

Bringing people, society and the future together



SG HOLDINGS GROUP

# CSR Report

Corporate Social Responsibility Report 2010



みんなで止めよう温暖化

「SGホールディングス」チーム・マイナス6%

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# Bringing people, society and the future together

We keep people in touch,  
and connect the present to the future.

Every day, we will make deliveries  
to customers, to employees,  
business partners, to communities,  
and individuals everywhere in the world.

This is our mission at the SG Holdings Group.

With the close cooperation of our stakeholders,  
we will support people, society, and the future.

# Message

## from the President

### We will strive to fulfill our corporate social responsibilities through stakeholder-oriented management, earning the trust of the people we serve.

Logistics is indispensable to social infrastructures.

At the SG Holdings Group, logistics is at the core of everything we do.

We believe that our most important contribution to society lies in our sincerity for the advancement and development of our logistics operations,

contributing to the growth and development of industry and social infrastructures.

We increase our stakeholders' understanding of the role we play, and making that awareness an integral part of our operating base.

Through a wide range of activities, we are preparing to deliver a better future.



Eiichi Kuriwada  
Chairman and President  
SG Holdings Co., Ltd.

栗和田 栄一

#### “The fierce wind separates the strong grass from the weak”

This is the fifth year since the SG Holdings Group adopted a holding-company structure. During that time, we have weathered some difficult business conditions, including intense fluctuations in the cost of fuel and a global economic slump. Yet for the SG Holdings Group, such times are an opportunity.

Such chances include looking back at our past operations, strengthening our positions, and seeking new paths. A classical Chinese proverb says, “The fierce wind separates the strong grass from the weak.” When strong winds blow, the weaker stalks are knocked down, while sturdier grasses bounce back no matter how many times they are pushed. In other words, when conditions become unfavorable, the true value of a person or a company is revealed. At the SG Holdings Group, we find reason to remain positive this adversity. Our many business locations and staff departments that support them are working together to build a stronger corporate group, a resilient grass that withstands the harshest winds.

## CSR is our expression of sincerity in operations

At the SG Holdings Group, logistics is the core of our operations. Through logistics, we play a vital role in enhancing industrial and social infrastructures. At the same time, logistics operators cannot avoid the risk of traffic accidents or placing burdens on the environment. As an enterprise that uses public roads to serve the growth of business, we can only earn the continuing trust of society if the effects of our operations on society are viewed objectively then addressed, if we listen humbly to our customers, and if we respond quickly and flexibly as society changes. This reality means that corporate social responsibility (CSR) must be integrated into our everyday operations. An enterprise raises its value only when its operations play a positive role for its customers and the communities in which it does business. Business and CSR are inseparable. By working to improve road safety and prevent global warming, the SG Holdings Group contributes to the prosperity of society through our operations.

The SG Holdings Group never forgets to give back to the communities on which our success depends. We work through various foundations to support medical care and the arts in the community, support exchange students from countries in Asia, and provide assistance in the form of goods and people to the developing world. We are working hard to make people’s lives fulfilling.

## Getting the basics thoroughly right

When I joined Sagawa Express in 1977, at every turn we used to hear, “do a thorough job of the basics.” Today this attitude permeates our operations and management and is a part of the SG Holdings Group Code of Ethics and Conduct. All employees follow this code every day, working in harmony with communities and the natural environment.

To ensure compliance with all applicable laws, we have enhanced transparency in our operations and built a robust system of internal controls. Of course, these structures allow sufficient flexibility to respond to changing social needs.

For the SG Holdings Group to contribute even more to the communities in which we do business, we are pouring efforts and resources into further measures to educate individuals and develop systems.



Management that adapts to changing times,  
with logistics at its core

## Preserving nature for the next generation

The SG Holdings Group is striving on many fronts to preserve the environment and restrain global warming. Our fleet of delivery trucks is converted to compressed natural gas, which emits little CO<sub>2</sub>. Instead of depending entirely on trucks, we use trains and ships where possible, in a modal shift that improves transportation efficiency and lowers environmental impact. We are implementing delivery methods other than trucks for urban areas and we support educational efforts that teach people in the community about living in harmony with nature. Finally, the SG Holdings Group is proud to participate in the Climate Savers Program, an activity of the World Wildlife Federation (WWF), as its only corporate participant in the world from the transportation industry. In this program, we set ambitious targets for CO<sub>2</sub> reduction and execute a range of measures to achieve them. At the SG Holdings Group, we recognize that, once a natural environment is destroyed, it takes much effort to restore it to its original condition. To pass on a planet with abundant nature to the next generation, we are moving forward with a diverse array of projects to protect the Earth's natural heritage.

## The foundations of our medium-term management plan: stakeholder-oriented management

The period from FY 2007 to FY 2009 encompassed the first phase of the SG Holdings Group's medium-term management plan, which encapsulates our vision of the group 10 years in the future. The aim of this "First Stage Plan" was to establish an operating base that will support sustainable growth. In deliveries, logistics, and other operations, all group companies are united in a concerted effort to grow and expand. In FY 2009, our operating revenues were ¥888.1 billion and operating income was ¥30.2 billion.

The "Second Stage Plan" begins in FY 2010. The themes of this stage are expanding the group's domain of operations and strengthening our earnings base. In courier operations, we aim to further strengthen our earnings base, while more generally we intend to focus management resources on our core operations. These themes and aims constitute the four "pillars" of operations that are the target of the Second Stage Plan.

All of these initiatives of the Second Stage Plan are built on a single foundation: stakeholder-oriented management. In today's business world, any enterprise that desires long-term sustainable operations must maintain strong and cordial relationships with their customers, employees, regional community, shareholders, and business partners. We will strive to create new value guided by the knowledge that stakeholder awareness is crucial in winning trust in our operations and brand.

To bolster awareness of stakeholders, we are accelerating our CSR activities. We will ask ourselves what we can do for our customers, our employees, and the community, then determine the answers and take action as the surest course toward a prosperous society.

Supported by stakeholder-oriented management, the SG Holdings Group will continue to meet each new challenge, pursuing our vision of "Each group company constructs its business platform and creates new value."

We are working with stakeholders  
to create fresh value.



# 4 Eyes

## Four Perspectives on the SG Holdings Group

The key to effective CSR is to engage actively with society, listening closely to stakeholders to find out objectively how they view the group, and what they wish the group to be. With this imperative in mind, we spoke to people from a wide range of perspectives, to understand the “now” of the SG Holdings Group.

1

### A Consumer's View

An expert on consumer issues reports from the front lines

**Look to the SG Holdings Group for logistics that is kind to people, nature, and society.**

How the SG Holdings Group integrates CSR into its operations



2

### A Customer's View

Listening to customers with a global business reach

**Making customers' dreams come true**

Logistics solutions, courtesy of the combined strengths of the SG Holdings Group



3

### An Employee's View

A sales driver talks about work-life balance

**“My family is smiling, and my job is a pleasure.”**



4

### An Expert's View

An expert view of “CSR, today and in the future”

Dialog

**What sort of CSR should the SG Holdings Group aim to achieve?**



## Look to the SG Holdings Group for logistics that is kind to people, nature, and society.

How the SG Holdings Group integrates CSR into its operations

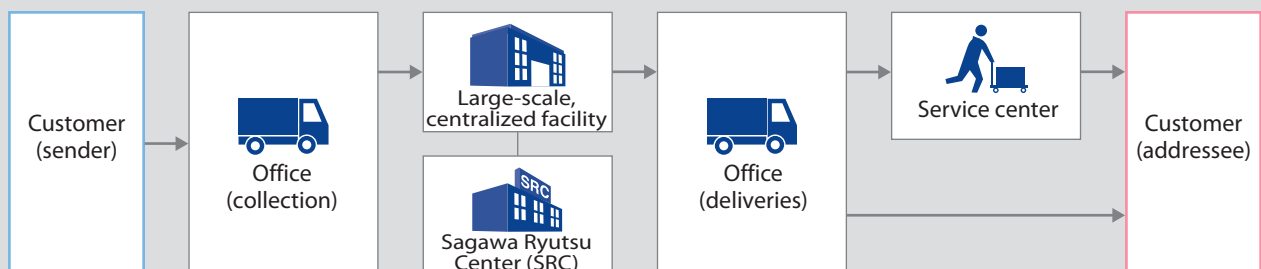


**Kikuko Tatsumi**  
Reporter

Born in 1948, Kikuko Tatsumi graduated from Nara Women's University to begin a career as a high-school teacher and later as a university instructor. In 1998 she was appointed chair of the Nippon Association of Consumer Specialists. She is especially active on the environmental scene on many fronts.

Delivery and logistics, the art of taking charge of customers' packages and delivering them where they are needed, when they are needed on a daily basis, is the core of the SG Holdings Group. In each process of logistics, we take countless measures to ensure safety, environmental performance, and efficiency. Kikuko Tatsumi of the Nippon Association of Consumer Specialists, an organization which makes proposals based on consumer points of view, observed the efforts at our distribution business locations which customers normally do not even notice. She experienced our efforts towards people, nature, and society.

Logistical processes of the SG Holdings Group







## Local offices (collection, delivery)

Offices collect packages (collection) and deliver them to customers (delivery). Offices actively implement measures to ensure safety and environmental performance.

### Eliminating idling alone saves the Group ¥1.37 billion a year.

The majority of our customers' packages are collected and delivered by sales drivers at local offices. On a visit to Sagawa Express's Chiyoda Office, for example, we found a staff of about 450 employees, in charge of deliveries and collections in Tokyo's Chiyoda Ward.

Each truck is allocated to a particular area, and each morning the responsible sales driver inspects the truck. Along with training to improve driving techniques, requiring this routine inspection is one of the ways Sagawa Express prevents traffic accidents. In addition, Sagawa Express publishes the "Seven Points for Eco Safety Drive," encouraging sales drivers to drive in a manner that maintains safety, preserves the environment, and reduces cost. One example is the elimination of idling. Each sales driver wears his truck keys on a keychain, reminding him of his duty to remove the keys whenever he leaves the vehicle. The savings are significant: Eliminating idling for two hours per day reduces CO<sub>2</sub> emissions by 30,000 metric tons a year (assuming a 300-day work year) and decreases costs by about ¥1.37 billion. This simple measure is as good for business as it is for the environment.



The routine inspections are performed every morning. More rigorous inspections are held once every three months and once a year, along with regular maintenance.



The initiative for eliminating idling by removing keys began in 1997. If the driver does not remove the key, he is unable to leave the driver's seat.

### With the largest number of natural gas fueled trucks in Japan, we lead the nation's logistics industry in environment-friendly operation.

At Chiyoda Office is a natural gas station. Compared with diesel, natural gas emits far less CO<sub>2</sub>, NO<sub>x</sub>\*<sup>1</sup> and particulate matter (PM)\*<sup>2</sup>. Looking closer at one of the natural gas trucks, you notice that it has two large tanks, one on each side of the vehicle. With both tanks full, the trucks can travel about 300km, providing roughly the same fuel efficiency as diesel.

Due to a scarcity of natural gas stations, we install our own stations at certain branches, with some 23 locations nationwide. Moreover, with approximately 4,300 natural gas trucks across Japan, Sagawa Express boasts the largest collection of such vehicles of any private-sector company in the nation. The reasons can be seen throughout the city. These figures offer the most telling indication of Sagawa Express's proactive environmental stance.

\*1 NO<sub>x</sub> = nitrogen oxide, a pollutant that causes such environmental problems as photochemical smog and acid rain.

\*2 Particulate matter: assorted materials floating in the air in particles. Thought to cause asthma and bronchitis.



A natural gas station. It looks no different than an ordinary gas station.



## Large-scale centralized facilities

At large-scale collection facilities, packages collected from each branch are sorted by area. Trucks from collaborating companies carry packages in and out. By painstakingly improving the quality and efficiency of its shipping services, Sagawa Express meets the needs of our customers.

### Automatic sorting equipment processes 21,000 packages per hour, maximizing payload efficiency.

Sagawa Express operates five large-scale centralized facilities throughout Japan. Packages for medium- and long-range shipping are gathered in these centers from offices, sorted by destination area and loaded on large trucks. Each truck's payload is maximized to boost shipping efficiency. The facility we visited was Tokyo Big Bay.

In the first-floor terminal, packages were unloaded one after the other from the trucks onto a conveyor belt. Here workers sort standard items from fragile items and items with unstable centers of gravity. Standard items are sent to the automatic sorting machine on the second floor, while the other items are hand sorted on the first floor.

Scanners on the automatic sorting machine read the barcode data attached to the packages flowing in on the belt conveyor, sorting them according to destination area. Thanks to 30 years of constant improvements, the automatic sorting machine can sort up to 21,000 packages per hour—three times the speed of sorting by hand. In the manual sorting line on the first floor, employees were carefully sorting the fragile packages one by one. On this visit, we clearly observed how this combination of automatic and manual processes enables Sagawa Express to deliver packages quickly, accurately, and safely.



The automatic sorting machine appears in the foreground, while the manual sorting line can be seen in the back. Employees work skillfully and with little wasted motion.



The automatic sorting line winds around a large installation. Packages are dropped into a series of chutes situated around the conveyor.

### Hikyaku Yu Mail Express makes use of post office infrastructure

The next stop on our tour was the fifth floor of Tokyo Big Bay. This is the Yu Mail Center, the sorting point for Hikyaku Yu Mail Express.

Hikyaku Yu Mail Express is a service in which Sagawa Express collects packages from corporate customers and then sends them to the post office for delivery, standing in as the sender. It sorts the packages by destination postal code in the Yu Mail Center before handing them over to the post office. The key advantage for customers in choosing this service is low cost. Because Sagawa Express serves as the sender on the customer's behalf, the customer does not need to conclude an individual agreement with the post office, using Sagawa Express's agreement instead. This arrangement eliminates an expense for the customer. Though this way of sending packages may take a day or two longer than ordinary mail, packages are still delivered reliably, and customers are quite happy with the service. In addition to Hikyaku Yu Mail Express, Sagawa Express offers Hikyaku Mail Express, a service in which Sagawa Express sales drivers deposit packages directly in addressees' mailboxes. For corporate customers, the selection of delivery services is a huge merit.



Packages are automatically sorted at post offices throughout Japan. Sagawa Express transports already sorted packages to the post office, and the post office handles the work from that point onward.



Packages collected from offices are affixed with barcodes for management of destination, weight, and other factors.



## Sagawa Ryutsu Center (SRC)

At SRC, products from manufacturers, etc. undergo logistical processing—inspection, primary storage, pricing, etc.—and finally shipped, in a seamlessly integrated process.

### Centralized management reduces waste in shipping

Performing inspection, storage, pricing, etc. at separate locations increases the burden of moving packages around. At SRC, all these processes are performed at a single location, reducing both transportation cost and CO<sub>2</sub> emissions. SRC manages the shipping and receiving of large items with the collaboration of Sagawa Global Logistics Co., Ltd., who manages SRC, and SG Systems Co., Ltd., which runs a variety of systems for the SG Holdings Group. For the corporate clients who use these systems, the only costs involved are warehouse space and personnel costs. Fixed costs are dramatically reduced. Recently, SRC has made a number of switches for better environmental performance, such as replacing disposable cardboard boxes with reusable hanger boxes.



Operators read shipping instructions from a sheet of barcodes using handheld scanners. As they read the barcodes, information on products to be shipped appear on the screen, with items on the nearest shelves appearing first. Even beginners can pick packages easily and efficiently.



I visited Tokyo SRC in Katsushima, Tokyo. Here a database system is installed, in which handheld scanners and barcodes are used to manage inventory accurately.



### Service Centers

To reduce traffic congestion and air pollution in the city and maximize transportation efficiency, packages are collected and delivered by carts and bicycle as much as possible. Sagawa Express's aim is to achieve zero emissions in logistics.

### Conducting logistics by human muscle power as much as possible raises the efficiency of logistics while reducing CO<sub>2</sub> emissions.

At the service center we visited, instead of relying on trucks, employees used carts, bicycles, and other human-powered vehicles to deliver packages. In urban areas, where buildings are close together, these forms of delivery are far more efficient than trucks. The area served by each service center is typically within a radius of 400m, so any destination is just a few minutes away. With this arrangement, each service center's fleet can generally be reduced by four or five vehicles. As a result, efforts to raise operating efficiency were kind to the urban environment as well.



As of March 2010, Sagawa Express operates 251 service centers across Japan. Thanks to the move toward people-powered delivery, we have reduced the number of vehicles we purchased by 1,260 in total.



A single collection or delivery takes between 20 and 30 minutes. As soon as an employee returns, they immediately go out on another job. This high mobility keeps Sagawa Express customers satisfied.

Other good results follow as well. The service center has jobs even for those with no driver's license. In Japan, women are less likely to drive, so this situation benefits women: Seven of the nine employees at the service station we visited were women. The image of male employees in the distribution industry is strong, but I was reminded that women can also work in it.

#### Remarks at end of visit

Kikuko Tatsumi

I am familiar with Sagawa Express through delivery sales drivers, so it was interesting to observe the entire process by which packages are collected and delivered, and the many ways Sagawa Express ensures that the job is done safely, quickly, efficiently, and with low environmental impact. In my work I deal with a wide variety of environmental problems; in each case, the key to a solution is the realization that something of value is being wasted. I would also like to add that I highly recommend Sagawa Express's use of recyclable boxes as much as possible, as well as their practice of calling ahead to ensure someone is home to receive packages, so deliveries can be completed in one trip. The understanding of customers is also vital. I am confident that the SG Holdings Group will continue to listen to consumers, communicate well with the communities they serve, and make further efforts as a corporate group to realize a more prosperous society.

## Making customers' dreams come true

Logistics solutions, courtesy of the combined strengths of the SG Holdings Group



Tokamachi, in a mountainous area of Niigata Prefecture, is best known for the huge snowfalls that cover it each winter. It is also home to Kimono Brain Corporation, a customer of the SG Holdings Group that has steadily grown as a specialist in the production, sale, and total care of kimonos. Kimono Brain, which ships to customers around the world, relies on the combined strength of three Group companies—Sagawa Express, Sagawa Global Logistics, and Sagawa Express Vietnam—to provide them with the effective logistical systems they need.

**Matsuo Okamoto**  
President and CEO  
Kimono Brain Corporation

**Mayumi Okamoto**  
Vice president  
Kimono Brain Corporation

## Bringing kimonos into everyday life, Kimono Brain succeeds with a steady stream of fresh, compelling approaches.

In today's Japan, people delight in wearing kimonos for special occasions such as weddings and coming-of-age ceremonies, yet few choose to wear them in everyday life. Overall demand is declining year after year. Kimono Brain is fighting this trend by modifying the basic kimono design, making the traditional garment easier to put on and offering "ready-to-wear" options at reasonable prices. With a focus on young women, Kimono Brain is growing steadily allowing more people to easily experience kimonos.

To support its kimono sewing operations, in 2006 the company opened a plant in Ho Chi Minh City. Operated under Kimono Brain's direct management, the Vietnamese plant employs 170 workers, all dedicated to the production of kimono. The plant currently turns out 70,000 ensembles per year. Mayumi Okamoto, vice president of Kimono Brain, has high hopes for the plant: "Vietnam is a rising star in the textiles industry, and quality is as good as anything made in Japan. We expect production to continue to rise at our Vietnamese plant."



### Kimono Brain Corporation

Founded in 1976. Number of employees: 230. Handles all phases of operations involved in kimono, from kimono after-sales and before-sales care (water-repelling finish, alterations, and production) to development and sales. Exceptionally active in local-industry development and hiring of the physically/mentally disabled, these efforts came to be widely recognized in 1995. In 2008, employees were given the Minister of Health, Labour and Welfare award for outstanding work by the disabled.



Safe and fast transportation is required



## A smooth system for logistics between Japan and Vietnam

As the production volume at the Vietnamese plant ramps up, the huge volume of shipping between Vietnam and Japan became a growing issue. Water-repelling and other garment-protecting materials had to be shipped to Vietnam and exchanged for completed kimonos, all within just two weeks. At first Kimono Brain used separate companies for domestic and international shipping, but late deliveries and poor response when accidents occurred soon obliged the company to lower their risk by choosing a different shipper.

After conferring with their existing domestic carrier, Sagawa Express, at the latter's Muikamachi Branch, Kimono Brain obtained a proposal for a total solution, drawing on the comprehensive strength of the SG Holdings Group.

The SG Holdings Group now provides Kimono Brain with a one-stop solution, including all shipping, logistical work and other details between the Japanese and Vietnamese base. We carry out import/export transport and customs duties for Kimono Brain, while Sagawa Express Vietnam takes care of shipping within Vietnam. Of course, the SG Holdings Group was immediately tasked with establishing a logistical framework capable of delivering the required two-week turnaround time. Using Sagawa Express in Japan, the group utilized our resources to deliver the required products directly to retail outlets and consumers.

According to Mayumi Okamoto, the boost to the company's reputation was enormous. "Kimonos are high-value products, and the dates when they need to be worn cannot be moved. We needed not only punctual delivery but also safe and careful shipping. Even if the unexpected should occur, I have great confidence in the strength and conscientiousness of this logistical system created entirely within the SG Holdings Group."

