management throughout our entire group in Japan and overseas.

We opened "SGH University" corporate university in March this year as part of this CSR management. Facilities to conduct group training were newly established in Tokyo and the university began operation around the two pillars

of e-learning and group training with the aim to provide excellent learning opportunities where highly motivated employees can take the initiative to learn and open new avenues in their careers. We also opened "SGH Kids Garden," which is the first internal nursery school of the SG Holdings Group, so that employees and their spouses can have piece-of-mind in work after the birth of a child. Moreover, we are promoting diversity and inclusion initiatives. We are also further enhancing welfare programs with the start of operations in the Group's "SGH Family Benefit Association."

To our stakeholders

We believe clearly continuing the logistics that has become a social infrastructure today and contributing even more greatly to society through our business is vital to remaining a group needed by all of our stakeholders. We also recognize our responsibility to sincerely respond to challenges faced by each country and region as a corporate group expanding its businesses globally.

We will actively communicate with all of our stakeholders now and into the future and conduct our businesses and initiatives in a way that is able to respond to environmental changes, clearly grasp challenges and expectations and meet the requirements of society.

We ask for your ongoing support in the future.

栗和田 栄一

Eiichi Kuriwada
Chairperson and CEO
SG HOLDINGS CO., LTD.

町田 公志

Tadashi Machida
President and COO
SG HOLDINGS CO., LTD.

Becoming Asia's Leading Comprehensive Logistics Group

Basic strategies of Mid-term Management Plan 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 solutions 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 resource 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 resource 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.



Initial Sites for Global Logistics

From Japan to Vietnam and the Rest of the World

SG Holdings Group set the development of a global logistics network through the strengthening and integration of domestic and overseas businesses as a basic strategy in the mid-term management plan.

The ASEAN countries where growth continues is an area predicted to still have great potential as a region for manufacturing and consumption.

We began establishing ourselves in this region with entry into Vietnam and the Philippines in 1997 and opened business sites in Singapore (1998), Thailand and Indonesia (2005), Malaysia (2006) as well as Cambodia (2013) thereafter.

Especially in Vietnam, we are accelerating a variety of businesses around three companies; Sagawa Express Vietnam, SG Sagawa Vietnam and the new SG Sagawa Express Vietnam.

Appeal of International Logistics Sites in Vietnam

Vietnam offers vastly broad national lands and natural quality harbors in the South China Sea. The country also has hard working citizens and cheap labor. Vietnam today has become the “global textile factory” after China. This is why SG Holdings has positioned Vietnam as a major strategic location in the world.

However, as one of the few socialist countries remaining today, Vietnam reached a major turning point toward an open economy after 2010. We had many limitations in Vietnam after launching Sagawa Express Vietnam (1997-) under the condition the incorporation be a joint venture with local capital. Vietnam had overwhelming difficulties but was quite appealing as a

logistics site even with those drawbacks.

Then, in 2015, SG Sagawa Vietnam was established as a wholly-owned subsidiary in the same region as deregulation progressed.

This allowed us to reflect quick decision-making into corporate management. Both of these companies are also unique foreign affiliates that have acquired all comprehensive logistics licenses and certifications in import/export customs clearance, international transport by air and sea, trucking, general warehousing, container freight station (CFS) warehousing and bonded warehousing.

Sagawa Express Vietnam Co., Ltd.	SG Sagawa Vietnam Co., Ltd.
Established: June 12, 1997	Established: March 6, 2015
Employees: 554 (as of April 2017)	Employees: 334 (as of April 2017)
<ul style="list-style-type: none"> • Import/export customs clearance • Warehousing services (bonded, CFS, general warehousing) • Freight forwarding operations (air/sea) • Truck transport • Delivery operations (domestic delivery, cool express, etc.) • Moving operations • 3PL operations (apparel) 	<ul style="list-style-type: none"> • Freight forwarding operations (air/sea) • International express services • Delivery operations (domestic delivery, cool express, etc.) • Moving operations • Warehousing services (insured, CFS, general warehousing) • 3PL operations (apparel, general goods, furniture, etc.) • Trading operations

3PL to the Last One Mile...

Today, both of these companies have expanded to 15 business locations and 6 warehouses throughout Vietnam.

We are constructing an international logistics network that closely connects Japan and Vietnam.

As an example of third-party logistics (3PL; lump-sum contract for corporate logistics) including apparel, “We place shipments in our warehouses and conduct logistics processes such as inspections, metering, pricing, and sorting from tags (packaging by bundling multiple products pulled from inventory as designated for the delivery destination) from factories in Vietnam. These items are then sent through intermodal transportation by sea or air to clear customs for each target region – which allowed customers that were conducting their own storage and logistics processes for cargo in Japan up until now to expect greater speed, reduced costs and all the other benefits after shipments arrived in Japan.” (President Junji Shimasaki, Sagawa Express Vietnam/SG Sagawa Vietnam)

On another front, a delivery business in Vietnam was also launched to advance the construction of a system able to achieve “last one mile deliveries” to the customers’ door. We had already begun delivery services in major metropolitan areas such as Hanoi and Ho Chi Minh in 2015. Phat Loc Express & Trading Joint Stock Company (current: SG Sagawa Express Vietnam), which possessed its own delivery network throughout all of

Vietnam, joined our group in 2016.

In addition, we also expanded our other ventures in Vietnam through forging an alliance with the “Vin Group” that operates shopping malls in the country (2016) and to start offering solutions in logistics services for large stores (internal distribution, cargo mediation, etc.)



As new logistics sites in Vietnam, SG Sagawa Vietnam Distribution Center (Nhon Trach 3 Industrial Park, Dong Nai) multi-tenant logistics facility opened in November 2016. Refrigerated and frozen storage, bonded warehouses (pending) as well as equipment for logistics processes are packed into the gigantic 44,000m² premises so that we can even handle fresh fish and medical supplies.

Building an Environment Actively Appointing and Encouraging Participation of Women

We actively strive in CSR at each of our locations in Vietnam.

Vietnam is a country with a tradition of furthering the empowerment of women. One reason is that many families live together with three generations of relatives, including their grandparents, which alleviates the stress of raising children. Today, the employment rate of women at both Sagawa Express Vietnam and SG Sagawa Vietnam is 33% with 294 women working enthusiastically.

“We started commemorating employees for 15-year tenure in 2015. We had estimated roughly 20 to 30 people for the first fiscal year, but there were in fact more than 120 people in Ho Chi Minh

alone. It was such a wonderful surprise! The very large number of women employees and managers among those being celebrated was also astounding.” (President Junji Shimasaki, Sagawa Express Vietnam/SG Sagawa Vietnam)

While there is a high awareness of labor rights unique to socialistic countries, policies such as welfare benefits are still far behind. Therefore, we adopted a “Japanese style” in some areas. For example, we introduced mandatory entry into workers’ compensation and health examinations for all employees as well as benefits such as recreational company trips and special allowances for lunch. These programs earned high praise.

In the meantime, we verify the age of employees with public records able to identify the individual such as IDs in our hiring practices. We also strictly management attendance with a fingerprint identification system to prevent any maliciousness. Our drivers must clear high international standards that we have set such as comprehensive traffic safety education. The background for these programs; "These are common practices and indispensable when doing business with European and American companies. The clients will conduct CSR surveys and even visit the site to see our CSR first hand." (President Junji Shimasaki, Sagawa Express Vietnam/SG Sagawa Vietnam) Of course, efforts to reduce the environmental burden from energy savings to minimization of waste at our offices and warehouses are also necessary.

In addition, there is one more topic about CSR that needs to be mentioned. We are also holding traffic safety classes at kindergartens as constant traffic jams and traffic accidents become even greater social issues. Our employees act as instructors and teach traffic rules to the kindergarten students. This attempt at a new type of educational program is gaining a lot of attention locally for efforts that include the distribution of original notebooks to the children who participate.



Head office of Sagawa Express Vietnam/SG Sagawa Vietnam



Employees working in the Vietnam SGH Group



Traffic safety class for kindergarten students

From Japan to Asia and the Rest of the World

Production of industrial products such as apparel is shifting from the surging labor costs of China to Vietnam and Indonesia while businesses are starting to transfer to South Asia, the Middle East and Africa, which has been deemed "the final frontier."

Major European and American apparel companies are already anticipating tomorrow. Building a logistics network seamlessly connecting Japan with these companies, production sites, and consumption is imperative.

In addition, by leveraging the delivery (door-to-door) which is a specialty of our group, international intermodal transportation for Japan that connects local factories with stores in Japan is a field predicted to have even greater needs in the future.

In 2014, our logistics network became like none other as part of our global strategy with the addition of Sri Lanka Expolanka's logistics network across South Asia, the Middle East, Africa, Europe and America. This is thanks to the synergy brought about by the complimentary business fields of Expolanka to expand the "far east to west" vector of our group "even further west."

The geographical advantage of Vietnam is truly a bridgehead toward globalization.

Efficiency Able to Respond to Environmental Changes in the Logistics Industry

Logistics Efficiency Solutions Forged By Pairing



Mark for a Certified Comprehensive Streamlining Plan (Ministry of Land, Infrastructure and Transport 2016)

Amendments to the Act on Advancement of Integration and Streamlining of Distribution Business were enacted in 2016 with the purpose of streamlining and reducing the environmental burden in the logistics industry.

In the backdrop of these amendments, the environment surrounding logistics was changing dramatically such as a labor shortage and aging drivers in the industry in addition to an increase in online shopping. Initiatives toward “logistics efficiency” required for the drastic changes in the environment are underway.

Smart Delivery® × Railway transport ~ Building the “Optimal Delivery Scheme” for Customers ~

Sagawa Express provides railway transport that uses the “Smart Delivery®” logistics efficiency service and “Super Rail Cargo.” We are achieving greater customer satisfaction and further streamlining as well as reductions on the environmental burden through new logistics schemes that combine these two services.

We are handling a wide range of products from regions in Kansai for customers who are online shopping business proprietors with offices in metropolitan areas while their manufacturing partners are located across Japan. Conventionally, Sagawa Express collected shipments at 44 branches throughout Kansai to ship to a relay centers in metropolitan areas by transport trucks from each branch.

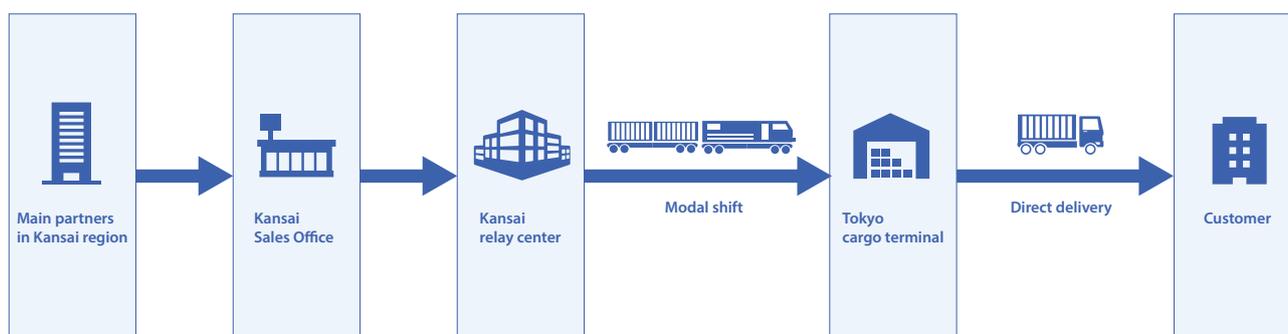
Customers can introduce “Smart Delivery®” so that their cargo collected at our 44 branches in Kansai will be gathered at the Kansai relay center. The cargo is loaded into containers after it is sorted in advance for a modal shift to railway transport that uses “Super Rail Cargo” between Osaka and Tokyo. This makes direct

delivery to customers possible after shipments arrives at a cargo terminal in Tokyo, which reduced time and allowed even fewer stages in transport.

One major advantage of this scheme is the dramatic reduction and stability for the time of delivery for cargo from Kansai districts, which had not had stable delivery periods, by using railway transport. This allows customers to put together planned schedules for operations in warehouses themselves. As a result, we are able to improve customer satisfaction by facilitating our customers to more quickly include their products on their online shopping sites and heightening the sales promotion effect.

Moreover, by achieving a reduction in CO2 emissions and total truck transport time, we were certified as business operators by the Ministry of Land, Infrastructure and Transport as a comprehensive streamlining plan for the revised Act on Advancement of Integration and Streamlining of Distribution Business.

Smart Delivery® × New Railway Transport Scheme



Total truck transport time

Approx. 88%
(1,838 hours) reduction

CO2 emissions

Approx. 66%
(3,113 tons) reduction

Smart Delivery® : Service to promote process operation improvements from customer procurement (stocking) to delivery (warehousing/inspection) in the BtoB supply chain in which Sagawa Express is an expert. Customers realize a reduction in the burden of operations in warehouse by deliveries sorted in advance by product category and location at large-scale facilities at Sagawa relay centers and branches that arrive at a designated interval of time, even after midnight or early in the morning.

