



CSR Report 2018





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, contributing 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 the SG Holdings Group, based on our newly identified material CSR issues.

Reference Guidelines

Ministry of the Environment, "Environmental Reporting Guidelines 2012"
ISO26000 (Guidance on Social Responsibility)

Website

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

Report Period

March 21, 2017 - March 31, 2018

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

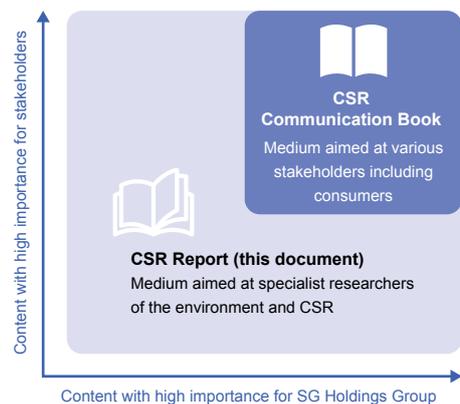
Organizations Subject to Reporting

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.

The SG Holdings Group's reports on CSR activities are published separately as the CSR Report (this document) and the CSR Communication Book. The CSR Report contains all information on the Group's CSR activities, including numerical data as a medium aimed at specialist researchers of the environment and CSR. The CSR Communication Book contains excerpts of initiatives that the Group particularly wishes to convey to various stakeholders, including consumers. In addition, the Group publishes an Annual Report for the purpose of disclosure to investors, financial institutions, and others.

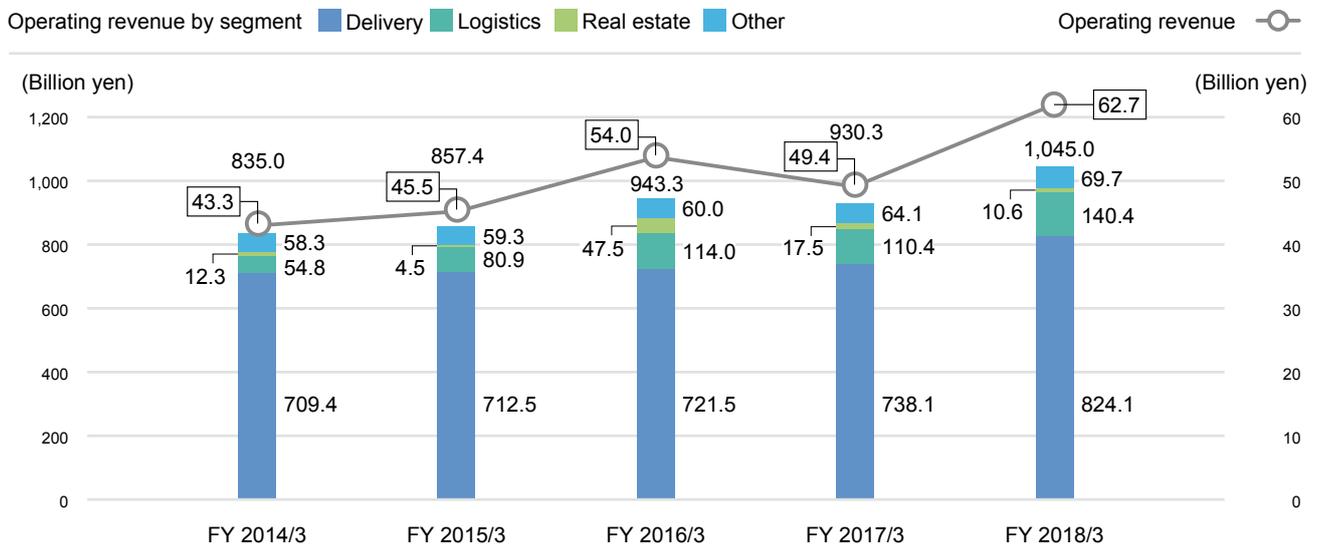


About the SG Holdings Group

SG Holdings Co., Ltd. (the “Company”) is the pure holding company of the SG Holdings Group (the “Group”), which implements management strategies and administration functions for the entire Group. Each Group company performs the function of business execution. On December 13, 2017, the Company was listed on the First Section of the Tokyo Stock Exchange.

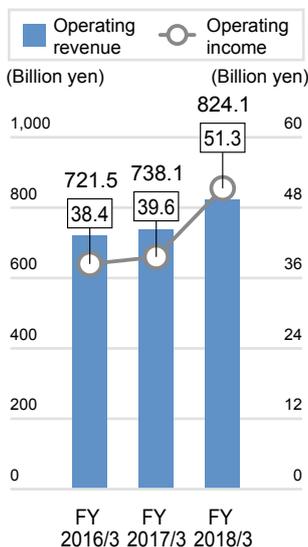
- Company Name : SG Holdings Co., Ltd.
- Established : March 2006
- Head Office location : 68 Kamitobatsunoda-cho, Minami-ku, Kyoto-shi, Kyoto, Japan
- Capital : 11,882,905,000 JPY
- Employees : 90,708 (consolidated, for fiscal year ended March 31, 2018)
- Business Details : Group management strategies, administration, and related business

Consolidated Performance

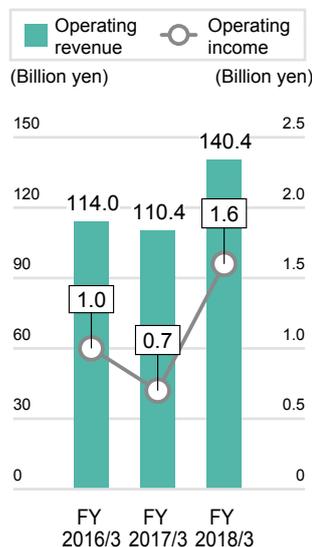


*The end of the fiscal year has been changed from March 20 to March 31 from FY 2018/3. As a result of this change, operating revenue increased by 48.9 billion yen and operating income increased by 3.0 billion yen.

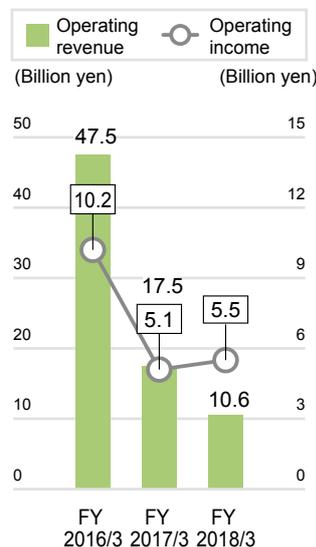
Delivery Business



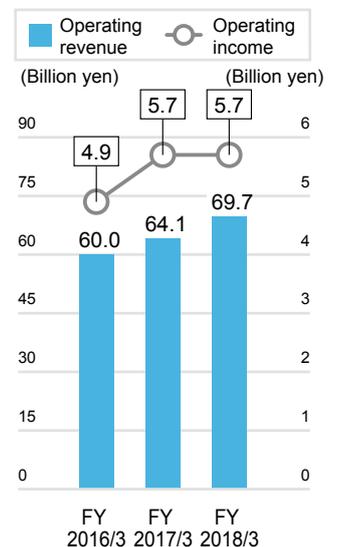
Logistics Business



Real Estate Business



Other Businesses



Message from Chairperson and President

Become Asia's Leading Comprehensive Logistics Group

Continuing to aim for sustained growth by resolving social issues through business as a comprehensive logistics group

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

栗和田 栄一



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

町田 公志



■ To greater heights in stakeholder management

The SG Holdings Group has been engaged in management that meets the expectations of stakeholders surrounding the business, including customers, employees, local communities, shareholders, and business partners.

The Group was listed on the First Section of the Tokyo

Stock Exchange in December 2017, enabling us to capture the interest of more stakeholders. As a listed company that is a public entity of society, we will strive to implement sincere and highly transparent management by promoting stakeholder management at an even greater level than in the past.

■ Identifying new material CSR issues

We have considered and identified new material CSR issues as an indicator for implementing stakeholder management. We utilized Sustainable Development Goals (“SDGs”) to identify material issues, and also considered them from the perspective of social issues. While keeping our eyes set on our long-term vision to “Become Asia’s leading comprehensive logistics group,” we will endeavor to resolve material issues through business and build the foundations for sustained growth.

Material CSR Issues

1. Achieving a Safe and Secure Transportation Society
2. Promoting Environmentally Friendly Business Activities
3. Building an Organization of Diversity and Inclusion
4. Creating New Value through Comprehensive Logistics Solutions
5. Contributing to Communities
6. Promoting Sustainable Procurement
7. Building a Responsible Management Foundation

Of the seven material issues, the most important are the three issues essential for sustained development of the logistics business: safety, the environment, and human resources. We operate a logistics business with approximately 26,000 vehicles using public roads. Due to the large number of vehicles we use, our impact on society in relation to traffic safety and preservation of the environment is substantial, and we are conscious of the very grave social responsibility to society that we hold.



The logistics business also requires the strength of many employees including drivers. Improving labor management and implementing diverse work styles to ensure employees continue to work with satisfaction are also especially important issues.

In addition, we have identified the creation of new value through comprehensive logistics solutions, contributing to communities, sustainable procurement, and building a responsible management foundation as material issues required for sustainable management. Furthermore, we have established a CSR Statement incorporating elements of the material issues, and will continue to actively communicate to stakeholders in the future.

■ Toward sustainable growth

Logistics provides an essential function for society as infrastructure for supporting production and distribution. The online shopping market continues to expand in Japan, and economic growth continues in Asia. Both of these developments are expected to further increase demand for logistics in the future.

We would like to be a corporate group able to contribute to the development of society by supporting supply chains spanning Japan and overseas. We will seriously address international social issues through logistics solutions that create new value. By doing so, we believe we can achieve sustained growth as a trusted company. Moving forward, the Group will consciously work as one to conduct business in order to continue to be needed by our stakeholders. We ask for your ongoing support in the future.

Business Overview and Major Subsidiaries

The Group is comprised of the holding company SG Holdings, 101 consolidated subsidiaries, and eight equity method affiliates. With a business portfolio focused on “fromB,” we have built a delivery and logistics network to respond to the various needs of

corporate customers. Utilizing the resources of its Group companies, the Group produces proposals designed to solve customer-specific challenges. Our goal is to remain as the partner of choice by strengthening and advancing these efforts.

Delivery Business

Provides a variety of transportation services through our nationwide network.



SAGAWA

Sagawa Express

Offers a wide range of delivery services centered around express package delivery.



Sg humony

Sagawa Humony

Handles a telegram-like service.



Sg moving

SG Moving

Offers delivery services of large furniture and home appliance installation and moving.



WORLD SUPPLY

World Supply

Engaged in delivery for department stores, third-party logistics (3PL), and joint food delivery.

Logistics Business

Offers cross-border supply chain optimization for customers in Japan and overseas by providing customized warehouse operations, international transport, and local logistics.



Sg logistics

Sagawa Global Logistics Sagawa Logistics Partners

Optimizes customer supply chains through 3PL and distribution processing.



SgH GLOBAL

SGH Global Japan

Provides integrated global transportation services, from international logistics, to distribution warehouse operations and domestic transportation.

Real Estate Business

Develops, utilizes, and manages real estate, centered around distribution facilities and other Group business infrastructure.



Sgrealty **Sg**assetmax

SG Realty and SG Assetmax

Develops, utilizes, and manages distribution facilities.

Other Businesses

Engaged in a wide variety of businesses, including vehicle maintenance, IT systems, finance, and temporary staffing, to support the Group's core business.



Sgadvance

Sagawa Advance

Engaged in comprehensive services including insurance, fuel sales, and product development.



Sgmotors

SG Motors

Engaged in vehicle-related services, including maintenance, body manufacturing, and new and used car sales.



Sgsystems

SG Systems

Develops and operates Japan's largest cargo tracking and shipping support systems.



Sgfinancial

Sagawa Financial

Develops finance related businesses such as the "e-collect" settlement service.



Sgfielder

SG Fielder

Provides human resource outsourcing services for warehouse operations and other businesses.



Sgexpert

SG Expert

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



Nouvelle Golf Club

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



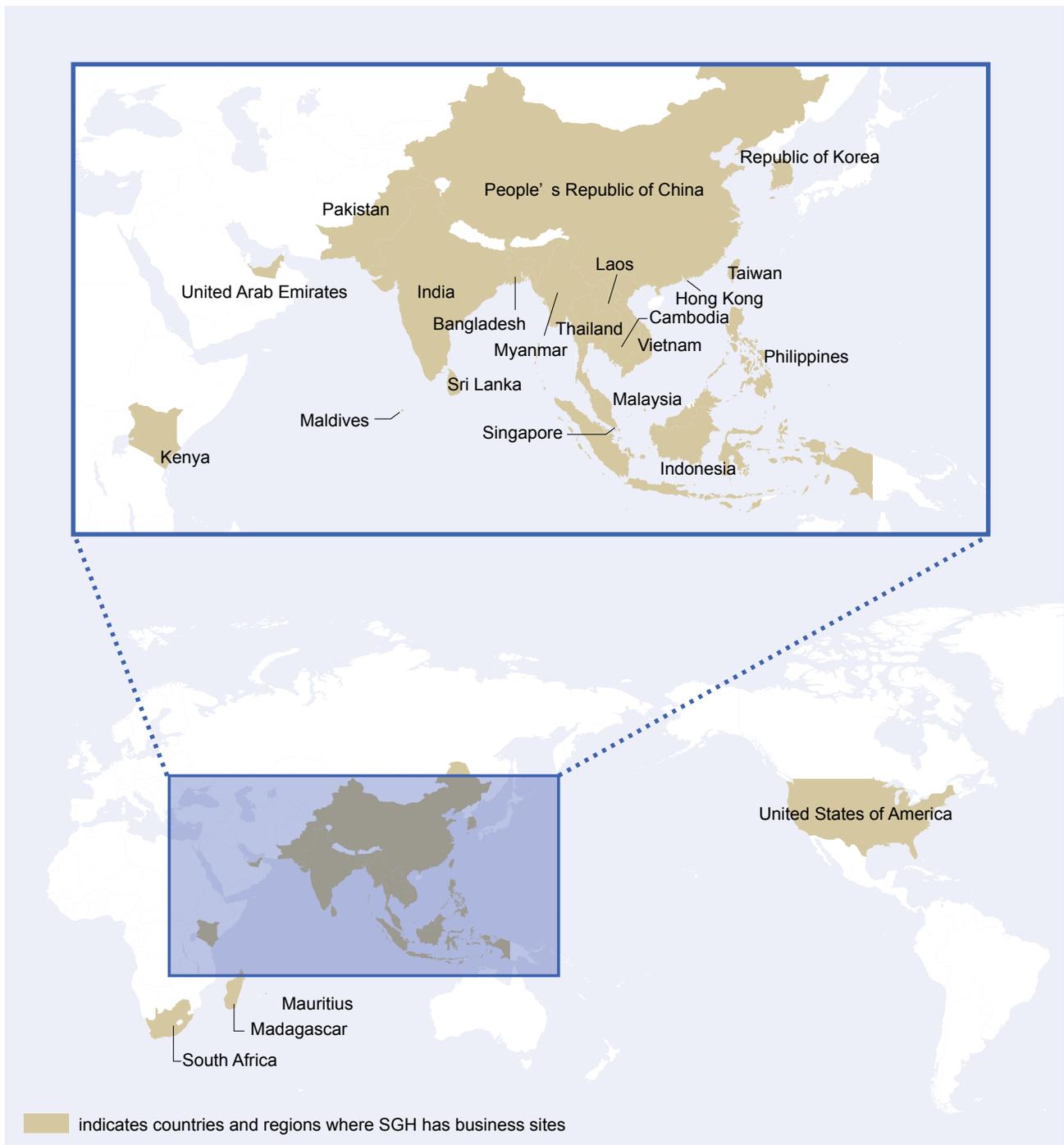
Sgforestry

Sagawa Forestry Co., Ltd.

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

Overseas Corporations

In addition to Japan, the SG Holdings Group operates in 24 countries centered on Asia, and utilizes its global network of 90 subsidiaries and affiliates (including 61 logistics-related companies) to provide consistent comprehensive logistics services.



Major overseas sites

SG Holdings Global Pte. Ltd.

Overseas business management company (Singapore)
Planning, formulating strategy, financing, IT support, and other management operations in the Group's overseas business

● East Asia

The Group conducts a high-quality logistics business (3PL/CFS) with its own warehouses in Shenzhen and Hong Kong in China, including freight forwarding operations such as arranging the transportation and customs clearance procedures of import and export freight on behalf of customers. It also provides international package delivery services and consistent transportation arrangements for cross-border EC packages to the door in coordination with Sagawa Express in Japan.

· Site network

China
(North China/Shanghai) **Shanghai Poly-Sagawa Logistics Co., Ltd.**
Total logistics
Expo Freight (Shanghai) Ltd.
Freight forwarding

China
(South China/Shenzhen) **Poly-Sagawa Logistics Co., Ltd.**
Total logistics

Hong Kong **Sagawa Express (H.K.) Co., Ltd.**
Total logistics
Expo Freight (Hong Kong) Ltd.
Freight forwarding

Taiwan **Sagawa Express International Taiwan Corp.**
Total logistics

Korea **Sagawa Logistics Korea Co., Ltd.**
Total logistics

● Southeast Asia

With sites in major countries throughout Southeast Asia, SG Holdings provides comprehensive logistics services from upstream to downstream based out of its own warehouses (the Philippines, Thailand, Vietnam, and Singapore). It provides high-quality logistics services ranging from the formulation of logistics plans that meet customers' needs to 3PL (3rd Party Logistics) and logistics processing services (picking and packing, pricing, product inspection, needle detection, and assorting).



SG Sagawa Vietnam Distribution Center
(Nhon Trach 3 Industrial Park)

· Site network

Philippines **Sagawa Express Philippines, Inc.**
Total logistics
Sagawa Global logistics (Philippines) Inc.
Bonded warehouse within PEZA
Expolanka Freight Limited
Freight forwarding

Thailand **SG Sagawa (Thailand) Co., Ltd.**
Total logistics

Vietnam **Sagawa Express Vietnam Co., Ltd.**
Domestic trucking
SG Sagawa Vietnam Co., Ltd.
Total logistics
SG Sagawa Express Vietnam., LLC.
Domestic door-to-door delivery service
Expolanka Freight (Vietnam) Ltd
Freight forwarding

Malaysia **EFL Malaysia SDN. BHD**
Freight forwarding

Singapore **SG Sagawa Ameroid Pte. Ltd.**
Total logistics
Amgas Asia Pte. Ltd.
Crude oil sales

Indonesia **PT Expo Freight Indonesia**
Freight forwarding

● North America

The Group utilizes its global network to conduct operations in five sites within the United States (Los Angeles, New York, etc.) to provide handling of cross-border EC packages from the U.S. and freight forwarding to and from the U.S.

· Site network

Los Angeles **SG Sagawa USA, Inc.**
Total logistics
Expolanka USA LLC
Freight forwarding

● South/West Asia & Others

Centered on Expolanka Holdings PLC (Sri Lanka head office), its core company in South Asia, the Group conducts freight forwarding operations with 20 sites in India. It is also building a network of sites in Bangladesh, the Middle East, and Africa, and has strengths in the transportation of products to North America and Europe.

· Site network

Sri Lanka **Expolanka Holdings PLC**
head office

Sri Lanka **Expolanka Freight (Pvt) Limited**



India **Expo Freight India (Private) Limited**

Bangladesh **Expolanka Bangladesh Limited**

Dubai **Expolanka Freight FZCO**

Pakistan **Union Cargo (Private) Limited**

South Africa **Expolanka Freight (PROPRIETARY) Limited**

Kenya **Expolanka Freight Limited**

Mauritius **Expolanka Freight Limited**

Madagascar **Expolanka Madagascar S.A**

CSR Management

Material CSR Issues and Processes for Identifying Them

The Group is conducting stakeholder management to meet the expectations of customers, employees, local communities, business partners, and shareholders as a corporate group that is a public entity of society. We have identified new material CSR issues as an indicator for implementing stakeholder management. We utilized

Sustainable Development Goals (SDGs), which are to be achieved with the efforts of the international community, to ensure that there is no deviation from the requirements of society in the processes for identifying material issues.

Processes for Identifying Material CSR Issues



(1) Reacknowledgment of social mission

“To continue to unwaveringly provide the social infrastructure of logistics”

(2) Confirmation of the initiatives established in the Mid-term Business Plan

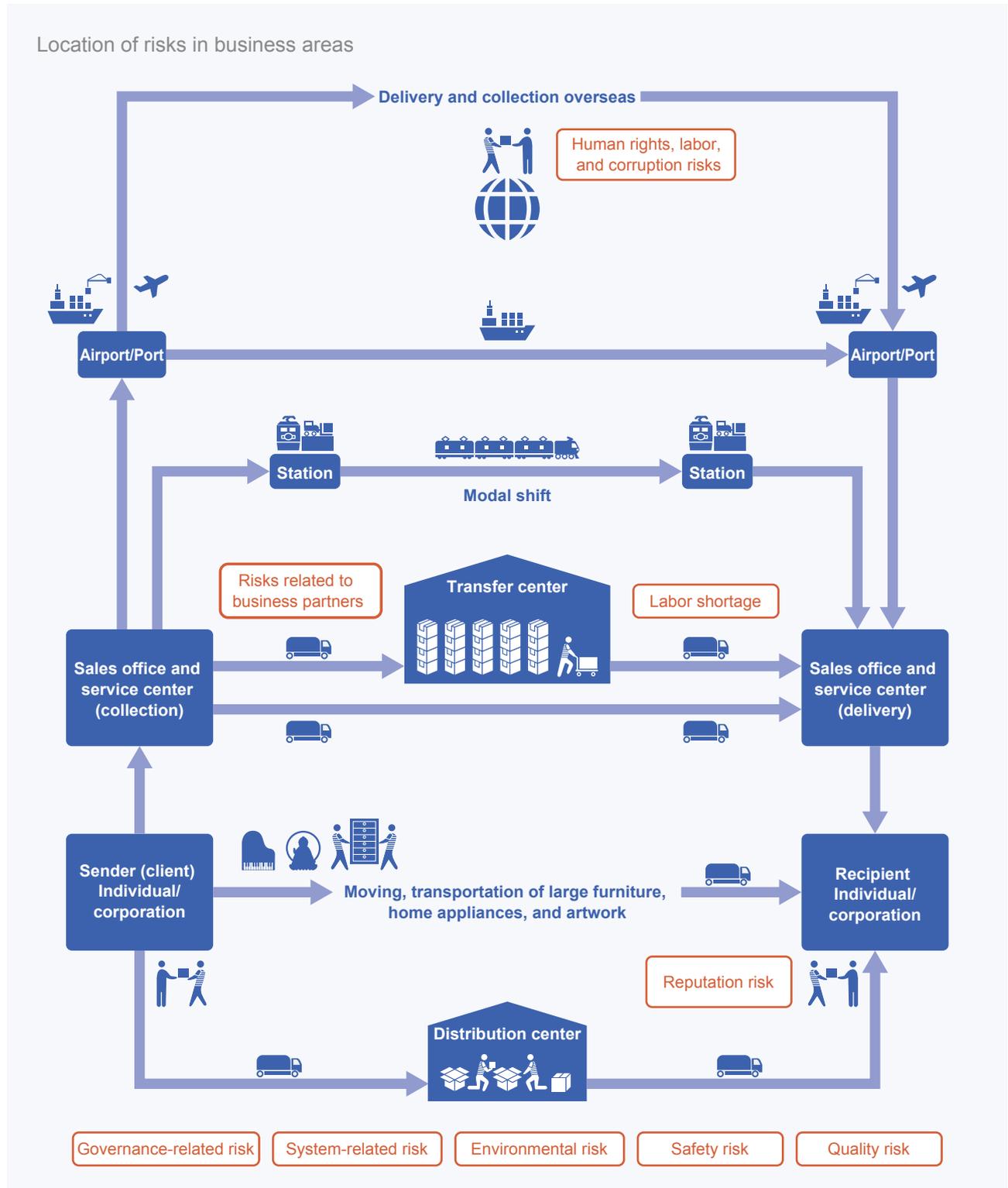
The Group states in its Mid-term Business Plan that it aims to achieve sustained growth across a broader range geographically and in terms of business areas.

Mid-term Business Plan “First Stage 2018”

1. Establish the platform for sustainable growth through productivity improvement and advanced logistics solutions
2. Develop global logistics network through the enhancement and integration of domestic and overseas businesses
3. Increase in value and optimization of ancillary logistics businesses
4. Establish talent management system and make best use of diversified talent pool
5. Employ the latest technology to deliver superior solution to our customers and streamline business activities
6. Ensure enhancement of the compliance system

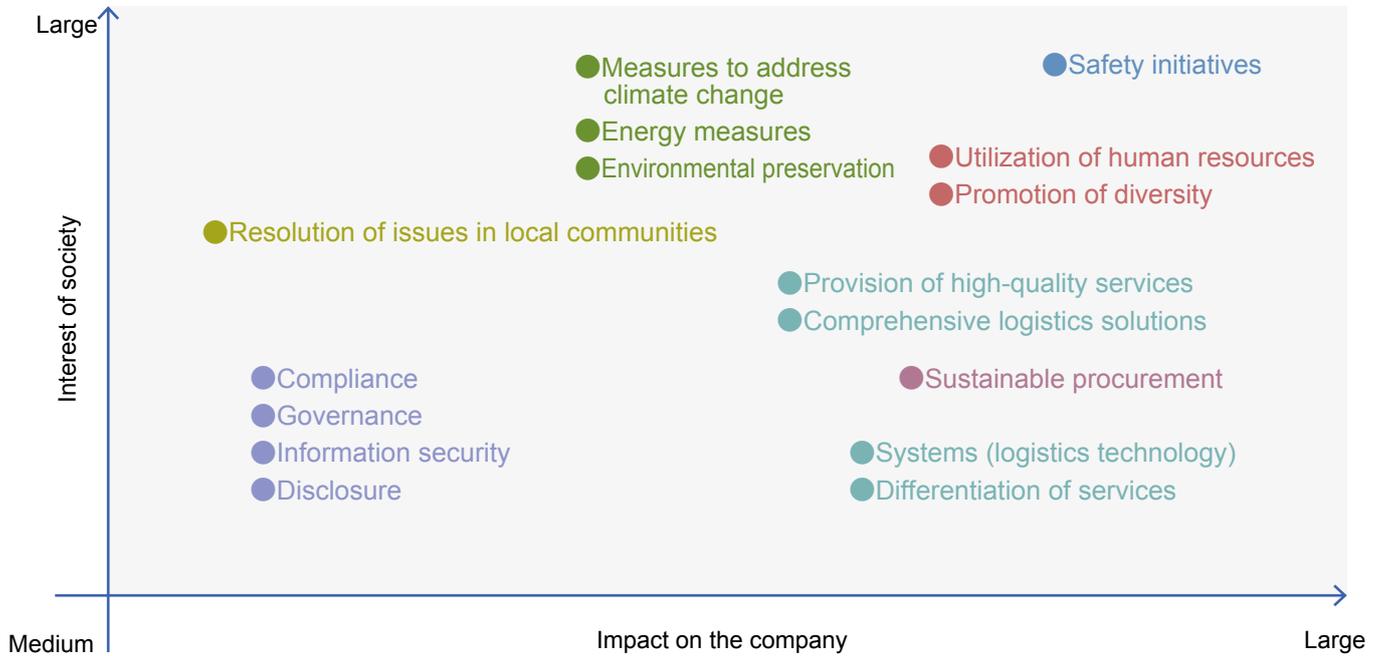
(3) Risks in business areas

In addition to various risks overseas and in Japan, the Group as a whole faces and needs to address risks in areas such as governance, systems, the environment, safety, and quality.

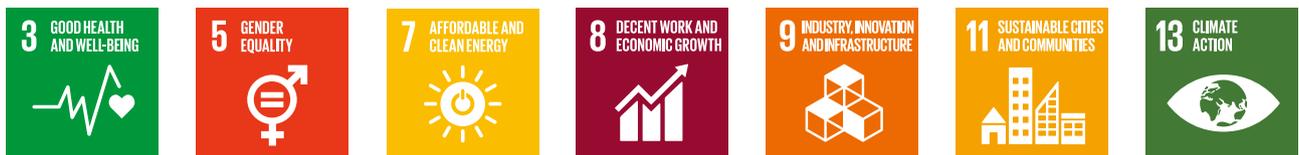


(4) Using SDGs to confirm that there is no deviation from social requirements

- Mapping of the initiatives identified in (1) to (3) in terms of “interest from society” and “impact on the company”



- SDGs that are highly compatible with the initiatives identified in (1) to (3)



What are SDGs?

An abbreviation of “Sustainable Development Goals.” Seventeen goals and 169 targets adopted at a UN summit in September 2015 where it was agreed that they should be achieved by countries worldwide over the 15 years from 2016 to 2030 to create a sustainable society. Companies are also required to take action to achieve the goals.

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



Material CSR issues identified in (5) and (6)

These were identified in discussion during the first to third meetings of the CSR Committee in fiscal 2017.

Themes of SDGs Corresponding to Material Issues	Activity Themes
<p>● Achieving a Safe and Secure Transportation Society</p> 	Provision of safe and secure services
<p>● Promoting Environmentally Friendly Business Activities</p> 	<p>Reduction of the environmental impact of business (reduction of CO₂ emissions, effective utilization of resources)</p> <p>Implementation of environmental preservation activities</p>
<p>● Building an Organization of Diversity and Inclusion</p> 	<p>Creation of work-friendly organizations (personnel systems and education)</p> <p>Promotion of diversity and inclusion</p>
<p>● Creating New Value through Comprehensive Logistics Solutions</p> 	<p>Provision of high-quality services</p> <p>Provision of services that meet stakeholders' needs</p> <p>Expansion of international logistics</p>
<p>● Contributing to Communities</p> 	Provision of services leading to the development of local communities
<p>● Promoting Sustainable Procurement</p> 	Engagement of existing business partners and selection of new suppliers
<p>● Building a Responsible Management Foundation</p> 	<p>Establishment of corporate governance system</p> <p>Ensuring compliance</p> <p>Risk management system enhancement</p>

Comment from Expert



Kaori Kuroda

Executive Director,
CSO Network Japan

The SG Holdings Group has meaningfully re-identified material CSR issues by utilizing internationally agreed upon SDGs to ensure that there was no deviation from social requirements. Indicating the processes for identifying material issues and risks in business areas in tables and diagrams also made these easy to understand. I would like to point out that although human rights and labor risks are only shown to be overseas, these also exist in Japan. I think it would be a good idea to identify risks and opportunities for each activity theme for the material issues.

CSR Statement of the SG Holdings Group

The Group has made a CSR Statement clearly showing the significance and approach of its CSR activities based on the material CSR issues of the Group that were newly identified in the processes

from (1) to (6). This will be used as a guide to return to when there are doubts about the direction of CSR.

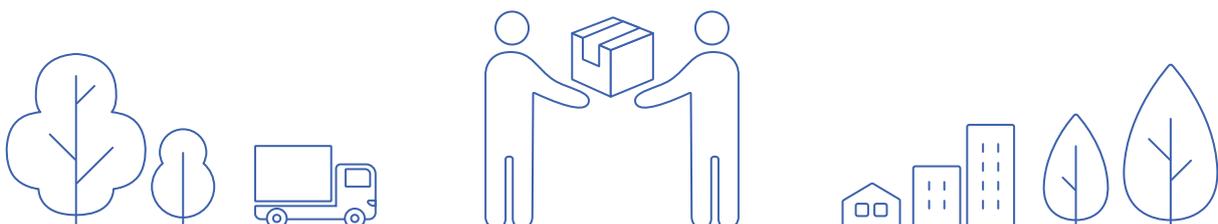
“Smoothing Out Today, for a Smarter Tomorrow”

Today, the SG Holdings Group
is devoting all of our efforts to using logistics
to provide people with worry-free lives.

This means offering safe, reliable logistics infrastructure.
It means living in harmony with the global environment,
helping to preserve an abundant, happy way of life.

And by using the power of our comprehensive logistics solutions
to create new value,
we hope to build a smarter tomorrow.

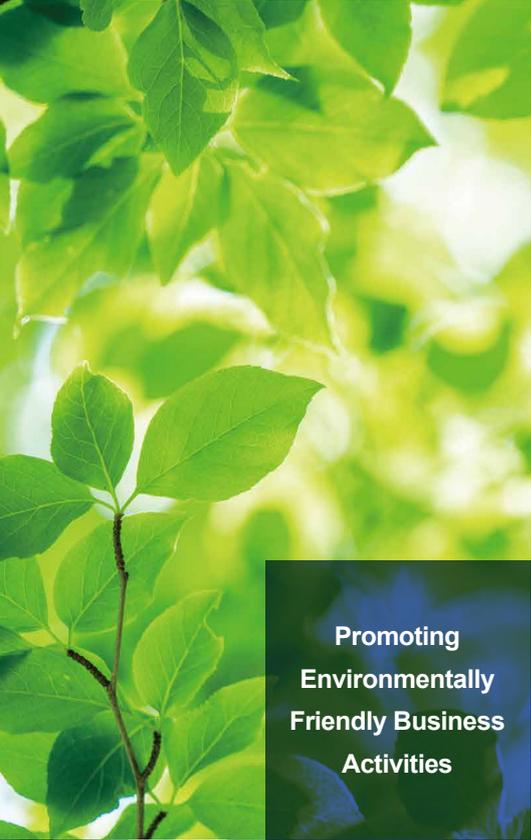
The SG Holdings Group will continue contributing to society through its business,
working toward a future in which people connect,
and smiles bring them together.





Promoting Sustainable Procurement

Creating New Value Through Comprehensive Logistics Solutions

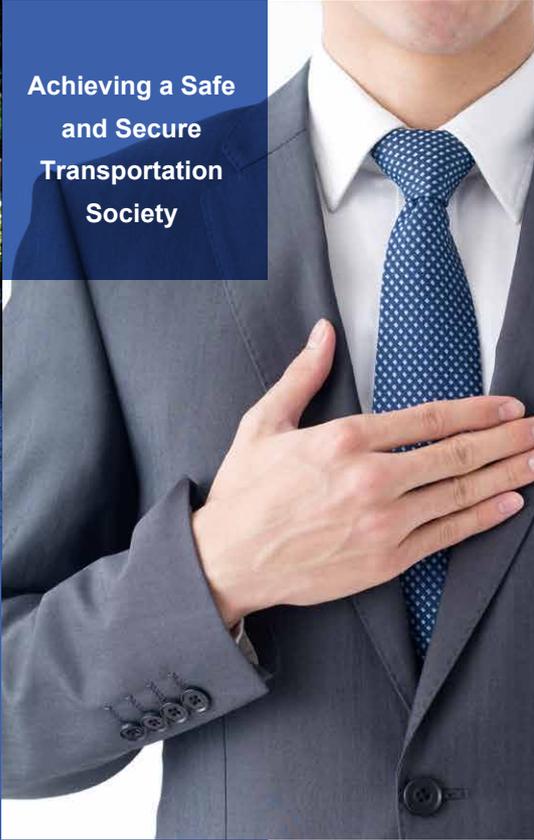


Promoting Environmentally Friendly Business Activities



Building an Organization of Diversity and Inclusion

Achieving a Safe and Secure Transportation Society



Building a Responsible Management Foundation



Contributing to Communities

Achieving a Safe and Secure Transportation Society

Promoting Environmentally Friendly Business Activities

Building an Organization of Diversity and Inclusion

Creating New Value Through Comprehensive Logistics Solutions

Contributing to Communities

Promoting Sustainable Procurement

Building a Responsible Management Foundation



Achieving a Safe and Secure Transportation Society

▶ Policy	16P
▶ Systems	18P
▶ Initiatives	20P
▶ Awards and Certification/Accreditation	33P

Awareness of Social Issues

According to a survey by the WHO (World Health Organization), over 1.2 million people die in traffic accidents worldwide every year, and one of the United Nations' sustainable development goals (SDGs) is stated as "By 2020, halve the number of global deaths and injuries from road traffic accidents." The SG Holdings Group is a corporate group conducting business on public roads with approximately 26,000 vehicles of its own. As a company providing social infrastructure in the form of logistics, we believe that it is important to minimize the impact of traffic accidents and traffic congestion.

