



Communication through Websites

The SG Holdings Group communicates corporate information, business activities, etc. to stakeholders through a variety of media such as websites.


- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| SG Holdings Corporate Site | Investor Relations |
| https://www.sg-hldgs.co.jp/english/ | https://www.sg-hldgs.co.jp/english/finance/ |
| URLs of Companies in the SG Holdings Group | |
| ■ Sagawa Express Co., Ltd.
https://www.sagawa-exp.co.jp/english/ | ■ SG Assetmax Co., Ltd. (Japanese)
https://www.sg-assetmax.co.jp/ |
| ■ Sagawa Humony Co., Ltd. (Japanese)
http://www.humony.co.jp/ | ■ Sagawa Advance Co., Ltd. (Japanese)
https://sg-advance.co.jp/ |
| ■ SG Moving Co., Ltd. (Japanese)
https://www.sagawa-mov.co.jp/ | ■ SG Motors Co., Ltd. (Japanese)
http://www.sg-motors.co.jp/ |
| ■ World Supply Co., Ltd. (Japanese)
https://www.world-supply.co.jp/ | ■ SG Systems Co., Ltd. (Japanese)
https://www.sg-systems.co.jp/ |
| ■ Sagawa Global Logistics Co., Ltd. (Japanese)
https://www.sagawa-logi.com/ | ■ SG Fielder Co., Ltd. (Japanese)
https://www.sg-fielder.co.jp/ |
| ■ SGH Global Japan Co., Ltd.
https://www.sgh-globalj.com/english/index.html | ■ Nouvelle Golf Club Co., Ltd. (Japanese)
http://www.nouvelle-gc.co.jp/ |
| ■ Expolanka Holdings PLC
https://www.expolanka.com/ | ■ Sagawa Forestry Co., Ltd. (Japanese)
https://www.sg-hldgs.co.jp/sagawa-fore/ |
| ■ SG Realty Co., Ltd. (Japanese)
https://www.sg-realty.co.jp/ | |



About the cover illustration
A three-dimensional representation of the connection between the Group's initiatives and society. Our objective is to contribute to the achievement of SDGs as a comprehensive logistics group and realize a recycling, low-carbon society providing a comfortable life for everyone.



SDGs explained in video
We have published short videos explaining the Group's initiatives aimed at SDGs. Please view them along with this Communication Book.



<https://www.sg-hldgs.co.jp/csr/sdgs-video/>
Search for "SGH SDGs" or use the two-dimensional barcode on the left.

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Title: SDGs Communication Book 2021
Publication date: October 2021





SG Holdings Group CSR Statement

The Group has made a CSR Statement clearly showing the significance and approach of its CSR activities based on the material CSR issues of the Group that were newly identified in fiscal 2017. This is used as a guide to go back to whenever there is doubt about CSR Policy.

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.



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

栗和田 栄一

To our stakeholders

The challenges to be overcome for the realization of a sustainable society are becoming increasingly serious, such as abnormal weather occurring in locations around the world due to global climate change, violations of human rights including discrimination against minorities, and medical problems caused by COVID-19, and our stance toward these challenges is being tested. The Group takes pride in being an infrastructure group supporting people's lifestyles and society through logistics, and the Group has worked as one to conduct business based on the "Hikyaku no kokoro" (spirit of Edo-era express messengers), in which we are constantly thinking about what we can do for our customers. Going forward, we will maintain our stance of constantly thinking "what can we do" not only for the customer but also for the environment and society, and promote initiatives enabling contribution to the environment and society through business with the aim of achieving SDGs that are common global goals for a sustainable society.

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Publication of this Book

In fiscal 2017, we reviewed material CSR issues and incorporated SDGs (Sustainable Development Goals) that offer a common global perspective in the process. At the same time, we identified the SDGs that are highly compatible with the material CSR issues established by the Group, and have set out to contribute to the achievement of SDGs through our efforts to address material CSR issues.

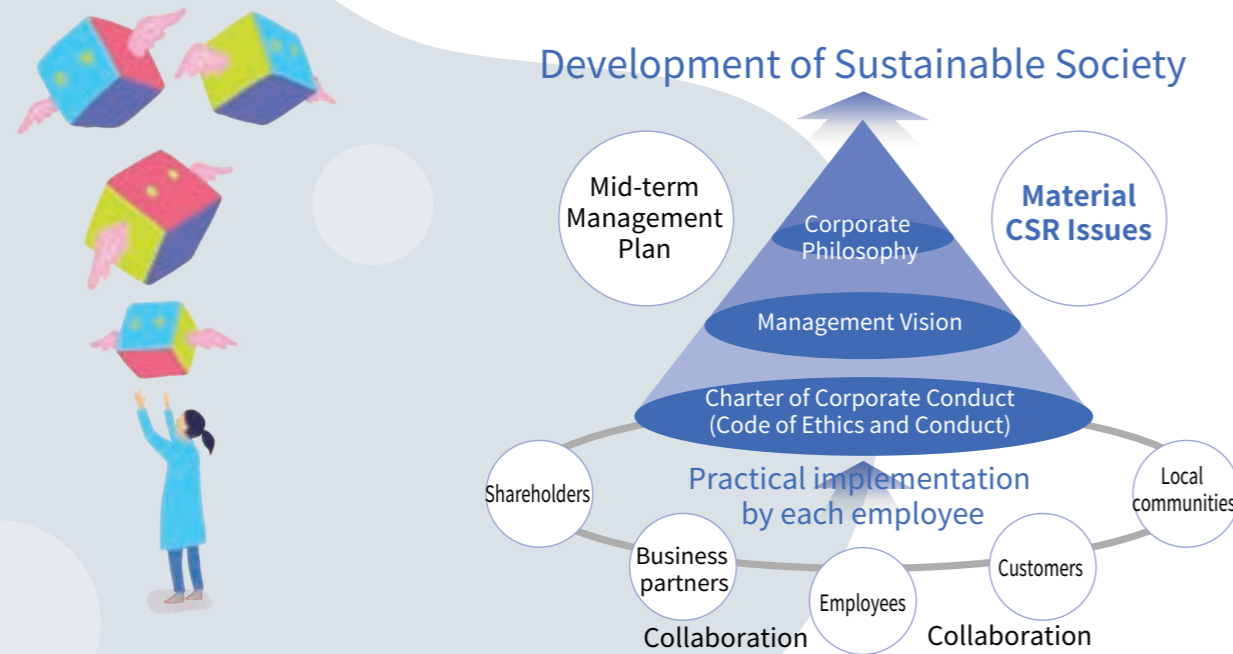
For example, for the material CSR issue of “promoting environmentally friendly business activities,” we have implemented initiatives related to our core business of logistics, such as promoting the introduction of environmentally friendly vehicles including hybrids and EVs to curb the emission of greenhouse gases, and the modal shift switching modes of transportation to railways, ships and bicycles. Furthermore, we are proceeding to implement renewable energy by promoting the installation of solar panels on the Group’s logistics facilities with the aim of reducing greenhouse gases produced in the generation of electricity used. We believe these initiatives are able to contribute to the SDGs “13: CLIMATE ACTION” and “7: AFFORDABLE AND CLEAN ENERGY.” By considering SDGs and the Group’s business together in this way, we are promoting initiatives that lead to the resolution of environmental and social issues through our business.