## Aiming for optimum logistical solutions

"Work is something that must be found," says Matsuo Okamoto, president and CEO of Kimono Brain. "Without innovation, there is no tomorrow." At Kimono Brain, the invention of new business models is a regular occurrence. In addition to a kimono storage service, the company has launched "extreme water-repelling dreamcare," a water-resistant treatment for kimonos as well as a foray to the textile industry with newly developed fiber-processing technology.

Moreover, the company envisions a future in which this new technology is deployed in China, significantly globalizing their operations through enhanced trade between Japan and China. Sagawa Global Logistics seems set to become even more vital to the company than ever.

"Finding a logistics partner we could trust was our top priority, so we could focus on our core operations," a vice president observes. Many companies, just like Kimono Brain, are looking for such backup, so that management resources in high demand can concentrate on what they do best, raising management efficiency. Raising the efficiency of logistics is a vital factor in bolstering management efficiency, thereby underpinning business success.

The SG Holdings Group offers our customers comprehensive solutions, taking charge of every aspect of their logistical operations to deliver the best possible results. By streamlining logistics, we grow and prosper alongside our customers.



Apparel production at the Vietnam Plant



Removing yellowing caused by the oxidation of fabric stains



Metal-foil repair is like restoring a work of art

## “My family is smiling, and my job is a pleasure.”

We work hard to keep our families happy and smiling. I believe that this is an honorable way of living as an individual. Whether on shift or off, our sales drivers recognize the value of time, living life to the fullest every day. Their enthusiasm and hard work is strength that upholds the SG Holdings Group.

### Communication with customers is vital.

“I joined Sagawa Express in 2003, at the age of 29. Conscious that I was starting at an older age than others, I was determined not to be outdone by my colleagues. I gave a 100% effort, for myself and for my family” says Kenji Ishino of Sagawa Express. Now in his seventh year as a sales driver, Ishino serves as sub chief at the Hachioji Office.

“When I joined the company, the workload was heavy. It took all my effort just to deal with the tasks given me. Today, I have more sales driver co-workers and vehicles so that shipping efficiency is higher. As a result, we have more time to deal with our customers individually. Our work expands based on communication with customers.”

His service area centers on industrial parks. Since much of the work involves transporting precision equipment, the trust of customers is especially vital. “When customers stopped calling me ‘the Sagawa Express driver’ and started calling me ‘Ishino-san’, I was really happy.”

By painstakingly building this relationship of trust and learning to perceive customer needs accurately, Kenji Ishino has gone from knowing how to do his work to knowing how to generate new work.

### For sales drivers, safety is top priority at all times.

“As sub chief, I not only have to manage the people under my direction, but also be aware of the company’s business. It is a lot of responsibility, but it is rewarding, too.”

#### Kenji Ishino

Sales Section Sub Chief  
Hachioji Office  
Sagawa Express

Joined Sagawa Express in 2003. Acquired qualification (through national exams) as an SD Instructor\*1 and an operations manager. Named employee of the year for FY 2009. His hobby is “trying food at different restaurants.”

\*1 SD Instructor: An employee thoroughly versed in his job, with knowledge, technique and skill as an instructor, who has passed the necessary exams (for details, please see Page 38).





My family can be proud of my zero accidents/violations

Working conscientiously and attentively, no matter how busy



Kenji Ishino has been sub chief for two years now. Heading a staff of eight, Ishino also takes the wheel to handle collections and deliveries.

“As a sales driver, I look after safe driving and my own health above all. Before setting out I inspect my vehicle. I utilize Eco Safety Drive with measures such as gently changing gears and keeping engine rotations below 1,500rpm. I also make sure I get plenty of sleep, so as a driver I am alert at all times.”

Kenji Ishino is a sales driver, with SD Instructor qualifications. He told us with great enthusiasm of his desire to get the basics right, build customer relationships, and never forget one’s position as a sales driver.

## Work and family life need to be in balance. Time spent with family is a source of strength at work.

Kenji Ishino lives with his wife, daughter and son. What does he do to unwind on his days off? “I just like to be with my family,” he answers immediately. “I want to take my family to see all kinds of places. The SG Holdings Group offers all kinds of leisure facilities for employees and plenty of events that the whole family can take part in, so we get as much use out of these as possible. When I was named employee of the year for fiscal 2009, I went to Moriyama Park in Moriyama, Shiga Prefecture, where the awards ceremony and SSF\*2 were held. It was my first visit to Moriyama Park\*3, and when I saw other employees’ families having so much fun, I realized how great the company’s leisure facilities are. Next time I want to take my family.”

Whether on or off work, Kenji Ishino values his time, living life to the fullest every day. He feels strongly that the time he spends relaxing with his family is his source of strength at work.

The SG Holdings Group thinks of our employees’ family as group members, just as much as its employees themselves are. We want to be a company that continues to work to create supportive and dynamic workplace environments, supporting the wellbeing of our employees and their families.

\*2 SSF: SG Holdings Group Sports Festival (For details, please see Page 75).

\*3 Moriyama Park: A general sports and culture facility belonging to the SG Holdings Group

### My daddy looks so cool when he is driving his truck!

When they were little, whenever the kids would see Kenji doing deliveries near our house, they would cry out, “Look, it is Dad! Cool!” No matter how busy he is, he always makes a point of taking time off for the kids’ events, like graduations and athletic meets, and the kids really appreciate it. Because he drives for a living, I always make sure that he eats balanced meals and takes care of his health. I want him to keep taking care of himself and drive safely.



COLUMN

## Toward a supportive and dynamic workplace for everyone

For the SG Holdings Group, our people are our most precious resource. We are working hard to create workplaces that help all our employees to be the best they can be.

### The SG Holdings Group rewards excellence, without discrimination between men and women.

At Sagawa Advance, talented employees are promoted regardless of gender. In many of our workplaces, the manager is a woman. Moreover, the company holds monthly meetings on diversity, publishing the details in the company newsletter for all employees to read. In the future, the company plans to offer paternity leave and nursing-care leave for male employees, encouraging a strong work-life balance and an environment where everyone can continue to work with peace of mind while taking care of their families.



Miyako Yamamoto  
Manager  
Osaka Branch  
Human Resources  
Development  
Department  
Sagawa Advance

## Dialog

## What sort of CSR should the SG Holdings Group aim to achieve?

For our customers, for the communities we serve, for our employees, and for the future of the Earth, the SG Holdings Group conducts all manner of CSR activities through our daily operations. Yasuo Kobayashi, general manager for CSR at the SG Holdings Group, and Takejiro Sueyoshi, Special Advisor to the United Nations Environment Program Financing Initiative (UNEP FI), examine what stance companies should take to improve their results in the CSR field.

### Takejiro Sueyoshi

Special Advisor United Nations Environment Program Financing Initiative (UNEP FI)

Takejiro Sueyoshi was born in 1945 in Kagoshima Prefecture. After graduating from Tokyo University with a bachelor's degree in economics, Sueyoshi joined the Mitsubishi Bank (now the Bank of Tokyo-Mitsubishi UFJ). After serving as director of the bank's New York Branch, then managing director, president of the Bank of Tokyo-Mitsubishi Trust Company (New York), and vice president of Nikko Asset Management, Takejiro Sueyoshi became Special Advisor to UNEP FI. Today, in addition to his duties at UNEP FI, Takejiro Sueyoshi engages in lectures and other awareness-raising activities on environmental issues and CSR. He is a frequent commentator on TV public-affairs programs.

### Yasuo Kobayashi

General manager for CSR and General Affairs Operating Strategy Department SG Holdings Group

## In the most recent global trends in CSR, disclosure of environmental information is key.

**Kobayashi:** It is a great pleasure to have the opportunity for dialog with someone as knowledgeable about CSR as you, Mr. Sueyoshi, and I am looking forward to getting started. Can you describe your activities as special advisor to UNEP FI?

**Sueyoshi:** About 10 years ago, when I was working at a mutual-fund firm, a new mutual fund came out: the Eco-Fund. It was a mutual fund that invested solely in companies that were enthusiastically engaged in environmental issues. The Eco-Fund marked the first time a financial instrument had been linked with environmental concerns in this way in Japan. The fund sold well, and caught the eye of the United Nations. Soon I was on my way to a conference called the United Nations Environmental Plan Financing Initiative Conference. After that I served UNEP FI as special advisor. In this collaborative framework with the world's financial institutions, we examine what actions banks should take to support environmental sustainability in their various business activities, and work to promote the adoption and advancement of those actions.

**Kobayashi:** As someone accustomed to international activities, can you talk about recent trends you have noticed in global CSR?

**Sueyoshi:** One event that had a huge worldwide impact occurred in January 2010. At that time the SEC\* announced that listed companies would henceforth be required include information about the problems of climate change and global warming in their public disclosure filings. This requirement arises from the obvious importance the SEC has always placed on releasing information about company's financial position, such as an income statement and balance sheet.

\* SEC: Securities and Exchange Commission.

The United States federal government agency responsible for overseeing and monitoring equity and bond transactions in the United States.

**Kobayashi:** So you feel that publication of the financial statements is all the disclosure shareholders and investors need?





**Sueyoshi:** That is right. But remember, for many years America's pension funds had been telling the SEC, "The financial data are not adequate. You should require companies to completely disclose information about environmental, social, and governmental (ESG) problems such as the environment, social responsibility, and governance. Without this information, there is no way of knowing a company's true situation, and investors cannot judge whether to invest or not." These complaints are what prompted the SEC to issue this guideline. It is a revised interpretation of the kind of information that needs to be disclosed.

## The environment is coming under increasing regulation. Companies that respond quickest have the opportunity to lead.

**Kobayashi:** In effect, new guidelines on disclosure are being written. In environmental disclosure, for example, Japan has just revised its energy-saving laws. Companies are now required to discover and report the energy they use. They have to set targets and announce each year the progress they are making toward that goal.

At the SG Holdings Group, we assess total group energy use by holding seminars, in which the presidents and executives of group companies report their performance. During those seminars, as you mentioned, presentations are given not only on the financial statements and other financial documents, but also on measures against global warming. In other words, we've entered an age in which the amount of energy a company uses must also be disclosed. It is easy to claim that your company is environmentally friendly, but future environmental risks are likely to be many, and difficult to confront.

We consider environmental matters to be essential issues in CSR. To take a proactive stance against global warming, we are launching a series of environmental activities on our own initiative. With the recent revision of energy-saving laws, new regulations are coming into effect; we believe this means we must not only re-assess our CSR activities but also shift gradually toward greater emphasis on compliance in environmental issues. As you pointed out, the inclusion of measures against global warming in financial information indicates that the environment, social issues, and businesses are becoming ever more interrelated.



The SG Holdings Group is already looking ahead, gathering information on how to disclose data and incorporate it into our operations. When do you suppose these new regulations and rules will be imposed in Japan?

**Sueyoshi:** The basic bill on global warming has been decided by Cabinet and submitted to the Diet. If it passes, Japan will for the first time become a country with legally mandated, national targets for CO<sub>2</sub> emissions reduction. The target is a 25% reduction by 2020. If implemented, the bill will introduce a wide range of rules and regulations over the next two or three years.

So to answer your question, I would like to emphasize one thing: The schedule for rules and regulations to restrain global warming will be accelerated, because immediate action is needed. At a certain point businesses will be affected, so it is important to make preparations with a sense of urgency. Companies that are prepared for these changes will find new business opportunities awaiting them.

## Logistics without automobiles: The ultimate goal is zero emissions.\*1

**Kobayashi:** We also feel the need for speed that you talked about. We transported cargo to the international convention center for the Kyoto Protocol in 1997, and afterwards we began to accelerate the incorporation of environmental measures into group management. For example, we replaced our diesel fleet with natural gas fueled trucks, as these vehicles emit less CO<sub>2</sub> and NO<sub>x</sub> than diesel trucks and no PM at all. We now boast the largest number of natural gas fueled trucks—4,355\*2 in all—of any company on the planet. Of course, in addition to ecological concerns, safety is critically important as well. We promote the environmentally-friendly Eco Safety Drive and provide training to all employees.

We are also trying to minimize the use of motor vehicles in Tokyo, where road and building regulations are extremely strict. To that end we are concentrating on urban areas as we expand our number of service centers. After the packages are brought to the service center, our employees deliver them on carts and bicycles. We are finding that responding to the new law's regulations makes our work more efficient, resulting in many other ecological benefits.

**Sueyoshi:** Avoiding the use of motor vehicles as much as possible in urban areas is a concept that is bound to come into increasing demand. Nowadays people all over the world are demanding zero-emission schemes, and some are being put into operation. Rather than merely reduce emissions a little, or a little more, Japan's urban areas offer the ultimate possibility of achieving zero emissions, by not using motor vehicles at all. I think this is an idea whose time has come.

\*1 Zero emissions: The reduction of a company's final total waste products to zero, by measures such as releasing emissions in forms that are useful as raw materials for other companies.

\*2 As of March 2010



## Stakeholder-oriented management begins with an awareness of the problems

**Kobayashi:** At the SG Holdings Group, we plan our operations in three-year medium-term plans. In FY 2010 our Second Stage Plan begins, bringing the concept of "stakeholder-oriented management." Our basic policy is to meet the expectations of each group of stakeholders—customers, employees, regional communities, shareholders, business partners, etc. In today's society, positive relations with a range of stakeholders are vital. But it is difficult to offer positive results for all stakeholders all of the time. Mr. Sueyoshi, what do you think of this problem?

**Sueyoshi:** I think we need to be more specific about what we mean by stakeholder-oriented management. The SG Holdings Group's operations form a vital part of social infrastructures. What problems do you see that prevent you from playing that role? What do you intend to do about them? This should be your starting point. Once you have a clear idea of the problem, your next objective becomes solving that problem. So when you are envisioning what the problem is,



do so from the stakeholders' perspective. Whether you are selecting an approach for solving problems, or ranking problems in order of priority, what is important is to do so from stakeholders' point of view.

**Kobayashi:** So a company should always adopt the stakeholder's point of view, and confront problems on that basis.

**Sueyoshi:** A company needs to define its boundaries. Up until now, the SG Holdings Group has considered problems only within the scope of the group. And from a business point of view, that makes sense. Today, however, society demands a different set of boundaries. Beyond the boundary of the SG Holdings Group, there is the regional community as a boundary, Japan as a boundary, then Asia, and the world. You must ask yourself whether what is good for the SG Holdings Group is what is good for the region as well.

**Kobayashi:** I see what you mean. A company that is unable to broaden its perspective and shift its paradigm cannot survive.

**Sueyoshi:** What does CSR mean to the SG Holdings Group? Your business operations themselves, namely logistics, clearly serve a vital societal need. There are certain things that you must do as a logistics enterprise, and those duties are both a major management issue for the group and a matter of great interest to society. Whatever logistics means to society and other stakeholders will determine how you are expected to be aware of its problems and what solutions you will be expected to propose.

I feel strongly that the SG Holdings Group is a pioneer in environmental action. It has been a great pleasure to enjoy such a fruitful discussion with you. The world is changing quickly, and the world's private enterprises are ultimately the ones that must solve society's problems.

**Kobayashi:** CSR is an enormously challenging set of activities, but we are determined to play an active role, to meet the expectations of the community and other stakeholders. Thank you very much for joining me today, Mr. Sueyoshi.



## Concluding remarks

Takejiro Sueyoshi

### Future expectations for CSR

A brief look at the history of the SG Holdings Group amply testifies to our devotion to CSR activities. A group executive who said "Amid today's stagnating economy, we must redouble our focus on CSR" has a strong point. Rather swinging between joy and sorrow at immediate developments, the group needs to establish permanent CSR to serve future generations. For consumers such as myself, it is exciting to imagine what next-generation logistical systems the SG Holdings Group will create, and how those systems will change people's lives. I look forward to their future developments.

## ▶ Philosophy and Guidelines of SG Holdings Group

Corporate activities of SG Holdings Group consist of activities reflecting a sense of ethics among all management and employees. SG Holdings Group established a Corporate Philosophy, a Conduct Charter, and a Code of Ethics and Conduct to be observed by all affiliated companies of our group. The purpose of these rules is to formulate a structure to assure the correctness of our business operations and to build our compliance system.



### SG Holdings Group's Corporate Philosophy

SG Holdings Group reaffirms "Hikyaku no kokoro" (the spirit of express messenger) with which Sagawa Express started the business, and performs fair and free business activities with respect for human rights and compliance.

"Hikyaku no Kokoro" means,  
with a motto of "swiftly, surely and carefully,"

- a strong commitment to the customer creed,
- serving the development of local society, and
- emphasizing responsibility and good faith.

## SG Holdings Group Conduct Charter

### — To obtain trust and understanding from society —

#### Provision for responsibility

Management shall recognize that the implementation of the spirit of this Charter and setting an example by leadership is its task and thoroughly communicate it to all relevant parties, including the personnel of SG Holdings Group. Further, management shall prepare an effective corporate governance structure to ensure business compliance. If any infringement of this Charter occurs, management shall publicly take the initiative in solving the problem and shall make every effort to determine the cause and to prevent similar incidents in the future.

#### Joint declaration

All managers and employees within SG Holdings Group act responsibly and make a united effort to practice the following principles:

#### Principles of conduct

- 1 Considering the safety and the personal/customer information protection, we develop and provide the services and products that are useful to obtain trust and to give satisfaction to the consumers and customers.
- 2 As a good corporate citizen, we actively participate in social contributions.
- 3 In our international business operations, we respect the culture and practices of the countries involved, in addition to the observation of international rules and laws of such countries, and operate the business in a manner that can contribute to the development of the region.
- 4 Recognizing that environmental conservation is a common issue for all humanity and an essential requirement for a company to exist and operate, we actively and voluntarily take the necessary actions.
- 5 We perform fair, transparent and free competition and fair trade. Also we maintain sound and proper relationships with politicians and governments.
- 6 We confront, in a determined manner, antisocial forces and groups which threaten the order and safety of society.
- 7 We have communication with society as a whole, along with shareholders, and disclose our corporate information actively and properly.
- 8 Respecting to the diversity of employees and their personalities, we ensure safe and good working environments to provide comfort and security.

## SG Holdings Group's Code of Ethics and Conduct:

We follow the Code of Ethics and Conduct which embodies SG Holdings Group's Conduct Charter.

- 1 **We think and act according to the thorough customer creed.**
- 2 **We think and act to contribute to the development of local societies.**
- 3 **We think and act fairly with responsibility and good faith.**
- 4 **We think and act to promote the growth of ourselves and colleagues and to create a better working environment.**

## SG Holdings Group's unified slogan

# Safety, Environment and Service

Improving all qualities to the global standard

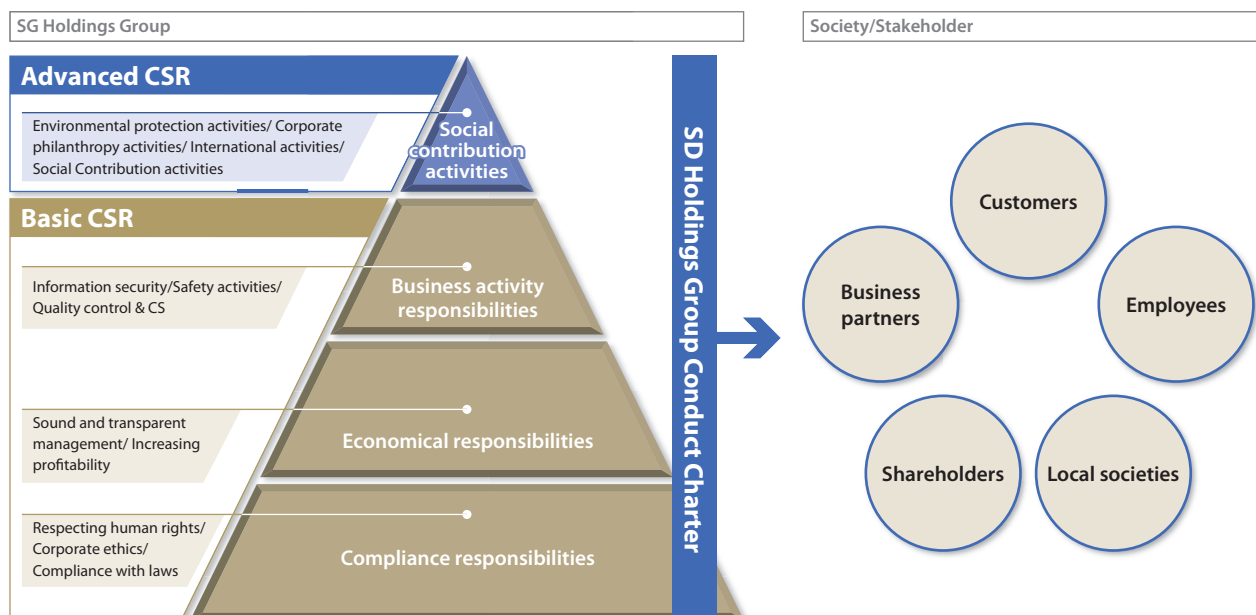
# ▶ CSR Concept and System of SG Holdings Group

## Basic idea of CSR (Corporate Social Responsibility)

Fulfilling CSR means the capability to adapt to the more sophisticated and diversified requirements and expectations from society to obtain trust for our companies.

In our group's CSR concept, there are 2 levels: "Basic CSR" and "Advanced CSR". Basic CSR is the essential factors for continuing business operations, such as the compliance with laws. On top of this, Advanced CSR is in place to answer the emerging expectations and requirements from various societies and to contribute to them. Our CSR is supported by these two levels.