Impact



Total annual distance traveled by Sagawa Express vehicles
Approx.
600 million kilometers

[Achieving a Safe and Secure Transportation Society](#)

[Promoting Environmentally Friendly Business Activities](#)

[Building an Organization of Diversity and Inclusion](#)

[Creating New Value Through Comprehensive Logistics Solutions](#)

[Contributing to Communities](#)

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[Building a Responsible Management Foundation](#)

Policy

■ Approach

Initiatives to eliminate traffic accidents are the area the Group is placing the most emphasis on to realize a “safe and secure transportation society.” Sagawa Express, SG Moving, and World Supply, which conduct transportation business, have established a basic policy on transportation safety based on the transport safety management system established by the Ministry of

Land, Infrastructure, Transport and Tourism. Using this policy as a foundation, the companies have established systems for eliminating accidents. Furthermore, efforts are also being made to ensure the safety of the Group’s entire transportation business, with support being provided by SG Motors with vehicle maintenance and SG Systems through information technology.

■ Basic Policy on Transportation Safety

- (1) Under the Corporate Philosophy of the SG Holdings Group, all employees will work as one to constantly improve transportation safety by putting human life first through close cooperation between Group companies based on the Charter of Corporate Conduct.
- (2) Management executives will lead efforts to ensure transportation safety within the company by having a deep understanding that ensuring transportation safety is the bedrock of management of the business. Furthermore, they will ensure that employees are aware of the highest importance of ensuring transportation safety.
- (3) We will steadily implement safety management and conduct operations with a top priority on safety.
- (4) When utilizing partner companies, we will not conduct any act that impedes the business operator’s practice to ensure transportation safety. Furthermore, we will strive to cooperate with partner companies in the improvement of transportation safety.
- (5) We will publish information on transportation safety.

Achieving a Safe and Secure Transportation Society

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Fiscal 2017 Goals and Overview

Boundary: Scope of application of goal

Related SDGs: Targets of SDGs (sustainable development goals) closely related to the goal

Long-term Theme	Fiscal 2017 Goals	Results and progress of fiscal 2017 initiatives	Boundary			Related SDGs
			Sagawa Express	Japan	Overseas	
● Reduce traffic accidents in the Company and the whole society	● Reduction of the number of traffic accidents ^{*1} (year-on-year comparison)	<ul style="list-style-type: none"> ● Sagawa Express: 22 (+3 year-on-year) ● SG Moving: 0 (-1 year-on-year) ● World Supply: 0 (same as previous year) 	●	*2		3.6

*1 Number of accidents specified in Article 2 of the Automobile Accident Reporting Rules

*2 The figures for Japan are only for companies that have separate targets based on the transport safety management system.

The outcome of initiatives by Sagawa Express in fiscal 2017, unfortunately, resulted in an increase in the number of accidents compared to fiscal 2016. It is believed that one cause may have been a delay in filling the shortage of instructors who train new employees, while the company's hiring activities progressed steadily as it pressed forward with work style reforms. Therefore,

Sagawa Express began specific responses such as increasing the number of instructors and reviewing training methods. Safety Promotion Manager Coaching Training, which we introduced in fiscal 2017, is one of these responses.

Following on from fiscal 2016, World Supply again kept the number of accidents to zero.

● Number of Traffic Accidents Based on the Automobile Accident Reporting Rules

		Fiscal 2016	Fiscal 2017
Sagawa Express	Number of vehicles owned: 25,153 (as of March 31, 2018)	19	22
SG Moving	Number of vehicles owned: 74 (as of March 31, 2018)	1	0
World Supply	Number of vehicles owned: 136 (as of March 31, 2018)	0	0

Achieving a Safe and Secure Transportation Society

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Systems

■ Organization

The Group has established a transport safety management systems for each Group company. In October 2016, the Motor Truck Transportation Business Act was revised, and the transport safety management system was introduced for the purpose of “constantly improving safety.” A Safety Measures Committee was established in Sagawa Express, which plays a central role in the Group’s transport business, to ensure safety as the highest priority management issue. The chairman of the committee is the Managing Director and the vice chairman is the head of the department responsible at the head office. Branch managers from 18 locations nationwide and general managers of head office departments also participate as members of the

committee. Safety meetings are held by the Safety Measures Committee every month, and top management discusses a variety of issues related to safety, including the progress of safety measures. In addition, taskforce meetings are held as necessary by safety promotion managers at the head office (responsible for each area) to devise safety measures reflecting opinions from the workplace and consider improvements. Safety promotion managers have also been appointed in the 426 sales offices that are home to drivers nationwide to provide not only guidance and training but also smooth communication. The Group’s safe driving management is based on creating an environment where drivers can drive with peace of mind.

Sagawa Express Safety Management System



Achieving a Safe and Secure Transportation Society

Promoting Environmentally Friendly Business Activities

Building an Organization of Diversity and Inclusion

Creating New Value Through Comprehensive Logistics Solutions

Contributing to Communities

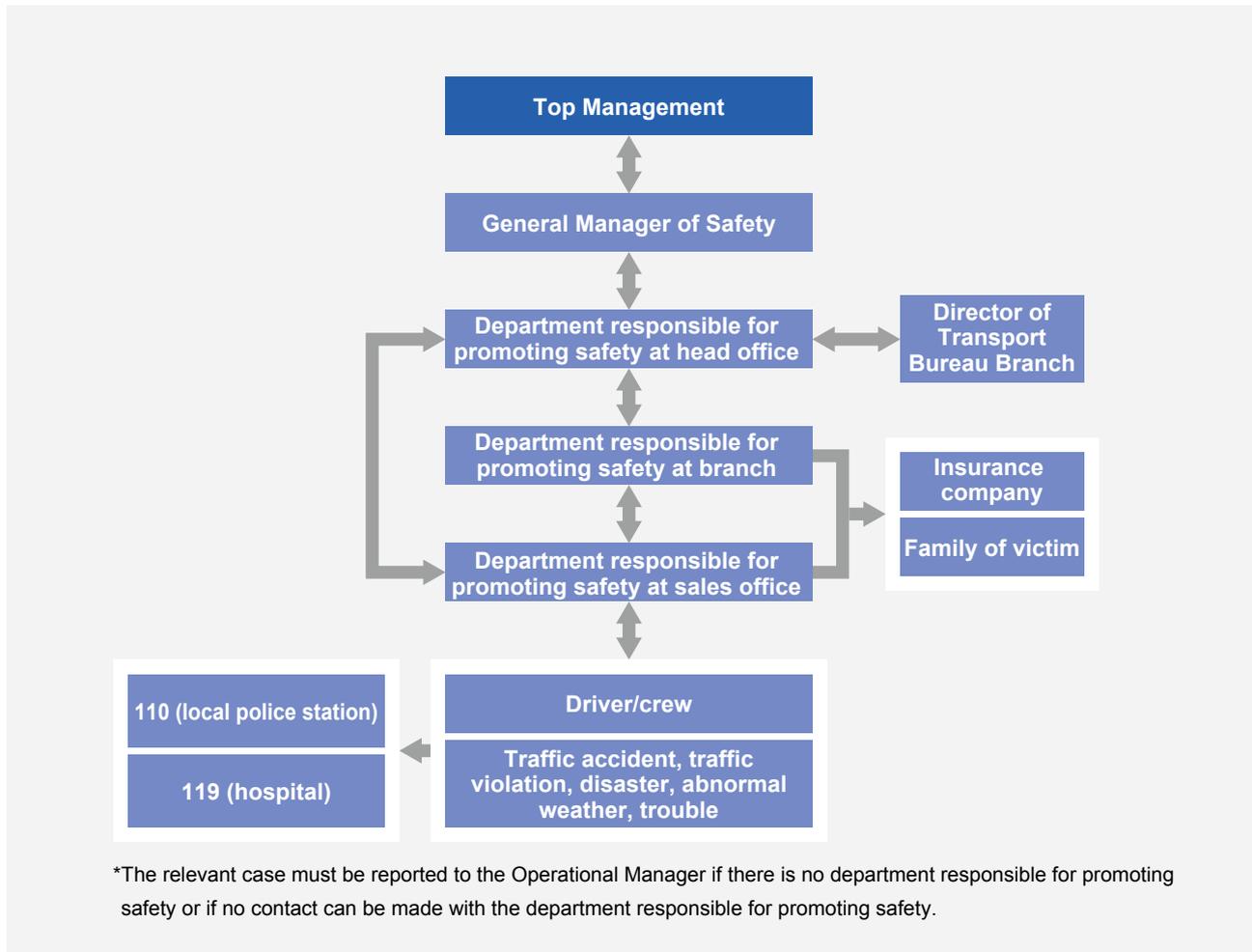
Promoting Sustainable Procurement

Building a Responsible Management Foundation

System for Accidents and Disasters

Sagawa Express has established a reporting system for promptly responding to an accident or a disaster.

Organizational Structure and Chain of Command Related to Transport Safety at Sagawa Express



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Initiatives

Safety Education

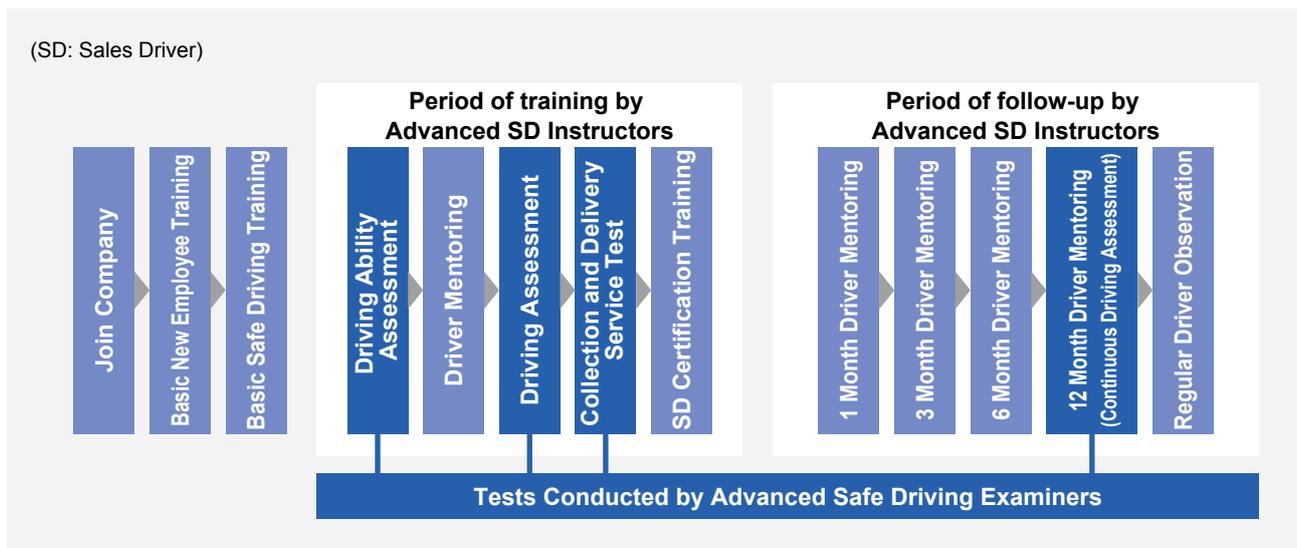
Education and Training System

Sagawa Express has driver training facilities that provide driving training courses in Kanagawa, Aichi, and Kagawa prefectures, and provides a driver education system from joining the company to becoming an independent driver. After joining the company, new drivers undergo Basic New Employee Training and Basic Safe Driving Training. Once they have passed a Driving Ability Assessment by an Advanced Safe Driving Examiner, they undergo mentoring by Advanced SD Instructors. Sagawa Express believes that instruction by a mentor is the most effective method of education. Drivers then undergo a Driving Assessment and a Collection and Delivery Service Test, and can only be involved in operations alone as Sales Drivers® after these have been passed. After becoming independent, they receive follow-ups and monitoring by Advanced SD Instructors at one, three and six months, and by Advanced Safe Driving Examiners at 12 months.



Sagawa Express Toyohashi (Aichi prefecture)
Training Center

New Driver Training Flow



Advanced SD Instructors who provide mentoring and Advanced Safe Driving Examiners who conduct tests are certified under the “Sagawa License System.” There is also an adequate training system for not only new drivers but also their instructors.

Achieving a Safe and Secure Transportation Society

Promoting Environmentally Friendly Business Activities

Building an Organization of Diversity and Inclusion

Creating New Value Through Comprehensive Logistics Solutions

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Main Forms of Training

● Basic Safe Driving Training

Basic Safe Driving Training is designed to provide the minimum necessary skills and knowledge as a commercial vehicle driver to new employees engaged in driving operations. The training includes lectures for improving safety awareness and sensitivity to danger, and practical training for learning about truck driving characteristics and safety confirmation methods. Through this training, we endeavor to standardize driving quality and ensure safety in driving operations.

● Advanced SD Instructor Accreditation Training

Advanced SD Instructor Accreditation Training is aimed at personnel who provide education to new employees in the workplace. It teaches instruction methods for eliminating traffic accidents and violations through practical training. Specifically, it develops the ability to detect unsafe behaviors of new employees and provide sound instruction and advice. Training is conducted in role-playing format to enhance communication skills and teach more practical skills. Furthermore, efforts are made to brush up as needed after acquiring accreditation in a mechanism for maintaining a certain level of instruction.

● Advanced Safe Driving Examiner Accreditation Training

Advanced Safe Driving Examiner Accreditation Training is designed to provide accreditation to examiners who determine whether or not drivers are able to drive. Through this training, the skill of being able to appropriately determine the state of correct driving and implementation of safety checks. Furthermore, like Advanced SD Instructors, efforts are made to brush up as needed after acquiring accreditation to maintain a certain level of instruction.

● Initial Safety Promotion Training

Initial Safety Promotion Training is designed for Safety Promotion Managers conducting safety management and instruction for the prevention of accidents. They are the keystones of safety in everyday transport operations. This training provides a broad range of study for newly appointed Safety Promotion Managers ranging from basic knowledge required for operation management and labor management to responses in the event of an accident. Basic knowledge includes learning about relevant laws, internal regulations, and practical manuals. Responses in the event of an emergency include role-playing based training and on-site investigations in other sales offices.

Advanced SD Instructors



9,529

Instructors

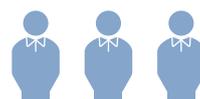
Advanced Safe Driving Examiners



1,425

Examiners

Safety Promotion Managers



1,019

Managers

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● Safety Promotion Manager Coaching Training

Safety Promotion Manager Coaching Training is intended to improve the level of Safety Promotion Managers that was newly established in fiscal 2017. It involves studying how to ascertain the true causes of accidents and what steps to take to eliminate the causes and ensure they do not occur again from a variety of angles. The aim is to prevent traffic accidents and traffic violations by drivers by improving the ability of Safety Promotion Managers to provide instruction.

● Environmentally Friendly Safe Driving Training

Safe driving has a significant effect, reducing environmental impact. Driving operations such as sudden starting, sudden acceleration, and sudden braking that could cause accidents also lead to losses of fuel. Environmentally friendly driving techniques are safe driving techniques.

Sagawa Express promotes Environmentally Friendly Safe Driving combining both environmentally friendly aspects and safety aspects. Specifically, this involves driving skill instruction related to setting maximum engine RMP when accelerating, and the timing of gear changes. Sagawa Express Environmentally Friendly Safe Driving Training is mainly conducted for all managers at sales offices and Safety Promotion Managers. This is an initiative aimed at strengthening instruction in on-site education enabling drivers to learn driving skills for themselves by understanding the necessity of environmentally friendly safe driving.

Seven Principles of Environmentally Friendly Safe Driving

1. Implement "Soft Acceleration, e-Start"
2. Shift up early
3. Drive at fixed speeds according to traffic conditions
4. Ensure adequate spacing between vehicles
5. Release the accelerator early, use the engine brake
6. Enforce the removal of keys (stoppage of engines) when parking
7. Conduct routine inspection and maintenance, and management of air pressure

State of Implementation of Training in fiscal 2017

Training Title	Number of Instances	Number of Recipients
Basic New Employee Training	148	3,879
Basic Safe Driving Training	138	3,071
Initial Safety Promotion Training (*1)	6	128
Environmentally Friendly Safe Driving Training	3	66
Advanced SD Instructor Accreditation Training (*2)	132	1,091
Advanced Safe Driving Examiner Accreditation Training (*3)	70	261
SD Adviser Training (*4)	24	102

*1 Safety Promotion Managers
Persons conducting safety management in sales offices

*2 Advanced SD Instructors
Persons conducting driver mentoring

*3 Advanced Safe Driving Examiners
Persons determining whether drivers can work independently

*4 SD Adviser
Persons in administrative positions who provide practical consultation and advice on customer responses to drivers with less than one year of experience driving.

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Safety Supported by Technology

Verification of Safe Driving Using Driving Recorders

Sagawa Express and SG Moving have introduced driving recorders (safe driving recording devices) to provide more effective safe driving instruction. Some driving recorders used are able to not only videotape but digitize dangerous behavior such as engine revolutions and sudden braking while driving.

World Supply is scheduled to introduce driving recorders from fiscal 2018.

Number of vehicles with driving recorders in Sagawa Express



15,529

(61.8%)

Number of vehicles with driving recorders in SG Moving



74

(100%)

Driving behavior data are analyzed under five categories to present the driving characteristic of the vehicle. This makes it possible to identify a driver's regular driving behavior and weaknesses, enabling correct instruction for overcoming issues. Drivers share their experiences of near misses recorded by the driving recorder while driving, and these are also used to provide opportunities to consider safety measures.



Driving Diagnosis Report Card

● Aptitude Tests Using a Basic Driving Simulator

World Supply introduced a basic driving simulator in fiscal 2017. This enables driver aptitude tests to be conducted without driving a vehicle, and is also utilized in danger prediction training.

● Safety Education in *HIKYAKU* Company Newsletter

Sagawa Express publishes the *HIKYAKU* company newsletter monthly. It includes news and warnings on safety as necessary, lending itself to a safety education tool for all employees.

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Introduction of Safety Assistance Devices

Sagawa Express has introduced safety assistance devices such as rear sonar and parking alarms to prevent accidents.

Prevention of Accidents When Reversing

● Rear sonar

Sagawa Express has introduced rear sonar to eliminate accidents when reversing. Rear sonar is a safety assistance device that sounds an alarm when an obstacle is approached.

Sagawa Express analyzed accidents that occurred in the past to manufacture an original rear sonar. The units have been progressively installed since fiscal 2017.

● Rear camera

Sagawa Express has installed rear cameras in all of its vehicles.



- Rear sonar
- Rear camera

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Prevention of Accidents When Vehicles Are Unattended

Serious damage can be caused in accidents that occur when a vehicle moves without a driver. These accidents have a significant impact on society.

Sagawa Express has adopted parking alarms and electric parking brakes to prevent these accidents from occurring.

● Parking alarm

A parking alarm is a safety assistance device that warns the driver by sounding an alarm when the driver forgets to apply the parking brake. Like rear sonar, Sagawa Express analyzed accidents that occurred in the past to manufacture an original alarm. The units have been progressively installed since fiscal 2017.



Parking alarm

● Electric parking brake

An electric parking brake is a device for automatically controlling the parking brake lever stroke according to the vehicle conditions. This makes it possible to ensure the necessary braking force is applied, and can prevent accidents from occurring when a vehicle is unattended due to the parking brake not being adequately engaged. The units have been progressively installed since fiscal 2013.



Electric parking brake

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Internal Commendation Systems

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. In fiscal 2017, a total of 84 drivers (including employees of Group companies) were chosen from all over Japan to use the driving skills and knowledge they have gained to compete in the categories of three: knowledge, driving, and inspection.

Training is performed for participating drivers from throughout the country when they participate in the championships, allowing them to share related knowledge, hone their driving skills and etiquette, and develop professional awareness.

The championships were held for the 25th time in 2017.



Truck Driving Championships

Continuous Accident-free Award System

Sagawa Express has established a Continuous Accident-free Award System for sales offices. Being continuously accident-free is quantified by multiplying the number of vehicles held by the continuous number of days without accidents. It provides a way to motivate all drivers in a sales office to work as one to engage in safe driving.

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Ensuring Safety at Business Partners (Suppliers)

Sagawa Express is engaged in improving the safety of transportation and the morale of drivers considering partner companies.

Long-haul Transport Safety Patrols

Sagawa Express Long-haul Transport Safety Patrols are performed once every year for the purpose of preventing traffic accidents and vehicle breakdowns involving long-distance highway drivers. Midway roll calls and vehicle inspections are carried out in service areas and parking areas on major highways nationwide in an effort to raise awareness aimed at preventing vehicular accidents and vehicle breakdowns.

Number of vehicles participating in Long-haul Transport Safety Patrols



1,888
Vehicles

Implemented in September 2017

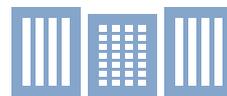


Activity of the Long-haul Transport Safety Patrol

Long-haul Transport Partner Company Safety Seminars

Management executives of long-haul transport partner companies are invited in an effort to share information on safety required for trucking business operators. In fiscal 2017, we held seminars in two locations in the Kanto regions and the Kansai region on addressing the labor shortage and improving the work environment, which have become problems in the transportation industry.

Number of long-haul transport partner companies



Approx. **300**
Companies

As of March 31, 2017

Long-haul Transport Terminal Inspections

Long-haul Transport Terminal Inspections for providing encouragement and performing routine inspections are carried out annually for drivers of long-haul transport companies who arrive at Sagawa Express sales offices and hub centers. Managers including Sales Office Managers of Sagawa Express and employees of long-haul transport partner companies cooperate in all locations of Sagawa Express to perform vehicle inspections prior to departure using special check sheets.

Number of vehicles inspected in Long-haul Transport Terminal Inspections



4,648
Vehicles

Implemented in April 2017

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■ To Ensure Safety of Society as a Whole

Safety of Children

● Sagawa Express Traffic Safety Classes

Sagawa Express provides Sagawa Express Traffic Safety Classes with the desire to enable as many children as possible to avoid danger. They highlight the importance of obeying traffic rules to children throughout Japan, especially young children from kindergarten to the lower grades of elementary school.

Children in the phase of mental and physical development have great curiosity but are also easily

distracted. They sometimes act unexpectedly in the street due to their immature grasp of traffic rules. In these Traffic Safety Classes, we use trucks that are actually used and costumes with the aim of providing simple explanations from a child's viewpoint. They have been well received by educational institutions, PTAs and the police.



Safety of the Elderly

As well as for young children, Sagawa Express provides traffic safety classes for the elderly in various regions.



Traffic safety class for the elderly

Number of traffic safety classes provided (fiscal 2017)



920

classes

Number of participants (fiscal 2017)



77,389

participants

Total number of participants to date (since 2003)



1,493,604

participants

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Safe Driving Training Services

We are also providing know-how in safe driving cultivated by Sagawa Express to general business operators as fee-based Safe Driving Training Services for both instructors and drivers. Participants are offered a variety of safe driving programs ranging from practical training to classes such as safety lectures and driving aptitude tests in the training facility located in Kanagawa prefecture. This service has been requested by many business operators especially in areas other than transportation. We believe it plays a role in reducing traffic accidents in society in general.



Providing instruction using training vehicles

Training Examples

- Training for instructors: Safe driving instructor training (2 days & 1 night)
- Training for drivers: Safe driving basic training (2 days & 1 night)
Training for people who caused accidents (1 day)
- Safety lectures and classes (accident prevention measures, safety check methods, safe driving instruction methods, danger prediction training, etc.)

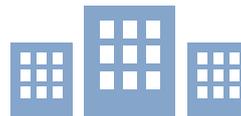
Number of training sessions



127

Sessions

Number of participating companies



30

Companies

Number of participants



2,551

Participants

Number of participants in fiscal 2017

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Overseas Initiatives

SG Sagawa Ameroid (Singapore)

SG Sagawa Ameroid in Singapore established a Safety Committee in 2015 and is striving to prevent traffic accidents.

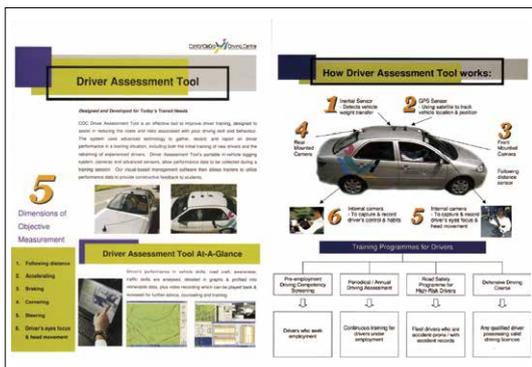
The company is also working to establish a web portal

system (accident reporting system), systems for driver training and driving analysis, and also install equipment such as high-definition cameras in vehicles for monitoring drivers and other purposes.

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 (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

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Awards and Certification/Accreditation

Awards

Excellent Safe Driving Workplace Award

Ninety-six Sagawa Express workplaces received the excellent safe driving workplace award from the Japan Safe Driving Center in 2017. This program utilizes certification of driving history to provide bronze, silver,

gold and platinum awards to workplaces that have achieved accident/violation-free operations by working together to drive safely and prevent traffic accidents according to their level of achievement.

Results in Fiscal 2017



Platinum Award **11**
workplaces



Gold Award **22**
workplaces



Silver Award **28**
workplaces



Bronze Award **35**
workplaces

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Certification/Accreditation

Excellent Safety Workplace Certification

Sagawa Express, SG Moving, and World Supply have obtained Excellent Safety Workplace (G mark) certification in 390, 11, and four workplaces, respectively, (total of 405 workplaces) as of March 31, 2018. This certification is granted to workplaces that are recognized for traffic safety initiatives by a national trucking rationalization organization.



Excellent Safety Workplace certification mark (G mark)

Motor Vehicle Operation Manager Training Certified Organization

Sagawa Express has been certified as an organization to provide motor vehicle operation manager training stipulated by the Minister of Land, Infrastructure, Transport and Tourism pursuant to the motor truck transportation business transportation safety rules. Basic courses and general courses can be implemented in the freight category. The company is one of the few certified organizations in the trucking industry.

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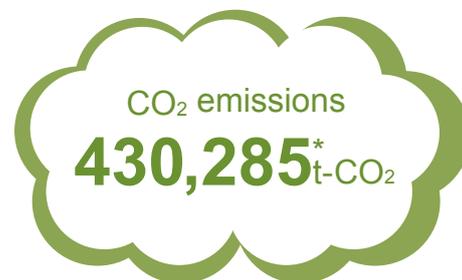
▶ Policy	36P
▶ Systems	37P
▶ Initiatives	38P
▶ Awards and Certification/Accreditation	57P
▶ Environmental Data	59P

■ Awareness of Social Issues

Two important environmental decisions were made in international society in 2015. One was the historic Paris Agreement made at COP21 (21st Conference of the Parties of the United Nations Climate Change Conference), establishing the goal of effectively reducing CO₂ emissions by humans to zero. The other was the adoption of sustainable development goals (SDGs) at the United Nations Summit. As a logistics business operator using approximately 26,000 vehicles and emitting approximately 430,000 t* of CO₂ (fiscal 2017) throughout the Group, SG Holdings considers efforts to reduce its impact on the environment to be a great responsibility.

*Total of Scope 1 and Scope 2 for domestic Group companies (excluding Sagawa Humony), SG Sagawa Ameroid and Expolanka Freight (Sri Lanka).

■ Impact



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Policy

■ Approach

The SG Holdings Group has established an Environmental Philosophy and Environmental Policy aimed at the realization of a sustainable society, and performs reduction of CO₂ emissions through business, 3R promotion activities, preservation of biodiversity and environmental education for the next generation. Furthermore, the Group is engaged in

environmental initiatives in collaboration with the national government, local governments and other companies. We will fulfill our responsibility to provide social infrastructure by actively engaging in the reduction of environmental impact as a leading company in the industry.

■ Environmental Philosophy

The SG Holdings Group engages in voluntary and continuous environmental management by conducting environmentally friendly business activities while seeking to coexist with society and nature.

■ Environmental Policy

1. Prevention of global warming

We will engage in the reduction of CO₂ emissions in our business activities and the prevention of global warming through the provision of environmentally friendly products and services, and resource-saving and energy-saving activities.

2. Prevention of pollution

We will strive to prevent air pollution, water pollution and soil contamination in our business activities.

3. Promotion of the 3Rs*

All Group companies will further promote the 3Rs in business activities, contributing to a sustainable society.

4. Environmental education initiatives

We will provide environmental education on reducing environmental impact in addition to preservation and regeneration of the natural environment to all Group employees in an effort to raise awareness of environmental issues.

5. Environmental communication initiatives

We will endeavor to provide active disclosure with the aim of achieving mutual understanding with local communities, and broadly engage in environmental communication to children who will be responsible for the next generation.

*The 3Rs refer to Reduce, Reuse and Recycle.

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Fiscal 2017 Goals and Results

Boundary: Scope of application of goal

Related SDGs: Targets of SDGs (sustainable development goals) closely related to the goal

Goal	KPIs	Results and progress of fiscal 2017 initiatives	Boundary			Related SDGs
			Sagawa Express	Japan	Overseas	
<ul style="list-style-type: none"> Realize sustainable business in harmony with the earth's environment by reducing CO₂ emissions throughout the Group, improving energy efficiency, and increasing the rate of use of renewable energy. 	<ul style="list-style-type: none"> CO₂ emissions (total) -1% year-on-year 	<ul style="list-style-type: none"> CO₂ emissions (total) 378,788t (95.4% compared to fiscal 2016) 	●			7.2 7.3 13.3
	<ul style="list-style-type: none"> Use of energy per ton-kilometer transported -1% year-on-year 	<ul style="list-style-type: none"> Use of energy per ton-kilometer transported 1.37t (100.1% compared to fiscal 2016) 	●			
	<ul style="list-style-type: none"> Waste output Year-on-year reduction of amount wasted 	<ul style="list-style-type: none"> Waste output 3,417t (117.8% compared to fiscal 2016) 	●			12.4 12.5
	<ul style="list-style-type: none"> Water usage Year-on-year reduction of amount used 	<ul style="list-style-type: none"> Water usage 723.152m³ (100.1% compared to fiscal 2016) 	●			12.4

Systems

Systems Aimed at Reduction of Environmental Impact

Meetings of the CSR Committee attended by SG Holdings directors are held quarterly to discuss and share information on policies and initiatives for ESG activities with a focus on the environment. Furthermore, the Public Relations and CSR Unit in the General Affairs Department conducts group-wide management in SG Holdings. The core company Sagawa Express has established a

dedicated department to promote activities related to the reduction of environmental impact.

Other Group companies have also appointed CSR personnel, and meetings of Group CSR personnel are held biannually (first half and second half of the fiscal year) to promote activities aimed at the reduction of environmental impact by sharing information on initiatives and holding workshops.

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Initiatives

Initiatives Aimed at CO₂ Reduction

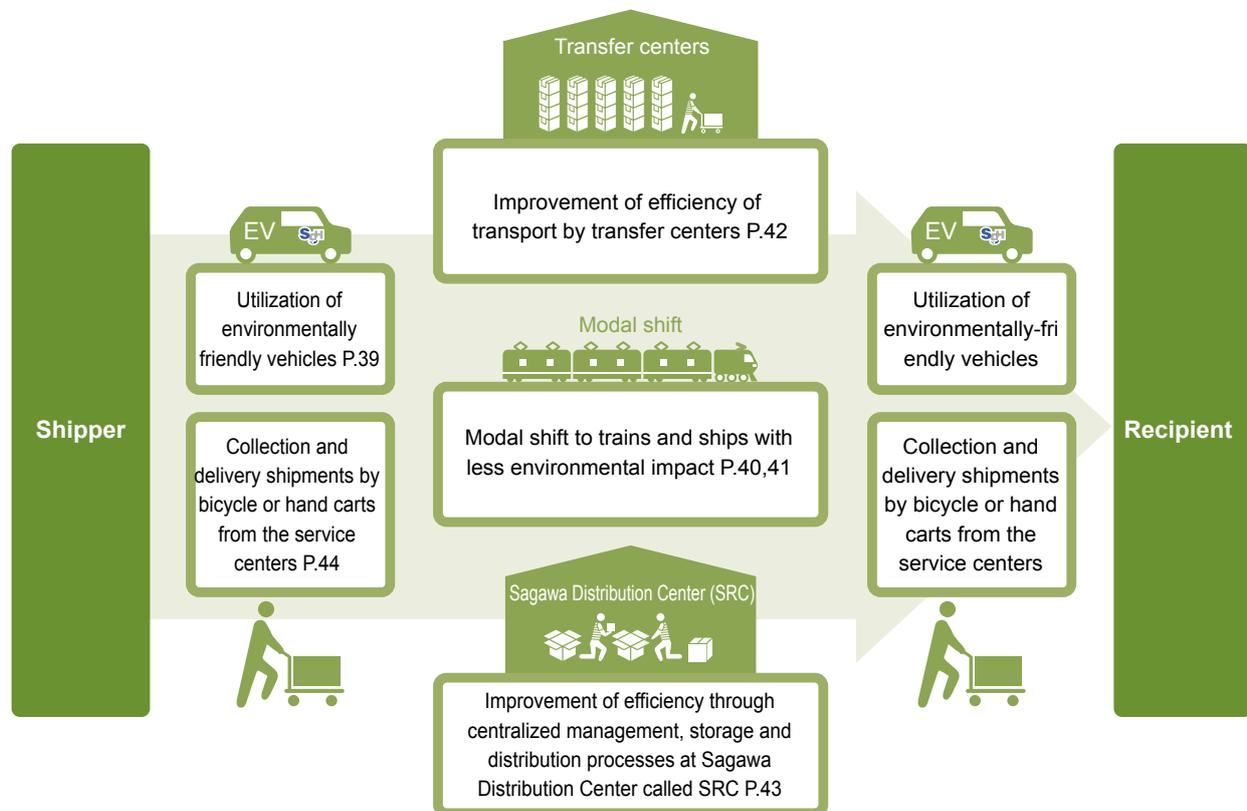
Environmentally Friendly Transportation/Delivery

The SG Holdings Group is working to reduce CO₂ emissions throughout the entire transportation/delivery system.

The Group is promoting the introduction of environmentally friendly vehicles, a modal shift to trains and ships with less environmental impact, improved distribution efficiency by utilizing transfer centers and distribution centers (SRC) and collection and delivery shipments by bicycle or hand carts from a near-by service center.

As a result, CO₂ emissions in fiscal 2017 were roughly 423,455 tons* (96.4% compared to fiscal 2016). In addition, Sagawa Express was one of the first in the logistics industry to publicly disclose information on “own emissions (Scope 1, Scope 2)” and “other indirect emissions (Scope 3)” to visualize emissions throughout the entire supply chain. (See data on p.60)

*Total of Scope 1 and Scope 2 for domestic Group companies (excluding Sagawa Humony)



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Introduction of Environmentally Friendly Vehicles

The SG Holdings Group owns a total of 10,301 environmentally friendly vehicles (roughly 40% of the total number) that include natural gas trucks, hybrid trucks, electric vehicles and post-new long-term regulation compliant vehicles. These include 3,423 natural gas trucks and 596 hybrid trucks. Natural gas trucks reduce emissions such as CO₂, NOx (nitrous oxides) and PM (particulate matter), and hybrid trucks are able to reduce fuel consumption and CO₂ emissions.

Also, Sagawa Express has private-use natural gas filling stations set up in 22 locations across the country, and is independently promoting infrastructure arrangements. Furthermore, since June 2018, the company has been cooperating with field trials of large LNG (liquefied natural gas) trucks jointly developed by Isuzu Motors and Shell Japan in a first for the transportation industry in Japan. LNG trucks enable a reduction of CO₂ emissions by around 10% compared to ordinary diesel trucks, and are characterized by having a shorter refill time and longer travel distance than CNG vehicles.



Natural gas truck



Hybrid truck

Number of Environmentally Friendly Vehicles

 **10,301**
Vehicles



Electric vehicle

Breakdown of Trucks Owned

Environmentally Friendly vehicles				Other	Total
Natural gas	Hybrid	Electric	Post-new long-term regulation compliant vehicles		
3,423	596	16	6,266	15,563	25,864

*Not including environmentally friendly vehicles at overseas subsidiaries

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■ Modal Shift

Modal shift refers to switching from the transportation of freight by truck to transportation by train and ship, which have a lower environmental impact.

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. Trains run regularly to and from Tokyo and Osaka and transport roughly 10% of the total shipping volume between Tokyo and Osaka. The total volume of the two trains traveling to and from Tokyo and Osaka is equivalent to 56 ten-ton trucks. This modal shift is also largely driving the effectiveness in reducing the environmental impact such as lowering CO₂ emissions.