Demand for express package delivery services is also rising with the expansion of the e-commerce market against the backdrop of changes in lifestyles and logistics structure. In modern society where logistics is perceived to be social infrastructure, the SG Holdings Group has conducted business with the mission and pride of playing a part in that. We will continue to fulfill our responsibility as social infrastructure in the form of logistics, and strive to be able to contribute to the realization of a sustainable society.

In this book, we have summarized the initiatives of each Group company in relation to the SDGs the Group is focusing upon. We would appreciate it if everyone who picks up the book gains a deeper understanding of our activities aimed at the future painted by the SDGs.

Positioning of CSR in the SG Holdings Group

Development of Sustainable Society



The reason the SG Holdings Group is engaging in SDGs

Now that initiatives aimed at a sustainable society have become an indicator representing corporate value, the SG Holdings Group believes that we should share goals with the SDGs to maintain and deepen the logistics business providing social infrastructure, and “contribution to SDGs” was established as a key measure in the Second Stage 2021 Mid-term Management Plan covering the three years from fiscal 2019.

Material CSR issues and SDGs

As a comprehensive logistics group, we are aiming for sustained growth while resolving social issues through our business. Material CSR issues were specified by identifying risks and opportunities in business domains, extracting efforts required for risk mitigation and applying requirements from society. In this process, SDGs were utilized as society’s perspective.

Seven SDGs highly compatible with material CSR issues were identified, and action is being taken to address each of these.

SDGs highly compatible with material CSR Issues



Seven Material Issues	Related SDGs	Initiative Themes
Providing Safe and Secure Services	3, 11	<ul style="list-style-type: none"> Traffic safety Labor health and safety Quality
Promoting Environmentally Friendly Business Activities	7, 13	<ul style="list-style-type: none"> Climate change Circulation of resources Coexistence with nature
Building an Organization of Diversity and Inclusion	5, 8	<ul style="list-style-type: none"> Human rights Labor practices Diversity and Inclusion (D&I)
Creating New Value Through Comprehensive Logistics Solutions	7, 8, 9, 11, 13	<ul style="list-style-type: none"> Provision of advanced logistics solutions Promotion of digitalization and technologies
Contributing to Communities	3, 7, 8, 11, 13	<ul style="list-style-type: none"> Local contributions
Promoting Sustainable Procurement	3, 5, 7, 8	<ul style="list-style-type: none"> Supplier management
Building a Responsible Management Foundation	9, 11, 13	<ul style="list-style-type: none"> Corporate governance Compliance Risk management and information security

* Sales Driver®, GOAL®, X FRONTIER® and SG-ARK® are registered trademarks of the Group. Trademark notation has been omitted in this book.





Climate change

We are proceeding to implement environmentally friendly vehicles such as hybrids, natural gas vehicles and EVs. In addition, we have begun utilizing the TRIKE CARGO electrically assisted pickup/delivery vehicle that significantly increases the load compared to a conventional electrically assisted bicycle.

P.07-10



Renewable Energy

We have installed solar panels on 100 logistics facilities owned by the Group in Japan, supplying the electricity generated as renewable energy and using it in the Group's facilities.



Approach to SDGs

Delivering to the future with supporting strength

When SG Holdings was listed on the first section of the Tokyo Stock Exchange in December 2017, we added the perspective of social issues utilizing SDGs to stakeholder management. Here, we introduce the responsibilities of each employee as a member of a listed group - the action that should be taken to address key issues as we handle the social infrastructure of logistics in response to SDGs that are goals aimed at the realization of a sustainable society.



Traffic safety

We also provide specialized technology and knowledge on safe driving that we have developed over many years to external business operators as Safe Driving Training Services. We are also engaged in initiatives to spread safe driving not only within the company but also outside the company for the realization of a safe traffic society.

P.11-12



P.13-14



Gender

We are promoting D&I (Diversity & Inclusion) for respecting diverse values and creating new value. As part of this, we aim to be a group where women can shine by establishing systems for the empowerment of women, such as Women's Career Support Training.