### ■ Diagram of the basic idea of SG Holdings Group's CSR

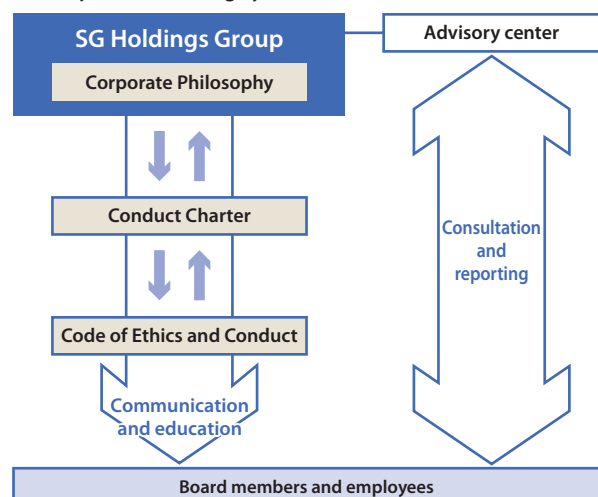


## Promoting CSR / Effort on improving our ethics and compliance checking system

The purpose of the CSR Committee is to construct a checking system and promote continuous improvement activities for putting SG Holdings Group's Conduct Charter in practice and reflecting on the management of the whole group. In the First Stage Plan of the group mid-term management plan (fiscal 2007-2009), the group's "Corporate Philosophy" and "Conduct Charter" have been unified as SG Holdings' "Ethics and Compliance Checking System", which is central for internal control regarding corporate law. In addition to deciding upon a "Code of Ethics and Conduct" and constructing unified fundamental principles (control environment) for the group, we initiated instruction and penetration of the "Code of Ethics and Conduct". In fiscal 2009 a questionnaire survey for the purpose of monitoring the penetration rate among all group employees was enacted, and 28,722 responses were received.

Based on the theme of "the creation of a vigorous and pleasant working environment", we are endeavoring to achieve full penetration and proceeding with activities for creating a healthy corporate culture.

### ■ Outline of SG Holdings Group's Ethics and Compliance Checking System



\*The CSR Committee consists of all the board members of SG Holdings Co., Ltd.

## Basic policies of the internal control system (outline)

SG Holdings Co., Ltd. set up the following policies because it is essential to prevent misconduct and obtain credibility for the effectiveness and efficiency of operations, compliance with the laws and financial reporting, in order to meet our social responsibility as a company and to be trusted by stakeholders, including shareholders, in our group's overall business activities.

- |  |  |
|--|--|
| <b>1 Structure of business operations</b>                                  | <b>6 Social responsibility</b>   |
| <b>2 Handling of information</b>   | <b>7 Matters relating to business conduct</b>                                |
| <b>3 Control in financial matters</b>                                      | <b>8 Matters relating to audit</b>   |
| <b>4 Storage and control of information relating to business operation</b> | <b>9 Reporting to auditors by board members and employees internal audit</b> |
| <b>5 Risk control</b>  | <b>10 Internal audit</b>   |

## Aiming to restore trust from society, we are strengthening our business compliance.

### Measures for the prevention of a re-occurrence of illegal parking on roads

There have been occurrences of Sagawa Express illegally parking on roads.

#### 【 Summary 】

Two Sagawa Express employees were determined to have illegally operated roadside parking meters for the purpose of parking a truck for a long period. Due to this, in September 2009 the Metropolitan Police Department filed charges on fraudulent obstruction of business.

#### 【 Measures for the prevention of a re-occurrence 】

In 2007, Sagawa Express received a report of a similar occurrence and made an investigation into the roadway parking at all branches as well as made efforts to increase the directives/supervision related to the proper usage of roadway parking for all employees. Regardless, another similar inappropriate incident was determined to have occurred, and we take this matter very seriously. To prevent re-occurrences in the future, we will further increase directives/training for all employees and re-evaluate the directives/management systems at business locations.

SG Holdings Group gravely acknowledges this case and sincerely apologizes for the inconvenience. We will avoid recurrence across the group by further strengthening our compliance checking system.

# Corporate Profile of SG Holdings Co., Ltd.



## Trade name

SG Holdings Co., Ltd.

## Date of founding

March 21, 2006

## Location

68 Tsunoda-cho, kamitoba, Minami-ku, Kyoto, Japan

## Capital

11,383,000,000 Yen

## Board of directors

Chairman and President	Eiichi Kuriwada
Senior Managing Director	Toshiaki Tsujio
Director and Logistics Business Supervisor	Yoshiaki Naoi
Director and Operations Strategy Supervisor	Nobuaki Kondo
Director and Business Strategy Supervisor	Kenji Hisamori
Director and Finance Strategy Supervisor	Toru Mitani
Outside Director	Kunio Takagi
Corporate Auditor	Kiichi Suzuki
Corporate Auditor	Masayuki Tominaga
Corporate Auditor	Yoshinari Tsutsumi
Corporate Auditor	Kazuhito Ishii

## Group history

1957	▶ March	A courier business focusing on Kyoto – Osaka was started.	1989	▶ February	Sagawa Cancer Research Promotion Foundation is established.
1965	▶ November	Sagawa Express is established.	1990	▶ December	Sagawa Forestry is established.
1975	▶ July	Sagawa Advance is established.	1998	▶ January	Sagawa Art Museum Public Interest Foundation is established.
1980	▶ May	SG Motors is established.	2001	▶ September	Nouvelle Golf Club is established.
	▶ September	Sagawa Global Logistics is established.	2005	▶ March	Sagawa Financial is established.
1981	▶ July	SG Holdings Group Health Insurance Association established.	2006	▶ March	Shifts to pure holding company structure; SG Holdings is established.
1983	▶ February	SG Systems is established.	2007	▶ August	SG Realty is established.
	▶ November	SG Holdings Group Corporate Pension Fund is established.	2009	▶ February	World Supply joins the group.
1986	▶ February	Sagawa Foreign Students' Scholarship Foundation is established.		▶ June	SG Motors Kan-etsu joins the group.
	▶ October	Sagawa International Economic Cooperation Foundation is established.	2010	▶ February	Sagawa Logistics Partners business commences. <small>(current company/organization names are shown)</small>
1988	▶ October	Sagawa Moving Center is established.			



# Outline of SG Holdings Group

Constructing an operating base  
and adding new value

Outline of  
SG Holdings Group

Efforts on Safety

Efforts on  
Environmental  
Conservation

Relationship with  
Society

**We read the ebb and flow of the times to create new value.**

**REPORT**

**Nobuaki Kondo**  
 Director and  
 Operations Strategy Supervisor  
 The SG Holdings Group



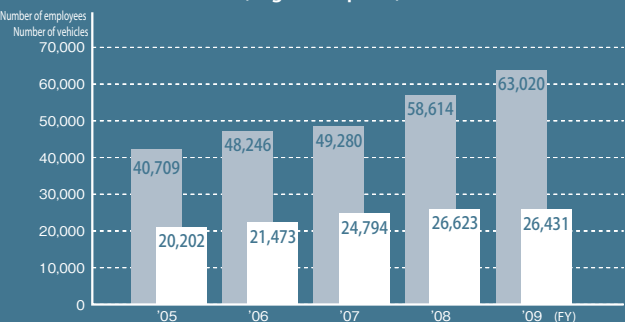
The operations of the SG Holdings Group consist of three business segments: Delivery operations, the driving force of the group's operations, encompassing courier services and transportation/installation services; logistics operations, comprising comprehensive logistical services and international shipping; and other operations, such as vehicle maintenance, realty, and IT. Beginning March 2010, these operations are guided by a new medium-term management plan, the Second Stage Plan, based on the group's corporate vision: "Each group company constructs its business platform and creates new value." With globalization accelerating and the needs of customers diversifying rapidly, the logistics industry is at a turning point. With keen sensitivity to the ebb and flow of this fast-changing age, we are utilizing our combined resources to achieve true stakeholder-oriented management. In so doing, the SG Holdings Group will meet the expectations of all stakeholders, including customers, employees, regional communities, shareholders, and business partners.

**▶ FY 2009 Business Results**

**All group companies are in sound condition and reporting growth over the previous fiscal year.**

FY 2009 marked the end of the First Stage Plan, a medium-term management plan in which the group established a solid operating base and turned its focus toward growth and expansion. All indices rose in the period under review. Operating revenue rose from ¥887.2 billion in the previous fiscal year to ¥888.1 billion, while operating income grew from ¥21.9 billion in the same period to ¥30.2 billion. Income margin improved from 2.5% to 3.4%. From FY 2010 forward, the Second Stage Plan begins, in which we will aim to expand our sphere of operations and strengthen our earnings base.

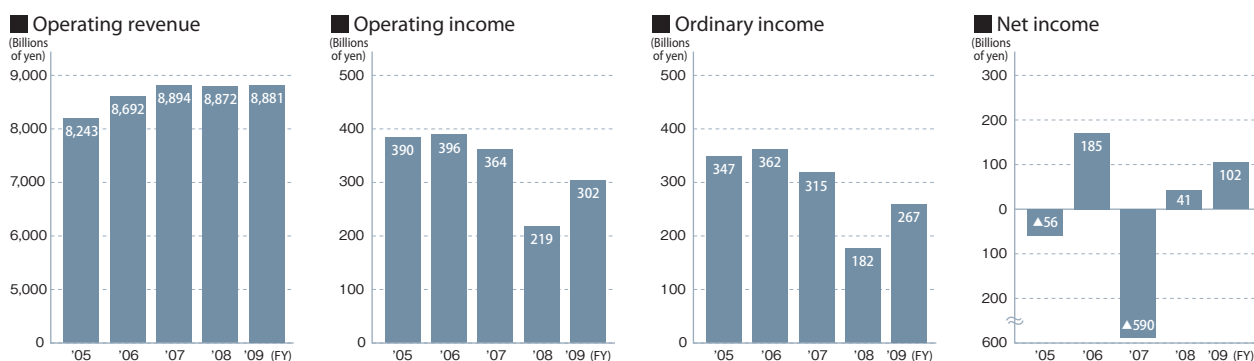
■ Number of employees (consolidated)/  
 Number of vehicles (Sagawa Express)



\* Up to and including FY 2005, only employees in Japan are counted. From FY 2006 onward, "number of employees" includes employees at overseas affiliates.  
 \* "Number of vehicles" includes special light vehicles.

# ▶ Data on Operations of the SG Holdings Group (consolidated)

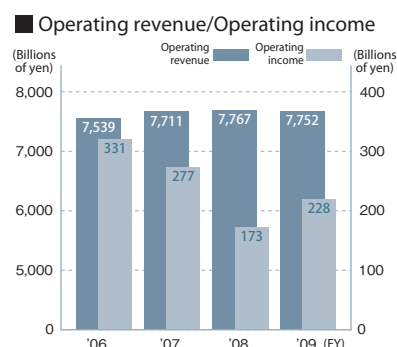
The group deployed operations in three business domains: Deliveries, logistics, and other businesses. Overall the group turned in solid growth in business results.



## Results by business segment

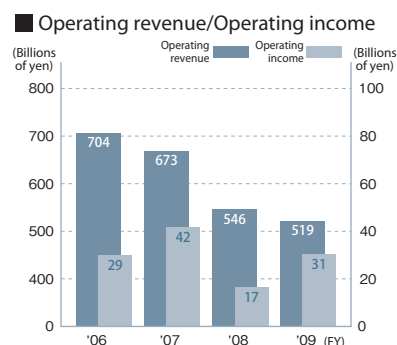
### Deliveries

All of this category's main products enjoyed solid growth, as the number of packages handled rose for Hikyaku Courier, the e-collect payment-on-delivery service, and Hikyaku Cool Express. During the period under review, the group launched the Recall Total Service and Document Storage Service. Also, World Supply Co., Ltd. became a subsidiary in February 2009. In these ways new products and services augmented the group's ability to meet market needs. Small, short-distance package deliveries grew briskly, while a revamp of the group's operating platform significantly improved our cost structure. Operating revenue was flat compared with the previous fiscal year, dropping 0.2% to ¥775.2 billion. Operating income grew 31.8% against the previous fiscal year to ¥22.8 billion.



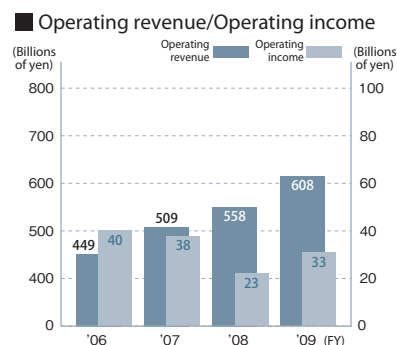
### Logistics

In domestic developments, we opened the Fukuoka Logistics Center and Kuki No. 2 Sales Office. We also refurbished a number of locations with a view to expanding operations on a 3PL basis. At Sagawa Logistics Partners, we established a shared-platform 3PL operating framework. Overseas, we secured agreements on comprehensive shipping services between Japan and China, and completed the Shekou Logistics Center in China's Shenzhen. Unfortunately, shipments faltered, particularly in apparel, and import/export cargo volumes declined. Though operating revenue in this segment declined 4.9% to ¥51.9 billion, operating income jumped 80.0% to ¥3.1 billion, as work processes were overhauled for greater efficiency.



### Other

In automobile reconditioning operations, we focused on attracting new customers and strengthening our operating framework. We acquired Shin Mikuni Motors Service Co., Ltd. and made it a subsidiary of SG Motors, renaming the company SG Motors Kan-etsu. Real-estate operations saw large-scale investment in property as we pursued our strategy in commercial real estate and expanded earning opportunities from direct sales. We also created new business opportunities in IT operations, while reorganizing these operations to strengthen our competitive position through a more effective IT strategy. Overall we created a solid foundation for growth in other operations. Operating revenue in this segment rose 9.0% to ¥60.8 billion, while operating income soared 44.4% to ¥3.3 billion.



\* Operating revenue by segment and operating income by segment are disclosed from FY 2006 onward only.

# Management Vision and Mid-term Management Plan of SG Holdings Group

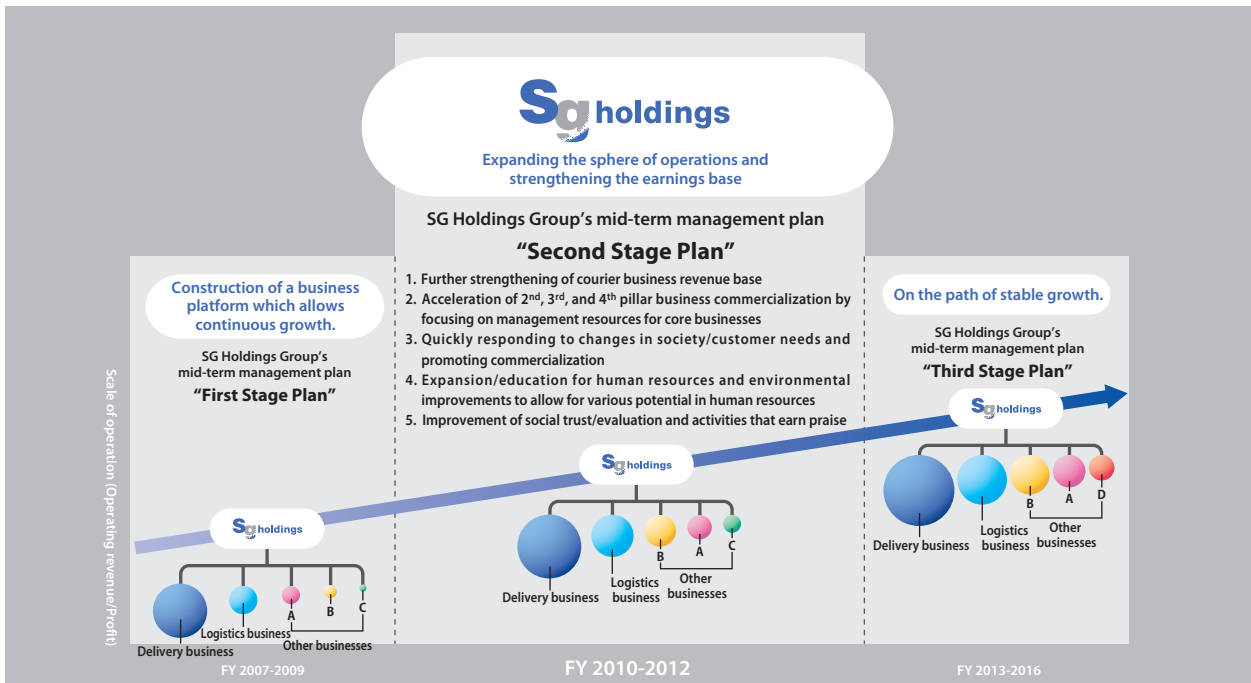
## Management vision

Each group company constructs its business platform and creates new value.

Corresponding to the changes in customers' needs and market circumstances, we will continue to evolve and succeed in the very long term.

To this end, we will try to create value and make efforts in establishing the second, third and fourth pillar of our business.

## 2010-2012 mid-term management plan "Second Stage Plan"



## Themes for the Second Stage Plan

Expanding the sphere of operations and strengthening the earnings base

- |        |   |
|--------|---|
| Policy | <ol style="list-style-type: none"> <li>1 Further strengthening of the earnings base in courier operations</li> <li>2 Concentration of management resources on core operations to accelerate commercialization of the second, third, and fourth pillars of operations</li> <li>3 Responding promptly to social change and customer needs, to move commercialization forward</li> <li>4 Expansion and training of personnel and creation of a workplace environment where people with diverse capabilities can make excellent use of their talents</li> <li>5 Activities to receive trust, approval, and praise from the community</li> </ol> |
|--------|---|

## Second Stage Plan strategy outline by segment

### Deliveries

Sagawa Express Co., Ltd./  
Sagawa Moving Center Co., Ltd./ World Supply Co., Ltd.

#### Core businesses for new business areas



#### Strengthening of courier business market competition ability

Strengthening of our courier business market competition ability through cost structure reform. We plan on changing to a high profit structure as we evolve.

#### Strengthening business areas other than our courier business

We plan on creating a business structure where our three companies Sagawa Express, Sagawa Moving Center, and World Supply are linked as well as strengthening our business areas other than our courier business.

#### Actively entering into new business areas

We plan on actively entering into new business areas beyond our present business areas and expanding the scope of our overall delivery business through market expansion.

### Logistics

Sagawa Global Logistics Co., Ltd./  
Sagawa Logistics Partners Co., Ltd./ Overseas subsidiaries

#### Core businesses



#### Expansion of overseas business areas and promotion of integrated transportation

We will be expanding our overseas business areas with a focus on distribution processing/storage businesses and promoting integrated transportation.

#### Investment in management resources in the remarkable growth of Asian markets

Establishment of development areas in the astonishing preservation of growth rates in Asian markets. Investment in management resources in China, which has remarkable development even among the Asian markets.

#### Advancement into logistics business areas with high added value/specialization

For businesses in Japan, advancement into business areas with high added value/specialization and strengthening of distribution processing business foundation. Further expansion of scopes is planned.

### Other businesses

Sagawa Financial Co., Ltd. / SG Motors Co., Ltd./ SG Motors Kan-etsu Co., Ltd./  
Sagawa Advance Co., Ltd./ SG Systems Co., Ltd./ SG Realty Co., Ltd./  
Nouvelle Golf Club Co., Ltd./ Sagawa Forestry Co., Ltd.

#### Core businesses



#### Focusing on core businesses while developing 3<sup>rd</sup> and 4<sup>th</sup> pillar businesses

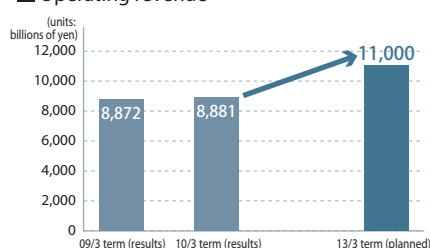
Placing our four vehicle maintenance, realty, IT, and mail order businesses as core businesses and collecting our management resources. Developing our 3<sup>rd</sup> and 4<sup>th</sup> pillar businesses after our courier business and logistics business.