“Super Rail Cargo” express railway container cars

Total volume to and from Tokyo and Osaka by train



Column Support for Eco Rail Mark

Sagawa Express has adopted the Eco Rail Mark and supports the Eco Rail Mark as a logistics business operator involved in transportation and distribution. The Eco Rail Mark is a mark given to products and catalogs if companies and their products are recognized for being engaged in environmentally friendly railway transportation.



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■Reduction of Environmental Impact through Cross-industry Modal Shift

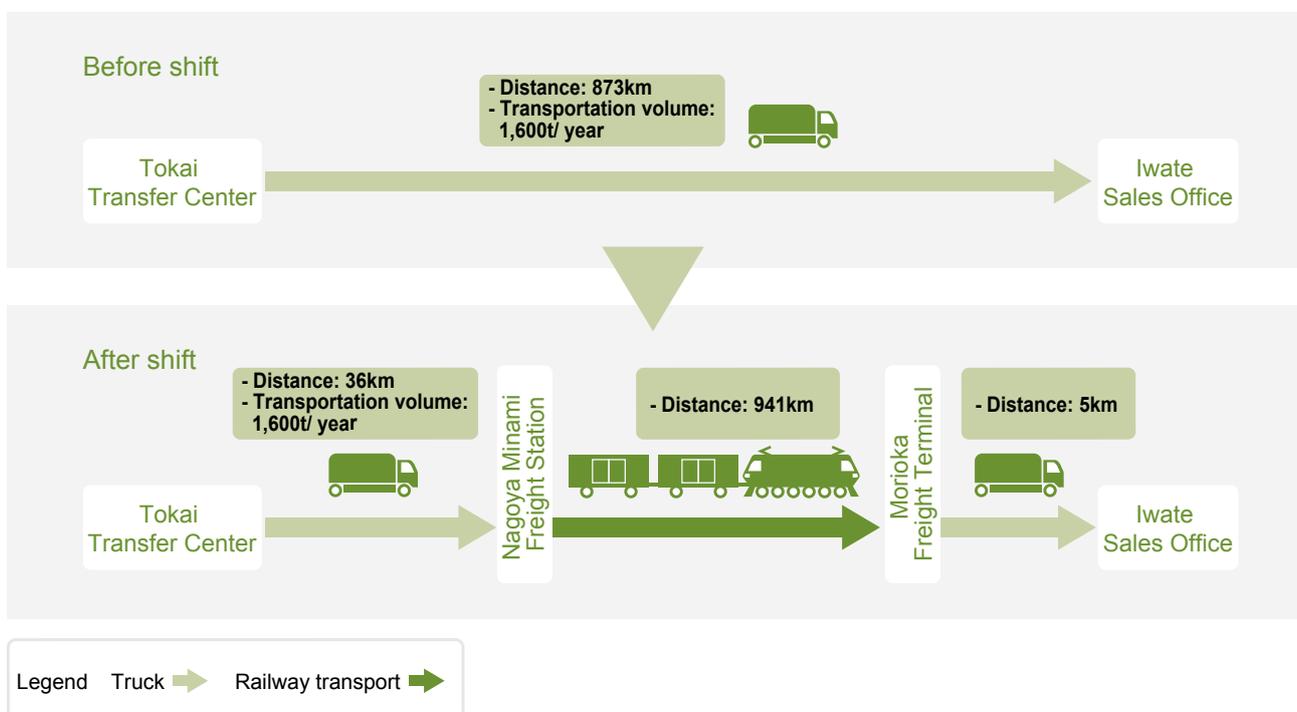
In collaboration with Toyota Transportation, Sagawa Express began a cross-industry modal shift utilizing the TOYOTA LONGPASS EXPRESS in November 2017. The TOYOTA LONGPASS EXPRESS is a dedicated freight train operated by Toyota Transportation along approximately 900 km between Tokai in Aichi and Morioka in Iwate for transporting automotive parts produced in plants in the Chukyo region to Toyota Motor East Japan's Iwate plant. Sagawa Express has made the shift to use spare space on the freight train for some of the freight being delivered from the Chubu region to the Tohoku region. All transportation between Chubu and Tohoku used to rely on large trucks, which required 23 to 24 trucks a day. By transporting one truckload of goods by train, it is estimated that truck driver work hours can be reduced by approximately 1,700 hours and CO₂ emissions can be reduced by 83.5 tons. This initiative was recognized as a comprehensive

streamlining plan under the Revised Act on Advancement of Integration and Streamlining of Distribution Business due to being able to realize energy savings and reduction of environmental impact.

We are endeavoring to implement work style reform for truck drivers and reduce environmental impact through collaboration not only in the logistics industry but also across other industries.



Mark for Comprehensive Streamlining Plan Certification



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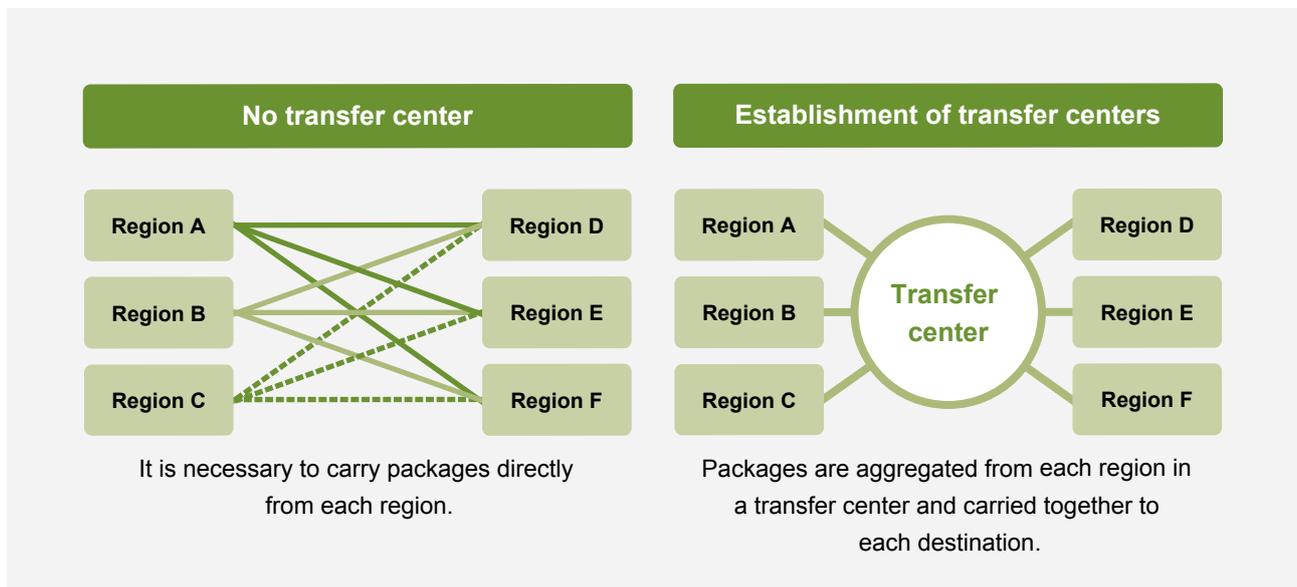
■ Improvement of Efficiency of Transport by Transfer Centers

Sagawa Express is engaged in improving the efficiency of the transport process as part of the creation of the network supporting transport. Packages collected in each region are aggregated in transfer centers (24 nationwide) and delivered together to their respective destinations. We are striving to reduce the number of trucks used, limit CO₂ emissions and prevent air pollution.



Higashi-matsuyama Center (Higashi-matsuyama, Saitama)

Transfer Centers Transport Flowchart



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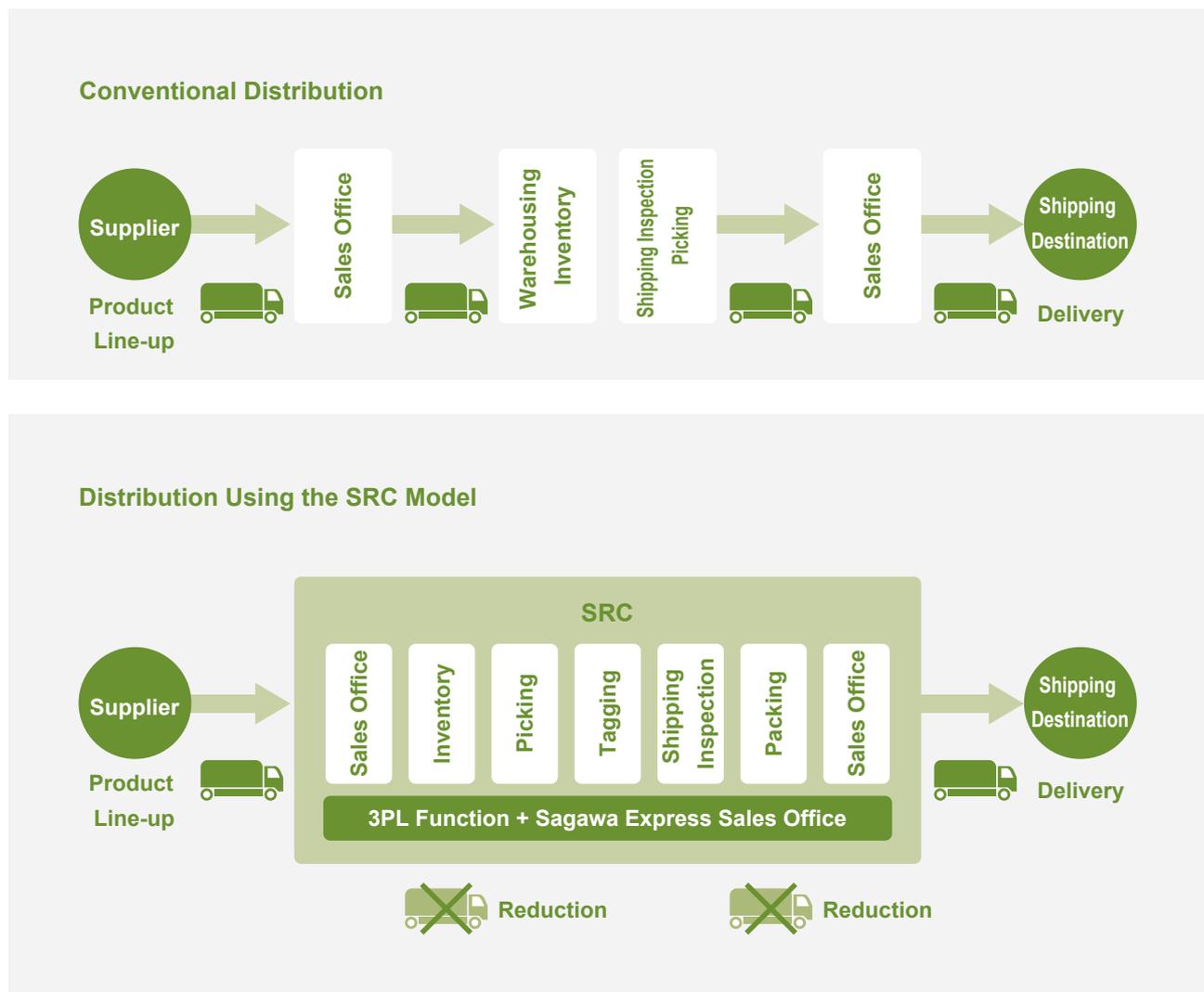
Promotion of Greater Logistics Efficiency

Sagawa Distribution 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 limiting emissions by eliminating truck transport between each process.

Furthermore, we are promoting recycling by ensuring the separate collection of waste materials generated in distribution processes. In addition, we are actively engaged in the reduction of environmental impact such as proposing packing materials using environmentally friendly materials.

SRC Transport Flowchart



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Establishment of 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 324 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, Carbon Neutral Certification* as a part of the carbon offsetting policy of the Ministry of the Environment has been granted to six business sites: the Tokyo Station Yaesu Exit Service Center, the Kyoto Shijo Takakura Service Center, the Hakata Ekimae 1-chome Service Center, Tokyo Service Center, Gion Sagawa Express Service Center, and Kyoto (Fuyacho) delivery Center.

*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.

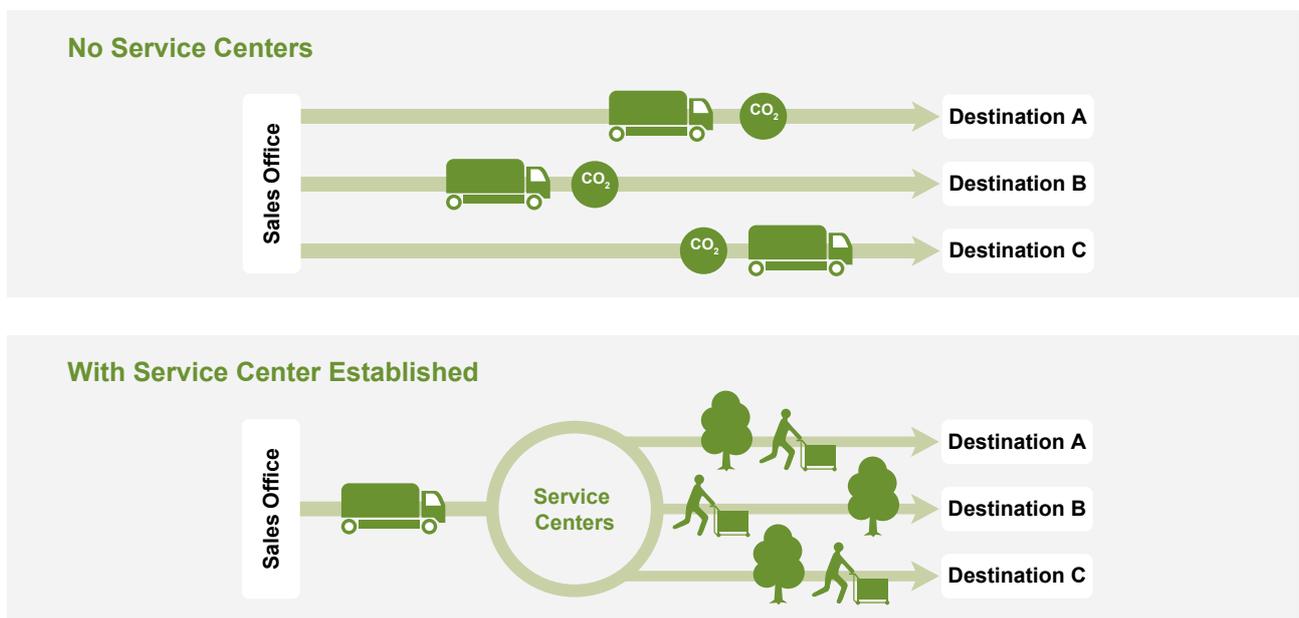


Service Center



Carbon Neutral Certification and Attachment

Service Center Flowchart



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Column Won the Minister of the Environment Award at the Carbon Offset Awards

Sagawa Express received the Minister of the Environment award at the carbon offset awards held by the Ministry of the Environment in December 2017. The award is given to recognize organizations with excellent carbon offset initiatives for supporting the realization of a low carbon society. This award was given in recognition of the initiative to provide “Carbon Neutral Package Delivery Services.” This initiative realized carbon neutrality through operations contributing to the reduction of CO₂ by transporting

packages using hand carts and bicycles instead of trucks and the use of the credits of Sagawa Forestry to offset CO₂ that is difficult to reduce even when engaged in active CO₂ reductions. These have been implemented in six locations nationwide, and Carbon Neutral Certification has been acquired under the Ministry of the Environment’s carbon offset system. Furthermore, we are also conducting activities to spread carbon offsetting among customers in an effort to actively realize a low carbon society.

The Industry’s First Carbon Neutral Package Delivery Services



Reduction of CO₂ by establishing service centers and using hand carts and bicycles to collect and deliver packages

Use of J-VER to offset CO₂* that is unavoidably difficult to reduce

*Transport between sales offices and service centers, electricity used in service centers, etc.

Realization of Carbon Neutral Package Delivery Services by combining the two

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■ Idling Stop

Sagawa Express has implemented Idling Stop since 1997.

When drivers are away from their vehicles while delivering and collecting to and from customers, and when unloading packages in sales offices, the key is removed from the ignition to stop the engine.

This prevents wasteful fuel consumption and reduces emissions.

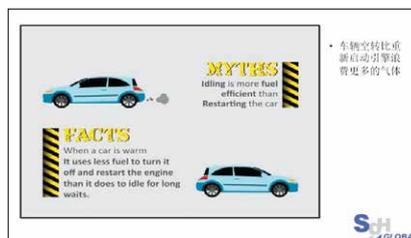


Wearing a key chain

SG Sagawa Ameroid's "Idling-Stop Action"

SG Sagawa Ameroid in Singapore strives to reduce greenhouse gas emission including CO₂ by turning off engines while vehicles stop: "the idling-stop action." The company provides drivers an opportunity to realize the

negative impact that the idling may cause on the environment and its business, and requests them not to leave the engine idling.



Educational material (sample)

Column

Support for the COOL CHOICE campaign encouraging the receipt of packages the first time

Sagawa Express and SG Moving support the "COOL CHOICE campaign encouraging the receipt of packages the first time - Everyone's project to prevent re-delivery of packages" run by the Ministry of the Environment.

The project broadly conveys the social loss caused by increased CO₂ emissions and long working hours due to re-delivery and introduces a variety of receipt services to people who use package delivery services. We will cooperate with resolving the problem from a delivery operator's perspective.



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Environmentally Friendly Facilities

Environmentally Friendly Logistics Facilities

SG Realty is involved in solar power generation at the Group's 99 distribution sites and distribution centers throughout Japan with the goal of a stable supply of electric power and the reduction of the environmental impact.

The total area of the panel installations is roughly 197,000m² and the total power generated annually is approximately 27,772MWh. This is equivalent to a reduction of about 13,811 tons of CO₂ emissions compared to that generated through means other than natural energy. The generated electric power is supplied to electric power companies in each region, but SG Realty Wako completed in February 2018 has introduced the latest captive solar power generation system.

SG Realty Wako uses LED lighting for all lighting throughout the facility, and has installed an outdoor deck using natural wood processed by Sagawa Forestry that can be used as a place for employees to interact with each other and disaster prevention electricity storage facilities using the generated power. It has obtained five stars, which is the highest rank, under both the DBJ Green Building certification system supporting environmentally and socially friendly real estate (Green Buildings) and the BELS labeling system for energy-saving performance of buildings for being a facility where steps have been taken to address environmental, comfort and disaster prevention aspects. Furthermore, it became the first logistics facility to be recognized as a zero-energy building (ZEB) under BELS.



SG Realty Higashi-Matsuyama has the group's highest power generation output of 2MW

Number of Solar Panels (All 99 Facilities)



137,808

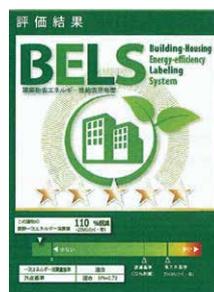
Panels

Installation of Solar Power Generation in Environmentally Friendly Logistics Facilities

Region	Number of Facilities	Generation Scale (kW)	Annual Power Generation (kWh)	Annual CO ₂ Reductions (tCO ₂ /kWh)	Area of Panels (m ²)	Number of Panels
Tohoku	4	1,136	1,226,163	672	10,043	6,870
Kanto	25	9,812	10,985,340	5,207	77,968	52,197
Chubu	19	2,746	3,371,728	1,617	23,055	16,900
Kansai	11	2,952	3,464,986	1,708	23,981	16,515
Chugoku/Shikoku	13	1,988	2,227,349	1,425	16,611	12,067
Kyushu	27	5,484	6,497,039	3,181	45,809	33,259
Total	99	24,118	27,772,605	13,811	197,467	137,808



SG Realty Wako



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■ 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 12,300t (approx. 17,600 MW) by introducing LED lighting at 218 locations (+ 87 locations year-on-year) in fiscal 2017.

CO₂ Reduction by Introducing LED Lighting



Approx. **12,300** t-CO₂
by fiscal 2017

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Initiatives Aimed at Realization of a Circulating Society

■ Vehicle Recycling

Vehicles used by Sagawa Express and other Group companies are acquired by SG Motors, which disposes of them in an environmentally friendly way such as recycling.

● Collection of CFCs from vehicles

CFCs produced during maintenance are appropriately collected using a specialized device, and then destroyed to prevent their emission into the atmosphere.

● Recycling of vehicle oil

Various types of oil used in vehicles are all collected and recycled without being discarded as waste.

● Recycling of waste related to vehicle maintenance and body manufacturing

A variety of waste such as metal, plastic and glass produced in vehicle maintenance and body manufacturing is recycled as much as possible.

● Used batteries

The batteries collected and replaced from vehicles in the Group are recycled and reused as new batteries by a specialized company.

■ 3Rs Related to Mounted Equipment for Commercial Vehicles

SG Motors is engaged in the promotion of eliminating four substances that have an impact on the environment and reducing the use of these substances based on the guidelines on the “3Rs related to mounted equipment for

commercial vehicles (decision criteria)” announced by the Japan Auto-Body Industries Association for products used in body manufacturing.



CFC-free insulation materials are used in roof panels.

Chromium-free paint that does not contain chromium in pigment is used for painting.

A change has been made from hexavalent chromium to trivalent chromium in the metal pretreatment of items such as lock rods and hinges.

Chromium-free steel sheets are used for the plated sheet steels in sub-floors and other areas.

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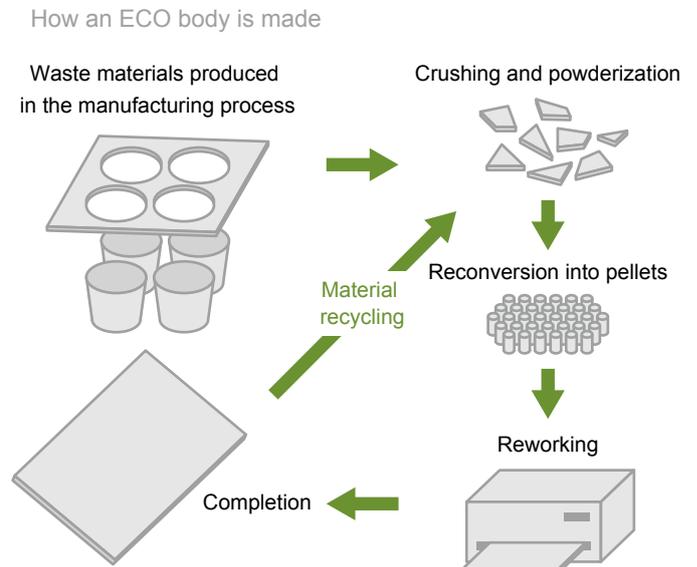
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■ Use of Environmentally Friendly Floor Materials and Recycled Plastics

SG Motors conducts environmental preservation activities directly linked to corporate activities by developing “ECO bodies” based on the theme of environmental activities achieved through truck bodies. Conventional bodies used a large amount of wood in the body interior, and there were concerns about the destruction of the environment due to deforestation. To address this, the use of wood is reduced as much as possible in “ECO bodies” by using plastic panels recycled from waste materials produced during the manufacture of cup noodle containers in the interior materials of roof panels. Fast-growing acacia wood is used in the floor materials inside trucks in an effort to preserve forest environments.



■ Adoption of Eco-friendly Uniforms

The SG Holdings Group is furthering green purchasing in which products with a low environmental impact are chosen. As one component of this effort, Sagawa Express uniforms have adopted EcoMark-certified products made by recycling plastic bottles. In fiscal 2017, we purchased roughly 171,000 uniforms (equivalent to roughly 1,090,000 bottles of 500ml plastic bottles). Used uniforms that cannot be easily reused are collected and recycled as fuel for ironworks. We have also purchased about 550,000 EcoMark-certified gloves in fiscal 2017 for Sales Drivers®.



Sagawa Express EcoMark-certified uniform

Equivalent number of recycled PET bottles (500ml)



Fiscal 2017 Approx.

1,090,000
bottles

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■ Recycling of Confidential Documents

There has been an increase in cases requiring information security concerns for companies' confidential documents, etc. in the disposal of documents. To address this, Sagawa Express provides the Confidential Document Recycling Transport Service, which is a transport service maintaining confidentiality throughout the entire process from receiving documents until they are dissolved.

Furthermore, SG Moving has introduced a specialized vehicle capable of performing shredding and dissolving documents. In a first for the moving industry, the On-site Confidential Document Dissolution Service was launched in April 2014. The confidential documents dissolved by using these services are recycled as items such as toilet paper.

Currently, SG Moving is increasing business partnerships with confidential document dissolution treatment facilities to enable business operations over a wide area, and building confidential document dissolution treatment facilities (carry-in yards) nationwide to further expand its businesses.

Utilizing these facilities, the confidential documents produced by the SG Holdings Group companies, undergo dissolution treatment together by SG Moving to realize unified management ensuring security in addition to realizing closed loop recycling through complete recycling. These are being connected to initiatives to preserve the environment.



SG Moving's truck for dissolving documents (4-ton truck)

■ 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.

Home Appliance Repair Center at the Sagawa Tokyo Logistics Center is also involved in a Home Appliance Repair Service that enables Sagawa Express to offer a one-stop solution from the pick-up to the actual repair and return of devices.

In addition, the company has been providing nationwide 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.



Home Appliance Repair Center
at the Sagawa Tokyo Logistics Center

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Initiatives Aimed at the Preservation of Biodiversity

Enlightenment Activities

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 experiences in undeveloped woodlands. Around 300 children participated in fiscal 2017. Elementary school students learned about living organisms through natural experiences and felt the appeal of nature and importance of diversity of living organisms. High school students and university students developed the ability to think for themselves and problem-solving skills by understanding the coexistence of nature and people, and the importance of undeveloped woodlands through experiences preserving undeveloped woodlands in a total of six programs. These initiatives were recognized as a “Place for Experience Opportunities” based on the Law for Promotion of Environmental Education from Hachioji City, Tokyo. This was the first such example in Tokyo.

Furthermore, the SG Holdings Group is implementing rice cultivation experience activities for the purpose of helping children realize the blessings of nature, the importance of food and the rich ecosystem growing in rice paddies. In Moriyama in Shiga Prefecture, employees, their families and local residents have experienced traditional rice making such as the planting, harvesting and drying of the rice on racks since 2007. 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.

On-demand Classes on the Environment

Sagawa Express provides on-demand classes on the environment for elementary schools and kindergartens. These were held 261 times nationwide with around 21,000 participants in fiscal 2017. Eco activities and forest preservation activities by Sagawa Express through its logistics business were introduced with quizzes and practical exercises for package delivery for the purpose of helping children realize the importance of environmental preservation based on the theme of “environmentally friendly ways to carry packages.” Furthermore, children became more familiar with nature through experiences such as making name plates from thinned wood sourced from Sagawa forests.



Experiencing the preservation of undeveloped woodlands



Rice cultivation experience activity



On-demand class on the environment

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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 2017, we received 14,197 entries of works around the theme of protecting everyone's Earth. 56 of these pieces received awards with two selected as outstanding works (the Environment Minister's Award). The outstanding works were used for the decoration design on 80 Sagawa Express trucks driven mainly in major metropolitan areas throughout Japan since March 2018.



Decorated truck



Outstanding work by lower grades of elementary school:
"Beautiful forever"



Outstanding work by upper grades of elementary school:
"The future of the globe will open up if we watch it"

Environmental Awareness for the Employees

Environmental Action

The SG Holdings Group is implementing "SG Holdings Group Environmental Action" establishing activity themes related to the environment every month and focusing on addressing these for the purpose of raising environmental awareness among employees. In fiscal 2017, the entire Group engaged in the reduction of environmental impact through initiatives such as power-saving campaign and reduction of the use of photocopy paper.



Poster for raising environmental awareness

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Environmental Preservation Activities

■ Forest Preservation

The functions of forests are indispensable to the life of animals and plants 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 timber importer while the country offers an extremely rich wealth of forest resources. The forest industry tasked with preserving these forests is faced with an extremely severe environment. As a result, we are facing challenges as many forests are unable to manifest their conventional functions because sufficient management cannot be done such as thinning to weed out trees at the appropriate time.

Sagawa Forestry has a total of 703 hectares of Sagawa Forests in seven locations in Kochi and Tokushima prefectures in Shikoku. Working with local forest associations, the company performs preservation activities such as thinning to grow healthy forests that absorb CO₂ by soaking up much sunlight. The thinning trees are used for applications such as construction materials and biomass fuel. We aim to conduct business activities that lead to the vitalization of local communities and the creation of jobs by managing a healthy forest cycle.

Furthermore, 5,440 tons of carbon offset credits were obtained from the J-VER Certification Committee in

2011. These are utilized for the reduction of CO₂ emitted during transport by Sagawa Express and in environmental events in which the Group participates.

At the Sagawa Express's 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.

Area of the Forests Owned by the SG Holdings Group*



Equivalent to approximately

160 Tokyo Domes

*Calculated using a total of 753 hectares combining the forests owned by Sagawa Express and Sagawa Forestry



Tosayamada Forest



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Conclusion of “National Park Official Partnership” with the Ministry of the Environment

In March 2017, SG Holdings concluded a “National Park Official Partnership” with the Ministry of the Environment in a first for the logistics industry. The purpose of the program is for the Ministry of the Environment and companies/organizations to cooperate with each other to communicate the beautiful scenery and appeal of national parks to the world, expand understanding of environmental preservation among people in Japan and abroad, and also promote the vitalization of regions where national parks are located. Specific activities include promoting easy visits to national parks by placing delivery counters for inbound tourists to Japan in airports nearest to national parks and communicating the appeal of national parks through the Group’s websites.



Then Minister of the Environment Koichi Yamamoto (left)
and SG Holdings Chairperson and CEO Eiichi Kuriwada (right)

Details of Main Initiatives

Period: Until December 31, 2020

1. Support of logistical aspects through the provision of optimal transport methods
Consideration of placement of delivery counters in airports nearest to national parks aimed at improving convenience for overseas users visiting Japan by promoting “Hands-Free Travel”
2. PR and communication of appeal utilizing websites and other media
Creation of dedicated pages for communicating the appeal of national parks on the Group’s websites
3. Promotion of the 3Rs.*
All Group companies will further promote the 3Rs in business activities, contributing to a sustainable society.
4. Environmental education initiatives
We will provide environmental education on reducing environmental impact in addition to preservation and regeneration of the natural environment to all Group employees in an effort to raise awareness of environmental issues.
5. Environmental communication initiatives
We will endeavor to provide active disclosure with the aim of achieving mutual understanding with local communities, and broadly engage in environmental communication to children who will be responsible for the next generation.

*The 3Rs refer to Reduce, Reuse and Recycle.



Official partner logo mark

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Environmental Preservation Activities at Expolanka (Sri Lanka)

● Plan for planting 50,000 trees

Expolanka Freight (EFL) commits to plant over 50,000 trees in five years. Here is an attempt to give our children a little luxury of nature which we have been blessed to live through. This way EFL is contributing towards the sustainability of this one and only planet by fulfilling UN SDG of Climate Action.



● “Light bulb campaign” on World Environment Day

In an ongoing effort to celebrate the World Environment Day, EFL gave away free LED bulbs to employees and the communities surrounding the EFL Campus in Orugodawatta, in exchange for incandescent bulbs. This was conducted consecutively during the past three years and the campaign has resulted in the distribution of 6,000 LED bulbs in total to date.



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Awards and Certification/Accreditation

Awards

Minister of the Environment Award at the “Seventh Carbon Offset Awards” (Sagawa Express)

Ecological Life and Culture Organization Chairman’s Award in the “Sustainable Society Creation Awards” (Sagawa Express)

Sagawa Express was recognized by the ecological life and culture organization for its initiatives aimed at improving the efficiency of transportation and delivery, measures taken and creativity aimed at sustainable development, and coordination with local communities.



Hiroyuki Uchida, Sagawa Express Director responsible for General Affairs and CSR (left)

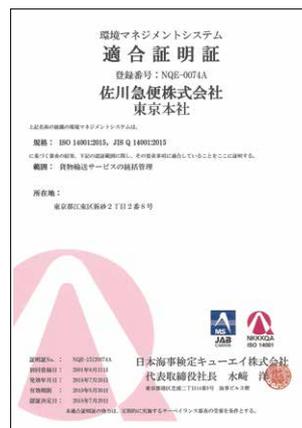
Certification/Accreditation

ISO14001 Environmental Management System

- Sagawa Express (Tokyo Head Office)

Covering the oversight and management of freight transportation services, Sagawa Express sets goals according to the company’s main business and continually verifies the level of achievement of these. Transition made to the 2015 version in July 2018.

- Expolanka Freight (Sri Lanka)



ISO14001 Certificate

ISO14064 Standard for Quantification, Reporting and Verification of Greenhouse Gas Emissions and Removals

- Expolanka Freight (Sri Lanka)

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EcoAction 21

● SG Motors

Acquired in all business sites (certification registration period: November 22, 2017 - November 21, 2019).

The company established an environment in which all employees voluntarily and actively engaged in environmental activities, and implemented initiatives such as (1) reduction of electric power used by switching lighting to LEDs, (2) effective utilization of water resources by implementing systems utilizing rainwater in maintenance plants, and (3) utilization of waste oil for floor heating in plants and road heating within the premises to recycle resources.



Certificate

● SG Moving

Certification was obtained by the Head Office and the Kitakanto Sales Office (certification registration period: March 1, 2018 - February 29, 2020). To obtain the certification, the company engaged in activities matching the content of its business such as (1) collection of environmental impact data according to guidelines, (2) significant reduction of fuel with high CO₂ emissions by improving the efficiency of vehicle assignment utilizing an independently developed vehicle assignment board, and (3) shifting to the use of public transportation by sales personnel.



Certificate

*EcoAction 21: Guidelines drawn up by the Ministry of the Environment for the purpose of ensuring all business operators effectively and efficiently engage in environmental initiatives.