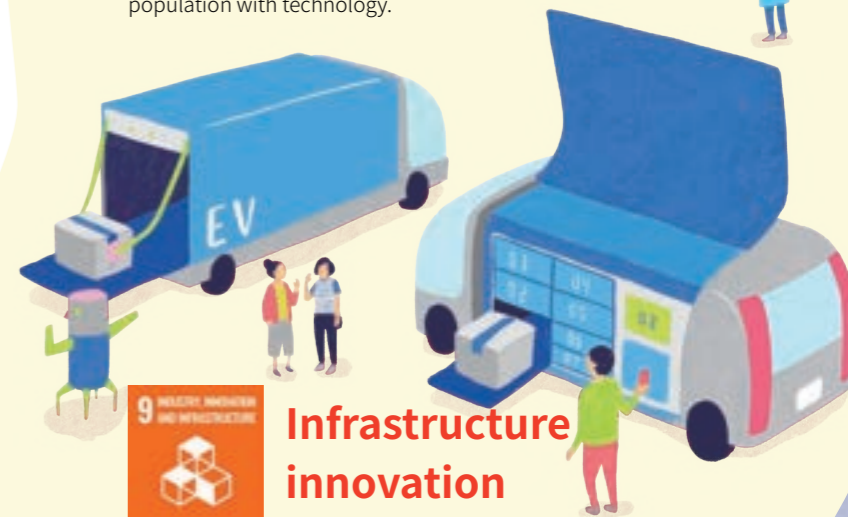


P.15-18



Labor-saving measures

We are promoting the introduction of robots in logistics facilities for the purpose of increasing productivity. Furthermore, we are engaged in the optimization of delivery routes utilizing AI to contribute to the reduction of driver workload. We are supporting the growth of the e-commerce market and the decline in the working population with technology.



Infrastructure innovation

We are creating innovations to resolve a variety of issues by building infrastructure in the area of logistics based on new approaches and through partnership with start-up companies that have innovative and creative ideas.

P.19-20



Response to disasters

We make detailed preparations and plans from all angles for maintaining and continuing social infrastructure in the form of logistics, and are building systems enabling speedy execution of these. We are also contributing to society through logistics by responding to local governments' requests for delivery of COVID-19 vaccines.





Climate change/Renewable Energy

FACT The greatest overall global risk combining “likelihood” and “impact” is “failure to mitigate and adapt to climate change”

Source: The Global Risks Report 2021, World Economic Forum

Target

13.3 improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning

The volume of packages that can be delivered with clean energy will increase further



Development for the future

Carbon-free trucks becoming more widespread against the backdrop of government policies and regulations

In its action plan for the Green Growth Strategy, the government set the target of aiming for 100% of new small commercial vehicles such as light trucks (with a maximum load of 2 tons) sold being electric vehicles (EV, hybrid vehicles, fuel cell vehicles) or supporting carbon-free fuels such as synthetic liquid fuel by 2040, setting the direction leading to net zero greenhouse gas emissions in 2050.

Overseas, there are countries and regions with emission regulations on commercial vehicles aimed at becoming carbon-free. The EU requires average CO₂ emissions to be 30% less than 2019 in 2030. California in the United States decided on regulations requiring 55% of medium-duty trucks and 75% of heavy-duty trucks to be zero-emission vehicles by 2035. Against the backdrop of government policies and regulations aimed at a carbon-free society, manufacturers of commercial vehicles and related companies in various countries are engaged in fierce competition to develop technologies.

Environmentally friendly vehicles owned by the Group

14,634

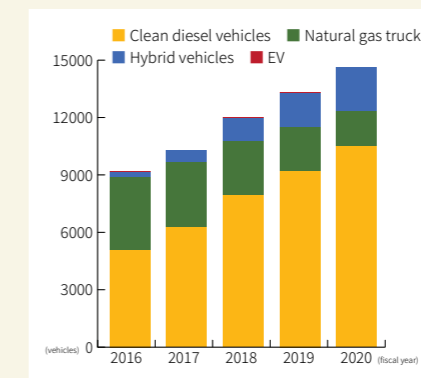
(As of March 31, 2021)

Changing the Future of the Earth with Diverse Transportation Methods

The number of environmentally friendly vehicles such as hybrid, natural gas and electric vehicles owned by the SG Holdings Group is 14,634 (as of March 31, 2021). Sagawa Express has led the industry in the introduction of environmentally friendly vehicles contributing to the reduction of air pollution and greenhouse gas emissions since the 1990s. In fiscal 2020, the Group began development of a light electric car powered by electricity. Field trials are being conducted with a target range of 200 kilometers. In addition, the Group is promoting environmentally friendly business such as implementing a modal shift by switching the mode of transportation to trains and ships with a lower environmental burden, using carbon-free

energy in distribution warehouses and other business facilities, and improving the efficiency of logistics by utilizing transfer centers and Sagawa Distribution Centers (SRC). Sagawa Express is deploying the TRIKE CARGO electrically assisted pickup/delivery vehicle jointly developed with T-TRIKE. By employing a towing type in which the load is not directly borne by the frame, it is possible to increase the maximum load from 30 kg to 150 kg compared to the electrically assisted bicycles used in the past, reducing the number of round trips required to and from pickup sites. Leveraging the characteristics of a bicycle, these are being utilized as a new means of transportation in addition to vehicles requiring fuel such as

gasoline and diesel mainly in urban areas with high concentrations of residences and offices. We will continue to promote the reduction of CO₂ to contribute to the realization of the carbon neutral goal set by the government for 2050 through the diversification of means of transportation according to the delivery area and the characteristics of the packages.



Number of Environmentally Friendly Vehicles
* Only figures for Sagawa Express from fiscal 2016 to fiscal 2018. The figures from fiscal 2019 are for Sagawa Express, SG Moving and World Supply.



TRIKE CARGO. It can be ridden without powerful pedaling, and is expected to enable deliveries to be made by a wide range of people including women and people without a driving license.



Climate change/Renewable Energy

FACT The government has the ambitious outlook of renewable energy accounting for 36% to 38% of all energy by 2030.