Super Rail Cargo : Super Rail Cargo train-type freight electric multiple container developed in cooperation with Japan Freight Railway Company has been in use since 2004 for transport shipments between Tokyo and Osaka. One 16-car train (28 containers) runs on each railway to and from Tokyo and Osaka late at night. The capacity is equivalent to 56 ten-ton trucks and contributes to reducing CO2 emissions by carrying 10% of all shipments between Tokyo and Osaka.

Sagawa Express × Hitachi Transport System

~ Realizing Distribution Efficiency with Effective Use of Logistics Facilities ~

SG Holdings, Sagawa Express and Hitachi Transport System entered into a strategic capital and business alliance in March 2016 to expand various cooperative businesses that leverage the strengths of each company. In Japan, the alliance has begun initiations to heighten efficiency by jointly using vehicles and logistics facilities.

One of these facilities is the “Hitachi Transport System Shonan Distribution Center” located in the Kashiwa City and Shonan area of Chiba Prefecture. A satellite location for the Kashiwa Sales Office was newly established to cover the Kashiwa City and Shonan area in the standby shipping space of the above facility. Efforts to effectively use this facility as a site to conduct relay center sorting and shipping operations are underway.

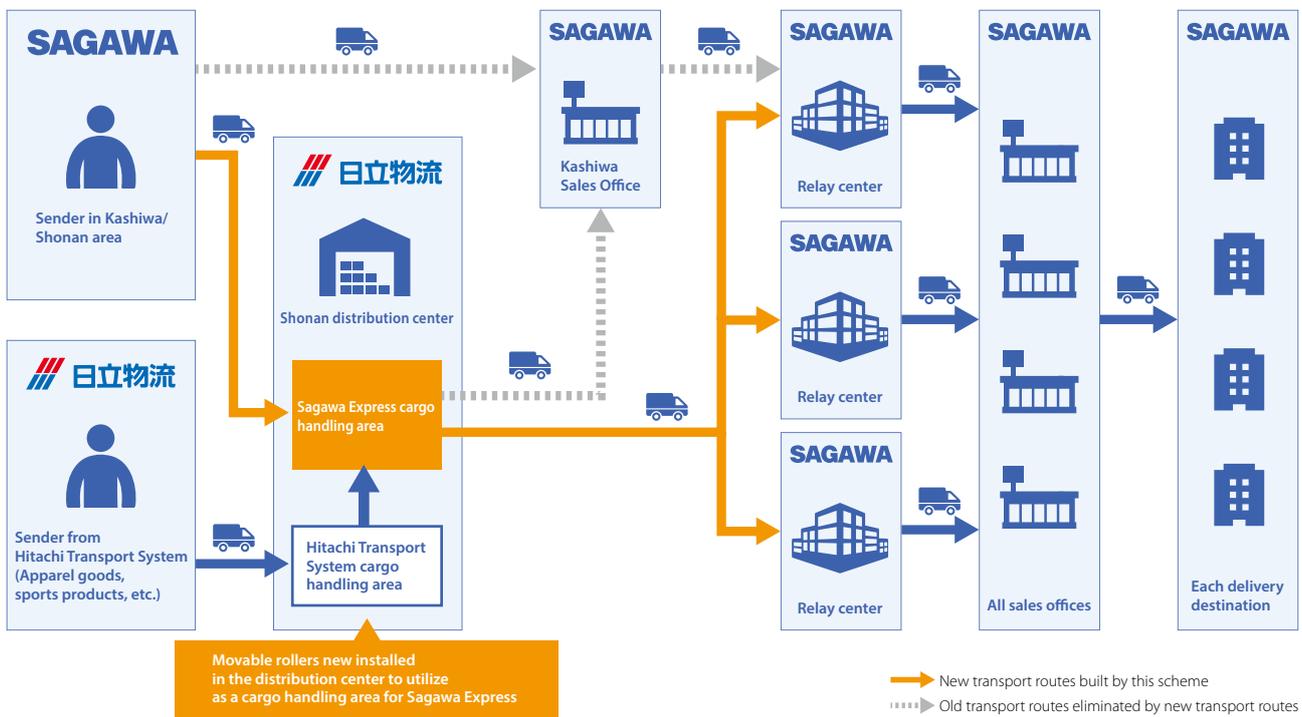
This effort creates new routes from the Shonan area to the relay center without routing through the Kashiwa Sales Office, which was often congested. These new routes help avoid traffic as well as reduce the transport distance and the number of vehicles. In fact, the number of hours drivers spend on the road has decreased 10,045 hours (32%) and has limited CO2 emissions by 27.3 tons (57%).

This initiative not only effectively utilizes the standby shipping space of the “Hitachi Transport System Shonan Distribution Center,” but the advantages in heightened efficiency such as streamlining through mitigation of a concentration of shipments at the Sagawa Express Kashiwa Sales Office should also be mentioned.

This scheme has received certification as a comprehensive distribution efficiency plan from the Ministry of Land, Infrastructure and Transport for the revised Act on Advancement of Integration and Streamlining of Distribution Business.

The ideas for greater logistics efficiency able to be created with pairing of a multitude of services and partners is infinite. At the SG Holdings Group, we are striving toward solutions to a wide range of challenges faced by the industry and society today while evolving logistics around the keyword of “efficiency.”

Joint Project Scheme



Reduces driving hours	32% (10,045 hours)	Reduces CO2 emissions	57% (27.3 tons)
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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 fullest.

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 Businesses

SAGAWA

Sagawa Express Co., Ltd.

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



Sg moving

SG Moving Co., Ltd.

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



WORLD SUPPLY

World Supply Co., Ltd.

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



humony

Humony Co., Ltd.

Expands telegram-related services.

Logistics Businesses

Sg logistics

Sagawa Global Logistics Co., Ltd. Sagawa Logistics Partners Co., Ltd.

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



SgH GLOBAL

SGH Global Japan Co., Ltd.

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



Real Estate Businesses

Sg realty

SG Realty Co., Ltd.

Sg assetmax

SG Assetmax Co., Ltd.

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



Delivery Businesses

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 Businesses

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 Businesses

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 Businesses

Our Group companies are involved in a variety of businesses, even in fields serving as business foundations such as vehicle maintenance, IT systems, finance, and temporary personnel agency.

Other Businesses

Sg advance

Sagawa Advance Co., Ltd.

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



Sg motors

SG Motors Co., Ltd.

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



Sg systems

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.



Sg financial

Sagawa Financial Co., Ltd.

Offers financial services including e-collect, COD service.



Sg fielder

SG Fielder Co., Ltd.

Offers outsourcing services of personnel such as warehouse related business.



Sg expert

SG Expert Co., Ltd.

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



Nouvelle Golf Club Co., Ltd.

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



Sg forestry

Sagawa Forestry Co., Ltd.

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



Overseas Corporations

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 sites in Singapore and all 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, CFS) / Delivery / International express delivery

④ Sagawa Express (H.K.) Co., Ltd.

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

⑤ Sagawa Express International Taiwan Corp.

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

⑥ Sagawa Logistics Korea Co., Ltd.

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

• Southeast Asia

⑦ Sagawa Express Philippines, Inc.

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

⑧ Sagawa Global Logistics (Philippines) Inc.

Logistics (bonded warehouse)

⑨ Sagawa Express (Thailand) Co., Ltd.

⑩ SG Sagawa (Thailand) Co., Ltd.

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

⑪ Sagawa Express Vietnam Co., Ltd.

⑫ SG Sagawa Vietnam Co., Ltd.

⑬ SG Sagawa Express Vietnam, LLC

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

⑭ Sagawa Global Logistics (Malaysia) Sdn. Bhd.

Freight Forwarding / Logistics

⑮ SG Sagawa Ameroid Pte. Ltd.

Total logistics services in Singapore

⑯ Amgas Asia Pte. Ltd.

Transport of petrochemical product in Singapore



17 Pt. Sagawa Express Indonesia
 Freight forwarding / International express delivery / Logistics / Delivery (Domestic delivery)

• North America

18 SG Sagawa USA, Inc.
 Freight Forwarding / Logistics (storage, logistics processing, 3PL) / International express delivery



EXPOLANKA FREIGHT (SRI LANKA)

• South/West Asia • Africa

19 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.

20 Expolanka Freight (Sri Lanka)



21 Expo Freight (India)

22 Expolanka Bangladesh

23 Expolanka Freight Dubai

24 Union Cargo (Pakistan)

25 Classic Travel



26 Expolanka Freight (South Africa)

27 Expolanka Freight (Kenya)

28 Expolanka Freight (Mauritius)

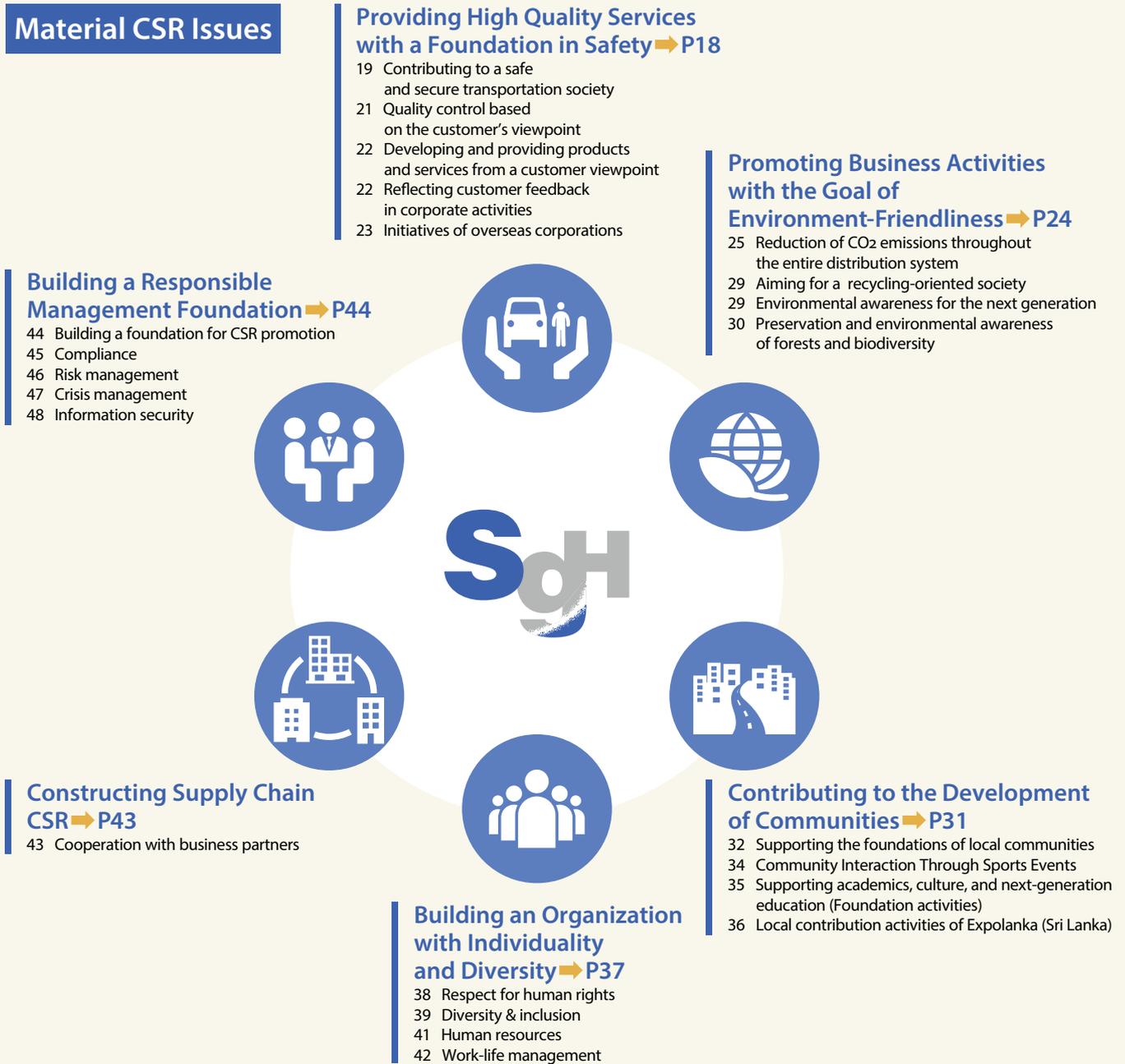
29 Expolanka Madagascar

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 to fiscal 2016, 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.



Processes for Identifying Material CSR Issues





Providing High Quality Services with a Foundation in Safety



Our Pride at the Truck Driving Championships

Safe transport is our mission.

Sagawa Express first participated in the Truck Driving Championships in 1983, and it has earned an outstanding track-record even at the national competition. In 1993, we also started the Sagawa Express Truck Driving Championships for the purpose of further skill enhancement and legal compliance throughout the Group. 84 elite drivers, including 20 women, from around Japan competed with their knowledge and skill at the 24th Driver Competition held last year.

Contributing to a Safe and Secure Transportation Society

Safety Management Systems

Sagawa Express views transport safety as the most important management issue.