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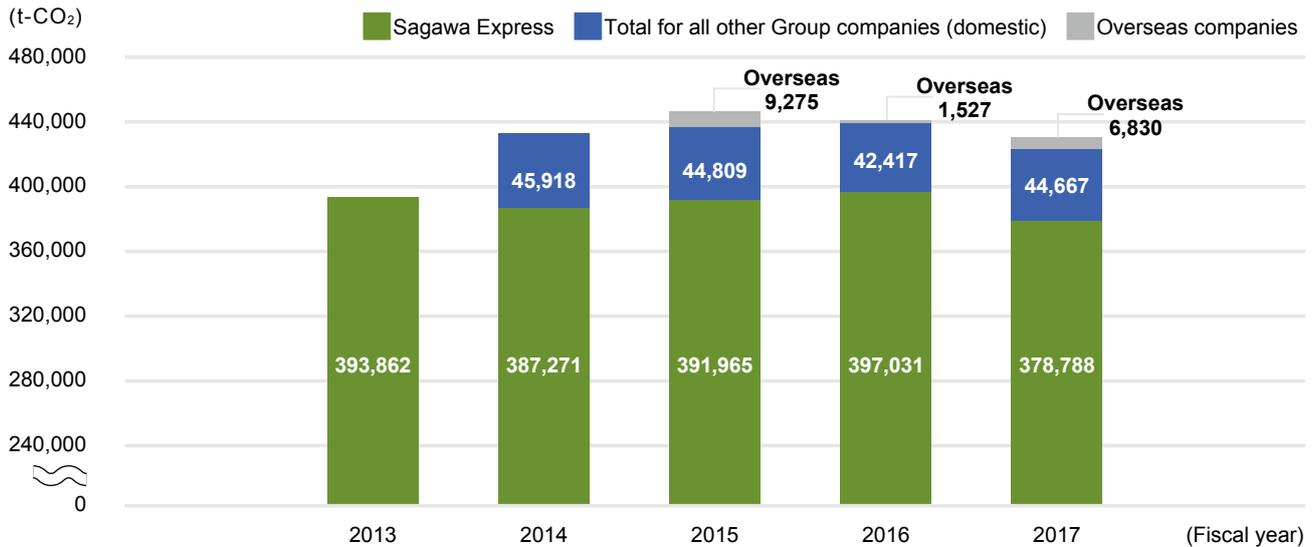
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Environmental Data

Trends in CO₂ Emissions [the Group]



[Scope]

2013 Only Sagawa Express

2014 All domestic Group companies (excluding Sagawa Humony)

2015 - 2016 All domestic Group companies (excluding Sagawa Humony), Overseas: Expolanka Freight (Sri Lanka)

2017 All domestic Group companies (excluding Sagawa Humony), Overseas: Expolanka Freight (Sri Lanka), SG Sagawa Ameroid

*Overseas Group companies are tallied using separate rules from the tallying rules for domestic companies

Trends in CO₂ Emissions [Sagawa Express]

(Units: t-CO₂)

	Diesel	Gasoline (including high octane and bio gasoline)	Natural gas	Electric power	Total
Fiscal 2013	195,699	35,905	40,936	121,322	393,862
Fiscal 2014	188,729	36,338	39,940	122,264	387,271
Fiscal 2015	189,343	36,848	40,469	125,305	391,964
Fiscal 2016	194,762	38,180	39,786	124,304	397,031
Fiscal 2017	197,067	38,805	37,393	105,523	378,788

*Decimals rounded to the nearest whole number

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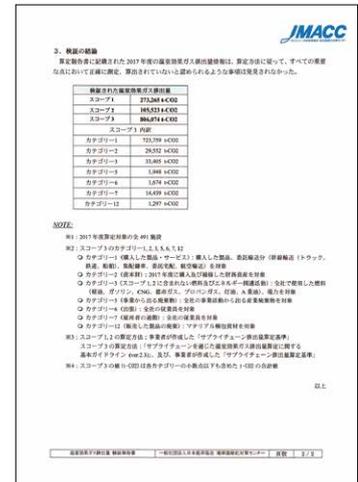
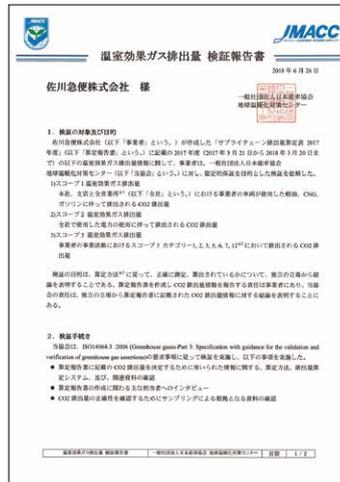
CO₂ Emissions Throughout the Supply Chain (Fiscal 2017) [Sagawa Express]

(Units: t-CO₂)

		2013	2014	2015	2016	2017
Scope1	Company-owned vehicles	272,540	265,007	266,659	272,728	273,265
Scope2	Company-owned facilities	121,322	122,264	125,305	124,304	105,523
Scope3	Other supply chain	754,916	782,632	769,595	770,737	806,074

*Decimals rounded to the nearest whole number

*The above CO₂ emissions have been verified by a third-party organization.



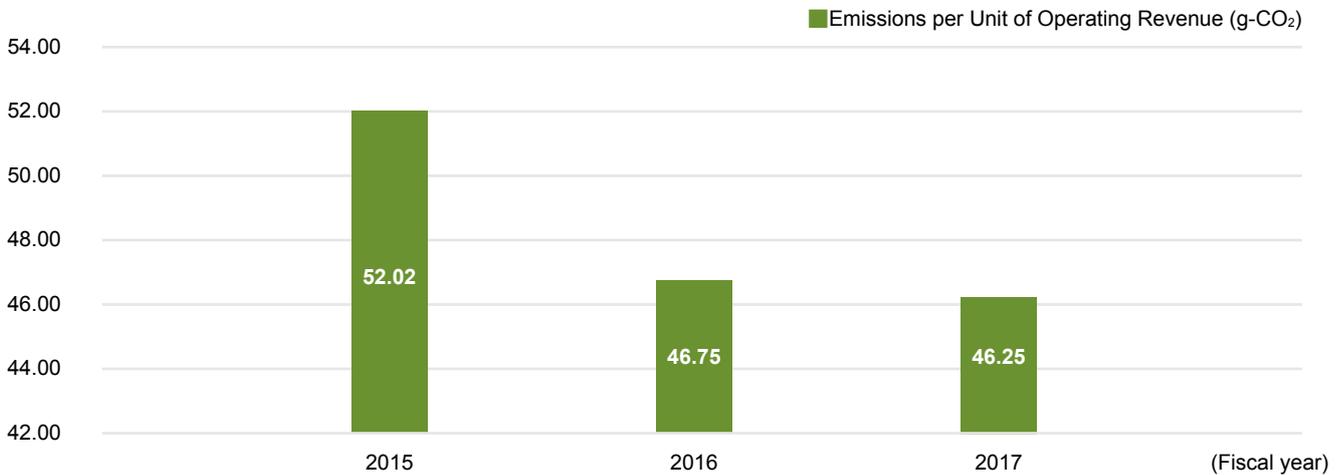
Greenhouse Gas Emissions Verification Report

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Trends in the CO₂ Emissions per Unit of Operating Revenue [the Group]



$$\text{*CO}_2 \text{ emissions per unit} = \frac{\text{Total CO}_2 \text{ emissions}}{\text{Group consolidated operating revenue}}$$

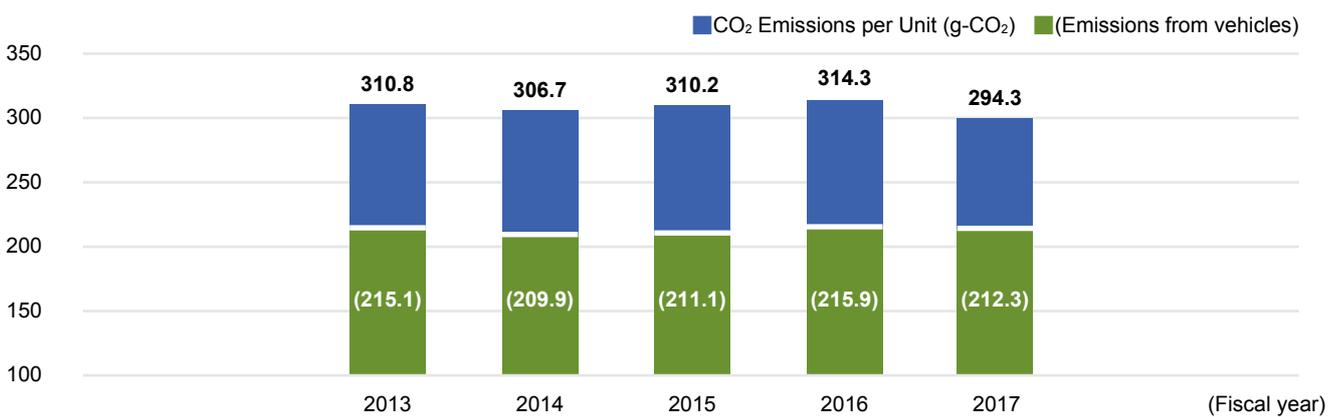
[Scope]

2015 - 2016 All domestic Group companies (excluding Sagawa Humony), Overseas: Expolanka Freight (Sri Lanka)

2017 All domestic Group companies (excluding Sagawa Humony), Overseas: Expolanka Freight (Sri Lanka), SG Sagawa Ameroid

*Overseas Group companies are tallied using separate rules from the tallying rules for domestic companies

Trends in CO₂ Emissions Per Package Delivered [Sagawa Express]



$$\text{*CO}_2 \text{ emissions per unit} = \frac{\text{Total CO}_2 \text{ emissions}}{\text{Number of packages delivered} + \text{number of letters delivered (10 letters converted into 1 package)}}$$

*Calculated based on fuel and electric power consumed by Sagawa Express.

*Emissions from vehicles are shown in parentheses.

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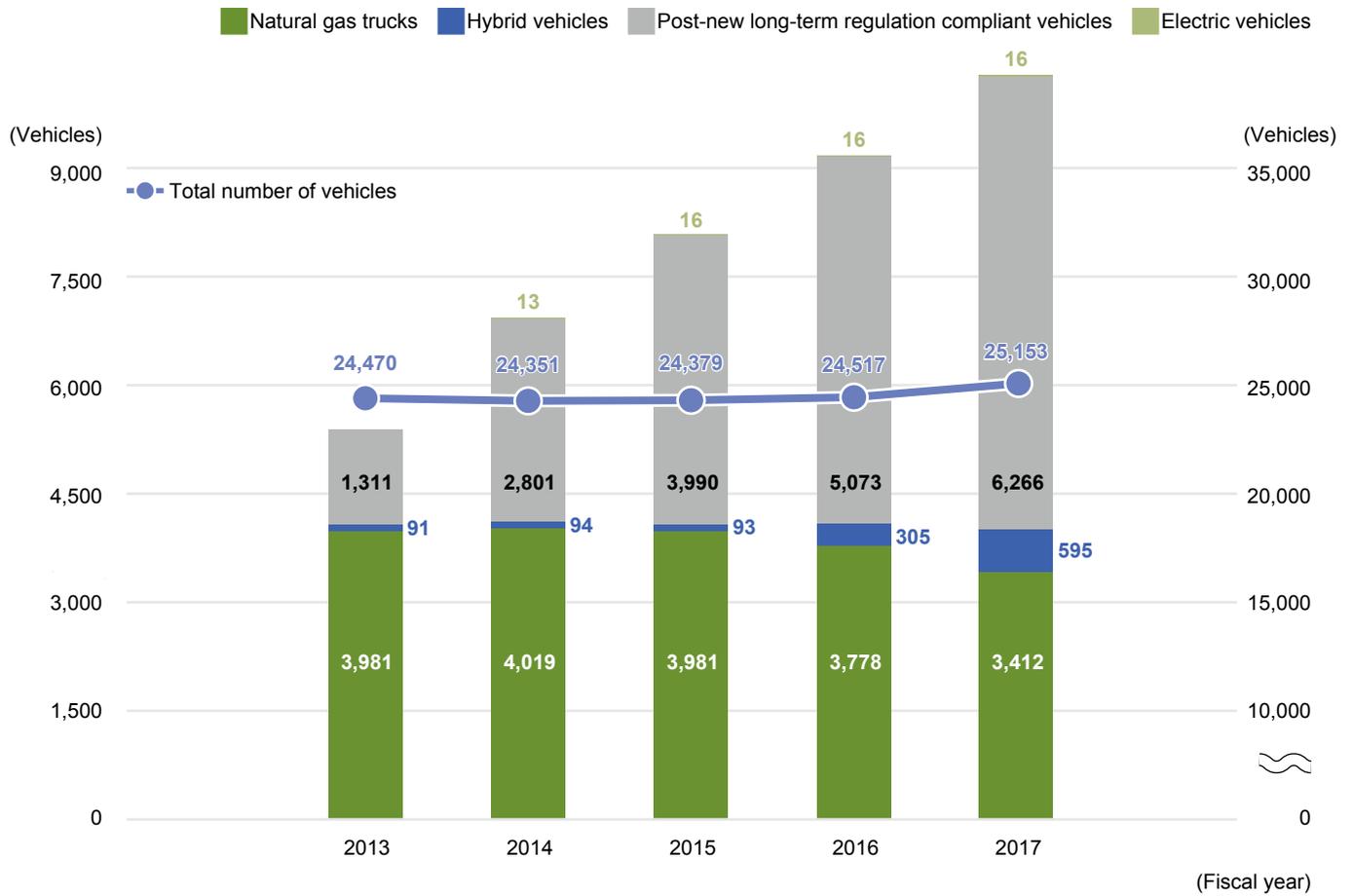
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Trends in Introduction of Environmentally Friendly Vehicles [Sagawa Express]



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Effect of Modal Shift (Fiscal 2017) [Sagawa Express]

Reduction in Number of Large Trucks (converted into 10t trucks)	97,094 trucks
Reduction of CO ₂ emissions	147,987t-CO ₂

*Calculated based on the per unit CO₂ emissions of freight transport organizations

*CO₂ reduction effect calculated based on the environmental impact (theoretical value) if modal shift did not take place

Per unit CO₂ emissions by transport organization (g-CO₂/ton-kilometer) [Sagawa Express]

Commercial-use trucks	Ships	Railways
240	39	21

Source: Ministry of Land, Infrastructure, Transport and Tourism website (fiscal 2016)

Results of Modal Shift (Fiscal 2017) [Sagawa Express]

Railway Transport (Super Rail Cargo)

Usage Section		Reduction in Number of Large Trucks (converted into 10t trucks)
Tokyo Freight Terminal Station	Ajikawaguchi Station	8,170
Ajikawaguchi Station	Tokyo Freight Terminal Station	8,200
Total		16,370

Railway Transport (other than Super Rail Cargo) [Sagawa Express]

Main Usage Section		Reduction in Number of Large Trucks (converted into 10t trucks)
Fukuoka Freight Terminal Station	Tokyo Freight Terminal Station	4,895
Sumidagawa Station	Sapporo Freight Terminal Station	7,219
Tokyo Freight Terminal Station	Fukuoka Freight Terminal Station	9,788
Other than the above		13,883
Total		35,785

Sea Transport (Ferry) [Sagawa Express]

Main Usage Section		Reduction in Number of Large Trucks (converted into 10t trucks)
Aomori Port	Hakodate Port	2,516
Hachinohe Port	Tomakomai Port	12,327
Tomakomai Port	Hachinohe Port	10,771
Hakodate Port	Aomori Port	1,059
Other than the above		18,266
Total		44,939

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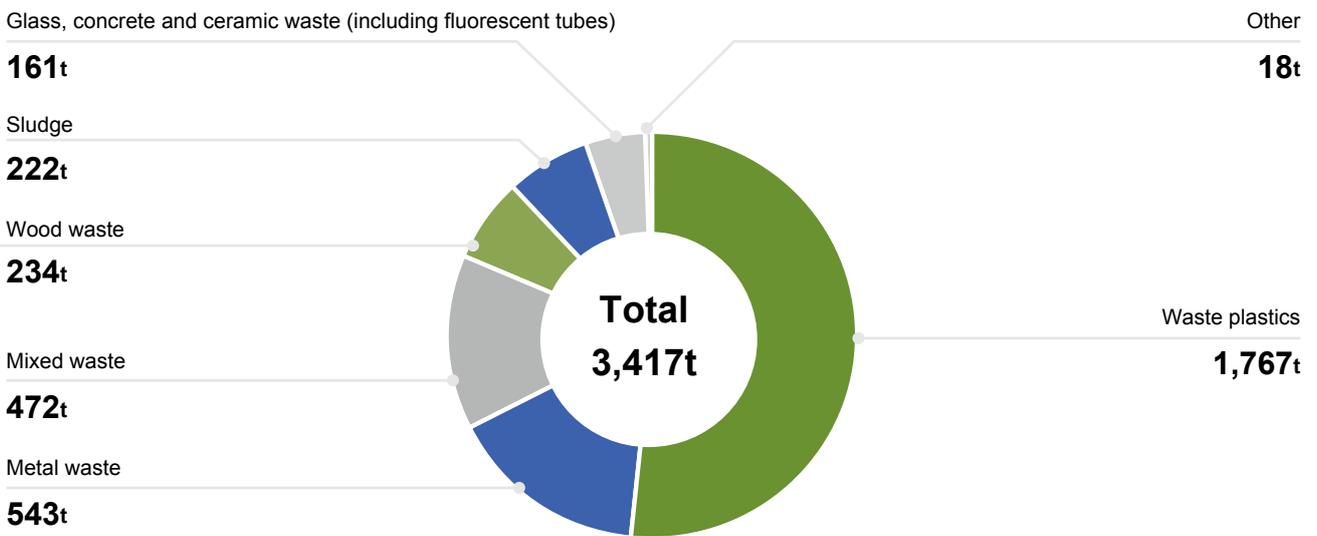
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Every year since 2009, Sagawa Express has aimed to reduce the total amount of industrial waste compared to the previous fiscal year based on the Waste Management and Public Cleansing Act. In fiscal 2017, this amount was 117.8% of the previous year's level

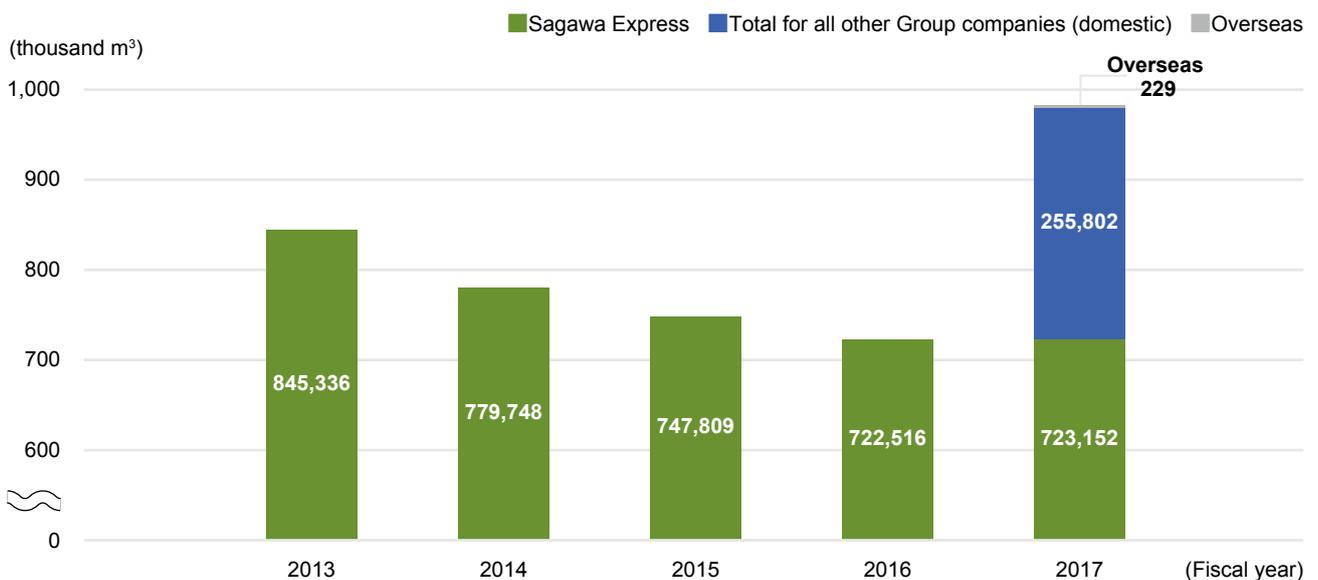
partially due to the switch to new cool boxes. The entire Group will continue to promote the 3Rs, reduce waste and separate waste.

Amount of waste produced per location =
Approx. 4.4t (Total waste produced ÷ number of locations)

Amount of Waste Produced (Sagawa Express in Fiscal 2017)



Trends in Water Usage [the Group]



*Figures from fiscal 2017 and thereafter are the amount used by all domestic companies in the SG Holdings Group (excluding Sagawa Humony) and SG Sagawa Ameroid. Figures until fiscal 2016 are only for Sagawa Express

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Environmental Accounting

Sagawa Express has introduced environmental accounting with the aim of realizing more effective environmental management. Accurately understanding investments and expenses related to environmental measures is useful for setting indicators for future

investment and performing analysis by project.

In fiscal 2017, the amount of environmental investment was approximately 161 million yen, and the amount of environmental expenses was approximately 5,571 million yen.

Cost of Environmental Preservation (Units: Millions of Yen) [Sagawa Express]

Category	Main Initiatives	Fiscal 2016		Fiscal 2017	
		Environmental Investment	Environmental Expenses	Environmental Investment	Environmental Expenses
(1) Costs within business area		216	1,152	161	1,132
Breakdown	1. Cost of pollution prevention	1	4	1	4
	2. Cost of preservation of the global environment	214	197	154	215
	3. Cost of resource recycling	1	951	7	913
(2) Up and downflow cost					
(3) Cost of management activities	Introduction of environmental management systems, environmental advertising, environmental education, disclosure of environmental information	—	5	—	5
(4) Cost of research and development	Development of environmentally friendly services	—	—	—	—
(5) Cost of social activities	Donations to domestic and overseas environmental preservation organization, awareness activities	—	1	—	1
(6) Cost of responding to environmental damage	Measures against asbestos dust	—	—	—	—
(7) Cost of safety measures	Vehicle inspections as safety measures, employee education, awareness activities	—	4,562	—	4,433
Total		216	5,719	161	5,571

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Effects of Environmental Preservation [Sagawa Express]

Environmental Performance Indicators	Fiscal 2016	Fiscal 2017	Effect of Environmental Preservation (Fiscal 2017 Results - Fiscal 2016 Results)
Diesel (kl)	75,489	76,382	893
Kerosene (kl)	155	157	2
Heavy oil (kl)	120	111	-9
Natural gas (km ³) (including biogas)	17,888	16,814	-1,074 ^{*1}
City gas (km ³)	1,020	1,043	23 ^{*1}
Propane (kg)	182,680	183,939	1,259 ^{*2}
Gasoline (kl) (including high octane)	16,457	16,726	269
Electricity (kWh)	211.76 million	206.10 million	-566
Water (clean water) (km ³)	723	723	0
Water (sewage) (km ³)	488	476	-12
Industrial water (clean water) (km ³)	3	3	0
Industrial water (sewage) (km ³)	3	3	0
Number of PET bottles recycled	1,127,181	1,090,063	-37,118 ^{*3}

The effects of environmental preservation were calculated based on the net change compared to fiscal 2016.

*1 Figures for natural gas and city gas were tallied using the figures shown on invoices from suppliers without making temperature or pressure corrections.

*2 The figures shown on invoices from suppliers (m³) were converted into weight at 2.07kg/m³.

*3 The effect believed to have contributed to the recycling of PET bottles by using PET bottles as the raw material for uniforms in fiscal 2017 was converted into the number of PET bottles. (Value for conversion: Total weight (approx. 175g for short sleeves and approx. 240g for long sleeves) x number of uniforms x amount of polyester used (cotton material 65% / sweat absorption material 100%) x 1 (100% recycling rate of polyester used) ÷ 30 (30g per 500ml PET bottle))

Tallying Method

- Tallying period: Fiscal 2017 (March 21, 2017 - March 20, 2018)
- Scope: Sagawa Express Co., Ltd. (non-consolidated)
- Guideline used as a reference: *Environmental Accounting Guideline, 2005 Edition*, Ministry of the Environment

- Acquisitions of assets valued at 200,000 yen or more are recorded as investments.
- Environmental facilities are depreciated over four years by the straight-line method.
- Personnel expenses are calculated based on the number of hours of environmental activities x the average personnel expenses of Sagawa Express.

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4 QUALITY
EDUCATION5 GENDER
EQUALITY8 DECENT WORK AND
ECONOMIC GROWTH10 REDUCED
INEQUALITIES

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▶ Policy	68P
▶ Systems	71P
▶ Initiatives	73P
▶ Awards and Certification/Accreditation	89P
▶ Employee Data	92P

Awareness of Social Challenges

In Japan, due to a shrinking workforce resulting from a declining birthrate and an aging population, the promotion of work style reforms has become a social challenge. Also, in the context of economic activity expanding globally and the United Nations promulgating Sustainable Development Goals (SDGs), including gender equality, companies are increasingly being asked to undertake initiatives fostering respect for human rights. The SG Holding Group, as an enterprise with 90,000 employees working worldwide, has developed new employment and labor systems incorporating diversity and inclusion as well as work-life management, and we are promoting the respect for human rights throughout its entire value chain.

Impact



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Policy

■ Approach

The SG Holdings Group believes that it is people who make the sustainable growth of a business possible. The recruitment of diverse human resources translates into the ability to offer diverse services that meet the needs of customers. For that reason, we consider people the critical resource of our business and have formulated a group-wide personnel vision and personnel system based on that. We strive to create a foundation of systems and culture that enable each and every

employee to capitalize on his or her individuality, find fulfillment in what they do while working healthfully and securely.

In 2016 we formulated the SG Holdings Group's Human Rights Policy in order to raise awareness of human rights and are working to prevent harassment. We will continue to place priority on diversity and inclusion and apply the PDCA cycle in our hiring, training, placement, and evaluation practices.

■ Human Rights Policy

As our business accelerates globally, the SG Holdings Group is committed to corporate policy that respects the human rights of all of our stakeholders. For that reason, we established the SG Holdings Group's Human Rights Policy to broadly declare and raise awareness about our

commitment both inside and outside of the Group. This policy articulates in very concrete terms our concept of human rights based on the SG Holdings Group Charter of Corporate Conduct and Code of Ethics and Conduct.

■ Preamble

The SG Holdings Group respects and advocates the Universal Declaration of Human Rights and its goals in regard to human rights. This policy expresses in detail our stance on human rights based on our Charter of Corporate Conduct and Code of Ethics and Conduct.

■ Respect for Everyone's Human Rights

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

■ Legal Compliance

We will comply with all laws in each country and region.
In countries or regions that do not have strict laws, we will comply with international rules.

■ Prevention of Human Rights Abuse

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

■ Prohibition of Child Labor and Forced Labor

We will prohibit work by children under the minimum working age designated by the laws in each country or region. We will also prohibit

forced labor. In addition, we will request our business partners to also prohibit child and forced labor.

■ Avoidance of Complicity in Human Rights Abuse

We will not be complicit in the abuse of human rights. In addition, we will strive to avoid complicity through receiving benefits or the silent condoning of complicity.

■ Response to Occurrence of Abuse

We will determine countermeasures to be implemented in the event of human rights abuse. We will protect the victim of abuse and the informer, and work to promptly and fairly resolve the situation.

■ Safety and Health

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

■ Transparency and Promotion of Awareness

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

We will continue to promote awareness of the "SG Holdings Group's Human Rights Policy" among our employees and will request our business partners to respect and enforce human rights.

*Process to recognize, prevent, and respond to any negative impacts on human rights

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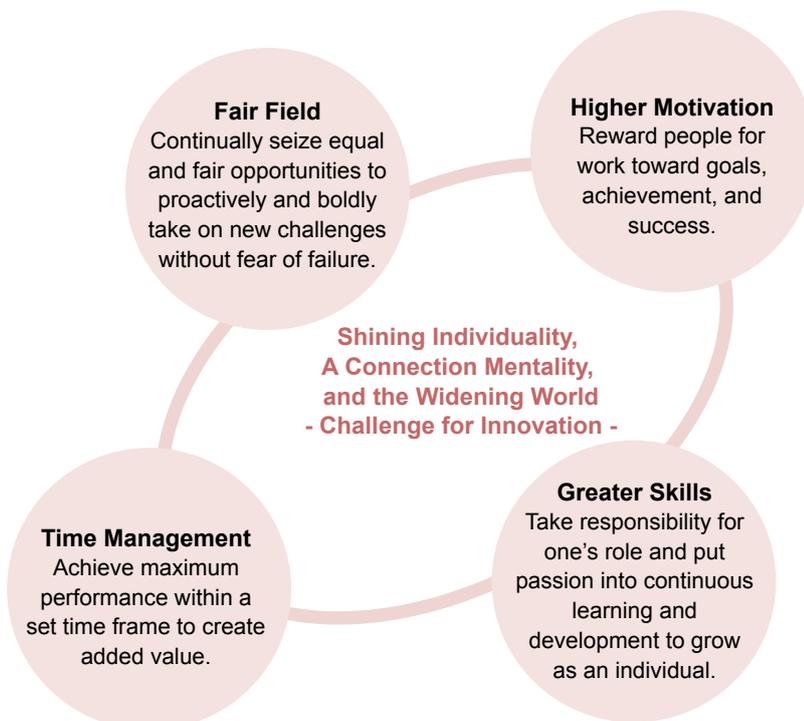
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■ Personnel Vision

The SG Holdings Group relies on all of its employees to operate independently and in 2012 formulated the SG Holdings Group Personnel Vision with the goal of maximizing the potential capacities and individuality of each employee. The Personnel Vision describes clearly an organizational culture aimed at developing human resources and diversity of work styles and emphasizes the importance of each employee working with autonomy. In addition, since 2013 we have positioned

Group Managers* (GMs), who comprise the management class, as influencers to foster the penetration of this vision and are working to communicate new values to all employees.

*Group Managers means employees of general manager rank who comprise the management of groups.



Shining Individuality

We want each person to further their individuality, hone that individuality, and shine more than anyone else.

Connection Mentality (Spirit)

Everyone should share a common spirit and build solidarity. We will seek to move continually toward a new future without ever forgetting the "hikyaku no kokoro" (spirit of Edo-era express messengers), which is the cornerstone of the Group's foundation.

Widening World

We will take a broad view by connecting with a variety of personalities to expand our potential. We will seek to foster new values which hold true not only in Japan but throughout the world.

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Fiscal 2017 Goals and Overview

Boundary: Scope of application of goal

Related SDGs: Targets of SDGs (sustainable development goals) closely related to the goal

Fiscal 2017 Goals	KPIs	Results and progress of fiscal 2017 initiatives	Boundary			Related SDGs
			Sagawa Express	Japan	Overseas	
<ul style="list-style-type: none"> Respect for the human rights of workers throughout the entire supply chain and provision of a safe and secure work environment. 	<ul style="list-style-type: none"> Reduction of overtime hours compared to the prior year 	<ul style="list-style-type: none"> 1.6% reduction compared to fiscal 2016 	●	●		4.7 8.8
<ul style="list-style-type: none"> Provide a venue and opportunity for everyone to develop and flourish equally regardless of gender, age, handicaps, or other discriminatory factors. 	<ul style="list-style-type: none"> 35% ratio of female employees (2011 – 2020) 	<ul style="list-style-type: none"> Progress in female employee ratio (2011: 20.6%→2017: 30.6%) 	●	●	●	4.4 5.5 8.5
	<ul style="list-style-type: none"> 10% ratio of female management personnel (2011 – 2020) 	<ul style="list-style-type: none"> Progress in female management ratio (2011: 1.0% → 2017: 4.2%) 				
	<ul style="list-style-type: none"> Implementation of annual D&I* training 	<ul style="list-style-type: none"> D&I training: Implementation of the Diversity Forum by the WakuWaku Women's Project 	●	●		

*D&I: Diversity and Inclusion

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Systems

■ Organization

At the SG Holdings Group, which employs about 90,000 people, the SG Holdings Human Resources Department takes the lead in developing administrative systems in collaboration with the human resources unit in each Group company. Sagawa Express, the core enterprise of the Group, has established a new Human Resources

Strategy Department. While its Human Resources Department is in charge of administration and education, the Human Resources Strategy Department focuses on employer branding and diversity promotion to create and develop systems for attracting more diverse human resources.

■ WakuWaku Women's Project

To promote the participation of female employees throughout the Group, we are continuing the activities of the WakuWaku Women's Project across the entire Group. With the SG Holdings Group Human Resources Department serving as the secretariat, a coordinator is appointed at each Group company. Coordinators discuss and share initiatives and progress to increase participation by female employees at each company through coordinator meetings held two or three times a year and at a general meeting held once a year. These meetings, with representatives from both the

administrative and business departments, create a venue where business ideas from a woman's perspective are actively discussed. In addition, to enhance motivation, the WakuWaku Award has been established to encourage the Group companies to compete with each other in creating business concepts and demonstrating achievements based on the theme of women's participation. Once a year the Group also holds a Diversity Forum inviting outside experts in order to further understand Diversity and Inclusion (D&I) among executive management and middle managers.

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■ Group-wide HR Systems

Beginning in September 2012, the SG Holdings Group initiated group-wide human resources systems aimed at leveraging human resources across the Group's companies in Japan. The goal is to develop highly

competitive human resources by effectively mobilizing employees in a way that leads to maximum self-development.

Group-wide Human Resource Systems (in Japan)

- | | |
|--|---|
| 1. Function-based Grade Level System | 4. GS (Group Staff) Skills Development System |
| 2. M/A (Manager/Associate) Promotion Evaluation System | 5. Rotation System |
| 3. GM (Group Manager) Human Resources System | |

■ Monitoring

In the context of promoting stakeholder management, we conduct annual employee attitude surveys with the goal of understanding group employee attitudes, identifying issues, and making improvements. The survey, which covered approximately 50,000 Group employees in fiscal 2017, showed that the overall level of employee satisfaction was maintained together with evidencing a positive trend on individual issues. On the basis of these results, each Group company is developing plans for implementing initiatives for

improvements in areas where there was relatively low satisfaction.

We believe that incorporating the views of employees as stakeholders into management decisions contributes to improving the overall level of employee satisfaction, in turn, translating into greater customer satisfaction. We are committed to continuing this approach as a means of promoting a positive cycle of employee and customer satisfaction.

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Initiatives

■ Flexible, Diverse Work Styles

The SG Holdings Group is expanding various systems to allow employees themselves to practice work-life management and choose one among flexible and diverse work styles that best fits them. We believe that

the promotion of diverse work styles will make it easier to attract new talent and will also contribute to the correction of long work hours.

● Night Delivery

Sagawa Express has begun an initiative known as “Night Delivery” utilizing delivery supporters (mostly professional parcel delivery drivers on service contract to Sagawa Express) for making deliveries during limited

nighttime hours when people are most likely to be at home. This initiative is expected to make possible a reduction in nighttime deliveries by Sales Drivers® and contribute to controlling their long work hours.

● Introduction of the Advance Collection Reservation Acceptance System

In April 2018, Sagawa Express changed its policy of accepting telephone and online requests for collections on Sundays, holidays, and during certain periods determined by Sagawa Express.* In a new system, these collection requests are accepted until the day prior to the desired pickup day. This policy change was based on the results of an initial trial run of the system in December 2017, a time when there was a great volume of shipments due to Christmas and year-end gift giving.

The prior-day reservation test resulted in contributing to improved delivery service quality. With the introduction of this system, we will be aiming for further improvement in service quality and in employees' work environment.

*The certain periods determined by Sagawa Express are assumed to be the *Bon* holidays, and year-end and New Year's holidays.

*This does not apply to regularly scheduled collection.

● Four-Day Work Week

Sagawa Express has begun, on a trial basis, to hire sales drivers who work a four-day week and are allowed to hold second jobs. This new system was rolled out in April 2017 for new hires in certain locations. It is aimed to meet the needs of people who find it difficult to work a five-day week because of a side job, attending school, raising a child, caregiving or other factors. It is hoped

that hiring from this new range of potential workers, which in the past was not able to apply for employment, will lead to a more inviting work environment for employees with shorter working hours and a higher take-up rate of annual paid leave.

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● Introduction of Telework

The SG Holdings Group is promoting telework as one of the diverse work styles. Currently four companies* have introduced the system, including working from home. In addition, being considered by other companies, the adoption of telework will gradually be expanding.

*SG Holdings, SG Moving, SG Systems, and SG Expert

For example, in fiscal 2017 SG Holdings recruited applicants and conducted a two-month trial of telework. After reviewing the results, it began full-fledged adoption starting from fiscal 2018. This new work style has been well received with the participants in the trial. They commended that having extra time instead of commuting to work was appreciated by their families, and that they were better able to focus on their work because they were freed from having to answer the phone.

● Delivery Mate

Sagawa Express is proposing a work style called "Delivery Mate," for which registrants enter into a service contract with Sagawa Express. They work on a piecework basis and the pay is based on the contract

rate per parcel. The point of the program is that you can work at your own pace by selecting the times and days that suit you best rather than working shifts at predetermined times as in most part-time jobs.

SG Systems introduced an online video telephone system as a means of communication between work-from-home employees and other employees with the aim of improving work-life balance and labor productivity. At the same time, in order to also enhance the security environment, SG Systems employs remote desktop tools and has connected the PC used by work-from-home employees to the cloud so that information does not remain at their location. From June 2017, SG Systems initiated a full-fledged telework system.

Starting from September 2017, SG Moving also introduced a work-from-home system and is promoting its use as a tool for boosting employee energy and enthusiasm in the context of changes in their life stage and circumstances.

● Logi Shift

Sagawa Global Logistics has introduced the work program "Logi Shift" for warehousing operations such as inspections and packaging that can be done in free time, which allows employees to freely choose the day and time they want to work. This creates an environment where it is particularly easy for part-time employees such as homemakers to work. As of July 2018, this program was underway at 41 business sites (an increase of six

from 2017) and the cumulative number of registrants already exceeds 6,000 (an increase of 1,200 from 2017). Currently, not only homemakers, but also college students and vocational school students are being hired for the program. Looking ahead, Sagawa Global Logistics is hoping to further expand the range of registrants.