Source: Summary of Strategic Energy Plan (Draft), July 21, 2021, Agency for Natural Resources and Energy

Target

7.1 By 2030 ensure universal access to affordable, reliable, and modern energy services



Development for the future

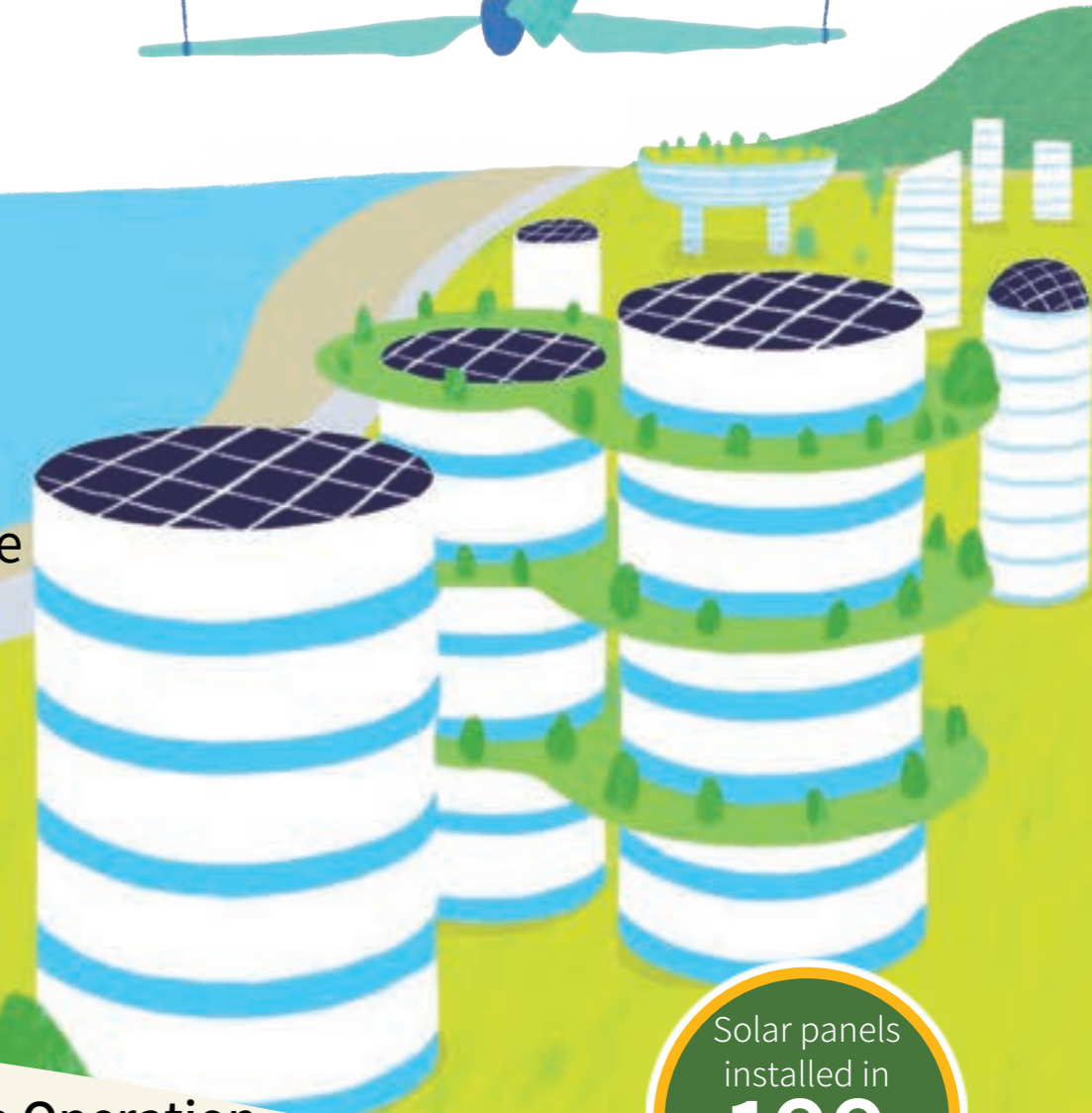
New "FIP" system for promoting renewable energy in Japan

Renewable energy is becoming more widespread worldwide. Since the introduction of "FIT" (a system for purchasing renewable energy at a fixed price) in 2012, the volume of electricity generated has increased at an accelerated rate and renewable energy has become more widespread, but the price of renewable energy remains high compared to international standards, and challenges remain for making it more widespread. To address these, the government decided on the "FIP" system adding a fixed premium to the market purchase price of renewable energy. In addition to encouraging competition through the entry of new business operators, it is also expected to lead to investment in electricity storage technologies.

* Feed-in Premium



A future where life is supported by the power of nature



Active Introduction of Electricity from Renewable Energy

In order to reduce CO₂ emissions, the SG Holdings Group, began introducing CO₂-free power including renewable energy in fiscal 2020, and 18 of the Group's facilities such as the Sagawa Tokyo Logistics Center switched to using CO₂-free electricity in fiscal 2021. This resulted in an estimated reduction of CO₂ emissions by 22,000 tons* per year compared to fiscal 2019.

In response to heightened interest in the environment, comments have also been heard from within the Group demanding consideration of the introduction of CO₂-free electricity as a measure to combat climate change. At present, with electricity from renewable energy in Japan in limited supply, it was necessary to dispel concerns about increased costs and to coordinate among divisions.

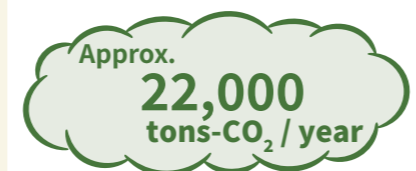
As part of the work to consolidate electricity contract procedures, the Group has aligned the contract periods that were previously different for each facility in Group companies, at the same time has conducting negotiations to introduce CO₂-free electricity. We have overcome numerous obstacles related to contract negotiations, obtained the understanding of Group companies, and in the fiscal 2021 contract realized the introduction of CO₂-free electricity in 18 facilities within the Group.