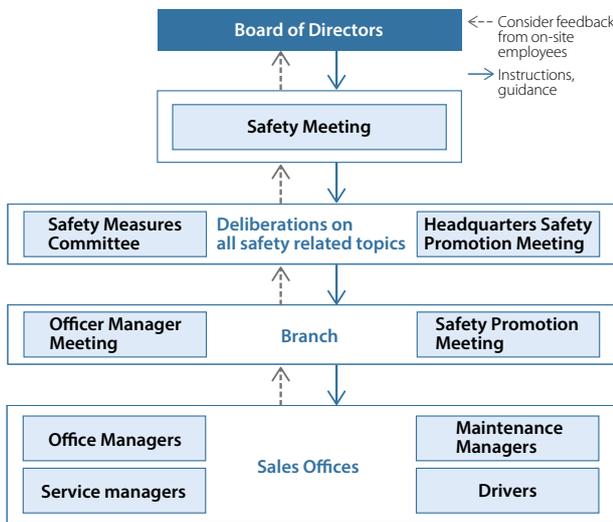
In terms of the system, we hold "Safety Meetings" each month for management personnel. "Sagawa Official Communication Sessions" are also used as a venue with the participation of employees from all of Japan to unify management personnel with job sites such as leveraging feedback from drivers in safety measures. In terms of operation, a PDCA cycle aimed toward ensuring transport safety

is being deployed based on the transport safety management system.

In addition, we have worked to prevent accidents at intersections as an important matter toward preventing traffic accidents.

In fiscal 2017, 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.

Safety Management Organization Diagram



PDCA for Transport Safety



Promoting Safety Education

Sagawa Express carries out safe driver development training at training facilities in Kanagawa, Aichi and Kagawa Prefectures.

We conduct ongoing education for one year, including follow-up support, from basic safe driving training for new employees until they are independent Safety Drivers® (SDs).

Even for instructors, we also hold SD instructor certification training and safe driving examiner certification. Moreover, we engage in specialized training for management personnel and instructors to set a firm foundation of eco-safety driving in all of our drivers.

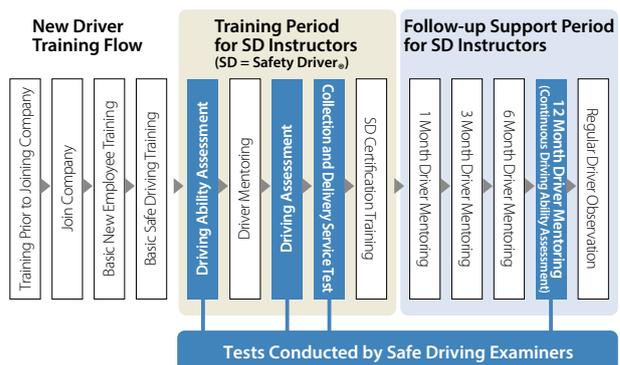
Sales Driver® Instructors

8,920 Instructors

Safe Driving Examiners

1,277 Examiners

Safety-related Training



Initiatives in Safe Driving and Accident Prevention

Truck Driving Championships

We hold Truck Driving Championships every year 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 business operator that uses public roads.

In fiscal 2016, a total of 84 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 the categories of three knowledge, driving, and inspection. 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.



Truck Driving Championships

Securing Safety for Highway Transportation

Sagawa Express is advancing initiatives that aim to improve the safety of highway transportation.

Highway Transport Safety Patrols carry out activities to prevent traffic accidents and vehicle breakdowns by performing vehicle checks as well as mentally and physically refreshing our drivers at main service areas and parking areas.

We recommend and conduct vehicle inspections for our own as well as our partners' vehicles and even on general trucks. We also do Highway Transport Terminal Inspections in which managers at Sagawa Express and partner companies use special check sheets to inspect vehicles at all of our business sites.



Activity of the Highway Transport Safety Patrol

Traffic Accident Prevention Initiatives

The SG Holdings Group is striving to expand support systems and improve quality by building a network of 14 branches, 26 company-owned maintenance plants and 275 affiliate mechanics supervised and managed by SG Motors with the goal of eliminating traffic accidents related to vehicle maintenance.

Sagawa Express has equipped 41.6% of all of its vehicles (10,195) with drive recorders* to utilize in providing driving instruction to drivers as of March 2017. Sharing of the information recorded in these devices by drivers will help prevent traffic accidents.

*Drive recorder: Recording equipment specialized for installation in vehicles used to record the causes of accidents. This information is used in instruction to correct unsafe driver behavior such as braking, stopping, steering, turning, and smooth driving.

Providing Safe Driving Training Services

We are also providing know-how in safe driving cultivated by Sagawa Express with general business operators as Safe Driving Training Services. We held programs composed of desk work and practical training such as safety lectures and driving aptitude tests for instructors and drivers alike at our company-owned facility in Kanagawa Prefecture (approx. 31,680m²). We have received requests for training from not only transport and delivery business operators but also companies that include manufacturers, distributors and long-term care facilities. As of fiscal 2016, 43 companies have participated in 165 training courses with 1,675 participants.

We will contribute to traffic safety even more widely throughout all of society by responding to the needs in a variety of industries even more while strengthening our training for instructors in fiscal 2017.

Vehicles Equipped with Drive Recorders

As of March 2017

 **10,195** Vehicles

*Increased 2,295 compared to the previous fiscal year

Safe driving training for general business operators

As of Fiscal 2016

 **165** Courses

Quality Control Based on the Customer's Viewpoint

Quality Improvement Initiatives

Sagawa Express has acquired the ISO9001:2008 international quality management system certification for continued improvements to transportation quality at 458 business sites. In this fiscal year, we are further enhancing our system to be re-certified under the ISO9001:2015 updated version by fiscal 2018. In fiscal 2016, we appointed a manager responsible for quality at all sales offices and put in place a system that heightened transportation quality. Transportation quality was broken down into numeric based on eight quality KPIs* uniquely set by the group to assist in improvements by finding the reasons why standards are not achieved. For example, we have installed "impact meters" together with shipments that measure impacts to scientifically examine whether there is a potential for collisions and help in preventing disruptive accidents. Furthermore, we are raising awareness about improving transport quality through means such as posters to encourage caution as well as educational DVDs about cargo accidents in addition to quality improvement poster contents for employees.

SG Motors has established a new CSR & Quality Assurance Project Office and aims to provide even higher quality services

by spearheading a cross-functional group through links between organizations that had been divided by function such as sales and manufacturing. As a result, we have reflected the needs of customers in our business and achieved quality guaranteed sales for used vehicle sales as well as body manufacturing orders.

SG Moving holds Quality Championships with the goal of improving the moving and installation transport service quality. As of the fifth competition in fiscal 2016, 9 teams with 18 competitors chosen from all throughout Japan including partner companies faced off to show their knowledge and skills in three challenges that included a written test, packaging operations and protective moving.

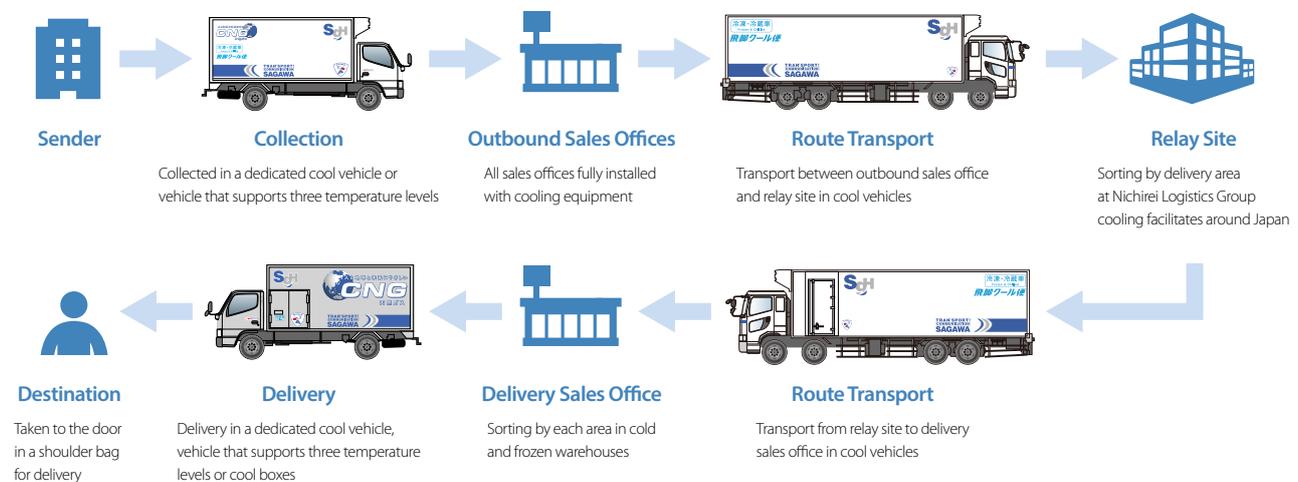
*Time band service fulfillment rate, fulfillment rate of redelivery due to absence, just-in-time delivery fulfillment rate, morning delivery rate, number of Cool Express freight temperature accidents which are our responsibility, number of outbound freight accidents which are our responsibility, number of inbound freight accidents which are our responsibility and the complaint occurrence rate

National Hikyaku Cool Express to Delivery Cold and Frozen Goods Fresh

Hikyaku Cool Express offered by Sagawa Express aims to provide service quality able to bring peace of mind through preparations that include vehicles, equipment and fixtures repeatedly inspected so that shipments from collection to delivery can be transported at cold or frozen temperatures. We use vehicles that support three temperature levels, dedicated cool vehicles or "cool boxes" when using vehicles that transport items at normal temperatures from collection through shipping. All of our sales offices are fully

equipped with cold or frozen warehouses. We use our alliance partner Nichirei Logistics Group cooling facilities to sort shipments by delivery area. We use cool shoulder bags for delivery from the truck to the door of our delivery destination to thoroughly manage the temperature throughout the entire process from when we collect a package until we deliver it.

Hikyaku Cool Express System



Temperature levels for transport

Cool: 2°C to 10°C at a standard of 5°C / Frozen: -18°C or colder

Available shipping sizes

A total size of 140cm or less on three edges / weight of 20kg or less



Developing and Providing Products and Services from a Customer Viewpoint

Proposals All the Way Through Office Coordination

SG Moving has officially begun total coordination services from interior design and furniture arrangement to wiring connections of office equipment related to office moves. Sales of office furniture such as desk partitions and cabinets is also underway side-by-side with our coordination services.

We are proposing comfortable and work-friendly office designs that incorporate a female perspective with five female CAD operators* currently registered.

*A CAD operator is a technical person who designs and proposes spaces by using CAD (Computer-Aided Design) for architectural products.



Same Day Delivery Service for the 23 Tokyo Wards

As same day delivery needs grow in recent years together with shipping needs from remote places, Sagawa Express has started same day delivery services for the 23 Tokyo wards to delivery shipments arriving by air the same day to the 23 Tokyo wards from 2016. 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 with the use of Hikyaku Air Express (delivery to individual residences is not possible).



Promotional flyer for the same day delivery service for the 23 Tokyo wards

Reflecting Customer Feedback in Corporate Activities

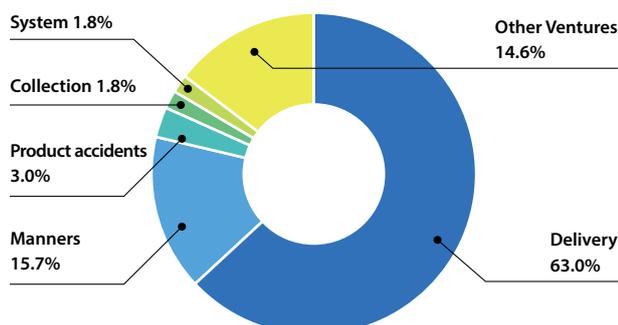
Mechanisms for Fully Applying Customer Feedback

Sagawa Express is working to enhance mechanisms to leverage the valuable feedback of our customers in service improvements as well as product and service development.

We specifically and finely classify the feedback the company receives from customers using text mining technology and visualize the claims and requests to use to improve customer satisfaction.

In the future, we will work to further improve our mechanisms by even analyzing the company's response to customer opinions and feedback in customer satisfactions while we take the precision of our analyses to the next level.

Breakdown of Improvement Requests



Award of Excellence in the All Japan Telephone Manner Competition

Sagawa Express is also focusing on improving skills talking on the telephone.

We hold telephone manner education and training as well as examine telephone manners of staff at sales offices throughout Japan. (check and instruct employees about the first words when picking up the telephone and the level of employee understanding of products).

In addition, we have participated in the All Japan Telephone Manner Competitions held by the Public Interest Incorporated Foundation Japan Telecom Users Association with consecutive wins in 2014 and 2015. In 2016, three of our employees out of roughly 14,000 competitors were presented with awards of excellence.



Seven employees from Sagawa Express competed in the 2016 Telephone Manner Competition. Three were presented awards of excellence.