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Column “SG Fielder Introduces Web-Based Interviews”

SG Fielder, a human resources outsourcing company, introduced a “WEB Interview” system in November 2017. This has made it possible to complete the entire process from interview to final employment registration procedures on the Internet using a smartphone or tablet. This system can shorten the time spent on the hiring and registration process, including scheduling an interview and participating in the registration

briefing meeting. It can thereby respond to the needs of job applicants who want to start working immediately from even the next day. People with multiple jobs or homemakers taking care of children who cannot easily attend registration briefing meetings can now have their interviews at any time. SG Fielder is using digital tools in hiring in its efforts to increase opportunities for people seeking work.



Scene of Interview form the Hiring Side

Scene of Interview from the Applicant's Side

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■ Promotion of Diversity and Inclusion

Promotion of Participation of Women

The SG Holdings Group works to promote Diversity and Inclusion (D&I) and grow as a company with a competitive edge which respects diverse values. We are actively engaged, in particular, in initiatives to promote the participation of women, such as by active promotion

of women as managers, creating new business by female employees, expanding occupational fields for women, putting the necessary systems in place and transforming our corporate culture.

● Women's Career Support Training

The SG Holdings Group conducts Women's Career Support Training led by external instructors for female employees who are management candidates. Roughly 70 women participated in the training, which was held three times during fiscal 2017. The women learned the importance of diversity and business skills through

discussion with executives and group managers. Taking hints from the discussions with active female managers, these women also created a vision for their own individual careers and action targets to realize that vision.

● WakuWaku Women's Project Activities

The SG Holdings Group conducts the WakuWaku Women's Project across the Group with the aim of promoting the participation of female employees. In fiscal 2017, we held the 5th WakuWaku Award to honor business sites working to create business based on women's participation and improve operations. In addition, we announced the "IKUBOSU [a boss who understands the needs of caregivers] Proclamation" aimed primarily at executive management in Japan in order to foster the active participation of diverse human resources. We also held the 2017 Diversity Forum with the aim of increasing understanding of D&I in our management ranks (GMs). The forum featured an address by Mr. Tsuneo Sasaki, a well-known leading proponent of D&I, and also included a workshop for learning IKUBOSU skills.



WakuWaku Awards Ceremony

Number of New Female Employees



New Graduate
Employees in
Fiscal 2018

224 / 627

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● The “1-Hour Meeting”

In order to create a working environment where women can work more easily and with greater enthusiasm, SG Motors held “1-Hour Meetings” for discussing women’s participation in the workplace. All of the female

employees at each business site exchanged opinions about the topic from the viewpoint and perspective of women. In all, 120 women at 14 stores and two manufacturing plants participated in fiscal 2017.

● Expanding Occupational Opportunities for Women

The SG Holdings Group actively strives to create an environment where women can proactively take up the types of jobs that have been primarily the domain of men.

Sagawa Express is promoting the introduction of swap body vehicles which have a detachable body and cargo bed. We expect this innovation will expand occupational opportunities for female drivers as cargo loading can be handled separately by other staff.

Sagawa Express has also established 324 Service Centers (SCs) throughout Japan that perform collection and distribution using hand carts or bicycles. The non-truck business not only translates into a reduction of CO₂ emissions, but also serves to create a workplace that is more work-friendly for women. Women now comprise about 40% of the employees working at SCs.

Taking into consideration ease of use by female employees who work on-site, SG Motors has adopted lightweight lifts, jib cranes and other lightweight equipment for moving heavy objects at its body manufacturing facilities. It is also promoting expanded job opportunities for women through initiatives such as holding in-house courses on welding operations where employees can learn by practicing the techniques taught.



Swap Body Truck

This truck expands driver opportunities because it is a vehicle that differs from a trailer truck and only requires a large-size vehicle driver’s license.



Lightweight Lifter



Jib Crane

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●“Ladies Moving”— Moving Service by Female Staff

Since 2014, SG Moving has offered Ladies Moving, in which female staff assist female customers seeking moving services.

This service grew out of requests from female customers who were not comfortable having male staff enter their rooms and handle their packages during moving. Organizing and Storage Advisors* offer techniques for organizing packages prior to moving, to room arrangement advice to make their new home comfortable. Combining past moving service with the knowledge and experience of female staff as added value, SG Moving offer superior moving service geared to alleviating the concerns of female customers.

At the 6th Quality Championships held by SG Moving November 2017, a team of three women splendidly won the champion’s crown. This achievement at the Championship also served to highlight how the expansion of the Ladies Moving service has led to promoting a more diverse organization.

*An Organizing and Storage Advisor is a certification given by the Housekeeping Association, a specified NPO, to persons who have studied the foundations of organization and storage of goods in an academic way.



The female staff helps relieve every type of anxiety from questions about moving to the layout of furniture upon delivery.



Carefully moving interiors and clothing and customer’s other precious possessions with a sensitivity particular to women.



A women’s team won at the 6th Quality Championships.

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Promoting the Participation of Diverse Human Resources

The SG Holdings Group has diverse human resources actively working in a wide range of fields. For example, as of the end of our fiscal 2017, we had over 3,700 foreign nationals in Group companies throughout Japan. Some Group companies also provide career support for foreign employees returning to their home country. They are encouraged to continue working at a local subsidiary of the Group there while taking advantage of their work experience in Japan.

We also promote continued employment of retirees and are considering new re-employment promotion strategies that can increase opportunities for actively leveraging the experience these employees have gained during the course of their careers.

The Group is also working to create an environment in which persons with disabilities can manifest their individuality and capacities. We provide opportunities to learn about the employment of the disabled and ensure that correct knowledge is disseminated. The ratio of persons with disabilities employed by the Group in Japan is now 2.28%.

Group Employment Ratio of Persons with Disabilities



2.28%

*As of June 2018

● Creating a Work Environment Friendly to Foreign Nationals

SG Motors employs foreign exchange students who have studied at auto mechanics technical schools in Japan as auto mechanics.

In fiscal 2018 the number of foreign nationals employed as automotive mechanics reached 53, or about 10% of all automotive mechanics.

There is no difference in terms of employment opportunities between foreign and Japanese auto mechanics, but cultural and linguistic impediments do exist. Aware of this, SG Motors is working hard to create an environment where its foreign automobile mechanics

can effectively utilize their skills. These efforts to develop a work environment friendly to foreign mechanics include offering courses to them on Japanese culture and habits and training sessions for exchanging opinions. There is also training for the Japanese staff about effectively interacting with the foreign mechanics. In this way foreign mechanics hone their skills through work and training, and that in the future they will be able to take charge of even the most difficult repair work alongside their Japanese counterparts.

● Continuing Employment after Retirement

Each year, the SG Holdings Group holds Pre-Retirement Seminars for employees in Japan who will reach retirement age the following year to present a concrete image of post-retirement life. The seminars cover work, financial planning, the public pension plan, health, and other subjects.

Of the 144 employees who reached retirement age in fiscal 2017, 123, or over 80%, opted for continued

employment. They continue to work enthusiastically in workplaces best suited to their respective skills and aptitudes where they can leverage their past experience and also serve as strong mentors for young employees. In order to further expand the opportunities for continuing work after retirement age, the Group is working on re-employment promotion programs at each Group company.

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● Welcoming Enrollees from Local Youth Support Stations

SG Fielder welcomes registrants from Local Youth Support Stations at its Tokyo Big Bay Complex, which combines the functions of a transfer center and a sales office.

Local Youth Support Centers are support agencies contracted by the Ministry of Health, Labour and Welfare. The purpose of the centers is to provide direct and comprehensive back-up to young people, who are first entering the workforce, up to the point that they become firmly established in their respective

workplaces. During the period, by supporting the youth themselves as well as their families, they help the youth develop the ability to work. In fiscal 2017 SG Fielder provided for workplace experience to 14 youth. By conferring with them about their aptitudes and future career paths based on such experiences in the workplace, the company wants to support the first steps of these youth toward becoming full-fledged working adults.

● Employment of Athletes

The SG Holdings Group has a softball team belonging to the Japan Women's Softball League Section 1 and a men's track and field team as official sports clubs. Through them, the Group supports the creation of an environment where athletes can continue to actively participate in sports, and at the same time work as employees.* Cheering on these athletes, who are also colleagues at work, enhances group solidarity. In addition to striving to win top places in competitions and

develop national team athletes, the SG Holdings Group also supports the development of the next generation of sportsmen by sponsoring training sessions for elementary and junior high school students with our teams.

*There are also some athletes with the group having a different form of employment.

Official Sports Clubs



Softball Team



Track and Field Team

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■ Supporting Work-life Management

Life Support

The SG Holdings Group has promoted workplace culture reform and system reforms in order to respond flexibly to the diverse values and family circumstances of employees. By this, we aim to create an environment where all employees can maintain work-life balance with peace of mind and make the most of their capabilities.

● *IKUBOSU* Proclamation

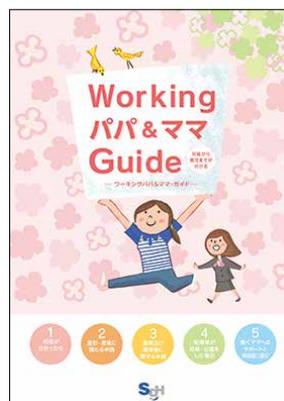
In August 2017, the SG Holdings Group announced the *IKUBOSU* Proclamation promoted by the Ministry of Health, Labour and Welfare. *IKUBOSU* means bosses (managers and executives) who care about the work-life balance of their subordinates and staff in the workplace and support them in their careers and private lives. While enhancing the performance of the organization, these bosses never fail to enjoy their own work and private lives. The SG Holdings Group supports childcare, caregiving, and the work-life balance of its employees. By enabling them to choose from diverse work styles, the Group hopes to see its employees work independently and very productively to achieve strong results.



Holding Up the *IKUBOSU* Proclamation
Chairperson and CEO Eiichi Kuriwada (Left) and President
and COO Tadashi Machida (Right)

● Supporting Childcare

In the area of childcare, starting from fiscal 2016, we lengthened the period for working shorter hours for employees raising children to the time the child completes the fourth grade of elementary school and created an environment where it is easy for employees entitled to childcare leave to return to the workplace. In addition, we added a new page supporting male employees' participation in childcare to our childcare support guidebook "Working Papa and Mama Guide" in order to encourage male employees as well to take childcare leave. Additionally, in conjunction with the initiation of the Mutual Aid Society, information useful to employees and their families about health, in-house events, etc. has been expanded on the Group's employee welfare website "Familink."



The Working Papa and Mama Guide

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● “SGH Kids Garden” In-house Nursery School

The SG Holdings Group opened the SGH Kids Garden, the Group’s first in-house nursery school, in April 2017. Its goals are to solve the problem of children left on waiting lists to enter nursery schools, which has become a major social issue, promote the active participation of women in society, and support work-life balance. SGH Kids Garden achieves a level of education and safety equal to that of a licensed nursery school. Comprehensive optional services such as laundry and towels for naps are also available. We, of course, also support Group employees to return to work and in this way also aid the spouses of our employees to take their place in society.



Inside the Nursery School



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

● Construction of a Shared House to Promote Interaction among Employees

The SG Holdings Group has begun construction of a shared house for Group employees in Koto-ku, Tokyo as a part of its Diversity and Inclusion initiatives aimed at promoting the participation of diverse human sources.

This apartment, being built by SG Realty with the aim of completion by January 2019, is planned to have common spaces of kitchen and dining room, a gym and kids’ space. This concept will promote interchange among employees of

different gender, age, and nationality to promote innovation and solidarity among employees.

Wood from the Sagawa Forestry, a Group company, will be used in the entrance and the second floor of the building to welcome residents to an atmosphere of warmth and harmony. In addition, there are plans for invigorating the local community and events for creating interaction with local residents.

● Establishment of a Mutual Aid Society

From April 1, 2017, the SG Holdings Group began operation of a Group employee welfare program through the newly established the SGH Mutual Aid Society, a general incorporated foundation. The Society provides a lineup of services based on the concepts of (1) provision of security throughout life, (2) building an environment where employees become healthy and (3) fostering a workplace where employees can work together enthusiastically and enjoy life. Furthermore, the services have been categorized in three

groups—Benefits, Information, and Experience/Participation—in alignment with the three types of employment.

The Society will provide more comprehensive welfare services to employees resulting in greater loyalty on the part of employees and their families, creating an environment where employees obtain greater work satisfaction and providing life support. The Society also supports OB/OG clubs for retirees and post-retirement part-time employees, publishes club bulletins, and hosts gatherings.

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Care Support

● Employees' Health Management

The SG Holding Group holds Health Management Project Promotion Meetings twice a year in cooperation with its health insurance society in Japan to set specific quantitative health goals, and works actively to help resolve employees' health issues to promote their health and prevent illnesses.

The Group also conducts a lifestyle diseases prevention campaign and works to create an environment where employees themselves take charge of maintaining their

health by encouraging weight control and other initiatives. We try to reduce health risks through such efforts as measures to prevent illnesses from becoming severe for high-risk individuals and the SG Smart Program (specific health guidance) for persons with metabolic syndrome. In addition, to promote a non-smoking campaign, we have established a non-smoking promotion committee in each Group company to enhance employee health.

● Employee Attitude Surveys

In the context of promoting stakeholder management, we conduct employee attitude surveys to gain an understanding of Group employee attitudes, identify issues, and make improvements. The survey, which covered approximately 50,000 Group employees in fiscal 2017, showed that the overall level of employee satisfaction was stable while also evidencing a positive trend on some individual issues. On the basis of these results, each Group company is developing plans for

implementing initiatives for improvements in areas where there was relatively low satisfaction.

We believe that incorporating the views of employees as stakeholders into management decisions contributes to improving the overall level of employee satisfaction, and ultimately customer satisfaction. We are committed to continuing this approach as a means of promoting a positive cycle of employee and customer satisfaction.

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● Efforts in Mental Health Care

Even prior to December 2015 when stress checks became mandatory, the SG Holdings Group was implementing measures in mental health care for employees in Group companies throughout Japan. In terms of mental health management, everyone insured by the health insurance society (approximately 47,000 individuals) takes stress checks once a year and anyone who wishes to may consult with an industrial physician or other medical professional.

In order to support the mental health of employees and their families, the Group has also established SG Holdings Group Health Dial 24 staffed by a professional organization, which provides free consultations on the telephone or online. Anyone who wishes to may also arrange a free consultation with a clinical psychologist at counseling rooms located throughout Japan. From fiscal 2016, annual common stress checks are conducted group-wide and employees wishing to may meet with an industrial physician or other medical professional.

There is also an organizational analysis based on the results of the stress checks. The Group is making every effort to improve the working environment.



A Poster Publicizing the Group Health Dial

● First Convocation of a Breast Cancer Seminar for Female Employees

In October 2017, SG Global Japan invited Ms. Kumiko Arai, Representative Director of Pink Ribbon, Inc., a general incorporated foundation, and held a Breast Cancer Seminar for Female Employees. Breast cancer happens to many women and because women comprise over 40% of the workforce at SG Global Japan's head

office, it sponsored this seminar as a part of its initiatives in work-life management to spread awareness and knowledge of breast cancer. Forty employees participated in the seminar, acquiring basic knowledge about breast cancer, and learning how to perform self-examinations using a Breast Care Glove.



Lecture on Self-examination with Practice Using a Breast Care Glove



Sensing the Hardness of a Breast Lump Using a Mannequin

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Motivation Support

The SG Holdings Group formulated the SG Holdings Group Personnel Vision with the goal of all employees acting independently and maximizing the potential of their skills and unique personalities. In line with this

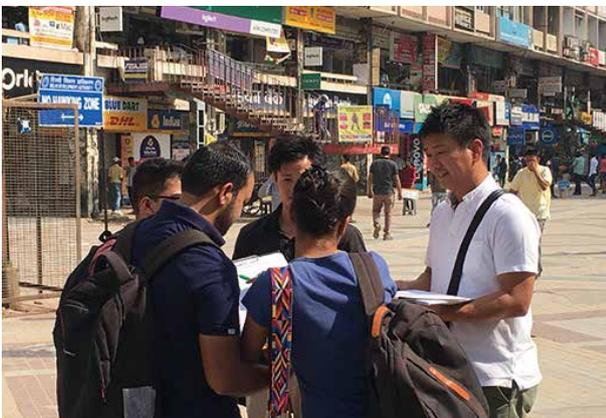
Personnel Vision, various personnel systems have been put in place with the aim of enhancing employee motivation.

● Overseas Training

The Group has a 39-year history in overseas training. Employees who are chosen from among applicants visit Singapore and other Asian countries where we have local subsidiaries. Observing overseas sites and meeting with local management has brought a global perspective to the participants.

Starting from fiscal 2014, we also began inviting

managers selected from local subsidiaries for training in Japan. With visits to various business locations of the Group, this program is aimed to help participants increase their understanding of the Group's business and the logistics industry in Japan in general and foster their motivation to promote business back in their countries.



Overseas Training



Training in Japan for Employees from Other Countries

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● **Bright Future Vision Committee**

This project focuses on the vision (imagination/inspiration) of young employees for their future. Fiscal 2017 was the fourth year for this program, which has already nurtured about 90 future-oriented

members. The goal is to transform the organization using the skills and experience gained through its committee sessions.

● **Next-generation Leader Development Training**

We conduct training for mid-level employees chosen from among assistant and section managers to develop the human resources who create value and will lead the next generation.

● **Excellent Employee Commendation Program**

This program honors exemplary employees who have built a superior record of accomplishment. An awards ceremony is held, inviting the honorees' families, as a means of increasing the motivation of the honorees as well as heightening awareness throughout the entire group, including our overseas companies.

● **In-house University "SGH University"**

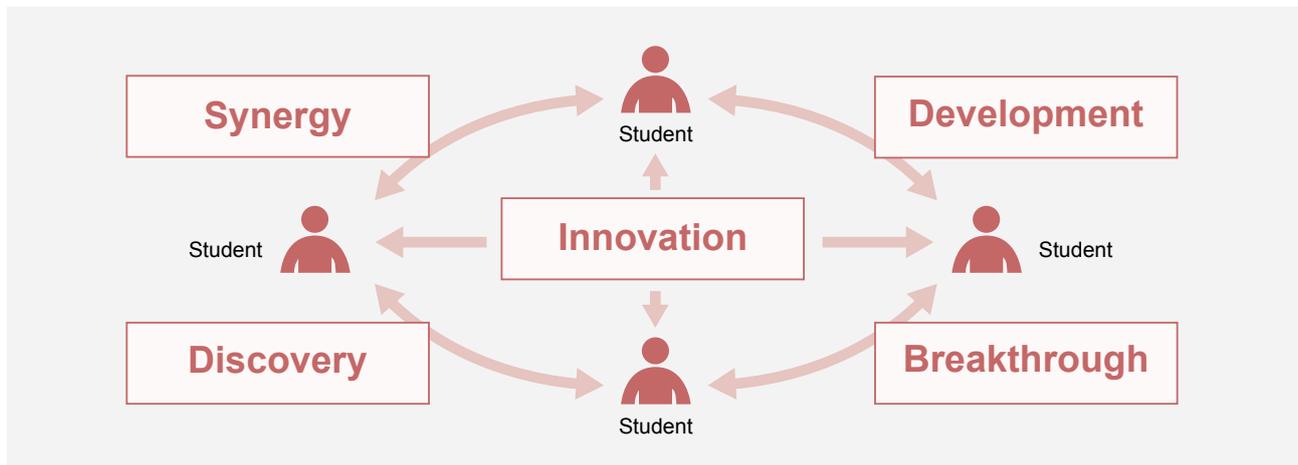
The SG Holdings Group opened SGH University as an in-house university in March 2017 to support employee development. The school was established with the goal of providing an environment where employees with a desire to learn and the ambition to explore new avenues in their careers can study independently and further their self-development.

As an academic venue combining group training and e-learning to provide a comprehensive curriculum, SGH University supports career development from employees first entering the company up to candidates for executive positions. The university offers group training for selected or general participants and optional training on freely chosen subjects, and e-learning is also available. The university also has training rooms together with a library space to encourage employees to come together and learn together in an enjoyable way.



SGH University has four training rooms and a library space.

Concepts of SGH University



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● In-house Venture Program

The SG Holdings Group initiated its In-house Venture Program in 2014. This program was set up to invite business ideas from employees and assess commercialization of promising proposals. In fiscal 2017, after the final review of presentations, four proposals for creating further added value in the logistics business were selected as winners. The next step will be discussion and review of the possible commercialization of the winning ideas with the business units involved. The concept of this program is to create a corporate culture that encourages all employees to think about problem areas and to challenge themselves to produce innovative ideas that will benefit the Group's business.



The 4th Venture Business Grand Prix

● Employee Seminars

With the aim of increasing employee job fulfillment and satisfaction, in February 2017 we held a Life Planning Seminar and a Pre-retirement Seminar.

The goal of these seminars was to help each employee develop their own life plan by thinking about financial planning, health, and their work-life balance as well as preparedness for caregiving, relationships in their

families, and life satisfaction so that they can work and live energetically in the present while at the same time getting ready for the future.

The Life Planning Seminar aimed at employees in their late 30s and the Pre-retirement Seminar for employees scheduled to retire the following year were held at 19 locations throughout Japan.

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● Children's Observation Day

The SG Holdings Group has holds Children's Observation Days and Family Days at business companies on an ongoing basis to help families better understand the group's business.

In 2017 SG Motors Children's Observation Day was held at the Fuji Plant with the participation of 19 children, who all put on the same blue uniforms as the auto mechanics

and experienced firsthand vehicle maintenance work.

Family Day at SG Moving (Kanto Area) was held as an event to show the head office, which was newly moved to Koto-ku in Tokyo in February 2017, to the visitors and have the children of employees make soap and candles from waste oil to foster learning about preserving the environment.



SG Motors Children's Plant Visit



Learning to Drive with a Children's Cart at SG Motors



Children Making Soap and Candles at SG Moving



Group Photo of Participants at SG Moving Family Day

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Awards and Certification/Accreditation

■ Awards

J-Win Diversity Awards Corporate Prize

In March 2018, SG Holdings was the first logistics company to win the Corporate Prize, Basic Division at the 2018 J-Win Diversity Awards sponsored by the NPO J-Win. This award acknowledges companies and individuals who promote and maintain diversity management.

The Basic Division is given to a business that has initiated a system for encouraging the participation of women.

The Company works to create an environment where women can play active roles in many types of work and positions throughout the Group, and actively promotes women to decision-making management positions while also working to enhance awareness among male management. In keeping with diverse lifestyles, we encourage male employees to also take childcare leave and promote a work-at-home program and other work style innovations.



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Certification/Accreditation

Youth Yell Certified Company

In October 2016 Nouvelle Golf Club became the first golf course recognized as a Youth Yell Certified Company by the Ministry of Health, Labour and Welfare. Youth Yell is a system of certification by the Ministry of Health, Labour and Welfare based on the Youth Labor Welfare Act to recognize small- and medium-sized companies which excel in employment policies actively directed at hiring and developing youth. Nouvelle Golf Club gained

certification by meeting all 12 of the certification requirements under that program. Having received its third consecutive certification in fiscal 2018, Nouvelle Golf Club, going forward, intends to strive to hire and develop the youth who will lead the next generation and to carry out employment management comprehensively to ensure an employee-friendly workplace.



Certification Ceremony at Chiba Labour Bureau on September 27, 2016



Youth Yell Certification Mark

Excellent Worker Dispatching Business

In 2018 SG Fielder was certified as an Excellent Worker Dispatching Business under the Excellent Worker Dispatching Business Certification Program consecutively since the first certification in March 2015. This certification is given to worker dispatching businesses which fulfill requirements such as supporting the career development of the dispatched workers, ensuring an appropriate work environment, and preventing problems, and it indicates that a certified dispatching business is one that can be trusted. SG Fielder earned this recognition for its awareness of the societal role of worker dispatching businesses and support for human resources development and career. Other recognized efforts include compliance, promotion of work-life balance, hiring of temporary workers as regular employees, and the "Give It Your All Support Program" and other initiatives aimed at acquisition of necessary work skills.



Excellent Worker Dispatching Business Mark



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Tokyo Work-life Balance Certified Enterprise

Sagawa Financial was selected in November 2017 as a Tokyo Work-life Balance Certified Enterprise. This selection is made by the Tokyo Bureau of Industrial and Labor Affairs to single out “enterprises which implement initiatives to create a workplace where employees can continue to work with energy and enthusiasm while striking a balance between work and their private lives.” Eleven companies were selected in 2017 and Sagawa Financial was commended for its scheme to encourage employees to take their annual vacation days and its establishment of a new vacation system, among other things. The company promotes the “WakuWaku Vacation” for combining Saturday, Sunday, and a holiday for four or more consecutive days off and “Anniversary Vacation” which can be freely used for anniversaries and other special days. Many employees are taking advantage of these programs.



Winning “Child Raising Supporter Company” Certification — the *Kurumin* Next Generation Supporter’s Mark

The SG Holdings Group actively works on measures to support raising next-generation children. In 2015 Sagawa Global Logistics won the right to use the *Kurumin* next-generation supporter’s mark by being certified as a child raising supporting company. Currently six Group companies—Sagawa Global Logistics, SG Holdings, Sagawa Express, Sagawa Logistics Partners, SGH Global Japan, and SG Systems—are qualified to display the *Kurumin* mark.



Next Generation Supporter’s Mark (*Kurumin*)

Sports Yell Company

SG Holdings received “Sports Yell Company” certification from the Japan Sports Agency in December 2017. The Sports Yell Company program, which started in 2017, certifies companies which promote the health of employees in the prime of life who tend to lack exercise. The Company earned this certification in recognition of its efforts in sponsoring the activities of sports clubs and for many years holding sports days for all Group employees and their families, sponsoring sports events for elementary school students and being a special sponsor of the All Japan High School *Ekiden* [long-distance relay] Championships and other sports-based human resources development activities. The Company has also received certification for three years in a row as a “Tokyo Sports Promotion Company” by the Tokyo Metropolitan Government for its active promotion of sports activities on the part of its employees and its support of activities contributing to society in the area of athletics.



2017 Certification Sticker

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Employee Data

Number of employees (Group Overall)

Fiscal Year	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Male	56,030	59,244	60,380	60,770	62,943
Female	18,316	21,169	23,574	25,036	27,765
Total	74,346	80,413	83,954	85,806	90,708

Number of Employees by Type (Group Overall)

Fiscal Year	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Regular employees	39,497	42,303	42,078	43,138	45,361
Quasi-employees	2,063	1,205	1,249	1,354	908
Commissioned employee (<i>Shokutaku</i>)	605	598	667	702	789
Contract employees	9,109	9,233	9,671	15,003	17,366
Temporary employees	21,173	24,101	26,177	21,505	23,000
Registered temporary employees	1,899	2,973	4,112	4,104	3,284
Total	74,346	80,413	83,954	85,806	90,708

Numbers of Male and Female Managers and Supervisors (Group Companies in Japan)

Fiscal Year	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Male	1,861	1,818	1,838 (2,324)	1,846 (2,396)	1,990 (2,492)
Female	45	52	56 (196)	64 (220)	88 (270)
Total	1,906	1,870	1,894 (2,520)	1,910 (2,616)	2,078 (2,762)
Ratio of Female Managers and Supervisors	2.36%	2.78%	2.96% (7.78%)	3.35% (8.41%)	4.23% (9.77%)

*The numbers in parentheses 2015 and after are for the entire Group, including overseas.

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Number of New Graduate Employees (Japan)

Fiscal Year	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Male	773	383	542	536	523
Female	289	166	223	230	244
Total	1,062	549	765	766	767

Employee Retention rate (Japan)

Fiscal 2016 Regular Employee Retention Rate	79.47%
Fiscal 2017 Regular Employee Retention Rate	84.82%

New Graduate Employee Retention Rate (Japan)

Two-year Retention Rate	Fiscal 2016 Regular Employee Retention rate ¹	75.84%
One-year Retention Rate	Fiscal 2017 Regular Employee Retention rate ²	85.73%

*Number of persons who left the company by the end of the fiscal year / Number of employees joined at the start of the fiscal year

*1 100% – (number of employees who joined in 2016 and left by the end of fiscal 2017 / number of new graduates who joined on April 1, 2016)

*2 100% – (number of employees who joined in 2017 and left by the end of fiscal 2017 / number of new graduates who joined on April 1, 2017)

Rate of Employment of Persons with Disabilities (Japan)

As of June 1, 2016	As of June 1, 2017	As of June 1, 2018
2.06%	2.04%	2.28%

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Turnover Rate (Japan)

Fiscal 2017 Attrition Rate ^{*1 *2}	5.90%
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*1 Calculated by dividing the number of employees at the start of the fiscal year by the number of employees who left in that fiscal year

*2 The attrition rate includes voluntary resignations

Prepartum and Postpartum and Childcare Leave Rates and Retention Rate (Japan)

Leave Classification	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of persons who took prepartum and postpartum leave	239	253	259
Number of persons who took childcare leave	341	272	382
Childcare leave rate (%) ^{*1}	100	98.86	99.42
Return-to-work rate subsequent to prepartum and postpartum leave and childcare leave (%) ^{*2}	99.16	99.74	95.22

*1 Ratio of women who took childcare leave subsequent to childbirth

*2 Ratio of persons who returned to work prior to or at the termination of leave scheduled to terminate in fiscal 2017

Number of Employee Work-related Accidents per Year (Japan)

Number of Fiscal 2017 Work-related Accidents	
Not resulting in absence	571
Resulting in absence	380
Serious injury	—

Results of Employee Attitude Survey (Japan)

Fiscal 2017	
Response rate (%)	84.20
Satisfaction score (maximum of 5)	3.54
Ratio of questioned employees to total number of employees (%)	67.60

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7 AFFORDABLE AND
CLEAN ENERGY8 DECENT WORK AND
ECONOMIC GROWTH9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE11 SUSTAINABLE CITIES
AND COMMUNITIES13 CLIMATE
ACTION

Creating New Value through Comprehensive Logistics Solutions

► Development of comprehensive logistics solutions

► Policy	96P
► Systems	96P
► Initiatives	98P
► Awards and Certification/Accreditation	105P

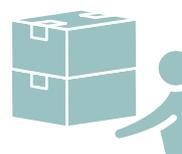
► High-quality services

► Policy	106P
► Systems	106P
► Initiatives	107P
► Awards and Certification/Accreditation	110P

■ Awareness of Social Issues

The total size of the logistics business in Japan including trucks, railways, ocean-going shipping, airfreight and warehouses is approximately 25 trillion yen, and the trucking business accounts for approximately 15 trillion yen (fiscal 2014) of this, indicating that our business provides an essential function to society. Meanwhile, the logistics business still has much room for improvement of efficiency such as reducing its environmental impact. The Group not only conducts a trucking business, but creates new value through comprehensive logistics solutions combining a nationwide transportation and delivery network, diverse functions of Group companies and partnerships with partner companies.

■ Impact

Overall
Logistics
BusinessApprox. **25**
trillion yenTrucking
BusinessApprox. **15**
trillion yen

*Current State and Issues of the Japanese Trucking Industry 2018 (“*Nihon no truck yuso sangyo genjou to kadai 2018*”) (Japan Trucking Association)

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Development of Comprehensive Logistics Solutions

Policy

■ Approach

The SG Holdings Group believes that realizing greater efficiency in logistics by responding to changes in the market environment through comprehensive logistics solutions is essential for continuing to provide people with a convenient lifestyle. In order to realize the improvement of efficiency, it is necessary to engage in the creation of local transportation networks and provide

forwarding not only in Japan but also overseas, especially in Asia, which is expected to grow into the future.

Finding new possibilities for responding to the social background in Japan and overseas is seen to be an important issue, and we will contribute to improving the efficiency of logistics by seeking out new solutions.

Systems

■ Organization

● GOAL® (GO Advanced Logistics)

GOAL is a specialized group providing the best solutions for logistics by identifying underlying customer issues. Product life cycles are shortening, service competition is intensifying and business is becoming more globalized. One of the keys to responding to such changes in the market environment is improving the efficiency of management through overall optimization of logistics. In response to such changes in the market environment, GOAL provides logistics solutions merging the nationwide network of Sagawa Express, which has

strengths in distribution between businesses, the diverse resources of Sagawa Global Logistics such as logistics processing, and the global, IT and payment functions of Group companies.

GOAL uses a system of teams of four to six people, and currently has around 200 people forming teams by area nationwide. Sagawa Express has also established a marketing team with specialized knowledge, providing support to the area-based teams as required.

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Expansion of International Logistics

Overseas business management company	SG HOLDINGS GLOBAL		
Local subsidiaries	Tianjin Poly-Sagawa International Trading	Sagawa Express Philippines	SG Sagawa Ameroid
	Shanghai Poly-Sagawa Logistics	Sagawa Express (Thailand)	SG Sagawa USA
	Poly-Sagawa Logistics	SG Sagawa (Thailand)	Expolanka Holdings
	Sagawa Express (H.K.)	Sagawa Express Vietnam	
	Sagawa Express International Taiwan	SG Sagawa Vietnam	
	Sagawa Logistics Korea	SG Sagawa Express Vietnam	
			90 companies in total

Through SG Holdings Global, our overseas business management company based in Singapore, we conduct a freight forwarding business, which is our core business, in overseas markets especially in rapidly growing Asia, and also provide high added value services from upstream to downstream in the supply chain by strengthening businesses surrounding logistics, such as customs clearance, 3PL (enterprise logistics) and domestic land transportation.

In particular, SG Holdings positions Vietnam with its rapidly expanding textiles industry as a vital location in its global strategy. With Sagawa Express Vietnam launched in a joint venture with local capital under the socialist country's regulations, SG Sagawa Vietnam established as a wholly-owned subsidiary in 2015, and SG Sagawa Express Vietnam established through an M&A deal with a delivery company with a delivery network spanning all of Vietnam in 2016, it has become possible to conduct a variety of business using a three-company system. At present, we have offices in the north and south, in addition to five distribution

warehouses and 99 hub service centers covering all of Vietnam as we build a network within the region to provide total support to customers' production and sales in Vietnam from a logistical aspect.

Furthermore, we are also providing solutions linking 3PL and the Last One Mile such as deliveries to individual homes using package pickup counters in shopping malls in Vietnam and fulfillment centers (handling storage, order management and delivery to individual homes) for rapidly expanding e-commerce.

In May 2014 we strengthened our freight forwarding operations by acquiring a managing interest in Expolanka, a Sri Lankan logistics company, through a tender offer. The company has particular strength in logistics not only in Sri Lanka, where it is based, but also in neighboring India and Bangladesh, and also has logistics networks in emerging markets such as the Middle East and Africa, and has expanded out integrated transportation services in international logistics within Asia and connecting Asia with Europe and America.



SG Holdings Group vehicles on the road in Vietnam

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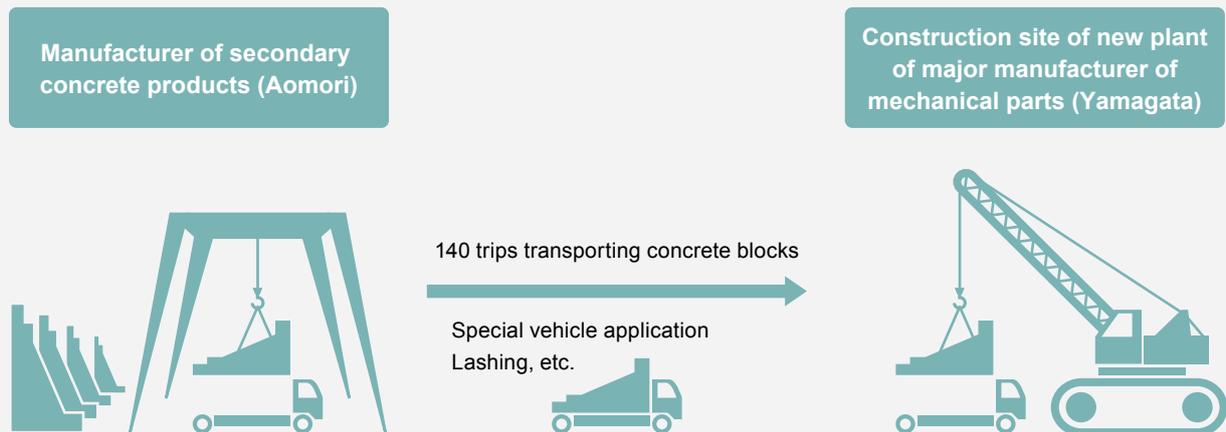
■ “TMS” Proving Diverse Means of Transportation

Sagawa Express provides “TMS (Transportation Management System) as a new logistics service for carrying all “goods” not limited to package delivery services. This provides optimal solutions tailored to customers’ needs by utilizing the know-how of the SG Holdings Group and the transportation networks of long-haul partners to produce transportation modes

other than package delivery services.