In future, we will continue to switch to CO₂-free electricity as one of our initiatives aimed at the realization of a sustainable society based on the Environmental Philosophy and Environmental Policy.

* Calculated based on the amount of electricity used in fiscal 2019



Expected reduction in CO₂ in the 18 facilities that introduced CO₂-free electricity



Promotion of the Operation and Development of Environmentally Friendly Facilities

SG Realty is continuing initiatives to increase the environmental performance of facilities themselves to curb CO₂ emissions from facilities. In newly developed logistics facilities, it is possible to curb CO₂ emissions more efficiently because an environmentally conscious perspective can be incorporated from the design phase. The SG Realty Higashiosaka logistics facility completed in 2021 has solar panels installed on the roof to provide a source of electricity used in the facility. Furthermore, the shortfall in electricity at night and other times is covered using CO₂-free electricity, resulting in the realization of an environmentally friendly sustainable logistics facility.

In addition, energy is also saved by selecting lighting equipment with high light diffusion and brightness to reduce the power consumed, and well-insulated exterior walls called sandwich panels. These facility specifications have resulted in SG Realty Higashiosaka obtaining ZEB* evaluation, which is the highest level of BELS certification evaluating the energy-saving performance of buildings.

* Zero Energy Building: A building that has net zero primary energy consumption due to energy saving and energy creation.



SG Realty Higashiosaka



Traffic safety

FACT One life is lost worldwide every 24 seconds in traffic accidents, with 1.35 million people fatalities each year

Source: Global Status Report on Road Safety 2018, World Health Organization (WHO)

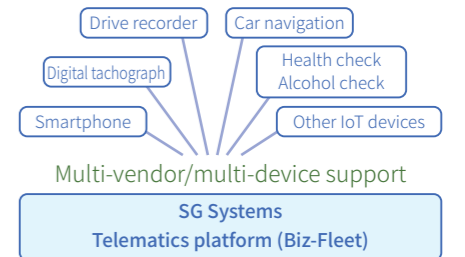
Target

3.6 by 2020 halve global deaths from road traffic accidents



Cars may become safer vehicles in the future

Initiatives aimed at the future



Cloud-based operations management system

SG Systems has developed and offers services using the Biz-Fleet cloud-based operations management system for transportation business operators and passenger business operators such as buses and taxis. It features multi-vendor support for digital tachographs* enabling linkage with digital tachographs from multiple manufacturers, and multi-device support enabling linkage with devices such as drive recorders, car navigation systems, smartphones and alcohol detectors. It is a service enabling complex centralized management of vehicles and drivers, and real-time confirmation and analysis by consolidating information from devices linked over the Internet on a cloud-based platform.

* Digital tachograph: A device for digitally recording a vehicle's driving data. Installation is mandatory in business vehicles with a gross vehicle weight of 7 tons or more or a maximum loading capacity of 4 tons or more.

Supporting a Safe Traffic Society through the Provision of Safe Driving Training Services

As a professional of safe driving, Sagawa Express is putting into practice the creation of safety management systems and the reduction of traffic accidents not only by increasing the driving skills of drivers, but also raising safety awareness and thoroughly implementing vehicle management.

Under the theme of "reducing traffic accidents within the company and throughout society as a whole," we have provided Safe Driving Training Services for general business operators outside the company since 2013 based on the safe driving knowhow we have developed over many years.

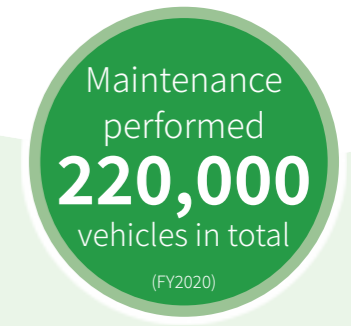
In addition to holding various forms of driving skills training such as Basic Safe Driving Training using training vehicles to learn the basics of driving and Safe Driving Instructor Training for developing driving teachers at the company's training center, the company also conducts on-site training, safety lectures and aptitude tests (OD safety tests) that are customizable to meet participants' requirements.

Furthermore, since being certified as training institution by the Minister of Land, Infrastructure, Transport and Tourism in 2015, the company has also provided basic classes and general classes for operation managers. In future, we will continue to contribute to traffic safety of society as a whole through a variety of Safe Driving Training Services.



Creation of a preventative inspection and maintenance system based on the characteristics of delivery vehicles

SG Motors performs vehicle inspections and maintenance on the approximately 26,600 vehicles owned by the Sagawa Express and other Group companies. Due to many of the delivery vehicles used by Sagawa Express being operated with practices such as stop-and-go, turning off the engine and removing and inserting the key, detailed inspections are conducted on areas subject to more wear than ordinary vehicles, and the relevant parts are replaced more frequently. In addition, inspection items have been established according to the model year of the vehicle, and a system is in place to provide preventative inspections and maintenance to prevent failures occurring due to deterioration caused by aging. In the event of a failure or a problem, the actual vehicle is checked with the manufacturer, and the knowledge of the manufacturer is also utilized in an effort to identify the cause and take measures to prevent recurrences. Furthermore, SG Motors has also built a partner network with vehicle maintenance providers with national certification as designated maintenance facilities to provide vehicle maintenance in areas that cannot be covered by the company's own facilities. The service providers in the partner network are required to comply with the Group's maintenance standards, and SG Motors makes an effort to maintain the same service level throughout all of Japan through bidirectional sharing of information as needed.





Gender

FACT Japan is ranked 120th worldwide in the Global Gender Gap Index

Source: The Global Gender Gap Report 2021, World Economic Forum (WEF)

Target

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



Diverse values will create a new future

Development for the future

Promotion of participation by women in politics and companies

Japan was ranked 120th among 156 countries in the "Global Gender Gap Index 2021" published by the World Economic Forum. This index is prepared using data from the four categories of economy, politics, education and health, and Japan's ranking was particularly low in economy and politics, with low participation by women in politics and in managerial positions within companies. Participation by women in politics and companies is required to fill the gender gap.