Initiatives of Overseas Corporations

Toward Safe Driving and Accident Prevention (Singapore)

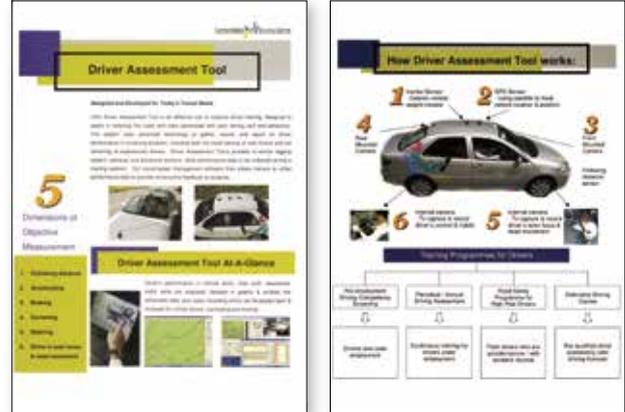
SG Sagawa Ameroid (Singapore) established a safety committee in 2015 and has been advancing initiatives in accordance with the Health, Safety and Environment Policy.

This committee opened monthly department inspections and web portal systems (reporting systems such as for accidents) to facilitate understanding about the problems of each issue and launch measures and prevention plans. Moreover, we are progressing with the adoption of systems to educate drivers and analyze driving as well as equipping vehicles with high-resolution cameras with the goal of monitoring drivers and other aspects of the road.

● Main Initiatives

- ① Include vehicle and forklift inspections in the daily reports of each driver
- ② Inspect warehouses, offices and other facilities monthly through safety management committee members
- ③ Conduct lectures related to safe driving as well as evasive driving training to avoid dangers for all of our drivers (utilize a check system for driving conditions)
- ④ Formulate procedures to respond to emergencies such as vehicle damage, disasters and accidents as well as to comply with relevant laws (distribute portable pocket cards)
- ⑤ Equip all vehicles with safety equipment such as triangular indicators, safety vests, first aid kits and fire extinguishers to use in breakdowns and accidents

Check System Materials for Driving Conditions



Emergency Response Pocket Cards



COLUMN

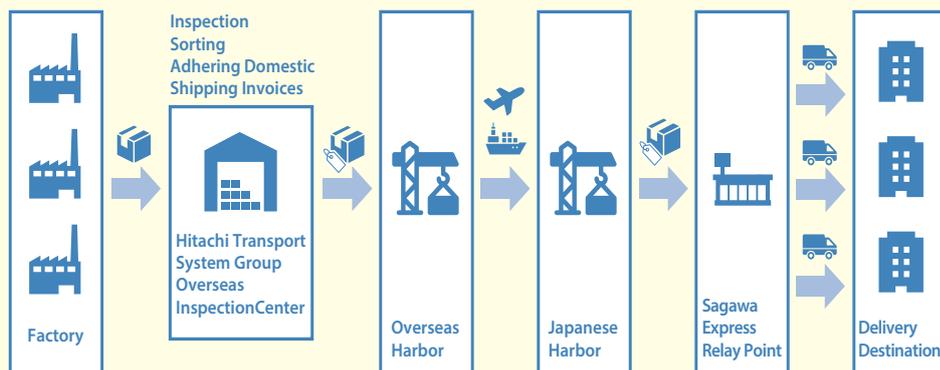
Smart Import® International Integrated Shipping Service for Japan

Smart Import® is a service related to international imports for delivery in Japan after logistics processes such as the receipt, inspection, sorting and adhering of domestic shipping invoices to products at local distribution sites for business operators who have production locations in countries around Asia.

Customers can reduce labor as well as returns of defects and customs costs in Japan by completing these logistics processes overseas. This allows shorter lead times and cost optimization.

We started to provide services to apparel companies that have production locations in China through an alliance with Hitachi Transport System Group in October 2016. We have now begun services from group sites in Vietnam. In the future, we will expand the range of the products that we handle to suit the needs of our customers in addition to our plans to expand our services from Bangladesh.

Smart Import Service Scheme with Hitachi Transport System (China)



- Reducing Lead Time**
 - Reduce sorting operations and the time for domestic shipping operations at domestic centers
- Optimizing Costs**
 - Reduce costs through overseas transfer of logistics process procedures (inspection, metering, store sorting, etc.)
 - Reduce expenses such as the costs of returning defects and import duties through inspection and metering overseas



Promoting Business Activities with the Goal of Environment-Friendliness



Get to areas that have heavy snowfall with “+ Railway”!

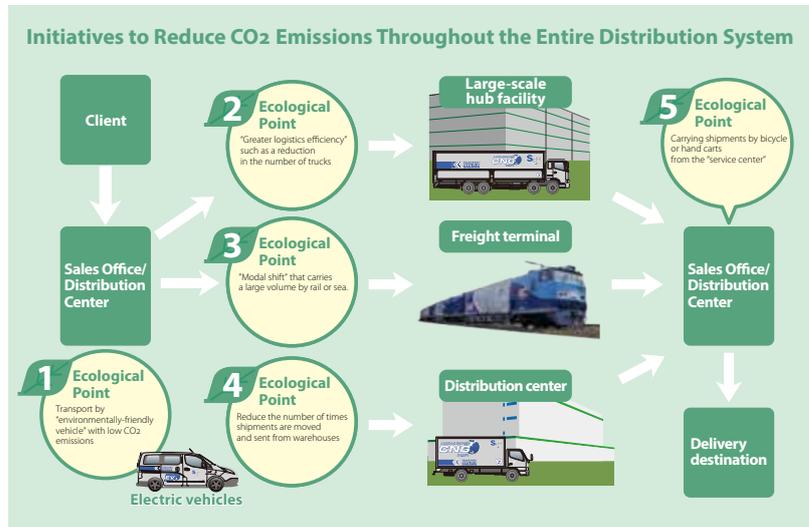
This services offers shipping through truck plus railway transport. The combination of these two types of services increase energy savings and environmental efficiency. Furthermore, these services also eliminate delays and reduce the burden on drivers caused by traffic and bad weather. The alliance between the Hokuetsu Express Corporation and Sagawa Express that started in 2016 is taking on a new endeavor to switch shipments to railway transport between Uragawara (Joetsu City, Niigata) and Muikamachi (Minami Uonuma City) on the Hokuoku Line. This system ensures delivery of shipments to residents in areas with heavy snowfall.

Reduction of CO₂ Emissions Throughout the Entire Distribution System

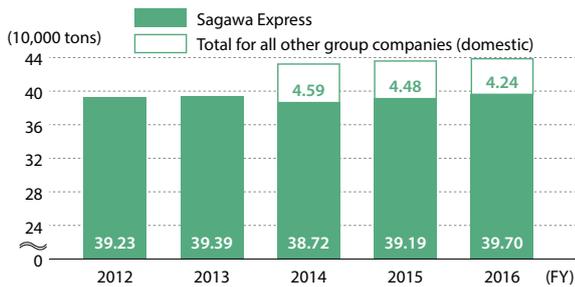
CO₂ Reduction Initiatives

SG Holdings Group is working to reduce CO₂ emissions throughout the entire distribution system.

The major points promote (1) adoption of environmentally-friendly vehicles, (2) greater logistics efficiency that includes "Smart Delivery[®]," (3) a modal shift that switches to rail or sea that have lower CO₂ emissions, (4) efficient use of warehouses and (5) collection of shipments by bicycle or hand carts from the closest service center. As a result, CO₂ emissions in fiscal 2016 were roughly 439,000 tons (100.6% compared to the previous fiscal year). In addition, Sagawa Express was one of the first companies in the industry to publicly disclose information on "other indirect emissions (Scope 3)" in addition to information on its "own emissions (Scope 1, Scope 2)" to visualize emissions throughout the entire supply chain.



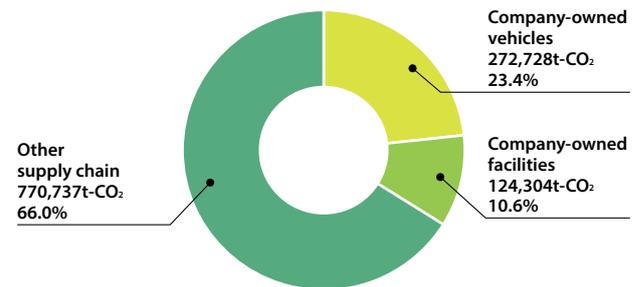
Trends in CO₂ Emissions



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 2016) [Sagawa Express]



Introduction of Environmentally-friendly Vehicles

Sagawa Express owns a total of approximately 9,172 vehicles (roughly 40% 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 3,778 compressed natural gas (CNG) trucks (3,791 trucks throughout the entire Group) as well as 305 hybrid trucks, 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 setup 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).



Natural Gas Trucks

Number of Environmental-friendly Vehicles (Sagawa Express)

As of Fiscal 2016

9,172 Vehicles

Promotion of Greater Logistics Efficiency

Smart Delivery[®]

Sagawa Express has been expanding the “Smart Delivery[®]” services to dramatically increase efficiency from procurement (stocking) deals between companies to receipt of goods (warehousing/inspection) since 2014. We are contributing to the reduction of the human load as well as the environmental burden of our customers by delivering shipments in a designated interval of time, even after midnight or early in the morning, and by conducting the primary sorting before delivery, such as by product category or by location before shipping at relay centers, sales offices or other Sagawa Express sites. The service is implemented in places such as large distribution centers for volume retail stores and large-scale shopping malls.

Facility Logistics

Sagawa Express and World Supply provide “facility logistics systems” that centrally manage people, goods and information (including vehicles) entry and exit such as at large-scale multi-complex facilities to promote greater efficiency in logistics. We have been entrusted with 84 properties (as of May 2017) in total, including Tokyo Skytree[®] and Tokyo Midtown. The adoption of facility logistics systems help aggregate delivery vehicles, mitigate traffic jams around facilities and reduce the environmental burden. The effectiveness of these systems earned a certification from the Tokyo District Distribution Efficiency Certification System as well as the outstanding Green Logistic Partnership Business award.



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

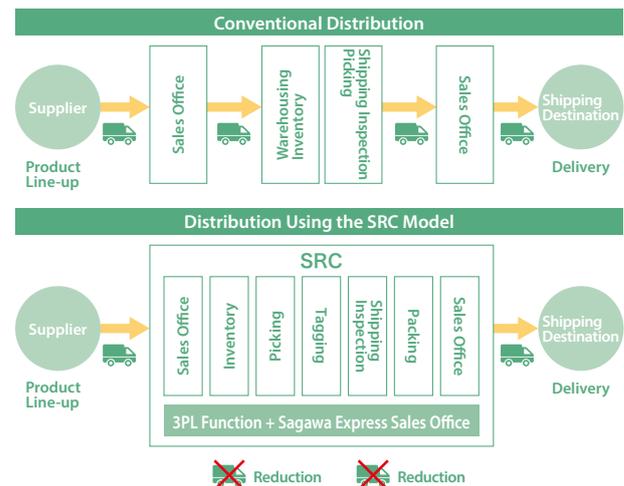
Sagawa Ryutsu Center (SRC)

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

SRC centrally manages products and conducts operations such as storage and logistics processes. We are saving energy and reducing CO₂, NO_x and PM by eliminating truck transport between each process.

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

SRC Transport Flowchart



Convenient Store Pick-up Service

The Convenient Store Pick-up Service started in 2015 by Sagawa Express is a service to pick up products purchased on e-commerce sites registered for use in advance 24-hours a day at roughly 12,000 Lawson stores (excluding Lawson Store 100) throughout Japan. This service is popular with people living alone, double income families and women who do not like deliveries at night, and it is contributing to the reduction of the burden on drivers and to energy savings by reducing re-deliveries.

Number of Indoor Logistics System Outsourcing Contracts

As of May 2017

 **84** Properties

Number of Companies Registered to Use the Convenient Store Pick-up Service

As of May 2017

 **2,143** Companies

Promotion of Modal Shift

Super Rail Cargo

Sagawa Express has been carrying out door-to-door delivery transport via Super Rail Cargo express railway container cars developed jointly with Japan Freight Railway Company since 2004. One train runs both to and from Tokyo and Osaka late at night each day. These trains transport roughly 10% of the total shipping volume between Tokyo and Osaka. The total volume of each train traveling between Tokyo and Osaka is equivalent to 56 ten-ton trucks. This modal shift also largely driving the effectiveness in reducing the environmental burden such as lowering CO2 emissions.



Express Railway Container Cars "Super Rail Cargo"

Total Volume One-way Between Tokyo and Osaka



"Hyokan Soko" Renovation Container

Sagawa Express, Japan Freight Railway South-Kanto Logistics Company, Japan Business Operator Federation and O's & Tec are conducting a joint trial on railway cargo transport using "Hyokan Soko" (railway container with temperature control) renovation containers. "Hyokan Soko" is the addition of cold and frozen storage functionality to universal railway containers that helps reduce the environmental burden by allowing railway transport for shipments such as fresh fish, which are easily damaged and could only be sent by air up until now.



"Hyokan Soko" that manages a standard temperature via external power when stored and secondary battery power when in transport

Mixing Freight and Passengers on Hokuetsu Express

Hokuetsu Express Corporation and Sagawa Express agreed to initiatives to mix freight and passenger operations and conducted a test in June 2016. We began official operations in April 2017 with a new trial that switches shipments to railway transport between Uragawara (Joetsu City, Niigata) and Muikamachi (Minami Uonuma City) on the Hokuhoku Line.