This makes it possible to perform total management for the complete relocation of factories and large-scale offices, provide special transportation of heavy goods such as aircraft and railway cars, delicate goods such as artworks and animals, etc., and operate milk runs.

Flow in the Example of Trailer Transportation of Concrete Blocks



Some of the special know-how used in this TMS

- Proposal of transportation routeProposal of route for special vehicles such as trailers
- Special vehicle application.....Advance applications to administrators of roads used on chosen route
- LashingUsing ropes, etc. to ensure the cargo does not fall off due to vibration or load during transportation

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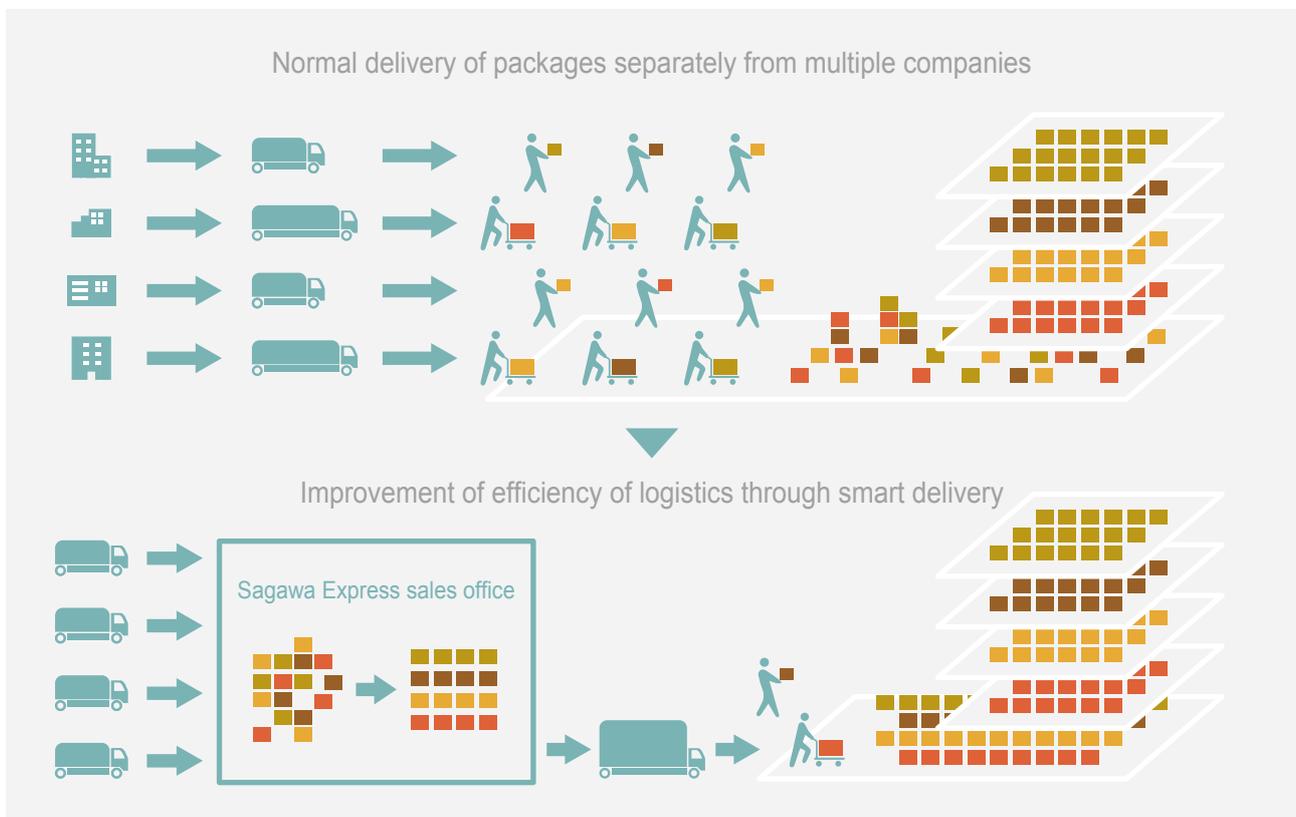
Promoting Sustainable Procurement

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Smart Delivery®

Sagawa Express has been expanding the “Smart Delivery®” services to dramatically increase efficiency from procurement (stocking) deals to receipt of goods (warehousing/inspection) between businesses. It is a service for reducing customers’ burdens on their staff and on the environment, and the service is operated in large logistics centers and large shopping malls. In usual delivery, packages to large facilities such as shopping

centers are separately delivered by different suppliers, but under the Smart Delivery®, packages are gathered and sorted by product category or location in Sagawa Express transfer centers and sales offices before being delivered to the final destination as specified by the consignee. Support is also provided for time slot-specific delivery including late night and early morning.



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■ Facility Logistics

Sagawa Express and World Supply provide “facility logistics systems” that centrally manage the entry and exit of people, goods, vehicles and information at facilities such as large-scale commercial complexes to promote greater efficiency in logistics. The two companies combined have been entrusted with 90 properties in total, including Tokyo Skytree®, Tokyo Midtown and GINZA SIX. The adoption of facility logistics systems helps aggregate delivery vehicles, mitigate traffic jams around facilities and reduce the environmental impact. The effectiveness of these systems earned a certification from the Tokyo District Distribution Efficiency Certification System (2014) as well as the outstanding the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) Minister's Award for the Excellent Green Logistics Commendation Program (2014).



Delivery at GINZA SIX

Number of Facility Logistics System Outsourcing Contracts



90

■ Fulfillment Service for Recalls

Sagawa Express has provided “Recall Total Service” for handling all aspects of recalls since March 2012. The content of the service is diverse, and includes collection of defective items, replacement with substitutes, handling of refunds, and operation of call centers for

responding to inquiries from customers in the event of a recall. Implementing recall operations without delay not only enables companies to avoid management risks, but also fulfill their social responsibility.

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■ Provision of One-stop Solutions for Relocation of Offices and Stores

In March 2018, SG Moving newly obtained a construction business license from the Ministry of Land, Infrastructure, Transport and Tourism, enabling it to provide one-stop handling of all operations related to the relocation of offices and stores. Recently, there has been an urgent demand to respond to needs including not only the movement of packages in office relocation, but also proposals of office design aimed at work style reform.

In addition to know-how spanning from procurement of construction materials to delivery and minor construction work, the acquisition of this license has made it possible to handle all aspects of operations such as large-scale renovations and interior construction work within facilities, enabling SG Moving to provide new services to meet customers' needs as a comprehensive production business operator contracted to handle all aspects including the design, proposal and construction of office spaces.



General construction business license

■ Provision of “Extended Warranty Services” in the E-Commerce (EC) Market

At present, there are not many companies providing extended warranty services for products in the EC market due to the complexity of sales schemes and the low level of awareness and use compared to similar services in large electronics retailers. However, because this is an area which consumers expect to meet their

needs, SG Moving began the “SG Extended Warranty Service” jointly developed with TWG Warranty Service Inc. in October 2015. It is a service for providing repairs in accordance with predetermined warranty provisions for a certain period after the manufacturer’s warranty has expired.

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■ Commencement of Shipping and Receiving Inspections Using RFID

In 2017, Sagawa Global Logistics commenced shipping and receiving inspections using RFID with the cooperation of COEN CO., LTD., at COEN's logistics site which is contracted within the Higashimatsuyama SRC large-scale distribution facility. RFID is an automated recognition system for reading and writing wireless communication data, and has been able to improve the efficiency of inspection operations previously performed manually in two steps when

shipping and receiving goods by installing gate-type RFID readers.

As a result, the productivity per hour has increased by 7.8 times in receiving inspections and 8.9 times in shipping inspections, and this is expected to lead to a reduction in personnel required. Future improvements in productivity utilizing RFID are expected to provide a solution to the issue of the "labor shortage" in the logistics industry.

■ Commencement of WeChat Pay Service

Sagawa Financial concluded an agreement with Tenpay Payment Technology in November 2017 as an official agent of WeChat Pay in Japan, and provides the "SAGAWA SMART PAY" payment application.

WeChat Pay is a mobile settlement service using QR codes and account data from WeChat, which is one of the largest SNS in China. It is used by more than 800 million people, and has been implemented in over 10,000 stores in Japan.

Business operators in Japan are asked to provide their own tablets for reading QR codes, and can use WeChat Pay by downloading the "SAGAWA SMART PAY" application. Sagawa Financial is supporting business operators' efforts to capture inbound demand through the provision of settlement services in order to respond to the needs of rapidly increasing Chinese tourists visiting Japan.



WeChat Pay logo



Image of the SAGAWA SMART PAY icon

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Business in Collaboration with Hitachi Transport System

SG Holdings and Sagawa Express have concluded a capital alliance with Hitachi Transport System, Ltd. to strengthen the ability to make proposals through sales partnerships in Japan and abroad, jointly develop services, and share facilities and vehicles. Within Japan, the Sagawa Express Oyamazaki Sales Office was opened within the Oyamazaki AE Sales Office owned by Hitachi Transport System in Otokuni-gun, Kyoto in April 2018. The facility combines delivery and logistics operations to provide one-stop solutions. This has made it possible to move Sagawa Express delivery times forward, improve the working environment for drivers, reduce the distance traveled by trucks and reduce the number of trucks. This also enables Hitachi Transport System to postpone shipment work hours and effectively utilize resources through facility sharing. As a result, CO₂ emissions have been reduced by 32%, efficiency of logistics operations have been improved, and labor-saving has been achieved, leading to recognition as a comprehensive rationalization plan under the Revised Act on Promotion of Integration and Rationalization of the Distribution Services specified by the Ministry of Land, Infrastructure, Transport and Tourism for the revised Act.

Furthermore, the know-how of both groups has been utilized overseas in areas where each group has strengths in Thailand (Hitachi Transport System Group) and Vietnam (SG Holdings Group) to be more competitive in Asia especially in the 3PL and delivery businesses through a variety of initiatives such as the enhancement and expansion of cross-border logistics in Southeast Asia.



Comprehensive Rationalization Plan Certification Mark



Sagawa Express Oyamazaki Sales Office

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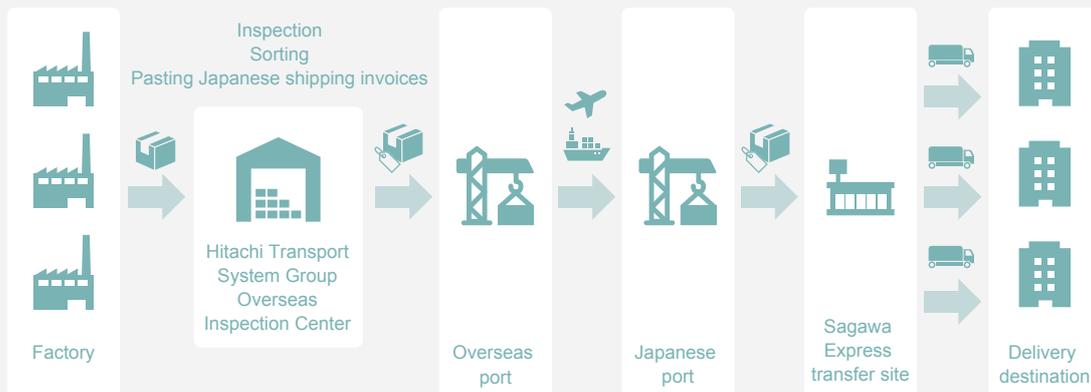
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Smart Import® International Logistics Service for Japan

Smart Import is a service for business operators with production sites across Asia. Products are received in local logistics sites and then internationally transported to their destinations in Japan after distribution processes such as inspection, sorting and Japanese delivery slips. With all distribution processing completed overseas, customers receive benefits such as (1) reducing labor in Japan, (2) reducing the cost of returns of defects and

customs, and (3) reducing lead times and optimizing costs. Service for companies selling apparel with production sites in China began to be provided in collaboration with Hitachi Transport System Group in October 2016, and services from the SG Holdings Group's locations in Vietnam have also begun. The range of products handled will be expanded in future to meet customers' needs.



Reduction of lead time

- Reduction of sorting operations and the time for Japanese shipping operations at centers in Japan.

Optimization of costs

- Reduction of costs through overseas transfer of logistics process procedures (inspection, needle detection, store-by-store sorting, etc.)
- Reduction of expenses such as the costs of returning defective goods and import duties through inspection and needle detection overseas

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Awards and Certification/Accreditation

Certification/Accreditation

● Accreditation under the Act on Promotion of Integration and Rationalization of the Distribution Services in fiscal 2017

Date of accreditation	Names of implementing business operators	Area	Business details	Effect (result as percentage of pre-initiative level)
March 29, 2017	Sagawa Express, Hokuetsu Express Corporation	Railway modal shift	Initiatives for mixing freight and passengers on passenger railways	CO ₂ emissions: 88% Driving hours for drivers: 60%
August 8, 2017	Sagawa Express, Sagawa Advance, Japan Freight Railway Company, Japan Freight Railway South-Kanto Logistics Company, Zenkoku Tsuun Co., Ltd.	Railway modal shift	Railway modal shift such as for fresh flowers and fresh food utilizing containers with functions for maintaining freshness	CO ₂ emissions: 89.3% Driving hours for drivers: 88.5%
September 1, 2017	Sagawa Express, Toyota Transportation Co., Ltd.	Railway modal shift	Modal shift of transportation for package delivery services utilizing spare space on trains for carrying automotive parts	CO ₂ emissions: 68.8% Driving hours for drivers: 90.0%
March 22, 2018	Sagawa Express, Hitachi Transport System West Japan Co., Ltd.	Transportation network consolidation business	Transportation network consolidation associated with the establishment of the Oyamazaki Sales Office	CO ₂ emissions: 31.6% Driving hours for drivers: 16.1%

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High-quality Services

Policy

■ Approach

The SG Holdings Group believes that quality is the foundation for providing high-value services.

By establishing structures and mechanisms aimed at improving quality, the Group ensures quality management to respond to the trust of customers.

Systems

■ Organization

Sagawa Express, which is the core of the Group, is endeavoring to improve transportation quality by assigning personnel responsible for quality in 18 branches and 426 sales offices nationwide, centered on the Quality Assurance Department, which is the department responsible in head office.

In nationwide quality promotion personnel meetings held monthly, personnel responsible for promoting quality in the responsible head office departments and branches reflect on issues that have occurred, identify their causes and discuss improvement measures, and the content of these discussions is shared with all sales offices in real time using tablets.



■ Quality Control Systems

Sagawa Express has acquired the ISO 9001:2015 international standard for quality management systems certification for continued improvements to transportation quality at 458 business sites.

In order to enable services with uniform quality to be provided in sales offices nationwide, manuals on various services are made available to enable Sales Drivers® to check the latest manuals at any time. Furthermore, internal and external audits are performed to check whether operations are being conducted correctly in accordance with manuals. Internal

audits are conducted by auditors granted licenses unique to Sagawa Express (2,655 license recipients nationwide). They perform checks, reviews and guidance for improvements in all operations in the services provided by their sales offices twice each year. External audits perform checks on randomly selected branches from the perspective of a third party, and issues discovered in the audits are shared with the nationwide meetings for quality promotion personnel and put through the PDCA cycle.

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Initiatives

Quality Improvement Initiatives

Sagawa Express establishes quality items for improving transportation quality every year, sets targets and implements measures.

The quality items are quantified and used to make improvements by identifying the causes when the standard values are not reached. For example, we have installed “impact meters” together with dummy shipments that measure impacts to scientifically examine

where 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 contest for employees.

Quality items in fiscal 2017

Time quality	(1) Time-band service fulfillment rate
	(2) Absence redelivery fulfillment rate
	(3) <i>Hikyaku</i> Just Time Express fulfillment rate
	(4) Morning commercial delivery rate
Freight quality	(5) <i>Hikyaku</i> Cool Express freight temperature accident rate
	(6) Outbound freight accident rate
	(7) Inbound freight accident rate
Response quality	(8) Complaint rate

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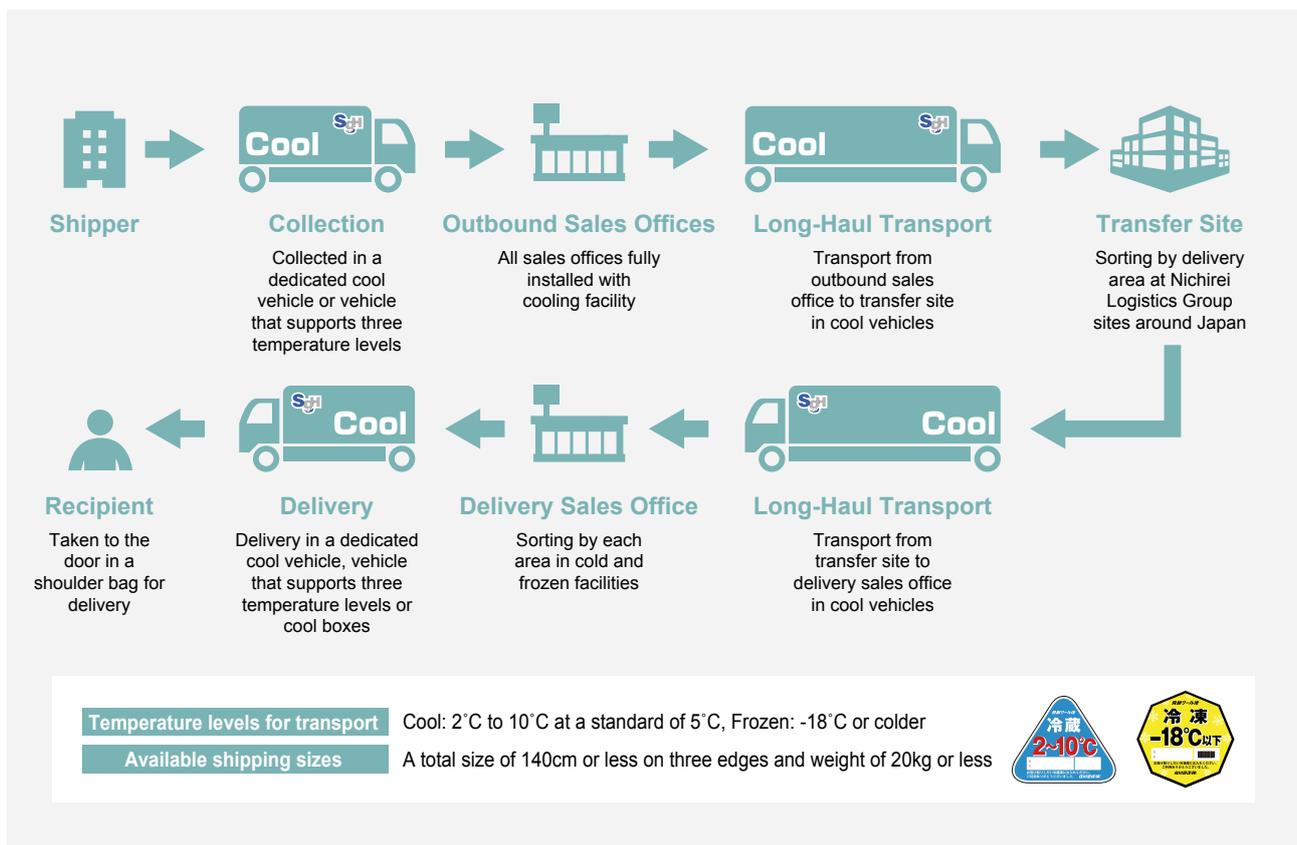
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Improvement of Quality of Hikyaku Cool Express

Hikyaku Cool Express offered by Sagawa Express aims to provide service quality able to bring peace of mind through the use of vehicles, equipment and fixtures repeatedly inspected so that shipments from collection to delivery can be transported at cold or frozen temperatures. Vehicles that support three temperature levels and dedicated cool vehicles are used in collection and delivery. “Cool boxes” are used when using vehicles that transport items at normal temperatures. In addition, all of our sales offices are fully equipped with cold or frozen facilities. We use our alliance partner Nichirei

Logistics Group cooling facilities at transfer sites for long-haul transportation 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. Apart from these initiatives, we are constantly making improvements. For example, we changed the shape, color and size of care mark stickers pasted to packages to be easier to view based on comments from customers and reflections on what we have done in the past.



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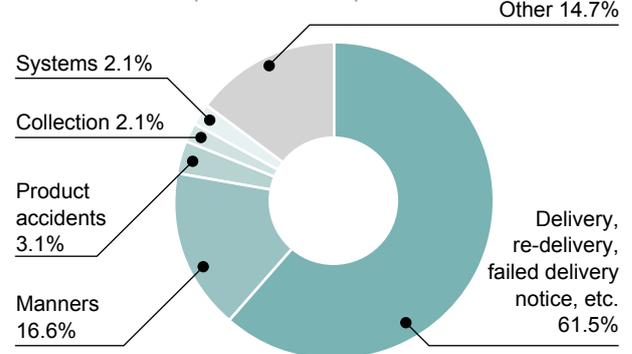
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Mechanisms for Fully Applying Customer Feedback

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. These are used to improve customer satisfaction.

In the future, we will work to further improve 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



Holding Quality Championships

SG Moving has established the further improvement of "service quality" in its main businesses of moving and equipment transport and installation business as priority issues, and is focusing on the development of specialized staff. As part of this, the Quality Championships have been held since 2012, providing a competition for manners to customers, advanced knowledge and skills in an effort to improve service quality. The championships were held for the sixth time in fiscal 2017, and a total of 24 people in 12 teams selected from throughout Japan including partner companies participated. The competition is based on the total score made up of two kinds of results; a written examination that tests skills developed in everyday work and combined event (packaging, carrying and assembly). This year, a female team displaying detailed work and manners was victorious. In addition, more than 500 guests were invited from inside and outside the company to view demonstrations of the Company's advanced technological capabilities, such as new initiatives to install air conditioners and built-in stoves, and the unloading and installation of large, heavy objects such as endoscopic surgery robots and gate-type metal detectors.



The winning team during the competition

Provision of Warranties

SG Motors is endeavoring to establish a quality assurance system for products and service provided to customers. Since 2016, the company has been selling warranties for used vehicles, selling comprehensive warranties for mobile vendor

vehicles including chassis in body manufacturing, and also engaging in a variety of quality measures for providing warranties in vehicle maintenance.

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Awards and Certification/Accreditation

Awards

- Six recipients of awards in the national competition of the “56th Telephone Response Competition” hosted by the Japan Telecom Users Association

Certification/Accreditation

- Acquisition of ISO 9001:2015 international standard for quality management systems

- Sagawa Express Co., Ltd. (458business sites)
- SG Moving Co., Ltd. (Head Office Sales Department, Tokyo Branch)
- SG Systems Co., Ltd.
(Kanto Branch / Tokyo Contact Center,
Telematics Solution Unit / BPO Sales Unit 1 /
BPO Sales Unit 2 / BPO Strategy PJ, Kanto BPS Center,
Kansai Branch / Kansai BPS Center,
Telematics Solution Unit / Kansai BPS Center,
Okinawa Contact Center, Fukushima BPS Center)
- Expolanka Freight (India and Sri Lanka)
- SG Sagawa Ameroid

- SG Moving has passed “IKEA IWAY”

IWAY is “The IKEA Way on Purchasing Home Furnishing Products.” It stipulates the minimum requirements demanded of IKEA’s suppliers concerning the environment, working conditions and child labor, and what suppliers can expect of IKEA.



Letter from IKEA

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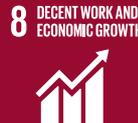
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Contributing to Communities

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Awareness of Social Issues

In Japan, revitalizing regional communities amidst a declining and aging population is a pressing issue. The SDGs recognize the mutual links between environmental, economic, and social issues and emphasize integrated solutions. As a socially responsible corporation operating in communities around the world, the SG Holdings Group is working to solve community challenges through an integrated approach that includes all three factors. In Japan, we implement various initiatives to contribute to sustainable development, including disaster recovery assistance and forming comprehensive partnership agreements for regional revitalization with local governments.

Impact

Comprehensive Partnership Agreements for
Regional Revitalization



3



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As of March 31, 2016

As of July 31, 2018

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Policy

■ Approach

As a socially responsible corporation operating in communities around the world, the SG Holdings Group strives for the social harmony through its business in logistics, which serves as a social infrastructure. Following our SG Holdings Group Charter of Corporate Conduct and Code of Ethics and Conduct, we are

focused on three areas of initiative: supporting and partnering with local governments, providing services that contribute to community development, and fostering future generations and contributing to overseas communities.

Initiatives

■ Supporting and Partnering with Local Governments

● Reconstruction support for local governments in the disaster-affected areas

Sagawa Express provides various forms of recovery assistance when disaster strikes, such as transporting emergency supplies and distributing them to evacuation centers in affected areas. The company supported relief operations including transporting supplies in response to requests from the Cabinet Office Disaster Control

Headquarters and the affected local government, Kumamoto City, in the 2016 Kumamoto Earthquakes, and from the affected Asakura City in the 2017 Northern Kyushu Flood. Additionally, Sagawa Express has formed disaster support agreements with 65 local governments (as of August 31, 2018).

● Supporting community disaster risk reduction

As a designated public institution under the Disaster Countermeasures Basic Act of Japan, Sagawa Express assists local governments in the efficient preparation and implementation of their disaster risk reduction plans. In January 2018, the company collaborated in a training event for transporting disaster relief supplies, co-organized by the Ministry of Land, Infrastructure and

Transport and Saitama City. Using the Kitakanto Branch Saitama Sales Office as an in-city distribution center, participants practiced a fully integrated truck-based transport operation connecting regional distribution centers in Saitama prefecture with local evacuation centers.



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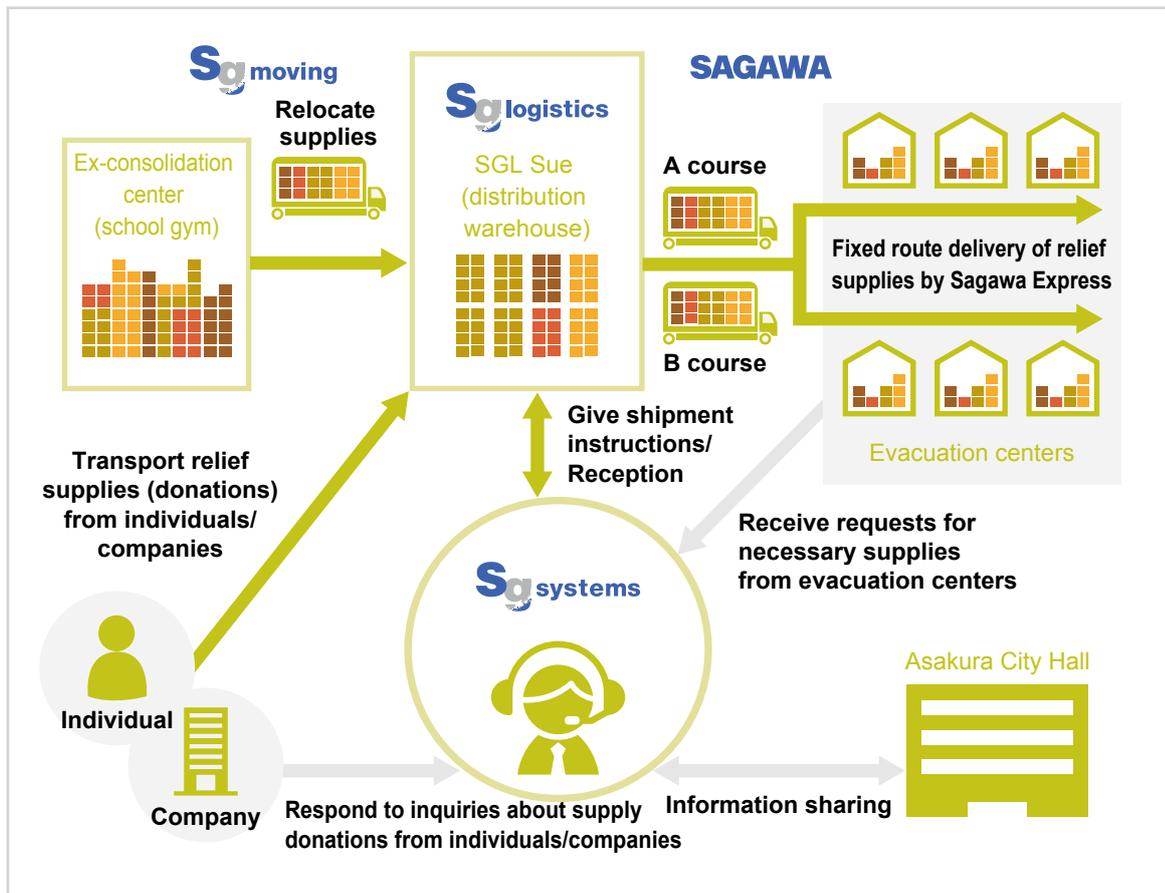
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Column Case Study: Disaster Recovery Assistance in Asakura, Fukuoka

The SG Holdings Group provided disaster recovery assistance for about three months (August 8 to October 31, 2017) in response to a request from Asakura City, Fukuoka Prefecture, which was heavily damaged by torrential rains that hit northern Kyushu in July. Initially, the task of managing relief supplies and delivering them to evacuation centers was handled by city employees, but the pace of organizing supplies and the burden of the work proved too great for them to handle alone.

To address these issues, the SG Holdings Group set up a system that allowed city employees to focus on their usual tasks and on reconstruction. SG Moving relocated the relief supplies from a

school gymnasium, which served as a consolidation center, to the Group's distribution warehouse. At the warehouse, Sagawa Global Logistics organized the supplies by type and otherwise managed consolidation to streamline shipments, while also handling receipt, storage, and shipping operations. Sagawa Express's Sales Drivers delivered relief supplies along fixed routes, while SG Systems provided support operations via its call centers. By collaborating in this way, Group companies found comprehensive and integrated solutions to the needs of affected local governments, thus enabling a more efficient recovery.



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● Comprehensive partnership agreements for regional revitalization with local governments

Regional Japan faces a growing array of challenges, and many local governments are taking proactive steps to build attractive, livable communities. As a nationwide business, Sagawa Express is entering into comprehensive partnership agreements for regional revitalization with local governments and actively seeking solutions to diverse issues. As of July 31, 2018, we've formed partnerships with 18 prefectures and 8 cities across Japan.

These agreements are broad in scope, covering everything from economic revitalization to disaster recovery. Examples include contributing to tourism through the promotion of "Hands-Free Travel" building systems to help distribute and sell local products, and transporting relief supplies during disasters. To help build more secure and comfortable communities, we are also advancing initiatives that address social issues, including fostering children and youth, supporting the elderly and people with disabilities, and conserving the environment.



Partnership agreement signing ceremony with Okayama Prefecture

History of partnership agreements formed

2015	June	Hirado City
2016	March	Kyoto Prefecture
		Yamanashi Prefecture
		Osaka Prefecture
	August	Yokohama City
		Tochigi Prefecture
October	Okayama City	
2017	February	Kagoshima Prefecture
		Miyazaki Prefecture
	March	Niigata City
		Kumamoto City
		Gunma Prefecture
		Shimane Prefecture
	May	Yamaguchi Prefecture
	August	Nagoya City
		Oita Prefecture
	September	Kochi Prefecture
		Ehime Prefecture
	October	Mie Prefecture
	December	Shizuoka Prefecture

2018	January	Tottori Prefecture
	February	Okayama Prefecture
	March	Hiroshima City
	May	Hokkaido
		Aichi Prefecture
	July	Saga Prefecture

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■ Providing Services that Contribute to Community Development

● “Hands-Free Travel” service

The partnership agreement signed with each local government includes “Hands-Free Travel,” a service that collects baggage from tourists and delivers them to their desired location so they can enjoy traveling hands-free. The services are offered at 15 permanent stores across Japan (as of April 2018), with 11 counters in them designated by the Ministry of Land, Infrastructure and Transport. As the number of tourists visiting Japan grows, Hands-Free Travel encourages longer-distance excursions, thereby promoting tourism and revitalizing metropolitan and tourist areas.



Tokyo Skytree Town Service Center

Meeting the growing inbound tourism demand

Sagawa Express operates a delivery counter at two locations inside the JR Osaka station. Given the large number of international tourists, English-speaking staff are always available to provide easy access to services. In April 2018, the company also began offering a bag check service inside the Hida Takayama Tourist Information Center, a popular visiting spot for tourists, located near Takayama Jinya, the heart of tourism in Takayama City.



A delivery counter for inbound tourists inside Osaka Station City (JR Osaka station)

Hands-Free Travel services used at events

Sightseeing Without Baggage services are offered not just at permanent stores but also at various event venues using temporary retail spaces. At Ashikaga Flower Park, Sagawa Express set up a temporary booth in expectation that existing facilities would be insufficient

for meeting demand, especially during Golden Week holidays when tourism peaks. Many users were international tourists, and the spread of information over social media helped to increase the number of users.

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Permanent stores that offer Hands-Free Travel services

Prefecture	Store	Bag check	Same-day hotel delivery	Airport pickup	Domestic shipping	International shipping	MLIT designation
Tokyo	Tokyo Skytree Town Service Center	○	○	○	○	○	○
	Tokyo Service Center	○	○	○	○	○	○
	Asakusa Kaminarimon Service Center	○	○	○	○	×	○
	Shinjuku Service Center	○	○	○	○	×	○
	Terminal Ginza delivery Counter	○	○	○	○	○	○
Kanagawa	LaLaport Ebina delivery Support Center	○	×	×	○	×	×
Gifu	Hida Takayama Tourist Information Center inside Takayama Hand Baggage Counter	○	×	×	○	×	○
Osaka	Osaka Station City Tourist Service Center Delivery Counter	×	○	○	○	○	×
	Travel Service Center Osaka Delivery Counter	○	○	○	○	○	×
Kyoto	Kyoto Station Delivery Counter	×	×	×	○	×	×
Ehime	Matsuyama Airport Home Delivery Counter	×	○	×	○	×	○
Fukuoka	Hakata Deitos Delivery Service Counter	×	×	×	○	×	○
	Fukuoka Service Center	○	○	○	○	×	○*
Kagoshima	Kagoshima Central Station Baggage Storage	○	○	×	○	×	×
Okinawa	Naha Airport delivery Counter	×	×	×	○	×	○

As of April 30, 2018

*At Fukuoka Service Center, two Hands-Free Travel counters are designated.

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● Mixing freight and passengers with local transport networks

Sagawa Express is promoting the mixing of freight and passenger transport. Low passenger demand caused by population decline and aging has made it difficult for communities, especially those experiencing depopulation, to maintain infrastructure and secure labor for transportation. By marrying different transport modes, the company has built and begun operating systems that make use of excess capacity in each mode, thereby solving their respective issues.

Transporting freight using excess capacity on trains, buses, taxis, and other modes reduces truck shipments, which not only benefits the environment

through reduced CO₂ emissions, but also helps maintain buses, trains, and other transport infrastructure that provides essential services to community residents.

Going forward, we hope to create more success stories in solving social issues by continuing to accurately identify the specific issues communities face and by comprehensively and organically changing the way people and goods are carried through collaboration with stakeholders, such as through comprehensive partnership agreements with local governments and deeper partnerships with local businesses.

Milestones

2017	Apr.	Hokuetsu Express	Began mixed transport of freight and passengers between Uragawara (Joetsu City, Niigata) and Muikamachi (Minami Uonuma City).
	Aug.	Chubu District Transport Bureau, MLIT	Began a pilot test of a mixed freight and passenger model using fixed-route buses between Takayama City, Gifu, and Matsumoto City, Nagano (until November 2017).
		Nohi Noriai Jidosha	
		Alpico Kotsu	
	Sep.	Iyotestu Group	Began offering the fixed-route bus service that delivers baggage to partner hotels in Ehime Prefecture.
		Uwajima Bus	
Setouchi Bus			
Nov.	Asahikawa Chuo Limousine Taxi	Began a mixed freight and passenger model using shared taxis between JR Higashi-Asahikawa Station and Peipan district in Hokkaido.	
2018	Feb.	Ugokotsu	Pilot test between Yurihonjo City and Nikaho City (until February) and between Funagawa and Kitaurayumoto in Oga City, Akita Prefecture (until March)
	Mar.	Akita Chuo Kotsu	
	Jun.	MK	Began providing same-day baggage delivery service using shared taxis between Kansai International Airport and locations in Kyoto City.
JAL ABC			



Shipping freight along with passengers on a shared taxi (Asahikawa Chuo Limousine Taxi)

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● Home delivery service provided by retirement-aged workers

In the cities of Imari, Saga, and Kitakyushu in southern Japan, local seniors are delivering packages for Sagawa Express. The project is a business partnership between Sagawa Express and local governments. Sagawa Express delivers packages to distribution centers in each region, where retirement-aged staff transfer the packages to a bicycle or hand cart and deliver them to nearby homes and businesses. This project not only alleviates labor shortages in the logistics industry and reduces the burden on drivers, but also helps seniors find paid work and can even be used in neighborhood watch activities. The company plans to expand delivery areas and workers going forward.