Promote the participation of women and transform corporate culture

The SG Holdings Group is promoting D&I (Diversity & Inclusion) creating new value through flexible ideas and decision making from a multi-faceted perspective with respect for diverse values. The logistics industry is largely made up of men due to the nature of the business, and it could be described as an industry where the working environment and corporate culture tend to suit men especially in the transportation division. Furthermore, one issue for gender equality is that it is also a fact that most housework and childcare is handled by women when reaching the phase of marriage, giving birth and raising children. *

The Group is no exception with few women employed. In today's society with a declining birthrate and aging population, however, we must undergo a transformation to provide a working environment and corporate culture accessible to anyone in order to be chosen as a company. Against the backdrop of this sense of urgency, the WakuWaku Women's Project spanning the Group was established in 2011 with the aim of promoting active participation by women.

Since then, the project has expanded activities into the promotion of D&I (Diversity & Inclusion), while implementing

the five-year plan mentioning the percentage of female employees rate and the percentage of females in managerial positions as its key performance indicators since fiscal 2016. Awareness of both male and female employees has changed greatly since the initial phase, and due to the progress made with various systems and the establishment of training, the percentage of female employees has increased to 33.9% (up 5.8 points from 28.1% in fiscal 2016), and the percentage of managerial positions held by women has increased to 9.2% (up 5.8 points from 3.4% in fiscal 2016). Furthermore, we will establish a new three-year plan in fiscal 2021 and proceed with initiatives aimed at promoting women to decision-making positions. The Women's Career Support Training we have implemented to date has been renewed to be more practical, and we are establishing systems for supporting the empowerment of women, such as continuing to implement the system for training candidates for managerial positions.

* In the "National Survey on Family in Japan, 2018" by the National Institute of Population and Social Security Research, the percentage of housework done by the wife was 83.2%.

The "ability to think and act for oneself" learned through training

Ayako Umino, General Manager of the Internal Audit Department of Sagawa Global Logistics, is one person who received Women's Career Support Training for supporting career development and changing the mindset of women. She was very anxious when she was nominated for a managerial position, but says that she learned the "ability to think and act for oneself" by taking the training. "In the training, I learned about the importance of work-life balance, understanding diversity, and a long-term career vision. In group work, we shared our worries and concerns, and learned constructive approaches through the process of thinking through to solutions, and I feel that the sense of ownership of participants including myself was increased."

"Thanks to the training, I have been able to face my everyday work with a constant sense of ownership. The things I learned in training such as logical thinking and the importance of time management are useful even now in day-to-day operations."

"I would like any female employees who are anxious about career advancement to take the training. If you gain any realizations through the training, I would like you to take them back to your department and actively share them with the people around you. If the circle of such realizations spreads among the surrounding female employees, I think it may lead to development of younger personnel, and changes in the awareness of women and the organizational culture."



Sagawa Global Logistics
Ayako Umino, General Manager,
Internal Audit Department



Labor-saving Measures and Infrastructure Innovation

FACT Since 1970, Japan has been consistently last in the ranking of G7 labor productivity

Source: Japan Productivity Center "International Comparison of Labor Productivity 2020"

Target

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

Initiatives aimed at the future



DX銘柄2021
Digital Transformation

Selection in the DX Stocks 2021

SG Holdings was selected in the DX Stocks 2021* due to being recognized for "elimination of legacy systems and internalization of development and maintenance," "data-driven management based on one-stop accumulation, utilization and analysis of data" and "operational reforms and strengthening of services utilizing advanced technology such as IoT, AI and robotics." We will continue to promote DX and provide optimal solutions to customers.

* DX Stocks: A selection of companies with an excellent digital utilization track record jointly selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.



The era when robots deliver packages is near

The labor saving rate of the seamless e-commerce platform is approximately **50%**

Supporting the logistics workplace through the utilization of robots

Work in logistics facilities is very labor intensive with a high percentage being dependent on human labor. Sagawa Logistics is proceeding with the introduction of robotics technology related to logistics for the purpose of reducing the burden placed on people and increasing productivity. For example, the seamless e-commerce platform within the X FRONTIER next-generation large-scale logistics center has achieved approximately 50% labor saving by adopting shelf transportation robots and a robot storage system developed based on a concept called "goods to person" in which goods are brought to people rather than people going to pick up goods.

This has led to the establishment of an environment in which employees can engage in work that produces higher value, and contributed to improvements in labor productivity.



"AutoStore" robotic storage system.

Supporting drivers on the front line with AI

Sagawa Express is engaged in the digitalization of invoice information such as delivery addresses and designated times, and the optimization of delivery routes utilizing AI. Drivers think about the order of deliveries with consideration for addresses and delivery times while looking at the packages for the area they cover, and spend tens of minutes on loading packages and arranging invoices. An issue for improving the efficiency of this task is that around 10% of invoices are handwritten. By using AI-OCR* to digitalize the information in these handwritten invoices, it is possible to set routes rearranged in the optimal delivery order, and this is expected to improve the efficiency of associated operations such as loading of packages and rearranging invoices. Presenting optimized delivery routes makes it possible to provide a uniform level of service to customers by ensuring even drivers with little experience in the area such as new personnel and those brought on as support can deliver packages efficiently. Furthermore, it can also contribute to the reduction of the workload of new drivers, the creation of a driver support system during busy periods and assisting the alleviation of the driver shortage.

* Optical Character Recognition is a technology for reading handwritten and printed text with a scanner and converting it into digital text code.



Delivery route displayed on a driver's smartphone (image).