## Second Stage Plan numerical targets

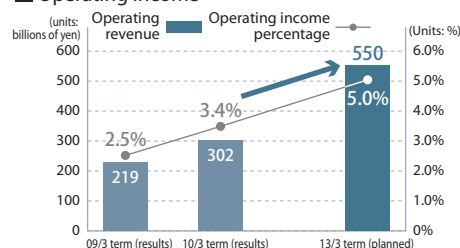
### Consolidated numerical targets toward March 2013 term

Operating revenue	1.1 trillion yen
Operating income	55 billion yen

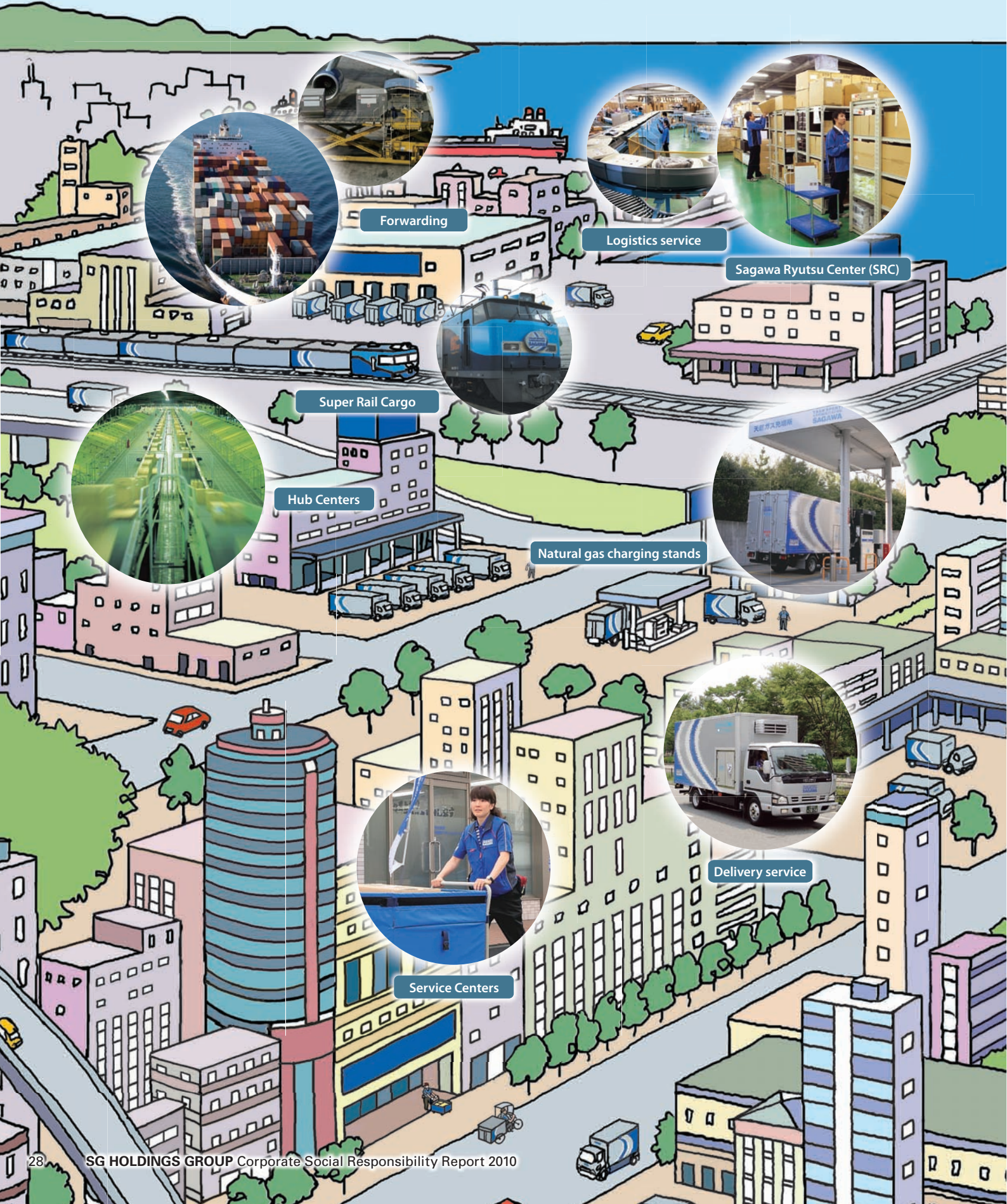
### Operating revenue



### Operating income



# ▶ Business Operations of SG Holdings Group



Forwarding



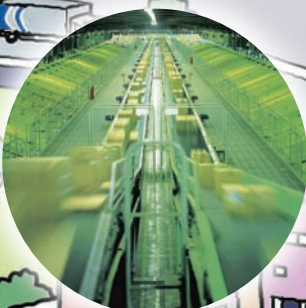
Logistics service



Sagawa Ryutsu Center (SRC)



Super Rail Cargo



Hub Centers



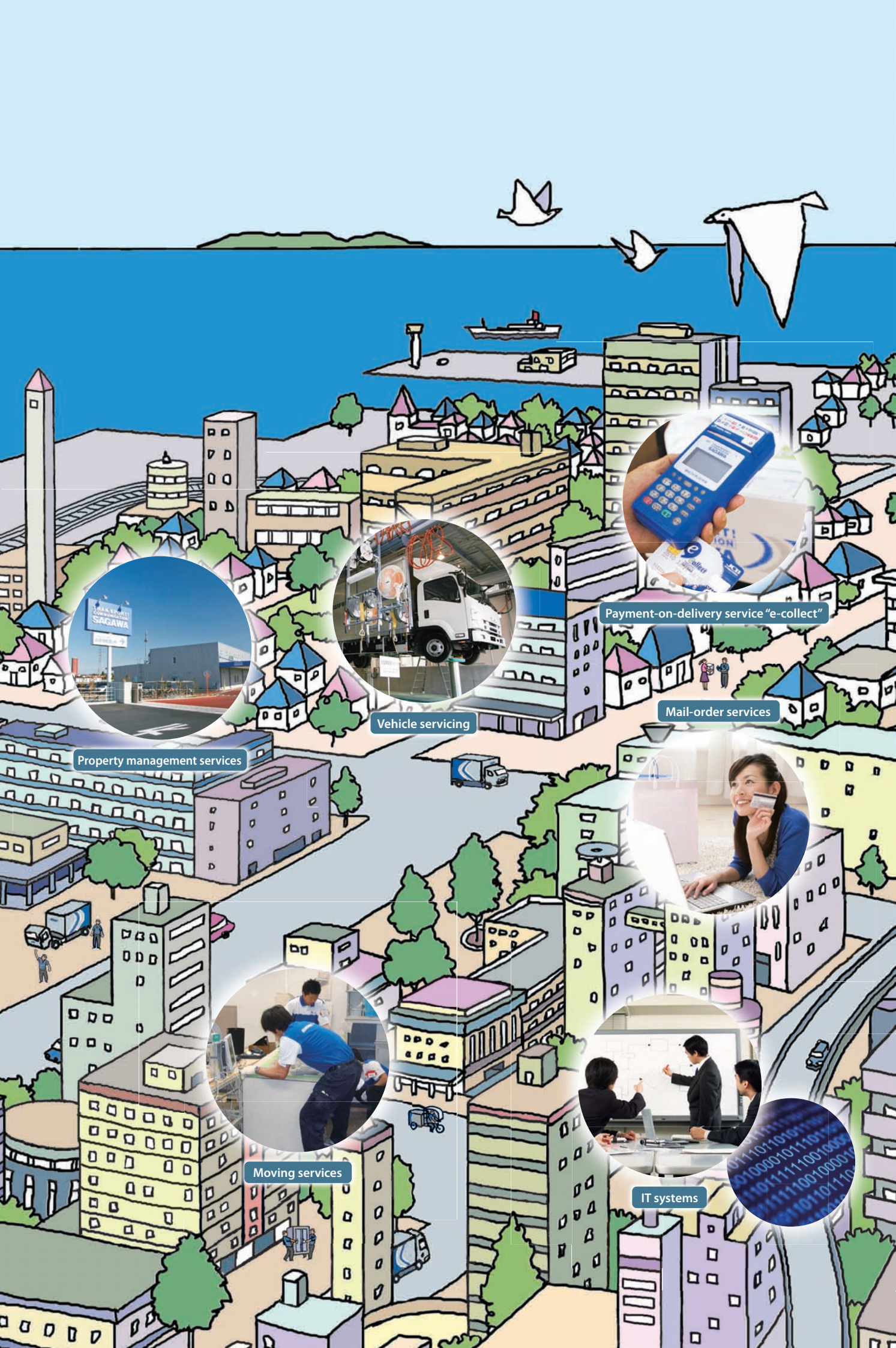
Natural gas charging stands



Delivery service



Service Centers



Property management services

Vehicle servicing

Payment-on-delivery service "e-collect"

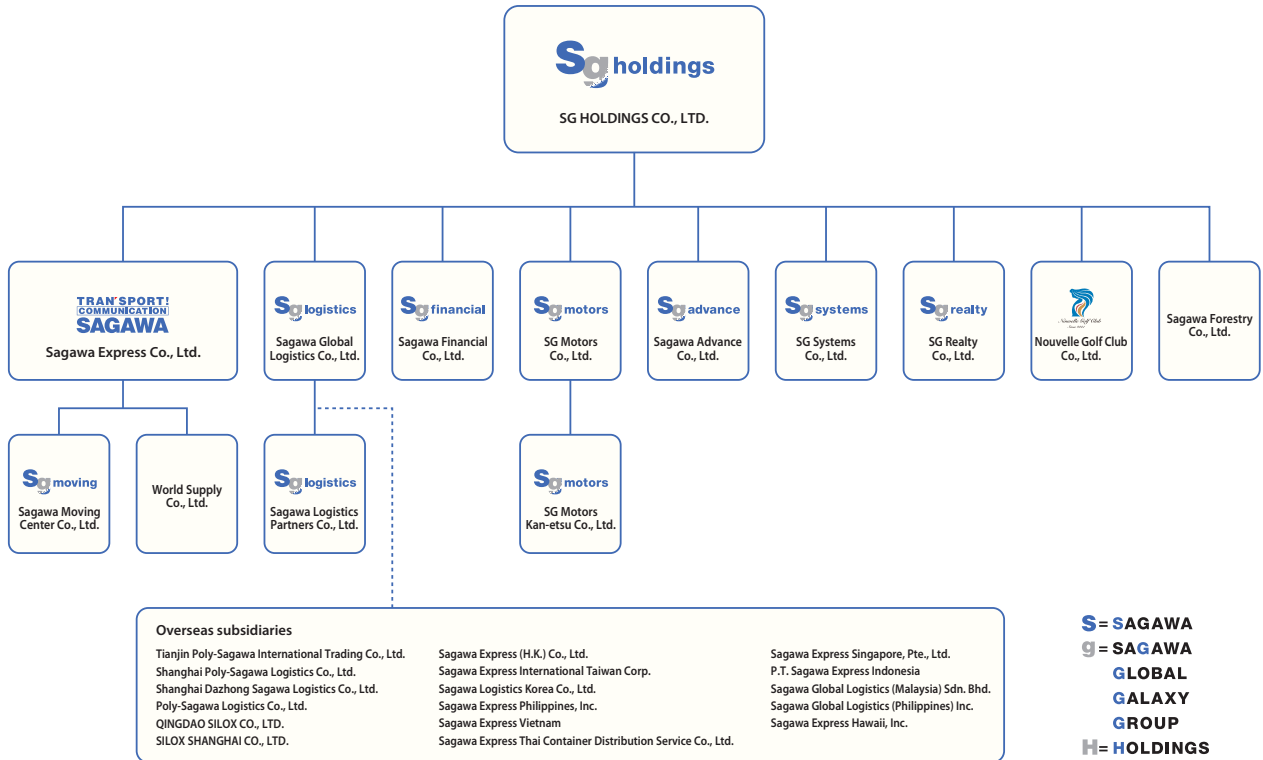
Mail-order services

Moving services

IT systems

# Business Structure and Domestic Business Summaries of SG Holdings Group

## Business Structure of SG Holdings Group



## Business summaries of main domestic group companies

### Sagawa Express Co., Ltd.

Sagawa Express, the core company of SG Holdings Group, is enhancing and expanding its delivery businesses with a focus on courier service business. Its handling volume of parcels per day is usually 4.5 million and carries parcels with its heart and soul. Sagawa Express provides total solutions for efficient physical distribution in liaison with other group companies.



### Sagawa Moving Center Co., Ltd.

In addition to moving for individual customers, this moving service also provides for corporate relocation. Furniture and appliances are transported by two staff members, and our installation/transport service supports assembly and installation. The route delivery business provides total service including transport of equipment for events, transport, installation, and disassembly of furniture/fixtures. Sagawa Moving Center aspires to fulfill the various needs of customers to maximum potential and provide wide-ranging services.





### World Supply Co., Ltd.

With a focus on delivery agent service for department stores, mass merchandiser, etc., this business provides 3PL service and food product cooperative delivery (Tsukiji Market). In addition, domestic/international logistics services for apparel, cosmetics, etc. from storage to shipping are provided in a center that has acquired the TAPA Class-A international security certification.



### Sagawa Global Logistics Co., Ltd.

Our many branches in Japan are linked with our overseas branches in locations such as China and Southeast Asia. We have constructed a scheme for consistent international transportation using various modes so that we can provide services such as 3PL operations and distribution processing with integrated information systems. In an age where many different items are collected from various countries, we are able to select an efficient mode of transportation, increase sales opportunities, and decrease distribution costs in order to improve management efficiency. We support our customers' businesses with tailor-made, one-stop logistics proposals.



### Sagawa Logistics Partners Co., Ltd.

We offer total support for services from verification/inspection to storage/distribution processing operations in eight locations across Japan. By combining operations in order to maximize the processing ability of in-house sorters, multiple shipping for originators/destinations is possible under the same system. Proposals are available for low-cost operation with shared operating bases. We strive to serve various needs while seeking to become the business that is continually chosen by customers.



### Sagawa Financial Co., Ltd.

Sagawa Financial provides a variety of finance-related services. A strong feature of our steadily evolving main business, "e-collect", is the ability to make payments through credit card or debit card with its link to our information query service, "e-SAXIS". As a comprehensive distribution/finance company that everyone can feel safe consulting, we are improving service channel management and quality.



### SG Motors Co., Ltd.

With 25 vehicle maintenance shops, 270 associated maintenance shops, and two Sagawa vehicle body fabrication shops across Japan, every year nearly 40,000 Sagawa Express vehicles are inspected, serviced, or have body work done. In addition, we also provide a wide range of general businesses and services for individual users such as new/used vehicle sales, and maintenance for specially equipped vehicles. Furthermore, we are devising ways of lowering our environmental burden by making maintenance of CNG vehicles and HV vehicles possible at all maintenance shops. We are also working on the development/widespread utilization of environmentally-friendly ECO vehicle bodies.



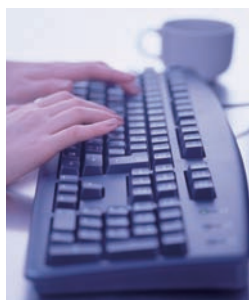
### Sagawa Advance Co., Ltd.

As our goal is to be a comprehensive service provider, we have main pillars of business in a variety of fields, including human resource development, product development, travel agencies, and insurance agencies. In the future, we have plans in particular to use the combined strength of the SG Holdings Group to focus on our mail-order sales business. The "Advance" part of our corporate name will further symbolize our increasing ability to respond to the various needs of customers.



### SG Systems Co., Ltd.

We provide systems and solutions such as information system consulting, construction, application, maintenance management, and BPO center management as an all-in-one company for information. As we possess the development and processing capability cultivated by advanced solutions, we provide high-quality services to customers in a variety of industries.



### SG Realty Co., Ltd.

We carry out property management for the SG Holdings Group as a comprehensive realty corporation and effectively use our resources for new developments. Through realty for both SG Holdings Group and for other locations, we support the businesses of customers through a pillar of PM strategies with methods for renting/leasing to tenants, daily management, and repair planning optimization, as well as a pillar of CRE strategies that aim for balance sheet realty market value improvement and business value improvement.



#### Foundations

- Sagawa Foreign Students' Scholarship Foundation
- Sagawa International Economic Cooperation Foundation
- Sagawa Cancer Research Promotion Foundation
- Sagawa Art Museum Public Interest Foundation

#### Auxiliary organizations

- SG Holdings Group Health Insurance Association
- SG Holdings Group Corporate Pension Fund

## ▶ Overseas Operating Bases of SG Holdings Group

In order to further develop distribution in the Asia region, we at the SG Holdings Group are making efforts with our know-how cultivated in Japan to manage distribution infrastructures and expand networks.



	Company name	Main business content
1	Tianjin Poly-Sagawa International Trading Co., Ltd.	Forwarding*1, trading, customs storage
2	Shanghai Poly-Sagawa Logistics Co., Ltd.	Forwarding, courier*2, 3PL*3
3	Shanghai Dazhong Sagawa Logistics Co., Ltd.	Courier service
4	Poly-Sagawa Logistics Co., Ltd.	Forwarding, courier, 3PL, warehousing/storage, transportation, moving
	A BEIJING BRANCH	
	B DALIAN BRANCH	
	C TIANJIN BRANCH	
	D QINGDAO BRANCH	
5	QINGDAO SILOX CO., LTD.	Inspection, verification, distribution processing
6	SILOX SHANGHAI CO., LTD.	Inspection, verification, distribution processing
7	Sagawa Express (H.K.) Co., Ltd.	Forwarding, courier, warehousing/storage, transportation, moving
8	Sagawa Express International Taiwan Corp.	Forwarding, courier, small-lot collection (Taipei area)
9	Sagawa Logistics Korea Co., Ltd.	Forwarding, courier, electronic commerce cargo handling
10	Sagawa Express Philippines, Inc.	Forwarding, courier, warehousing/storage, transportation, moving
11	Sagawa Express Vietnam	Forwarding, warehousing/storage, transportation, moving, distribution processing
12	Sagawa Express Thai Container Distribution Service Co., Ltd.	Forwarding, courier, warehousing/storage
13	Sagawa Express Singapore, Pte., Ltd.	Forwarding, courier
14	P.T. Sagawa Express Indonesia	Forwarding, courier, warehousing
15	Sagawa Global Logistics (Malaysia) Sdn. Bhd.	Forwarding
16	Sagawa Global Logistics (Philippines) Inc.	Warehousing/storage
17	Sagawa Express Hawaii, Inc.	Transportation operations

\*1 Forwarding.....Agency operations of transport and customs clearance on the import and export relating to international businesses.

\*2 Courier (International courier).....Swift pick up and delivery service mainly for documents or small parcels using air freight.

\*3 3PL.....An outsourcing service to undertake all physical distribution functions of the customer company.

## ▶ Foundation Activities

In addition to distribution fields, the SG Holdings Group makes strong ties with society through education, international exchange, medical support, and cultural arts in order to gain greater trust.



### Sagawa Foreign Students' Scholarship Foundation

<http://www.sagawa-ryugakusei.or.jp/>

This foundation was established in 1986 to strengthen ties with countries in Southeast Asia and contribute to cultural exchange through support funds for the personal expenses of exchange students.

In order to allow exchange students to concentrate on their studies, financial support is provided through scholarships, as well as mental support. In addition, efforts are being made to create communication among scholarship students through the holding of acceptance certificate award ceremonies and exchange meetings, the publishing of scholarship student directories and graduation essay collections, the creation of a website, etc.



### Sagawa International Economic Cooperation Foundation

<http://www.sagawa-kokusaikeizai.or.jp/>

After Sagawa Express donated 200 used trucks to China in 1985, this foundation was established in 1986 to continually provide support for regional development, with a focus on developing countries. We are also accepting vehicle maintenance technology trainees since we would like the donated trucks to be used for as long as possible. We hope to continue contributions to the promotion of international understanding through our operations.

In February 2007, we received a national award from the Lao People's Democratic Republic for our many years of donating used trucks.



### Sagawa Cancer Research Promotion Foundation

<http://www.sagawa-gan.or.jp/>

This foundation was established in 1989 to make contributions towards the improvement of cancer treatment.

To promote health in many people, we make contributions to the improvement of medical welfare through support for basic cancer research and applicable treatment research. We also contribute to regional communities with "cancer citizen public lectures" that make the latest information on cancer prevention, diagnosis, and treatment easy to understand for everyday people.



### Sagawa Art Museum Public Interest Foundation

<http://www.sagawa-artmuseum.or.jp/>

This museum opened in March, 1998. Under the three pillars of the HIRAYAMA IKUO KAN, SATO CHURYO KAN, and RAKU KICHIZAEMON KAN, art/cultural expressions shown repeatedly from each independent "mansion and theme", and various exhibits are shown.

In addition to art/culture information distribution through the exhibition of works, musicians in various genres are invited to concerts, workshops based on exhibits are held. We are working towards the education of future generations along with cultural exchange for regional communities.

# Opinions on CSR

## The voices of our members nationwide who are working in CSR activities



**Tomohiro Ishida**  
Sales driver  
Odate Office  
Sagawa Express

### Providing quiet living environments by removing keys

As part of eliminating engine idling, Sagawa Express removes keys when loading and unloading packages. Once when I made a delivery, there was a note posted saying "my child is sleeping, so please do not ring the doorbell". I quietly opened the door and delivered the package. If I had not removed the key, I probably would have woken the baby. I realized once more that removing keys does more than economize fuel expenses and reduce CO<sub>2</sub>, it also is of use to local citizens.



**Yuki Teramoto**  
Business Strategy  
Department  
SG Systems

### I want to expand on small efforts through workplace communication.

I am promoting education on the environment through workplace communication. In addition to Ecocap Movement, I highly value the combined strength of other small efforts such as switching to energy-saving LEDs for electric signs when changing a company name. Personally, I collect used stamps. In future communication activities, I would like to promote collection exercises for used stamps/cards throughout the entire company and make contributions to welfare organizations, etc.



**Takayuki Takeuchi**  
Sub Chief  
Insurance  
Operation  
Department  
Tokyo Branch  
Sagawa Advance

### I still remember the words "having insurance saved me"

By offering insurance services, it is my duty to provide ease of mind to the employees of the SG Holdings Group. One day, a driver who had purchased insurance from me said "I was injured and had to take a long leave of absence, but I was saved thanks to the insurance you recommended. Thank You." I felt that my efforts paid off. I will continue to support everyone's lives as an unsung hero.



