



SG HOLDINGS GROUP

Corporate Social Responsibility Report 2019





SG Holdings Group Corporate Philosophy

“Trust, Create, Challenge”

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

■ Editing Policy

The SG Holdings Group began to publish information on CSR in FY2018, in three forms: our CSR Report (this document), CSR Communication Book, and corporate website. Each serves a different function as follows.

● CSR Report

This is intended for researchers specializing in the environment and CSR and investors, spotlighting the ways we think and act regarding CSR, and summing up what we have already done.

● CSR Communication Book (publication scheduled for November 2019)

The CSR Communication Book contains excerpts of initiatives that the Group particularly wishes to convey to various stakeholders, including consumers.

● Corporate website

This is the most comprehensive source for everything we do regarding CSR, including the latest updates on our activities.

SG Holdings CSR/ESG site

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

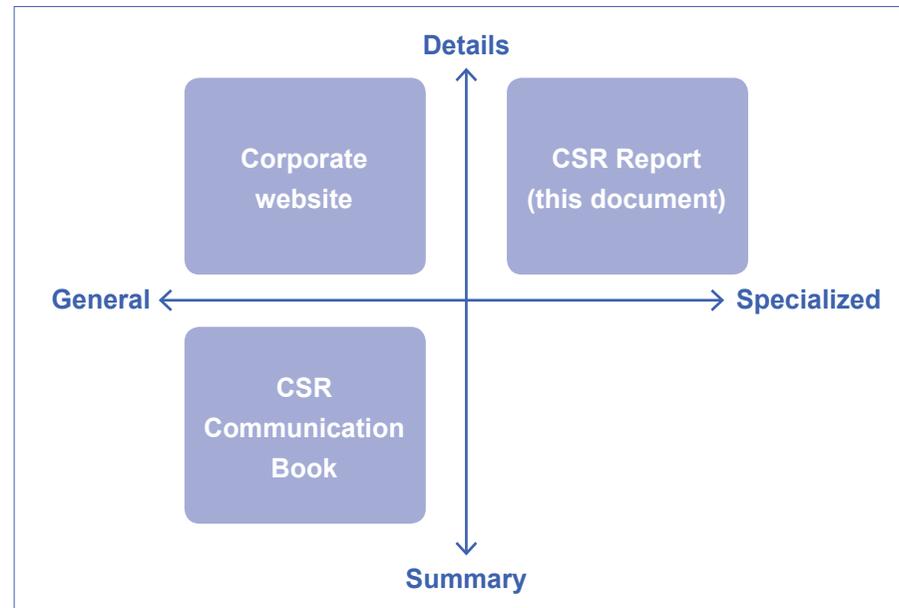
In addition, our Annual Report and corporate website feature information we wish to convey to investors and financial institutions. Please make good use of all these information resources.

Annual Report

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

SG Holdings IR site

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



■ Reference Guidelines

GRI standards

Ministry of the Environment, "Environmental Reporting Guidelines 2012"

ISO 26000 (Guidance on Social Responsibility)

■ Report Period

April 1, 2018 - March 31, 2019

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.

About the SG Holdings Group

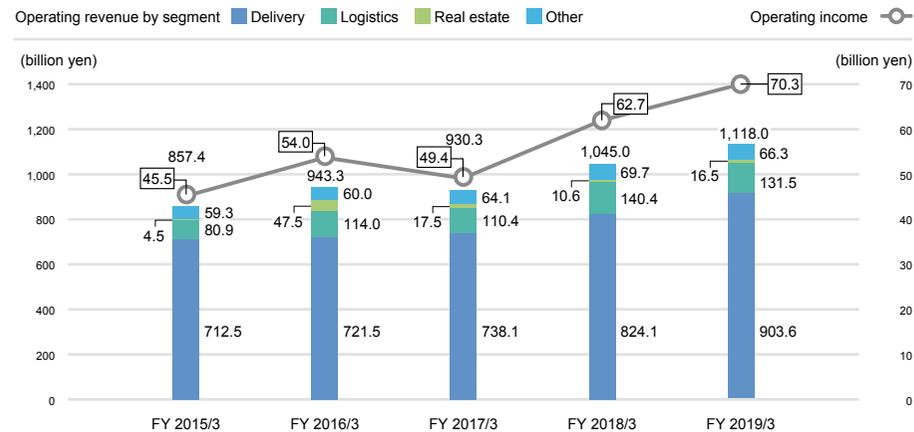
We are a comprehensive logistics group comprising 109 companies: the holding company SG Holdings, 100 consolidated subsidiaries, and eight equity method affiliates.

SG Holdings Co., Ltd. (the "Company") is the pure holding company of the SG Holdings Group (the "Group"), and implements management strategies and administration functions for the entire Group.

Shares of SG Holdings were listed on the first section of the Tokyo Stock Exchange in December 2017.

- **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:** 96,048 (as of March 31, 2019)
- **Business Details:** Group management strategies, administration, and related business

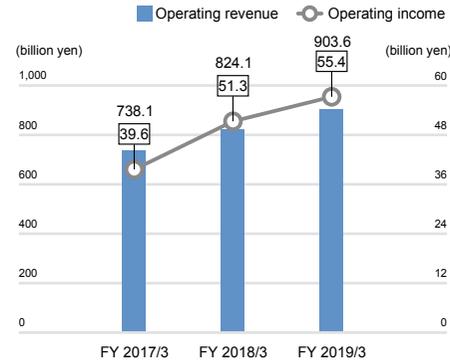
Consolidated Results (FY2018)



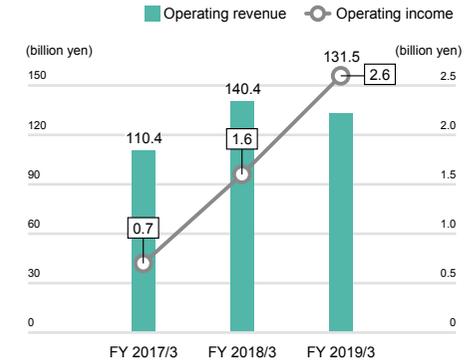
Note: In FY2017, we changed the end-date of our fiscal year to March 31 from March 20.

Results by Segment

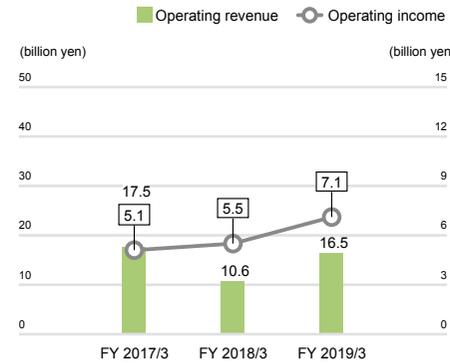
Delivery Business



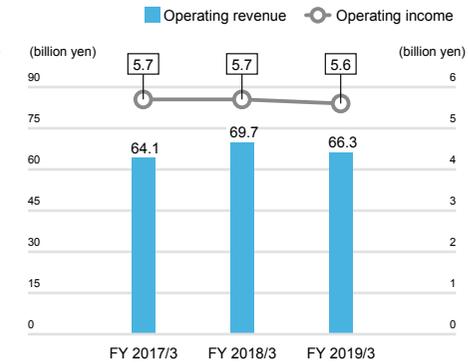
Logistics Business



Real Estate Business



Other Businesses



SG Holdings Group Summary

The SG Holdings Group is a comprehensive logistics group that is engaged mainly in the delivery and logistics business, with 109 companies operating in 25 countries and territories, under our long-term management vision to become Asia's leading comprehensive logistics group. We work with roughly 90,000 employees and we have over 16,000 business partners in our network, enabling us to provide valuable logistics solutions to a wide range of customers.

Japan

The Delivery Business provides a variety of transportation services through our nationwide network. The Logistics Business offers cross-border supply chain optimization for customers in Japan and overseas by providing customized warehouse operations, international transport, and local logistics.

The Real Estate Business develops, utilizes, and manages real estate, centered around distribution facilities and other Group business infrastructure.

Delivery Business

- Sagawa Express
- Sagawa Humony
- SG Moving
- World Supply

Real Estate Business

- SG Realty
- SG Assetmax

Other Businesses

- Sagawa Advance
- SG Motors
- SG Systems
- Sagawa Financial
- SG Fielder
- SG Expert
- Nouvelle Golf Club
- Sagawa Forestry

Logistics Business

- Sagawa Global Logistics
- SGH Global Japan

Overseas

We set up SG Holdings Global in Singapore as the hub of our overseas business.

In East Asia, the Group conducts a high-quality logistics business 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 courier services and consistent transportation arrangements for cross-border EC packages to customers' doors in coordination with Sagawa Express in Japan. With sites in major countries throughout Southeast Asia, SG Holdings provides comprehensive logistics services from upstream to downstream based out of its own warehouses.

Centered on Expolanka Holdings PLC (Sri Lanka head office), 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.

Overseas business management company

- SG Holdings Global

East Asia

- Tianjin Poly-Sagawa International Trading
- Shanghai Poly-Sagawa Logistics
- Poly-Sagawa Logistics
- Sagawa Express (H.K.)
- Sagawa Express International Taiwan
- Sagawa Logistics Korea
- Expo Freight (Hong Kong)
- Expolanka Freight (Shanghai)
- Other

Southeast Asia

- Sagawa Express Philippines
- Sagawa Global Logistics (Philippines)
- Sagawa Express (Thailand)
- SG Sagawa (Thailand)
- Sagawa Express Vietnam
- SG Sagawa Vietnam
- EFL Malaysia
- SG Sagawa Ameroid
- Amgas Asia
- Expolanka Freight (Vietnam)
- PT Expo Freight Indonesia
- Expolanka Freight (Philippines)
- Expolanka Freight (Cambodia)
- Other

South Asia / West Asia

- Expolanka Holdings
- Expolanka Freight (Sri Lanka)
- Expolanka Freight (India)
- Expolanka Bangladesh
- Expolanka Freight Dubai
- Union Cargo (Pakistan)
- Classic Travel
- Other

USA

- SG Sagawa USA
- Expolanka USA
- Other

Africa

- Expolanka Freight (South Africa)
- Expolanka Freight (Kenya)
- Expolanka Freight (Mauritius)
- Expolanka Madagascar
- Other

Message from the Chairperson



SG Holdings Co., Ltd.
Chairperson and CEO

栗和田 栄一

Eiichi Kuriwada

Greetings

At SG Holdings Group, we view the logistics business as part of our social infrastructure. The SG Holdings Group Charter of Corporate Conduct, which is a statement of our corporate philosophy, discusses “stakeholder management”—our efforts to meet the expectations of all the stakeholders of our business: customers, employees, local communities, shareholders, and business partners. We are advancing our efforts to realize a sustainable society, from a variety of perspectives.

In recent years, the logistics business has become widely accepted as part of our social infrastructure. Fortunately for us, although society has been changing dramatically, our company has been able to maintain a solid business. This is a very happy outcome, but we also have a strong sense of responsibility that society’s expectations of our industry as a whole have risen sharply. In order to present our CSR activities to all our stakeholders, in this

CSR Report, we exhaustively address the efforts we are making to sustain our society and our Group, aligned with the Group’s seven material CSR issues. If this report helps to communicate our message and deepen our stakeholders’ understanding, we will be more than happy. We hope we can continue to rely on your support in the future.

Top Commitment: President



SG Holdings Co., Ltd.
President and COO

荒木 秀夫

Hideo Araki

Become Asia's Leading Comprehensive Logistics Group

I became president and COO of SG Holdings Co., Ltd. on April 1, 2019. At SG Holdings Group, since our founding in 1957, we have taken seriously our mission to take responsibility for logistics as a provider of social infrastructure. These days, the business environment is changing dramatically, but we continue to make progress, step by step, toward the realization of our long-term vision, to “Become Asia's Leading Comprehensive Logistics Group.” In regard to the external environment surrounding us, emerging economies are growing rapidly, IT is becoming further sophisticated, and logistics is becoming even faster and more complicated. Meanwhile, as e-commerce is growing fast, the importance of logistics as social

infrastructure is increasing. Our customers expect more from us. More specifically, the values they seek are not only speed and accuracy; they also need solutions to all the logistics issues they face in their supply chains.

FY2018 marked the final year of our Mid-term Management Plan “First Stage 2018,” in which we sought to strengthen our ability to provide solutions across the full range of logistics, building on the strength of our Sales Drivers®, and our advanced logistics project team, GOAL® (GO Advanced Logistics). Due to the aging and shrinking of Japan's population, the nation faces a shortage of labor. We will work with our partner companies for our employees' work style reforms, so that we can maintain and improve quality in

logistics while ensuring appropriate pricing. We are already seeing some success in our transportation infrastructure enhancement efforts. In December 2017, our company was listed on the first section of the Tokyo Stock Exchange. Going forward, we must continue to earn the trust of our stakeholders, by strengthening compliance and corporate governance.

Goals: Advancing Comprehensive Logistics Solutions and Enhancing Our Management Platform

Following on the heels of First Stage 2018, our new Mid-term Management Plan starting in FY2019, Second Stage 2021, has two main focus points: advancement of comprehensive logistics solutions and enhancement of our management platform.

“Advancing comprehensive logistics solutions” means building on the success of GOAL®, for which the entire group functions as a single unit. To get there, we are training our Sales Drivers® to get the *information* that emerges from conversations with customers, so we can use it to propose solutions to the problems they are facing. Another important thing is to bolster Group companies in mastering their specializations. By enhancing the acuity of our Sales Drivers® and the specialization of Group companies, we will be able to expand the areas in which we can propose ideas to our customers.

One important element of “enhancement of our management platform” is the completion of our new logistics center in



Tokyo's Koto Ward, scheduled for February 2020. As a transfer center for Sagawa Express, this location will expand our capacity for express package delivery services. At the same time, we are undertaking 3PL (which generally refers to proposing a transformation of logistics to shippers, and then being commissioned to provide integrated operations of their logistics), international logistics, and logistics involving large items. Organic integration of these various functions will enable us to create new kinds of value. As the problem of labor shortage is most likely to continue, we propose to implement new technologies such as RPA, AI, and robotics in a wide variety of locations, achieving greater efficiency and labor savings.

In addition, with over 90,000 employees globally, our *people* are an indispensable element of our management platform. We put people at the very center of our business. We are working hard to create a workplace environment where a diverse workforce made up of people with different backgrounds and needs can all work comfortably and productively. For example, we aim to have a flat organization culture, so we have introduced systems for bottom-up generation of ideas, and we have created opportunities for employees to exchange opinions with the management. Besides, our efforts for work style reforms, and our human resources systems are ongoing. Our employees are highly motivated, and they enjoy an environment where they can take on new challenges.

Looking Ahead to Sustainable Growth, Making SDGs Contribution a Focus Point

In the past, our Group has striven to make a positive contribution to social issues through our business activities. As I have already said, our efforts to realize work style reforms and to create proper transportation infrastructure are aimed at achieving the sustainable development goals (SDGs), which are universally accepted. In Second Stage 2021, we have adopted “contribution to SDGs” as a goal for

the first time. We have thought that doing business while maintaining the health of society, which is our business platform, helps us to maximize the value we can provide to our stakeholders. With this belief in mind, we will also commit ourselves to resolve our seven material CSR issues, while sharpening and clarifying our goals and policies. More specifically, as a comprehensive logistics group, our top priorities are the way we treat our people, and our concern for the environment. Our policies regarding human resources are as I have already described. Regarding the environment, in May 2019 we endorsed the recommendations of the TCFD,* and we plan to undertake deeper study of the risks and opportunities presented by climate change. For the Group as a whole, among the matters to be considered are refinement of our environmental data, and medium- to long-term goal setting. In the international context, we are working with our business partners to make further progress in dealing with human rights, and corruption. The mission of the SG Holding Group is to create new value through logistics solutions, holding up our corner of the social infrastructure that supports production and distribution. In our view, this is something that will not change. We aim to be a company that society needs, by turning customer information into business, in Asia and the rest of the world. That is what we mean by “Become Asia's Leading Comprehensive Logistics Group.” We appreciate the continued support of all our stakeholders as we go forward together.

*TCFD: Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB). Its report, recommending that companies disclose, in their annual reports, climate-related information that may affect their financial results, was published in June 2017.

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 identified in fiscal 2017.

The statement explicitly states how we as the SG Holdings Group would like to be involved with society and how we would like to provide value to society.

We will use it as a reference to return to at times such as when formulating business plans and in everyday operations.

“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.

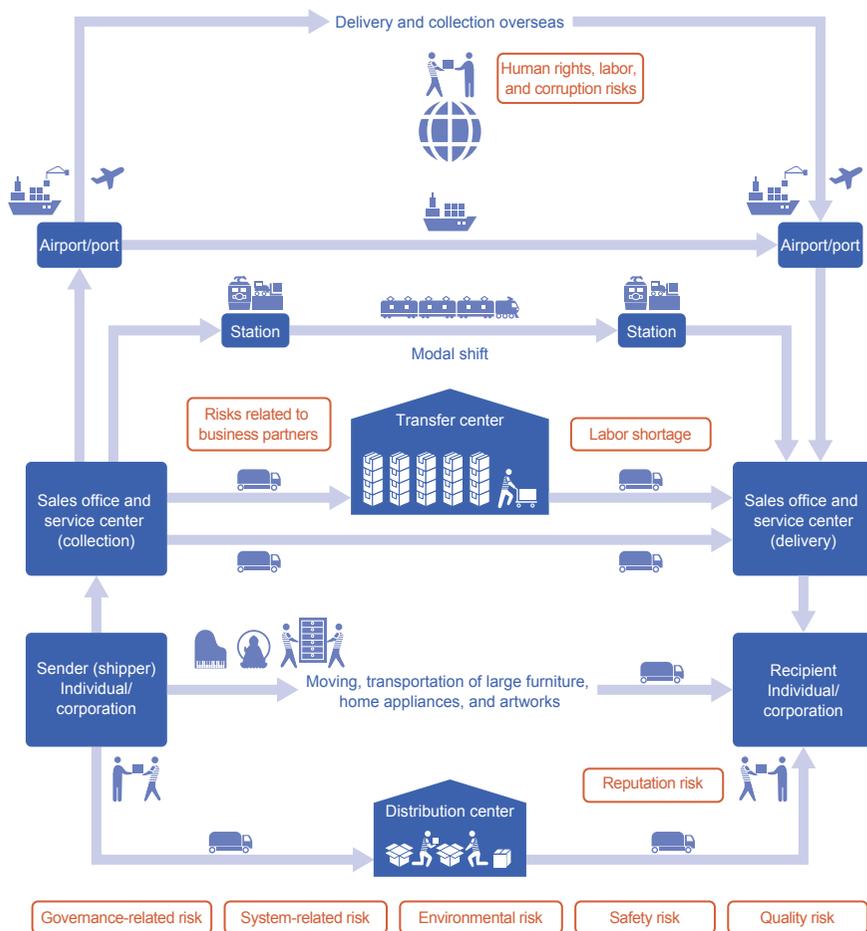


Approach to Materiality

Methods of Identifying Material CSR Issues

The SG Holdings Group identifies material CSR issues by identifying risks and opportunities in business areas, extracting initiatives required for reducing risks, and taking into account requests from society. See page 10 for the material issues we have identified.

Location of Risks in Business Areas



Main risks

The SG Holdings Group recognizes that the main risks described below may occur, and takes short-term and medium- to long-term action to address them.

Human rights

Particularly overseas, there are risks for addressing violations of human rights of various stakeholders such as workers, consumers, and local residents.

Labor-related

Particularly in Japan, there are risks that need to be addressed as a result of the strengthening of legal regulations, application of new legal regulations, and the strengthening of the enforcement of the law due to the shrinking workforce and work style reforms.

Corruption

Particularly overseas, there are risks of corruption and bribery to be addressed.

Business partners-related

In some cases, the Group uses business partners to provide services. There is a risk that business partners will violate the law or otherwise act inappropriately.

Governance

In businesses in Japan and other countries, particularly in Asia, there are local risks such as embezzlement of payments received and improper accounting.

Information system

Appropriate operation management and freight management utilizing IT are extremely important for the Group's logistics business. There is a risk that operations will be suspended or that customer information will be leaked due to system trouble.

Environment

The Group uses many vehicles, and there is a risk that a variety of actions such as the replacement of vehicles and the installation of dust collectors will be required due to strengthening of environmental regulations in the future.

Safety

There is a risk of administrative penalties or cancelation of permits due to the occurrence of serious accidents, and that it will be necessary to take a variety of action due to the strengthening of labor laws.

Quality

There is a risk that various actions will be required if a quality-related incident occurs.

Occurrence of natural disasters

There is a risk that business continuity will be difficult due to damage to equipment and the suspension of operation of equipment in the event of a natural disaster.

Seven Material CSR Issues

The Relationship between the SG Holdings Group and SDGs

The SG Holdings Group aims for sustained growth by resolving social issues through business as a comprehensive logistics group. When specifying seven material CSR issues, we utilized SDGs as a social perspective and also identified SDGs highly related to us.

Furthermore, in the Mid-term Management Plan Second Stage 2021, a three-year plan starting in fiscal 2019, “contribution to SDGs” is one of our key initiatives. This is because we believe our goal should aim in the same direction as the SDGs, which seek to realize a sustainable society, and we should move forward with it in order to sustain and evolve the logistics business as social infrastructure. We will contribute to the achievement of SDGs through various initiatives in line with the seven material issues.

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 countries worldwide should achieve them over the 15 years from 2016 to 2030 to create a sustainable society. Companies are also required to take action to achieve the goals.



Material CSR Issues

The seven issues below have been identified as material issues, and Group companies are implementing initiatives in line with these themes. SDGs that are particularly relevant to them are also described.



Seven Material Issues	Related SDGs	Initiative Themes	Boundary	
			Japan	Overseas
Providing Safe and Secure Services	3 GOOD HEALTH AND WELL-BEING, 11 SUSTAINABLE CITIES AND COMMUNITIES	Traffic safety	○	○
		Labor health and safety	●	○
		Quality	○	○
Promoting Environmentally Friendly Business Activities	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION	Climate change	●	○
		Circulation of resources	●	○
		Coexistence with nature	●	○
Building an Organization of Diversity and Inclusion	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH	Human rights	●	●
		Labor practices	●	○
		Diversity and Inclusion (D&I)	●	○
Creating New Value Through Comprehensive Logistics Solutions	7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION	Provision of advanced logistics solutions	○	○
		Promotion of digitalization and technologies	○	○
Contributing to Communities	3 GOOD HEALTH AND WELL-BEING, 7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION	Local contributions	○	○
Promoting Sustainable Procurement	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 7 AFFORDABLE AND CLEAN ENERGY	Supplier management	●	○
Building a Responsible Management Foundation	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 13 CLIMATE ACTION	Corporate governance	●	●
		Compliance	●	○
		Risk management and information security	●	○

Approach to boundary: Scope of implementation of initiatives according to issues.

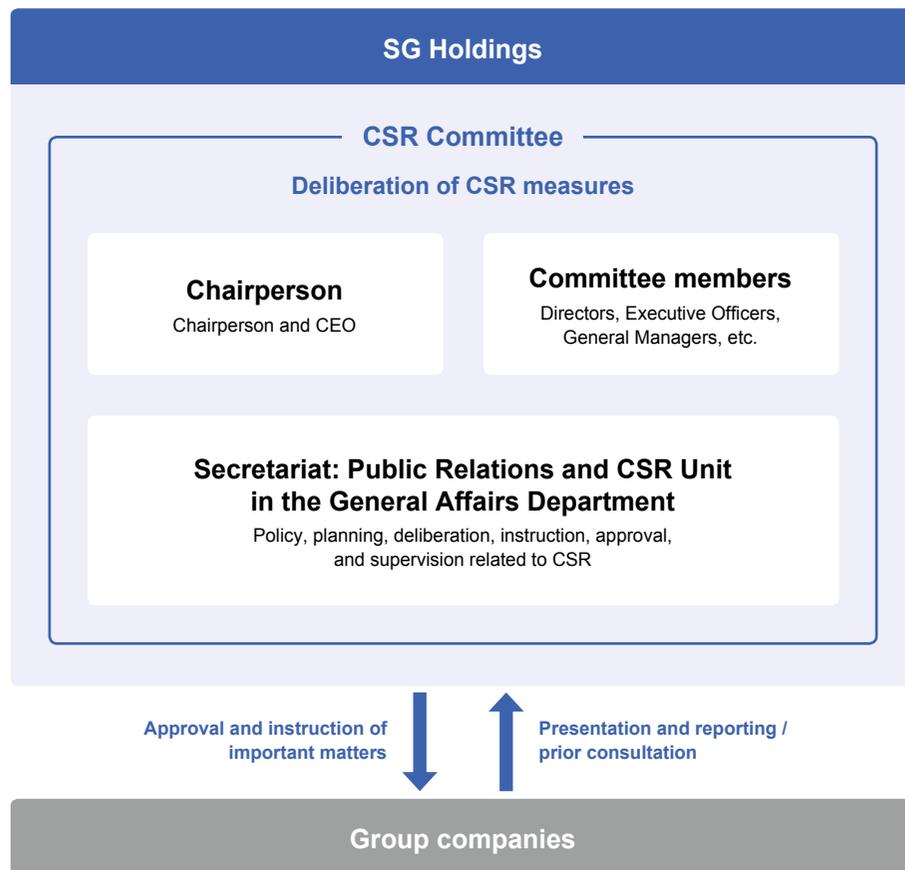
The companies covered are shown on page 4.

- Total coverage
- Partial coverage

CSR Management System

CSR Promotion System

SG Holdings plans CSR for the Group as a whole, and manages and supervises the initiatives of each Group company based on this.



CSR Committee

The SG Holdings Group has set up a CSR Committee for the purpose of implementing CSR on a management level. The committee consists of Directors and the heads of Corporate Planning and departments in charge of CSR, with meetings held quarterly. Discussion of important measures and management systems related to CSR leads to continuous improvement of initiatives.

Members <ul style="list-style-type: none"> ● Chairperson Chairperson and CEO, SG Holdings Co., Ltd. ● Committee members Seven Directors, one Executive Officer and two General Managers of SG Holdings Co., Ltd. (Fiscal 2018) ● Other attendees Three Directors of Sagawa Express Co., Ltd. 	Meetings Held in Fiscal 2018 <table border="1"> <tr> <td>1st</td> <td>April 2018</td> </tr> <tr> <td>2nd</td> <td>July 2018</td> </tr> <tr> <td>3rd</td> <td>November 2018</td> </tr> </table> Main agenda items <ul style="list-style-type: none"> ● Report of matters relating to CSR management ● Progress report on CSR activities 	1st	April 2018	2nd	July 2018	3rd	November 2018
1st	April 2018						
2nd	July 2018						
3rd	November 2018						

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 hold study sessions, inviting outside lecturers.

Overseas Group companies are individually provided with occasions for the sharing of information and study sessions.