Labor-saving Measures and Infrastructure Innovation

FACT Japan is 16th in the Global Innovation Index

Source: Global Innovation Index 2020, World Intellectual Property Organization (WIPO)

Target

- 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
- 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
- 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending

The eggs of ideas may change the future of logistics



Initiatives aimed at the future



Support for the GIGA School Concept

We provide GIGA Smart Support utilizing the Group's logistics know-how for the realization of the GIGA School Concept* advocated by the Japanese government. GIGA Smart Support contributes to the rapid realization of the concept by providing all-in-one support ranging from transportation of one device per child to the collection and repair of damaged devices and the deployment of school networks.

* GIGA School Concept: A concept put forward by the Japanese government with the aim of distributing one ICT device to every elementary and junior high school student, and establishing high-speed broadband network environments in schools.

SG-ARK home appliance recycling collection matching system

SG Moving is providing new logistics infrastructure through the SG-ARK service for acting as an intermediary between retailers selling home appliances and collection service providers picking up recycled home appliances. The Home Appliance Recycling Act requires retailers to collect four types of home appliances (refrigerators and freezers, washing machines and clothes dryers, air conditioners and televisions) for recycling and deliver them to the manufacturer, etc. When a retailer uses a collection service provider to perform collection for recycling, a direct contract must be concluded. For this reason, the selection of nationwide collection service providers and conclusion of contracts is a significant burden for retailers with a nationwide sales network due to e-commerce, etc. This service enables retailers requested to pick up goods by consumers to search for collection service providers in the relevant area via the Web, and conclude direct contracts while comparing transportation prices, etc. The use of electronic contracts also simplifies procedures compared to conventional written contracts. Furthermore, with regard to the "obligation to deliver, manage and retain home appliance recycling vouchers" imposed on retailers under the law, the information be digitized and managed in the system, enabling all of the complicated procedures in the collection of home appliances for recycling to be completed. The provision of the system improves efficiency of home appliance recycling and ensures appropriate collection and transportation, contributing to the realization of a recycling-oriented society with sustainable consumption and production.

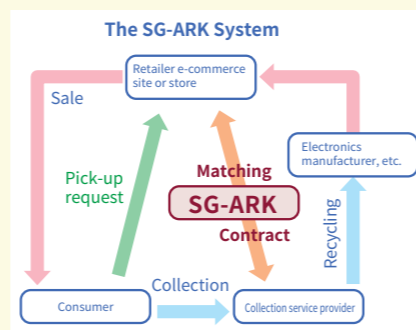
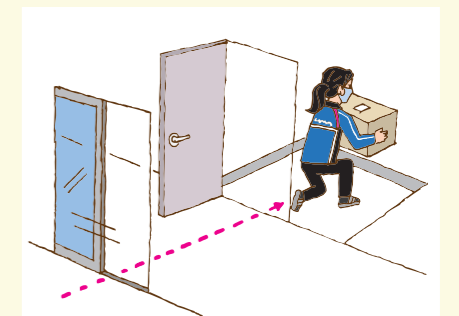


Image of recycling of home appliances using SG-ARK.

Open innovation with start-up companies

Sagawa Express is implementing the SAGAWA ACCELERATOR PROGRAM with the aim of aggregating the innovative technologies and ideas of start-up companies and the resources and know-how of Sagawa Express to create innovation for resolving needs and issues in society and the logistics workplace, thereby contributing to the advancement of society. Business development with start-up companies is conducted by selecting dedicated business development personnel within the company, and working hand in glove to consider commercialization of the business. By assigning dedicated personnel and actively communicating with start-up companies, we provide backup for commercialization in a variety of ways. In fiscal 2020, five companies were chosen from among 90 applicants, and PoC (Proof of Concept) work was carried out. Of these, progress has been made in the development of a system for supply chain coordination among business operators using two-dimensional barcodes and a system for delivering packages to the front door or inside apartments* using "smart locks" with smartphones being used instead of keys or facial recognition technology to open the lobby doors of apartment buildings.

* Deliveries are only made inside apartments when consent has been obtained from the customer in advance.



One of the chosen ideas. Using smart locks to reduce absence redelivery.



Responses to Disasters

FACT Economic losses caused by disasters worldwide total USD 300 billion annually

Source: United Nations Office for Disaster Risk Reduction (UNISDR)
 "The Pocket GAR 2015. Making Development Sustainable: The Future of Disaster Risk Management".

Target

11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels

11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage

11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations



Delivery routes may not just be roads

Supporting the restoration of the functions of society with vaccine transportation

"Sustainable cities and communities" are mentioned in the SDGs. It is no overstatement to say that COVID-19 wreaking havoc worldwide is a disaster that threatens people's lifestyles.

Sagawa Express and Sagawa Global Logistics are operating vaccine distribution sites and delivering vaccines at the request of local governments throughout Japan. Sagawa Global Logistics has been entrusted to operate vaccine distribution centers (intake, inspection, storage, sorting, etc.) due to having experience and know-how in pharmaceutical logistics requiring temperature control and hygiene control, and being recognized for good access from warehouses to urban areas in some regions. In addition, Sagawa Express handles the delivery of vaccines from storage warehouses to vaccination sites using dedicated vehicles. Due to the characteristics of the vaccines, know-how for efficiently delivering to more sites in a limited time is required. It is sometimes necessary to deliver vaccines to hundreds of locations in a single day, and the know-how on dispatching vehicles that we have accumulated is used to provide efficient vaccine transportation. Going forward as a logistics business operator, we will contribute to the restoration of the functions of society affected by infectious diseases and disasters.



Inside of a transportation vehicle

270
contracts
(As of August 19, 2021)

Maintaining and continuing logistics as social infrastructure

In order to return to normal as quickly as possible after the occurrence of a disaster, it is necessary to make detailed preparations and plans from all angles and have the ability to swiftly implement these.