The combination of truck plus railway transport increases energy savings and environmental efficiency. Furthermore, these services eliminate delays caused by traffic and bad weather and also reduce the burden on long distance drivers. This system ensures delivery of shipments to residents in areas with heavy snowfall.



Departure Ceremony

Service Centers

Sagawa Express has established Service Centers (SC) that perform collection and distribution without using trucks such as with hand carts or bicycles at 325 locations throughout Japan. Each location is able to limit the use of three to five vehicles and reduce CO2 emissions and other air pollutants of 1,500 vehicles across all of these service centers.

In addition, the service centers at the Yaesu Exit of Tokyo station, Shijo Takakura, Kyoto, Hakata Station Eki-mae 1-chome, Tokyo Service Center, Gion Sagawa Express and six operation sites of sales offices in Kyoto (Fuyacho) are acquiring Carbon Neutral Certifications* through the carbon offsetting policy of the Ministry of the Environment.

*Carbon offsetting is an initiative to balance the amount of CO2 that is reduced or absorbed in another area with CO2 emissions in business activities.



Tokyo Station Yaesu Exit Service Center

Environmentally-friendly Logistics Facilities

SG Realty is promoting the clean energy supply business. Our group is involved in solar power generation at 98 distribution sites and logistics centers throughout Japan with the goal of a stable supply of electric power and the reduction of the environmental burden. The total area of the panel installations is roughly 191,000m² and the total power generated annually is approximately 27,000MWh. This is equivalent to a reduction of about 14,024 tons of CO₂ emissions compared to that generated through means other than natural energy.

In 2015, SG Realty Higashi-Matsuyama, which is an environmentally-friendly logistics facility completed in Higashi-Matsuyama, introduced a state-of-the-art solar power generation system. The output is 2,000kW, which is the largest amount of power generated in the group. SG Realty Higashi-Matsuyama also acquired the CASBEE certification (rank A). Our efforts that include (1) our friendliness to the environment such as the installation of LED lighting and solar power generation panels, (2) greater transport efficiency through a structure able to connect outbound centers and warehouse areas and (3) the establishment of an environment easy for employees to work such as a break corner for the employees of tenants were highly praised.

Number of Solar Panels (All 98 Facilities)



Power Output Generated by the Solar Power Generation System of SG Realty Higashi-Matsuyama



SG Realty Higashi-Matsuyama equipped with a solar power generation system

Encouraging Transition to LED Lighting

Sagawa Express is encouraging the introduction of LED lighting at sales offices and large logistics facilities. We have been able to effectively reduce CO₂ emissions by roughly 4,500t by introducing LED lighting at 131 locations (previous year + 110 locations) in fiscal 2016. This has great energy-saving benefits of about 5% of the energy consumption used throughout all of Sagawa Express.

CO₂ Reduction by Introducing LED Lights



COLUMN

1st for Two Consecutive Years in the Transport Category Ranking of the Environmental Management Survey

Sagawa Express has been ranked 1st two years in a row in the transport category of the 20th Nikkei Environmental Management Survey conducted by the Nihon Keizai Shimbun in February 2017. This survey evaluates initiatives based on both environmental measures and management of the company. Sagawa Express was praised for its initiatives overall in both hard aspects that included the adoption of vehicles to reduce the environmental burden and soft aspects such as efficient warehousing operations. These initiatives earned us a highest score in two of the four evaluation indexes set for the transport category.

Nihon Keizai Shimbun "Environmental Management Survey"



Aiming for a Recycling-oriented Society

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" that utilize reverse logistics.

Sagawa Express is expanding Home Pick-up Services for Used Small Home Appliances based on the Home Appliance Recycling Act since 2015 as an outsourcing business from ReNet Japan Inc. The Home Appliance Repair Center at the Sagawa Tokyo Logistics Center is also involved in a Home Appliance Repair Service that offers a one-stop solution from the pick-up to the actual repair and return of devices.

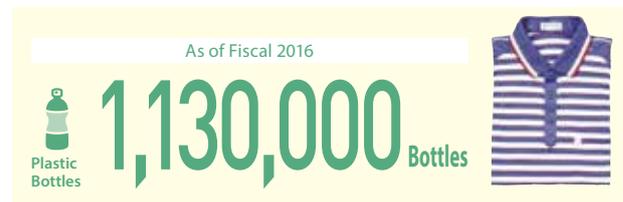
Sagawa Express Vietnam is expanding recycling services for confidential materials with the cooperation of JP Corelex Vietnam paper recycling manufacturer. This system recycles confidential materials collected by Sagawa Express Vietnam by melting those materials at a JP Corelex Vietnam plant to produce toilet paper for purchase by the place where the recycled paper originated. We are recycling several tons of confidential documents annually centered upon Japanese corporations in Vietnam.

Adoption of Eco-friendly Uniforms

SG Holdings Group is furthering green purchasing in which products with a low environmental burden are chosen.

As one component of this effort, Sagawa Express uniforms have adopted EcoMark-certified products made by recycling plastic bottles. In fiscal 2016, we purchased roughly 227,000 uniforms (equivalent to roughly 1,130,000 bottles of 500ml plastic bottles). Used uniforms that cannot be easily reused are collected and recycled as blast furnace reductants for ironworks. We have also purchased about 523,000 EcoMark-certified gloves in fiscal 2016 for Sales Drivers.

Contributions through EcoMark-certified uniforms



Environmental Awareness for the Next Generation

Environmental Awareness for the Next Generation

Nature Experience Training

Sagawa Express is continually holding nature experience training at the Takao 100-Year Forest (in Tokyo) for children who will represent the next generation to learn about connections between nature and people through undeveloped woodlands. In fiscal 2016, there were roughly 500 participants who experienced activities from hikes in the forest to thinning and chopstick making from the thinned wood. These initiatives became the first example in Tokyo to be recognized as a "Place for Experience Opportunities" based on the Act on Enhancing Motivation on Environmental Conservation from Hachioji City, Tokyo.

Moreover, we have been conducting 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. Employees, their families and local residents experienced traditional rice making such as the planting, harvesting and drying of 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.



Rice cultivation experience activity

Eco-Art Contest

SG Holdings and Sagawa Express have held the National Eco Art Contest (with backing from the Ministry of the Environment) since 2014 with the goal of raising awareness about the environment in the next generation. In 2016, we received 14,398 entries of works around the theme to protect our Earth. 52 of these pieces received awards with two selected as outstanding works (Ministry of the Environment Minister's Award). These two pieces were used for the wrapping design on 80 Sagawa Express trucks driven mainly in major metropolitan areas throughout

Japan since March 2017.



Outstanding works; underclassman (left) and upperclassman (right)

Preservation and Environmental Awareness of Forests and Biodiversity

Forest Preservation Activities

The functions of forests are indispensable to the life of animals such as the absorption of CO₂, prevention of erosion, cultivation of water resources and the preservation of biodiversity. Demand for domestic timber is decreasing in Japan due to liberalization of import timber while the country offers an extremely rich wealth of forest resources. The forest industry tasked with preserving these forests is faced with an extremely strict environment. Therefore, many forests are unable to manifest their conventional functions to become a challenge because sufficient management cannot be done such as thinning to weed out trees at the appropriate time.

Sagawa Forestry owns a rough total of 685 hectares of Sagawa Forests in seven locations in Kochi and Tokushima in Shikoku. The company carries out conservation activities such as thinning together with local forestry associations and works toward cultivating revitalized forests bathed in sufficient light able to absorb CO₂. We aim to engage in business activities that help use thinned trees in various ways such as construction materials and biomass fuel, further the operation of a healthy forest cycle, revitalize the region and create jobs.

Furthermore, the J-ver certification committee acquired 5,440 tons of carbon offset credits in 2011 to use in Sagawa Express transportation and to reduce CO₂ emitted when holding environmental events that the group participates.

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 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.



Everyone at the Forest and Kami Forest Association in Tosayamada, Kochi Prefecture

Size of Sagawa Forests*



*Calculated as a total of 735 hectares combining Sagawa Express and Sagawa Forestry



Forest preservation activities

Coastal Preservation Activities (Sri Lanka)

Classic Travel, a travel company in the Expolanka Group, held the Classic Wavez coastal preservation project in Sri Lanka. This project aims to protect the beautifully rich coasts, conserve biodiversity and sustain the tourist resources through four activities from beach cleaning and the installation of garbage cans to planting of mangrove trees, environmental awareness lectures at universities as well as the release of sea turtles.



Planting more than 1,250 mangrove trees



Beach cleaning



Contributing to the Development of Communities



Cheer for the Future - The Driving Force of Today

We cheer for the children who hold the future in their hands.

The Kids Sports Camp held by SG Holdings is a program to nurture sociability such as competitiveness, rules and teamwork through sports. Every smile brighter from the three night four day camp is marvelous. In addition, our programs are fulfilling the great curiosity of the children with various sports clinics, traffic safety education, experience-based learning that teaches logistics systems and much more.

Supporting the Foundations of Local Communities

Comprehensive Regional Revitalization Partnership Agreements with Local Governments

In recent years, regional vitalization has become a prominent issue. Many local governments are actively advancing initiatives in attractive urban development convenient for people to live.

Sagawa Express is furthering comprehensive partnership agreements on regional revitalization with local governments by leveraging its broad logistics network across Japan. We first entered into a partnership agreement with Kyoto in March 2016 and have concluded other comprehensive partnership agreements on regional revitalization with eight prefectures and four cities as of March 31, 2017.

In addition to the initiative to revitalize each region such as contributing to tourism through the promotion of "Sightseeing without Baggage" as well as building a system to assist in the

distribution of local products and sales promotions as part of these agreements, we are linking to and working with local governments to support the realization of building secure cities that are easy to live in from various angles, such as efforts in transport of relief supplies in disasters, initiatives for disaster recovery assistance, the education of children and youths, support of elderly and people with disabilities and environmental preservation.

Success of Comprehensive Regional Revitalization Partnership Agreements

March 2016	Kyoto Prefecture	February 2017	Kagoshima Prefecture
March 2016	Yamanashi Prefecture	February 2017	Miyazaki Prefecture
August 2016	Osaka Prefecture	March 2017	Niigata City
August 2016	Yokohama City	March 2017	Kumamoto City
August 2016	Tochigi Prefecture	March 2017	Gunma Prefecture
October 2016	Okayama City	March 2017	Shimane Prefecture



Ceremony celebrating the agreement with Kyoto

Success of Comprehensive Regional Revitalization Partnership Agreements



Promotion of Sightseeing without Baggage

The promotion of "Sightseeing without Baggage" is included as part of the comprehensive agreements executed with each local government. This is a service to collect the baggage tourists bring with them and deliver it to a desired place so that they may enjoy sightseeing without the burden of baggage. 11 Sightseeing without Baggage counters throughout Japan run by Sagawa Express have been recognized by the Ministry of Land, Infrastructure, Transport and Tourism (*as of April 17). As the number of tourists visiting Japan grows, the promotion of sightseeing without baggage helps promote tourism and revitalize regions in metropolitan and tourist areas.

Tokyo Airport Transport Service and Sagawa Express began packaging sightseeing without baggage and limousine bus services. Customers can leave their baggage at a Sagawa Express shipping counter (Tokyo Station, Asakusa Kaminarimon, Tokyo Skytree®) and enjoy sightseeing without the burden of their luggage until they catch a limousine bus to Narita Airport.

The shipping of the baggage we have collected is extremely efficient because it is transported using the cargo space of the limousine buses rather than a vehicle from Sagawa Express.



Tokyo Service Counter with Sightseeing without Baggage services



Safety Awareness Initiatives

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.

We responded to a request for cooperation from the local police from the perspective of protecting the safety of children throughout the entire local community. In fiscal 2016, these classes were held 985 times throughout Japan with the participation of more than 97,606 people.

■ Number of Participants in Traffic Safety Classes



Traffic Safety Education

Initiatives with Lawson, Inc.

The SG Holdings Group created a business alliance with Lawson, Inc. in 2015 and established the SG Lawson, Inc. joint venture company. The business delivers Sagawa Express shipments and Lawson products within 500m of a Lawson store by hand cart or bicycle. We can expect this to reduce the environmental burden and promote the employment of parents and seniors who want to work close to home. A trial run is ongoing mainly in the Setagaya area of Tokyo and we are looking into expanding to other areas throughout Japan.

In addition, we are expanding mobile shops for customers who have difficulty shopping at some Lawson stores. SG Motors is supporting the mobile shop business through sales of specialized vehicles.



SG Lawson deliveries by hand cart and bicycle

Opening of the Nagasaki Business Support Center

SG Expert, which is in charge of management such as the administration and accounting in the SG Holdings Group, opened the Business Support Center in Nagasaki City with the goal of strengthening measures in our Business Continuity Plan (BCP) for times of disasters and for securing a stable base of excellent human resources. This center is the largest regional site for SG Expert and the first example of Nagasaki Prefecture certifying the regional transfer and expansion of headquarter functions advocated by the government. SG Expert plans to hire 150 locals by the end of fiscal 2018 to contribute to job creation in the region.