Meetings Held in Fiscal 2018 <ul style="list-style-type: none"> 1st Held in October 2018 Participation by 15 companies 2nd Held in March 2019 Participation by 15 companies Extraordinary meetings Held in February 2019 Participation by 12 companies Main agenda items <ul style="list-style-type: none"> ● Seminars related to SDGs ● ESG evaluation ● Anti-corruption ● Collection of environmental data (extraordinary meetings)



List of Targets and Results

Material Issues	Theme	Desired Outcome	Targets and Results for Fiscal 2018
Providing Safe and Secure Services	Traffic safety	Reduction of traffic accidents in the Company and society as a whole	Initiatives such as increasing training opportunities were implemented and achieved with the objective of reducing the number of traffic accidents year on year.
	Labor health and safety	Ensuring of the safety and health of employees	We set the target of improving medical examination results one year later for people subject to health risks, and improved results in approximately 80% of all subjects through health supervision.
	Quality	Maintenance and improvement of service quality	With regard to the target of improving quality in terms of time, freight, and response, improvements were made with time quality and freight quality. Response quality resulted in an increase in demands due to diversifying customer needs.
Promoting Environmentally Friendly Business Activities	Climate change	Reduction of CO ₂ emissions throughout the Group as a whole	In fiscal 2018, the CO ₂ emission reduction targets set for Group companies were achieved.
	Circulation of resources	Promotion of 3R business throughout the Group as a whole	Group companies' targets for waste and use of paper were not achieved. We learned that this was due to the expansion of the scope of business, and will continue working on improvement in the next fiscal year.
Building an Organization of Diversity and Inclusion	Human rights	Respect for human rights of all stakeholders	For the respect of human rights, we implemented human rights education and harassment prevention education for all Group employees in fiscal 2018.
	Labor practices	Creation of a friendly work environment	Overtime hours of drivers in Japan were reduced by 9.5% year-on-year, and by 3.4% for occupations other than drivers as we proceeded to create a healthy working environment in a planned way.
		Improvement of positive response rate in employee engagement surveys	The indicator was changed from the employee attitude survey to the employee engagement survey. The results of fiscal 2018 will be used as a benchmark for making improvements in the workplace culture.
	D&I (Diversity and Inclusion)	Creation of a workplace for participation by diverse human resources	With the target of women accounting for 10% of management positions at the end of fiscal 2020, the promotion of participation of women progressed to 7.6% as of the end of fiscal 2018.

List of Targets and Results

Material Issues	Theme	Desired Outcome	Targets and Results for Fiscal 2018
Creating New Value Through Comprehensive Logistics Solutions	Provision of advanced logistics solutions	Contribution to building communities through more efficient logistics	We were commissioned to provide facility logistics services in multiple new commercial facilities, and contributed to the alleviation of traffic congestion and reduction of environmental impact.
		Promotion of international logistics and provision of high value-added services overseas	We established logistics infrastructure in Asian countries such as the commencement of rail transportation in China and the establishment of a fixed-temperature warehouse in Thailand.
		Approach to wider target audience by deeper penetration and additional value creation	In addition to the relocation of laboratories and hospitals, we provided added value in logistics through the expansion of services in logistics settlement.
	Promotion of digitalization and technologies	Introduction of technology in logistics equipment	We reduced labor and improved efficiency in warehouse operations through the introduction of logistics support robot and route navigation tool.
		Promotion of improvement of operations utilizing AI and other technologies	We improved the efficiency of our operations through the automation of invoice reading utilizing AI.
Contributing to Communities	Local contributions	Contribution to the creation of sustainable communities	We contributed to the creation of sustainable communities by increasing the number of instances of disaster support agreements and mixing of freight and passengers.
		Support of local industry and tourism	We established new locations for Hands-Free Travel. In addition, we concluded comprehensive partnership agreements with four prefectures and two municipalities.
		Promotion of education for the next generation	We sponsored the All-Japan High School Ekiden Championship to support sport. We continued to implement work experience in sales offices as part of our occupational training.
Promoting Sustainable Procurement	Supplier management	Establishment of supplier management policy and 100% consent of suppliers	We conducted a survey of Group companies on the status of utilization of Supplier CSR Guidelines to ascertain the current state of utilization.
Building a Responsible Management Foundation	Compliance	Maintenance and establishment of a compliance system not limited to legal compliance	Following on from last year, we conducted a variety of types of internal education on compliance.
	Risk management and information security	Realization of advanced crisis management	We conducted business continuity training throughout the Group. In addition, we thoroughly implemented training and education on handling of targeted e-mail attacks with regard to information security.



Providing Safe and Secure Services _____ P15

Promoting Environmentally Friendly Business Activities _____ P26

Building an Organization of Diversity and Inclusion _____ P39

Creating New Value Through Comprehensive Logistics Solutions — P53

Contributing to Communities _____ P60

Promoting Sustainable Procurement _____ P66

Building a Responsible Management Foundation _____ P69



Providing Safe and Secure Services

- 1. Traffic Safety P16
- 2. Labor Health and Safety ... P20
- 3. Quality P23

Awareness of Social Challenges

According to the Ministry of Land, Infrastructure, Transport and Tourism, there were approximately 430,000 traffic accidents in Japan in 2018, and 520,000 people were injured in these accidents. Although both of these figures are decreasing, the impact of traffic accidents on society is by no means small. The SG Holdings Group conducts business using public roads, and the elimination of traffic accidents is an issue that cannot be ignored.

Furthermore, the employees of the Group number more than 90,000 mainly in Japan, and it is our greatest responsibility to ensure labor health and safety.

Furthermore, questions are arising again in Japan concerning the responsibility to customers due to repeated fraudulent incidents related to quality such as the falsification of data. Safe and secure service can only be provided when backed by quality, and we believe that it requires further diligent efforts.

Involvement with SDGs



The total distance traveled by the Group in its transportation business is 420 million kilometers in Japan alone, and the number of vehicles owned totals approximately 27,000. Minimizing the impact of traffic accidents is the responsibility of everyone involved in this business.

One of the sustainable development goals (SDGs) established by the United Nations is to “halve the number of global deaths and injuries from road traffic accidents by 2020” and we are committed to this goal.

Policy

1. Traffic Safety

We are systematically implementing traffic safety measures based on the Transport Safety Management System.

The most emphasis is placed on the safety education of drivers. By thoroughly implementing this, we aim to reduce traffic accidents in the company and society as a whole.
2. Labor Health and Safety

Labor health and safety of employees is carried out based on the Group-wide “Health and Safety Regulations.”

In addition to these, each business site implements measures according to risk to ensure the health and safety of employees.
3. Quality

We will constantly engage in the improvement of quality to provide services that support the sustained growth of the Group and society.

Traffic Safety Policy

The three following companies handle most of the transportation operations of the SG Holdings Group. To ensure traffic safety, they are all engaged in basic policies on transportation safety based on the Transport Safety Management System established by the Ministry of Land, Infrastructure, Transport and Tourism.

- Sagawa Express
- SG Moving
- World Supply

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.

Traffic Safety Promotion Systems

Each company in the Group is addressing problems related to safety including traffic accidents through means such as the establishment of individual safety committees based on the Transport Safety Management System specified by the Ministry of Land, Infrastructure, Transport and Tourism. Sagawa Express also provides its training facilities and training systems to the two other companies to promote traffic safety throughout the entire Group.

Company	Name of Committee	Person Responsible	Frequency of Meetings
Sagawa Express	Safety Meeting	Director in Charge of Administration	Once per month
SG Moving	Labor Safety Meeting	General Manager	Once per month
World Supply	Labor and Safety Promotion Meeting	General Manager	Once per month

Goals and Outcomes Related to Traffic Safety

Company	Medium- to Long-term Goals	Fiscal 2018 Goals	Number of Reportable Traffic Accidents in Fiscal 2018	Number of Reportable Traffic Accidents in Fiscal 2017
Sagawa Express	Reduce traffic accidents in the Company and the whole society	Reduction of the number of reportable traffic accidents* (year-on-year comparison)	20	22
SG Moving			0	0
World Supply			0	0

*Number of traffic accidents subject to reporting under Article 2 of the Automobile Accident Reporting Rules

As we had done in the previous fiscal year, in fiscal 2018 we established the common goal of reducing the number of traffic accidents specified by the Ministry of Land, Infrastructure, Transport and Tourism in the Automobile Accident Reporting Rules (number of reportable traffic accidents) compared to the previous year, and implemented measures suited to each company. Sagawa Express drafted and executed various measures such as providing better training on safety based on the increase in traffic accidents in fiscal 2017. As a result, the number of accidents was reduced by approximately 10% compared to the previous fiscal year in fiscal 2018.

SG Moving and World Supply were able to achieve their goals with zero reportable accidents again following the previous fiscal year.

Safety Education

Newly hired drivers at Sagawa Express undergo training and guidance on safe driving, and are required to pass an examination to work solo as Sales Drivers®. Periodic guidance is also provided afterward to enable them to continue to drive safely. Training, guidance, and examinations are only provided by personnel who have certain internal qualifications in a system that provides the same level of education to all drivers. Training is also periodically provided to these instructors and examiners to create a system in which the necessary education is always provided to the workplace.

The two other companies have also established safety education systems providing training and manuals that match their own business characteristics based on the standard set by Sagawa Express.

Training for Drivers (Sagawa Express)

Timing	Training Title	Instructor		Frequency in Fiscal 2018	Number of Recipients in Fiscal 2018
		Advanced SD Instructor	Advanced Safe Driving Examiner		
Entry into company 	Basic Safe Driving Training	○	—	126	2,634
	Driving Ability Assessment	—	○	5,177	5,177
	Driver Mentoring	○	—	66,647	4,667
	Driving Assessment	—	○	6,517	5,915
	SD Certification Training	○	—	429	3,215
1 month later	1 Month Driver Mentoring	○	—	3,741	3,629
3 months later	3 Month Driver Mentoring	○	—	3,542	3,475
6 months later	6 Month Driver Mentoring	○	—	3,312	3,254
12 months later	12 Month Driver Mentoring	—	○	2,703	2,667
Thereafter	Periodic Driver Mentoring	○	—	28,889	25,640

Training for Instructors and Examiners (Sagawa Express)

Training Title	Frequency in Fiscal 2018	Number of Recipients in Fiscal 2018
Advanced SD Instructor Accreditation Training	149	1,407
Advanced Safe Driving Examiner Accreditation Training	73	310
Initial Safety Promotion Training	8	162
Coaching Training for Safety Promoters	4	160
SD Adviser Training	22	57

Number of Instructors and Examiners (Sagawa Express)

Training Title	Fiscal 2018	Fiscal 2017
Advanced SD Instructors	10,418	9,529
Advanced Safe Driving Examiners	1,564	1,425
Safety Promoters	1,194	1,029
SD Adviser	133	116

Other Initiatives

In addition to safety education, the SG Holdings Group is implementing measures using safety assistance devices such as drive recorders and conducting initiatives to raise safety awareness through internal commendation systems such as the Continuous Accident-free Award System. Furthermore, the Group aims to reduce the number of traffic accidents not only within its companies but throughout society as a whole by holding traffic safety workshops for regional communities and providing safe driving training services to companies outside the Group.

● Drive Recorders

Drive recorders are installed in transportation vehicles to improve drivers' driving skills and analyze the causes of accidents.

Company	Number of Vehicles Owned (for Transportation Business)	Number Equipped with Drive Recorders	Installation Rate
Sagawa Express	26,671	19,610	73.5%
SG Moving	74	74	100%
World Supply	135	Not installed (to be installed in fiscal 2019)	

● Truck Driving Championships

Sagawa Express holds “Truck Driving Championships” every year in order to improve the traffic safety awareness and driving manners of drivers. In fiscal 2018, 84 drivers selected from throughout Japan competed across three events covering traffic rules, inspections, and driving skills. The championships were held for the 26th time in fiscal 2018.



● Continuous Accident-free Award System

Sagawa Express has established a Continuous Accident-free Award System for sales offices nationwide. 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.

● Traffic Safety Classes

Sagawa Express periodically holds traffic safety classes for children and the elderly in local communities. This initiative began in 2003, and has had over 1.5 million participants to date.

	Number Held per Year	Number of Participants per Year	Total Number of Participants
Traffic Safety Classes	741	73,620	1,567,224

● Safe Driving Training Services

Sagawa Express offers “Safe Driving Training Services” providing driving safety expertise to corporations as a business. The aim is to eliminate traffic accidents from society by enabling the knowledge accumulated as professional drivers over many years to be utilized by business operators that utilize motor vehicles.

This service is provided in a training format for drivers and instructors.

	Number of Training Sessions per Year	Number of Participants per Year	Number of Participating Companies
Safe Driving Training Services	135	2,109	28

● Driver Training Facilities

Sagawa Express has driver training facilities that provide driving training courses in three locations throughout Japan. These facilities are used for safety education for other Group companies and Safe Driving Training Services for outside the Group.

Driver Training Facilities (Sagawa Express)	Location
Toyohashi Training Center	Aichi Prefecture
Ayase center	Kanagawa Prefecture
Setouchi Park	Kagawa Prefecture

1. Traffic Safety

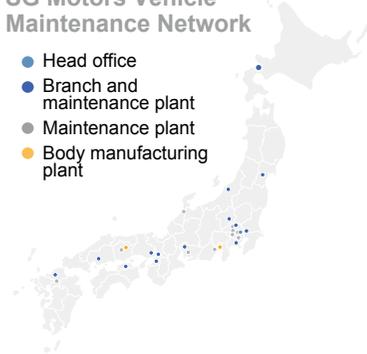
● Ensuring Vehicle Maintenance

The SG Holdings Group ensures inspections are conducted by drivers before driving and conducts centralized management of maintenance with the aim of “eliminating traffic accidents related to vehicle maintenance.”

SG Motors manages sales vehicles throughout the Group, and provides a wide range of support spanning from the management of inspection timing to the standardization and confirmation of suitability of inspection items. It also has a maintenance network that can cover 30,000 vehicles nationwide, ready to handle all of the Group’s vehicles at any time.

SG Motors Vehicle Maintenance Network

- Head office
- Branch and maintenance plant
- Maintenance plant
- Body manufacturing plant



● Telematics Cloud Service

SG Systems provides a telematics cloud service using a cloud platform. “Telematics” is a collective term referring to the provision of information services by combining communications systems with automobiles and other vehicles. This service will lead to the accumulation and analysis of various information in the operation of vehicles, contributing to the improvement of safety.

● Aptitude Tests Using a Basic Driving Simulator

World Supply introduced a basic driving simulator in fiscal 2017. This makes it possible to conduct driver aptitude tests without driving a vehicle, and the driving simulator is also utilized in danger prediction training.

● Safety Education through *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.

Overseas Initiatives

● SG Sagawa Ameroid (Singapore)

SG Sagawa Ameroid established a Safety Committee in 2015 and is striving to prevent traffic accidents. The company is also working to introduce a web portal system (accident reporting system) and systems for driver training and driving analysis, and also install equipment such as high-definition cameras in vehicles for monitoring drivers and other purposes.

● Expolanka (Sri Lanka)

Expolanka Freight (EFL), an Expolanka Group company, implemented the “Road Safety Program,” which is aimed at educating employees to improve the safety of EFL’s delivery services for employees, customers, local communities, and the environment. This program provides information helpful for EFL to raise safety awareness among employees, which thereby allows the company to ensure traffic safety and maintain a culture of placing the highest priority on safety.



Policy on Health and Safety

The SG Holdings Group has established common “Health and Safety Regulations” for the Group in an effort to improve health and safety activities, prevent workplace accidents, ensure the safety and health of employees, and form and promote comfortable working environments.

The areas where these initiatives are conducted are as follows.

- Health management of employees
- Stress management of employees
- Ensuring labor safety in the workplace
- Long working hours
- Health and safety education

Systems Related to Health and Safety

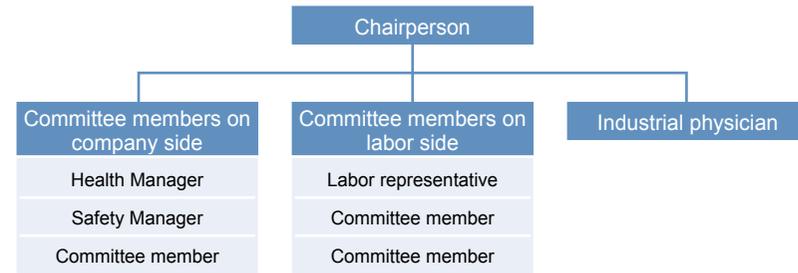
- Management of Health, Stress, etc. of Employees

The Group works with the SG Holdings Group Health Insurance Society to hold meetings of the Health Management Project Promotion Committee twice per year to promote the health of employees and prevent diseases. This committee is chaired by SG Holdings director in charge of Management and Control, and its members consist of the personnel responsible for health management in domestic Group companies and Health Insurance Society representative members. It ascertains the state of health of employees, shares health issues throughout the Group, and determines measures and policies on health projects.

- Ensuring Labor Safety in the Workplace, Long Working Hours, etc.

Systems for health and safety in the workplace are established according to the size of each business site. For example, Health and Safety Committees are set up in business sites that constantly have 50 or more employees, and the safety and working hours of employees are discussed in committee meetings that are held monthly to consider and implement specific measures in each business site.

Health and Safety Committee (e.g. Sagawa Express)



Goals and Results Related to Health and Safety

Companies	Medium- to Long-term Goal	Fiscal 2018 Goal	Results in Fiscal 2018
Domestic Group companies	Ensuring the safety and health of employees	Improve the results of the following fiscal year's medical examinations for personnel subject to health risks* (high blood pressure, diabetes, hyperlipidemia, liver dysfunction, etc.)	Improvement in 80% of personnel covered (reduction of health risks)

The Group places a particular focus on initiatives aimed at the health of each of its employees. Preventing illnesses from becoming severe was set as a goal for fiscal 2018. This initiative covers employees found to be subject to health risks in health checkups conducted once per year in Japan. Health nurses from the SG Holdings Group Health Insurance Society conduct interviews with each person at risk, recommend being seen by a specialist, provide guidance on medication, and provide health guidance such as a review of lifestyle habits over one year for better results in the next year's medical examination. Approximately 1,100 people were found to be at risk in fiscal 2018, but significant improvements were seen in 80% of the following fiscal year's results, indicating a reduction in health risks.

*Personnel subject to health risks: people who have health risks, including (urgent) high health risks.

Initiative to Address Workplace Accidents

The SG Holdings Group believes that accurately ascertaining the actual state of workplace accidents is the most important means of improving labor health and safety. For this reason, we do not set such absolute number targets as could provide motivation for cover-ups.

Instead, the departments responsible for safety in each Group company play a central role in steps to address workplace accidents with the aim of “eliminating fatal and serious accidents.”

For example, in fiscal 2018, Sagawa Express conducted a review of the lines of movement in its sales offices nationwide to reduce accidents within sales offices. This initiative resulted in an 8% reduction in accidents in sales offices in fiscal 2018 compared to fiscal 2017. The activities are scheduled to continue.

Overseas, SG Sagawa Ameroid conducted a safety review, and provided warnings to drivers and expanded safety facilities based on the results. As a result, the number of accidents, including minor injuries, was reduced by 45% in fiscal 2018 compared to the previous fiscal year.

Number of Workplace Accidents (Domestic Group Total)

There were 865 workplace accidents in fiscal 2018. Although the number of employees in Japan increased by approximately 2,000, the number of workplace accidents decreased by 86 (approximately 9%) compared to the previous year.

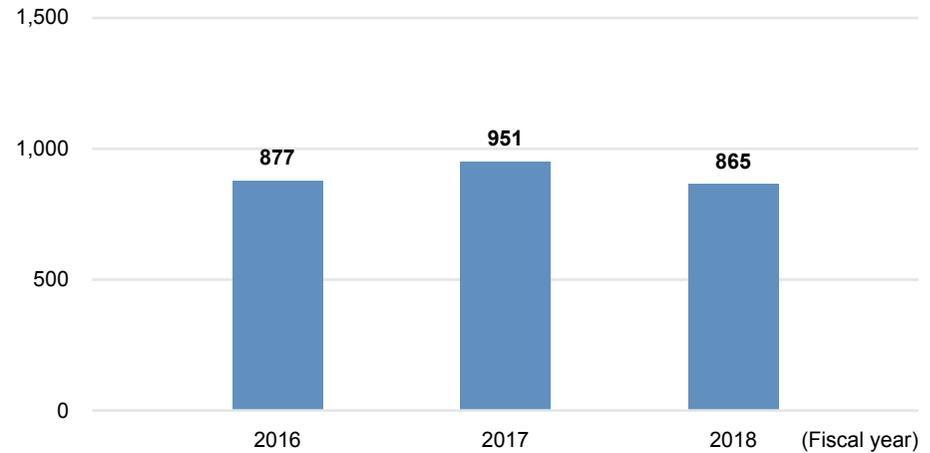
	Fiscal 2016	Fiscal 2017	Fiscal 2018
Not resulting in absence	497	571	468
Resulting in absence	380	380	397
Total	877	951	865

Note: Statistics encompass employees and temporary employees of domestic Group companies.

Yearly Data

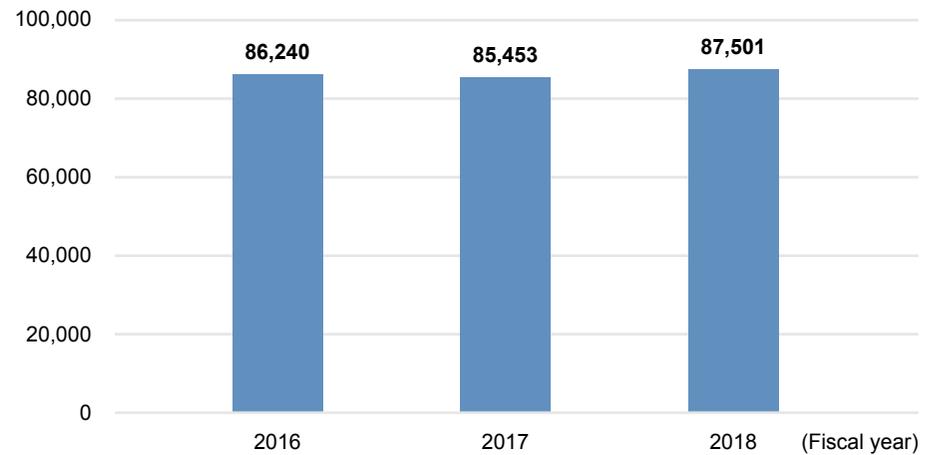
Occurrence of Workplace Accidents in Offices in Japan

(Number)



Number of Employees in Japan

(Employees)



Maintaining and Promoting the Health of Employees

The SG Holdings Group is working with the SG Holdings Group Health Insurance Society to conduct a variety of initiatives contributing to the promotion of health of the 62,000 people covered by insurance in Japan.

●Data Health Plan

The Group and the Health Insurance Society are working together to perform comprehensive analysis of employee health checkup information and medical expense data, organizing it as a data health plan. In response to health issues in the Group identified through the plan, Group companies cooperate to implement and review health projects every year. As preventing illnesses from becoming severe has been a particular focus since fiscal 2017, the Group is paying attention to the health of people subject to health risks.

●Disease Prevention and Health Promotion

The Group actively works with the Health Insurance Society to provide opportunities for the following checkups and examinations to employees, conduct initiatives related to the prevention of disease, and raise awareness.

Initiative	Details	Target Individuals	Expense
Health Check*	Health checkups conducted once per year	All employees	Free
Obesity prevention measures	- Thorough implementation of specified health guidance (SG Smart Program) - Campaign for the prevention of lifestyle-related diseases	All employees	Free
Measures to prevent illnesses from becoming severe	Health consultation and health guidance by telephone, provision of information on appropriate medical institutions, etc. conducted individually for people with poor control of blood sugar or blood pressure	People flagged in health checkups	Free
Various examinations	- Bowel cancer tests by postal mail - Helicobacter pylori tests by postal mail	Applicants	Free
	- Cervical cancer examinations - Breast cancer examinations - Bone density tests - Prostate cancer PSA tests - Influenza vaccinations		Partially subsidized
Support for quitting smoking	- Support for quitting smoking (measurement of lung age and consultation for quitting smoking)	Applicants	Free

*Health Check: an original medical examination combining the periodic medical examination conducted by the Company with the lifestyle-related diseases tests conducted by the Health Insurance Society.

●SG Smart Program

The Group provides specified health guidance under the name of the “SG Smart Program” for employees aged 40 or older as specified by the national government. Employees at risk of metabolic syndrome are actively approached and recommended to utilize the program. The implementation rate was 22.0% in fiscal 2017 (up 16.4% year-on-year). The implementation rate for fiscal 2018 will be reported in November 2019.

●Non-smoking Activities

The Group has set up non-smoking promotion committees in each of its Group companies to provide information for promoting non-smoking and conduct lung age measurements and consultation for quitting smoking upon request. Every year since 2016, they have displayed non-smoking posters, distributed non-smoking videos, and handed out booklets conveying the harm caused by smoking in families with newborn babies.

●Health Management for Women

The Group is also engaged in initiatives related to health management specific to women. For example, breast cancer examination buses are dispatched to approximately 80 business sites nationwide to provide an environment allowing female employees to have themselves examined during work hours for the early discovery of breast cancer. The Health Insurance Society also subsidizes the cost of other tests for cervical cancer and bone density.

Fiscal 2018	1,455 people who underwent breast cancer examinations (of these, 1,223 conducted examinations within the company)
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Employee Mental Health Care

●Stress Checks

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 takes stress checks once a year and anyone who wishes to may consult with an industrial physician or other medical professional.

●Health Dial 24

In order to support the mental health of employees and their families, the Group has established SG Holdings Group Health Dial 24 staffed by a professional organization in Japan, 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.

A poster publicizing the SG Holdings Group Health Dial



Policy on Quality

The SG Holdings Group believes that quality underlies safe and secure services. To deliver services responding to the trust of customers and employees, we are establishing systems and mechanisms that improve quality according to the characteristics of each Group company.

Systems Related to Quality

The Group has built quality management systems to match the characteristics of each Group company. For example, Sagawa Express, which is the core of the Group, has established a Quality Assurance Department in its head office, and also appointed quality managers in 18 branches and 427 sales offices nationwide. These quality managers aim to maintain and improve quality by periodically checking the level of service.

Quality Management System (Sagawa Express)



Goals and Results Related to Quality

Company	Medium- to Long-term Goal	Fiscal 2018 Goal	Fiscal 2018 Results (vs FY 2017)
Sagawa Express	Maintenance and improvement of service quality	Improvement of time quality, freight quality, and response quality (compared to previous fiscal year)	As shown in following table

Quality Item (Sagawa Express)	Scope	Results
Time quality	(1) Time-band service	Improved
	(2) Absence redelivery	
	(3) Hikyaku Just Time Express	
	(4) Morning commercial delivery	
Freight quality	(5) Hikyaku Cool Express	Improved
	(6) Outbound freight accidents	
	(7) Inbound freight accidents	
Response quality	(8) Requests from customers	Increased

Sagawa Express, the core of the Group, is conducting activities to improve quality in terms of three categories: time, freight, and response. In fiscal 2018, while the number of packages handled increased due to the expansion of the e-commerce market and other factors, improvements were made from the previous fiscal year in time quality and freight quality. At the same time, there were also more comments and requests to the company than in the previous fiscal year, reflecting the diversification of customers' needs and higher demands on quality. In the future, we will continue to sincerely listen to customers' voices while complying with existing quality standards, and also endeavor to further improve customer satisfaction.