**Kanae Onuma**  
Administration  
Section  
Sagawa Logistics  
Partners

### I want to improve workplace environments with "the power to notice"

We at the administration section do not have the opportunity to communicate directly with customers, but I believe that allowing all employees to do their jobs without hindrance is linked to safely and reliably delivering customers' products. In this, it is important to have "the power to notice" when someone is troubled or inconvenienced. I want to be watchful and attentive day to day while providing for disregarded needs as much as possible.

# Efforts on Safety

Solid safety and reliability  
in livelihoods

In all our activities,  
safety is our top priority.

**Hideo Kameda**

Department Manager  
for Safety Promotion  
Personnel and Safety  
Control Department  
Sagawa Express Co., Ltd.

**REPORT**



The SG Holdings Group depends on trucks for our core logistics operations. Not surprisingly, safe driving is our first priority, and we are promoting Eco Safety Drive and fully completing maintenance requirements. We are also raising our drivers' awareness and knowledge of driver safety, using training and events such as driver contests to promote safe driving. For the wider public, we offer traffic safety classes for children and seniors in partnership with local communities.

In 2009, 4,914 people lost their lives in traffic accidents in Japan. In a bid to prevent traffic accidents, Japan's Ministry of Land, Infrastructure, Transport and Tourism issued the "2009 Comprehensive Safety Plan for Commercial Drivers." Based on this document, we declared our objective to "reduce traffic accidents, violations of the law and work accidents" and began activities on that basis. Going forward, we will continue to contribute to a safer, more secure society in partnership with other cooperating companies.

▶ **FY 2009 Results**

**Constructing a group-wide safety database**

In fiscal 2009, we implemented the "Operation Eco Safety Drive" in Japan to reduce our environmental burden through safe driving. As a result, the total fuel efficiency of all vehicles increased by 102.3%, bringing savings in oil costs and reducing CO<sub>2</sub> emissions. A system was established for the central management of the drive recorders installed in all vehicles. Based on the "Hiyari-Hatto" (frightened/surprised by an incident) experiences of drivers, a third-party agency analyzed near-miss accidents, resulting in a list of the kinds of timings, locations, etc. that are likely to cause accidents. We plan to use this data in the preparation of educational materials for future employee training.

▶ **Future targets**

**By strengthening our system for driver instruction, we are improving our drivers' safety awareness and driving techniques.**

In Operation Eco Safety Drive, which began in FY 2009, the key objective is for drivers to develop habits of safe driving so each and every employee can achieve the target of zero accidents. To strengthen our routine instruction framework with this objective in mind, Sagawa Express is revising our certification systems for SD Instructors and Safe Driving Supervisor. Our goal is to educate our managers to hold a high degree of knowledge and skill with respect to safety, so those managers can play a leading role in reducing the risk of accidents. Sagawa Express is moving forward with activities to improve on our performance in FY 2009, in which both accident rates and environmental impact decreased.

## ▶ Scheme to Enhanced Safety

The entire company is making efforts towards increasing driver skills and safety awareness through the establishment of a safety management system and driver contests, etc.

### Safety management system

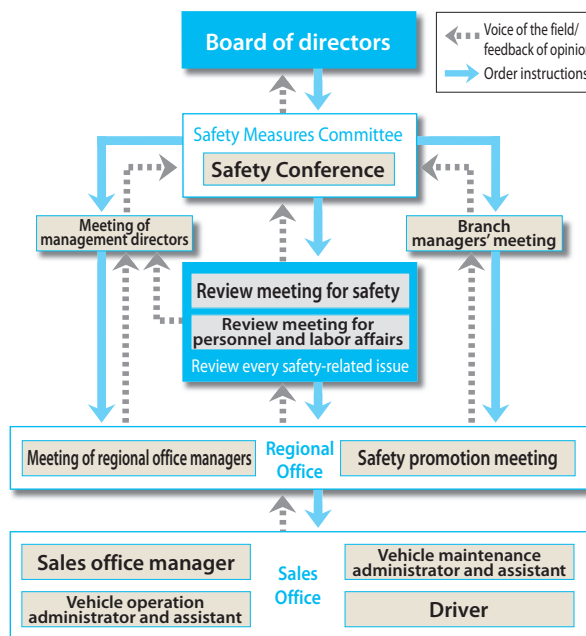
Giving the top priority in its business management to assure safety in transportation, Sagawa Express has established a Safety Measures Committee. In October 2006, transport safety management rules were legislated by the Trucking Transport Business Law for the purpose of "improvement of the transport safety." The committee was set up for this purpose in 2003 prior to the legislation in 2006.

The director in charge serves as the chairman, while the director of the board, corporate officers, branch office presidents, CEO of the group company that performs actual transport works, and other executives serve as vice chairman and committee members constituting the committee. The committee holds a monthly safety conference, where the progress of safety activities are reported and various measures are discussed for assuring safety from the viewpoint of hardware as well as software. In addition, review meetings by the personnel in charge of safety promotion activities at regional offices and sales offices are regularly held to improve safety measures, reflecting mainly opinions from the frontline.

As part of the safe driving management system, we also assign dedicated safety promotion staff at every sales office. Those staff members work mainly on safety driving management in arranging a good working environment for drivers through smooth two-way communication.

■ Diagram of the safety management organization

\* Since May 1, 2009



### Fully equipped training facilities

In order to develop excellent drivers, Sagawa Express has training facilities equipped with courses for driving practicing at four locations: Miyagi, Kanagawa, Aichi, and Kagawa. Utilizing courses that simulate residential districts including intersections with poor visibility, we conduct useful lessons for how to drive safely on public roads.

■ Training facilities nationwide

Location	Training course Area	Training vehicle
Miyagi Prefecture (Zao)	14,308m <sup>2</sup>	14
Kanagawa Prefecture (Ayase)	31,020m <sup>2</sup>	47
Aichi Prefecture (Toyohashi)	25,132.8m <sup>2</sup>	15
Kagawa Prefecture (Setouchi)	2,098.8m <sup>2</sup>	6

\* AT vehicles as well as light vehicles to be introduced for training vehicles



Zao Training Center



Ayase Training Center



Toyohashi Training Center



Setouchi Training Center

## Improvement of safety with a license system

We have the “Sagawa License System” to educate and certify excellent instructors for the purpose of developing drivers in order to prevent accidents. As for those relating to safety, there are two licenses; SD Instructor and Safe Driving Supervisor. SD Instructors are selected from the employees with detailed work-related knowledge, and those who have sufficient knowledge, skills, and leadership and have passed the test are certified as SD Instructors to be in charge of the education of new recruit drivers on the on-the-job training. Safe Driving Supervisors are selected from administrators and veteran drivers, and those who have judgment ability in addition to professional knowledge and skills are certified as Safe Driving Supervisors to assume an important role to judge whether a recruit driver is ready for independence on the job. We enhance the human resource education system by separating the education and certifying functions.



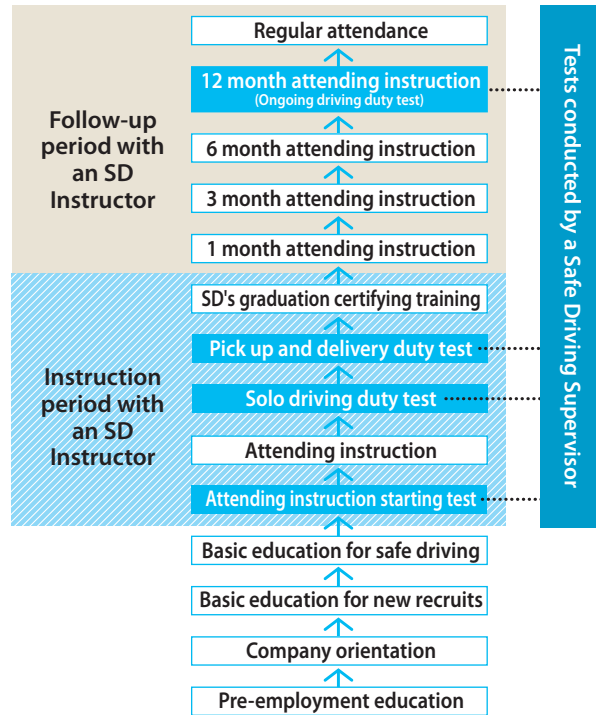
Certificate of SD Instructor License



Certificate of Safe Driving Supervisor License

As of March 20, 2010, we have 9,130 certified SD Instructors and 2,316 Safe Driving Supervisor.

### Education flow of new recruit drivers



## Heart to Heart

### To inherit the DNA called “safety”

Through the training progress of a new driver who was hired in 2009, we will show the efforts of Sagawa Express to convey the importance of safety to a new generation.



Kyohei Kodaira

Sales driver  
Sagawa Express Yokohama Midori Office

### Training towards “Hikyaku no kokoro” (the spirit of express messenger) and the basics of safe driving

“When I went for a drive with a friend on a day off, I was told “your driving has changed”, says 2<sup>nd</sup> year sales driver Kyohei Kodaira. Hired in February 2009, he works in the northern area of the City of Yokohama.

“After seeing sales drivers working energetically every day, I felt it was a worthwhile job and decided to join” says Mr. Kodaira. “I did not particularly have confidence that I could drive a truck, I believe the reason why I am now able to work as a sales driver is because of Sagawa Express’s unique human resource development system. I have undergone various training programs up until now, and I really think the deepest impression is the basic education for new recruits.” Basic education for new recruits is carried out over three days and two nights. Training involves company operation content and CSR environmental activities, etc., and sales driver duties are learned through role-playing. “I learned the basic attitudes for working at Sagawa Express through vocal practice and other methods.” When making contact with customers, employees are thoroughly trained to take a social attitude with a cheerful voice.



Afterwards, new employee lectures are taken during “Basic education for safe driving”. “We must take an attitude as a professional driver, learning starting and stopping, acceleration and deceleration, as well as basic skills other than truck driving such as pointing and calling along with night driving. In addition, there are lectures on vehicle inspection and cleaning. I was able to systematically learn skills and attitudes related to safe driving.”



Vehicle inspection is a basic of safe driving

## Fully realizing one’s own pre-employee weaknesses through the teachings of instructors and supervisors

After safe driving basic training is complete, teachings from SD Instructors and certification from Safe Driving Supervisors continue. “In addition to driving techniques, SD Instructors taught me detailed information on general sales driver operations. It was very helpful for interactions with customers and other areas. The Safe Driving Supervisor taught me the importance of verifying every operation. Sometimes they spoke harshly, but through the teachings of my superiors I fully realized my weaknesses behind the steering wheel before I had joined the company.”

## Thoroughly safe driving in order to become a trustworthy driver

Mr. Kodaira is entering his second year as a sales driver. While steadily learning work skills, as he also learned situations in which accidents could easily occur as he became used to his job. Becoming too accustomed to something is forbidden for safe driving, and there is no such thing as being too careful.

“The trucks have more blind spots than a passenger vehicle. In particular, I am very careful in narrow roads to watch for suddenly appearing pedestrians and people on bicycles, as well as rolling over during left turns. In addition, I do whatever I want on a day off so I can clearly focus on my job. Recently, I have finally been able to quickly switch between on and off modes by refreshing my mood. Doing a job at your own pace is linked to driving with a relaxed attitude.”

When asked about his future aspirations, he enthusiastically said “I want to satisfy customers more than I am now and become a reliable sales driver. To do this, I plan on working on my duties with a greater awareness of safety.” Safe driving is the foundation of building trust with customers. This feeling that has been cultivated by Sagawa Express is being carried on by new drivers.

### » Words from the SD Instructors

I decided to become an SD Instructor for the goal of increasing safe driving awareness throughout the entire company. In my teachings, I have repeated “when driving, focus only on driving” many times. This is because just a slight relaxing of one’s attention can cause an accident. Accidents cause problems for victims and those at fault. In order to not cause trouble for people, we continue our thorough teachings.



**Tomohiko Kurokawa**

Sub Chief  
Operations Division  
Yokohama Midori Office  
Sagawa Express



Appropriate training from SD Instructors

### » Words from the Safe Driving Supervisor

I believe what you are looking at and with what timing are important for safe driving. In other words, your eye movements. This is why I pay the most attention to a driver’s line of sight during certification. When their line of sight does not move, I immediately warn drivers to pay attention to their surroundings. In the future, I hope that all drivers do their jobs with a strong feeling of “driving is not a game, and I will not make any compromises.”



**Hiroaki Sagawa**

Assistant Manager  
Safety Promotion Section  
Yokohama Midori Office  
Sagawa Express

## Winners in a National Truck Driver Contest

In October 2009 at the Central Training Academy for Safe Driving in Hitachinaka, Ibaraki Prefecture, the SG Holdings Group entered 30 drivers in the Japan Trucking Association's 41<sup>st</sup> National Truck Driver Contest to compete in safety knowledge and techniques with truck drivers from other transportation companies. Nine drivers placed, including one who won the Police Department Minister's Award.

Competition content

<b>Knowledge test</b>	Answer sheet examination on the Road Traffic Act, Road Trucking Vehicle Act, structural functions (vehicles) and other driving-related common knowledge required for professional drivers.
<b>Maintenance &amp; inspection test</b>	Inspection skills such as inspection locations and inspection content (observation points) for securing vehicle safety are evaluated.
<b>Driving techniques test</b>	A wide range of driving techniques is evaluated in course driving, compulsory driving, driving operation, safety check, etc.

### ■ 4 ton category

Rank	Name	Branch	Score	Remarks
1	Masamitsu Nakayama	Tanabe	978	Police Department Minister's Award
2	Yoshio Kagasaki	Fukaya	975	
3	Yusuke Takano	Gifu	970	
4	Hideyuki Sato	Shizuoka	970	

### ■ Women's category

Rank	Name	Branch	Score	Remarks
1	Kaori Tsurusawa	Higashimatsuyama	975	Police Department Minister's Award
2	Yoko Arai	Koga	968	
3	Tomoko Kasai	Akita	953	
4	Konatsu Sugimoto	Higashi Osaka	953	
5	Yoshiko Umehara	Tosu	930	



Scene from a competition



Awards ceremony



Prize winners made a courtesy call to the Prime Minister's residence  
Photo provided by the Japan Trucking Association

## Sagawa Express National Driver Contest

The 17<sup>th</sup> Sagawa Express National Driver Contest was held in May 2009 at the Sagawa Express Training Center Vehicle Practice Area to prevent traffic accidents. 60 drivers including drivers from group companies obtained perfect 1,000 point scores for their day to day driving skills and consideration for the environment, in the categories of "Study Subject Competition" (400 points), "Driving Competition" (400 points), and "Inspection Competition" (200 points).

### ■ Prize-winning individuals

	Name	Branch (Regional Office)	Score
Light vehicle division	Toru Takahara	Suma (Kansai)	967
2 ton division	Kenta Inoue	Fukui (Chubu)	978
4 ton division	Hideyuki Sato	Shizuoka (Chubu)	969
11 ton division	Hiroshi Nishihara	Kyushu route Sales Office (Kyushu)	982
Rookie division	Yoshinori Irie	Koga (Kanto)	958
Special award	Tomoko Kasai	Akita (Tohoku)	952
Group champion		Chubu	949.78



Scene from a competition



Awards ceremony

## ▶ Efforts on Eco Safety Drive

We believe that safe driving also has strong effects on the environment. Therefore, we are promoting “Eco Safety Drive”, which combines safety and ecology.

### Promotion on Eco Safety Drive

In order to assure safety and eco-friendly driving among all our drivers, throughout the entire company Sagawa Express promotes “Eco Safety Drive”, driving without making any jackrabbit starts or crash stops. The principle of “Eco Safety Drive” is observation of an upper limit in the engine evolution speed for startup and during driving, as well as enhancement of the driving techniques related to the timing of the gear change. These efforts will lead to a reduction in fuel consumption in addition to safety and environmental merits, bringing us a significant cost saving. In order to implement “Eco Safety Drive,” administrators and instructors were solicited to take part in special training.

In FY 2009, three “Eco Safety Drive” training courses were organized in which 108 employees participated.



“Eco Safety Drive” training courses

### Seven Points for Eco Safety Drive

We have set up “Seven Points for Eco Safety Drive,” a list of the seven most important items in Eco Safety Drive. These are included in the employee’s handbook. We also utilize an educational video, a Practicing Manual of Seven Points for Eco Safety Drive, for training, as an attempt to spread the idea to all employees.

- 1 Practice of softer acceleration, “e-startup”
- 2 Shift-up operation well in advance
- 3 Driving at a constant speed in accordance with traffic conditions
- 4 Keeping a safe inter-vehicle distance
- 5 Utilization of the engine brake by releasing the gas pedal in good time
- 6 Strict enforcement of key pulling out (to stop the engine) when parking
- 7 Daily inspection/servicing and tire air pressure control

### Operation Eco Safety Drive

Operation Eco Safety Drive has been implemented since fiscal 2009 with a competition for fuel cost economizing between individual branches as well as efforts for further Eco Safety Drive promotion. In order to ensure equality in the public view, branches are divided into groups A-D based on scale, and the top ranking branches based on 1. Fuel cost economizing rate, 2. Reduction in usage volumes, and 3. Low fuel consumption is announced quarterly.



Operation Eco Safety Drive poster

## ▶ Efforts on Safety by Vehicle Servicing and Safety Devices

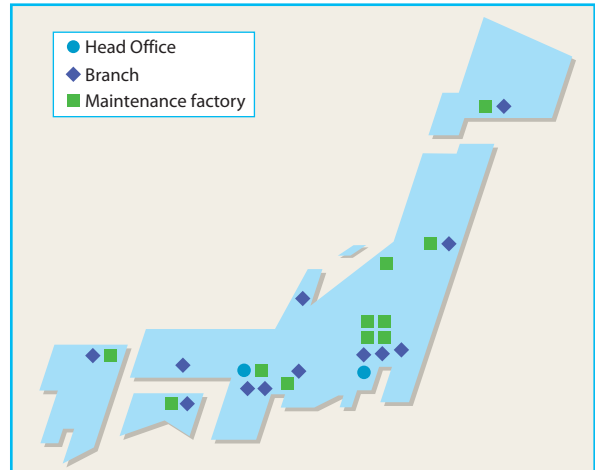
In order to prevent traffic accidents, regular inspection of trucks, thorough vehicle maintenance, and teachings using safety devices are carried out.

### Traffic accident prevention through thorough vehicle maintenance

SG Motors Co., Ltd., which assumes the servicing work of all the vehicles owned by SG Holdings Group, is trying to eradicate accidents caused by improper maintenance and reduce burdens on the environment by performing rigorous inspections and maintenance. Good maintenance and strict inspections also leads to the reduction of environmental load. In fiscal 2008, the expansion of the Sapporo and Takamatsu repair shops was carried out through relocation to new buildings. In the following fiscal year, new repair shops were opened in Saitama, Gunma, and Niigata prefectures in the northern Kanto region as we expand the support framework and strengthen services.

Daily inspections conducted by the drivers, 3-month inspections and 12-month inspections according to the vehicle maintenance plan and other standardized inspection and maintenance works are conducted without fail. The progress of the repair status of the vehicles that have been recalled by the manufacturer is properly controlled to support the safe driving operation of more than 28,000 vehicles.

■ SG Motors vehicle serving network



### To prevent traffic accidents, Drive Recorders have been introduced

In order to objectively understand driving characteristics and make more effective safety driving instructions, Sagawa Express has introduced Drive Recorders (a driving recording device). The Drive Recorder equipped on a vehicle evaluates the driving operation with a point rating method in five different areas: brakes, stops, steering wheel, left/right turns, and smoothness. With this we can know each driver's traits and weaknesses, furthermore drivers can aim for high scores while raising their safety awareness. In addition, in order to prevent traffic accidents we are introducing devices that sound an alarm when certain points designated on a map are reached and simultaneously record images on a hazard map.

As of March 2010, we have installed 5,351 drive recorders, and the evaluation results are being shared between headquarters and regional offices. This is linked to the increased safety awareness for all of Sagawa Express.



Precise advice based on driver instructions



Driving diagnosis result chart



Confirmation of driving diagnosis results

### Utilizing "Hiyari-Hatto" (frightened/surprised by an incident) experiences for safety education

It is important for drivers to share close-call experiences while driving in order to prevent accidents. Therefore, at our workplaces we show videos of dangerous occurrences recorded from drive recorders. These and other reference materials are used in training and discussions for risk aversion.



"Hiyari-Hatto" example video



"Hiyari-Hatto" video recorded by Drive Recorder

## Ensuring safety of core transportation

Concerning core transportation, Sagawa Express makes various efforts to raise the safety awareness of drivers, including those belonging to subcontracting companies.

### Nationwide simultaneous safety patrol for core transportation

"Sagawa Express Nationwide Simultaneous Safety Patrol for Core Transportation" comprises measures such as the refreshing of the body/mind of drivers and vehicle inspection/maintenance in order to prevent traffic accidents and vehicle breakdowns. In both spring and fall every year since 1994, safety issues are brought up by core transportation drivers, mainly at service areas/parking areas along major highways.

As part of our gratitude and environmental protection measures, we also initiate clean-up activities at venues.