Community Interaction Through Sports Events

Initiatives Supporting Sports

SG Holdings Group is striving to support the development of the next generation through sports.

We have held the SG Holdings Kids Sports Camp at our Moriyama Park athletic facility since 2016. Top Athletes including Yuko Arimori (marathon runner), Kana Oyama (volleyball) and Taeko Utsugi (softball) came as instructors to teach the 49 elementary school students who participated the fun of exercise, teamwork and the importance of following the rules through sports.

Since 2016, we have also been sponsoring the All-Japan High School Ekiden Championships held annually during December in Kyoto and have supported the active participation of young high school marathon runners entrusted with the next generation.

Sagawa Express presides over the Sagawa Shiga Football Academy held in Moriyama. We are supporting the health education of local children through soccer by running a junior youth team for junior high school students as well as a soccer school for kindergarten and elementary school children. Hands-on soccer events are also being held at kindergartens in Moriyama City. In fiscal 2016, 1,024 kindergarten students enjoyed soccer at 15 different events.

The group is also building an environment where athletes who want to continue sports can actively participate. We are cultivating a sense of unity in the group by cheering on the athletes who are colleagues on our track and field as well as softball teams that are official SG Holdings sports clubs.

Kids Sports Camp (2016)



Official Sports Clubs



Track-and-Field Team



Softball Team

All-Japan High School Ekiden Championship (2016)



Provided by The Mainichi Newspapers

Sagawa Shiga Football Academy



Supporting Academics, Culture, and Next-generation Education (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.

Study Abroad Scholarships

We provide scholarships to privately financed international students from countries in Southeast Asia. Since this project began in 1986, 494 students have been selected, with the total monetary amount of scholarships provided reaching 1,113 million 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 2016, 92 students from 79 universities all over the country applied, of which 19 applicants were selected as our 31st term scholarship students.



Commemorative photograph of Chairperson Eiichi Kuriwada and the scholarship students

Cancer Research Support

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 2016, 201 applications were received from research institutions nationwide, and we provided support to 15 of them. We also presented the SGH Special Award and the SGH 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.

- 28th SGH Cancer Research Grant/15 projects (15 million yen)
- 14th SGH Special Award/2 projects (10 million yen)
- 14th SGH Nursing Care Special Award/2 projects (2 million yen)



SGH Special Award Ceremony

International Economic Cooperation

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

In fiscal 2016, we donated vehicle maintenance equipment to Laos with the goal of improving the maintenance of trucks that have been donated up until now as well as the skill of the technicians.

We accepted six trainees from China and five from Laos to study vehicle maintenance skills. In addition, with the cooperation of the Ministry of Land, Infrastructure and Transport and Tourism, we held intensive logistics courses at the National University of Laos and the Ministry of Public Works and Transport Training Center as a venture to support the development of logistics human resources.



Class at the National University of Laos

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 2016: 130,039



Sagawa Kids Museum Cardboard Art Amusement Park (2016)

Local Contribution Activities of Expolanka (Sri Lanka)

Eyes of Hope Project

The Eyes of Hope Project, which has been underway since 2014, is a project working to reduce the risk of blindness due to abnormal refraction of light in the eye and cataracts.

In 2016, we opened free eye clinics in four locations in conjunction with World Sight Day to raise awareness about the importance of an early diagnosis. More than 300 elderly patients were examined and many were given glasses.

30 of the patients who were examined discovered they needed to have cataract surgery. The total costs of these treatments were paid by Expolanka. 100 patients have been helped since the beginning of this project thanks to these efforts.



Patients suffering from cataracts

Making Sustainability Possible in the Rathugala Region

We have been working to improve the living standards for the indigenous people in the Rathugala region since 2014. First, we installed water supply to use as a water source available at any time to 150 households in the community, which had difficulty accessing clean water, as well as schools and Buddhist temples.

Furthermore, we built a museum to display artifacts passed down through the generation in February 2017 as a measure to support the independence of the community.

This initiative aims to earn an income for and develop a sustainable community by encouraging tourism in the region.



Water supply established at a school

EXPO MEDIX Health Support Program

EXPO MEDIX health and lifestyle support program symbolizes the essence of Expolanka Group's CSR activities. This program performs examinations and simple surgical procedures as necessary at clinics well-equipped with medical systems used by doctors and nurses for low-income families who cannot afford expensive private medical care. Assistance is also provided for the pharmaceutical costs together with our efforts in medical care.

Today, an average of 200 patients are examined weekly at eight clinics.



Patient being examined through EXPO MEDIX program

Expanding the Bulb for Bulb Campaign to Celebrate World Environment Day

As part of our sustainable environment project, we replaced incandescent light bulbs with LEDs for employees as well as households in the Orugodawatta area to celebrate World Environment Day. Expolanka Freight (EFL) has already replaced 4,000 old incandescent light bulbs up until now. Used bulbs are being disposed of in a safe manner.

Moreover, we raised awareness in participants about engaging in other types of power saving efforts, such as the use of rain water and recycling.



One aspect of the Bulb for Bulb Campaign



Building an Organization with Individuality and Diversity



Being Able to Continue Working

Realizing diversity and inclusion is the key to growth as a company.

We are driving initiatives in diversity throughout the entire group so that diverse human resources from women and global human resources to seniors and people with disabilities can continue to actively participate. SGH Kids Garden, which opened in April this year, is the Group's first in-house nursery school. This is one way we are encouraging working parents to continue to work. Different people have a wide range of values as well as a variety of ideas and thoughts. Taking full advantage of this diversity is our greatest driving force.

Respect for Human Rights

Human Rights Initiatives

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.

We hold ethical code of conduct training for all of our employees in group companies in Japan between April and May each year with the goal of cultivating an ethical perspective in our employees as well as heightening self-cleansing through this ethical perspective.

In addition, we hold a Harassment Prevention Month every June in an effort to realize a positive work environment where people can work with motivation free of harassment by respecting the diversity, personality and individuality of each and every employee. In fiscal 2016, our awareness raising efforts incorporated information about maternity and social harassment, which have become social issues in recent years.

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 2016, with results showing that the level of overall employee satisfaction was maintained while improvements were seen on individual issues. 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.

Establishment of the SG Holdings Group Human Rights Policy

The SG Holdings Group is committed to a corporate policy that respects the human rights of all of our stakeholders as our business expansion accelerates globally. Therefore, we have established the SG Holdings Group Human Rights Policy to broadly declare and raise awareness about our commitment both inside and outside of

the group.

This policy outlines our concepts toward human rights more specifically based on the SG Holdings Group Code of Conduct and the SG Holdings Group Ethical Code of Conduct.

The SG Holdings Group's Human Rights Policy

Preamble

The SG Holdings Group respects and advocates the Universal Declaration of Human Rights and its goals related to human rights.

This policy on human rights expresses our stance based on our Corporate Charter of Business Conduct and Code of Ethics and Conduct in detail.

Respecting Everyone's Human Rights

We will not discriminate on account of gender, race, religion, nationality, ethnicity, political opinion, sexual orientation (LGBT, etc.), marital status, pregnancy, childbirth, medical history, disability, or illness.

Legal Compliance

We will comply with all laws in each country and region.

We will comply with international rules in countries or regions that do not have strict laws.

Preventing Human Rights Abuse

We will build and continue to implement a system for "Human Rights Due Diligence" (*) to prevent occurrences of human rights abuse.

*Process to recognize the negative effects related to human rights and to prevent and respond to them.

Prohibition of Child and Force Labor

We will prohibit children, under the minimum working age designated by the laws in each country or region, to work. We will also prohibit forced labor. Further, we request our business partners to also prohibit child and forced labor.

Avoiding being Complicit in Human Rights Abuse

We will not be complicit in the abuse of human rights. Also we will strive to not be complicit through receiving benefits, nor silently condone being a complicity.

Responding to Occurrence of Abuse

We will set countermeasures in the case of occurrence of human rights abuse while protecting the victim and informer and promptly, and fairly, solve these issues.

Safety and Health

We will prioritize safety in the workplace and promote the health of all employees.

Transparency and Promoting Awareness

We will report activities of the SG Holdings Group with transparency.

We will continue promoting awareness of the "SG Holdings Group's Human Rights Policy" to the employees and also request business partners to respect and respond to human rights.

Diversity & Inclusion

Promote Participation of Women

The SG Holdings Group works to promote Diversity & Inclusion (D&I) to grow as a company with a competitive edge. We are actively engaged in initiatives to promote the participation of women in particular, such as active promotion as managers creating new business by female employees, expanding occupational fields, establishing relevant systems and innovating the corporate climate.



WakuWaku Awards Ceremony

Women's Career Support Training

The SG Holdings Group conducts Women's Career Support Training for female employees who are management candidates through external instructors. Roughly 70 women participated in training held three times during fiscal 2016.

The women learned the importance of diversity and business skills while engaging in a discussion with executives and group managers. These women also created a vision of their careers and goals to take action to realize that vision by taking hints from the discussion with active female managers.

WakuWaku Women's Project

The SG Holdings Group is conducting the WakuWaku Women's Project across the group to promote the participation of female employees. In fiscal 2016, we held the 3rd WakuWaku Award to commemorate business sites working to create businesses and improve operations for the participation of women. In addition, we held the 2016 Diversity Forum that invited management for some very renowned publicly listed companies as leading experts in D&I promotion with the goal of furthering understanding about D&I in executive management and middle managers.

Number of New Women Employees

New Graduate Employees in Fiscal 2017

 **244** / 767 Employees

SGH Kids Garden In-house Nursery School

The SG Holdings Group opened the SGH Kids Garden, which is the group's first in-house nursery school, in April 2017. It had a goal of solving children on waiting lists to enter schools, which has become a social issue, promote the active participation of women and support work-life balance. SGH Kids Garden achieves a level of education and safety equal to that of a licensed kindergarten. Substantial optional services such as laundry and towels for naps are also available. We of course support employees to return to work in the group while we also help aid the spouse of our employees to enter the workforce again.



SGH Kids Garden entrance



Thinnings from forests owned by Sagawa Forestry are plentifully used in the SGH Kids Garden kindergarten facility and toys to create an educational space where nature can be felt close by through the wood.

Expanding the Occupational Opportunities for Women

SG Holdings strives to build an environment able to actively challenge women even in occupational fields generally filled by men up until now, such as large truck drivers and automobile mechanics.

Sagawa Express is promoting the introduction of swap body vehicles with a detachable body and cargo bed. We expect this innovation will expand occupational opportunities for female drivers because different staff can load the cargo and drive the vehicle.

In addition, SG Motors has adopted light tools and equipment considering ease of use by female employees who are working on-site. We are also adapting to the diverse needs of our customers such as expanding to a Ladies Moving service handled by our female staff.



We are increasing the number of swap body trucks able to fully detach the truck body and cargo bed (container area). This innovation is expected to improve the efficiency of operations with dedicated drivers who are not responsible for the loading and unloading of cargo. Moreover, another aspect of this vehicle that expands driver opportunities is a vehicle that differs from a trailer truck which only require a driver's license for large-size vehicles.

Diverse Human Resources

SG Holdings Group has diverse human resources who actively work in a wide range of fields. We have roughly 5,200 employees who are foreign nationals. Our group has put in place a system for these employees to take advantage of work experience at some business companies in Japan in their ongoing work at their local company after they return home to their country. We promote continued employment of retirees and are considering re-employment promotion measures so that we can grow opportunities able to actively leverage the experience these employees have cultivate in their careers. The SG Holdings Group is furthering construction of an environment able to drive the individuality and skill of people with disabilities through means such as learning and sharing the correct knowledge about the employment of people with disabilities.

Diverse Work Styles

Employees of the SG Holdings Group practice their own work-life management. The group is also enhancing relevant policies for our employees to choose a work style suitable to them. Six group companies (*) have been recognized as a company supporting child raising by the Ministry of Health, Labour and Welfare for introducing efforts such as enhancing programs for shorter working hours and encouraging male employees to take childcare leave.

*SG Holdings, Sagawa Express, Sagawa Global Logistics, Sagawa Logistics Partners, SGH Global Japan and SG Systems

SG Systems engages in trials to realize telework programs to understand the needs of employees who want to work remotely and confirm operations telework is viable as well as examine the security of the tools it implements.

Sagawa Express is proposing work styles such as "Delivery Mate" in which we enter into operating agreements with registrants. The rate is determined on a piece rate plan based on a contract rate for each parcel. The point of this program is to work at your own pace by selecting the days and times that are good for you rather than determining work shifts at a certain time such as part-time jobs.

Sagawa Global Logistics has setup work programs for warehousing operations such as inspections and packaging in free time via "Logi Shift," which allows employees to freely choose the day and time they want to work. The environment that has been built is easy for part-time employees such as homemakers to work primarily.