Initiative

● Compliance with Quality Items (Sagawa Express)

Sagawa Express conducts quality management based on ISO 9001. The company has established eight quality items (see previous page), and each month it tracks numerical targets unified nationwide. In the event a problem arises with these quality items, this is shared across branches and sales offices in the weekly companywide morning meeting to ensure action is taken immediately. Furthermore, nationwide quality promotion personnel meetings are held monthly to consider analysis of quality-related problems and measures to prevent their recurrence. Internal audits of all sales offices in Japan are conducted annually to check over 100 items. The internal auditors are qualified personnel within the company, who currently number around 2,500.

Examples of Quality Check Functions (Sagawa Express)

Frequency	Name	Purpose	Participants and Personnel in Charge			
			Head office	Branches	Sales Offices	Internal Auditors
Weekly	Quality report at companywide morning meeting	Report the state of achievement of quality items (see previous page). Immediately respond if there are any problems.	Directors General Managers	Branch Managers	Sales Office Managers	
Monthly	Nationwide quality promotion personnel meeting	Consider analysis of quality-related problems and measures to prevent their recurrence.	Directors Quality Assurance Department Sales Department Transportation Network Department	Quality Managers	Quality Managers	
Annually	Internal audit	Check quality of over 100 items in all sales offices nationwide. Internal auditors are qualified personnel within the company (approx. 2,500 qualified)				○

● Creation of Delivery Rulebook (Sagawa Express)

In order to maintain a certain level of service quality, Sagawa Express not only educates its own employees, but has also started working on the education of the employees of subcontractors. In fiscal 2018, a rulebook and a checklist were made for subcontractors (delivery supporters), and education using these is scheduled to begin in fiscal 2019. The rulebook and checklist include a wide range of points spanning from general manners such as greetings and appearance to delivery rules such as responses when the recipient is not present. For example, leaving a parcel on the doorstep without permission is clearly prohibited in this manual.



Delivery rulebook

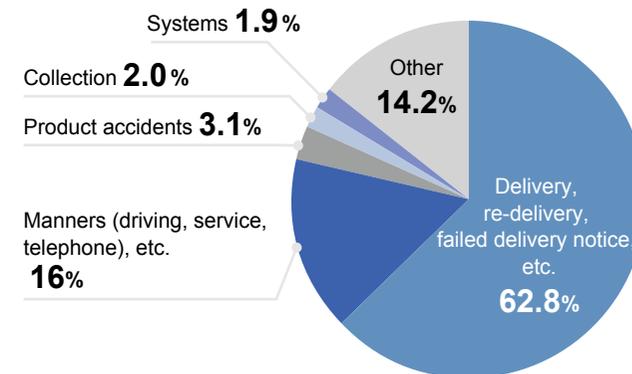


Checklist

● Mechanisms for Fully Applying Customer Feedback (Sagawa Express)

Sagawa Express has established a Customer Service Sections in each of its sales offices to create a system for swiftly responding to requests from customers. Furthermore, comments and requests made by customers via the Website or over the telephone (approximately 64,000 per year) are utilized by the Quality Assurance Department in Head Office to improve customer satisfaction.

Breakdown of Improvement Requests



3. Quality

●Quality Championships (SG Moving)

SG Moving, which provides services such as moving transportation, installation transportation, and special transportation, holds the Quality Championships every year in an effort to improve the skills of its employees. The championships were held for the seventh time in fiscal 2018, with a total of 24 employees in 12 teams representing their sales offices making it to the finals, where they participated in a combined event (carrying, assembly, and service) to compete for the best ranking based on the scores given by judges and the total number of points received in a survey of the audience.



●Mechanic Contest (SG Motors)

SG Motors, which operates vehicle maintenance, vehicle sales, and body sales businesses, held a Mechanic Contest in which mechanics from each site competed based on their vehicle inspection and diagnosis skills and knowledge for the first time in fiscal 2018. The contest was planned to improve the level of skill and level of knowledge of vehicle maintenance, which is one of the company's main businesses. 34 mechanics in 17 teams were chosen for each business site from among approximately 400 mechanics. The contest had written and practical parts.



●Forklift Operator Skill Contest (Sagawa Global Logistics)

Sagawa Global Logistics, which operates a logistics business in Japan, holds a Forklift Operator Skill Contest every year. The purpose of the contest is to improve the safety awareness of forklift operators and to improve their operating skills and inspection skills. This was the tenth time the contest was held, and a total of 25 forklift operators chosen from 13 branches nationwide participated, competing with each other based on their level of specialized knowledge on forklift operation and their operation skills for safely performing high-quality work that they have acquired through everyday operations.





Promoting Environmentally Friendly Business Activities

- 1. Climate Change P28
- 2. Circulation of Resources ... P32
- 3. Coexistence with Nature ... P37

Awareness of Social Challenges

Against the backdrop of the increasing environmental impact of global population growth and economic development, the Paris Agreement, aiming to effectively eliminate the CO₂ emissions from human activities, and the SDGs, set to realize a sustainable world, were adopted in 2015. Not only national governments but also the enterprises that are the actors in economic activities are expected to be actively involved.

The Group recognizes that engaging in the reduction of environmental impact is the greatest responsibility of a logistics business operator using many vehicles. For this reason, the SG Holdings has established an environmental philosophy and an environmental policy, and is engaged in a variety of initiatives based on the themes of climate change, circulation of resources, and coexistence with nature.

Involvement with SDGs

The Group is engaged in “7. Affordable and clean energy” and “13. Climate action” due to the impact of the use of energy by vehicles and various types of equipment in distribution facilities through the logistics business.



Policy

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

Systems

● CSR Committee

The CSR Committee holds quarterly meetings, attended by SG Holdings directors to discuss and share information on policies and initiatives for ESG activities. Besides, some Group companies (SG Realty, SG Moving, SG Fielder, etc.) also have their CSR Committees hold meetings.

The CSR Committee is also mentioned on page 11.

● CSR Manager Meetings

Group companies have also appointed CSR personnel, and they all meet 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.

The CSR Manager Meeting is also mentioned on page 11.

Attendees of the CSR Manager Meeting

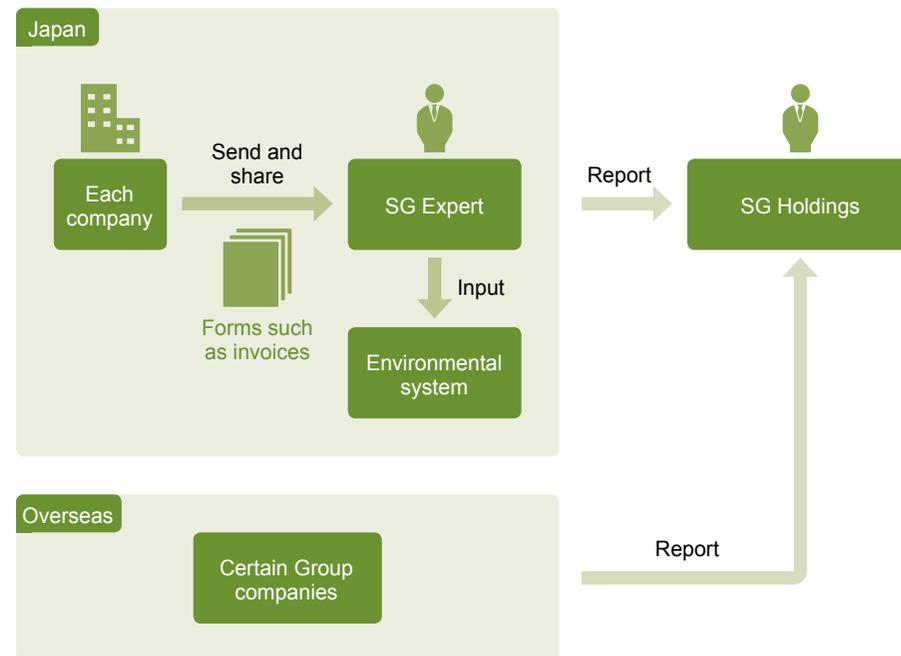
Company	Department in Charge
SG Holdings	Public Relations and CSR Unit in the General Affairs Department
Sagawa Express	Environmental Section in the CSR Promotion Department
SG Motors	CSR Promotion Office
Other Group companies	Departments related to management and general affairs

● Environmental Data Management System

In the SG Holdings Group, SG Holdings gathers environmental data for Japan and overseas, and each company implements efforts aimed at reducing environmental impact accordingly. The same system is used to centrally manage domestic environmental data, and management is performed by each company overseas.

- Japan: Forms related to fuel, electricity, and water are consolidated in SG Expert, which operates a shared service business.
- Overseas: Similar forms are aggregated for each Group company.

Flow Diagram of Environmental Data Aggregation



Policy on Climate Change

As a corporate group operating a logistics business, the SG Holdings Group emitted 400,000 tons of CO₂ throughout the entire Group in fiscal 2018, and recognizes the impact we have on climate change. Meanwhile, in the medium to long term, we believe that climate change will have an extremely large impact on the continuity of business, such as stronger environmental regulation and an increase in disasters due to climate change.

For this reason, in accordance with our Environmental Policy, we have engaged in a variety of initiatives such as promoting the use of vehicles and logistics facilities with lower energy consumption and emissions of greenhouse gases, and limiting the use of energy in business facilities as initiatives leading to the reduction of CO₂ emissions in business activities.

In addition to continuing these initiatives, we also began supporting TCFD (Task Force on Climate-related Financial Disclosures) in fiscal 2019. In the future, we will analyze the impact of climate change on the Group's finances, and utilize the resultant risks and opportunities in our business strategy.

Goals and Results Related to Climate Change

Company	Medium- to Long-term Goal	Fiscal 2018 Goals	Fiscal 2018 Results
SG Holdings Group	Reduction of CO ₂ emissions throughout the Group as a whole	● Sagawa Express: -1% year-on-year change in CO ₂ emissions (total)	Achieved -2.7% change year on year
		● SG Moving: -1% year-on-year change in CO ₂ emissions (total)	Achieved -7% change year on year
		● SG Motors: -1% year-on-year change in CO ₂ emissions (per unit of sales)	Achieved -8% change year on year

As a result of initiatives implemented in fiscal 2018, Sagawa Express, SG Moving, and SG Motors all achieved the goals related to the reduction of CO₂ emissions in each company. We will continue working to reduce CO₂ emissions through both tangible and intangible aspects, which respectively include the adoption of next-generation vehicles and LED lighting, and transportation efficiency improvement and modal shift.

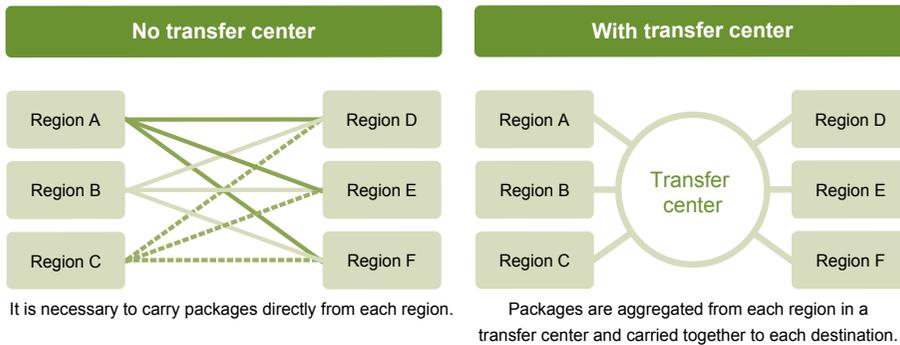
Initiatives Related to Climate Change

● Improvement of transportation/delivery efficiency

The Group is working to reduce CO₂ emissions throughout the entire transportation/delivery system. For example, transfer centers and Sagawa Distribution Centers (SRCs) are utilized to promote the improvement of logistics efficiency by limiting the number of trucks used.

● Transfer Centers (Sagawa Express)

The establishment of transfer centers can reduce the number of trucks used.



● Sagawa Distribution Center (SRC)

SRCs are distribution facilities directly connected to the sales offices of Sagawa Express, and enable the reduction of truck transportation between each process.



● Establishment of Service Centers

Sagawa Express has established Service Centers (SCs) that perform collection and distribution with hand carts or bicycles, instead of using trucks, at 331 locations throughout Japan. With three to five fewer trucks run by each location, CO₂ emissions and other air pollutants of 1,500 vehicles in total are reduced across all of these Service Centers.

If a Service Center has been established



Service Center

● 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 in an effort to reduce emissions.

1. Climate Change

● Introduction of Environmentally Friendly Vehicles

The Group is promoting the introduction of environmentally friendly vehicles such as electric vehicles, hybrid trucks, natural gas trucks, and clean diesel vehicles, which have a reduced impact on the environment. In April 2019, trial operation of electric trucks began in the Bunkyo Sales Office of Sagawa Express. Natural gas trucks reduce emissions such as CO₂, NOx (nitrogen oxide) and PM (particulate matter), and hybrid trucks and electric vehicles are able to reduce fuel consumption.

Since June 2018, Sagawa Express 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. This will enable LNG trucks to reduce CO₂ emissions by around 10% compared to ordinary diesel trucks.

Furthermore, SG Sagawa Ameroid is transitioning from trucks under old standards (Euro 2) to new standards (Euro 4 or 5), and replaced two vehicles in fiscal 2018.

Breakdown of Vehicles Owned in Japan

Electric	Hybrid	Natural gas	Clean diesel	Other	Total
16	1,204	2,858	8,001	14,803	26,882



Electric truck



Hybrid truck



Natural gas truck

1. Climate Change

● Modal Shift

Sagawa Express is promoting a modal shift, which refers to switching from the transportation of freight by truck to the modes of transportation that have a lower environmental impact, such as train and ship. Modal shift not only reduces CO₂ emissions but also contributes to saving energy and labor because a larger volume of freight can be transported at once.

● Transportation by Train

In 2004, Sagawa Express began to transport express delivery packages via “Super Rail Cargo” express railway container cars developed jointly with Japan Freight Railway Company. 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 transported in both directions is equivalent to 56 ten-ton trucks.



“Super Rail Cargo” express railway container cars

“Support for Eco Rail Mark”

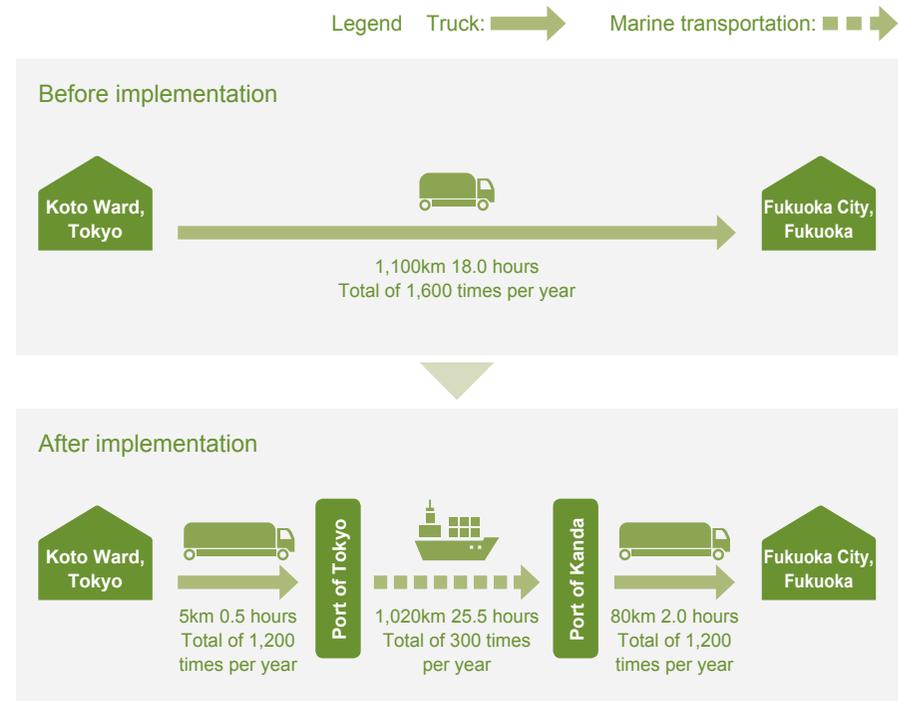
Sagawa Express has adopted the Eco Rail Mark and supports the Eco Rail Mark as a logistics business operator involved in transportation and distribution.

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.



● Transportation by Ship

We are engaged in replacing a part of the long-haul transportation from Kanto to Kyushu, which has mainly relied on trucks, with marine transportation. In fiscal 2018, the “Modal Shift Utilizing Marine Transportation” implemented with the cooperation of MOL Ferry Co., Ltd. and Daito Jitsugyo K.K. was approved as an efficient and environmentally friendly action pursuant to the Act on Advancement of Integration and Streaming of the Distribution Business. This has had the effect of reducing CO₂ emissions by 52.1% and drivers' driving time by 90% compared to before the implementation of the modal shift.



● Encouraging Transition to LED Lighting

Sagawa Express is encouraging the introduction of LED lighting at sales offices and large distribution facilities. We have been able to effectively reduce CO₂ emissions by roughly 13,000t (approx. 19,000 MW) by introducing LED lighting at 229 locations (+ 11 locations year-on-year) in fiscal 2018.

Policy on Circulation of Resources

The Group believes that it is its responsibility as a company to reduce the use of various resources in business activities and cyclically use limited resources by recycling the resources used as much as possible. In accordance with the Environmental Policy mentioned earlier, we will promote the 3Rs of reusing, reducing, and recycling resources used in the Group, in addition to handling reverse logistics related to the processing and recycling of waste through business in order to contribute to a recycling-oriented society. Furthermore, we will also contribute to the promotion of the utilization of renewable energy by installing solar power facilities in some distribution facilities.

Goals and Results Related to Circulation of Resources

Company	Medium- to Long-term Goal	Fiscal 2018 Goals	Fiscal 2018 Results
SG Holdings Group	Promotion of 3R business throughout the Group as a whole	● Sagawa Express: Reduction in the amount of waste produced compared to the previous fiscal year	Failed to achieve goal due to +32.5% change year on year
		● Sagawa Express: Reduction in the amount of water used compared to the previous fiscal year	Failed to achieve goal due to +0.5% change year on year
		● SG Moving: -1% change in the amount of copying paper used compared to the previous fiscal year	Failed to achieve goal due to +18% change year on year
		● SG Moving: Increase in the percentage of green office supplies purchased compared to the previous fiscal year	Failed to achieve goal due to percentage being approx. 19% in fiscal 2018 compared to approx. 21% in fiscal 2017
		● SG Motors: Promotion of thermal recycling and material recycling of waste	Selected an industrial waste processor capable of thermal recycling and material recycling

As a result of the initiatives implemented in fiscal 2018, both Sagawa Express and SG Moving failed to achieve their goals. We will analyze the causes of our failure to reach these goals, and consider measures for improvement to be accomplished in the next fiscal year and beyond. SG Moving is endeavoring to reduce the volume of copying paper used through efforts such as the introduction of paperless meetings, but the volume increased compared to the previous fiscal year due to the expansion of the scope of business.

In addition, the percentage of green office supplies purchased decreased compared to the previous fiscal year due to the high proportion of items that did not require green purchasing.

Initiatives Related to Circulation of Resources

Environmentally Friendly Distribution Facilities

SG Realty is developing distribution facilities that lead to stable power supply and reduced environmental impact, and there are currently 99 distribution sites and distribution centers with solar power facilities in the Group. The total area of the panel installations is 197,273m² and the total power generated in fiscal 2018 was 27,506MWh.

Furthermore, the latest captive solar power generation system has been installed at SG Realty Wako, which was completed in February 2018, and annual energy consumption has effectively been reduced to zero due to the creation of natural energy using solar panels.



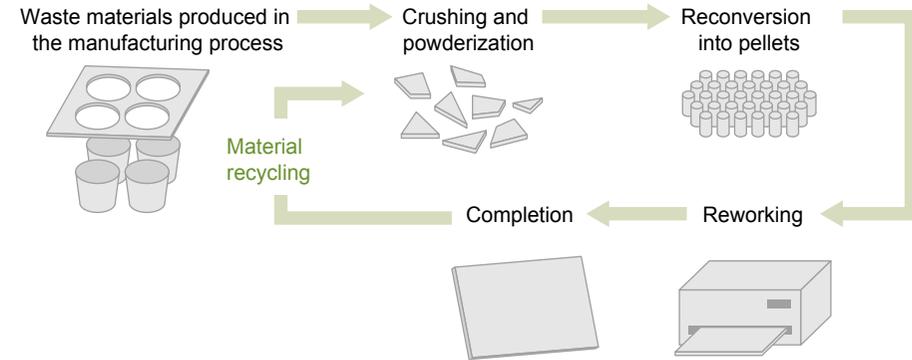
SG Realty Wako

Certifications Obtained by SG Realty Wako	Rank
DBJ Green Building Certification	★★★★★ 5 stars (highest rank)
Building Energy-efficiency Labeling System (BELS)	★★★★★ 5 stars (highest rank)

Development of Environmentally Friendly Vehicle Bodies

SG Motors is developing environmentally friendly “ECO bodies.”

It reduces environmental impact by using plastic panels made by recycling waste materials produced in the manufacture of cup noodle containers as the interior material for roof panels and using acacia wood from fast-growing plantation trees as truck bed material.



Vehicle-related Recycling

Vehicles used by Sagawa Express and other Group companies are brought to SG Motors, which recycle them in various ways. Usable vehicles are sold, and other vehicles are also processed in an environmentally friendly manner such as recycling whenever possible. Furthermore, efforts are also made to recycle resources such as promoting thermal recycling using waste oil such as engine oil produced during vehicle maintenance as boiler fuel.

Main Recycling Items

- Recovery and destruction of chlorofluorocarbons produced during vehicle maintenance work
- Recovery and recycling of vehicle oil
- Recycling of waste related to vehicle maintenance and body manufacturing
- Recovery, replacement, and recycling of waste batteries

Data on Vehicle Replacement in Fiscal 2018

Data on Vehicle Replacement in Fiscal 2018	Number of Vehicles Sold	Number of Vehicles Recycled
1,859	1,593	266

2. Circulation of Resources

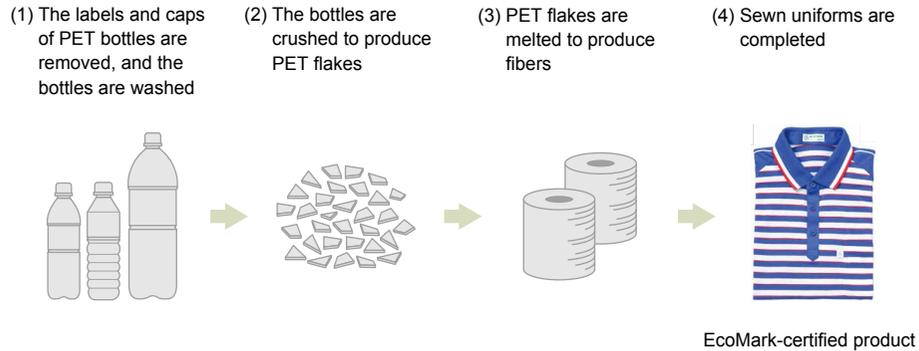
● Adoption of Eco-friendly Uniforms

The Group is promoting green purchasing in which products with a low environmental impact are chosen, and as part of this, the uniforms of Sagawa Express use EcoMark-certified products made by recycling plastic bottles. In fiscal 2018, we purchased roughly 320,000 uniforms (equivalent to roughly 1,790,000 plastic bottles of 500ml). Used uniforms are reused as much as possible and those that cannot be easily reused are collected and recycled as fuel for ironworks. We also use EcoMark-certified gloves for Sales Drivers®.

Purchases Made in Fiscal 2018

Uniforms	Approx. 320,000
Gloves	Approx. 530,000 pairs

Process of Making Uniforms



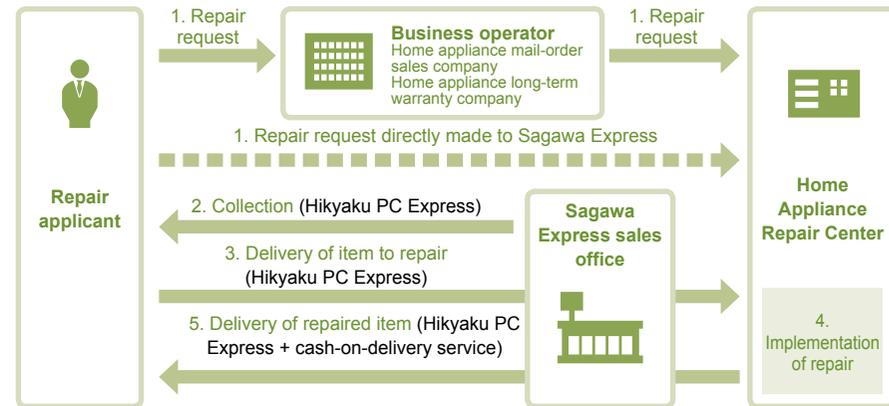
● Reverse Solutions

The Group is contributing to the construction of a recycling-oriented society by providing a variety of “reverse solutions” that utilize expertise in reverse logistics related to the processing and recycling of waste.

● Pick-up and Repair of Home Appliances (Sagawa Express)

The Home Appliance Repair Service provides a one-stop solution from the pick-up to the actual repair and return of devices in the Home Appliance Repair Center at the Sagawa Tokyo Logistics Center.

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.



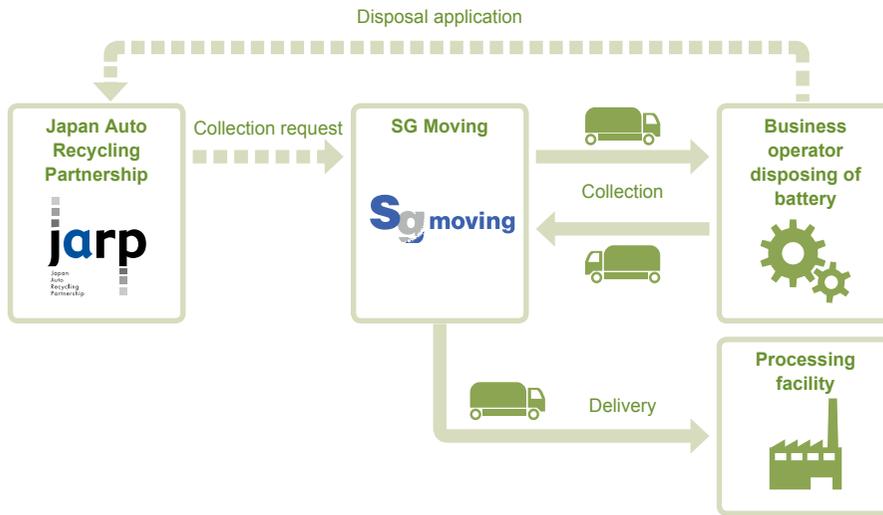
2. Circulation of Resources

● Collection and Transportation of Lithium-ion Batteries (SG Moving)

Since October 2018, we have been conducting the collection and transportation of automotive lithium-ion batteries used in vehicles such as hybrid cars.

The lithium-ion battery collection scheme that had not been unified among manufacturers until now has been unified into a scheme in which Japan Auto Recycling Partnership organizes processing requests from 16 automobile manufacturers, and these are accepted by SG Moving, contributing to the improvement of efficiency of recycling of resources.