### Nationwide simultaneous terminal inspection for core transportation

For the purpose of maintenance and enhancement of the transport quality by preventing traffic accidents and vehicle troubles during core transportation, we conduct "Sagawa Express Nationwide Simultaneous Terminal Inspection for Core Transportation" twice a year. At all bases of Sagawa Express, the branch managers and administrators, including those from subcontracting companies, utilize a custom check sheet and conduct vehicle checks for daily inspection before departure.

### Safety seminar for the core transportation subcontracting companies

Safety driving seminars were held featuring the invitation of outside lecturers from the Ministry of Land, Infrastructure, Transport and Tourism and other organizations. These were organized for other core transport partners about subjects on the responsibility of management including examples of achievements in measures for the safety of truck operators and safety management.

## "Beloved vehicle day" efforts

The trucks operated by Sagawa Express drivers are entitled with "protecting safety in regional communities, transporting customers' precious packages while keeping the drivers themselves safe" and are valued partners that spend more time with us than even loved family members.

We started "Beloved vehicle day" to enhance a beloved vehicle spirit since fiscal 2009.

#### Records of the Nationwide Simultaneous Safety Patrol for Core Transportation

Date	29 <sup>th</sup> : April 10 (Fri.)– 11 (Sat.), 2009 30 <sup>th</sup> : September 10 (Thu.)– 11 (Fri.), 2009
Results	29 <sup>th</sup> Total number of inspected vehicles: 3,276 Number of participating inspection staff: 830 Number of defects found: 12
	30 <sup>th</sup> Total number of inspected vehicles: 3,099 Number of participating inspection staff: 843 Number of defects found: 17
Patrol Content	① Core transportation drivers were called on for safe operation and to carry out mid-way-point vehicle inspection based on regular inspection standards ② Sticker verification for the conforming vehicle emblem for operation vehicles that conform to the regulations for vehicles entering Osaka Prefecture ③ Cleaning activities at each location before patrol commencement

#### Results of the Nationwide Simultaneous Terminal Inspection for Core Transportation

Date	15 <sup>th</sup> : June 29 (Mon.), 2009 16 <sup>th</sup> : December 7 (Mon.), 2009
Results	15 <sup>th</sup> Total number of inspected vehicles: 5,335 Number of defects found: 56
	16 <sup>th</sup> Total number of inspected vehicles: 5,523 Number of defects found: 46
Patrol Content	① Vehicle inspection carried out using dedicated check sheets based on regular inspection standards ② Strict check to make sure no alcohol is brought into the driver's seat

#### Safety seminar

Area	Date	Number of participants
Kyushu	August 3	39
Chugoku/Shikoku	July 27	42
Kansai	July 28	63
Chubu	July 31	35
Kanto	August 6	88
Tohoku	August 7	18
Hokkaido	August 5	16
Total	—	301

Seminar content: The theme of "Industrial Vehicle Comprehensive Safety Plan 2009" Associated administrative organizations, etc. gave lectures on the main points of the newly drafted 2009 safety plan for the purpose of protecting safety for transportation when using public routes.



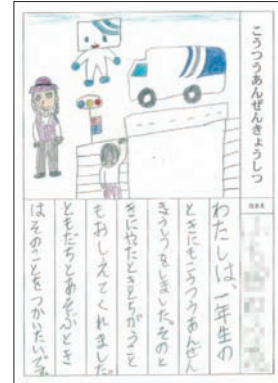
A scene from "Beloved vehicle day"

## ▶ Looking to a Safer Society

As we use trucks daily, it is our important mission to help make safe traffic society a reality. By communicating with local communities, we teach the importance of traffic rule observation.

### Sagawa Express Traffic Safety School preserves the smiles of children

Sagawa Express Traffic Safety Schools were born from a desire to protect children from tragic accidents. These traffic safety classes are taught to kindergarten to lower elementary school year age children. In addition to teaching the basics of traffic rules such as crosswalk crossing and the meaning of traffic lights/signs/symbols, demonstrations of blind spots using an actual truck are included in lessons. 837 classes were taught in Japan in fiscal 2009 with 113,867 children participating. We have received many messages from participants, which bring us joy and help us to feel a great responsibility regarding safety. We will continue to raise traffic safety awareness among all employees and be thorough in overall day to day safety in order to prevent accidents.



We received a lot of sweet messages

#### VOICE



**Shiori Yasuda**

Safety Promotion Section  
Tohoku Branch Office  
Sagawa Express

#### Safe driving is our promise to children

In a traffic safety class, people in pig suits were playing around a parked truck. Then, many of the children started shouting "That is dangerous!" and "Do not get close to a truck!" After seeing this, I felt that traffic safety class activities had great merit. The teachers also asked us "Please come again. The children learn better from seeing demonstrations rather than being lectured." In addition, the driver who participated in the traffic safety class said "I made a promise to the children to drive safely, so I will be sure to drive safely" in regards to his new feelings. We were reminded of the importance of safe driving through interacting with children in the traffic safety class. We will continue to expand our traffic safety class activities in order to protect the cute smiles of the children.



Traffic Safety School

### Traffic Safety School for Senior Citizen

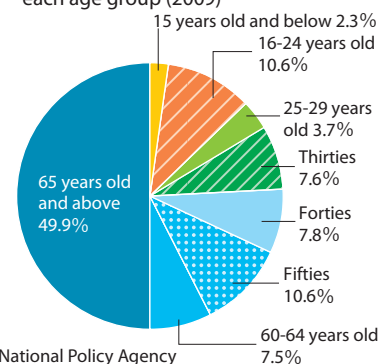
According to a report by the National Police Agency, nearly half (49.9%) of 4,914 people killed in traffic accidents in 2009 were senior citizens aged 65 years and above.

In addition to the Traffic Safety School for young children, Sagawa Express also hosts the same kind of school tailored to senior citizens in various regions in order to prevent accidents among senior citizens.



Traffic Safety School

■ Component rate of the victims of each age group (2009)



Source: National Policy Agency

## Offices' efforts on safety

As an achievement award regarding safety, Sagawa Express set up the Continuous Accident Free Award scheme for our offices. "Continuous accident free" is calculated by the number of vehicles that belong to the office multiplied by the continuous days without accidents; that means, the results of the concerted efforts of all the office employees on safe driving are evaluated.

### The efforts of the office with the longest accident-free period, Asahikawa Office

The Asahikawa Office is working to overcome the driving weaknesses of individual drivers. Through accompaniment by managers and safety patrols, individual drivers are able to objectively understand their weaknesses. For man-to-man instructions, effective results are obtained by basing the instructions on each weakness, allowing for improved safety awareness and a continued accident-free period.



Pointing out weak points and raising awareness

## The Assessment Audit for Transport Safety Management by the MLIT

The Assessment Audit for Transport Safety Management by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) was conducted on October, 2009. After the evaluation, we received high evaluation marks in the following areas: ① Display of positive commitment by top management; ② As-needed understanding/verification of the achievement status important safety measures and any revisions based on them; ③ Increasing awareness of planning participation in employees as well as policies for achieving full two-way communication between the business management departments and actual workplaces.

We will continue to work on the improvement of safety awareness throughout the entire company and further promote our efforts.



Scene from an evaluation by the Ministry of Land, Infrastructure, Transport and Tourism

## Certified as a Business Institution of Excellence in Safety

Sagawa Express, Sagawa Moving Center, and World Supply were certified as Business Institutions of Excellence in Safety for their 339 branches (as of March 20, 2010). This certification by a National Trucking Rectification Operation can be achieved by businesses that have been properly evaluated for efforts towards traffic safety, etc. We will continue to make efforts so that we will also receive high evaluation in the future.



Certification logo mark of a Business Institution of Excellence in Safety

# Opinions on CSR

## The voices of our members nationwide who are working in CSR activities



**Kazuya Uchida**  
Sales driver  
Tsuyama Office  
Sagawa Express

### Customer trust has developed into new work

I am glad when I am told "thanks again" rather than "thank you" after going to pick up or deliver packages for a customer. And one time, I got a call from an unknown number on my mobile phone. When I answered the phone, I was told "I was introduced by an acquaintance who told me that Mr. Uchida of Sagawa Express could absolutely help me" by a new customer. I was both surprised and impressed that I had gained the trust of customers.



**Keiko Kudo**  
Management  
Department  
Operations  
World Supply

### I want to make everyone cheerful through a bright personality

With my duties in delivery agency operations, I value a bright personality and always greet people with a smile when I am working, whether they are employees or customers. The other day, I was introduced to a new customer by another customer "because I respond quickly and have a bright personality." I try to be positive, energetic, and sincere about everything. Through this attitude, I hope to be able to make everyone cheerful, even if it is just a little bit.



**Yoshiyuki Tanaka**  
Sales operations  
manager  
Minami-Osaka  
Branch  
SG Motors

### Difficult work is an opportunity to satisfy customers

My day to day work includes tight deadlines and orders with high hurdles. In such times I do not say "it is impossible" and simply refuse, I say "how about this?" and try to find a proposal that will satisfy the customer. Difficult work gives a feeling of accomplishment, and customers respond with more gratitude. I will continue to endeavor for business operations that satisfy customer needs in order to please customers.



**Mai Nakahara**  
Administration  
Section  
Kyushu Branch  
Office  
Sagawa Express

### Various activities are being developed with "consideration for people and the Earth" as keywords

Eco Cap activities are promoted throughout the entire Kyushu Branch, and enough caps for vaccines for 145 people were collected as of April 2010. In addition, we are making contributions with volunteer activities such as collecting pull-tabs for wheelchairs, collecting old newspapers, and energy saving activities to reduce CO<sub>2</sub> emissions. In the future, we will continue with activities that contribute to society with "consideration for people and the Earth".



# Efforts on Environmental Conservation

Partnerships with regional communities  
and promotion of activities  
that protect the environment

**We are making steady improvements in both hardware and software terms.**

**Kinya Hiyama**

Manager  
Environmental Preservation  
Promotion Section  
General Affairs Department  
Sagawa Express Co., Ltd.

**REPORT**



At the SG Holdings Group, many trucks are in operation every day to serving our valued customers. As a company with logistics at our very heart, we recognize that vehicle emissions are an issue we must consider seriously. That is why we are enthusiastically active in efforts to improve shipping efficiency and are promoting Eco Safety Drive to reduce air pollution and global warming. We are also working in harmony with communities and nature on environmental issues, with efforts in both physical/technical methods and education/awareness-raising methods. To ensure continuous improvement, we clearly disclose our environmental objectives and targets and review them regularly. To pass on our irreplaceable natural environment to the next generation, the SG Holdings Group is constantly imagining what else we can do and taking resolute action, fulfilling our duties as a corporate citizen.

▶ **FY 2009 Business/Results**

**Everyone's energy-saving efforts make a difference**

In FY 2009 Sagawa Express's total CO<sub>2</sub> emissions were 405,000 metric tons—10.56% higher than in the baseline year of FY 2002. The key factor in this rise was a significant increase in our number of vehicles following major acquisitions beginning FY 2006. At the same time, we embarked on a campaign to reduce energy consumption, as a result of which Sagawa Express's energy consumption, at 9.92 million kWh, was 3.8% lower than in the previous fiscal year.

This energy consumption is equivalent to that of one million typical households in Japan. This remarkable achievement is due to the dedication and hard work of each and every employee, in every Sagawa Express business location.

▶ **Future Targets**

**Extending environmental-preservation activities to the entire community**

Every year the volume of packages shipped by Sagawa Express increases. As such, we recognize that reducing energy consumption in shipping activities is an issue of pressing concern. To achieve maximum benefit in efforts to reduce CO<sub>2</sub> emissions and save energy, it is vital to promote environmental activities that are group-wide in scope. In future initiatives, Sagawa Express will continue to pursue environmental measures in our own operations while partnering with stakeholders across the SG Holdings Group, aiming for environmental activities that encompass all of society.

## ▶ Concept of Environmental Activities/ Efforts against Global Warming

As we aim for harmony between society and nature, the SG Holdings Group is introducing new technology and combining the efforts of each individual employee towards the prevention of global warming.

### Environmental Philosophy and Environmental Policies

#### Environmental Philosophy

As a good corporate citizen, Sagawa Express establishes independent and continuous basic policies for environmental conservation. While trying to harmoniously coexist with society and nature, we will make efforts to solve global environmental issues and contribute to the development of local communities.

#### Environmental Policies

- 1 To restrain global warming and air pollution by tailpipe emissions, we will try to make continuous improvement in environmental conservation, through promoting the streamlining of transport, the introduction of low-emission vehicles and the practice of Eco Drive.
- 2 Promoting natural resource saving, energy saving and 3R\*, we will make improvements, planning and suggestions for the effort on the structuring of a recycling-oriented society.
- 3 We will observe environment related regulations, ordinances, agreements and other requirements and try to reduce environmental load and to prevent pollution.
- 4 Through the environmental education and enlightening activities, we will communicate these policies to all employees and promote environmental activities. We will further spread information on these objectives and on our environmental activities to the general public.
- 5 We will try to make continuous improvement in the environmental management system, by setting the environmental designs and goals and regularly reviewing them.

\* 3R is taken from the first letters of Reduce, Reuse, and Recycle.

### Participation in Climate Savers Program

Climate Savers Program is an effort to reduce the greenhouse gas effect, initiated by the world's biggest nature conservation group in the private sector, the WWF (World Wildlife Fund), in which the most advanced companies in the field of environmental operations take part in. The particularities of this program are that firstly, the companies set the reduction targets through dialogue with the WWF and secondly, a third party organization conducts the verification process. This gives transparency and credibility to the participating companies.

As a condition to join this program, the companies are required to set the reduction targets that exceed their current plan and, in principle, the targets must be set in the absolute quantities (gross emission), not in the basic units that indicate the amount of emissions per production quantities or sales volume. This means that the quality of the program is extremely high and that strong leadership is required for participating companies.

As of March 2010, only 23 companies are taking part in this program in the entire world. Sagawa Express is the first Japanese company and the only distribution company in the world to join the program.



Scene in the Climate Savers Summit



碳减排先锋  
Defensores do Clima  
クライメート・セイバーズ  
Climate Savers

## The Sagawa Express target for CO<sub>2</sub> reduction

Sagawa Express sealed the Climate Savers Program in May 2003 and started efforts in collaboration with the WWF. The target we stated was the reduction of gross CO<sub>2</sub> emission by 6% (compared to fiscal year 2002) before FY 2012. We calculated it based on the volumes of fuel and electric power used in our business activities, and it will be regarded as the absolute limit for our CO<sub>2</sub> emissions. Although our target is a 6% reduction, we will need to achieve approx. a 14% reduction, considering the increase of emissions due to the growth in business performance.

At Sagawa Express, we are implementing various measures to reach this target, including further introduction of trucks fueled by natural gas.

## Progress

Sagawa Express made various efforts, including the introduction of natural gas fueled vehicles, using the gross CO<sub>2</sub> emissions in FY 2002 as a reference point.

In fiscal 2009, through the thoroughness of Eco Safety Drive and the results of efforts in energy reduction, a 0.37% reduction was achieved. However, it was a 10.56% increase compared to the baseline.

### ■ Sagawa Express trends in CO<sub>2</sub> emission

(unit:t-CO<sub>2</sub>)

	Diesel oil	Gasoline (including Premium gasoline, bio gasoline)	Natural gas	Electric power	Total
FY 2002	244,552	18,780	5,810	97,477	366,619
FY 2003	235,154	17,153	9,660	97,654	359,621
FY 2004	221,886	19,474	14,658	101,459	357,477
FY 2005	217,648	20,741	18,916	97,927	355,232
FY 2006	207,515	25,893	24,300	98,407	356,116
FY 2007	238,886	30,808	28,261	101,307	399,262
FY 2008	236,158	40,028	32,010	98,653	406,849
FY 2009	230,854	44,177	35,397	94,902	405,330
Changes (09-02)	▲13,698	25,397	29,587	▲2,574	38,712
Ratio (09-02)	94.40%	235.23%	609.26%	97.36%	110.56%

\* The reference point (the baseline) is the amount in FY 2002 when we started to work on Climate Savers Program.  
 \* Scope of statistics: The baseline in FY 2002 was calculated from statistics that included the electric power consumed by our group companies and tenants located in Sagawa Express's facilities and the fuels sold to outside parties. Since FY 2004, the scope of statistics was narrowed down to only the business operations of Sagawa Express which is a participant in the program and, for the purpose of comparison with the baseline, an equivalent amount to the CO<sub>2</sub> emission from the electric power consumed by our group companies and tenants located in Sagawa Express's facilities and the fuels sold to outside parties (10,435t-CO<sub>2</sub>) was added.  
 \* Standard of statistics: The Agreement on Climate Savers and the FY 2008 Environmental Accounting Manual.  
 \* CO<sub>2</sub> emissions coefficient: The coefficient according to Enforcement Order on the Promotion of Measures against Global Warming (Ministry of the Environment, December 19, 2002).  
 \* The fuel quantity is calculated from the quantity purchased. Some values are, however, quoted from the data of the quantity filled, based on the company's statistics.

## COP15/CMP5 support stickers

For approximately two months during November-December 2009, Sagawa Express placed COP15/CMP5 support stickers on 1,105 natural gas fueled trucks for pickup/delivery operations in the central Tokyo area. We are also cooperating in the notice development efforts of the WWF.

This sticker was created by WWF Japan towards the goal of success of the United Nations Climate Change Conference in Copenhagen (COP15/CMP5), which was held in December 2009 in Denmark. This was the conference for which the next period's framework for the Kyoto Protocol was decided.

Sagawa Express will actively continue activities in our partnership with the WWF as we work towards reducing our environmental burden.

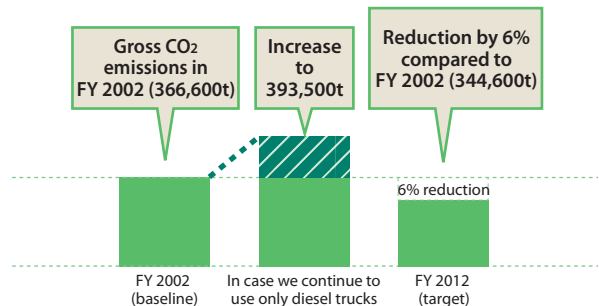


Truck with a sticker attached

### ■ Reduction target and action

Reduction target: **Reduce gross CO<sub>2</sub> emissions by 6% before FY 2012**

(Compared to the emission level of FY 2002)

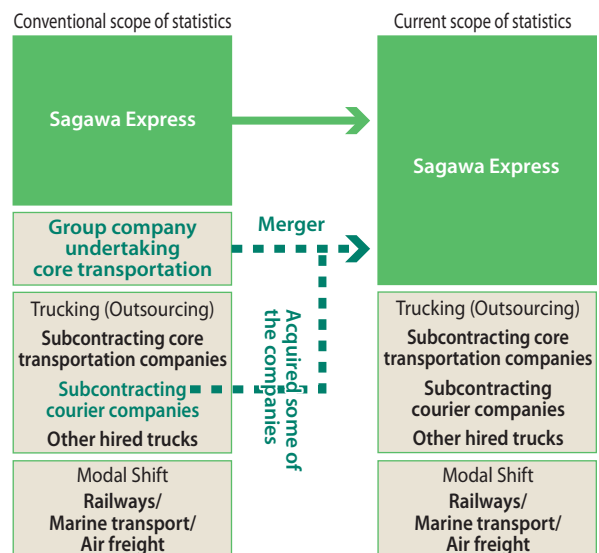


Reduction measure: **Large-scale introduction of natural gas fueled trucks**

At Sagawa Express, our CO<sub>2</sub> emissions are calculated from our actual fuel volume used and verifications from a third party organization are implemented.

### ■ Reason for the increase of CO<sub>2</sub> emissions

Subcontracted core transportation operations and part of courier operations were merged into Sagawa Express. This had a large effect since the emissions of these companies were not previously included in the total for Sagawa Express.



■ The scope of statistics for Climate Savers Program

## Environment-friendly natural gas fueled trucks

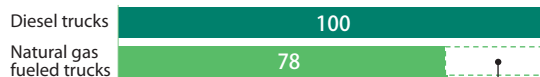
Natural gas fueled trucks use natural gas (utility gas) as fuel and emit less CO<sub>2</sub> and NO<sub>x</sub> compared to conventional diesel engine vehicles and no PM at all. Therefore, they have gained attention in trucking fields as the cleanest vehicles for cargo.



Natural gas fueled trucks

### Comparison of tailpipe emissions (between diesel and natural gas fueled truck)

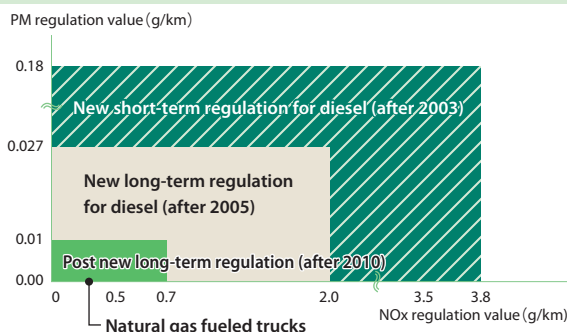
#### Comparison in CO<sub>2</sub> emission Assuming 100 for diesel vehicle emissions. (Researched by Japan Gas Association, March 2007)



**CO<sub>2</sub> reduction by 22%**

\* CO<sub>2</sub> emissions were calculated from the data taken from 101 trucks (2t-4t, ave. 2.7t) in the period of 6 months.