COLUMN

Two Diversity Awards

- The late Hiroyuki Urushizaki, former President of SG Holdings, received the logistics industry's first Leader Award in the 2017 J-Win Diversity Awards that recognizes leading D&I companies. Hiroyuki Urushizaki contributed to promoting the participation of female employees by spearheading the WakuWaku Women's Project and establishing the WakuWaku Awards.
- Nouvelle Golf Club become the first golf course recognized as a Youth Yell Certified Company by the Ministry of Health, Labour and Welfare in October 2016. Youth Yell is a policy for certification by the Ministry of Health, Labour and Welfare based on the Youth Labor Welfare Act to recognize small and medium sized companies active in the hiring of youths such as employment management.



Human Resources

Training Systems and Programs

SG Holdings Group relies on all of its employees to operate independently. We have setup a variety of training systems based on the SG Holdings Group Personnel Vision formulated with the goal to take advantage of the skills and unique personalities of each employee.

Overseas Training

Our group has a 38-year history in overseas training. Employees who are chosen through a public offering gain a global perspective by visiting each country in Asia accompanied by an executive, such as Singapore where the group has overseas businesses, observing local companies and engaging in discussions with executive management.

Bright Future Vision Committee

This project focuses on the vision (imagination/inspiration) young employees have for their future. This is the fourth year of this program which has nurture 70 future-oriented members. We are aiming to innovate the organization with the skills and experience gained through these committee sessions.

Next-generation Leader Development Training

Training is held to cultivate "human resources who create corporate value" that are entrusted with the next generation for mid-level employees who have been selected from assistant and section managers.

Excellent Employee Commemoration Program

This program commemorates exemplary employees who have earned an excellent track record.

An award ceremony is held together with the families of our employees as a place to help improve motivation of award winners and heighten awareness throughout the entire group.

SG Holdings Group Personnel Vision



Shining Individuality

We want each person to further their individuality, hone that individuality and shine above everyone else.

Connection Mentality

Everyone shall share the same spirit and foster solidarity. We hope to always move toward a new future without ever forgetting the spirit of a courier at the heart of our founding.

Widening World

We will take a broader view by connecting with a variety of personalities to expand our potential. We hope to foster new values not only relatable in Japan but around the world.

In-house University "SGH University"

The SG Holdings Group opened SGH University as an in-house university in March 2017. This school was established with the goal to build an environment where employees passionate about education who want to open avenues to their career can learn independently to support their growth.

As an academic venue combining group training and e-learning, we are supporting career development from when employees

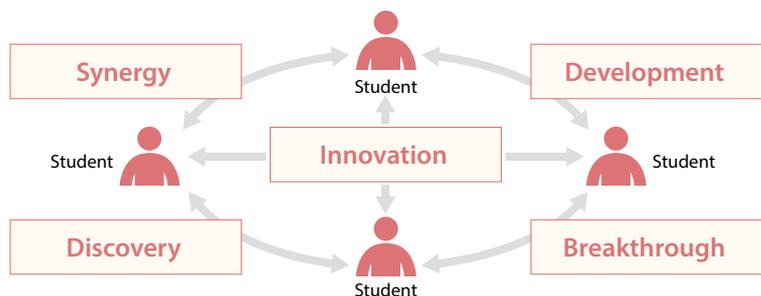
first enter the company until they are executive candidates with an expanding educational program. The university has elective training and e-learning that teaches about themes chosen freely by employees in addition to various options and a public offering style group training.

The university also has training rooms combined with a library space, concentrates on employees and encourages fun in learning.



SGH University built a library space in addition to four training rooms.

Concepts of SGH University



Work-life Management

Establishment of a Group Benefit Association

SG Holdings Group established the SGH Family Benefits Association on February 21, 2017 and started operations on April 1.

The three concepts of this benefits association are to (1) provide “security” throughout life, (2) build an environment for the health of employees and (3) foster a workplace employees can enthusiastically work together with colleagues who “enjoy” life. Furthermore, the services have been categorized into “benefits,” “information” and “experience/place” for each of (1), (2) and (3) to provide these services in three groups of members.

The association also conducts OB/OG for staff such as retirees and part-time employees after retirement age, publishes bulletins and hosts meet-and-greets.

An environment is being built where people want to work

as a company with not only personnel programs, evaluations and dealings but also high employee satisfaction reinforced by welfare benefits to further promote support for the lives of our employees.



Benefit Association Website for Group Employees

Health Management for Employees

SG Holdings Group holds Health Management Project Promotion Meetings twice a year to set goals and evaluate the success of health management of employees. Employees have health examinations, engage in measures to prevent severe illnesses for high-risk individuals in particular, work to reduce risk, receive guidance about specific healthcare options and other matters to reduce risk through the work of this project. We are also engaged in initiatives to prevent illnesses, such as lifestyle diseases, before they happen by actively expanding activities to prevent obesity as well as promote non-smoking for healthy individuals.

In terms of mental health management, everyone insured by the health insurance society (approx. 47,000 individuals) have stress checks once a year and anyone can consult with an industry doctor or other medical professionals if they would like. SG Holdings Group Health Dial 24, which is available to our

employees and their families, was also established to receive consults about mental health. Anyone who would like can have a consultation with a clinical psychologist free of charge.



Poster promoting the Group health toll-free telephone number

Children's Observation Day

The SG Holdings Group sets and continually runs Children's Observation Days and Family Days at business companies with the goal for family members of employees to obtain a higher understanding of the company. SG Motors Children's Observation Day was held at the Sendai branch with the participation of 20 children in 2016. All of the children put on the same blue uniform as the auto mechanics to try some hands-on maintenance. Children who participated in Family Day held at the SG Moving Tokyo branch had the chance to try harvesting bitter melon grown as a green curtain together with their work experience.



SG Motors Children's Observation Day



SG Moving Family Day



Constructing Supply Chain CSR

Cooperation with Business Partners

Promotion of CSR in the Supply Chain

The SG Holdings Group believes CSR initiatives throughout our group as well as the entire supply chain are vital in order to contribute to the growth of a sustainable society. We formulated the SG Holdings Group Business Partner CSR Guidelines and share these guidelines with the main business partners of group companies in Japan to foster understanding about our group's concepts and corporate approach to CSR with our business partners.

Sagawa Express is promoting safety assurance and environmentally-friendly initiatives jointly with our business partners. We are working to ensure safety in the entire supply chain through efforts such as Safety Patrol for Arterial Transport and Terminal Inspection for Arterial Transport with cooperation from arterial transport partner companies in addition to holding safety seminars for managers of these arterial transport partner companies.

In addition, we are advancing initiatives with business partners toward the reduction of the environmental burden such as the promotion of a modal shift via "Super Rail Cargo" express railway container cars developed jointly with Japan Freight Railway Company, the adoption of EcoMark-certified uniforms from Mizuno Corporation and the active implementation of environmentally-friendly vehicles with the cooperation of automotive manufacturers.



Terminal Inspection for Arterial Transport conducted jointly



Super Rail Cargo developed jointly



EcoMark-certified uniform

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.



Building a Responsible Management Foundation

Building a Foundation for CSR Promotion

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.

Becoming Asia's Leading Comprehensive Logistics Group

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.



In 1997, we launched the Sagawa Express Eco Project Promotion Committee in response to The 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP3). This committee took the promotion of environmental initiatives to the next level, and it was the original form of today's CSR Committee built through a management team as a way to fulfill the social responsibility of a logistics business operator.

Presently, the CSR Committee is held each quarter to deliberate the execution of important CSR measures, build a management system, and promote continual improvement activities.

We have also created a CSR Book gathering together the SG Holdings Group CSR concepts for fiscal 2016 in a visual and easy-to-understand format. This booklet plays a role such as in employee education.

Overview of CSR Committee

Members

- Committee Chairperson: SG Holdings Co., Ltd. Eiichi Kuriwada, Chairperson and CEO
- Committee Members: SG Holdings Co., Ltd. 5 Directors and 2 Executive Officers

Record of meetings held in fiscal 2016

- Four meetings within the fiscal year (April 2016, July 2016, October 2016, March 2017)

Major discussion topics in fiscal 2016

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

Stakeholder Dialogue

We sincerely accept the opinions from external experts through this dialogue as well as the claims of our customers and consider as well as execute measures to respond to this feedback in order to reflect the voice of our wide-ranging stakeholders in our business as part of CSR activities at the SG Holdings Group. In particular, this dialogue has been conducted since fiscal 2004 as a venue to

exchange ideas with our stakeholders who have a broad range of viewpoints about the requirements of the society and issues believed important by our group.

Corporate Governance

SG Holdings strives to streamline management systems of the group and practice speed management as a holding company. The Board of Directors made up of seven directors (one of whom is an external director) is charged with the management of the entire Group as well as the auditing functions of business execution. The auditing functions of management and businesses execution are divided by introducing an executive officer system to clarify the authority and responsibilities.

Moreover, the Board of Auditors made up of four auditors (three of whom are external auditors) was established to supervise and

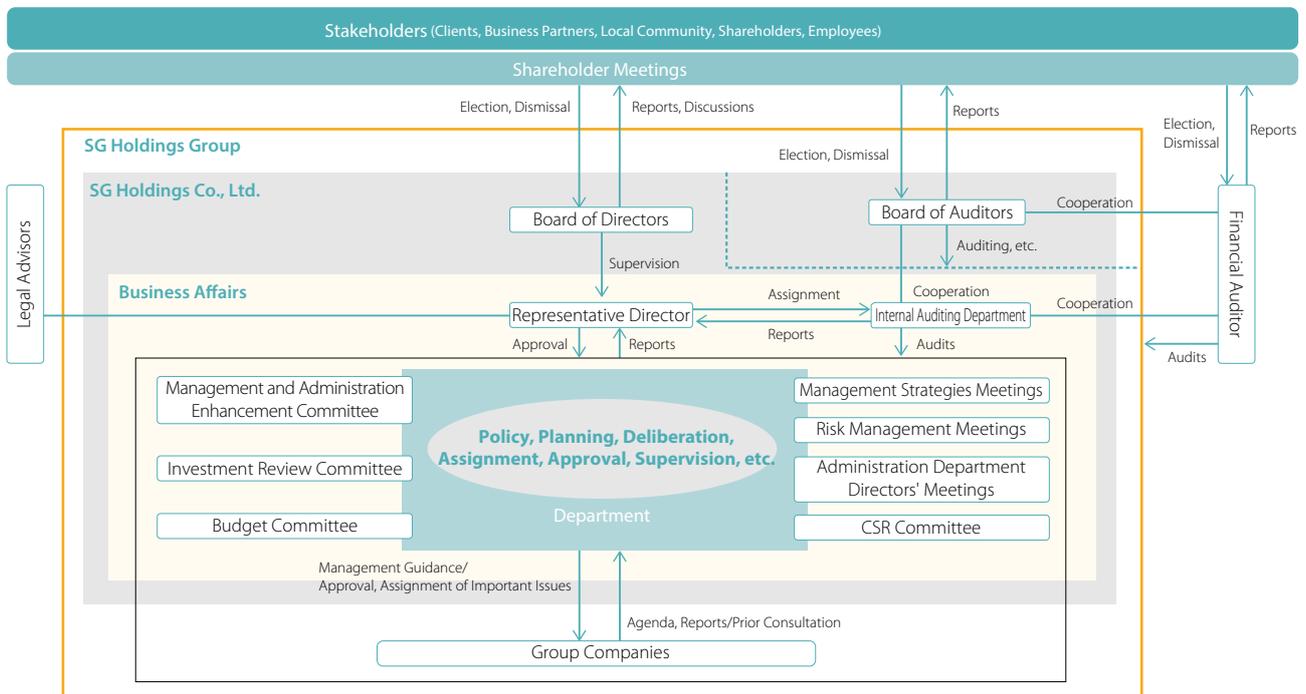
audit management.

(The number of directors and auditors is current as of April 2017)

Internal control is stipulated by the "Basic Internal Control Policy" as guidelines. The necessary improvement measures have been put in place by effectively conducting internal control and evaluating its effectiveness.

We continually conduct reviews to respond to changes such as those of the management environment and strive to establish even more effective internal control.

Corporate Governance System



Compliance

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. A new external contact window was also put in place in fiscal 2017.

Moreover, 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 strengthen compliance initiatives in the future as a pillar supporting internal compliance throughout the entire group.



Poster raising awareness about internal notification systems

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."

Cutting Relationships with Antisocial Forces

SG Holdings Group has defined the "Antisocial Forces Exclusion Regulations" for the purpose of excluding antisocial forces that jeopardize the order and safety of society to sever any and all relationships with antisocial forces, such as consenting to unfair demands, engaging in backroom dealings or financing. Moreover, these regulations even regulate the Corporate Charter of Business Conduct as well as the Ethical Code of Conduct in addition to clarifying the Basic Internal Control Policy to raise the utmost awareness in our employees.