Lithium-ion Battery Joint Collection and Transportation Scheme



2. Circulation of Resources

● Reduction of Waste

The Group is engaged in the reduction of waste based on the “Promotion of the 3Rs” in the Environmental Policy.

For example, the Sapporokita Sales Office of Sagawa Express utilizes environmentally friendly packaging (foldable containers) instead of using cardboard packaging when transporting packages for people being hospitalized or discharged at Hokkaido University Hospital. Reducing the generation of waste, this system lends itself to promoting the creation of recycling-oriented society through the cost, environmental, and social contribution aspects. In recognition of this contribution, in October 2018 the initiative received the Minister of the Environment Award for Merit in the Promotion of the Creation of a Recycling-oriented Society at the 13th National Convention on the Promotion of 3R Activities, hosted by the Ministry of the Environment, Toyama Prefectural Government, and the 3R Promotion Forum.

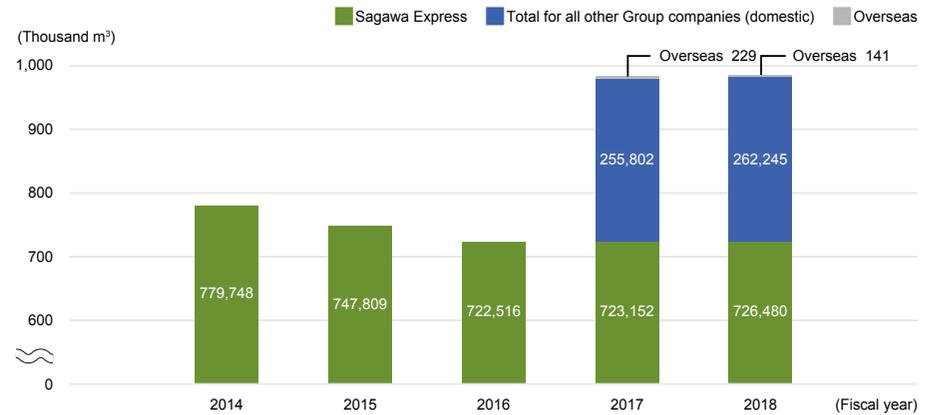
When Using Foldable Containers



● Reduction of Water Usage

The Group is engaged in the reduction of water usage to reduce environmental impact and realize a sustainable business in coexistence with the global environment.

For example, SG Motors, which requires a large quantity of water for uses such as washing vehicles, collects rainwater in an underground rainwater tank in the Shikoku maintenance plant (Takamatsu Branch), and purifies it before reusing it for washing vehicles and as regular water used in the plant.



Note: Figures from fiscal 2017 and thereafter are the amount used by all domestic companies in the SG Holdings Group and SG Sagawa Ameroid. Figures until fiscal 2016 are only for Sagawa Express.

Policy on Coexistence with Nature

The SG Holdings Group positions “coexistence of society and nature” as an important environmental initiative, and is engaged in a wide range of environmental communication activities primarily targeting children who will be responsible for the next generation in accordance with its Environmental Policy.

● Environmental Awareness for the Next Generation

● Takao 100-Year Forest Project

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 2018.



● Rice Cultivation Experience Activities

The Group also provides rice cultivation experience activities in Moriyama City in Shiga prefecture to help children learn about the blessings of nature and the rich ecosystem growing in rice paddies. Employees and their families, along with local residents, experience traditional rice farming, from planting to harvesting to drying. The activities drew 217 participants in fiscal 2018.



● On-demand Classes on the Environment

Sagawa Express provides on-demand classes on the environment for elementary schools and kindergartens. A total of 202 classes were held nationwide with around 21,000 participants in fiscal 2018. Eco activities and forest preservation activities conducted through the logistics of Sagawa Express were introduced with a mixture of quizzes and delivery demonstrations. Furthermore, children became more familiar with nature through experiences such as making nameplates from thinned wood sourced from Sagawa Forests.



● National Eco Art Contest

SG Holdings and Sagawa Express hold a National Eco Art Contest for elementary school students throughout Japan. We received 12,720 submissions of artworks based on the theme of “Aiming for a World that Continues Forever” in 2018. The most outstanding work that received the Minister of the Environment Award was used to wrap around 80 Sagawa Express trucks, which have driven mainly in major metropolitan areas throughout Japan since March 2019.



3. Coexistence with Nature

● Environmental Awareness for Employees

Sagawa Express is implementing “Sagawa Express Environmental Action,” in which all employees engage in eco-activities focused on monthly themes, to raise environmental awareness among employees. The company engaged in the reduction of environmental impact throughout the year such as the promotion of an energy-saving campaign and paperless operations in fiscal 2018.



Poster for raising environmental awareness

● Forest Preservation

Sagawa Forestry, which owns approximately 700 hectares of Sagawa Forests in Kochi and Tokushima prefectures, conducts a forestry business while cooperating with local forest associations to achieve its greatest mission of “protecting the forest cycle.” In Japan, the management drive of forest operators has declined due to stagnation of the price of timber in the long term. As a result, forests have become run down due to failure to perform the necessary maintenance of plantations, and the public benefits normally provided by forests (absorption of CO₂, soil preservation, watershed protection, and biodiversity) are being reduced. Considering such social issues, Sagawa Forestry is contributing to the forest cycle through the promotion of the utilization of timber in addition to the maintenance of forests (such as planting, brushing, and tree thinning). In fiscal 2018, the company created opportunities to come in contact with wood in everyday life through the utilization of timber from thinned trees as material for the Group’s shared housing, and the sale of wood products such as home and office building materials, furniture, and toys. Sagawa Express owns approximately 50 hectares of forest in Takao, Hachioji City, Tokyo, and launched the “Takao 100-Year Forest Project” in 2007 for the coexistence of people and nature, and to restore and preserve the satoyama, or the local forest, so that it can be sustained for 100 years. In addition to the preservation and maintenance of forests, we hold environmental classes for employees and stakeholders, and promote activities for raising interest in forests and the environment.



Tosayamada Forest



Use of timber from thinned trees in the Group’s shared housing completed in fiscal 2018

Environmental Activities of Expolanka

● Acquisition of External Certification Related to ISO 14064

Expolanka Freight (EFL) obtained external certification in fiscal 2018 related to ISO 14064, which is an international standard on the creation of mechanisms for the quantification, reporting, and verification of greenhouse gas emissions and reductions. In addition to more accurately understanding the emissions and removals of greenhouse gases up to Scope 3, management of emissions was also improved.

● Forest Plantation Project in Madagascar

With the cooperation of local NGO Mitsinjo Association Parc Andasibe, Expolanka Madagascar is protecting the earth from CO₂ emitted worldwide through a project to plant 500 trees in soil previously covered by trees. This initiative is a model enabling future generations to be more considerate of the surrounding environment.





Building an Organization of Diversity and Inclusion

- 1. Respect for Human RightsP40
- 2. Labor PracticesP41
- 3. Diversity and InclusionP47

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, as economic activity is expanding globally and the United Nations has proclaimed gender equality as one of the Sustainable Development Goals (SDGs), companies are increasingly being asked to undertake initiatives fostering respect for human rights. The SG Holdings 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.

Involvement with SDGs



Our main business is logistics, and that business involves a lot of people. Maintaining and raising the morale of our people is an important task for us. As many of our workplaces are predominated by men, it is our aim to realize Goal 5: Gender Equality and Goal 8: Decent Work and Economic Growth.

Policy

The SG Holdings Group believes that it is people who make the sustainable growth of a business possible. About 50% of our employees are regular employees. We work with people of diverse backgrounds, in a variety of contract relationships. By creating a workplace environment where a diverse group of employees can be comfortable working, we are also better able to provide services that meet the needs of a wide range of customers. To that end, we have established a Group-wide personnel vision and human resources systems, which form the basis of specific policies and practices. We are striving to make improvements in our corporate culture. As we persist in these efforts, we conduct surveys that gauge the engagement of employees in order to understand their current status at work, and we use that as a basis on which to formulate our goals and plans.

Work style reforms, diversity and inclusion, and respect for human rights, are important themes for the Group, and it is in these areas that we perceive the needs of society to be great. Going forward, we will deepen our discussion of these issues as a group, so that we may develop policies that are even more effective.

■ Guidelines Related to Human Rights

Human Rights Policy

As our business accelerates globally, the SG Holdings Group is committed to a 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.

*Human Rights Due Diligence: process to recognize, prevent, and respond to any negative impacts on human rights.

■ Systems Related to Human Rights

For the purpose of prevention and early discovery of wrongdoing within the Group, we have established "Internal Whistleblowing Regulations," which form the basis of our SG Holdings Group Compliance Hotline. This is a means that allows employees, their family members, and people from partner companies to report violations of law, company regulations, codes of conduct or ethics by anyone within the Group. Communications may be in Japanese, English, or Chinese. Since 2017 we have been operating external contact points, and we are working to protect whistleblowers. Our Internal Whistleblowing Regulations stipulate that people who file reports, or other people cooperating in inquiries, must not be mistreated.

■ Initiatives Related to Human Rights

● Promoting Human Rights Policy-based Training

All employees of all Group companies are required to familiarize themselves with this human rights policy, and we are working to ensure that all employees receive training in human rights.

● Harassment Prevention Training

The SG Holdings Group has decided that each of June and December is a "Harassment Prevention Month" as a major initiative in our drive to create a positive work environment that is harassment-free. In such a workplace, the diversity, personality, and individuality of all employees are respected, which motivates employees to work actively. In Japan, in fiscal 2018 we expanded and intensified our efforts to raise awareness among employees about social issues, particularly sexual harassment, power harassment, maternity harassment, and moral harassment.

Guidelines Related to Labor Practices

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.

● Personnel Vision



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.

Goals and Results Related to Labor Practices

Companies	Medium- to Long-term Goals	Fiscal 2018 Goals	Fiscal 2018 Results
Domestic Group companies	Creating a friendly work environment	—	● Overtime hours in fiscal 2018 Reduction (actual) 9.5% reduction for drivers (YoY)
		—	● Overtime hours in fiscal 2018 Reduction (actual) 3.4% reduction for employees other than drivers (YoY)
	By improving the ways we use employee engagement surveys, we are working to create a vibrant organization with a “flat” corporate culture.	—	● 56% affirmative response rate for employee engagement questions ● 49% affirmative response rate for questions regarding “creating an environment that makes good use of employees”

Note: No goals set for the beginning year of fiscal 2018

In fiscal 2018, through our efforts to reform the way we work, we succeeded in reducing overtime hours both for drivers and for other employees. We introduced employee engagement surveys as a new kind of indicator for measuring how easy it is for our employees to do their jobs. Going forward, we will strive for further improvement, based on fiscal 2018 as a benchmark.

■ Various HR Systems

We at the SG Holdings Group have instituted a variety of systems aimed at providing fair and equal opportunities for our employees, to create an environment where they feel they can continue to work with peace of mind.

● Group-wide Human Resources 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 train highly competitive human resources by effectively mobilizing employees in a way that leads to maximum self-development.

Group-wide Human Resources Systems (in Japan)

1. Function-based grade level system
2. M/A (Manager/Associate) promotion evaluation system
3. GM (Group Manager) human resources system
4. GS (Group Staff) skills development system
5. Rotation system

● Impartial Appraisal Systems

We have introduced an appraisal system for the purpose of properly evaluating employees based on their contribution to our business and their performance of the role and action required of their function-based grade level. In addition, we have introduced a results-based bonus system for some employees.

● Employee Benefit Systems

We offer a variety of employee benefit systems over and above the social welfare insurance required by law. Group-wide, the SGH Mutual Aid Society, a general incorporated foundation, began offering employee benefit services in 2017. At the same time, we have also introduced retirement pay systems, including a defined contribution pension system, as well as an employee stock ownership system.

● Operation of Employee Benefits by SGH Mutual Aid Society

The SG Holdings Group offers benefits for employees of Group companies in Japan through the general incorporated foundation SGH Mutual Aid Society. The Mutual Aid Society operates with three concepts: (1) create a workplace where people feel secure, (2) promote healthy environments, and (3) create opportunities for people to enjoy living -- in three categories: benefits, discounts & information, and experiences & participatory events. This creates greater loyalty on the part of employees and their families, creating an environment where employees find greater satisfaction in their work and stronger support for their lives. For retirees and commissioned employees (*Shokutaku*), the Society also supports OB/OG clubs, publishes club bulletins, and hosts gatherings.

一般社団法人
SGHふあみりー共済会

■ Efforts to Support Employee Engagement

We believe that providing a workplace environment where people want to work is important for our employees, and at the same time, is an indispensable element for our companies to secure their own competitiveness.

Every year since 2013, we have asked Group employees in Japan to participate in a survey regarding their satisfaction with their work and the company. Since fiscal 2018, to strengthen our organization and ensure the growth of our business, we have updated this survey to gauge employees' engagement with the company. This has enabled us to keep in touch with whether our employees understand the company's aims, policies, and strategies, whether they are able to apply these ideas in their own work, and whether we have created an environment where they can be enthusiastic about their work.

Based on the results of these surveys, the CEO of each Group company and the heads of all organizational structures can analyze the strengths of each organizational unit and identify points that need improvement, so we can offer feedback to employees. Our goal here is to be able to formulate action plans for dealing with issues, and to create organizations with greater transparency than before.

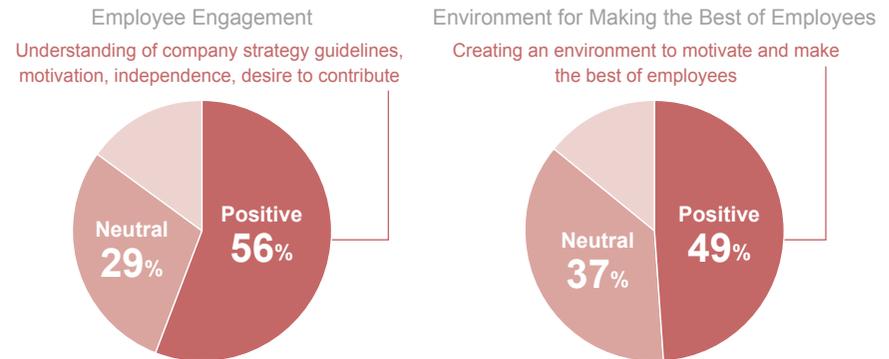
Summary of Survey

This survey was conducted via our website, and covered 64,448 Group employees in Japan. This is a summary of the survey.

Time of Survey	Survey Participants	Number of Questions	Response Rate (%)
February 2019	64,448 Group employees in Japan	86 questions (each with five possible responses)	85.8

Research Results

Of the 15 total categories, we were most interested in gauging two: "employee engagement," which is a measure of employees' understanding of the company's strategy, their motivation and independence, and desire to contribute to the company; and "environment for making the best of employees," which measures how well we have created the right environment to motivate our employees to do well. Through the survey, we learned that about half of our employees gave affirmative responses to questions that covered these two areas. In terms of qualitative trends, the Group employees have a strong sense of the company's responsibility to society, and it was recognized that our organizational systems have become more efficient. Starting in fiscal 2019, our aim is to do as well as, or better than, last year. We will be closely monitoring progress on our action plan, and the improvements we make, so that our organization as a whole improves.



Hold Workshops Based on Results

We held workshops on survey results, aimed at heads of HR and other organizational units at Group companies. In these workshops, we first went over the survey results, then discussed issues of particular importance to the specific organization, and then we thought about action plans for future improvement. We then monitor progress on these action plans, and measure what improvement has been made relative to the previous year.

■ Guidelines for Reforming the Way We Work

Since our founding in 1957, we have been in the logistics business, which is a labor-intensive business, and our Group has now grown to roughly 90,000 employees. It is anticipated that technological advances such as drones and AI will greatly change the logistics business in the near future. With that kind of future in mind, “employees” are the most important element of our growth strategy, and we recognize that, as society changes, we will have to change the way we work.

More specifically, our core company, Sagawa Express, has been experiencing greater shortages of labor as the number of packages handled increases due to the growth of e-commerce market. We need to increase productivity for each and every employee. At the same time, one issue we identified was the need to create a culture and systems that allow our employees to work flexibly, with enthusiasm and satisfaction, through the various stages of life. We are making progress in our approach to resolving this issue from multiple perspectives. We are approaching this issue from a variety of angles: creating a workplace culture that makes it easy for people to do their jobs, and making use of IT to update the routine jobs and personnel systems of the past.

■ Systems for Work Style Reforms

At Sagawa Express, we are not just trying to reduce overtime work. We have organized ourselves to tackle work style reforms by using IT to make operations more efficient, balancing the amount of overtime by closely managing regular work hours, reshaping our organizational culture, and arranging for working styles that meet individual needs. In fiscal 2018, we established, inside the Human Resources Strategy Department, a “work style reform section,” tasked with driving the reform of our corporate culture. We also had the IT Planning Department (now the Sales Department, Business Improvement Section instead) visit our actual workplaces, to examine specific operations up close, gaining some hints on how to improve productivity and take inventory of operations.



■ Initiatives to Address Changing Corporate Culture

To flexibly respond to many changes in society, we are developing policies aimed at allowing diverse people to display their talents in the best light.

Our reforms are moving us in the direction of a culture where ideas can move from the bottom up, and be vigorously discussed and debated, so that we can offer our customers a wide range of ideas to meet their needs.

● Sagawa Official Communications (SOC)

Sagawa Official Communications (SOC) refers to our efforts to achieve direct exchanges of opinions by having executives of Sagawa Express visit employees at our many working locations nationwide. We started this program in 2013, so that our management policies would reflect the views of the people working on the front lines.

In fiscal 2018, executives visited 62 business locations, and spoke with 735 employees. By doing this, we deepen mutual understanding, by communicating the company’s management strategy to the front-line workers, and engaging in dialogue that helps dispel employees’ questions and anxieties about work.

We will continue to promote reform of our corporate culture by listening attentively to the voices of the workplace so that we can proceed with management policies that are better attuned to the way we work.

Efforts to Improve Operational Efficiency

(1) Introducing RPA to Replace Routine Tasks

● Sagawa Express Initiatives

Sagawa Express operates in over 400 locations nationwide. At headquarters, we have access to full information about labor and training, among other things, so that we can administer in a focused way, to achieve greater efficiency in our operations. In the past, there were people in every headquarters division and department responsible for gathering and managing this enormous quantity of data, but starting in fiscal 2018 we held meetings in each of the 21 sections of the Tokyo headquarters of Sagawa Express, identifying 48 routine operations (totaling 297 person-hours each month) that could be automated through RPA*. As a result, we freed up person-hours that could be devoted to more creative operations, and this has been very effective.

Another way we are reducing our labor needs to achieve greater efficiency in the workplace is through the IT Planning Department's visits to 12 business locations (9 sales offices, 3 service centers) in fiscal 2018, to observe and identify operations there. In fiscal 2019, we formulate tangible policies based on the results of our surveys, and make progress developing systems for implementation.

● SG Expert Initiatives

We are also moving ahead in implementation of RPA to automate tasks performed by SG Experts responsible for indirect operations at Group companies, things like general affairs, human resources, and accounting.

Many operations are routine, because the large quantity of data extracted from our computer systems is processed using certain rules. These can be automated by robots that operate night and day. We have identified 57 operations for which this is appropriate, saving 729 person-hours each month. To implement RPA for greater efficiency of operations, we are in the process of preparing standardizations and rules (guidelines) for implementation and development, establishing operations and administrative systems for automation of operations, and further expanding the scope of operations where RPA can be implemented.

Group companies' implementation of RPA through the fiscal year ended March 2019 (automated person-hours / month)

Sagawa Express	297 hours
Sagawa Global Logistics	220 hours
SG Fielder	1,083 hours
SG Expert	729 hours
SG Systems	485 hours
Total	2,814 hours

*RPA: Robotic Process Automation, where software robots automate operations/processes.

(2) Introduction of Trike Cargo, Pickup/Delivery Using Assisted Trikes

Trike Cargo is a new type of pickup/delivery vehicle where the weight of the cargo has no direct impact on the vehicle. It was introduced by Sagawa Express on an experimental basis in 10 locations in fiscal 2018. It is anticipated that these vehicles will be able to be used by a wide range of people, including women, and people without driver's licenses, helping to improve efficiency of operations and create an environment where people find it easier to work. Compared with using hand carts or bicycles to make pickups and deliveries, Trike Cargo can handle greater loads of up to 150 kg at a time, reducing the number of trips back and forth to the distribution facility. This will make operations more efficient, and allow operators to serve a wider geographic area.

By employing a "synchro system," the new vehicle runs safely with its two front wheels in sync; it is better at dealing with abrupt changes in ground level, stays upright even when parked on slopes, and handles well on sharp curves and slippery road surfaces.

A hand cart can be attached directly to the towing section of the vehicle, and can be locked on or released with a single touch, making loading/unloading very easy and making operations more efficient. We plan to have about 100 units of Trike Cargo in operation by the fall of 2019.



The towing section of the Trike Cargo vehicle attaches directly to a hand cart, and can be detached again with a single touch of a button (picture at right).

Guidelines on Personnel Training

In our training functions at SG Holdings Group, we view our personnel as an irreplaceable resource, and our entire group is occupied with four main themes: training leaders who can create value, creating a workplace culture where a variety of people can work comfortably, training professionals, and strengthening the foundations of our business. More specifically, our aim is to promote growth through OJT*, but we also encourage individuals to add to their skills and knowledge through Off-JT, to develop the leaders who will take responsibility for our business in the future.

*OJT: On-the-job training. Training by doing a job in the workplace.

Group-wide Training Program (Excerpts)

	Details
Training in Asia	Aiming to strengthen leadership skills, communications skills, and the ability to deal with a foreign culture during a roughly 10-day stay in Southeast Asia or South Asia.
Sending Trainees Abroad	Screening is by application. Our aim is to touch the vital points of our foreign and domestic business by giving people an opportunity to study business abroad for a certain period, to make them aware of the value our own business provides.
Bright Future Vision Committee	We have been doing this since 2013, mainly with young people, because we want to train the leaders of tomorrow.
SGH University	In 2017, we started to see this as a venue for learning basic business literacy. Classes may take the form of group training or e-learning.
Next-generation Leader Development Training	We conduct training for mid-level employees chosen from among assistant managers and managers, to develop the human resources who will lead the next generation and reform our organizational structure.
Training by Level	This is an opportunity to learn the things needed for roles at every level.

Personnel Training Initiatives

●SGH University

The SG Holdings Group opened SGH University in March 2017. The school was established to provide 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. The university supports career development at all levels by offering group training for selected or general participants and optional training on freely chosen subjects, and e-learning is also available.



●Training in Asia

The Southeast Asia course visits Vietnam, China, and Thailand, while the South Asia course visits India and Sri Lanka, between July and October. The 54 participants are drawn from across the Group.

In this training, participants deepen their understanding of the business and unique characteristics of the countries they visit, by observing companies, interacting with businesspeople, and through fieldwork, and group presentations. They also learn about how to do business with people from another culture while communicating in another language.



Guidelines on Diversity and Inclusion (D&I)

The SG Holdings Group works to promote D&I as a way to grow as a company with a competitive edge that respects diverse values, with a flexible decision-making process and a variety of perspectives. Right now, our company is working hard to do more with a diverse group of employees who are female, or from other countries, or who have disabilities, or who are senior citizens. We want to create a workplace environment where all of these people feel comfortable and enthusiastic about working. Even within the area of diversity, we view promoting the participation of women as a particularly important issue. We want to expand opportunities for women, and promote their promotion to managerial positions. Through a variety of initiatives, we are hoping that readying the proper environment and systems, and reforming our corporate culture, will help women generate new business for us.

D&I Promotion Systems

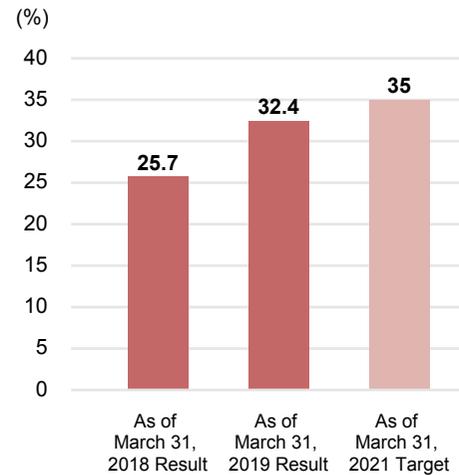
Our WakuWaku Women's Project, which is aimed squarely at promoting women's place in the workplace, started in 2011. It is now a part of every part of our business, and our Group-wide goal is to increase the share of our earnings generated by women to 30%. Another of our goals is, as a top runner in the logistics industry, to make use of women to reform our corporate culture, and thereby to enhance the position of our industry.

To this end, each of the Group companies has set up a dedicated office or team as well as the head, promoters, and advisers. At each company, the dedicated office or department under its CEO as the head is joined by both men and women from both administrative and business departments. Depending on the size of the Group company, we are deploying D&I promotion people nationwide, with those in managerial or executive positions acting as advisers. We have built systems to ensure that this develops from the bottom up as well as top down.

D&I: Goals and Results

Companies	Medium- to Long-term Goals	Fiscal 2018 Goals	Fiscal 2018 Results
Domestic Group companies	Percentage of female employees: 35% (target for end of FY 2020)	—	32.4%
	Percentage of female managers: 10% (target for end of FY 2020)	—	7.6%
	Increase in female executives	—	3 people
	To meet government target for number of employees with disabilities [Reference] Ministry of Health, Labour and Welfare mandates 2.2% (as of April 1, 2019)	To meet government target for number of employees with disabilities	2.28%

Female Employee Ratio



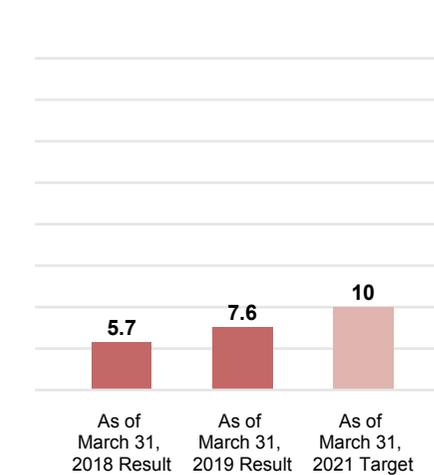
● Female Employee Ratio

Our core business, Sagawa Express, and Group companies in Japan, are taking steps so that people with outstanding capabilities join us as regular employees, promoting quasi-employees and partner employees to regular employees, and promoting the hiring of new graduates and mid-career workers, and we are experiencing robust growth.

● Female Managers Ratio

We are actively encouraging women to become managers, and the percentage of female managers has been steadily growing. We will have to show more growth, though, to reach our final goal. We aim to promote the promotion of women to managerial positions by expanding the areas where women can work, and by supporting their careers.

Female Managers Ratio



■ Initiatives to Support Women's Careers and Address Changing Corporate Culture

● Diversity Forum

Each year, the SG Holdings Group hold a Diversity Forum, to promote understanding of D&I among executive management and middle managers.

In fiscal 2018, we began to use virtual reality (VR)*1 to simulate the experience of LGBT workers, and workers with disabilities, as a way of teaching people how to resolve the issue of managers' "unconscious bias"*2 stemming from differences in standpoint or position. Roughly 100 managers and supervisors participated in this exercise.