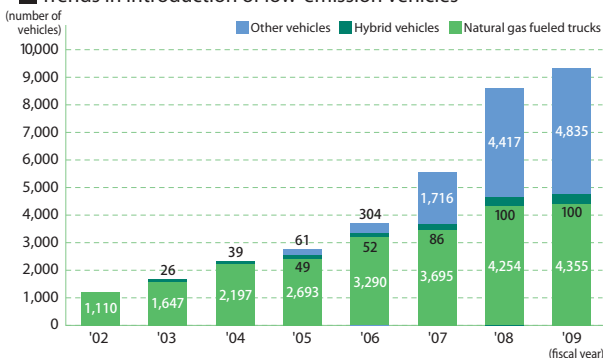
#### Comparison in NO<sub>x</sub> and PM emissions



## Continued introduction of low-emission vehicles

Sagawa Express had introduced 4,355 natural gas fueled trucks in total at the time of March 2010. This figure equals 25% of the total number of operating natural gas fueled trucks in Japan and we are the largest private user in the country. In addition, we are actively continuing to implement low-emission vehicles such as hybrid trucks.

### Trends in introduction of low-emission vehicles



"Other vehicles" refers to the total number of vehicles among the diesel vehicles held by Sagawa Express that meet the 2015 fuel economy standards and the 2005 gas emission regulations.

## Setup of natural gas filling stations

In order to promote introduction of natural gas fueled trucks, infrastructure maintenance is essential. However, since spread of public natural gas filling stations is stagnant, Sagawa Express has established its own natural gas filling stations. As of March 2010, the number of natural gas filling stations established by Sagawa Express across the country now totals 23. In the future, we will continue infrastructure maintenance which is the core of the introduction of natural gas fueled trucks.



Home-use natural gas filling station (Chiyoda Station)

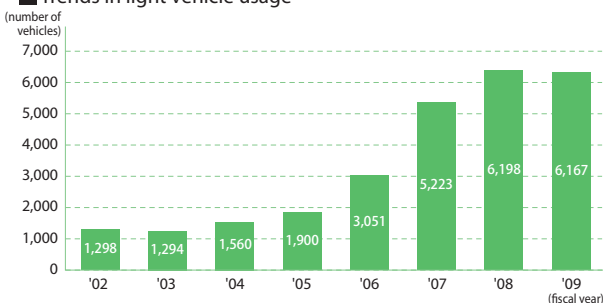
## Promotion of light vehicle usage

For cities and towns, Sagawa Express is promoting the usage of fuel-efficient, light vehicles with little CO<sub>2</sub> emissions and no PM (particulate matter) emissions.



Light vehicles

### Trends in light vehicle usage



## Start to use bio fuels

For the purpose of reducing CO<sub>2</sub> emissions from delivery vehicles, we use bio gas as fuel for natural gas trucks. Bio gas is produced effectively utilizing digestion gas\* which is naturally generated in the process of sewage treatment and have attracted much attention as next-generation fuel sources that can help reduce CO<sub>2</sub> emissions.

In 10 trucks at the Higashi Kobe Office, We are using bio gas which is obtained from purification of digestion gas generated from sludge in the sewage treatment facility in Kobe City.

Mainly in Kanto and Kansai area, we also use commercially available bio gasoline for light motor trucks. Bio Gasoline is gasoline combined with bioethanol manufactured from the raw materials of living things. Like bio gas, it is being widely developed as a bio fuel.

\* The gas generated in the process of sewage including a large amount of methane



Bio gas station

## Examples of cooperation with regional communities

### Participation in Osaka Green Delivery Promotion Activities

Green delivery is the transport and delivery of items using vehicles that have low pollution (green delivery compliant vehicles). At the Sagawa Express Kansai Branch Office, we are participating in Osaka Green Delivery Promotion Activities so that the atmospheric pollution from the vehicles used for business operations is reduced as much as possible.

#### ■ Main efforts

##### 【Switching to green delivery compliant vehicles】

We are planning to switch to green delivery compliant vehicles. Even among compliant vehicles, we endeavor to utilize natural gas trucks that have fewer emissions and vehicles that have low emission gas certification.

##### 【Supply using green delivery】

We are actively using green delivery for supply using our trucks.

##### 【Requests for green delivery in item procurement, etc.】

We request green delivery support from business partners in regards to the procurement of items/raw materials and the purchase of office supplies, etc.

##### 【Transport and delivery using green delivery】

When a shipper requests transportation and delivery using green delivery, we shall endeavor to use a green delivery compliant vehicle for the transportation and delivery whenever possible.



Green Delivery Promotion Activities sticker

### Activities for the wide usage of eco cars in central Kyoto

Based on a partnership with businesses and the Kyoto municipal government, we are utilizing green delivery and participating in the “Central Kyoto Green Delivery Promotion Association” for the purpose of reducing environmental pollution and preventing global warming. In the applicable area of central Kyoto, all delivery vehicles are being switched to natural gas fueled trucks and green delivery is being implemented.

#### 宣言書

弊社は、車両を主な輸送媒体に物流事業を営ませていただく上で、環境に対して「地球温暖化防止対策」、社会に対して「交通安全」という2つの主要項目で取組を続けております。環境へ配慮した取り組みと致しましては、アイドリングストップの実施や、天然ガス自動車を始めとする低公害自動車の導入を進めております。また、小学校や幼稚園等からの依頼を受け環境教室の実施や各地の環境イベントへ出展する等、地域住民を通して、地球温暖化防止に向けての啓蒙活動にも取り組んでおります。

弊社といたしまして、上記の通り今後も環境についての取組を積極的に推進して参りますと共に、この度の「都心部(まちなか)グリーン配達推進協議会」の取組内容についても、十分に理解した上で、『京都議定書』の採択の地である京都市の都心部(まちなか)での、低公害車導入を推し進め、輸送のサービス提供に邁進して参ります。

以上のことから現在、当該エリアには、58台の車両を配置しており10台が天然ガス自動車となっておりますが、平成18年度中には、全て天然ガス自動車を始めとする低公害自動車にすることを宣言致します。

以上  
17年7月8日  
佐川急便株式会社

## ▶ Environmental Measures for Transportation Optimization

With the goal of “transportation with a low environmental burden”, we are promoting efforts to optimize transportation such as reducing the number of trips and utilizing transportation means other than trucks.

### Reduction of environmental load by utilizing Service Centers

Sagawa Express has established Service Centers which use human-powered vehicles such as carts and three-wheeled bicycles instead of trucks.

Through the reduction in delivery vehicle use made possible by these service centers, harmful emissions such as CO<sub>2</sub>, NO<sub>x</sub>/PM, etc. are reduced.

In addition, secondary effects from devising community-based services include improved service quality for customers, reduced parking expenses in traffic-heavy urban areas, and the relieving of traffic congestion.

As Service Centers are also located in easy access, office-heavy areas, many female employees without driver's licences can commute and work effectively.

As of March 2010, we have 251 of these Service Centers, mainly located in cities across Japan, and they have allowed a reduction of 1,260 in new vehicle procurements. We will continue to establish new Service Centers to provide delivery bases that are friendly to people, the Earth, and society.

#### ■ Service Center Flow Chart

##### Without Service Center



##### Using Service Center



Service Center and delivery scene



Delivery using the three-wheeled cycles

### Streamlining of transport utilizing Hub Centers

As part of network building works that support our transport, we have established Hub Centers which are large scale consolidated distribution facilities to promote enhancement of the transport efficiency.

Freight and parcels are gathered at Hub Centers and then sorted by their destinations, which increases the loading ratio of trucks and reduces the number of trucks used. This contributes significantly to the reduction of tail pipe emissions from trucks and suppresses air pollutants and CO<sub>2</sub> emissions as well.

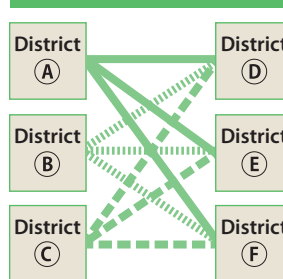
We are aiming for future reduction of environmental burdens through further enhancement of travel efficiency and loading ratios by utilizing hub centers.



Trucks heading for different destinations gathering in a Hub Center

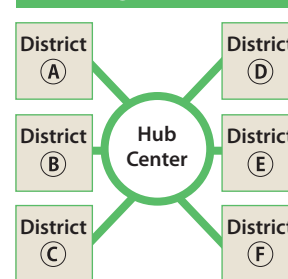
#### ■ Transport Flow Chart using Hub Centers

##### Without Hub Centers



Direct transport between districts is required.

##### Using Hub Center



Freight is gathered at Hub Centers and sent on a consolidated transport to each destination.



West Japan Hub Center



Chubu Hub Center



Kuki Center



Tokyo Big Bay



Kitakyushu Center

## Sagawa Ryutsu Center (SRC) operations/management

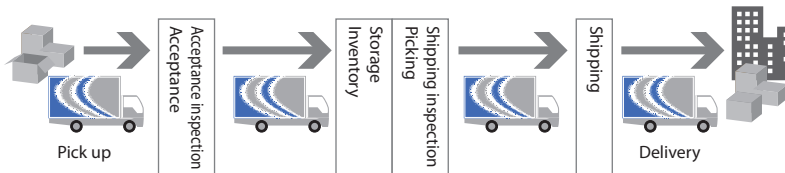
In general, distribution of commercial goods consists of many different processes from manufacturing in the factory to shipment, and cases where transportation occurs between every working process can be seen. At Sagawa Ryutsu Center (SRC) organized by Sagawa Global Logistics, through in-house uniform management of products, transportation does not occur during the working processes from receiving to shipment. This reduces both customer distribution operation labor and costs, and further contributes to energy reductions.

As of March 2010, Sagawa Global Logistics makes full use of 25 SRCs and 30 business offices to contribute to streamlining of our customers logistic operation and the reduction of CO<sub>2</sub>, NO<sub>x</sub>, and PM air pollutant emissions.

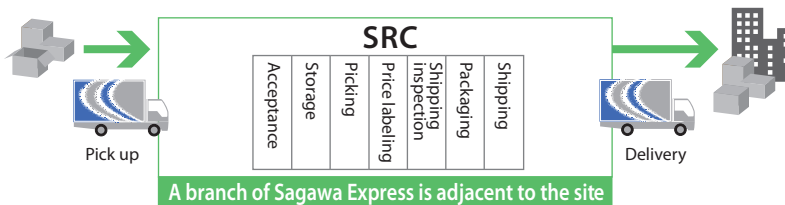
■ Diagram of transport flow at SRC

Decrease in the number of transports = reduction in environmental load

### Conventional distribution



### Distribution using SRC



At the SRC, they are actively working on environmental conservation, hand in hand with customers, through strict separate collection of waste generated from business operations, promotion of recycling which is obvious, and offering the packaging materials made from eco-material.



SRC exterior



Commodity management



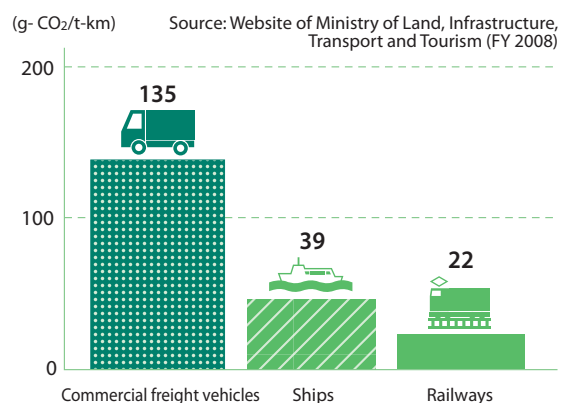
Inventory management

## Modal Shift Promotion

Modal Shift refers to using alternative means of freighting from trucks to railway or marine transport. In addition to saving energy and relieving traffic congestion, this also reduces environmental burdens. For example, it is said that when transporting a freight of 1t for 1km, the amount of CO<sub>2</sub> emission from a truck is six times more than that of railways and four times more than that of marine transport. The railways and marine transport can save energy by transporting a large amount of freight at one time, hence improving transport efficiency.

At Sagawa Express, we are increasingly adopting multifaceted transportation combinations, including truck, railway, and marine transport.

■ CO<sub>2</sub> emission basic units of various transport means





## Courier transportation through Super Rail Cargo

In order to provide stable transportation service and reduce CO<sub>2</sub> emissions during transport, in 2004 Sagawa Express co-developed Super Rail Cargo with JR Freight Railway Company.

Super Rail Cargo is the result of a trial experiment by the Ministry of Land, Infrastructure, Transport and Tourism. Sagawa Express charters entire trains for use in Tokyo – Osaka courier transportation, a route which is central to the Japanese economy. A 16-car train goes to and from Tokyo – Osaka every night, with a round-trip cargo capacity equivalent to 56 10-ton trucks.

Presently, Super Rail Cargo accounts for approximately 10% of our total transportation volume between Tokyo and Osaka. It has directly resulted in a large decrease in CO<sub>2</sub> emissions and other reductions in our environmental impact.



Super Rail Cargo



Special container truck for Super Rail Cargo

## Further spread of Modal Shift, Earth-friendly transportation method

Other than Super Rail Cargo, we are making use of railways and marine transport as much as possible and promoting the reduction of truck transport. Currently implemented in more than 50 sections, this allows us to reduce environmental load, as well as lowering the risk of traffic accidents and sorting out labor difficulties caused by long distance drives.

Generally, our effort on Modal Shift significantly paid off in FY 2009.

### ■ Super Rail Cargo Vehicle Data

Max. speed	130km/h
Model	M250 system
Number of coaches	16 coaches (4 motored + 12 trailed vehicles)
Route	Tokyo Cargo Terminal Station (Tokyo) – Ajikawaguchi Station (Osaka) Time required: 6 hours 12 minutes

### ■ Effect of Modal Shift (FY 2009)

	Reduction of truck transport (in number of 10t trucks)	Reduction of CO <sub>2</sub> emissions (t-CO <sub>2</sub> )
Super Rail Cargo	16,281	9,391
Railways (other than Super Rail Cargo)	29,295	38,058
Marine (ferry)	43,375	16,099
<b>Total</b>	<b>88,951</b>	<b>63,548</b>

\* Source: Calculation according to "Carbon Dioxide Emission Basic Unit of Freight Transport" (2008) by Ministry of Land, Infrastructure, Transport and Tourism.

\* The amounts of reduction above are the calculated value of environmental load that would be generated by trucks assuming that we had not used Modal Shift. Therefore, these are not the actual amount of reduction in FY 2009.

### ■ Modal Shift achievements (fiscal 2009)

#### Super Rail Cargo

Usage area		Total number of containers
Ajikawaguchi	Tokyo Terminal	8,162
Tokyo Terminal	Ajikawaguchi	8,119
<b>Total</b>		<b>16,281</b>

#### Railways (other than Super Rail Cargo)

Usage area		Total number of containers
Fukuoka Terminal	Tokyo Terminal	4,440
Nagoya Terminal	Sapporo Terminal	3,339
Sumidagawa	Sapporo Terminal	17,018
Tokyo Terminal	Fukuoka Terminal	16,702
	Kitakyushu Terminal	3,552
Other Terminals		15,116
<b>Total</b>		<b>60,167</b>

#### Marine (ferry)

Usage area		Total number
Tsuruga Port	Tomakomai-higashi Port	3,365
Aomori Port	Hakodate Port	7,454
Hachinohe Port	Tomakomai Port	7,184
Tomakomai Port	Hachinohe Port	7,855
Hakodate Port	Aomori Port	3,938
Other Terminals		9,495
<b>Total</b>		<b>39,291</b>

## ▶ Effective Utilization of Resources

We are making efforts to decrease our environmental burden by effectively utilizing resources in our businesses.

This includes manufacturing products that use scrap material and the use of solar power.

### Development and introduction of the ECO-body

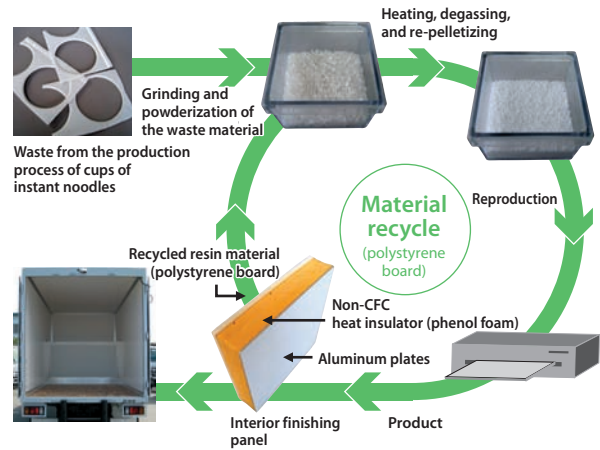
In order to reduce environmental burdens through the manufacturing of vehicles bodies, SG Motors develops and distributes the ECO-body. The interior materials of the vehicle body are made of recycled plastic materials using 100% waste material by-product from the production of instant noodle containers. In comparison with conventional vehicle bodies, the amount of wood materials used is greatly reduced. As of 2009, the number of trucks using the ECO-body has increased to 7,400 since its development in 2003, and the amount of wood materials saved has reached 474 metric tons.

In consideration for temperature environments, non-CFC materials are also used for heat insulation, providing a reduction in CFC gas emissions and improving the work conditions on cargo beds for drivers.

A variety of materials are used in vehicle bodies, and in large vehicles such as trucks, there is a great amount of material volumes used in the vehicle bodies. We expect further developments in the decrease of the environmental burdens related to trucks through reductions in fuel expenses and gas emissions as well as environmentally friendly vehicle body promotions.

Thanks to the positive appraisal of these efforts, in November 2009 we were awarded the Green Purchasing Award (for excellence).

#### ■ Overview of the ECO-body



Hikyaku Cool Express BOX vehicle with an ECO-body



Scene from the Green Purchasing Award ceremony

### Support for tree-planting programs

As a corporation which calls for coexistence with nature, SG Motors proactively supports the tree planting business with acacia trees, a rare plant that grows rapidly to a diameter of 50 cm after 20 years and has high-quality wood.

SG Motors uses these acacia trees as the material of the floor inside the truck. With the motto of "Grow trees by ourselves to use wooden materials", we are actively utilizing forestation with materials for vehicle bodies.



Scene in tree planting (in Sabah, Malaysia)



Two and eight months later after planting

## Introduction of Solar Power Generation Systems

Solar power generation, which is expected to come into wide use all over the world, is a very environment-friendly electric power generation system and emits no CO<sub>2</sub> or other hazardous substances at all in the generation process. Sagawa Express has been introducing such solar power system since 2003 and, at the moment, such systems are in operation at 23 sites across the country. The cumulative power output of these power generation systems reaches 500kW. This capacity equals the annual energy production of approx. 500,000kWh which is the equivalent to the daily energy consumption of approximately 51,000 households in Japan.

We will continue to promote utilization of natural and recyclable energy through further introduction of solar power generation systems.



Solar power output display panel



Solar power generation system

## Use of the LEUCO Card

With increasing information digitalization in the offices, a larger and larger amount of paper is used for printing with a laser printer, etc. Sagawa Express uses the repeatedly rewritable and thus eco-friendly Leuco Card\* to issue the statement of work containing description of the work.

Compared to the usual printer system, we can save about 1,500 sheets of paper a day in operation of the special automatic sorter for "Yu Mail" in Tokyo Big Bay.

In the future we will continue our efforts to reduce the quantity of waste as much as possible.

\* You can repeatedly write and delete characters on this card by applying heat on the recording surface. The data are easier to read and the card allows a higher number of rewritings compared to the magnetic card.



LEUCO Card (before inscription)



LEUCO Card (after inscription)

## Environmentally friendly maintenance shop

SG Motors is proceeding with the repair of vehicle maintenance shops and introduction of the latest equipment under the concepts of "safety", "the environment", and "efficiency".

### Sapporo Office

(Completed 12/17/2008, site area: 42,211.00 m<sup>2</sup>, floor space: 1,636.47 m<sup>2</sup>)

As a facility development with consideration for the environment, the windows are designed to be large so that natural light can enter, allowing for the reduction of electric light usage time and air conditioning operation time. In addition, waste oil is used as fuel for interior floor heating in the shop and road heating on the premises as a measure against fallen snow, providing additional usage for resources.



Sapporo Office exterior

### Takamatsu Office

(Completed 1/14/2009, site area: 5,071.73 m<sup>2</sup>, floor space: 2,185.32 m<sup>2</sup>)

Through the use of a waste processing system (utilizing coagulation-sedimentation and microbes for drain water from the shop), river pollution is prevented. In consideration for this region with little precipitation, rainwater is purified/processed and saved for vehicle cleaning and toilet water in the shop.



Takamatsu Office exterior

## ▶ Efforts towards a Recycling-oriented Society

We implement various efforts in order to achieve a recycling-oriented society such as the usage of Eco-mark certified products, appropriate disposal of used vehicles, and contributions to home appliance recycling businesses.

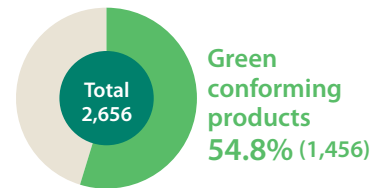
### Eco-uniform utilization

SG Holdings Group promotes "Green Procurement", an activity to purchase earth-friendly goods proactively. Specifically, we purchase Eco Mark certified clothing made from recycled polyester, which is produced in recycling of PET bottles, for our group companies' uniforms. The number of uniforms manufactured in 2009 is about 122,699 and this means that about 335,757 PET bottles were recycled.