Sagawa Express has prepared a BCP (Business Continuity Plan) chart summarizing the risks surrounding sales offices nationwide in the event of a disaster. If systems cannot be used due to power outages, power supply vehicles deployed in each area are used, and a system has been put in place to maintain and continue logistics by using analog methods such as telephones and paper for items normally managed using systems. In addition, large-scale scenario drills are also periodically conducted in the Group to ensure appropriate responses can be made in the event of a disaster. We also cooperate with external drills, and participated in an air transportation drill assuming roads have been cut off that was conducted by the Ministry of Land, Infrastructure, Transport and Tourism and Saitama Prefectural Government in fiscal 2017.

Further, we have concluded disaster agreements and comprehensive partnership agreements with local governments nationwide in an effort to resolve regional social issues in cooperation with local governments. We will continue to create systems in preparation for disasters, etc. to maintain and continue logistics services providing vital social infrastructure.



Drill conducted with the Ministry of Land, Infrastructure, Transport and Tourism and Saitama Prefectural Government. Supplies carried by Ground Self-Defense Force helicopters were loaded into trucks and transported to evacuation centers and other locations.

Total number of disaster agreements and comprehensive partnership agreements with local communities
 Approximately
120
 (As of March 31, 2021)

Initiatives aimed at the future



Aiming for a planet where humans and nature coexist

Expolanka Freight (EFL) in Sri Lanka is working with the Sri Lankan government to plant trees to restore native plants in Bundala National Park where alien plant species have proliferated. The activities began in 2019 with the plan to plant 125,000 trees over five years. The activities will restore biodiversity and contribute to the preservation of the rich nature where various native plants can thrive.

Efforts by Group companies to address SDGs

Initiatives to address SDGs are also being carried out in a variety of other fields within the Group. Some topics from Group companies are introduced below.

Sagawa Humony



Evolved telegram services providing the gift of words and thoughts



Sagawa Humony supports the advancement of society and the happy and high-quality lifestyles of people by encouraging communication in a variety of situations connecting people with communications infrastructure in the form of telegrams. For example, telegrams are used to provide new value by creating new services such as flower gifts offering joy and inspiration, and unique designs for new applications that do not fall within area of traditional ceremonial functions.

World Supply



Delivery operations for freshly baked whole cake mail order services



World Supply has been entrusted with delivery operations for the TOKYO CAKE DIARY freshly baked whole cake mail order service operated by Hankyu Hanshin Department Stores' website. (Limited to the 23 wards of Tokyo) Through our delivery operations, World Supply supports the mail order service delivering delicate freshly baked cakes that require difficult temperature management and susceptible to damage. As many people are refraining from going out due to the prolonged COVID-19 pandemic, department stores are expanding new initiatives to meet the needs of customers who wish to buy cakes from popular patisseries and brands in department stores as a little bit of luxury for special occasions.

SGH Global Japan



Supporting Japanese companies' entry into Asian markets



In order to support the cross-border e-commerce operations of Japanese companies in Asian markets, SGH Global Japan is strengthening coordination with logistics companies in Taiwan and China. The company supports the expansion of global sales channels of a variety of customers by developing and providing a high-quality, reliable transportation network. By building sustainable, robust logistics infrastructure in various countries, SGH Global Japan will continue to contribute to the development of customers businesses and the enrichment of the lives of people living in Asia.

SG Assetmax



Promotion of asset management operations with consideration for ESG



As the asset management company of a privately placed real estate fund along with SG ASSETMAX-REIT, a privately placed REIT mainly investing in logistics properties, SG Assetmax is promoting ESG initiatives in cooperation and coordination with a variety of stakeholders surrounding the real estate under management. One such initiative is the acquisition of environmental real estate certification, and in June 2021, the Sagawa Tokyo Logistics Center obtained A-rank evaluation under CASBEE real estate evaluation certification providing comprehensive evaluation of the environmental performance of buildings.

SG Fielder



Acquisition of highest rank (three stars) in the "Eruboshi" ("L Star") certification system of certification by the Minister of Health, Labour and Welfare



As a result of hiring female partner employees as regular employees, supporting career development and promoting work styles through work-life balance based on the Act on Promotion of Female Participation and Career Advancement in the Workplace, SG Fielder obtained the highest rank (three stars) in "Eruboshi" ("L Star") certification as a company that has actively engaged in promoting the participation of women in the workplace. The company will expand its efforts into promotion of D&I in future, and promote initiatives that make work feel fulfilling by seeking to develop diverse work styles and friendly working conditions.

Nouvelle Golf Club



Coexistence with the community through job creation and preservation of the natural environment



Nouvelle Golf Club has actively hired young people from neighboring areas and created a fulfilling working environment. The female employees who account for 90% of the total are active in a variety of positions including managerial positions. In addition to working to preserve the forest environment through tree planting and tree thinning, the four ponds within the golf course are maintained and managed to serve as regulating ponds to contribute to the creation of a sustainable local community by providing measures to address flooding caused by heavy rainfall in the region and maintaining water supply to rice paddies in the event of a drought.

Sagawa Forestry



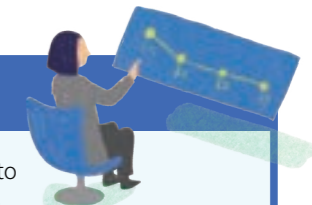
Forest preservation in Sagawa Forests



Sagawa Forestry conducts business in approximately 800 ha of Sagawa Forests owned in Kochi and Tokushima with the mission of "protecting the forest cycle." Forest preservation operations such as tree thinning and reforestation contribute to the "sustainable forest management" included in the SDGs, and the proceeds obtained through the operations are used to continue acquisition of new forests.

The timber grown is used for applications such as construction materials for the Group's facilities, and creating demand for the utilization of timber contributes to the sequestration of CO₂.

We welcome your feedback



The SG Holdings Group discloses its initiatives aimed at SDGs and sustainability, and aims to achieve meaningful communication with stakeholders. We ask that you send your feedback to the following email address in order to enable us to receive a wide range of opinions to improve the content of this report in future.

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