*1 Virtual reality (VR): a simulated experience using imagined spaces and behaviors.

*2 Unconscious bias: preconceptions stemming from past experience and "conventional knowledge," that can turn to prejudice without the person realizing it.

● Women's Career Support Training

The Group conducts Women's Career Support Training led by external instructors for female employees who are management candidates. Roughly 80 women participated in the training, which was held three times during fiscal 2018. 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.

● Creation of Educational Tools

Sagawa Express publishes internal reports for women aimed at achieving a widespread, correct understanding of the company's efforts to actively promote careers for women. These reports cover everything from case studies and spotlights of initiatives taken by women all over the country to interviews with the CEO and others regarding the company's efforts to promote diversity, to lessons on business etiquette, content that people can use in their day-to-day work, and hints at how to resolve problems that only women face.



Newsletter "WAKUWAKU WOMAN"

● Diversity Awards

The Group has established a Diversity Awards (formerly known as the WakuWaku Award) to recognize outstanding examples of women working at the many branch offices and sales offices of the Group companies who take initiatives to generate new business and reform our organizational culture.

For the Diversity Awards 2018, 201 entries were made into two categories, "Women's Activities Promotion" and "Work Style Reforms." These were narrowed down to six teams as nominees.

The Women's Activities Promotion grand prize went to a team of five women for their project on Transportation Management Systems (TMS)* at the Kyoto branch of Sagawa Express.

The Kyoto branch has been building up transportation infrastructure through polite sales calls for TMS charter vehicles that can handle a wide variety of freight items, including large items. The branch started a team of "TMS saleswomen" working the entire chain from sales to vehicle arrangements that has succeeded in increasing sales while also boosting morale and motivation of female employees.



*TMS: a general name for a wide variety of logistics solutions, from small charters that handle large freight items, to specialty transport, joint deliveries, JIT (just in time) deliveries, and intra-factory logistics.

■ Expanding Occupational Opportunities for Women

We are actively striving to create an environment where women can proactively take up the types of jobs that have been primarily the domain of men.

● Creating a Work Environment Friendly to Women

Sagawa Express has introduced swap body vehicles as a way of creating opportunities for a diverse group of employees, including women. In swap body vehicles, the cargo bed where the packages are loaded can be separated from the truck cab. The driver does not need to load or unload the freight from the vehicle. The cargo beds can simply be “swapped,” and then the driver can set out for the destination. The driver can concentrate solely on driving, which opens up these kinds of jobs for women and others who might be at a disadvantage when it comes to physical labor. SG Motors, which is in the business of vehicle maintenance and sales, already employs female mechanics. In instances that require manual labor, for example, to lift heavy items, special tools can be supplied that might allow women to perform these tasks without undue wear-and-tear on their bodies. We want to create a work environment that allows employees to work in a variety of areas, without regard to gender.



Swap body truck

■ Supporting Work-life Management

The Group promotes workplace culture reform and system reforms in order to respond flexibly to the diverse values and family circumstances of employees. By delving deeper into these questions, we want to allow employees the chance to choose from among a variety of working styles, so they will want to work, productively and of their own accord, and we think this will show strong results.

■ Systems to Support Work-life Management

We have instituted systems to support employees who are working in various stages of their lives.

Overview of Our Systems

	Marriage	Pregnancy	Birth	Childcare	Nursing care
Systems		Leave before birth Six weeks before due date	Leave after birth Eight weeks after birth	Childcare leave Until the day before child's third birthday	Leave for nursing care Up to 180 days
	Seven days marriage holiday		Birth leave Three days for men	Care leave 10 days per year	Care leave 10 days per year
		Reduced working hours		Reduced working hours Until the end of fourth grade	Reduced working hours Three years, from date of initiation
		Treatment of various conditions		Exemption from late-night work hours	Exemption from late-night work hours
		Adjustment of break time		Less overtime work	Less overtime work
		Going to hospital during work hours		Exemption from overtime work	Exemption from overtime work
	Wedding gift (cash)	Relaxation of commuting Adjustment of up to one hour per day, up or down		SGH Kids Garden: nursery at workplace	
			Birth gift		

As of March 31, 2019

Efforts to Support Work-life Management

●IKUBOSU Proclamation

In August 2017, 14 companies of the SG Holdings Group announced the *IKUBOSU* Proclamation led by the Ministry of Health, Labour and Welfare. The *IKUBOSU* Proclamation is a declaration by corporate and divisional managers that they will be a boss who understands the needs of caregivers. They promise their peers and the people who work for them that they will show due consideration for the need to balance work-life with other commitments such as child-rearing and nursing care for the elderly, and they will support both the career and the life circumstances of the person concerned. It is important that the organization show results, but it is also important that employees be able to achieve balance between work and life. (The photo at right shows SG Holdings Chairman Kuriwada holding the *IKUBOSU* Proclamation.)



●Supporting Childcare

We have published the "Working Papa and Mama Guide," our guidebook for supporting childcare (one version for employees, another for managers), detailing the support systems the company offers for childbirth and child-rearing. We want to create an environment where people are comfortable continuing to work. In recent years, to encourage male employees to take time off for child-rearing, we added pages describing the company's support for male employees to care for children.



Supporting childcare guidebook for employees (right), for managers (left)

●“SGH Kids Garden” In-house Nursery School

The Group opened the SGH Kids Garden, our 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. At the nursery school, we provide a safe environment, and education at the same level as a licensed nursery school, to support Group employees returning to work, and to help support the spouses of employees who also wish to return to work.

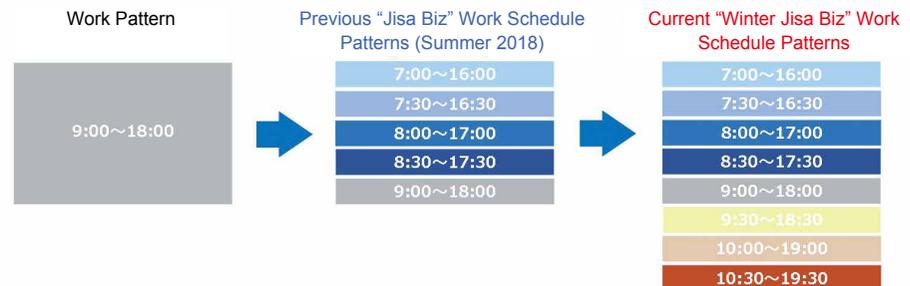


●Efforts to Encourage Employees to Take Vacation, and the Variety of Vacation Modes

Sagawa Financial has made great strides in encouraging employees to take their paid leave, and in introducing new modes of vacation. We are focusing in particular on establishing systems for allowing people to take multiple days of vacation in a row, and systems to ensure that, even if someone goes on vacation, no harm is done to operations. We are rethinking our operations processes to make them more efficient while maintaining sufficient redundancy. More specifically, we have introduced new kinds of vacations, including WakuWaku Vacation (special vacation of at least five days in a row by combining paid leave and Saturday/Sunday) and Anniversary Vacation (paid leave for birthday or wedding anniversary celebrations). Over 95% of employees are now taking advantage of these new systems, which is helping to improve employees' work-life balance. These programs are receiving positive attention, even from outside the company, and in 2017 we were recognized as a "Tokyo Work-life Balance Certified Enterprise."

●Promoting a Variety of Working Styles by Encouraging Flextime

For two months, in summer and winter, SGH Global Japan participated in the Jisa Biz program sponsored by the Tokyo Metropolitan Government, promoting staggered work hours. Employees were permitted to choose their own working hours, fitting their individual circumstances. Four work patterns were set up, starting up to two hours before the normal starting time, allowing people to commute at times when trains are less crowded, making it easier for them to get to work. We got good responses from people who actually took advantage of this system: "I was able to commute early, when the trains are empty, and I could get a seat. It was great!" "I was able to spend more time with my family." "This was a good opportunity for me to think about how I work."



Workplaces Where Foreign Employees Are Active

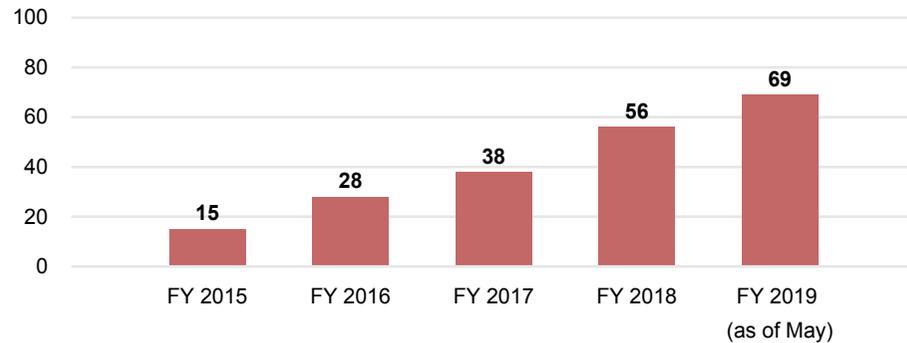
SG Motors, whose business is vehicle maintenance, manufacturing, and sales, employs foreign exchange students who have studied at auto mechanics technical schools in Japan as auto mechanics. As of May 2019, the number of foreign nationals employed as auto mechanics reached 69, or about 17% of all automotive mechanics, from eight countries.

Overview of Employees, by Nationality

- Vietnam
- China
- Nepal
- Myanmar
- Indonesia
- Peru
- Sri Lanka
- Taiwan

No. of Foreign Mechanics at SG Motors

(# of people)



Workplaces Employing People with Disabilities

We are 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. The rate of persons with disabilities employed by the Group in Japan is 2.28% (as of June 1, 2018).

● Hosting Special Education Students for Work Experience

Sagawa Global Logistics provides workplace experience in partnership with special schools in each region.

First-year students of high school become familiar with logistics operations through visits to workplaces. In the second year and beyond, they undergo practical training in preparation for future employment. Through these activities, the Group hires several students each year (9 in April 2019). Moreover, since alumni look after younger employees from the same school, guardians tell us a comfortable work environment is created that allows them to feel a sense of security.

■ Creating a Work Environment Friendly to Seniors

● Cases of Older People Working at Sagawa Global Logistics

The shortage of labor is getting more serious, becoming a real social issue, while demand for logistics services is growing every year. The warehouse sector is no exception. Sagawa Global Logistics is in the logistics business in Japan. In its workplaces, it directly employs many older workers, alongside workers from the Silver Human Resources Center, and others from subcontractors. Many people age 60 and over bring their abundance of experience and make a valuable contribution.

Many workers age 65 and above are also receiving pensions, and need to adjust their shifts to meet their own needs. This has advantages for both sides, because the workload in the warehouse ebbs and flows with the seasons, depending on the volume of commerce.

At the operations center, senior workers are involved mainly in distribution process procedures such as picking, inspection, price-tagging, and packing. The average work history of the roughly 500 workers age 60 and above is long, at about 10 years. Because they can be relied on to work in shifts, we think they will be an even more important component of our workforce going forward.

What is the Silver HR Center?

The Silver HR Center is a public-service corporation with branches certified by prefectural governors, which finds temporary, short-term, or light jobs that are closely tied to their localities and suitable for senior citizens. It accepts requests from companies, families and public bodies, and assigns members, who are generally at least 60 years of age.



● In Kitakyushu, Sagawa Express Offers Delivery Services Staffed by Silver Employees

At the Sagawa Express Kitakyushu Sales Office, some delivery services that do not require a vehicle are performed by personnel assigned by the Kitakyushu Silver HR Center.

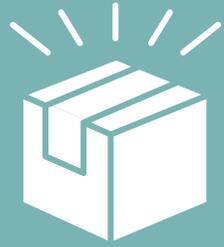
This initiative began in August 2017 as a three-party alliance. The Kitakyushu Silver HR Center and the city government wanted to find jobs for senior citizens, while the Kitakyushu Sales Office of Sagawa Express was facing difficulty because the declining population was making it hard to hire sufficient personnel. Working with outside partners to offer delivery services started as a part of Sagawa's solution to its problem. The delivery personnel use hand carts and bicycles to deliver mail and small packages from delivery depots, small logistics sites. The city is divided into very small service districts, so the depots work closely with customers in their immediate area. This results in a higher level of service, providing employment support for senior workers and achieving a high degree of customer satisfaction.

This initiative was recognized with the Grand Prize for work style reforms in the Diversity Awards 2018, which is our internal commendation system. The company is advancing similar efforts throughout the Kitakyushu area, as other nearby sales offices work with Silver HR Centers to offer delivery depot services.

Results of Cooperation

- Yonago Area Wide-area Silver HR Center in Yonago City, Tottori Prefecture
- Kitakyushu City Silver HR Center, Fukuoka Prefecture
- Local residents group Sakaecho Chiikizukurikai, in Otsubocho, Imari City, Saga Prefecture
- Yokohama Silver HR Center





Creating New Value Through Comprehensive Logistics Solutions

- 1. Provision of Evolved Logistics SolutionsP54
- 2. Promotion of Digitalization and TechnologiesP58

Awareness of Social Challenges

The logistics business market in Japan, including trucks, railways, shipping, airfreight, and warehouses, is valued at approximately 26 trillion yen, of which about 15 trillion yen (fiscal 2015) is attributed to the trucking business. This indicates that the business of the SG Holdings Group provides an essential function to society. Meanwhile, the logistics business is facing a variety of social issues such as the shortage of labor due to the aging and shrinking of Japan's population, undeveloped logistics networks in developing countries, and increasing demands to reduce the impact on the global environment. As a business operator handling social infrastructure, the Group believes it as its responsibility to address issues such as the labor shortages and climate changes through the improvement of efficiency of logistics and labor savings through the utilization of IT and machinery. Furthermore, we provide new value to society in coordination with our business partners by providing customized services that are our strength, such as international logistics and special transporting.

Source: Current conditions surrounding logistics "butsuryu wo torimaku genjou ni tsuite" (Logistics Policy Division, Ministry of Land, Infrastructure, Transport and Tourism, October 11, 2018)

Involvement with SDGs

We will contribute to the reduction of environmental impact, the creation of livable communities, and the development of industry through the improvement of efficiency of logistics and the utilization of technology.



Policy

The Group will focus on the two following points to continue to provide people with convenient lifestyles through our logistics business.

1. Provision of evolved logistics solutions
Rather than simply transporting goods, we create efficient transportation schemes, offer logistics services with high added value and develop new services. By utilizing the various resources within the Group, we will provide comprehensive logistics services while responding to changes in the market environment.
2. Promotion of digitalization and technologies
Improvement of efficiency is essential for continuing to stably provide infrastructure in the form of logistics. We will continue to step up our efforts by promoting digitalization and introducing the latest technologies in our distribution centers.

Policy on Provision of Evolved Logistics Solutions

We will strengthen our system, which enables us to propose logistics solutions that meet customers' needs by covering a wide range of areas with the Group's services from upstream to downstream in the supply chains of customers in a variety of industries and business categories.

For existing customers, we will closely study potential needs and make proposals. At the same time, we develop and deploy new services for new markets while also considering collaboration with other companies.

System for Provision of Evolved Logistics Solutions

The SG Holdings Group has formed the "GOAL[®]" project team centered on Sagawa Express to resolve companies' management issues through overall optimization of logistics. "GOAL[®]" consists of regional teams with a total of approximately 200 members nationwide. It resolves customers' logistics issues across the Group.

Proposals cover a wide range of areas, spanning customers' entire supply chains from procurement, storage, and processing of raw materials and parts overseas, to delivery to stores in Japan.

Furthermore, it involves not only logistics itself, but also the creation of systems enabling the centralized management of the flow of goods and the provision of a wide range of settlement services to both companies and individuals. We have also established a system enabling us to meet a wider range of needs by working not only within the Group but also partnering with Hitachi Transport System in recent years.

In order to continue to provide optimal logistics solutions to customers in the future, we will further expand the Group's international network and large-scale logistics infrastructure.

Goals and Results Related to Provision of Evolved Logistics Solutions

Company	Medium- to Long-term Goals	Fiscal 2018 Goals	Results in Fiscal 2018
SG Holdings Group	Contribution to building communities through more efficient logistics	-	Handling of facility logistics in Nihonbashi Muromachi Mitsui Tower among other results
	Promotion of international logistics and provision of high value-added services overseas	-	<ul style="list-style-type: none"> ● Introduction of temperature-controlled storage within company warehouse in Thailand ● Launch of international express service in Nepal ● Launch of railroad transport service in China among other results
	Approach to wider target audience by deeper penetration and additional value creation	-	<ul style="list-style-type: none"> ● Relocation of laboratories and hospitals ● Expansion of services in logistics payment among other results

During fiscal 2018, we continued to handle new facility logistics as a contribution to building communities through more efficient logistics. We also endeavored to expand services with high added value in the local subsidiaries operated in various countries overseas.

■ Contribution to Building Communities through more Efficient Logistics

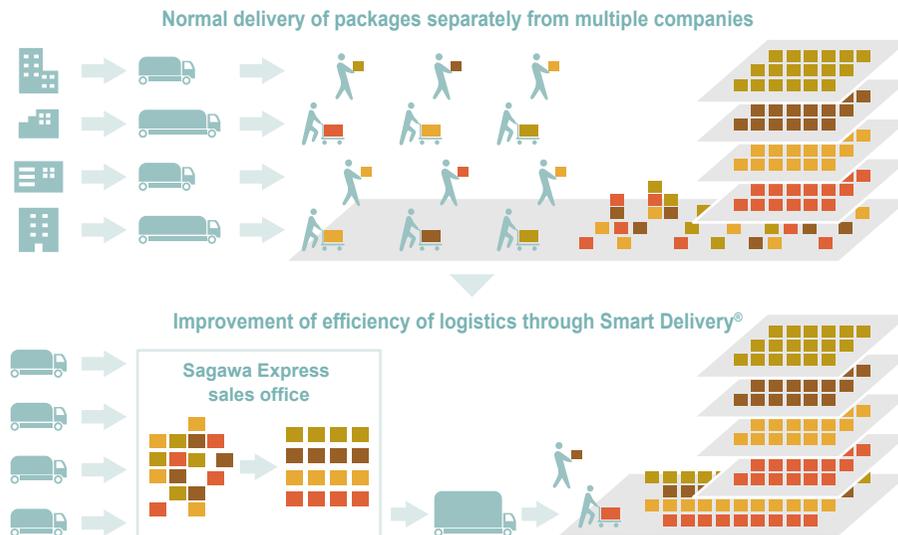
Large commercial facilities such as shopping malls used by many shoppers and large building complexes in redevelopment projects have 200 to 300 tenants. Commonly, hundreds of delivery trucks enter and exit such facilities every day as each tenant places orders for goods to various business operators. At present, it is necessary to address a variety of issues around these facilities, such as traffic congestion and environmental problems.

The Group offers services that lead to the resolution of logistics issues in large complexes and commercial facilities, such as Smart Delivery® for improving the efficiency of the process from purchasing to warehousing and inspection, and Facility Logistics for centrally managing distribution staff, goods, vehicles, and information for large commercial facilities. Through these services, we contribute to the creation of communities starting with large commercial facilities through the improvement of efficiency of logistics. This includes mitigating traffic congestion and reducing environmental impact by reducing the number of vehicles inside and outside facilities, enhancing security, and also implementing safety measures for pedestrians in the areas surrounding facilities.

● 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.

Packages usually delivered separately by different suppliers are changed to delivery by Sagawa Express, which gather and sort packages by product category or location in its transfer centers and sales offices in advance before delivering them to the final destination as specified by the consignee. Support is also provided for time slot-specific delivery, including late night and early morning.



● Facility Logistics

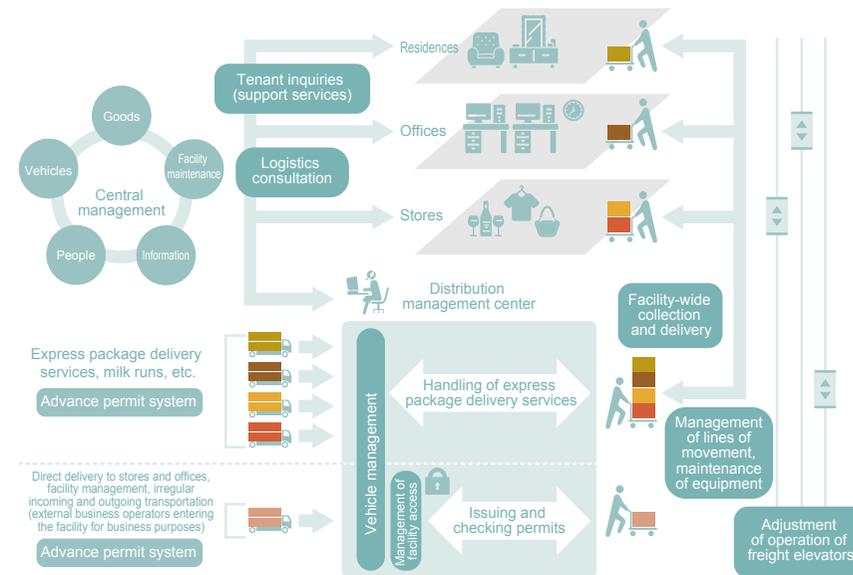
Sagawa Express and World Supply provide “Facility Logistics” for centrally managing distribution staff, goods, vehicles, and information entering and exiting facilities.

Having managed logistics for GINZA SIX, Tokyo Skytree®, and Tokyo Midtown, the companies also extended these services to Nihonbashi Muromachi Mitsui Tower in 2019. Sagawa Express and World Supply combined have received contracts with 141 facilities in total.

Hundreds of vehicles of businesses making direct deliveries to offices and stores each day need to be managed to ensure there is an optimal number of vehicles flowing in to prevent traffic congestion around the building, and the time parked in unloading areas must be kept as short as possible. In the large commercial facilities where the Group handles facility logistics, smooth logistics are achieved within the facilities by using a pre-registration system for delivery vehicles to speed up entry procedures and ensure security. The adoption of facility logistics helps mitigate traffic congestion around facilities and also reduce the environmental impact.



Nihonbashi Muromachi Mitsui Tower



■ Provision of High Value-added Services Overseas

The SG Holdings Group conducts business in overseas markets centered on the rapidly growing Asian region through SG Holdings Global, which is the overseas business management company located in Singapore. In addition to operating a freight forwarding business, which is our core business, we also provide high value-added services from upstream to downstream in customers' supply chains by strengthening businesses surrounding logistics, such as customs clearance, 3PL (comprehensive logistics outsourcing for enterprises), and local land transportation. We will continue to enrich the lives of people living in Asia through the creation of logistics infrastructure in each country in the future.

● Realization of Regular Freight Service in Partnership with Emirates and Qatar Airways

Expolanka Freight has partnered with Emirates and Qatar Airways to conduct global freight arrangement between the Middle East/Asia and the United States by using regional airports in the United States to avoid frequently congested hub airports.

Utilizing regional airports makes it possible to resolve operational safety and environmental problems along with problems with freight delays, enabling us to expect operations to run on time.

● Signing of Business Partnership Memorandum with AEON Vietnam

SG Sagawa Vietnam and its affiliates signed a business partnership memorandum with AEON Vietnam in December 2018. The two companies have collaborated in logistics since 2014, and with the conclusion of the memorandum of understanding, they will promote collaboration in stable, safe, secure, and highly reliable business in Vietnam, which is expected to grow further as a consumer market.



● Launch of Railroad Transport Service in China by Poly-Sagawa Logistics

Poly-Sagawa Logistics, which is the local subsidiary in China, began full-scale operation of railroad transport service extending from North China to South China in April 2019 after a six-month trial that began in October 2018. Due to the diversification of transportation modes in China in recent years, and environmental issues also being focused upon within China, railroads have been gaining attention due to the effect they have in reducing environmental impact. Compared to transportation by truck, railroad transportation with a fixed time schedule is expected to provide certain lead times and improved operational safety.

● Introduction of "Temperature-controlled Storage" within Company Warehouse in Thailand

In December 2018, SG Sagawa (Thailand) newly installed and began operation of a temperature-controlled storage at a fixed temperature (25°C) within its own warehouse operated within the Bangkadi Industrial Park in Pathumthanee in Northern Bangkok.



In recent years, retail stores such as supermarkets and convenience stores have increased in the retail market in Thailand, and the number of products such as food and precision components requiring quality management is increasing. In order to respond to these needs, equipment such as air conditioning and insulation were installed in the warehouse to enable fixed-temperature (25°C) management. The new facility is capable of offering safe, secure, and high-quality temperature-controlled distribution services as a logistics base that leverages the geographical advantage, which allows it to be utilized as a hub for products to be exported from the industrial park as well as delivery to central Bangkok and other parts of the country by making use of the main highway nearby.

● Launch of International Express Service in Nepal

SG Sagawa (Thailand) concluded an agency agreement with Starlight Express, which is a Nepalese air freight company, and began an international express business originating in Nepal in January 2019. Starlight Express is one of the largest companies in the industry in Nepal, and is an air freight forwarder with an excellent network, including serving as a freight agent for Japan Airlines. This partnership has made it possible to provide services such as overseas air freight delivery and international package delivery services centered on Japan to companies and individuals in Nepal.

■ Approach to Wider Target Audience by Deeper Penetration and Additional Value Creation

The Group performs a variety of transportation of goods other than express package delivery services. In addition to simply carrying goods, we contribute to society from a variety of angles by providing added value during transportation.

● Relocation of Scientific Laboratories and Hospitals

SG Moving handles the relocation of scientific laboratories of national universities and other institutions throughout the country and the relocation of hospitals. The company handled 110 university relocations spanning from single laboratories to entire campuses.

A period of several months to a year is required from the acceptance to the completion of work on a large-scale relocation project for a laboratory, hospital, etc., and meticulous planning and technical capabilities are needed. Relocation of laboratories includes extremely large precision instruments used in analysis, and many of these require transportation technology such as not allowing the equipment to tip on an angle of 10 degrees or more.

In addition, high-quality relocation is achieved by making dedicated lists of the various tools within a laboratory numbering in the tens of thousands, and utilizing unique expertise to ensure there are no omissions. We will continue to contribute to the advancement of research and development in Japan through the relocation of universities and laboratories.



Transportation of large analytical instruments

● Expansion of Services in Logistics Payment

The SG Holdings Group provides baggage storage services through Sagawa Express at venues of large-scale events such as outdoor music festivals and marathons. In 2016, Sagawa Financial introduced cashless payment using multi-payment terminals to address the issue of booths becoming congested because only cash payments are possible at many such event venues.

In addition to improving convenience for attendees and hosts, this also improves security due to cash not being handled.

In fiscal 2018, cashless payment services were also provided at the MONSTER baSH 2018, which is a large music festival held in Kagawa prefecture, along with the JASDF Airshow in December. We will continue to participate in a variety of events and provide cashless payment services.



The cloakroom service at the MONSTER baSH music festival

● Expansion of Telegram Services Connecting Feelings

Sagawa Humony operates the VERY CARD service enabling people to send telegrams from the Internet. In addition to frequently used telegrams of congratulations and condolences, the company provides products that combine telegrams with gifts such as traditional crafts and flowers, enabling them to be used in all kinds of situations such as birthdays, Mother's Day, Respect-for-the-Aged Day, and promotion celebrations.