● Opening of the Nagasaki Business Support Center

SG Expert opened the Business Support Center in Nagasaki City with the goal of strengthening disaster preparedness as part of its Business Continuity Plan (BCP) and securing a stable base of skilled human resources. The center is the largest regional site for SG Expert and the first in Nagasaki Prefecture to be recognized by a national program which aims for transfer and expansion of headquarters functions away from metropolitan areas. The center is also contributing to job creation in the region.



● Alliance with Lawson, Inc.

SG Holdings created a business alliance with Lawson, Inc. in 2015 and established the SG Lawson, Inc. joint venture company. The business delivers Sagawa Express packages and Lawson products within 500 meters of participating Lawson stores by hand cart or bicycle. It reduces environmental impacts while also providing employment to at-home parents and seniors who just want to work close to home.



SG Lawson delivers packages by hand cart or bicycle

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■ Fostering Future Generations and Contributing to Overseas Communities

● Safety awareness initiatives

Sagawa Express holds employee-taught Sagawa Express Traffic Safety Classes in communities across Japan. The classes began from a desire to protect children from tragic traffic accidents. Course content includes how to properly cross the street and read road signs and traffic signals. Truck blind spots and situations that likely lead to accidents are also explained using actual trucks.

We also hold classes on request from local police, from the perspective of helping entire communities protect children's safety. In fiscal 2017, 77,389 people participated in 920 classes nationwide.



A traffic safety class

Number of Participants in Traffic Safety Classes



Fiscal 2017

77,389*

*Includes traffic safety classes for seniors.

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● Hands-on learning about logistics

Sagawa Express is a supporter of Logistics Frontline, a work experience event for children, organized and run by the Future Innovation Forum (FIF) since 2007. The event is part of their career education curriculum and encourages them to think about work and how society functions.

In 2017, 18 fifth and sixth-grade students were chosen by lottery to participate. They toured the cooling facilities and trucks at the Sagawa Tokyo Logistics Center and practiced delivering packages using next-generation devices. Through hands-on experience, the children learned about the mechanisms of the home delivery business and the work people do in it, providing them the opportunity to contemplate their own future careers.



Logistics Frontline, a work experience event

● Hosting special education students for work experience

Sagawa Global Logistics provides professional training in partnership with nearby special schools. In the first year, students become familiar with logistics operations through visits to workplaces. In the second year and beyond, they undergo practical training in preparation for future employment. Every year,

several students join the company through the program (seven joined in April 2018). Moreover, since alumni look after younger students from the same school, a comfortable work environment is created which allows their guardians to feel a sense of security.

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● Sports initiatives

The SG Holdings Group makes various efforts to help foster the next generation through sports. Since 2016, we have held the SG Holdings Kids Sports Camp at our Moriyama Park athletic facility. In 2017, we invited top athletes Yuko Arimori (marathon runner) and Taeko Utsugi (softball player) and pro dancer Kento Mori to provide first-rate instruction to 57 participating elementary school students. The event was an opportunity for the children to learn important social skills through sports, such as teamwork, greeting others, and respecting peers by following rules. Since 2016, we have sponsored the All-Japan High

School Ekiden Championship, held every December in Kyoto, to support the development of young high-school runners.

Sagawa Express hosts the Sagawa Shiga Football Academy in Moriyama Park, supporting the healthy development of local children through soccer by running a junior youth team for junior high school students and a soccer school for kindergarten and elementary school children. It also holds soccer events at kindergartens mainly in Moriyama City; in fiscal 2017, 650 kindergarten students enjoyed soccer at 13 locations.

SG Holdings Kids Sports Camp 2017



Track and field: Group photo of Yuko Arimori and participating children



Softball: Children receiving instruction from Taeko Utsugi

All-Japan High School Ekiden Championship 2017



Photo credit: Mainichi Newspapers Co., Ltd.

Sagawa Shiga Football Academy



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Local contribution activities of Expolanka (Sri Lanka)

Expo Microfinance for emerging Entrepreneurs

Expolanka has provided Rs.1 million for the micro financing project through the revolving funds pumped in 2016. So far 250 beneficiaries benefited and developed as entrepreneurs through trainings.



Putting a Smile on the EFL Neighborhood

The “EFL Cares” team distributed gifts to 350 houses targeting the children around the Expolanka Freight (EFL) campus area during the Christmas season to bring the spirit of Christmas in the neighborhood and this was conducted for the second consecutive year.



Expolanka Group Initiative – ROOM TO READ

Due to the recent floods many schools have been devastated and libraries were also ruined. Expo Group Care initiated a book collection programme from the group staff in order to restore libraries in affected schools.



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Affiliated Organizations

SGH Foundation

The SGH Foundation, a public interest incorporated foundation, supports research and business dedicated to the promotion and development of economy and industry, education and culture, and healthcare and

welfare. Its mission is to contribute to a broad, multi-faceted array of social activities toward creating a vibrant globalized society.

Study abroad scholarships

The SGH Foundation provides scholarships to self-funded international students from countries in Southeast Asia. Since this program began in 1986, 510 students have been selected for scholarships totaling 1,154 million yen. Besides financial assistance, the foundation also strives to give the students a rich experience in Japan by publishing written anthologies and holding award ceremonies, social gatherings, and reunions. In fiscal 2017, 97 students from 83 universities across Japan applied, of which 16 applicants were selected for the program's 32nd term.



Commemorative photo of scholarship recipients with Chairperson Eiichi Kuriwada

Promotion of cancer research

The SGH Foundation issues grants and awards to basic and applied research on cancer, hosts symposiums and open workshops, and publishes reports on research results. In fiscal 2017, grants were given to 15 of 195 applications from research institutions across Japan. The foundation also presented the SGH Special Award and the SGH Nursing Care Special Award to people who have made distinguished contributions to cancer research and the advancement of nursing care and show strong future promise.



SGH Cancer Research Grant award ceremony

- 29th SGH Cancer Research Grant: 15 recipients (15 million yen)
- 15th SGH Special Award: 2 recipients (10 million yen)
- 15th SGH Nursing Care Special Award: 2 recipients (2 million yen)

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● International economic cooperation

The SG Holdings Group supports the development of human resources in logistics by hosting trainees from China and developing and emerging countries in Southeast Asia and by dispatching experts to higher education institutions specializing in logistics. In fiscal 2017, we held an intensive course on logistics for 120 students at the Ho Chi Minh City University of Transport in Vietnam as a human resources development program in partnership with the Ministry of Land, Infrastructure, Transport and Tourism of Japan. We also invited 10 Chinese university students who major in logistics to Japan for an intensive course on logistics.



■ Sagawa Art Museum

The Sagawa Art Museum opened in March 1998 in Moriyama, Shiga Prefecture. The museum holds permanent exhibitions of works by Ikuo Hirayama, Churyo Sato, and Kichizaemon Raku, as well as various temporary exhibitions. It promotes education and the cultivation of aesthetic sensitivity and expressiveness through the Sagawa Kids Museum, workshops, and other events.

In May 2017, the museum signed a partnership and cooperation agreement with Moriyama City to revitalize the community through the promotion of local arts and culture. As a cultural hub in Moriyama, the museum will promote arts education and children's development by fostering an understanding of and appreciation for the arts among residents. Specific activities include holding arts appreciation classes for Moriyama City public elementary school students and art courses for the general public.



Sagawa Kids Museum: Magical Museum II (2017)

Number of Museum Visitors in fiscal 2017



172,342

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Promoting Sustainable Procurement

- ▶ Policy 126P
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■ Awareness of Social Issues

As calls for companies to address human rights and the environment increase globally, it has become necessary to engage in sustainable business activities throughout the entire supply chain in Japan and abroad. The sustainable development goals (SDGs) set forth by the United Nations also call for revitalization of partnerships, stating that they “can only be realized with a strong commitment to global partnership and cooperation.” The SG Holdings Group is a corporate group supported by approximately 16,000 business partners (suppliers). Promoting CSR activities throughout the entire supply chain not only contributes to the development of a sustainable society, but also our own development.

■ Impact



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Policy

■ Approach

Sustainable collaborative relationships with business partners (suppliers) are essential for the SG Holdings Group to conduct sustained business. We are a corporate group supported by approximately 16,000 subcontractors. The sustainability of subcontractors is one of the issues we face in our business. To ensure the prosperity of our business partners (suppliers), we have established the SG Holdings Group Business Partner CSR Guidelines indicating the Group's

views on CSR and corporate stance on procurement. These guidelines require business partners to understand and corporate concerning 1) legal compliance, 2) maintenance and improvement of safety and security, 3) consideration for human rights and work environments, 4) fair trade transactions, 5) consideration for the global environment, 6) preservation of information security and 7) coexistence with local communities.

■ Business Partner CSR Guidelines

1. Legal compliance

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, theft, and manipulation.

7. Coexistence with local 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.

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Initiatives

■ Ensuring Safety at Business Partners (Suppliers)

The SG Holdings Group holds “Achieving a safe and secure transportation society” as a key CSR issue. We engage in a variety of initiatives such as safety patrols

and seminars for long-haul transportation companies that are our main business partners (suppliers) in order to eliminate traffic accidents from society.

Long-haul Transport Safety Patrols

Sagawa Express Long-haul Transport Safety Patrols are performed once every year for the purpose of preventing traffic accidents and vehicle breakdowns involving long-distance highway drivers. Midway roll calls and vehicle inspections are carried out in service areas and parking areas on major highways nationwide in an effort to raise awareness aimed at preventing vehicular accidents and vehicle breakdowns.

Number of Vehicles Participating in Long-haul Transport Safety Patrols



1,888
Vehicles

Implemented in September 2017



Activity of the Long-haul Transport Safety Patrol

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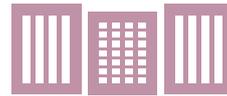
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Long-haul Transport Partner Company Safety Seminars

Management executives of long-haul transport partner companies are invited in an effort to share information on safety required for trucking business operators. In fiscal 2017, we invited external lecturers and held seminars in two locations in the Kanto and Kansai regions on addressing the labor shortage and improving the work environment, which have become problems in the transportation industry.

Number of Long-haul Transport Partner Companies



Approx.

300

Companies

As of March 31, 2017

Long-haul Transport Terminal Inspections

Long-haul Transport Terminal Inspections for providing encouragement and performing routine inspections are carried out annually for drivers of long-haul transportation companies who arrive at Sagawa Express sales offices and hub centers. Managers including Sales Office Managers of Sagawa Express and employees of long-haul transport companies cooperate in all locations of Sagawa Express to perform vehicle inspections prior to departure using special check sheets.

Number of Vehicles Inspected in Long-haul Transport Terminal Inspections



4,648

Vehicles

Implemented in April 2017

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Building a Responsible Management Foundation

- ▶ Putting in Place a Corporate Governance System 136P
- ▶ Ensuring Compliance 145P
- ▶ Risk Management 147P
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- ▶ Awards and Certification/Accreditation 155P

Our Thinking in Regard to Building a Responsible Management Foundation

We believe that it is essential that the SG Holdings Group, as a comprehensive logistics business providing social infrastructure, build a responsible management foundation to enable it to contribute to the development of a sustainable society. We strive to establish our corporate governance system, ensure compliance with all applicable laws, and strengthen risk management in accordance with the fundamental policies embodied in our Corporate Philosophy, Corporate Charter of Business Conduct, and Code of Ethics and Conduct.

Become Asia's Leading Comprehensive Logistics Group

Declaration to Earn the Trust and Empathy of Society
Expectations from Customer, Employee, Local Community, Shareholder & Business Partner

Development of a sustainable society



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● SG Holdings Group Corporate Philosophy

"Trust, Create, Challenge"

The SG Holdings Group will:

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

● SG Holdings Group Charter of Corporate Conduct

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. All directors and employees of the SG Holdings Group will act responsibly and work together, at all times, to implement the following

8 principles, in order to maximize stakeholder values, respect human rights, both domestically and internationally, and obey all laws, international rules and the spirit thereof, with the aim of creating a sustainable society with a strong sense of ethics.

Customers' Expectations

1. We shall earn satisfaction and trust by developing and providing useful and convenient products and services, whilst aiming to continually improve our level of service.

Employees' Expectations

2. We shall respect the diversity, character and individuality of each employee, and strive to create safe and employee-friendly work environments that provide all employees with a sense of comfort and fulfillment.

Local Communities' Expectations

3. We shall proactively carry out appropriate safety and environmental related activities, as we recognize that these are essential to our business activities and the existence of the company.
4. We shall actively engage in philanthropic activities to contribute to society, as a "good corporate citizen."
5. We shall, in our global business activities, comply with the laws of each country and region, respect international standards, including human rights, and contribute to the development of those countries; whilst respecting their cultures and customs, and taking into account the concerns of stakeholders.

Shareholders' & Business Partners' Expectations

6. We shall communicate not only with our shareholders, but also with society as a whole and will proactively and fairly disclose corporate information. Further, we will thoroughly protect and manage all the information we possess, including personal and customer information.
7. We shall engage in fair, transparent and free competition and proper transactions. We shall also maintain healthy and normal relationships with political entities and government officials.
8. We shall resolutely oppose and disassociate from any anti-social forces and organizations that threaten social order and safety.

Management Stance

1. We, the management, recognize that it is our responsibility to uphold and implement the spirit of this charter, and to take the lead in promoting awareness of this within the Group, as well as to business partners. Additionally, we will establish effective company-wide systems to promote business activities and meet the expectations of our stakeholders.
2. We, the management, shall make clear our stance towards resolving any violations of this charter, both internally and externally, investigate the cause and develop reforms to prevent reoccurrence, and promptly and accurately disclose information to the public.

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● SG Holdings Group Code of Ethics and Conduct

We will act in accordance with this Code of Ethics and Conduct, which is an embodiment of the Charter of Corporate Conduct of the SG Holdings Group.

Section 1. With Customers' Expectations ~We Continue Mutual Development~

1. Earning Satisfaction and Trust

We will continue to uphold "*Hikyaku no Kokoro*" (spirit of Edo-era express messengers), which is the cornerstone of the Company's foundation, always act with the consciousness of being a representative of the SG Holdings Group, and make good faith efforts to meet our Customers' satisfaction.

2. Developing and Providing Quality Products and Services

We will develop and quality products and services, always from the viewpoint of the customer, to ensure complete satisfaction of the customer.

3. Explaining in a Polite and Clear Manner

We will provide accurate information and explain in a polite and clear manner when providing products and services to, and dealing with inquiries from, the customer.

4. Working Sincerely Responding to Confidence

We will respond to confidence of the customer by conducting operations with sincerity, following all pre-determined rules, as well as abiding by contracts and agreements with the customer, when providing products and services.

5. Responding Actively to the Voice of the Customer

We will listen attentively and respond actively to customers' requests and complaints, and make use of such opportunities to develop and improve products and services.

6. Management of Customers' Personal and Confidential Information

We will carefully manage all customers' personal and confidential information which is obtained in the course of our operations, to prevent fraudulent use, leak and falsification of the information. Additionally, we will comply with all applicable laws and the Company's internal regulations and will not use the said information for purposes other than the original intent nor will we provide it to a third party.

Section 2. With Employees' Expectations ~We Jointly Create a Positive Workplace~

1. Efforts toward Duties

We, as a member of the SG Holdings Group, will engage in our duties, always keeping in mind to improve ourselves and our colleagues.

- Working Conscientiously and Thoroughness of Reporting, Communicating and Consulting
We will comply with all internal rules, including working regulations, ensure to report to, communicate and consult with supervisors, maximize our performance and sincerely engage in our business operations.

■ Personal Development and New Value Creation

We will make positive efforts to achieve personal development and create new values, making use of each personality and characteristics at the workplace.

2. Safe Driving

We will adhere to safe driving principals based on the common understanding that our group centers on transportation business.

■ Considering Vulnerable Road Users

We will drive carefully whenever we drive vehicles, whether for work or privately, paying particular attention to vulnerable road users, such as children and elderly people.

■ Promoting Eco-Friendly Safe Driving

We will practice "Eco Safe Driving" of being friendly to both people and the environment, recognizing that eco-friendly driving leads to safe driving.

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3. Fostering a Healthy Work Environment

We will care for each other and respect each person's way of thinking and position at the workplace in order for all employees to work with vigor and enthusiasm.

■ Respect for Human Rights, Individuality and Personality

We will respect each person's human right, individuality and personality and create a workplace environment that maximizes the abilities of individual employees.

■ Respect for Beliefs of Others

We will respect the freedom of religious beliefs of all employees, and prohibit religious solicitation, slander or libel. We will also respect the political beliefs of all employees and will not carry out political activities in the workplace without the Company's prior approval.

■ Safe and Healthy Workplace

We will adhere to the rules and regulations pertaining to the workplace, including 6S activities (Seiri, Seiton, Seiketsu, Seisou, Shitsuke, Sahou) (Sorting, Setting-in-Order, Standardizing, Shining, Sustaining the Discipline, Showing the Good Manner).

■ Greetings and Communications

We will encourage greetings and communications and promote mutual understanding in order to create a vibrant workplace environment that increases job satisfaction.

■ Protection of Employees' Personal Information

We will respect the privacy of each employee. Additionally, we will protect and manage the personal information of all employees pursuant to all applicable laws and internal regulations, and will not use the personal information for purposes other than the original intent, nor will we provide it to a third party.

■ Prevention of Discrimination and Harassment

We will not engage in unjust discrimination, sexual harassment, power harassment or other actions in the workplace, which may violate human rights. Should an employee feel he/she is experiencing such discrimination, he/she should immediately report the matter to his/her supervisor or the Company. If the situation cannot be resolved, he/she should report the matter to the "Compliance Hotline" pursuant to the Company's Internal Whistleblowing Regulations.

The Company will make appropriate efforts by conducting impartial investigations. Additionally, we will comply with all internal reporting rules, and assure anonymity of the informer, in order for him/her not to be treated unfairly.

4. Management of the Company's Assets and Information

We understand the significance of the Company's assets, information and intellectual properties, and we will protect the rights of our Company while respecting the rights of other companies.

■ Prohibition of Inappropriate Use of Company Assets

We will not use the Company's assets, whether tangible or intangible, such as the Company's products, information and intellectual properties, for personal gain and / or inappropriate purposes.

■ Information Management

We will, pursuant to the Information Security Basic Policy, be always aware that protecting the Company's information assets including confidential information is our societal responsibility, and strictly manage the information. We will also not use the information improperly or unfairly nor disclose or leak the information, even after the retirement.

■ Intellectual Property Management

We will ensure proper management of the Company's intellectual property and will not infringe the copyrights patents and other intellectual property rights of other companies.

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5. Compliance with Laws and Behavior in a Sensible Manner Respecting Social Norms

We will abide by all domestic and international laws. We will also respect social norms, act in a sensible manner by high ethical standard, and upkeep the good name, reputation and brand of the Company, even in our private lives.

■ Prevention of Improper Activities and Establishment of Ethics

We will make efforts to establish the Company culture and ethics to prevent misconduct, not to overlook misconduct and not to hide scandalous events, by acting in a sensible and responsible manner in accordance with this Code of Ethics and Conduct as well as by abiding by all laws.

■ Respect for Human Rights and Prohibition of Discrimination

We will not use child labor or forced labor in all countries that may lead to human rights abuses. We will prohibit discrimination and mistreatment based on race, ethnic group, nationality, religion, belief, gender, social status, handicap, disease and so on. We will also not overlook such discrimination and mistreatment by others.

■ Distinction between Private and Public Matters

We will keep private and public matters separated in the workplace, and will not take advantage of our position or title to achieve personal gain or offer facility for a third party. We will also not obtain personal rewards, borrow money from, or lend money to, our customers or business partners.

■ Propriety of Business Entertainment Expenses

We will ensure that all gifts, dinners and other business entertainments are within socially acceptable bounds and such entertainments are not used for improper purposes.

■ Dealings with Government Officials and Politicians

We will ensure to use care in our dealing with public officials, abide by applicable laws, and not offer gifts or entertainment in a way which may be misconstrued as collusion or bribery. In addition, we will not make unlawful contributions to politicians, political parties or electoral candidates.

■ Handling of Material Non-public Information (Insider Information)

We will abide by laws and internal regulations pertaining to insider trading. If we have come to know insider information in the course of business, we will not trade the Company's shares nor will we provide the information to a third party including our family, before the information is publicized.

■ Reporting to the Company and Notifying Appropriately

Should we find or realize a misconduct or mistake, we will report it to the Company or our supervisors immediately. If the situation cannot be resolved, then we will report it to the "Compliance Hotline" pursuant to the Company's internal reporting rules.

The Company will make efforts to resolve the issue appropriately through impartial investigations. Additionally, pursuant to all internal reporting rules, we will ensure anonymity of the informer and be careful not to get the informer mistreated.

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Section 3. With Expectations of Local Communities ~We Continue to Move forward~

1. Living in Coexistence with Local Communities

We will pursue to live in coexistence widely with society through our contribution to local community development both domestically and internationally.

■ Open Enterprise

According to societal expectations, we will ensure transparency in all our business dealings by actively disclosing corporate information and promoting communications with society.

■ Interacting with Local Communities

Toward the realization of a prosperous healthy and secure society, we will make efforts to interact widely with local communities through various events, disaster relief activities and volunteer activities.

■ Respect for Local Culture and Customs

We will give consideration to stakeholders in each country and respect the culture and custom of each country and region.

2. Safety Activities

Following the principal of "Safety above all else" we will practice approaches to safety in all our business activities.

3. Environmental Protection

We will, pursuant to our environmental principle and policies, promote earth-conscious business activities, and make efforts to establish a circulating society.

■ Prevention of Global Warming

We will make efforts to prevent global warming through providing environmentally friendly products and services and making efforts for resource saving and energy conservation.

■ Pollution Prevention

We will make efforts to prevent air, water and land pollution as environmental preservation activities.

■ Environment Education Initiatives

We will develop awareness of environmental issues through environment education program toward environmental load reduction and conservation / restoration of the environment.

■ Environmental Communication Initiatives

We will, toward mutual understanding with local communities, make wide-ranging efforts for environmental communication, mainly intended for children who are responsible for next generation.

4. Supporting the Arts, Academic and Sports

We will support the arts, academic and sports, through the actions of our foundations and sport club activities.

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Section 4. With Expectations of Shareholders and Business Partners ~We Establish Mutual Trust~

1. Dialogue with Shareholders

We will be fair to all shareholders, and convey accurate management information, so as to build understandings and trust. We will also value dialogues with shareholders, take their opinions and suggestions seriously, and make efforts for sound and transparent corporate management.

2. Ensuring Reliability of Financial Reports

We will ensure the reliability of financial reports through proper accounting procedures in accordance with applicable laws and the Company's internal regulations.

3. Coexistence and Prosperity with Business Partners

We will mutually develop with our business partners by adapting sincere attitude to the business partners and building proper trust relationships.

■ Prohibition of Abuse of Dominant Bargaining Position

We will maintain a fair and equal relationship with others and will not take advantage of our dominant bargaining position to force product purchase products or financial burdens. We will also not make unilateral demands for lowering prices and shortening delivery time, without valid reasons.

■ Management of Confidential and Personal Information of Business Partners

We will rigidly manage our business partners' confidential and personal information obtained in the course of operations, to prevent fraudulent use, leak and falsification of the information. We will also abide by applicable laws and contractual provisions and will not use the information for the purposes other than the original intent nor provide it to a third party.

4. Free and Fair Competition

We will not participate in collusive behavior which restricts free and fair competition. We will also, based on the competition principle, abide by applicable laws such as antitrust laws, compete openly and squarely, and will not defame or calumniate competing companies.

5. Dealing with Anti-Societal Groups

We will maintain an attitude of resolution against anti-social organizations / persons such as gang groups and reject all inappropriate requests from them. If such requests are received, we will immediately report it to our supervisors or the Company. If the situation cannot be resolved, we will report to the "Compliance Hotline."

The Company will make it a priority to ensure the safety of all employees, and resolve the matter organizationally and lawfully in cooperation with the police, lawyers and other professionals. Employees must not judge or resolve the matter by themselves.

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Policy

Approach

The SG Holdings Group supports the concept of “Stakeholder Management” as the foundation of its management philosophy and promotes business activities which meet the expectations of our various stakeholders by 1) continuous improvement of our level of customer service, 2) stabilization and improvement of the foundation of living of our employees and their families, 3) contribution to local communities, their safety and environment through diverse business and social activities, 4) enhancement of corporate value for our shareholders and 5)

equal and fair transactions with business partners. We have formulated the SG Holdings Basic Policy of Internal Control System as a statement of our internal control policies and work to strengthen all of our systems accordingly based on the firm conviction that creating a transparent management and administrative structure through strong and comprehensive corporate governance is a key requisite for realizing stakeholder management.

Basic Policy of Internal Control

SG Holdings Co., Ltd. (hereinafter called as the “company”) has prescribed the Basic Policy of Internal Control (hereinafter called as the “basic policy”) in order to establish a transparent management system which

enables the company to fulfill expectations and trusts from all the stakeholders, under the SG Holdings Group (hereinafter called as “SGH Group”) corporate philosophy of “Trust, Create, Challenge” as below:

1. The system to ensure that Directors and employees execute their duties in compliance with the laws and regulations and the articles of incorporation

- (1) The company shall prescribe “Charter of Corporate Conduct” and “Code of Ethics and Conduct” of SGH Group in order to establish a corporate culture in which directors’ and employees’ business operations are conducted in compliance with the laws and regulations and the articles of incorporation. It is the President’s responsibility to consistently communicate the spirit of “Charter of Corporate Conduct” and “Code of Ethics and Conduct” to directors and employees for penetration and educate them to place the utmost priority on compliance in every aspect of business operations.
- (2) The company shall prescribe policies and procedures, etc. in accordance with related regulations, and regularly review the basic policy, other policies, procedures, etc. to ensure that they are workable by addressing the changes, etc. in the management environment.
- (3) The company shall appoint outside director to enhance monitoring function over directors’ execution of duties.
- (4) The company shall prescribe “Internal Whistleblowing Regulations” in order to prevent or facilitate early detection of fraud, misconduct, etc., within the SGH Group and establish “Compliance Hotline” - an internal whistleblowing system of SGH Group. In order to make the system workable, the company shall place contacts inside and outside the company to encourage the use of the system. The company shall take prompt and appropriate measures for the reports made through the system according to “Internal Whistleblowing Regulations”.
- (5) In order to exclude antisocial forces that threaten the order and security of civil society, the company shall prescribe the “Exclusion of Anti-social Forces Regulations” and be fully committed to halting the development of any relationships with antisocial forces by rejecting to respond to undue claims, execute secret deals, provide funding, etc. Additionally, in cooperation with outside professional institution, the company shall address antisocial forces in an organized and legally-compliant manner and prioritize the security of Directors and employees.

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2. The system to retain and manage the information related to the execution of duties by directors

- (1) The company shall prescribe "Information Security Basic Policy" and establish information security management system in order to appropriately retain/manage information assets.
- (2) The company shall appropriately retain/manage significant information/decisions, etc. related to execution of duties by directors in compliant with laws and regulations and related policies.
- (3) The information described in (2) above shall be kept accessible for the timely use when in need.
- (4) The company shall appropriately manage personal information according to laws and regulations and "Personal Information Protection Regulations".

3. The policies and other systems to manage the risk of loss

- (1) In order to manage risks appropriately and efficiently, the company shall prescribe "Risk Management Regulations" and establish risk management system for the SGH Group, as well as responding appropriately to the events that may damage corporate management, business operations or corporate image, or that may pose significant impact to the society as a whole.
- (2) The company shall hold "Risk Management Meetings for the SGH Group" on a regular basis to minimize risks, to prevent realization of them and to mitigate loss from the realization of the risks, and enhance risk management system.
- (3) The company shall set forth Business Continuity Plan (BCP) to minimize the business outages and fulfill the social responsibility even in the face of emergencies, and establish/operate Business Continuity Management (BCM) system.

4. The system to ensure that the Directors' duties are efficiently executed

- (1) Directors shall execute their duties based on the organizational structure and duties and authorities authorized by the Board of Directors. The Board of Directors shall monitor that the Directors' duties are executed appropriately and efficiently.
- (2) The company shall discuss management issues among its directors and hold directors'/corporate auditors' meetings to share significant management information on a timely basis to make efficient management decisions in the Board of Directors Meetings.
- (3) In order to improve management efficiency, the company shall prescribe "Group Management Plan Administration Regulations", and authorize a mid-term business plan and a single-year budget in the Board of Directors Meeting, and directors shall execute their duties efficiently based on the plan/budget.

5. The system to ensure appropriateness of operations within SGH Group

- (1) The company shall prescribe the SGH Group's "Charter of Corporate Conduct" and "Code of Ethics and Conduct" and be fully committed to complying with them to share the common behavioral guidelines.
- (2) The company shall prescribe "Business Corporations' Management and Operation Regulations" and "Overseas Corporations' Management and Operation Regulations" to support business management in every business corporation, paying due regard to their independence in management.
- (3) The company shall hold "SGH Group Management Strategy Meetings" and "SGH Group Administration Department Managers' Meetings" on a regular basis and share SGH Group's management policies, significant decisions/reports, etc. to enhance the workability of guidance and control toward each corporation's business management in general.
- (4) The company shall prescribe "Duty and Authority Regulations" as SGH Group's Uniform Standards and manage each business corporation's significant decisions in their business operations are made with all the necessary preliminary discussions and reporting to/resolutions by the Board of Directors of the company.
- (5) In order to ensure reliability of financial reporting, the company shall prescribe "Accounting Regulations" and related procedures, manuals, etc. as the SGH Group standards. At the same time, the company shall consult external professionals for their opinions as necessary and establish a monitoring and auditing system.
- (6) In cooperation with business corporations' internal audit departments etc., internal audit department shall conduct internal audits on a regular basis and report the internal audit results to the company's Board of Directors. When remedial actions are necessary, internal audit department shall instruct the business corporations to take actions and conduct subsequent monitoring to check the progress.

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6. Items related to the employees to assist corporate auditors' duties and their independence, etc. from directors, etc.

The company shall organize "Corporate Auditors' Office" to assist corporate auditors' execution of duties and place dedicated employees. The number, qualifications, etc. of those employees shall be determined based on the discussions with the Board of Corporate Auditors. Additionally, in order to ensure

independence from directors, etc., and effectiveness of direction from corporate auditors, the personnel transfers, performance appraisals, disciplinary actions, etc. for those employees shall require a consent from the Board of Corporate Auditors.

7. The system for directors and employees to report to corporate auditors and other systems related to the reporting to corporate auditors

- (1) In addition to the items required by laws and regulations, directors and employees of SGH Group shall report following items to corporate auditors without delay:
 - [1] The fact that may incur significant loss to the company
 - [2] The result of internal audit
 - [3] The status of reports made through the internal whistleblowing system
 - [4] Other items related to the execution of operations that are requested by the corporate auditors to report
- (2) The company shall treat whistle-blowers, both directors and employees, appropriately so that they are not treated unfavorably for the reason that they made reports to the internal whistleblowing system or to corporate auditors.

8. Other systems to ensure that audits by corporate auditors conducted in a practical manner

- (1) Corporate auditors shall execute their authority prescribed in the laws and regulations, etc. and perform audit on the legality, validity and efficiency of the execution of duties by directors, in cooperation with accounting auditors, internal audit department and other organizations within the company.
- (2) Corporate auditors shall appoint external professionals such as lawyers, certified public accountants, consultants, etc. when such professionals are necessary for their execution of duties.
- (3) Corporate auditors shall attend the Board of Directors Meetings, as well as other significant meetings when necessary.
- (4) Corporate auditors shall hold regular meetings with President and accounting auditors to exchange information/ideas.
- (5) Upon request from corporate auditors, the company shall bear the expenses incurred for the execution of duties by the corporate auditors, unless it is regarded as not necessary for their duties.

Revised August 31, 2018
(Effective September 1, 2018)

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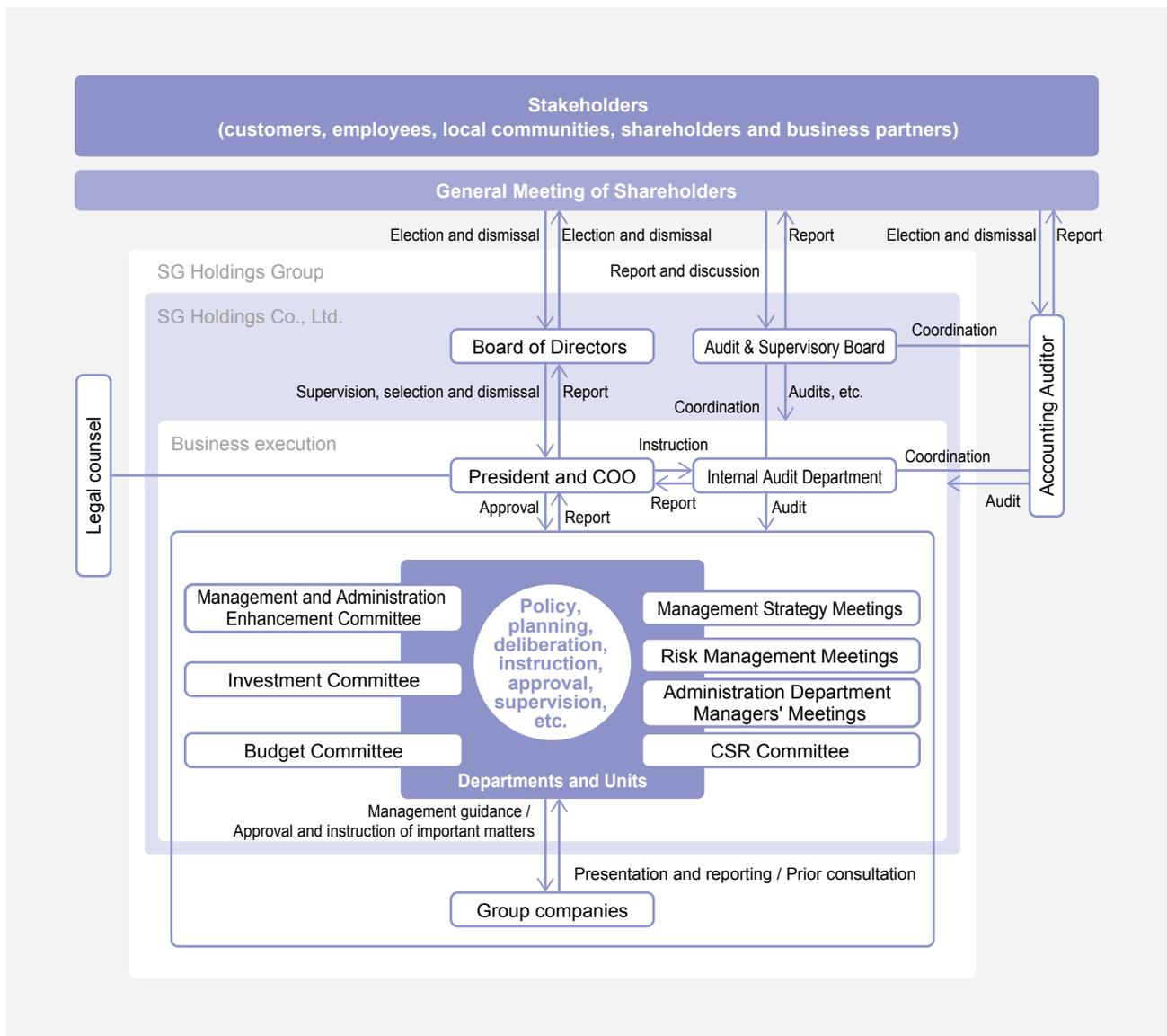
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Systems

SG Holdings, as a pure holding company, strives to streamline the Group’s management structure and achieve rapid management decision making. The Board of Directors, consisting of nine Directors, including two Outside Directors, oversees the overall management and business execution of the entire Group. SG Holdings has also introduced an Executive Officer System in order to separate the management oversight function and the business execution to ensure that authority and responsibilities are clear.