In regards to the specific activities, we conduct attribute surveys such as dealings (payment/invoicing) and we have established the Consultation Window for Undue Requests 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

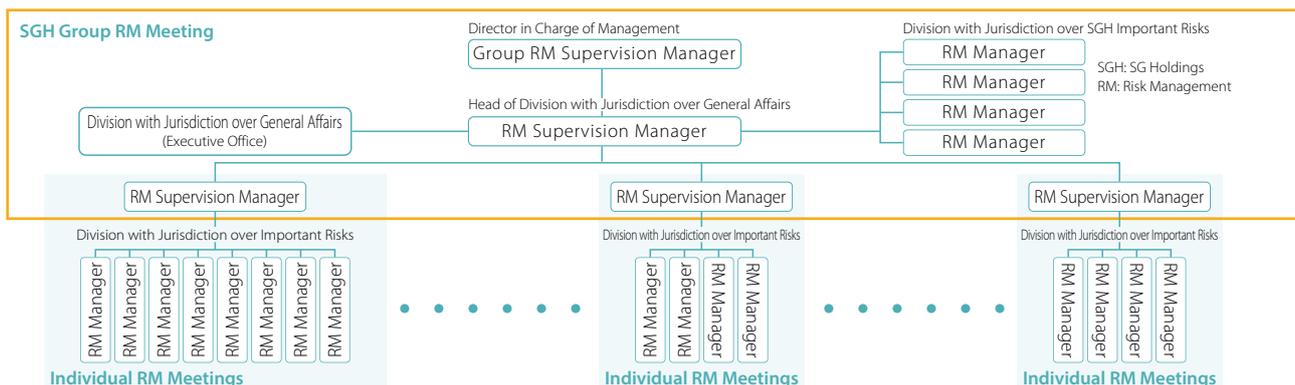
Risk Management System Enhancement

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.

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 addition, we began investigating the construction of a risk management system for global sites and selected a model location in fiscal 2016. In the future, we will work to implement and strengthen management systems even more by formulating a specific road map while cooperating with SG Holdings Global, which is the company in charge of overseas operations, and overseas sites.

Risk Management System



Crisis Management

BCM Initiatives

Formulating BCP for Each Group Company

The SG Holdings Group aims to further crisis management and it is working to strengthen crisis management systems, including the formulation of Group BCP*1 to link to BCM*2.

The formulation of BCP is progressing in stages, and its formulation has been completed at all business companies in Japan.

*1 BCP (Business Continuity Plan): This plan not only minimizes the damage to businesses in an emergency situation such as a natural disaster or terrorist attack but also puts in place mechanisms and steps in advance for business continuity so that business can be recovered as soon as possible.

*2 BCM (Business Continuity Management): This management method that ensures formulated BCP functions properly.



These initiatives were able to resume our businesses such as the receipt of relief supplies at local transport sales offices four days after the Kumamoto Earthquake struck in 2016. This picture shows activities at Mashiki Town Hall.

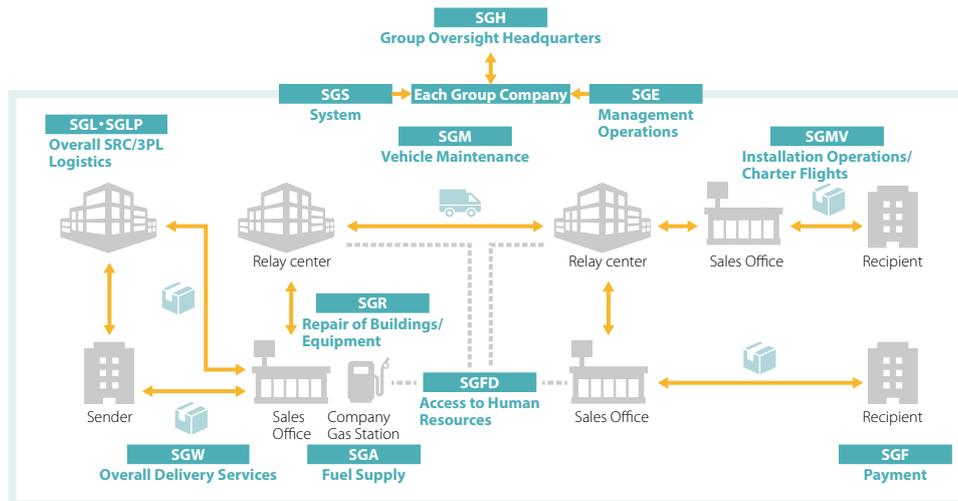
Group BCM Links

SG Holdings Group is strengthening Group crisis management systems through ongoing debate about business continuity management by periodically holding BCM coordination meetings.

We are also utilizing emergency information systems as a reporting tool in order to share accurate information quickly and respond as a group when a crisis such as a disaster strikes.

In addition, Sagawa Express has entered into comprehensive partnership agreements with 12 cities and prefectures in addition to disaster agreements with 44 cities, prefectures and associations so that we can establish links not only within the group but also externally. (As of April 2017)

We are also holding meet-and-greets with external organizations involved with business continuity and participate in joint projects with outside associations.



Each business company utilizes each other's resources and SG Holdings gathers and shares information because Sagawa Express logistics cannot stop as a core business company.

Implementation of Business Continuity Training

We are conducting periodic business continuity training with the participation of management and persons in charge of BCM from SG Holdings and each business company in Japan to evaluate whether the BCP that has been formulated appropriately functions as part of the BCM.

In fiscal 2016, we conducted highly practical private training around the theme of "cooperation" between group companies.

123 people, including presidents of Group companies, and 53 people from outside of the company such as relevant government offices, municipalities, suppliers and partner companies participated as observers.



Business Continuity Training

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.

Raising Awareness About Information Security

Each group company conducts ongoing awareness raising and education by reading through the SG Holdings Security Handbook as well as conducting comprehension tests with the goal of improving awareness about information security in all of our employees.

Furthermore, targeted e-mail attack response training was also held as necessary, and follow-up education was carried out via e-learning for employees who opened an attachment or clicked on a link.

Implementing Security Assessments

The current conditions of internal and external environments must be understood, and the cyber-security management system must be evaluated to prevent serious security incidents before they occur. Moreover, we extract issues to reach an ideal form, define measures and assign the priority of these challenges after benchmarking other companies and setting ideal security levels. SG Systems is implementing such security assessments while considering the entire group that is expanding internationally, and it is formulating road maps so that even more effective security measures can be reliably executed.

Obtaining ISO27001

We are obtaining the ISO27001 international standards certification, which is an information security management system, at the business companies below to respond to customer needs and improve accessibility through services guaranteeing high-level information security.

- Sagawa Express (Sales Department, Sales Section)
- Sagawa Global Logistics (Head Sales Department, Sales Development Department, Logistics Solutions Department, Hokuriku Branch Kanazawa SRC, Kitakanto Branch, Kita-Tokyo Sales Office, Tokyo Branch Oi SRC)
- SG Systems (Head Office, Kyoto SI Center, Fukushima BPS Center)

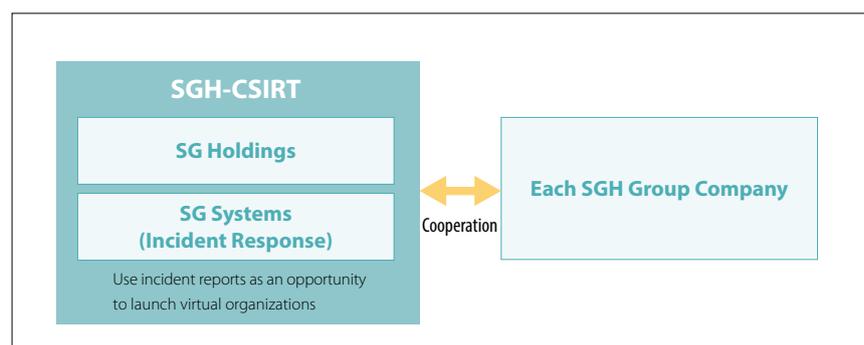
New Establishment of SG Holdings Group "CSIRT"

In recent years, enhanced management systems are more necessary than ever before as dangers of a wide range of cyber attacks from outside the company grow.

Therefore, in addition to conventional management systems, SG Holdings Group has built SGH-CSIRT(*) with the goal of early recovery by minimizing damage as much as possible in the event of a cyber security incident.

The group has also become a member of the Nippon CSIRT Association and shares the response track-record of SGH-CSIRT with that association. By deepening mutual links, the SGH Group promotes an even greater security level and contributes to improving the security level of society at large.

*CSIRT: Acronym for Computer Security Incident Response Team. This is a specialized team that handles information security problems.



COLUMN

Most Outstanding Resilience Award (2017)



The government is advancing initiatives all across Japan in industry, academia, government, and the private sector to realize the “Fundamental Plan for National Resilience.” On this occasion, Sagawa Express has been awarded

the Most “Outstanding Resilience Award” in the corporate and industrial category of the “Japan Resilience Award 2017” created by the Association for Resilience Japan.

This award evaluates and commemorates companies and associations who engage in activities to aid in strong yet flexible national development, regional development, human development, industrial development, technological development and product development to build a society for the next generation.

The reasons our company received this award is for furthering the diversification of fuel used from energy-security perspectives while encouraging the adoption of next-generation vehicles (natural gas, hybrid, post new long-term regulation, EV and other vehicles) as resilience measures for vehicles and fuel in logistics infrastructure. Our measures put in

place for business continuity such as the introduction of fuel oil pumps (foot-pedal type) able to supply fuel even during power outages were also considered together with the company gas stands (129 light-oil intake stands and 22 natural gas stands) established throughout Japan to ensure a stable supply of fuel and sustain a supply system. We were also praised for our promotion of Business Continuity (BC) links with companies in various other industries such as infrastructure.



Endowment Classes for University Students (2016)

Endowment classes were held at Kansai University around the theme of risk management of business companies that support safe and secure logistics platforms. We raised awareness in students from multiple perspectives by giving a platform to a series of experts from in our group to transport, IT systems and the airline industry. These classes have been held 15 times on individual themes such as the BCP/BCM of logistics companies.

Main Themes

- BCP/BCM of logistics companies
- Safety and human error at logistics companies
- Logistics and information systems
- Large-scale disaster training for SCM
- Logistics and weather: Logistic BCM during disasters
- Expressways and disasters: Logistic BCM during disasters
- Risk management for air transport businesses



Expert Opinion

<Praise>

I believe this is an excellent report that clearly reflects the management philosophy of the SG Holdings Group around the keywords of “Trust, Create, Challenge” overall. SG Holdings Group is approaching its 60th anniversary since its founding this year. The environment differs in each generation and region. However, by reflecting the challenges and expectations of society in “business,” a consistent Group stance can be taken to contribute to the expansion of a sustainable society. The CSR activities incorporated in the group’s primary businesses can be said to indicate the high sense of social responsibility held by the SG Holdings Group. In this way, I think the sincere approach to CSR is highly commendable.

Feature 1 (p.8-10) paints a picture about the establishment of SG Sagawa Vietnam as a wholly-owned subsidiary in 2015 in Vietnam, which has been identified as a global strategic site. The article also introduces Sagawa Express Vietnam establishment in 1997 and the contributions in improving the productivity of senders operating 3PL businesses. Furthermore, this report outlines the construction of an environment where employees in the group and at outsourcing companies are able to comply to the law and work enthusiastically based on the local workplace in Vietnam.

The part of this report I would like to give the most praise is the amazing evolution of the SG Holdings Group over this year in “Building an Organization with Individuality and Diversity (p.37-42).” The formulation and release of the “SG Holdings Group Human Rights Policy” that commits to the principles of respecting the human rights of every stakeholder has an extremely broad meaning in dealings conducted with entities overseas. As described in the Top Message, the group makes considerations in human rights, the environment, and safety as well as the pursuit to manage environmental and social risks throughout the entire supply chain as prerequisites to business dealings with global companies. Even in Japan, the Group opened SGH Kids Garden, which supports employees return to work, as well as the SGH University, which is an in-house university. I am not hesitant when I say systems are rapidly being put in place where people can work in the long-term in an environment fair and equal for stakeholders. I want to give high marks to this series of initiatives.

Additionally, I think focus should be on points where the group is establishing systems for quality management such as

the start of activities to appoint managers in charge of quality at all Sagawa Express sales offices and activities for re-certification to the ISO9001:2015 standards as well as holding of Quality Championships setup by SG Moving where employees compete with their knowledge and skill (p.22). The production and sales of “services” such as logistics tends toward larger fluctuation in quality than the production and sales of “things” because people act as an intermediate. I hope the group will continue these activities in the future for the safety and security of customers as well as for greater growth of the group itself.

<Critique>

Today, the SG Holdings Group is building systems to promote CSR at seven companies in Japan. However, I hope these efforts will expand to other business companies in the group in the next fiscal year. Multiple business and CSR activities of overseas group companies were also introduced in this report. When considering efforts in expanding to “become Asia’s leading comprehensive logistics group” outlined in the medium-term management vision of the SG Holdings Group, I expect systems to be built in which local overseas companies in each country can promote CSR management autonomously in the future.

Another aspect is related to the disclosure of data. SG Holdings Group has worked passionately to preserve and improve the global environment as a leading company in the logistics industry up until now, such as the purchases of multiple natural gas trucks and the acquisition of the first Carbon Neutral Certification in the logistics industry. Presently, because statistics about energy and CO₂ emissions are limited to Japan in this report, I think it would be wise to consider collecting and disclosing statistics about environmental data such as water and waste for the entire group, including group companies overseas.



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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/>
- Humony Co., Ltd.
<http://www.humony.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://www.sgh-global.com/jp>
- 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/>