This has enabled telegrams to evolve from a simple means of communicating information to a tool for connecting people's feelings. While utilizing our strengths as a logistics business operator, we will contribute to the everyday stimulation of communication in a variety of situations.



Mitsuboshi telegram service combining traditional crafts with telegrams



A telegram accompanied by flowers, which can be used in variety of situations such as Mother's Day

Policy on Promotion of Digitalization and Technologies

Various industries are focusing on the re-examination of work styles and the improvement of productivity per person due to the rapid decline in population brought about by the declining birthrate and aging population of Japan. In the logistics industry, while the volume of packages in the e-commerce market is continuously growing, it is becoming more difficult every year to secure human resources such as drivers. The Group is also promoting automation and labor-saving through the use of technology in order to continue stably providing infrastructure in the form of logistics.

Specifically, we are actively engaged in the introduction of technology to strengthen services coordinated throughout the Group utilizing initiatives such as GOAL®, implement front and back-office business reforms, and strengthen IT governance.

System for Promotion of Digitalization and Technologies

Within the SG Holdings Group, SG Systems performs system development and maintenance for Group companies. In order to focus on the operation of business utilizing the Group's comprehensive strength including GOAL® in future, it is becoming increasingly important to utilize IT throughout the entire Group.

For this reason, SG Holdings established the IT Control Unit in April 2019 to promote the improvement of efficiency of our operations and labor-saving utilizing new technologies such as RPA, AI, and robotics. Furthermore, by taking advantage of this know-how, we will utilize new technologies such as RPA, AI, and robotics to provide solutions for improving the efficiency of operations and labor-saving not only within the Group, but also to customers outside the Group.

Goals and Results

Company	Fiscal 2018 Goals	Results in Fiscal 2018
Sagawa Global Logistics	Introduction of technology in logistics equipment	<ul style="list-style-type: none"> ● Labor-saving through the "CarriRo®AD" logistics support robot ● Improvement of productivity using the "Visual Warehouse®" route navigation tool
SG Systems SG Motors	Promotion of improvement of operations utilizing AI, etc.	<ul style="list-style-type: none"> ● Automation of invoice reading ● Labor-saving in equipment checking operations using voice recognition

In fiscal 2018, we engaged in the introduction of technologies mainly in distribution centers.

Introduction of Technology in Logistics Facility

● Labor Saving Using Logistics Support Robots

Sagawa Global Logistics has been proceeding to automate transportation operations within warehouses with the introduction of the “CarriRo®AD” logistics support robot from ZMP Inc. in January 2019. “CarriRo®AD” is able to carry up to 150kg of cargo, and can automatically transport cargo accurately by reading markings on the floor called landmarks to recognize direction.

Every day, around 1,400 cases of cargo are brought into the Kashiwa SRC, where the robot was introduced. Carts loaded with cargo are connected to “CarriRo®AD,” which automatically carries them within the warehouse unmanned. This reduced the time spent walking within the center by three hours and the distance walked by approximately four kilometers per day. This enables the optimization of resources such as the personnel responsible can utilize this time for supporting assorting work and inspection work.



Before



After

One person was previously required to carry a single cart, but two carts can be carried unmanned with the introduction of “CarriRo®AD”

● Improvement of Productivity Using Route Navigation Tool

Sagawa Global Logistics introduced the “Visual Warehouse®” route navigation solution for warehouses provided by SATO Corporation.

“Visual Warehouse®” is a navigation system that uses images and audio to provide instructions on the shortest distance on picking routes, instructing workers by drawing the optimal lines of movement from start to finish on a virtual map. The system enables even relatively new workers to have the same work efficiency as the experienced, improving picking efficiency per hour, and improving productivity by 23% compared to before the system was introduced.



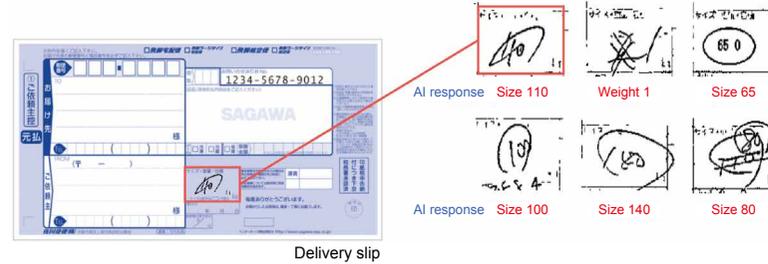
Routing instructions are sent to the device on the worker's arm

Promotion of Improvement of Operations Utilizing AI and Other Technologies

● Automation of Invoice Reading

SG Systems has introduced an AI-OCR* system in which AI replaces and automates manual entry work in the delivery invoice entry operations of Sagawa Express. Conventional OCR had trouble recognizing the “size and weight” section on delivery invoices because the size and weight were handwritten, and there was also a mixture of circled numbers. Approximately 1.5 million data points were used to train the AI in the development of “AI-OCR” able to perform recognition more accurately than humans, and this system is currently in full operation.

*OCR: Optical Character Recognition. Technology for reading written and printed text with a scanner and converting this into digital text.



Delivery slip

● Labor Saving in Checking Vehicle Maintenance Work Using Voice Recognition

SG Systems is proceeding to introduce voice recognition technology in the checking tasks in the maintenance workplaces of SG Motors. SG Motors checks 122 items in the process of vehicle maintenance and inspection, and the introduction of this technology results in voice instructions on inspection content to be played over a headset without the need to hold a check sheet. When the inspector responds aloud, the voice is recognized and the inspection record is converted into data. Utilization of voice recognition enables the reduction of workload and prevention of omissions when checking. It is scheduled to be fully introduced in certain plants because it is expected to reduce the number of man-hours by 5,350 hours (32 man-months) per year. Services are stably provided with high quality in maintenance workplaces with diverse personnel including many non-Japanese mechanics.



Checklist of 122 items



The checklist is no longer required thanks to voice recognition



Contributing to Communities

- 1. Contributing to Regions P61
- 2. Affiliated Organizations P65

■ Awareness of Social Challenges

At the SG Holdings Group, we engage in a wide range of businesses in 25 countries and regions. The people in those places are the foundation of our business, and helping to maintain a healthy society is extremely important for the sustainability of our business. In Japan, revitalizing regional communities amidst a declining and aging population is a pressing issue. Outside Japan, narrowing the gap between rich and poor in emerging nations is a global issue. In the places where we do business, both inside and outside Japan, infrastructure companies must bear responsibility for disaster preparedness, and support efforts when disasters happen.

■ Involvement with SDGs

As a corporate group that does business in a wide range of places, both domestically and abroad, we are actively committed to the pursuit of Sustainable Development



Goals (SDGs) for the environment, economy, and society.

■ Policy

We act based on our Charter of Corporate Conduct, which is our declaration to earn the trust and empathy of society, and our Code of Ethics and Conduct, which outlines the specific details. These policies express support for and cooperation with local governments, services for the development of regions, fostering future generations, and contributing to overseas communities. In line with them, we carry out a wide range of measures from a comprehensive perspective that embraces concerns for the environment, economy, and society of regional societies. Municipalities in Japan face a diverse range of issues. We work with municipalities throughout Japan, based on "comprehensive regional revitalization partnership agreements." We assess their needs, and work actively with them to resolve the issues they face.

Systems

Sagawa Express has over 400 business offices throughout Japan, and works hard to contribute to society in every place where it does business.

Regional Japan faces a growing array of challenges, and many local governments are taking proactive steps to build attractive, livable communities. Sagawa Express matches its strengths with the needs of the municipalities, makes comprehensive partnership agreements for regional revitalization with them, and then devotes itself fully to solving their problems. As of March 2019, it has formed partnerships with 19 prefectures and 10 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.

History of Partnership Agreements Formed

2015	Jun.	Hirado City	2018	Jan.	Tottori Prefecture
	Mar.	Kyoto Prefecture Yamanashi Prefecture		Feb.	Okayama Prefecture
2016	Aug.	Osaka Prefecture Yokohama City Tochigi Prefecture	Mar.	Hiroshima City	
	Oct.	Okayama City	May	Hokkaido Aichi Prefecture	
	Feb.	Kagoshima Prefecture Miyazaki Prefecture	Jul.	Saga Prefecture Kagawa Prefecture	
2017	Mar.	Niigata City Kumamoto City Gunma Prefecture Shimane Prefecture	2019	Mar.	Saitama City Takatsuki City
	May	Yamaguchi Prefecture			
	Aug.	Nagoya City Oita Prefecture			
	Sep.	Kochi Prefecture Ehime Prefecture			
	Oct.	Mie Prefecture			
	Dec.	Shizuoka City			

Goals and Results

Company	Medium- to Long-term Goals	Fiscal 2018 Goals	Fiscal 2018 Results
SG Holdings Group	Contribution to the creation of sustainable communities	<ul style="list-style-type: none"> Promoting the mixing of freight and passengers Promoting conclusion of disaster agreements 	<ul style="list-style-type: none"> Increased number of disaster agreements Increased instances of mixing freight and passengers
	Promotion of local industry and tourism	<ul style="list-style-type: none"> Promoting Hands-Free Travel Promoting comprehensive partnership agreements for regional revitalization 	<ul style="list-style-type: none"> 15 locations for Hands-Free Travel (no change in fiscal 2018) Increase in comprehensive partnership agreements for regional revitalization
	Promotion of education for the next generation	<ul style="list-style-type: none"> Holding events aimed at next generation 	<ul style="list-style-type: none"> Sports initiatives

In fiscal 2018, we made progress toward our medium- to long-term goals: creation of sustainable communities, promotion of local industry and tourism, and promotion of education for the next generation.

Regarding the creation of sustainable communities, we continued to conclude disaster agreements, and participate in disaster preparedness training, so that we are in a position to help municipalities when disaster strikes.

Regarding the promotion of local industry and tourism, we set up a new location for hands-free tourism in Tokyo's Nihonbashi district. In fiscal 2018, we added comprehensive partnership agreements for regional revitalization with four prefectures and two cities.

In terms of initiatives for the promotion of education for the next generation, the SG Holdings Group supports the All-Japan High School Ekiden Championship, among other events.

■ Contribution to the Creation of Sustainable Communities

● Maintaining Regional Infrastructure (mixing freight and passengers)

Sagawa Express is promoting mixed 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 is pressing forward with methods for transporting both freight and passengers by making use of excess capacity in each mode, thereby solving their respective issues.

By reducing truck shipments, this not only benefits the environment through reduced CO₂ emissions, but it also helps maintain buses, trains, and other transport infrastructure that provides essential services to community residents.

As of fiscal 2017, we were using railways, buses, and shared taxis for collection and delivery, and in fiscal 2018 we added regular taxis.

Actual Results

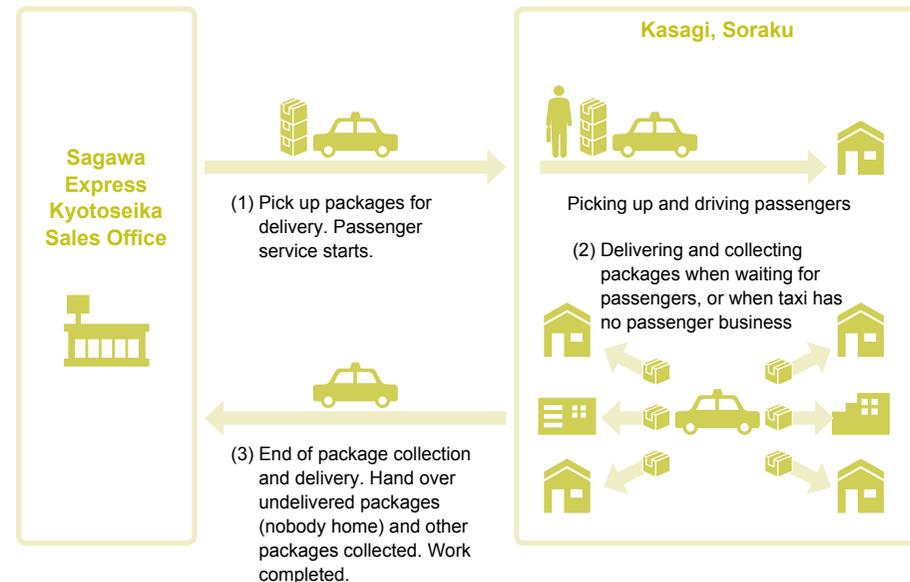
Time Period	Names of Implementing Business Operators	Summary of Activities
2018	Feb. Ugokotsu	Pilot test between Yurihonjo City and Nikaho City and between Funagawa and Kitaurayumoto in Oga City, Akita Prefecture.
	Mar. Akita Chuo Kotsu	
	Jun. MK JAL ABC	Began providing same-day baggage delivery service using shared taxis between Kansai International Airport and locations in Kyoto City.
	Oct. Yamashiro Yasaka Kotsu	We started using regular taxis for mixing freight and passengers in Kasagi, Soraku. This initiative to use regular taxis for package delivery was the first of its kind anywhere in Japan.
	Nov. HEY Taxi	Start of using regular taxis for mixing freight and passengers in Toma, Kamikawa, Hokkaido.
	Dec. Teshio Hire	Start of using regular taxis for mixing freight and passengers in Horonobe, Teshio, Hokkaido.
2019	Apr. JR Hokkaido	Start of mixing freight and passengers between Wakkanai Station and Horonobe Station on the Soya Main Line.

[Case Study]: Working with Regular Taxis

Working with Yamashiro Yasaka Kotsu to mix freight and passengers, serving the area of Kasagi, Soraku in Kyoto Prefecture. Taxi drivers from Yamashiro Yasaka Kotsu pick up packages at the Sagawa Express Kyotoseika Sales Office, load them into their taxis, and then go about their regular passenger business. They collect or deliver packages when there is a lull in their passenger business, or at other times when they are not serving passengers.

By doing both of these jobs, they enhance the efficiency of the package delivery business while also reinvigorating the regional passenger transportation business.

Flow of Operations



1. Contributing to Regions

●Reconstruction Support for Local Governments in Disaster 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. We have concluded Disaster Agreements with 75 local government bodies and other entities (as of May 2019). In fiscal 2018 we participated in training exercises with 11 municipalities.



●Case Study: Disaster Recovery Assistance in Mihara, Hiroshima

After heavy rains fell in July 2018, we offered recovery assistance in Mihara City, Hiroshima Prefecture, for 41 days, from July 22 to August 31. We helped by moving, managing and delivering supplies, and providing support for a call center. We stood in for city employees to manage transport of supplies, helping to ensure that support operations for reconstruction of affected municipalities proceeded smoothly.

■Promotion of Local Industry and Tourism

●“Hands-Free Travel” Service

“Hands-Free Travel” is one element of our comprehensive agreements with municipalities. This means transporting visitors' luggage to their next accommodations, allowing the tourists to spend the day without the burden of luggage. As the number of tourists visiting Japan grows, Hands-Free Travel encourages longer-distance excursions, thereby promoting tourism and revitalizing areas throughout Japan.

In fiscal 2018, we set up a service center in Tokyo's Nihonbashi 3-chome district. We continue to provide services that make it more convenient for visitors to enjoy their trips in Japan.



●Expanding Sales Routes for Regional Produce

In 2017, Sagawa Express began working with Nousouken Corp. to expand sales routes for regional produce by offering farmers a way to ship their products directly. This became a full-fledged business in January 2019. Through this initiative, farmers can use the Nousouken platform to sell their produce directly to urban consumers, via the farm products depot at our Nagano Sales Office. In this way, consumers in cities and elsewhere can purchase fresh, high-quality produce that has been lovingly produced by the farmers. This helps farmers earn a more reliable income. Going forward, we plan to think about doing this in more locations.

Education for the Next Generation

● Work Experience

At Sagawa Express, we offer elementary and middle-school students opportunities to experience what it's like to work sorting packages, and loading them on hand carts for collection and delivery. In fiscal 2018, 266 students from 77 elementary and middle schools in eastern Japan participated in such experiences. We provided them with an opportunity to think about how society is organized, and what it means to work.

Sagawa Express is also a supporter of work experience events for children organized and run by the Future Innovation Forum (FIF) since 2007. In fiscal 2018, these events drew 18 fifth- and sixth-grader participants chosen by lot.

● Support for Sports

The SG Holdings Group makes various efforts to help educate the next generation through sports. We have a sports facility in Moriyama City, Shiga Prefecture, which is used for a variety of functions.

● SG Holdings Kids Sports Camp

The aim of this initiative is to give children a chance to build their dreams and aspirations through sports. In August 2018 we set this up in Shiga and Kyoto Prefectures, and 98 elementary school children participated.

● All-Japan High School Ekiden Championship

The goal of this event is to support young high-school runners, who will lead the next generation. Male and female athletes from all over Japan separately participated in this event in fiscal 2018, running in Kyoto, where our business got its start.

● Sagawa Shiga Football Academy

Sagawa Express sponsors the Sagawa Shiga Football Academy, supporting healthy training of children through soccer. We operate a soccer school for children preschool to middle school, in which about 200 children are now participating. It also holds soccer events at kindergartens mainly in Moriyama City; in fiscal 2018, roughly 520 kindergarten students enjoyed soccer at 13 locations.

Contributions to Global Society

Expolanka Group generates ideas for activities based on SDGs, and make contributions to regions.

● Supporting for Children with Disabilities

The UAE Team set up a photo booth at a Family Fun Fair, an event for children with disabilities to enjoy good food and drink, and have fun shopping. The money collected at the booth was contributed to Al Noor, the NPO that held the event.

● Eliminating Child Hunger

Our team in the Philippines has begun an initiative, working with Project Pearls to provide meals to 300 children every month.

● Food Support for Flood Locations

In Sri Lanka, which has suffered repeated floods in recent years, we provided food supplies for 110 affected families.



2. 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 two-year scholarships of 120,000 yen monthly to self-funded international students from countries in Southeast Asia. In fiscal 2018, the 33rd year of this program, 109 applications were received from national, public and private universities, and 16 were selected. Besides financial assistance, the foundation also strives to give the students a rich experience in Japan by holding social gatherings and reunions.

Promotion of Cancer Research

We provide grants, awards, and other forms of support for cancer research and cancer care research. In fiscal 2018, grants were given to 15 of 198 applicants 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.

- 30th SGH Cancer Research Grant: 15 recipients (15 million yen)
- 16th SGH Special Award: 2 recipients (10 million yen)
- 16th SGH Nursing Care Special Award: 2 recipients (2 million yen)

International Economic Cooperation

We provide support for training people in logistics operations, by accepting people for training in Japan, and sending experts abroad. In fiscal 2018, as part of our Japan-China friendship program, we invited 10 university students majoring in logistics from the People's Republic of China, and we held a training session aimed at supporting the development of logistics human resources. Working with the Ministry of Land, Infrastructure, Transport and Tourism, we invited 80 people from Laos — 55 students majoring in logistics, and 25 adults — and 138 students majoring in logistics from the Socialist Republic of Vietnam, and offered an intensive course in logistics, focusing on specialized knowledge and administrative methods of logistics in Japan.

■ Sagawa Art Museum

The Sagawa Art Museum was founded in Moriyama City, Shiga Prefecture in 1998, and in fiscal 2018 it celebrated its 20th anniversary. The permanent collection includes works by prominent Japanese artists such as Nihonga painter Ikuo Hirayama, sculptor Churyo Sato, and 15th-generation ceramist Kichizaemon Raku. The museum also hosts a variety of special exhibits. Special exhibits in fiscal 2018 included “The Empire of Imagination and Science of Rudolf II,” and “Tanaka Isson: 110th Anniversary of His Birth.”

The museum also works with Moriyama City to offer the following collaboration enterprises and educational activities:

- (1) Welfare Day (3 times a year, 122 facilities, 1,364 people)
- (2) Art Appreciation Classroom (for all 4th-graders in all 9 Moriyama City public elementary schools, 1,013 pupils)
- (3) Moriyama Citizens' Day (5 times a year, 942 people)
- (4) Lifelong Learning Support Course Migaku (5 times a year, 172 people)
- (5) Sagawa Kids Museum Workshop (13 times a year, 295 people)

During (1), Welfare Day, admission to the museum is free for all users of social welfare facilities in Shiga Prefecture. With (2) through (5), the Sagawa Art Museum's aim is to deepen the love and understanding the people of the area hold for the arts.



Welfare Day venue scene



Promoting Sustainable Procurement

Management and Raising Awareness of Business PartnersP67

Awareness of Social Challenges

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 strong global partnerships and cooperation.”

The SG Holdings Group is a corporate group supported by more than 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.

Involvement with SDGs

In coordination with more than 16,000 business partners, we will not only conduct business with consideration for human rights and the environment, but also cooperate in a variety of areas such as contributing to environmental issues and local communities, ultimately contributing to the achievement of the SDGs as a whole.

Policy

As a corporate group supported by more than 16,000 partner companies, we believe that the continuity of partner companies is one of the business issues faced by the SG Holdings Group. To ensure the prosperity of our business partners (suppliers), in 2014 we 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 (suppliers) to understand and cooperate in seven items.

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.

Policy on Management and Raising Awareness of Business Partners

The SG Holdings Group has established “Business Partner Management Rules” and conducts business in a way that is appropriate for both business partners (suppliers) and the Group. The Business Partner Management Rules stipulate matters related to the selection, evaluation, and management of business partners, and the Business Partner Selection Committee performs selection based on these to commence business once the business partners have agreed with the Group’s policy.

Furthermore, our policy also includes performing periodic evaluations of existing business partners, jointly resolving any issues, and reviewing business with them if necessary.

Business Partner Management Rules (Excerpt)

Article 1	Purpose
Article 2	Scope of application
Article 3	Definitions
Chapter 2	Management, selection, and evaluation of business partners
Article 4	Management of business partners
Article 5	Meetings of the business partner selection committee
Article 6	Selection of new business partners
Article 7	Evaluation of existing business partners

System for Management and Raising Awareness of Business Partners

Within the SG Holdings Group, Sagawa Advance Co., Ltd. handles the procurement of all fuel such as gasoline along with various other materials commonly used across the entire Group. On the other hand, each Group company procures other materials used for itself and manages its logistics partner companies. In this way, we efficiently manage our suppliers, considering those related to the entire Group and those for individual operating units separately.



Goals and Results Related to Management and Raising Awareness of Business Partners

Companies	Medium- to Long-term Goals	Fiscal 2018 Goals	Fiscal 2018 Results
Japan	<ul style="list-style-type: none"> Establishment of supplier management policy 100% consent to supplier management policy by suppliers 	Investigation of state of utilization of Business Partner CSR Guidelines	Conducted survey of Group companies in Japan
Overseas		Commencement of evaluation of existing suppliers	Business Partner Selection Committee performed evaluation of the scores of suppliers

■ Initiatives Related to Management of Business Partners

The SG Holdings Group has established the “Business Partner CSR Guidelines” and works to share a common awareness with business partners. In fiscal 2018, we conducted surveys of Group companies in Japan concerning CSR management of business partners. The results showed that some Group companies are utilizing the Business Partner CSR Guidelines such as distributing them to business partners, and it was observed that the content of the guidelines needs to be periodically reviewed to fully respond to the current demands from society. Furthermore, in fiscal 2018 we started an annual evaluation of business partners overseas, to assess suppliers from the perspective of quality, price, and delivery. Going forward, we intend to add the perspective of sustainability in communicating with suppliers. Based on these results, the SG Holdings Group will engage in the following initiatives in fiscal 2019.

Schedule of Initiatives in Fiscal 2019

Item	Details
Review of Business Partner CSR Guidelines	Review of the content of the Business Partner CSR Guidelines from the perspective of demands from society and the importance for the Group, and make revisions if necessary.
Revision of Business Partner Management Rules	Revision of rules to ask suppliers for consent to the Supplier Management Policy when commencing new business
Strengthening of communication with existing suppliers	Continuing the implementation of supplier evaluation, and strengthening of communication related to suppliers' policies and initiatives on CSR

■ Initiatives Related to Raising Awareness of Business Partners

The SG Holdings Group holds “Providing safe and secure services” as a material CSR issue. Sagawa Express engages in a variety of initiatives such as safety patrols and seminars for long-haul transportation companies, main business partners (suppliers) of ours, in order to eliminate traffic accidents from society.

Item	Details	Fiscal 2018 Results
Long-haul Transport Safety Patrols	Sagawa Express Long-haul Transport Safety Patrols are performed once every year in order to prevent 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.	Cancelled due to typhoon
Long-haul Transport Partner Company Safety Seminars	Management executives of long-haul transportation partner companies are invited to share information on safety required for trucking business operators. In fiscal 2018, a seminar was conducted in Kanto and Kansai each.	<ul style="list-style-type: none"> ● East Japan Implemented once Theme: Safe driving ● West Japan Implemented once Theme: Shortening of working hours
Long-haul Transport Terminal Inspections	Long-haul Transport Terminal Inspections are conducted annually for long-haul transportation company drivers who arrive at Sagawa Express sales offices and hub centers. Drivers receive encouragement and routine inspections.	Implemented once
SG long-haul transport partner association Labor executive committee	National conferences with management of long-haul transportation partner companies nationwide are held annually	Implemented once Theme: Reflection on first half-year results and response during peak period

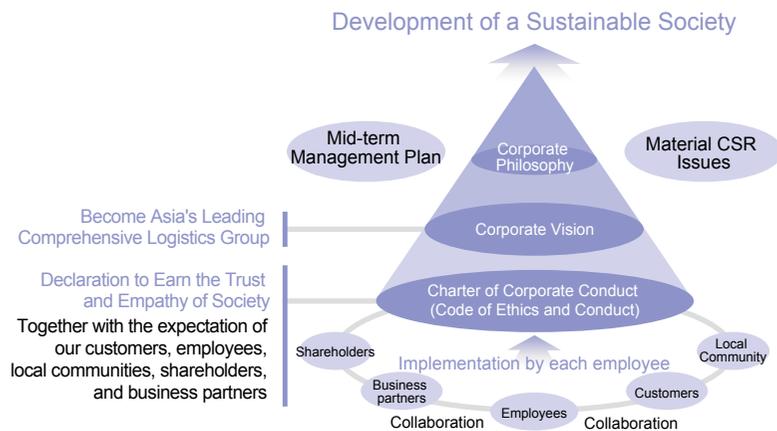


Building a Responsible Management Foundation

1. Corporate Governance P71
2. Compliance P72
3. Risk Management and Information Security P74

Awareness of Social Challenges

We believe that building a responsible management foundation is essential to the SG Holdings Group, which aims for contribution to the development of a sustainable society as a comprehensive logistics business providing social infrastructure. 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, Charter of Corporate Conduct, and Code of Ethics and Conduct.



Involvement with SDGs

Corporate governance, compliance, and risk management are the foundation of our business. These are important issues, connected to all our business activities. Initiatives to construct sustainable management systems contribute to our efforts to achieve SDGs overall.

Policy

We conduct all our business based on our Corporate Philosophy, Charter of Corporate Conduct, and Code of Ethics and Conduct.