In addition, the Audit & Supervisory Board has been established consisting of four Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members, to supervise and audit management. (The number of Directors and Audit & Supervisory Board Members is stated as of August 31, 2018.) We continually strive to strengthen the Company’s business management structure and the foundations of our businesses to be prepared to respond to changes in the business environment and to manage with a high degree of transparency.



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● Board of Directors

The Board of Directors consists of nine Directors (two of whom are Outside Directors), and four Audit & Supervisory Board Members (three of whom are Outside Audit & Supervisory Board Members). It is responsible for making decisions on general Group business execution and reporting on the status of management execution of the individual directors in accordance with internal rules, including the Board of Directors' Regulations and the Duty and Authority Regulations. In principle, regular meetings of the Board of Directors are held monthly, while extraordinary meetings are held when there are urgent matters to be decided.

● Independence of Outside Officers

The Company determines the independence of Outside Directors and Outside Audit & Supervisory Board Members stipulated under the Companies Act by checking whether any of the following items apply based

1. A Major shareholder (a person directly or indirectly holding 10% or more of voting rights) of the Company, or a business executive thereof
2. A person whose major business partner is the Company and its subsidiaries (the "Group"), or a business executive thereof
3. A major client of the Group, or a business executive thereof
4. A person providing professional services such as a consultant, attorney or certified public accountant who obtains a large sum of money or other financial gain from the Group other than officer remuneration
5. A person who has received the donation of a large sum of money or other financial gain from the Group, or a business executive thereof
6. A Director (excluding Outside Directors), Audit & Supervisory Board Member (other than Outside Audit & Supervisory Board Members), Executive Officer or employee of the Group
7. A person to whom any of the items in 1 through 6 above have applied during the past three years
8. If a person to whom any of the items in 1 through 7 above applies is in an important position, the spouse and relatives within the second degree of kinship thereof
9. In addition to the preceding items, a person for whom there may be special circumstances preventing the fulfillment of duties as an independent outside officer, such as the possibility of a conflict of interest

Number of Meetings



22

in Fiscal 2017

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Audit & Supervisory Board

SG Holdings' Audit & Supervisory Board is structured as a four-person board of which three members are Outside Audit & Supervisory Board Members. Audit & Supervisory Board Members continually audit and supervise the business execution by Directors and attend Board of Directors meetings, stating as necessary their opinions from their perspective. In addition, the full-time Audit & Supervisory Board Member attends committees and meetings other than Board of Directors meetings as an observer in order to deepen his/her understanding of internal conditions and management, actively works to maintain an effective auditing environment and collect internal information and, moreover, continually monitors, expresses an objective opinion and provides advice in regard to the development and operation the internal control system.

Number of Meetings



14

in Fiscal 2017

Committees and Meetings

Name	Primary Attendees	Number of Meetings in Fiscal 2017
Management and Administration Enhancement Committee	SG Holdings Directors, Executive Officers, Department Managers	4
Investment Committee	SG Holdings Directors, Executive Officers, Department Managers	24
Budget Committee	SG Holdings Directors, Executive Officers, Department Managers	8
Management Strategy Meetings	SG Holdings Directors, Executive Officers, Department Managers and Group company presidents	12
Risk Management Meetings	SG Holdings Directors, Executive Officers, Department Managers and Group company presidents	12
Administration Department Managers' Meetings	SG Holdings Directors, Executive Officers, Department Managers and Group administration department Managers	11

*The full-time Audit & Supervisory Board Member participates as an observer in all of the above committees and meetings.

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CSR Committee

The SG Holdings Group CSR Committee in principle meets quarterly to hold discussions, develop the administrative framework and continually pursue improvements with respect to the implementation of important CSR policies and activities.

Overview of CSR Committee

Members

- Chairperson: Eiichi Kuriwada, Chairperson and CEO, SG Holdings Co., Ltd.
- Members: SG Holdings Co., Ltd. Directors (7), Executive Officer (1), General Managers (2) (in fiscal 2017); Sagawa Express Co., Ltd. Directors (2)

Number of meetings in fiscal 2017

- 3 (May, August and December 2017)

Major agenda topics in fiscal 2017

- Report of matters relating to CSR management
- Progress report on CSR activities

Meeting of CSR Managers from Group Companies in Japan

The Group regularly holds meetings of CSR managers from the Group's companies in Japan to share information on the CSR activities of each company and to convene study sessions led by outside lecturers.

Occasions for the sharing of information and study sessions for overseas Group companies are individually arranged.



The Meeting of CSR Managers

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● An Audit

Audit by Audit & Supervisory Board Members

In their audit work, SG Holding Company's Audit & Supervisory Board Members attend Board of Directors meetings and other important meetings as well as conduct site visits to Group companies and business locations to ensure effective monitoring. To perform their audit functions as efficiently as possible they collaborate

closely with the Company's and its subsidiaries' internal audit units and Audit & Supervisory Board Members. They also meet periodically with the Company's Accounting Auditor to discuss issues relating to the financial audit.

Internal Audit

The Company has established the Internal Audit Department as an independent unit to conduct the Company's internal audits and pursuant to the Comprehensive Internal Audit Regulations carry out the functions required for comprehensive internal auditing of the Group to ensure the conservation of its assets and promote efficient management. The Internal Audit Department reports the results of its audits to the

President and COO, and the Audit & Supervisory Board Members and provides advice, proposals and directives for improvements to the units it audits. Sagawa Express and some other Group subsidiaries also have their own internal audit units which conduct audits as appropriate in addition to audit by the Internal Audit Department of the Company.

Accounting Audit

The Company has appointed Deloitte Touche Tohmatsu LLC as its Accounting Auditor. The Company has concluded an audit agreement with it under which that firm conducts an accounting audit in accordance with an annual audit plan and the Company pays the agreed upon compensation to it. The names of the certified public accountants who performed the audit in the consolidated fiscal year under discussion are listed below.

- Names of Engagement Partners of the certified public accountants
Yasuhiro Onishi, Engagement Partner
En Yamada, Engagement Partner
Hideya Sudo, Engagement Partner
- Persons assisting in the audit work:
36 persons (including 19 certified public accountants)

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● Officer Remuneration

SG Holdings discloses the total amount of remuneration paid to Directors as a group, to Audit & Supervisory Board Members as a group and to outside officers as a group in its securities report and separately discloses the amount of remuneration of any individual whose total remuneration is 100 million yen or greater.

Officers' remuneration is decided by a resolution of the Board of Directors and Audit & Supervisory Board Members' remuneration is decided by deliberation of the Audit & Supervisory Board within the limit decided at a

General Meeting of Shareholders and taking into account such factors as performance and economic conditions.

Additionally, in order to clearly link the remuneration of Directors to share price and augment their motivation to contribute to the improvement of performance and the increase of corporate value over the mid- to long-term, starting from July 1, 2018, we introduced a company performance-linked share-based remuneration program.

● Stock

Stock exchange	Tokyo Stock Exchange, First Section
Date listed	December 13, 2017
Securities code	9143
Fiscal year	From April 1 to March 31 of the following year
General Meeting of Shareholders	Within three months of the close of the fiscal year
Shareholder record date	March 31
Record date for payment of dividends from surplus	March 31 or September 30
Trading unit	100 shares

Our Thinking in Regard to the Acquisition and Holding of Shares (Cross-shareholding, etc.)

We hold shares of companies we do business with if we judge doing so necessary or reasonable from the perspective of the maintenance and development of mid- to long-term business relationships, the creation of synergies or other purposes. In exercising the voting

rights of the shares held, we judge each proposal on its merits taking into consideration the rationale for our holding the stock and potential contribution to the increase of the company's value and its shareholders' profits.

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Ensuring Compliance

Policy

Approach

The SG Holdings Group strives to create a corporate culture in which every employee conducts business with the high ethical standards and compliance standards and responds appropriately to changes in the social and business environment. The SG Holdings Group Code of Ethics and Conduct constitutes the backbone of the

Group's compliance posture. Based on our Compliance Regulations we have built and maintain a culture of conducting business with the high ethical standards, continually striving to improve our business operations and our credibility with the public.

Fiscal 2017 Goals and Results

Compliance

Boundary: Scope of application of goal

Related SDGs: Targets of SDGs (sustainable development goals) closely related to the goal

Fiscal 2017 Goals	KPI	Results and progress of fiscal 2017 initiatives	Boundary			Related SDGs
			Sagawa Express	Japan	Overseas	
<ul style="list-style-type: none"> Create and maintain a compliance system that does not stop at merely strict compliance with laws and regulations but also meets the expectations of society at large 	<ul style="list-style-type: none"> One Code of Ethics and Conduct training session Two insider trading prevention training sessions One human rights and harassment training session 	<ul style="list-style-type: none"> One Code of Ethics and Conduct training session held Two insider trading prevention training sessions held One human rights and harassment education session held 	●	●	Some Business Locations	4.7

Systems

At the SG Holdings Group, the Legal Affairs Department of SG Holdings in coordination with Group companies takes the lead in developing and guiding our compliance system, while the Internal Audit Department monitors compliance.

We operate an SG Holdings Group Compliance Hotline based on the Internal Whistleblowing system as a means for employees, their families and partner companies to report behavior which violates laws or regulations, internal rules or the Code of Ethics and Conduct. Starting from 2017 we also put in place an external hotline. Additionally, we are taking steps to prevent insider trading. With instances of listed overseas companies joining the Group and business and capital alliances with listed companies increasing, and particularly in conjunction with the recent listing of the Company's own shares, we have taken the occasion to further strengthen our insider trading prevention regulations and have established a system of controls including a blackout period and establishment of an application procedure prior to trading company shares.



A Poster Announcing the Internal Whistleblowing System

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Initiatives

● Code of Ethics and Conduct Training

The SG Holdings Group Charter of Corporate Conduct places great weight on the respect for human rights and other internationally accepted standards of conduct as well as clearly stressing the importance of giving consideration to the culture and customs of all stakeholders.

Emphasis is also placed on the cultivation of employees'

ethical standards and self-discipline based on that and training sessions on the Code of Ethics and Conduct are held annually for all Group employees. The code is read jointly by employees at each department, section, service center and other organizational unit of the Group.

● Insider Trading Prevention Training

In conjunction with the listing of the Company's shares we are holding insider trading prevention education sessions twice a year aimed primarily at employees in Japan, providing in-house training and taking other steps to inform employees about insider trading prevention.

The SG Holdings Group also uses its internal portal site to post "Compliance Newsletter" and "Insider trading Prevention Newsletter" as key means for enforcing internal controls. Going forward we will continue strengthening compliance efforts.

● Harassment Prevention Training

The SG Holdings Group has established June as "Harassment Prevention Month" as a major initiative in our drive to create a positive harassment-free work environment where the diversity, personality and individuality of all employees are respected and employees can work with enthusiasm and motivation.

In fiscal 2017 we expanded and intensified our efforts in Japan to include not only the prevention of sexual and power harassment but other areas as well, including prevention of maternity harassment and moral harassment, which have become prominent social issues.

● Protection of Intellectual Property

In order to conduct its business in a sound manner the SG Holdings Group takes measures to effectively manage its intellectual property and ensure knowledge and awareness of intellectual property.

We have established the Intellectual Property Deliberation Committee as a means of protecting the Group's intellectual property, work to obtain legal proprietary rights over the intellectual property of each Group company based upon the full review and recommendations of that committee and

centrally manage and maintain those rights.

In order not to infringe on the intellectual property rights of others we constantly monitor the intellectual property rights where there is the possibility of infringement by us and disseminate information to the concerned units to ensure that they take appropriate precautions. We continually make efforts to promote knowledge and awareness about these activities throughout the Group.

● Blockage of Relationships with Anti-social Forces

The SG Holdings Group has established "Exclusion of Anti-social Forces Regulations" to ensure that we have no dealings with anti-social forces which threaten the order and safety of society and we avoid any relationships whatsoever with anti-social forces including but not limited to acceding to unjust demands, engaging in backroom dealings or providing funds. These regulations are clearly stated in the Basic Policy of Internal Control and prescribed in the Charter of Corporate Conduct and the Code of Ethics and Conduct and we work to ensure that all employees are fully cognizant of them. As

concrete countermeasures we have (1) instituted the continuous review ("anti-social check") of attributes of counterparties (both customers and business partners) and (2) established an Unjust Demand Hotline to ensure the quick resolution of cases when employees receive unjust demands. We continue to strengthen these systems and by sharing information on anti-social forces and responses to them we strive to fully prevent and block interference of our business partners.

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Risk Management

Policy

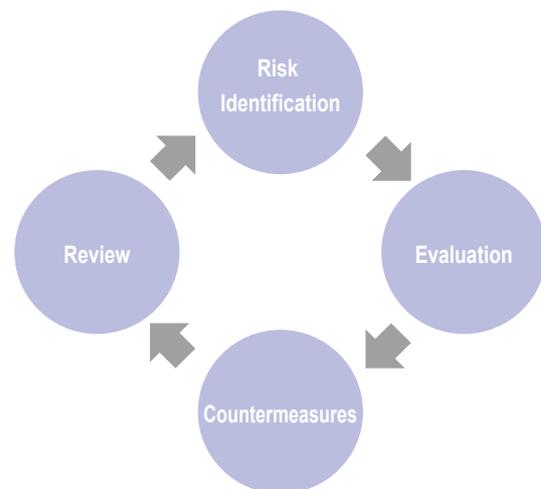
Approach

The SG Holdings Group maintains a risk management system to monitor, evaluate and manage the risks attendant on the business operations of Group companies. Each Group company monitors its risk cycle

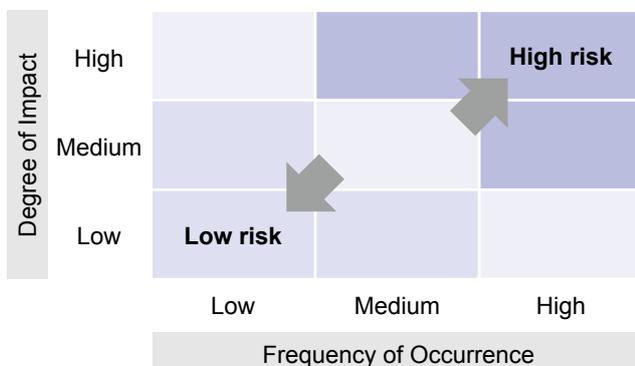
based on a risk management flow and unified risk management is effectuated through sharing the risks set by each company across the Group as whole.

Risk Management Flow

- (1) Identification
⇒Monitoring, documentation and unified risk management
- (2) Evaluation
⇒Preparation of risk maps prioritizing risks by degree of impact and frequency of occurrence
- (3) Countermeasures
⇒Development of countermeasures in accordance with the order of priority
- (4) Review
⇒Review of the identification of risks, evaluation and countermeasures at least once a year



Risk Map



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Fiscal 2017 Goals and Results

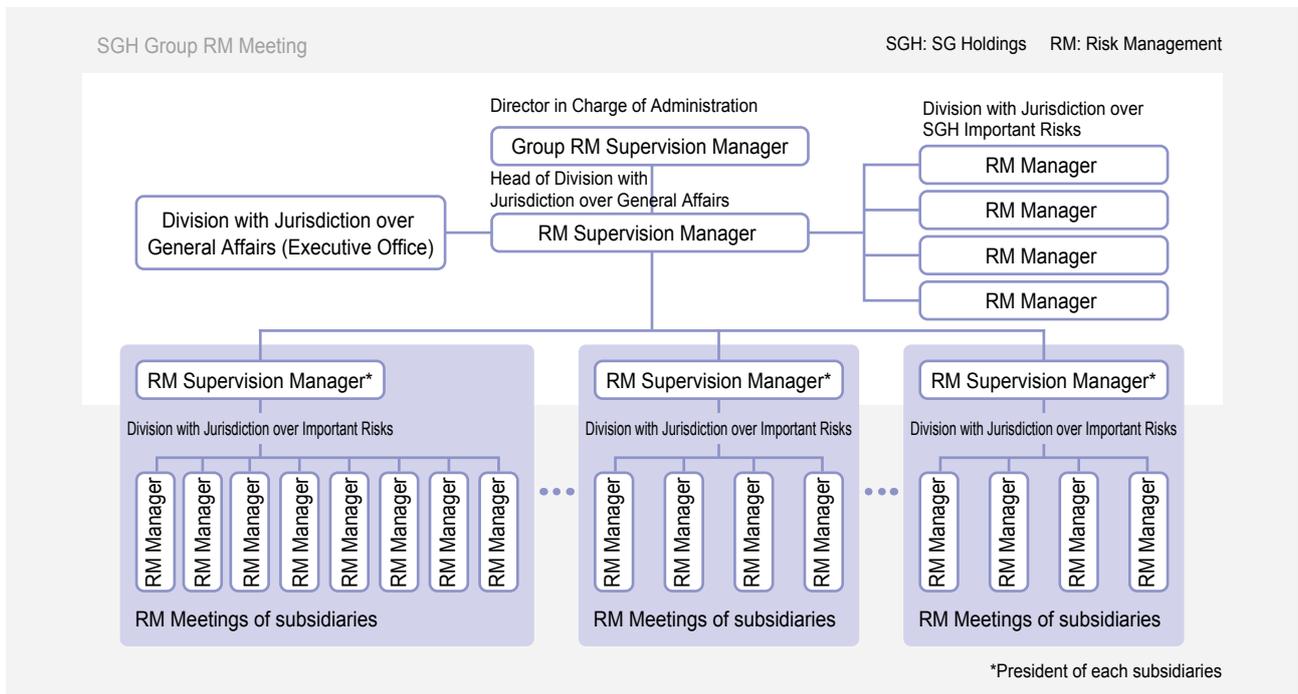
Risk Management

Boundary: Scope of application of goal
 Related SDGs: Targets of SDGs (sustainable development goals) closely related to the goal

Fiscal 2017 Goals	KPI	Results and progress of fiscal 2017 initiatives	Boundary			Related SDGs
			Sagawa Express	Japan	Overseas	
<ul style="list-style-type: none"> ● Identification and adoption of steps to mitigate the risks facing the Group as a whole and, as a business responsible for social infrastructure, attainment of a high level of crisis management 	<ul style="list-style-type: none"> ● Two safety check training sessions 	<ul style="list-style-type: none"> ● Two safety check training sessions held 	●	●	Some Business Locations	11.b 13.1

Systems

Organization



Group Risk Management Meetings

A general meeting having as participants SG Holdings directors, department managers and presidents of Group companies is held monthly to review and report on risks of individual Group companies and of the Group as a

whole. At these meetings a review of the risks facing each company based on the risk management flow is discussed by the entire Group.

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Initiatives

● BCP/BCM

In order to assure the continuity of the SG Holdings Group in the event of a major earthquake, fire, explosion, flooding or other major natural disaster, accident or contingency, the Group has formulated a Business Continuity Plan (BCP) clearly setting forth an action plan starting from initial response through the restart of business activities. The BCP states clear

action guidelines, organizational structure and functions, the standards for the initiation of the BCP and the establishment of a crisis management headquarters in the event of a disaster, etc.

We continue to work assiduously on Business Continuity Management measures to ensure that the BCP works as effectively as envisioned.

Safety Check Training

We have established a safety check system covering all group employees in Japan and have conducted two response training exercises under the system, which constitutes the initial response in the deployment of the BCP. Based on the BCP, we have set a target rate for responses within the first 24 hours after the occurrence of an incident of 90%.

Business Continuity Training

We conduct group-wide joint business continuity training annually with the focus on Group companies in Japan. In fiscal 2017 we conducted a readiness test based on the premise of the occurrence of a major earthquake with its hypocenter in Tokyo Bay. The crisis management headquarters of each Group company carried out a safety check of its employees; secured vehicles, fuel and staff; checked the condition of systems and facilities, took preservative measures and evaluated the ability to respond quickly and appropriately as a coordinated group to requests from the competent ministries and agencies, local governments and customers.

The presidents and staff in charge of BCM from SG Holdings and business corporations in Japan and overseas, 18 in all, together with people from outside the company including competent ministries and agencies and local governments and business partners participating as observers, were involved in the exercise. In all 191 persons took part, the largest number since we began conducting these tests.



Business Continuity Training

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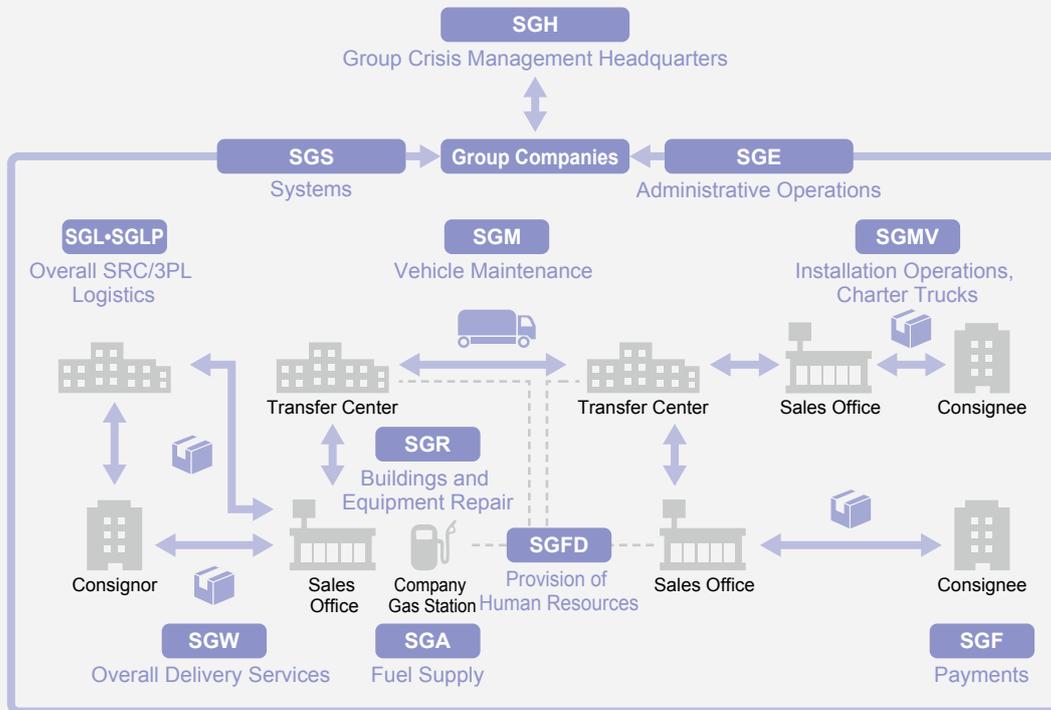
Creating New Value Through Comprehensive Logistics Solutions

Contributing to Communities

Promoting Sustainable Procurement

Building a Responsible Management Foundation

SGH Group BCM Structure



Each business corporation deploys its resources while SG Holdings coordinates the dissemination and communication of information to ensure there is no interruption in the logistics operations of Sagawa Express, the Group's core business.

SGH: SG Holdings

SGLP: Sagawa Logistics Partners

SGFD: SG Fielder

SGW: Sagawa Express

SGR: SG Realty

SGM: SG Motors

SGMV: SG Moving

SGA: Sagawa Advance

SGF: Sagawa Financial

SGL: Sagawa Global Logistics

SGS: SG Systems

SGE: SG Expert

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Information Security

Policy

Approach

The SG Holdings Group considers the protection of information assets an important social responsibility. We have formulated an “Information Security Basic Policy” and a “Personal Information Protection Policy” and work toward strengthening information security.

Information Security Basic Policy

SG Holdings Co., Ltd. (the “Company”), aiming to contribute to economic development and striving to be a business broadly useful to society, considers the protection of the Company’s information assets, including the information received from customers, a key

1. Enactment and Implementation of Internal Rules

The Company will establish information security regulations and other relevant regulations based on the Basic Policy and implement information security measures.

2. Establishment of an Information Security Management System

The Company will establish a management system for ensuring information security and also build and employ a system for coordinating as necessary with external entities.

3. Information Security Measures

The Company will adopt appropriate information security measures and work to prevent alteration, loss, leakage, improper access or other interference with the use of information assets.

4. Continuing Education

The Company will work to ensure that all officers and employees, etc. are fully cognizant of the Basic Policy and will conduct necessary education on information security on an ongoing basis.

social responsibility and to that end has formulated the Information Security Basic Policy (the “Basic Policy”) shown below. The Company continues to work to effectively implement and enhance information security.

5. Incident Response

If an information security incident occurs, the Company will promptly investigate the cause, work to prevent the expansion of damage and take steps to prevent a reoccurrence.

6. Compliance with Laws and Regulations, etc.

The Company will strictly comply with all laws and regulations and internal rules, etc. concerning information security.

7. Evaluation and Review of Information Security Activities

The Company will periodically review whether information security is being appropriately enforced and supported and implement remedial measures as needed.

Effective September 21, 2014

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Personal Information Protection Policy

SG Holdings Co., Ltd. (hereinafter referred to as the 'Company') recognizes the importance of protecting personal information. The Company has established this policy and has familiarized all employees with its content, to ensure strict implementation of the following.

1. Definition

Personal information is defined as information pertaining to individuals such as customers and employees, including addresses, names, phone numbers etc. that can identify a specific individual (including information that, together with other information, can enable identification of a specific individual). Specific Personal Information means Personal Information that includes an Individual Number (including the marks, such as the number or code, that correspond to the Individual Number and are used in lieu of said Individual Number, other than a resident record code; excluding the exceptions set forth in Article 2, Paragraph 8 of the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure.

2. Purpose of use of personal information

The Company uses personal information for the following purposes.

- To handle various inquiries, document requests etc. from its customers
- To reflect opinions, requests etc. from its customers in improving its services etc.
- To make reports to its customers and take appropriate actions etc.
- To provide information regarding Company operations
- To implement administrative work to comply with laws and regulations.

3. Use of personal information

The Company will only use personal information within the scope of the purpose of use. If personal information is to be used for purposes other than those stated in the purpose of use, the Company will clearly indicate such use upon receipt of such personal information.

4. Provision of information to third parties

The Company will not provide personal information to third parties, except in the following cases.

- When required by law
- When the individual gives consent

5. Information sharing with third parties

To achieve the purpose of use stated above, the Company will share personal information in the following manner.

- Items to be shared
Name, address, telephone number, fax number, e-mail address
- Scope of information sharing
The Company's group companies
- Party in charge of information sharing
The Company (Please contact Personal Information Office for inquiries regarding information sharing.)

6. Protection of personal information

The Company will take safety measures, such as information security measures, to ensure the accuracy and safety of personal information, and to prevent unauthorized access to, leakage or loss of personal information.

7. Supervision of consignees

When entrusting personal information to outside consignees, the Company will conclude a nondisclosure agreement with each consignee, and will supervise the consignee appropriately.

8. Personal information management system

For handling personal information (including Specific Personal Information), the Company has established a personal information in-house management system. In abiding by in-house regulations, the Company strives for appropriate and careful handling of personal information.

9. Compliance with pertinent laws and regulations

To ensure reliable personal information (including Specific Personal Information) protection, the Company complies with all laws and regulations pertaining to such information.

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10. Changes to Personal Information Protection Policy

The contents of our Personal Information Protection Policy are subject to continuous review, with improvements made as needed, to maintain the optimum level of personal information protection.

11. Personal Information Office

If you have any questions regarding this Policy, or inquiries regarding your own personal information (including Specific Personal Information), please contact the Personal Information Office.

For inquiries regarding handling of personal information by this company

1. Contact the Personal Information Office by post. The address is provided below. The company will send you a copy of the pertinent documents.
2. Requests for information regarding purpose of use and/or disclosure of personal information require a handling charge of ¥1,000 plus an expense charge (such as for postal fees) of ¥1,220.
For all other requests there is an expense charge (such as for postal fees) of ¥1,220.
3. Only postal notes (fixed postal money order etc.) will be accepted for handling charges etc.

12. Disclosure etc. of personal information

To request disclosure, correction, addition, termination of use, deletion etc. of your own personal information (including Specific Personal Information), contact the Personal Information Office. We will inform you personally as to the details of the procedure.

4. We require a copy of identification (driver's license, etc.) to confirm the identity of the individual or representative making the request.
5. Please prepare all necessary documents and mail them to the address below.

Personal Information Office
Personal Information Office of
SG Holdings Co., Ltd.

68 Kamitobatsunoda-cho, Minami-ku, Kyoto,
Japan

Effective October 5, 2015

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Fiscal 2017 Goals and Results

Information Security

Boundary: Scope of application of goal
Related SDGs: Targets of SDGs (sustainable development goals) closely related to the goal

Fiscal 2017 Goals	KPI	Results and progress of fiscal 2017 initiatives	Boundary			Related SDGs
			Sagawa Express	Japan	Overseas	
<ul style="list-style-type: none"> ● Identification and adoption of steps to mitigate the risks facing the Group as a whole and, as a business responsible for social infrastructure, attainment of a high level of crisis management 	<ul style="list-style-type: none"> ● One Information security training session ● Two Targeted e-mail attack response training sessions 	<ul style="list-style-type: none"> ● One Information security training session held ● Two Targeted e-mail attack response training sessions held 	●	●	Some Business Locations	4.7

System

● SGH-CSIRT

Enhanced information security management systems are now more critical than ever as the potential danger from a wide range of cyberattacks originating outside the company has grown significantly over the past several years. Therefore, at the SG Holdings Group, in addition to existing management systems, we have established the SGH-CSIRT (Computer Security Incident Response

Team) for the purpose of minimizing damage to the extent possible in the event of a cybersecurity incident and ensuring early recovery of the affected IT systems.

Initiatives

● Security Assessment

Security assessment is an essential tool for evaluating the effectiveness of cybersecurity management systems in order to prevent serious information security incidents. Specifically, what this means is setting of a target level of cybersecurity upon evaluation of the internal and external environment in which IT systems operate,

identifying the challenges to attaining that level and proposing and prioritizing the required solutions. SG Systems is responsible for conducting security assessments and developing effective security enhancement plans for the entire Group.

● Educational Activities

We conduct ongoing education and dissemination of information on cybersecurity to all employees in Japan.

Type of Activity	Target individuals	Frequency
Reading jointly the "SG Holdings Group Security Handbook" and taking a test on its contents	All employees in Japan	Annually (in July)
Targeted e-mail attack response training *Follow-up e-training for employees who open the attached file or click on the link provided	All employees in Japan	Twice a year (in the first half and the second half respectively)

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Awards and Certification/Accreditation

Awards

● Japan Resilience Award 2018

Sagawa Express was awarded the Most Outstanding Resilience Award in the corporate and industrial category at the Japan Resilience Awards 2018.* Having previously been awarded the Most Outstanding Resilience Award in the energy category (logistics infrastructure resilience measures based on diversification of transport vehicles and energy sources) in 2017, this marks the second consecutive award for Sagawa Express. The fiscal year 2018 award was in the national land preservation and information area (model for logistics infrastructure strengthening regional resilience and regional collaboration). The company was recognized for its ongoing efforts to develop and implement a collaborative and cooperative model taking advantage of the respective resources and strengths of the company and regions (local

governments, etc.) through the conclusion of “Comprehensive Partnership Agreements, Disaster Agreements, etc.” between regions (local governments, etc.) and businesses to advance the “strengthening of regional resilience and creation of a sustainable society” contributing to increased resilience in the face of disasters and the mitigation of climate change (activities to reduce CO₂ emissions).

*An award established by the Association for Resilience Japan evaluating and recognizing companies, organizations and other entities for technological development, product development and other activities that contribute to national or regional resilience or to fostering personal and industrial resilience to build a resilient society for future generations.



The Awards Ceremony
(On the right, Hiroyuki Uchida, Director, Sagawa Express)



Certification/Accreditation

● ISO 27001 Information Security Management System

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

● JIS Q 15001 Personal Information Management System

Sagawa Financial

Third-Party Opinion



Mami Oku

Professor
Department of Urban Policy and Science
Faculty of Urban Environment
Tokyo Metropolitan University

In reviewing its material CSR issues, the SG Holdings Group organized the initiatives established in its Mid-term Management Plan in relation to Sustainable Development Goals (SDGs), thereby assessing their alignment with the requirements of society. The Group has now set seven new material CSR issues—"Achieving a safe and secure transportation society," "Promoting environmentally friendly business activities," "Building an organization of diversity and inclusion," "Creating new value through comprehensive logistics solutions," "Contributing to communities," "Promoting sustainable procurement," and "Building a responsible management foundation." The Group's *CSR Report 2018* (the "Report") presents the policies, systems, specific elements, and expected results for each of these seven material issues in readily understandable form supplemented with data, diagrams, and photographs. The Report highlights the strong commitment of the comprehensive logistics group with global operations and more than 90,000 employees, to contribute to the solution of social issues through its business activities, and it also describes the proactive and ongoing progress of the Group's initiatives in pursuit of that goal. It is particularly noteworthy that in carrying out these CSR initiatives, the Group has put into practice every means conceivable at present, not only through the efforts of its own employees but also through alliances and collaboration with its various stakeholders. Furthermore, the Group has made every effort to obtain third-party objective evaluations on the results of its efforts as well as its CSR promotion framework by utilizing awards, certification, and accreditation programs.

Looking ahead, I think that if improvements are made in keeping with the following three points, an even more complete and compelling report could be prepared. The first point that I would raise regards the overall structure of the Report. While it is fine that the seven material issues are systematically and comprehensively organized, I have a concern that any circumstances or initiatives that newly appeared during the period covered by the CSR Report may be buried in the overall content. However, if, for example, special topics were highlighted by way of feature articles describing the new initiatives undertaken in 2017 such as the in-house nursery school and the in-house university established within the Group, that would add significantly to the vividness of the report and its appeal as a communication tool.

The second point that I would raise relates to the role of the Report as an opportunity for making improvements in the context of the PDCA cycle. Targets and key performance indicators (KPIs) are set for four of the material issues—"Achieving a safe and secure transportation society," "Promoting environmentally friendly business activities," "Building an organization of diversity and inclusion," and "Building a responsible management foundation"—and

progress is tracked with reference to them. For example, in "Promoting environmentally friendly business activities," the Group has the target of "realizing sustainable business in harmony with the earth's environment by reducing CO₂ emissions throughout the Group, improving energy efficiency, and increasing the rate of use of renewable energy," and established KPIs in line with this target: "CO₂ emissions (total), -1% year-on-year," "Use of energy per ton-kilometer transported, -1% year-on-year," "Waste output, Year-on-year reduction of amount wasted," and "Water usage, Year-on-year reduction of amount used." The results achieved in fiscal 2017 for each KPI are shown in the Report; however, what is not indicated is the total amount of the reduction aimed for over the medium to long term. Particularly in cases where fiscal 2017 results were inferior to those reported the prior year, there is no reference to the mid- to long-term program or analysis and evaluation of the results of efforts aimed at continuing improvement such as the reasons for the deterioration and what improvements are being considered for the upcoming year. The same can also be said in regard to the other material issues. Information covering the establishment of mid- to long-term targets, each year's targets and results, their analysis together with future remedial plans, and courses of action are today considered essential parts of any CSR report. The inclusion of such information would make the report a more effective tool for ensuring continuous improvement.

The final point is the question of whether the report adequately presents the faces of employees and shareholders in all their diversity. The Group has been dedicated to building an organization that is comfortable for all employees to work in and promoting diversity and inclusion, while providing comprehensive services which benefit the local communities and contributing to society in a wide variety of ways. These earnest initiatives deserve high marks. If the voices of employees and various stakeholders could also be heard in the Report stating in their own words how they see and evaluate these initiatives, the Report would be even more compelling and alive. For example, it is mentioned that the Group conducted an attitude survey covering 50,000 of its employees, but I would also like to know what specific questions were asked and what the results actually showed. We also learn that the SG Holdings Group concluded disaster support agreements and comprehensive partnership agreements for regional revitalization with local governments, providing support for and collaboration with them, but it would probably be possible to include in addition some direct input from the local governments involved. In the future, together with the points that I have just discussed, I would also look forward to seeing details of the initiatives undertaken at overseas bases presented through the voices and faces of the people most involved.

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Published in November 2018

Communication through websites

The SG Holdings Group communicates its corporate information and business activities to stakeholders through a variety of media including websites.

SG Holdings corporate site

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

Investor relations

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