SG Holdings Group Corporate Philosophy

"Trust, Create, Challenge"

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 (excerpts)

Customers' Expectations
Employees' Expectations

Local Communities' Expectations
Shareholders' & Business Partners' Expectations

■ SG Holdings Group Code of Ethics and Conduct (excerpts)

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
2. Developing and Providing Quality Products and Services
3. Explaining in a Polite and Clear Manner
4. Working Sincerely Responding to Confidence
5. Responding Actively to the Voice of the Customer
6. Management of Customers' Personal and Confidential Information

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

1. Efforts toward Duties
 - Working Conscientiously and Thoroughness of Reporting, Communicating, and Consulting
 - Personal Development and New Value Creation
2. Safe Driving
 - Considering Vulnerable Road Users
 - Promoting Eco-Friendly Safe Driving
3. Fostering a Healthy Work Environment
 - Respect for Human Rights, Individuality, and Personality
 - Respect for Beliefs of Others
 - Safe and Healthy Workplace
 - Greetings and Communications
 - Protection of Employees' Personal Information
 - Prevention of Discrimination and Harassment
4. Management of the Company's Assets and Information
 - Prohibition of Inappropriate Use of Company Assets
 - Information Management
 - Intellectual Property Management

5. Compliance with Laws and Behavior in a Sensible Manner Respecting Social Norms
 - Prevention of Improper Activities and Establishment of Ethics
 - Respect for Human Rights and Prohibition of Discrimination
 - Distinction between Private and Public Matters
 - Propriety of Business Entertainment Expenses
 - Dealings with Government Officials and Politicians
 - Handling of Material Non-public Information (Insider Information)
 - Reporting to the Company and Notifying Appropriately

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

1. Living in Coexistence with local communities
 - Open Enterprise
 - Interacting with Local Communities
 - Respect for Local Culture and Customs
2. Safety Activities
3. Environmental Protection
 - Prevention of Global Warming
 - Pollution Prevention
 - Environmental Education Initiatives
 - Environmental Communication Initiatives
4. Supporting the Arts, Academic, and Sports

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

1. Dialogue with Shareholders
2. Ensuring Reliability of Financial Reports
3. Coexistence and Prosperity with Business Partners
 - Prohibition of Abuse of Dominant Bargaining Position
 - Management of Confidential and Personal Information of Business Partners
4. Free and Fair Competition
5. Dealing with Anti-Societal Groups

Guidelines on Compliance

The SG Holdings Group strives to create a corporate culture in which every employee conducts business with 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 the Code of Ethics and Conduct and the Compliance Regulations, the Group has built and maintained a culture of conducting business with high ethical standards, continually striving to improve our business operations and our credibility with the public.

Systems Concerning Compliance

At the SG Holdings Group, the department responsible for the legal affairs 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.

As an internal whistleblowing system, we also operate the SG Holdings Group Compliance Hotline. By using this service, employees, their family members, and partner companies can report actions they think may be in violation of the law, company rules, or our Code of Ethics and Conduct. In fiscal 2017, we also began operating hotlines for whistleblowers who are not company employees, and overseas hotlines as well.

Additionally, the Group is actively taking steps to prevent insider trading as we have seen more opportunities to add listed overseas companies to the Group and to form business and capital alliances with listed companies. In particular, the recent listing of the Company's own shares prompted us to reinforce our insider trading prevention regulations. We have thus established a system of controls including a blackout period and establishment of an application procedure.

Goals and Results Concerning Compliance System

Companies	Medium- to Long-term Goals	Fiscal 2018 Goals	Fiscal 2018 Results
Sagawa Express	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"> Monthly Code of Ethics and Conduct training session Two insider trading prevention training sessions Two human rights and harassment training sessions 	<ul style="list-style-type: none"> Monthly Code of Ethics and Conduct training session Two insider trading prevention training sessions Two human rights and harassment training sessions
Group companies in Japan			Partly realized
Overseas companies			

As one element of our compliance training, we conduct group readings of the Code of Ethics and Conduct.

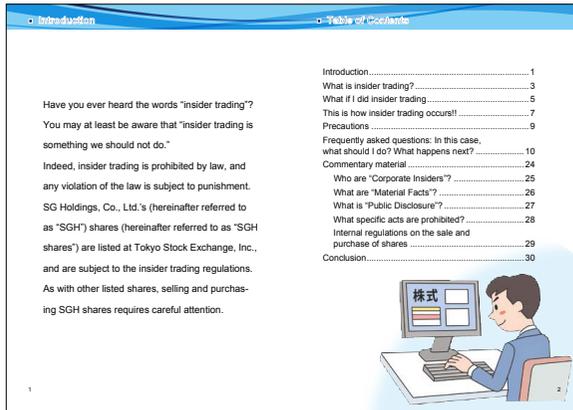
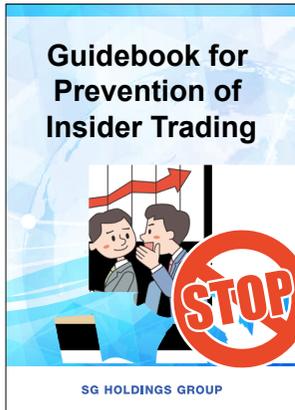
Compliance Efforts

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 monthly 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 Session

In conjunction with the listing of the Company's shares, we are holding insider trading prevention training 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. In fiscal 2018, we published the Compliance Newsletter (six issues) and the Insider Trading Prevention Newsletter (six issues), via the internal portal website. The Group will continue to strengthen compliance as the pillar of our internal controls.



Blockage of Relationships with Anti-social Forces

For the purpose of eliminating dealings with criminal elements that threaten the safety and order of society, we have established Exclusion of Anti-social Forces Regulations. We are working hard to block relationships with anti-social forces, refusing to respond to unjust demands, backroom deals, or provision of funds. This is clearly stated in the Basic Policy of Internal Control, 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. More specifically, 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.

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.

Risk Management Guidelines

In our management, the SG Holdings Group regard as risks all factors that might have an impact on our business. For each category of risk, we make an appropriate assessment of the potential impact on our business, and take appropriate measures based on our Risk Management Regulations, while minding the relevant laws and changes in the social environment. As new risks come to the fore, our aim is to minimize the potential losses these risks might cause, by taking the necessary measures.

As a group, we are mindful of the following risk categories. (quoted from Risk Management Regulations)

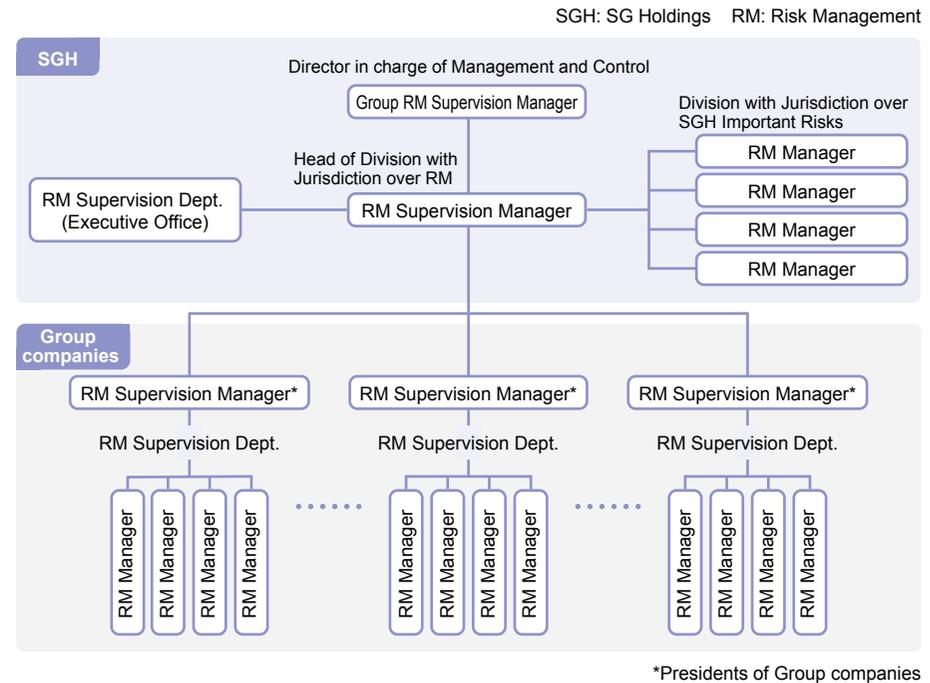
- (1) Strategic risks
Risks to management or to the execution of business plans
- (2) Operations risk
Risks to our day-to-day operations and business activities
- (3) Financial reporting risk
Risks associated with external reporting of disclosure items that might have a significant impact on our financial statements, or on the trustworthiness of our financial statements.

Risk Management Systems

Directors of SG Holdings are the people who bear responsibility for the group. In addition, we have established the following persons and departments of responsibility, to promote risk management for the group as a whole.

- (1) Group Risk Management Supervision Manager
Director responsible for SG Holdings Management and Control
- (2) Risk Management Supervision Manager
Head of Division with Jurisdiction over Risk Management
- (3) Risk Management Supervision Dept.
Division with Jurisdiction over Risk Management
- (4) Risk Management Manager
Head of Division with Jurisdiction over Important Risks

SG Holdings Group Risk Management Systems



Risk Management Goals and Results

To strengthen risk countermeasures for the group as a whole, we conduct Business Continuity Training.

Companies	Medium- to Long-term Goals	Fiscal 2018 Goals	Fiscal 2018 Results
SG Holdings	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	● Business continuity training is held once during the year	● Group joint business continuity training was held once (participation by 18 Group companies, both Japan and overseas)
Group companies in Japan			● In addition to Group joint business continuity training, internal business continuity training was conducted by some Group companies.

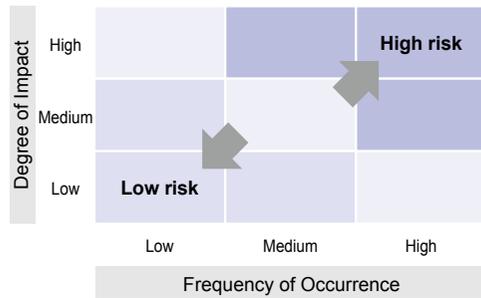
Risk Management at Normal Times

When things are normal, Group companies manage risk based on the flow shown here. First, risks must be assessed. Risk maps are used to categorize risks by impact and frequency. Risks are then listed in priority order, and countermeasures are taken. Risks are discussed quarterly in SG Holdings Group Risk Management Meetings, so the Group as a whole can deal with risk management effectively and efficiently.

Risk Management Flow

- (1) Identification
Monitoring and unified risk management
- (2) Evaluation
Prioritizing risks by degree of impact and frequency of occurrence
Risk maps make things visible
- (3) Countermeasures
Development of countermeasures in accordance with the order of priority
- (4) Review
Quarterly review of risk identification, evaluation, and countermeasures

Risk Map



BCM/BCP for Major Damage, Accidents

Due to the particular characteristics of the logistics business, we regard natural calamities and accidents as risks of particular significance. To ensure the continuity of Group operations in the event of a major earthquake, fire, explosion, flooding or other 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. We continue to work assiduously on Business Continuity Management measures to ensure that the BCP works as effectively as envisioned.

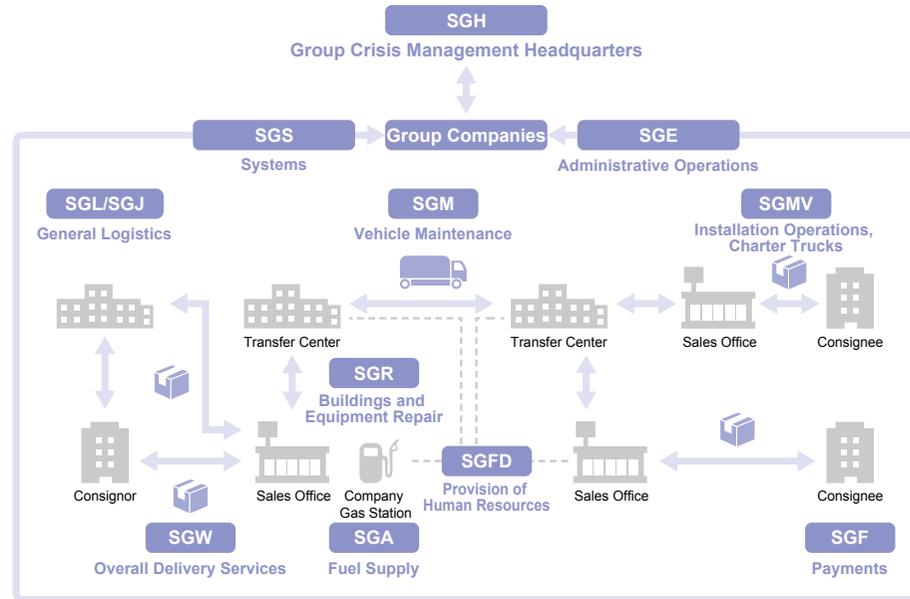
● Safety Check Training

For all group employees in Japan, we conducted response training twice in fiscal 2018, using Safety Check Systems. Based on the BCP, we have set a target rate of 90% for responses within 24 hours after the occurrence of an incident.

● Business Continuity Training

We conduct business continuity training throughout the Group once a year. In fiscal 2018, SG Holdings, along with 18 Group companies from Japan and elsewhere, participated in simulation exercises based on the kinds of advanced composite calamities, such as major typhoons and urban flooding that have become more frequent recently.

SG Holdings Group BCM Systems (in Japan)



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

SGW: Sagawa Express

SGMV: SG Moving

SGL: Sagawa Global Logistics

SGJ: SGH Global Japan

SGR: SG Realty

SGA: Sagawa Advance

SGM: SG Motors

SGS: SG Systems

SGFD: SG Fielder

SGF: Sagawa Financial

SGE: SG Expert

Information Security Guidelines

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.

[For the full text of our Information Security Basic Policy, see the SG Holdings website.](#)

Information Security 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. At SG Holdings Group, in addition to our administrative systems of the past, we have established SGH-CSIRT to minimize harm through preemptive prevention of data security accidents, and fast response when incidents occur. CSIRT is short for Computer Security Incident Response Team. It is the specialist that handles data security problems for the group as a whole.

Information Security Goals and Results

Companies	Medium- to Long-term Goals	Fiscal 2018 Goals	Fiscal 2018 Results
Sagawa Express	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 information security training sessions Two targeted e-mail attack response training sessions 	<ul style="list-style-type: none"> Two information security training sessions
Group companies in Japan			<ul style="list-style-type: none"> Due to frequent natural calamities, targeted e-mail attack response training was held once.
Overseas companies			<ul style="list-style-type: none"> Two information security training sessions Targeted e-mail attack response training sessions carried out in part

To strengthen security measures for the group as a whole, we held data security training and exercises.

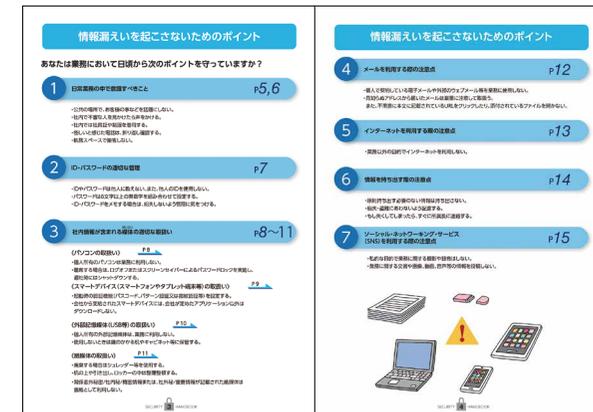
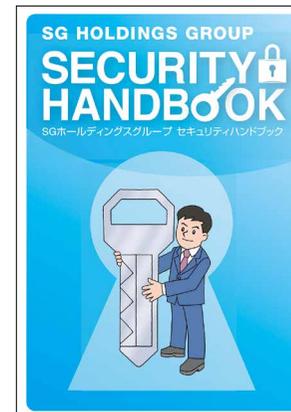
Information Security Initiatives

●Security Assessment

Security assessment is an essential tool for evaluating the effectiveness of data security management systems, to prevent serious information security incidents. Specifically, the assessment consists of 1) setting a target level of cybersecurity upon evaluation of the internal and external environment, 2) identifying the challenges to attaining that level, and 3) proposing and prioritizing the required solutions. At SG Holdings Group, we are implementing highly effective security policies, based on our own security assessments and our three-year security policy road map.

●Enlightenment Activities

For all Group employees, in Japan and abroad, we hold group readings of the Security Handbook twice a year, followed by comprehension tests. Furthermore, we provide response training for targeted e-mail attacks, where we study first actions, for example, counting the number of times an attached file is opened, the number of clicks on link URLs, and reports to senior managers. For employees who fail to make the appropriate responses, we have e-learning follow-up training and other ongoing educational measures.



List of Certifications and Awards

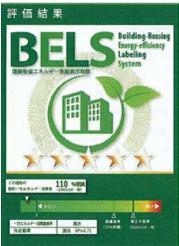
Providing Safe and Secure Services

Name of Award or Certification (Granting/Certifying Organization)	Overview	Scope
<p>Motor Vehicle Operation Manager Training Certificated Organization (Ministry of Land, Infrastructure, Transport and Tourism)</p>	<p>Certified as an organization to provide training recognized by the Minister of Land, Infrastructure, Transport and Tourism in accordance with the Passenger Vehicle Transportation Business Transportation Rules and the Freight Vehicle Transportation Business Transportation Safety Rules.</p>	<p>Sagawa Express</p>
<p>Excellent Safe Driving Workplace Award (Japan Safe Driving Center)</p>	<p>Award for business sites that have achieved no accidents and no violations through site-wide utilization of driving history certificates for safe driving and traffic accident prevention.</p> <ul style="list-style-type: none"> ● A total of 106 sales offices received the following awards in the SG Holdings Group. There were 10 platinum sales offices, 23 gold sales offices, 35 silver sales offices, and 38 bronze sales offices. 	<p>Sagawa Express SG Moving SG Motors</p>
<p>Excellent Safety Workplace certification (G mark) (A National Trucking Rationalization Organization)</p>	<p>The mark shows that the sales offices were certified in a Japan Trucking Association freight vehicle transportation safety evaluation project, which evaluates the traffic safety measures of trucking businesses.</p> <ul style="list-style-type: none"> ● 396 Sagawa Express sales offices ● 11 SG Moving sales offices ● 3 World Supply sales offices 	<p>Sagawa Express SG Moving World Supply</p>
<p>Excellent Safety Workplace Bureau Director- General's Award (Ministry of Land, Infrastructure, Transport and Tourism)</p>	<p>The Excellent Safety Workplace Bureau Director-General's Award is granted to business sites that have obtained Excellent Safety Workplace certification (G Mark) for a decade or more in succession and contribute to society by ensuring the safety of transportation.</p> <ul style="list-style-type: none"> ● SG Moving has received G Mark certification in all business sites, and the Bureau Director-General's award was received for the first time in the Kitakanto Sales Office. 	<p>SG Moving Kitakanto Sales Office</p>
<p>ISO 9001 (Certifying Organizations)</p>	<p>International standard on quality management systems. This is the most widely accepted management system standard, and it is used by more than one million organizations in 170 countries or more nationwide.</p>	<p>458 Sagawa Express sales offices SG Moving Head Office Transport Quality Department, Tokyo Sales Office SG Systems Kanto Branch and 11 other locations and departments Expolanka Freight SG Sagawa Ameroid</p>



List of Certifications and Awards

Promoting Environmentally Friendly Business Activities

Name of Award or Certification (Granting/Certifying Organization)	Overview	Scope
ISO 14001 (Certifying Organizations)	International standard on environmental management systems. This indicates an organizational framework for protecting the environment and responding to changing environmental conditions while maintaining a balance with socio-economic needs.	Sagawa Express Expolanka Freight
ISO 14064 (Certifying Organizations)	International standard for self-verification of reporting of greenhouse gas emissions. ● Obtained by Expolanka Freight in Sri Lanka for the first time in 2018.	Expolanka Freight
Five Star certification under DBJ Green Building Certification System (Development Bank of Japan Inc. (DBJ))	It is a certification system created by the Development Bank of Japan in April 2011 with the aim of forming a bridge between business operators and financial institutions/investors through the valuation of real estate that gives consideration to the environment and society. ● SG Realty Wako, a property owned by SG Realty, obtained the highest-ranked certification of five stars. It was assessed highly in the four areas of Ecology, Amenity, Community, and Risk Management.	 SG Realty
Five Star certification under the Building-Housing Energy-efficiency Labeling System (BELS) (Association for Housing Performance Evaluation & Labeling)	A system using a third-party evaluation body for certifying energy saving in buildings in accordance with the Guidelines on the Building-Housing Energy-efficiency Labeling System (Guidelines on Representation of the Energy Consumption Performance of Buildings) established by the Ministry of Land, Infrastructure, Transport and Tourism. ● SG Realty Wako, a property owned by SG Realty, obtained the highest-ranked certification of five stars. The equipment used in the facility was mainly selected from among devices with a high energy-saving effect, with LED lighting adopted for all lighting throughout the facility. Moreover, solar power generation equipment was installed on the entire roof.	 SG Realty
17th Green Logistics Partnership Council Special Award (JILS; Japan Association for Logistics and Transport; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism)	An award for business operators that have significant accomplishments in the creation of a sustainable logistics system through efforts such as the reduction of environmental impact in the area of logistics or productivity of logistics. ● Sagawa Express received the special award. A cross-industry joint modal shift commenced operation in November 2017 by utilizing the Toyota Longpass Express, a freight train operated by Toyota Transportation, for express package delivery services using long-haul transportation between Aichi Prefecture and Iwate Prefecture. This reduced the truck driving hours and CO ₂ emissions arising from the company's truck transportation by 1,685 hours and 100.2 tons per year, respectively. The company utilized the spare space in Toyota Transportation's train dedicated to transporting automotive parts between Aichi Prefecture and Iwate Prefecture, thereby improving the efficiency of transportation while increasing the loading ratio and reducing drivers' working hours at the same time. That initiative earned the company the award.	Sagawa Express
5th Grand Prize Award for Excellent Business Entities Working on Modal Shift Award for Excellent Business Entities Working on Modal Shift (Japan Association for Logistics and Transport)	Multifaceted evaluation is carried out from the perspective of not only reducing environmental impact but also the improvement of transportation efficiency, in light of the increasingly serious shortage of labor in recent years. The grand prize is awarded to the business operator that has achieved the best results, while several category prizes are awarded according to each award standard. ● The reasons for receiving the award are the same as stated above.	Sagawa Express

List of Certifications and Awards

Promoting Environmentally Friendly Business Activities

Name of Award or Certification (Granting/Certifying Organization)	Overview	Scope
<p>Minister of the Environment Award for Merit in the Promotion of the Creation of a Recycling-oriented Society at the 13th National Convention for the Promotion of 3R Activities (Ministry of the Environment, Toyama Prefectural Government, 3R Promotion Forum)</p>	<p>The National Convention on the Promotion for 3R is a convention the promotion of understanding and initiatives related to the 3Rs by having people, business operators, and governmental organizations meet at once to share and communicate their initiatives and knowledge. Business sites and other organizations that make a significant contribution to promoting the formation of a recycling-oriented society are awarded.</p> <ul style="list-style-type: none"> The initiative for which Sagawa Express received an award this time was the elimination of emissions through the utilization of environmentally friendly packaging (foldable containers) by the SapporoKita Sales Office of Sagawa Express. The company introduced environmentally friendly packaging instead of using packaging cardboard when transporting packages for people being hospitalized or discharged at Hokkaido University Hospital. This created a system that contributes to the creation of a recycling-oriented society in terms of cost, the environment and social contribution by reducing the generation of waste. 	<p>Sagawa Express</p>
<p>Ranked first in the Transportation Category of the 22nd Nikkei Environmental Management Survey (Nikkei Inc.)</p>	<p>A survey evaluating companies engaged in balancing environmental measures with the improvement of management efficiency.</p> <ul style="list-style-type: none"> Sagawa Express was ranked first in the transportation category for the fourth year in succession. 	<p>Sagawa Express</p>
<p>EcoAction 21</p>	<p>Eco Action 21 is an environmental management system (EMS) unique to Japan that was established by the Ministry of the Environment. It specifies methods for organizations and business operators to voluntarily carry out initiatives aimed at the environment based on the method of continuously improving performance called the "PDCA cycle."</p> <ul style="list-style-type: none"> All business sites of SG Motors have obtained the certification. The company 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) thermal recycling of waste oil generated in vehicle maintenance for utilization as a heat source for heating water used for washing vehicles undergoing maintenance, floor heating in plants and road heating within the premises to recycle resources. (Certification period: November 22, 2017 - November 21, 2019) SG Moving obtained certification in its head office and the Kitakanto Sales Office. 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. (Certification period: March 1, 2018 - February 29, 2020) 	<p>SG Motors SG Moving</p>

List of Certifications and Awards

Building an Organization of Diversity and Inclusion

Name of Award or Certification (Granting/Certifying Organization)	Overview	Scope
Kurumin Mark (Ministry of Health, Labour and Welfare)	<p>Proof of receiving certification from the Minister of Health, Labour and Welfare as a "Child Raising Supporter Company." The certification is received by companies that have formulated a general business operator action plan, achieved the goals set in the plan and met certain standards based on the Act on Advancement of Measures to Support Raising Next-Generation Children.</p> <p>The following companies in the SG Holdings Group have received certification.</p> <ul style="list-style-type: none"> ● SG Holdings ● Sagawa Express ● Sagawa Global Logistics ● SGH Global Japan ● SG Systems 	 <p>SG Holdings</p>
2019 Excellent Health Management Corporations (Ministry of Economy, Trade and Industry, Nippon Kenko Kaigi)	<p>A system for commending corporations such as large enterprises and SMEs practicing particularly excellent health management based on initiatives matching community health issues and health promotion initiatives being promoted by Nippon Kenko Kaigi.</p> <ul style="list-style-type: none"> ● Sagawa Advance was the first company in the SG Holdings Group to receive the certification. Receiving this certification shows that the company satisfied the standards established by the committee made up of industrial physicians, insurers and investors, etc. in the following four items: "management philosophy and policy," "organizational structure," "system and execution of measures," and "evaluation and improvement." It was also highly regarded that the company marked high scores in the health management survey breakdown items of "documentation of policies," "involvement of management," "execution of measures," and "understanding of indicators such as health examination results." 	 <p>Sagawa Advance</p>
Runner-up for the Basic Achievement Award at the 2019 J-Win Diversity Awards (NPO J-Win)	<p>Leading companies promoting diversity and inclusion have been awarded since 2008. The "Corporate Prize" is awarded to leading companies that promote D&I and continue to produce female leaders, and the "Individual Prize" is awarded to individuals who make a significant contribution to the promotion of D&I in a company.</p> <ul style="list-style-type: none"> ● SG Holdings became the first company in the logistics industry to receive the award in the Basic Division (for companies that have indicated the meaning and objective of utilizing women, established mechanisms and systems with goals, and commenced action as the first step of D&I). 	<p>SG Holdings</p>
Certified as Excellent Worker Dispatching Business (Labor Management Education Center)	<p>Worker dispatching business operators that not only comply with laws and regulations, but also meet certain standards on supporting the formation of careers and providing a good working environment for dispatched workers, preventing trouble at the locations where workers are dispatched, and providing service that is reassuring for both the dispatched workers and the locations where workers are dispatched are certified as "Excellent Worker Dispatching Businesses."</p> <ul style="list-style-type: none"> ● SG Fielder received certification on March 12, 2015, and was recertified on March 30, 2018. Certification is valid for three years. 	 <p>SG Fielder</p>

List of Certifications and Awards

Contributing to Communities

Name of Award or Certification (Granting/Certifying Organization)	Overview	Scope
Promoting Company under the Tokyo Metropolitan Government's system for certifying companies that promote the prevention of employees from heading home at once (Tokyo Metropolitan Government)	<p>The Tokyo Metropolitan Government created a certification system for companies promoting the prevention of employees from heading home at once in the event of a disaster in Tokyo, pursuant to the "Tokyo Metropolitan Government Ordinance on Measures Concerning Stranded Persons". Companies actively engaged in reducing employees returning home at the same time are certified as "promoting companies" and those that have particularly excellent initiatives or initiatives with large knock-on effects are selected as "model companies."</p> <ul style="list-style-type: none"> ● Sagawa Express was selected as a "model company for promoting the prevention of employees from heading home at once in Tokyo" (total of 12 companies). 	 <p>Sagawa Express</p>
Certified as a Tokyo Sports Promotion Company (Tokyo Metropolitan Government)	<p>Since fiscal 2015, the Tokyo Metropolitan Government has certified companies implementing excellent initiatives aimed at the promotion of employees' sporting activities and providing support in sports as "Tokyo Sports Promotion Companies."</p> <ul style="list-style-type: none"> ● SG Holdings has been certified for four years in succession. 	 <p>SG Holdings</p>
Certified as a Sports Yell Company Japan Sports Agency	<p>The Japan Sports Agency certifies companies actively engaged in sport-related initiatives for promoting the health of employees as "Sports Yell Companies" to foster public spirit to play sport by promoting sport among people in the prime of life who tend to lack exercise.</p> <ul style="list-style-type: none"> ● SG Holdings has been certified for two years in succession. 	 <p>SG Holdings</p>

List of Certifications and Awards

Other Certifications and Awards

Name of Award or Certification (Granting/Certifying Organization)	Overview	Scope
<p>Japan Resilience Award 2018 Most Outstanding Resilience Award (National Land Preservation and Information Area) (Association for Resilience Japan)</p>	<p>An award for evaluating and recognizing companies, organizations, and other entities for technological development and product development, as well as other activities that help to foster national, regional, personal, and industrial resilience, with the goal of building a resilient society for future generations.</p> <ul style="list-style-type: none"> ● Sagawa Express received an award in the national land preservation and information area as a model for logistics infrastructure and regional collaboration towards strengthening regional resilience. It received the Most Outstanding Resilience Award in the energy area in fiscal 2017, making this the second time it has received the award. 	<p>Sagawa Express</p>
<p>High Grade Agent (HGA) certification (Mitsui Sumitomo Insurance Company, Limited)</p>	<p>This certification is given to agents that have the highest agent operations rank at Mitsui Sumitomo Insurance, and have met all requirements in a stringent review from various perspectives such as operational quality, management structure, and operating revenue.</p> <ul style="list-style-type: none"> ● Sagawa Advance obtained HGA on April 1, 2018, to enhance its operational quality and management structure in the insurance sales business. 	<p>Sagawa Advance</p>
<p>Obtained high scores in “SMBC Sustainability Assessment Loan” and “SMBC Business Continuity Assessment Loan” (Sumitomo Mitsui Banking Corporation)</p>	<p>SMBC Sustainability Assessment Loan: A loan product in which Sumitomo Mitsui Banking Corporation assesses a company’s ESG disclosure and initiatives aimed at sustainability based on unique assessment criteria created with the Japan Research Institute, Limited, and provides information aimed at the enhancement of such initiatives.</p> <ul style="list-style-type: none"> ● SG Holdings was assessed to be conducting a high level of corporate management aimed at sustainability in “initiatives to address climate change in business continuity,” “initiatives in environmentally friendly products and services,” and “consideration for local and global communities” from the perspective of ESG and disclosure. <p>SMBC Business Continuity Assessment Loan: A financial product in which Sumitomo Mitsui Banking Corporation assesses a company’s creation and operation of its Business Continuity Plan (BCP) and Business Continuity Management System (BCMS) based on unique assessment criteria created with MS&AD InterRisk Research & Consulting, Inc., and provides information aimed at the enhancement of such initiatives.</p> <ul style="list-style-type: none"> ● SG Holdings was recognized for the three following points concerning its Business Continuity Plan (BCP). <ol style="list-style-type: none"> 1. Establishment of means of communication in emergencies In addition to the introduction of a unique Web system as a means of communication in emergencies, satellite mobile phones are installed in 26 major business sites to ensure communication between business sites. Furthermore, disaster PHSs are available in all 650 locations nationwide to ensure multiple means of communication are available. 2. Implementation of BCP drills throughout the entire Group BCP drills are implemented throughout the entire Group to verify the effectiveness of the BCPs of each Group company. The Group is engaged in efforts to strengthen the ability to respond in the event of a fire including Group coordination. 3. Monthly Risk Management Meetings The condition of BCM initiatives and progress made to address various issues are checked by management in Group Risk Management Meetings held monthly. Ongoing improvements are being made to BCM. 	<p>SG Holdings Group</p>

List of Certifications and Awards

Other Certifications and Awards

Name of Award or Certification (Granting/Certifying Organization)	Overview	Scope
<p>Award for Excellence in the “Magazine/Newspaper Type Internal Newsletter Category” of the FY2018 “Keidanren Recommended Internal Newsletter Review” (KEIDANREN (Japan Business Federation) Business Services for Internal Communications)</p>	<p>Held every year since 1966 for the purpose of increasing the level of internal newsletters by evaluating and encouraging day-to-day activities with the aim of promoting internal communication activities useful for management.</p> <ul style="list-style-type: none"> ● Sagawa Express received the award for its <i>HIKYAKU</i> Company Newsletter. <i>HIKYAKU</i> was first published in 1974, and continues to be published to communicate management policies to all employees, including Sales Drivers®, who are at the core of the company, and to activate internal communication. 	<p>Sagawa Express</p>
<p>DEALWATCH AWARDS 2017 IPO of the Year Award (Thomson Reuters Japan)</p>	<p>These awards were established in 1995 with the aim of developing and expanding capital markets related to Japan, and award excellent issuers issuing bonds and shares in Japanese capital markets, Japanese issuers making offerings overseas, and underwriting securities companies that handle such issues and offerings.</p> <ul style="list-style-type: none"> ● SG Holdings received the “IPO of the Year” award. It was recognized for being highly regarded among a wide range of investors for its listing being one of the largest IPOs in fiscal 2017, the creation of a governance system and highly transparent management system with the aim of becoming “Asia’s Leading Comprehensive Logistics Company,” diversification of procurement methods, focus on distribution between businesses, and highly profitable business model. 	<p>SG Holdings</p>

Environmental Data

CO₂ Emissions

	Boundary	2014	2015	2016	2017	2018	Supplementary Information
Scope 1 (t-CO ₂)	Group	272,115	274,698	280,939	286,568	276,597	2014: All domestic Group companies (excluding Sagawa Humony) 2015: All domestic Group companies (excluding Sagawa Humony) + Expolanka Freight (Sri Lanka) 2016: All domestic Group companies (excluding Sagawa Humony) + Expolanka Freight (Sri Lanka) 2017: All domestic Group companies (excluding Sagawa Humony) + Expolanka Freight (Sri Lanka) + SG Sagawa Ameroid 2018: All domestic Group companies + Expolanka Freight (Sri Lanka) + SG Sagawa Ameroid
	Sagawa Express	265,007	266,659	272,728	273,265	263,357	
	Expolanka	—	655	581	472	745	
Scope 2 (t-CO ₂)	Group	161,074	163,602	159,770	137,655	135,943	2014: All domestic Group companies (excluding Sagawa Humony) 2015: All domestic Group companies (excluding Sagawa Humony) + Expolanka Freight (Sri Lanka) 2016: All domestic Group companies (excluding Sagawa Humony) + Expolanka Freight (Sri Lanka) 2017: All domestic Group companies (excluding Sagawa Humony) + Expolanka Freight (Sri Lanka) + SG Sagawa Ameroid 2018: All domestic Group companies + Expolanka Freight (Sri Lanka) + SG Sagawa Ameroid
	Sagawa Express	122,264	125,305	124,304	105,523	105,310	
	Expolanka	—	872	679	669	620	
Scope 3 (t-CO ₂)	Group	782,632	773,536	776,791	812,556	887,459	2014: Sagawa Express 2015: Sagawa Express + Expolanka Freight (Sri Lanka) 2016: Sagawa Express + Expolanka Freight (Sri Lanka) 2017: Sagawa Express + Expolanka Freight (Sri Lanka) 2018: Sagawa Express + Expolanka Freight (Sri Lanka)
	Sagawa Express	782,632	769,595	770,737	806,074	878,300	
	Expolanka	—	3,941	6,054	6,482	9,159	
Total (t-CO ₂)	Group	1,215,821	1,211,836	1,217,500	1,236,779	1,299,999	2014: All domestic Group companies (excluding Sagawa Humony) 2015: All domestic Group companies (excluding Sagawa Humony) + Expolanka Freight (Sri Lanka) 2016: All domestic Group companies (excluding Sagawa Humony) + Expolanka Freight (Sri Lanka) 2017: All domestic Group companies (excluding Sagawa Humony) + Expolanka Freight (Sri Lanka) + SG Sagawa Ameroid 2018: All domestic Group companies + Expolanka Freight (Sri Lanka) + SG Sagawa Ameroid

Environmental Data

		Boundary	2014	2015	2016	2017	2018	Supplementary Information
CO ₂ reduction	Modal shift (t-CO ₂)	Sagawa Express	—	—	—	147,987	143,053	
	Solar power generation (t-CO ₂)	Expolanka	—	—	—	286	286	
Number of next-generation vehicles	Electric vehicles	Sagawa Express SG Moving World Supply	13	16	16	16	16	2014: Sagawa Express 2015: Sagawa Express 2016: Sagawa Express 2017: Sagawa Express + SG Moving + World Supply 2018: Sagawa Express + SG Moving + World Supply
	Hybrid vehicles		94	93	305	596	1,204	
	Natural gas trucks		4,019	3,981	3,778	3,423	2,858	
	Clean diesel vehicles		2,801	3,990	5,073	6,266	8,001	
Total number of operating vehicles			24,351	24,379	24,517	25,864	26,882	

Water and Waste

		Boundary	2014	2015	2016	2017	2018	Supplementary Information
Water used (m ³)		Group	779,748	747,809	722,516	979,183	940,099	2014: Sagawa Express 2015: Sagawa Express 2016: Sagawa Express 2017: All domestic Group companies (excluding Sagawa Humony) + SG Sagawa Ameroid 2018: All domestic Group companies + SG Sagawa Ameroid
		Sagawa Express	779,748	747,809	722,516	723,152	726,480	
Waste output (t)		Sagawa Express	3,927	3,139	2,820	3,417	4,527	

Environmental Data

Environmental Accounting

	Boundary	2016		2017		2018		Supplementary Information
		Environmental Investment	Environmental Expenses	Environmental Investment	Environmental Expenses	Environmental Investment	Environmental Expenses	
Cost of environmental preservation (millions of yen)	(1) Costs within business area	216	1,152	161	1,132	241	1,456	
	1. Cost of pollution prevention	1	4	1	4	7	3	
	2. Cost of preservation of the global environment	214	197	154	215	227	245	
	3. Cost of circulation of resources	1	951	7	913	7	1,208	
	(2) Up and downflow cost	—	—	—	—	—	—	
	(3) Cost of management activities	—	5	—	5	—	4	
	(4) Cost of research and development	—	—	—	—	—	—	
	(5) Cost of social activities	—	1	—	1	—	1	
	(6) Cost of responding to environmental damage	—	—	—	—	—	—	
(7) Cost of safety measures	—	4,562	—	4,433	—	4,757		
Total		216	5,719	161	5,571	241	6,219	
Environmental performance indicators	Diesel (kl)		75,489		76,382		74,865	<p>*1 Figures for natural gas and city gas were tallied using the figures shown on invoices from suppliers without making temperature or pressure corrections.</p> <p>*2 The figures shown on invoices from suppliers (m³) were converted into weight at 2.07kg/m³.</p> <p>*3 The effect believed to have contributed to the recycling of PET bottles by using PET bottles as the raw material for uniforms is 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))</p> <p>Note:Tallying method</p> <ul style="list-style-type: none"> ● 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.
	Kerosene (kl)		155		157		134	
	Heavy oil (kl)		120		111		100	
	Natural gas (including biogas) (km ³) ^{*1}		17,888		16,814		14,301	
	City gas (km ³) ^{*1}		1,020		1,043		1,012	
	LNG (kg)		—		—		18,305	
	Propane (kg) ^{*2}		182,680		183,939		163,603	
	Gasoline (including high octane) (kl)		16,457		16,726		16,493	
	Electricity (kWh)		211.76 million		206.1 million		205.68 million	
	Clean water (km ³)		723		723		726	
	Sewage (km ³)		488		476		468	
	Industrial water (clean water) (km ³)		3		3		4	
Industrial water (sewage) (km ³)		3		3		4		
Number of PET bottles recycled ^{*3}		1,127,181		1,090,063		1,792,023		
Effects of environmental preservation	Diesel (kl)		—		893		-1,517	
	Kerosene (kl)		—		2		-23	
	Heavy oil (kl)		—		-9		-11	
	Natural gas (including biogas) (km ³)		—		-1,074		-2,467	
	City gas (km ³)		—		23		-31	
	LNG (kg)		—		—		—	
	Propane (kg)		—		1,259		-20,337	
	Gasoline (including high octane) (kl)		—		269		-234	
	Electricity (kWh)		—		-566		-417	
	Clean water (km ³)		—		0		3	
	Sewage (km ³)		—		-12		-8	
	Industrial water (clean water) (km ³)		—		0		1	
	Industrial water (sewage) (km ³)		—		0		1	
	Number of PET bottles recycled		—		-37,118		701,960	

Personnel Data

Employees

		Boundary	2014	2015	2016	2017	2018
Number of Group employees	Men	Group	59,264	60,380	61,049	62,934	65,194
	Women		21,149	23,574	24,757	27,774	30,854
	Total		80,413	83,954	85,806	90,708	96,048
Regular employees	Men	Group	37,049	36,769	37,660	38,777	39,793
	Women		5,254	5,309	5,478	6,584	7,442
	Total		42,303	42,078	43,138	45,361	47,235
Quasi-employees	Men	Group	1,076	1,010	1,076	633	795
	Women		129	239	278	275	349
	Total		1,205	1,249	1,354	908	1,144
Commissioned employees (<i>Shokutaku</i>)	Men	Group	554	618	646	723	806
	Women		44	49	56	66	75
	Total		598	667	702	789	881
Partner employees	Men	Group	18,621	19,310	19,175	20,745	21,970
	Women		14,713	16,538	17,333	19,621	21,940
	Total		33,334	35,848	36,508	40,366	43,910
Registered temporary employees	Men	Group	1,964	2,673	2,492	2,056	1,830
	Women		1,009	1,439	1,612	1,228	1,048
	Total		2,973	4,112	4,104	3,284	2,878
Number of managers and administrators	Men	Group	—	2,324	2,396	2,492	5,601
	Women		—	196	220	270	583
	Total		—	2,520	2,616	2,762	6,184
Percentage of women among managers and administrators (%)		Group	—	7.78	8.41	9.78	9.43
Number of employees hired mid- career	Men	Japan	—	—	—	1,645	2,739
	Women		—	—	—	168	948
	Total		—	—	—	1,813	3,687
Percentage of women among employees hired mid-career (%)		Japan	—	—	—	9.3	25.7

Personnel Data

		Boundary	2014	2015	2016	2017	2018
Number of New graduates joining company	Men	Japan	383	542	536	523	403
	Women		166	223	230	244	224
	Total		549	765	766	767	627
Percentage of women among new graduates joining company (%)		Japan	30.2	29.2	30.0	31.8	35.7
Retention rate of regular employees (%) (Percentage of employees who remain in the company during the year they joined the company)		Japan	—	—	90.3	91.0	93.0
New graduate employee retention rate (3rd year) (%)		Japan	—	—	—	—	72.8
New graduate employee retention rate (2nd year) (%)		Japan	—	—	—	75.8	81.1
New graduate employee retention rate (1st year) (%)		Japan	—	—	—	85.7	88.1
Average years of service (years)	Men	Japan	—	—	—	12.1	12.2
	Women		—	—	—	5.9	6.9
	Total		—	—	—	9.7	11.4
Turnover rate (%)		Japan	—	—	5.6	5.9	5.8
Group employment ratio of persons with disabilities (%)		Japan	—	—	2.06	2.04	2.28
Number of persons who took maternity leave		Japan	—	239	253	259	263
Number of persons who took childcare leave		Japan	—	341	272	382	499
Childcare leave rate (%) (Women who took childcare leave as a percentage of those who gave birth)		Japan	—	100	98.86	99.42	98.94
Return-to-work rate after maternity leave and childcare leave (%) Persons who returned to work before or upon the termination of leave as a percentage of those whose leave was scheduled to terminate in the fiscal year		Japan	—	99.16	99.74	95.22	94.56
Overtime hours compared to previous year (%)	Drivers	Japan	—	—	—	—	90.5
	Non-drivers	Japan	—	—	—	—	96.6
Employee Engagement Survey (%)	Affirmative response rate for questions regarding "employee engagement"	Japan	—	—	—	—	56
	Affirmative response rate for questions regarding "creating an environment that makes good use of employees"	Japan	—	—	—	—	49
Workplace accidents	Not resulting in absence	Japan	—	—	497	571	468
	Resulting in absence		—	—	323	380	397
	Total		—	—	820	951	865

Governance-related Data

Board of Directors

		Boundary	2017	2018
Total number of Directors	Men	Group	8	8
	Women		1	1
	Total		9	9
Directors	Men	Group	7	7
	Women		0	0
Independent Outside Directors	Men	Group	1	1
	Women		1	1
Percentage of Female Directors (%) (number/number)		Group	11 (1/9)	11 (1/9)
Percentage of Independent Officers (%) (number/number)		Group	22 (2/9)	22 (2/9)
Status of meetings of the Board of Directors (number of meetings)				
Regular meetings of the Board of Directors		Group	12	12
Irregular meetings of the Board of Directors			10	6
Total			22	18
Attendance of Board of Directors (%) (times in attendance / times held)				
Eiichi Kuriwada	Appointed in March 2006	Group	100 (22/22)	100 (18/18)
Tadashi Machida	Appointed in June 2013 / Retired in June 2019		100 (22/22)	100 (18/18)
Hideo Araki	Appointed in June 2014		95 (21/22)	100 (18/18)
Shunichi Nakajima	Appointed in June 2014		100 (22/22)	100 (18/18)
Tomoki Sano	Appointed in June 2017		100 (18/18)	100 (18/18)
Kimiaki Sasamori	Appointed in June 2017 / Retired in June 2019		100 (18/18)	100 (18/18)
Toru Mitani	Appointed in June 2007 / Retired in June 2018		95 (21/22)	100 (4/4)
Kosuke Saga	Appointed in June 2018 / Retired in June 2019		—	100 (14/14)
Kunio Takagi	Appointed in June 2007 / Retired in June 2019		100 (22/22)	100 (18/18)
Mika Takaoka	Appointed in June 2018		—	100 (14/14)
Takashi Nakanishi	Appointed in June 2015		100 (22/22)	100 (18/18)
Masayuki Tominaga	Appointed in June 2008		100 (22/22)	100 (18/18)
Kenichiro Okamura	Appointed in June 2015		100 (12/12)	94 (17/18)
Yoshitaka Ooshima	Appointed in October 2017		100 (22/22)	100 (18/18)
Naoshige Nakada	Appointed in June 2015 / Retired in October 2017		100 (10/10)	—
Total			99.20	99.6

Governance-related Data

Audit & Supervisory Board

		Boundary	2017	2018
Composition of Audit & Supervisory Board (people)	Men	Group	4	4
	Women		0	0
	Total		4	4
Audit & Supervisory Board Members (people)	Men	Group	1	1
	Women		0	0
Independent Audit & Supervisory Board Members (people)	Men	Group	3	3
	Women		0	0
Percentage of Independent Audit & Supervisory Board Members (%) (number/number)		Group	75 (3/4)	75 (3/4)
Status of meetings of the Audit & Supervisory Board (number of meetings)				
Regular meetings of the Audit & Supervisory Board		Group	12	12
Irregular meetings of the Audit & Supervisory Board			2	2
Total			14	14

Status of Major Meetings

		Boundary	2017	2018
Investment Committee (number of meetings)	SG Holdings Directors, Executive Officers, Department Managers	Group	24	23
Group Budget Committee (number of meetings)	SG Holdings Directors, Executive Officers, Department Managers	Group	8	6
Group Management Strategy Meetings (number of meetings)	SG Holdings Directors, Executive Officers, Department Managers, and Group company presidents	Group	12	12
Group Risk Management Meetings (number of meetings)	SG Holdings Directors, Executive Officers, Department Managers, and Group company presidents	Group	12	12
Group Administration Department Managers' Meetings (number of meetings)	SG Holdings Directors, Executive Officers, Department Managers, and Group company presidents	Group	11	11
CSR Committee (number of meetings)	SG Holdings Directors, Executive Officers, Department Managers, and Group company presidents	Group	3	3

Governance-related Data

Remuneration

		Boundary	2017	2018
Existence of performance-linked remuneration program		Group	No	Yes
Remuneration system (millions of yen)				
Remuneration of Directors (Inside) (Excluding subsidiary remuneration and company housing expenses)	Fixed remuneration	Group	504	526
	Performance-linked remuneration		—	90
	Total		504	616
Remuneration of Audit & Supervisory Board Members (Inside)	Fixed remuneration	Group	16	19
	Performance-linked remuneration		—	—
	Total		16	19
Remuneration of Outside Officers	Fixed remuneration	Group	63	72
	Performance-linked remuneration		—	—
	Total		63	72

Policies

Category	Name	Details	Year of Enforcement
Traffic safety	Basic Policy on Transportation Safety	Stipulates improvement and disclosure of transportation safety	2006*
Labor health and safety	Health and Safety Regulations	Stipulates the prevention of workplace accidents, ensuring safety and health of employees, and establishment of the workplace environment	2002
Quality	Sagawa Express Quality Policy	Stipulates service quality	-
Environment	Environmental Policy	Stipulates the promotion of business activities considering the global environment	2014
Human rights	Human Rights Policy	Stipulates respect for human rights of all stakeholders	2014
Labor practices	Personnel Vision	Stipulates the Group's approach to employees such as organizational culture and work styles	2012
Supplier management	Business Partner CSR Guidelines	Seeks to share awareness of CSR with business partners	2014
	Business Partner Management Rules	Stipulates matters related to the selection, evaluation, and management of business partners	2006
Code of ethics	Code of Ethics and Conduct	Specifically expresses the Group Charter of Corporate Conduct	2008
Whistleblower protection	Included in Code of Ethics and Conduct	Stipulates ensuring anonymity of whistleblowers	2008
Coexistence with local communities	Included in Code of Ethics and Conduct	Stipulates interacting with local communities and respect for local culture and customs	2008
Anti-corruption	Included in Code of Ethics and Conduct	Stipulates propriety of business entertainment expenses and dealings with government officials and politicians	2008
Information security	Information Security Basic Policy	Stipulates general information security	2014
Personal information protection	Personal Information Protection Policy	Stipulates basic matters concerning the protection of personal information	2018
	GDPR Privacy Policy	Privacy policy for people located within the EEA	2018

*Year of enforcement of the transport safety management system by the Ministry of Land, Infrastructure, Transport and Tourism

Third-Party Opinion



Mami Oku

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

The SG Holdings Group CSR Report 2019 follows the same style as last year, summarizing the Group's policies, systems, initiatives and results regarding each of the seven material CSR issues it identified in FY2017, updating and expanding the content. As a CSR Report, it is both systematic and comprehensive. I find it to be a tremendous accomplishment. With a summary of recognitions and awards along with other data at the end, this latest report is designed so readers can easily grasp at a glance what has happened yearly.

Three main points in this report jumped out at me: The first is the message from the new President, who took office April 1, 2019. In that message, he expresses his strong motivation to carry out the Group's ideas to "advancing comprehensive logistics solutions" and "enhancing our management platform" in an even more focused way than before, by building on the initiatives it carried out in First Stage 2018, its former three-year Mid-term Management Plan that ended in FY2018, even as the business environment surrounding the logistics field changes due to the rapid growth of emerging economies and the increased sophistication of IT.

The new three-year Mid-term Management Plan, Second Stage 2021, starting in FY2019, makes clear how the Group is positioning its commitment to contribute to Sustainable Development Goals (SDGs). Based on that, the Group is giving due consideration to its policies and goals regarding the seven material CSR issues in the medium to long term. In May 2019, the SG Holdings Group subscribed to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), declaring its intention to deepen its understanding of the risks and opportunities climate change represents for its business. The president's message is well worth reading. He reaffirms the Group's mission "to create new value through logistics solutions, holding up our corner of the social infrastructure that supports production and distribution," making clear its commitment to society.

The second point is that, to realize the mission as stated, the Group's cooperation and coordination have been made with a wide variety of companies and other entities, not restricted within itself, to create new kinds of social systems and business models. For example, in this report you can read about the Group's efforts to work with railways and maritime shipping companies on modal shift, work with the Japan Auto Recycling Partnership on lithium-ion

battery collection scheme, work with a university hospital on systems for transporting luggage for people going into or home from the hospital, work with Silver HR Center and municipalities to establish collection and delivery systems based on trilateral agreements, work with prefectural and municipal governments based on comprehensive partnership agreements for regional revitalization covering a wide variety of efforts to achieve solutions to pressing social issues, such as promoting industry in outlying regions, and disaster relief, and starting collection and delivery systems by expanding cooperation to work with taxi services as well as railways, buses and shared taxis. I think these are fine examples of how the Group views its business and its contribution to society and the places where it does business as two sides of a single coin. The third point is the Group's centralized management of its business activities and data. For example, SG Holdings practices centralized management of its environmental data in Japan while also gathering information from abroad so each Group company can implement this in its efforts to reduce the environmental load of its business units. In addition, the Group's initiatives to centralize management of its internal vehicular maintenance information, and data on people, things and vehicles at large commercial facilities contributes to both its safety policies and its efforts to add value in logistics services. The challenge the Group faces is how best to put this centralized data to work in the advancement of its logistics solutions. Can it make good strategic use of this data? We have to wait and see.

In my Third-Party Opinion last year, I pointed to these three issues: First, while last year's report was already systematic and comprehensive, I recommended that it should highlight what's new and what's important, to make into an effective communications tool with interesting contrasts, something that people would really want to read. Second, each year's targets and results, along with their analysis, together with future remedial plans and courses of action, are essential parts of any CSR report, and all of these must be made clear in one package. The final point was the question of whether the report was vibrant enough, adequately presenting the faces of employees and shareholders in all their diversity. On these points, I am monitoring the progress the Group has made, and I look forward to further improvement.

SG HOLDINGS CO., LTD.

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

601-8104, Japan

TEL +81 (0)75-671-8600

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

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