After being collected by the Uniform Control Center, uniforms that would be difficult to re-use are ground and pelletized at an intermediate repository site to be recycled as reductant for shaft furnace in steelworks.

We also purchase Eco Mark certified working gloves for sales drivers and 865,013 pairs of these gloves were used in 2009. In addition, green purchasing is also being actively promoted for stationery.

■ Green purchase stationery products



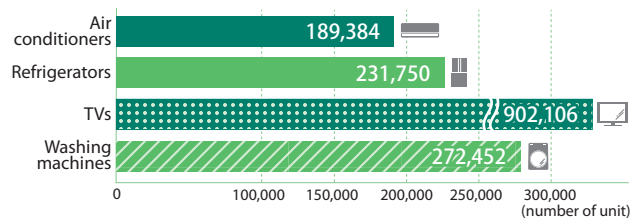
■ Recycling of used eco uniforms



### Supporting the transport of collected electric appliances for recycling

Sagawa Express operates a transport business for designated electric appliances that are obliged to be collected by the Electric Appliance Recycling Law and, on request from home-appliance makers, sends them to specified recycling facilities. Our group companies and subcontractors in Kinki, Chubu, and Shikoku regions are certified as the designated service vendors and support the quick and efficient recycling of resources.

■ Transported electric appliance for recycling (2009)



### Efforts on recycling of decommissioned vehicles

The decommissioned vehicles from Sagawa Express are properly disposed of by SG Motors using methods with low environmental impact.

#### Retrieval of CFC (Chlorofluorocarbon)

In order not to release CFCs into the atmosphere during the process of vehicle servicing or disposition, we properly retrieve, dispose of, and prevent CFCs from entering the atmosphere. In FY 2009, 107.54kg of CFCs were retrieved.

#### Collection of used engine oil

Waste oil generated by regular changing of engine oil and transmission oil used to be disposed of as industrial waste. Recently however, waste oil is recycled as a valuable resource. In FY 2009, 439,608 liters of waste oil was recycled.

#### Collection of used tires

Old tires that cannot be used anymore are recycled by the final disposal service vendors, in the forms of material, heat source and other uses. In FY 2009, 92,000 used tires were collected.

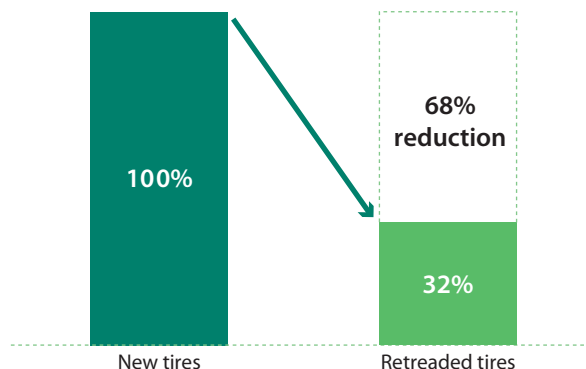
## Utilization of used tire

As part of Sagawa Express's environmental protection activities, used tires (retreaded tires) are being utilized for the rear wheels of trucks for collection and delivery.

Used tires are worn out tires that have been sorted/processed so they can be reborn into tires that are just as good as new ones but save approximately 68% of the amount of oil used. Through their usage, efficient usage of resources leads to a reduction in environmental burdens in addition to a large reduction in costs. Furthermore, in operation tests of a 2-ton truck equipped with used tires, there was no loss of efficiency in comparison with new standard tires.

Procurement began in September 2009 for 2-ton trucks used in the Kanto region.

■ Comparison of oil resources required at the time of manufacture  
(according to the Corrected Tire National Association)



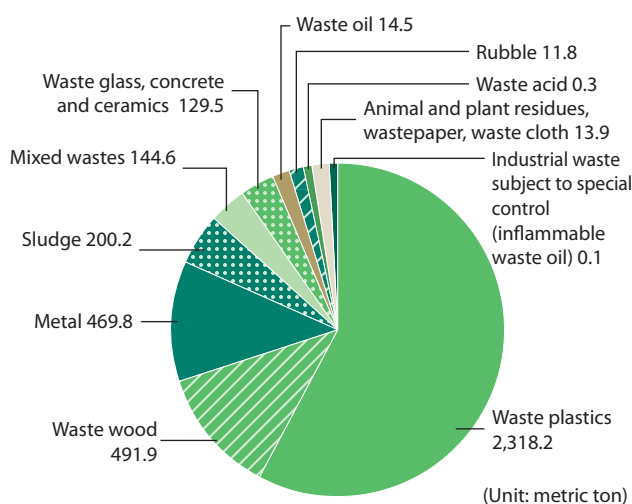
## Measures to reduce waste

In our fiscal 2008 CSR report, the total value for group companies including general waste was published. However, beginning in fiscal 2009, the total waste materials values for Sagawa Express branch offices and locations are published based on the Waste Disposal and Public Cleansing Law. Therefore, although the value reported in fiscal 2008 was approximately 46,642 metric tons, approximately 2,780 metric tons were actually achieved using the previously mentioned totals.

By conducting a campaign for completely separated collection in a step-up method since fiscal 2008, the total amount of waste in FY 2009 was approx. 3,795 tons (a 36.5% increase compared to the previous year).

As stated in our group environmental policies, we will continue to promote 3R (Reduce, Reuse, Recycle) and practice reduction and recycling of waste through completely separated collection.

■ Sagawa Express Fiscal 2009 waste material types



## Procurement of courier-use bicycles

Sagawa Express has procured this many courier-use bicycles.

These bicycles are power-assisted, are three-wheeled, and have an attached container for delivery of heavy packages and usage on hills without much effort. There is a clear plastic roof attached above the operator's seat so that delivery is possible even during rain. Wide-angle mirrors are also installed on the left and right. The aluminum container on the back can hold up to 50kg of total packages and the tires are two times the normal thickness for heavy loads.

Presently, 110 bicycles have been procured for use in cities in regions such as Kanto and Kansai.



Courier-use bicycle

## ▶ SG Holdings Group's Environmental Activities

In order to improve awareness for environmental protection issues among all group employees, environmental activity guidelines are created every year.

The actions of all individuals help support the environmental activities of the SG Holdings Group.

### Effort on environmental activities in fiscal 2009

For the purpose of promoting active efforts in environmental conservation by our employees, beginning in fiscal 2003 Environmental Activities are established every year, implemented with employee participation.

#### ■ Implemented items of Environmental Activities (fiscal 2009)

1	Verification of Idling Stops
2	Companywide simultaneous Light-Down campaign
3	Clean-up campaign
4	Copier paper reduction activities
5	Energy saving campaign
6	Environment picture diary contest
7	Eco Family Contest
8	Environmental Model Branch Contest



Environmental activities calendar (fiscal 2009)

### Heart to Heart

Each and every person's kindness form a powerful strength

The employees and families of employees of the SG Holdings Group promote environmental protection activities while cooperating with regional communities.

#### Environment picture diary contest

For the purpose of promoting environmental protection activities at home, we conduct "Environment Picture Diary Contest". In the fiscal 2009 contest, 1,784 applications were received and have been increasing every year.

##### Grand Prix winning work

Chie Soeda



##### Award winning work

Hinano Hosaka



##### Award winning work

Hinata Hamanami



## Environmental Model Branch Contest

The "Environmental Model Branch Contest" is a system to publically recognize exemplary branches from among all of the branches and offices of SG Holdings Group who promote environmental conservation and enhancement of awareness on the environment as a model to other branches.

■ The most valuable branches and main efforts of fiscal 2009

### 【Sagawa Express Bunkyo Office】

- Focusing on the transparency of results, managing the fuel expense trends from the base year to the present in a fuel expense chart
- Exchanging the reduced CO<sub>2</sub> amounts with a fixed amount of rainforest, implementing virtual tree planting imagined on the green belts on the median on highways
- Establishing an "Eco Library" for lending videos and picture books on environmental issues

### 【Sagawa Express West Japan Hub Center】

- Thorough reduction of electricity in areas frequently used by employees
- Thorough recycling of paper forms and collection activities for used batteries
- Promotion of tree planting activities around administrative buildings, employee cafeterias, and entrance gates
- Meetings on the environment held after safety/hygiene council meetings once per month; participation in regional clean-up activities

### 【SG Motors Headquarters】

- Inspection twice per day to check if there is any unneeded lights being used in the headquarters building
- Implementation of "thermal recycling activities" where used work clothes for maintenance employees, etc. are re-used as a heat source
- Implementation of clean-up activities to contribute to local communities
- Explanations of environmental efforts and showings of instructional videos in order to raise employee environmental awareness

### 【Sagawa Global Logistics Nishitokyo Branch Kawasaki SRC】

- Utilization of a demand control system that sounds an alarm when the base standard power is exceeded; reduction of the electricity used for air conditioners
- Reduction of disposal costs and promotion of raw material recycling through thorough separation of industrial waste
- Cleaning/mowing of areas around office building through cooperation with Sagawa Express Yokohama Tsurumi Office
- Creation of an operation manual and holding of an explanation conference to promote understanding of the demand control system



This competition is judged based on the activity content of each business location submitted in a specified entry format.

## Companywide simultaneous Light-Down Campaign

We conduct "Company-wide simultaneous Light-Downs" by turning off lighting in workplaces in the entire group.

In April, July, October, and January of fiscal 2009, lighting was turned off for total of 27 days, resulting in an energy reduction of approximately 980,000 kWh. This is the equivalent of a reduction of 553.6 metric tons in CO<sub>2</sub> emissions or an energy reduction equivalent to one day's power 100,000 households.



Before "Light-Down"



After "Light-Down"

## Clean-up Campaign

We conduct cleanup activities with the purpose of raising awareness on the environmental conservation (waste problem) of each employee as well as making a contribution to the promotion of regional beautification.

In fiscal 2009, approximately 37,000 employees participated in cleanups of the neighborhood of the business office in cooperation with the local government, companies, and NPOs.



A scene from the activity ①



A scene from the activity ②

## » Winning the Environment Minister's Award in the 4<sup>th</sup> "ECO Statement in my house☆" contest

The Ministry of Environment has been widely inviting an application for the "ECO Statement in my house☆" contest. Our group has been also actively participating in this project. In both the previous year and in fiscal 2009, children of group employees won the Grand Prix.

**Children's category Grand Prix winning work** "The Family Bonds Born from a Green Wall" by Haruka Kubo

**Children's category Award winning work** "Eco Life Learned from Edo" by Haruka Shidara

## ▶ Efforts for Biodiversity

Similar to reducing our environmental burden, we actively conduct activities for protecting biodiversity with the theme of “harmony with nature”.

### Activities for protecting forests

Within Kochi and Tokushima Prefectures as well as in Hachioji of Tokyo, SG Holdings Group owns forests with the total area of about 750 hectares and is implementing various activities for the protection of forests.

“Sagawa’s Forest” in Kochi Prefecture is properly cared for by Sagawa Forestry Co., Ltd. There, we conduct environment training on forest preservation, providing the participants with opportunities to have close interaction with nature.

As a “Takao 100-Year Forest” project in Hachioji, we are carrying out reforestation activities for mountain woodland areas near rural populations with NPOs and local citizens.

We will continue to work towards harmony with nature and investigation/proposals for new lifestyle models with forests.

### “Takao 100-Year Forest”

“Takao 100-Year Forest” is a hands-on event we are holding to experience nature in various ways.

#### ■ Major events held

July 2007	Management of mountain forests near rural residences
January 2008	Mt. Takao Land Workshop
March 2008	Love/Takao Forests
July 2008	Forest Relaxation Investigation
August 2008	Stage and Surrounding Workshop
June/August 2009	Nature Experience for Children
November 2009	Nature Experience for Sagawa Express Prospective Employees in “Takao 100-Year Forest”



Observation of forest thinning

Backed by the Ministry of the Environment and the Ministry of Agriculture, Forestry and Fisheries, the “Takao 100-Year Forest” project won the judge’s special award at the “1<sup>st</sup> Ikimono-Nigiwai Business Activities Contest”\*.

\*Public praise for corporations cooperating with local communities and municipal organizations through effort activities in foresting and preservation/restoration of terraced rice fields and mountain forests near rural residences.

#### VOICE Words from prospective Sagawa Express employees who participated in nature experiences

- I am glad to have experienced this because I have had an interest in forest thinning.
- I learned about the difficulty of obtaining good balance with forests.
- I am honored to be able to join a business that actively promotes these kind of operations.
- It was an excellent opportunity to think about the environment after being away from nature for so long.



### Nature experience studies

The “Sagawa Express on-site study about nature” program started in FY 2007 to provide opportunities for children to closely experience nature through experiencing rice production work, such as planting, removing weeds and harvesting.

279 participants, including the families of our employees and people from the local community, joined a rice planting experience in a 2,970m<sup>2</sup> paddy in Moriyama, Shiga Prefecture.

We will continue to conduct similar nature field trips so that children can learn of the symbiotic relationship with nature.



A scene from rice planting



A scene from rice harvesting

#### VOICE Words from parents/guardians

- Our child now eats every last grain of their rice at meals.
- Our child was very happy because they were not usually able to experience this kind of thing.
- After the nature experience, we started a home garden.
- Through this experience, our children appear to have appreciated the hard work it takes to make rice and the gratitude for eating rice.



## ▶ Efforts on Environmental Enlightenment

We are conducting awareness activities so that a wide range of stakeholders can understand the importance of protecting the environment, from employees and local children with hope for the future to core group company management.

### Holding of environmental lectures

Sagawa Express organizes “environmental lectures” for children in various places on environmental subjects such as global warming.

We introduce them to our efforts related to environmental issues within distribution (courier service) systems in an easy-to-understand manner.

We will continue our activities to raise children’s awareness on the environment by explaining them Sagawa Express’s efforts on environmental issues, as children will support society in the future.



Environmental lectures

### Participation in environmental publicity events

We actively participate and exhibit in environmental publicity events organized by local governments, national government offices and other organizations as part of our environmental enlightening activities to the general public.

■ Major events in which Sagawa Express set up a booth (fiscal 2009)

Name of event	Date	Venue	Organizer
Eco Life Fair	June 6-7	Yoyogi Park, Tokyo	Ministry of the Environment, etc.
Eco Products	December 10-12	Tokyo Big Sight	Nikkei Inc., etc.



Eco Life Fair



Eco Products

### Seminars for core management

Environmental seminars were held for the core management of various companies of the SG Holdings Group for the purpose of understanding societal trends in environmental fields and promoting environmental measures from the point of view of management. Seminars for environmental strategists were also held.



Environmental seminars  
for environmental strategists

### Assistance to “ap bank fes”

The “ap bank fes” event was held at a Tsumagoi location in Kakegawa, Shizuoka Prefecture as a place where people can see environmental issues up close and think positively while enjoying music in a comfortable area. In addition to live music, talk shows, workshops, organic foods, and environmentally friendly products can be enjoyed. Also, the event location utilizes energy with little environmental burden with thorough trash sorting and recycling. The eating/drinking establishments generally feature reusable utensils/dishes, and other environmental efforts are being implemented.

Sagawa Express approves and cooperates with such efforts. We have also been assisting with the event’s transportation since 2006.

\* The proceeds from “ap bank fes” are used as funds for ap bank finance capital, activity funds, and the support/promotion of other various projects for the environment and other subjects.



ap bank fes

## ▶ Building a Framework to Promote Environmental Activities

Through environment accounting, environment management system utilization, and through PDCA (Plan, Do, Check, Action) cycle, we are implementing appropriate and effective environmental activities.

### Environmental accounting

To execute environmental management more efficiently, Sagawa Express has introduced environmental accounting. Monitoring investments and expenses relating to environmental measures is helpful for setting indexes for future investments and analysis of each project.

In fiscal 2009, our environmental investment was approximately 30 million yen, and the environmental expenses were approximately 6.8 billion yen.

#### ■ Cost around environmental conservation

(unit: million yen)

Items	Main effort content	2008		2009		Main factors for increase/decrease
		Environmental investment	Environmental expense	Environmental investment	Environmental expense	
(1) Cost within business areas		484	1,060	31	995	
Breakdown	① Cost for pollution control	2	41	0	34	Environmental expenses decreased as depreciation expenses for existing equipment decreased.
	② Cost for environmental conservation	482	178	30	193	Natural gas filling stations for corporate use were established at 16 locations in the previous year. As there were no newly established projects this year, environmental investment decreased.
	③ Cost for recycling of resources	0	842	1	768	Environmental expenses decreased due to decreases in waste disposal expenses and waste tire disposal expense revisions.
(2) Cost in upper/lower stream		—	—	—	—	
(3) Management cost	Introduction of an environment management system, promotion of green business management, environmental advertisements, environmental education, disclosure of environmental information.	—	183	—	240	Expenses increased due to increase in the number of environment related advertisements.
(4) R&D cost	Development of services relating to environmental conservation.	—	79	—	67	Expenses decreased due to decrease in the material procurement related to 'Hikyaku PC Express'
(5) Cost for social activities	Donation to domestic and overseas environmental organizations, enlightening activities.	—	166	—	64	Expenses decreased due to the JOC environmental official partner contract ending.
(6) Compensation cost for environmental damage	Measures against asbestos dust.	—	0	—	—	
(7) Cost for safety measures	Vehicle inspection, employee education, enlightening activities such as safety measures.	—	5,516	—	5,424	Expenses decreased due to decrease in EMS implementation expenses.
<b>Total</b>		<b>484</b>	<b>7,004</b>	<b>31</b>	<b>6,790</b>	

#### ■ Effects on environmental conservation

Environmental performance indexes	2008	2009	Effects on environmental conservation (Result in 2009 - result in 2008)
Diesel oil (kl)	89,881	87,856	-2,025
Heating oil (kl)	292	253	-39
Heavy fuel oil (kl)	76	90	14
Natural gas (km3) *including biogas	16,373	18,110	1,737 *1
Utility gas (km3)	1,194	1,070	-124 *1
Propane gas (kg)	383,557	371,847	-11,710 *2
Gasoline (kl) *including premium gasoline and biogasoline	17,241	19,028	1,787
Electric power (kWh)	235.39 million	225.47 million	-9.92 million
Water (clean) (km3)	913	876	-37
Water (sewage) (km3)	911	846	-65
Industrial water (clean) (km3)	30	26	-4 *3
Industrial water (sewage) (km3)	30	26	-4 *3
NOx (t)	1,115	1,105	-10 *4
PM (t)	62	60	-2 *4
Number of recycled PET bottles	—	—	335,757 *5

\* Effects on environmental conservation are calculated as simple mathematical differences from the result in fiscal 2008.

\*1 The volume of natural gas and utility gas depend on the values shown on the invoices from suppliers, hence before temperature and pressure corrections.

\*2 The value was converted into weight by multiplying the volume (m<sup>3</sup>) shown on the invoices from suppliers by 2.07kg/m<sup>3</sup>.

\*3 Statistics on industrial water usage started in 2006.

\*4 The amount of NOx and PM emission from trucks only. (Based on the emission coefficients for each model prescribed by Ministry of Land, Infrastructure, Transport and Tourism, the theoretical estimation was calculated using the travel distances of each vehicle.)

\*5 Based on the number of uniforms used in fiscal 2009, the number of PET bottles recycled was calculated using the conversion factors (a half sleeve shirt = 2.42 PET bottles, a long sleeve shirt = 3.76 PET bottles), as those uniforms were made from recycled PET bottles.

#### ■ Economic effect accompanying environmental conservation

(unit: 10,000 yen)

Economic effect	Amount
Cost reduction by reducing the usage of diesel oil	254,098
Cost reduction by reducing the usage of electric power	52,631
Cost reduction by reducing the usage of utility gas	2,305
Cost reduction by reducing the usage of water (clean)	1,254
Cost reduction by reducing the usage of water (sewage)	804
Cost reduction by reducing the usage of heating oil	643
Cost reduction by reducing the usage of propane gas	435
Cost reduction by reducing the usage of industrial water (clean/sewage)	18

#### ■ Rules of statistics

- Period: fiscal year 2008 (March 21, 2009- March 20, 2010)
- Coverage: Sagawa Express Co., Ltd. (though some of the statistics include SG Motors Co., Ltd)
- Reference: "Environmental Accounting Guidelines 2005" published by the Ministry of Environment
- The acquisition of assets that cost 200,000 yen and above are booked as investments.
- The depletion of environmental facilities is calculated by a fixed installment for 4 years.
- The labor cost is calculated by hours for environmental activities multiplied by Sagawa Express' average hourly labor cost.

## Environmental Management System

In 2001, Sagawa Express was certified according to ISO 14001:2004. We established well-defined goals for building frameworks and implementation and regularly conduct performance measurements as we seek greater efficiency in our environmental protection activities.

In addition, 9 branches of Sagawa Express attained Green Business Management Certification in 2004 for their efforts in building frameworks for environmental conservation and reducing energy consumption in the field.



ISO 14001 Certificate  
(Sagawa Express Co., Ltd.)  
Certificate of registration  
no. NQE-07060074A



Green Business Management  
Certificate of Registration  
(Sagawa Express Bunkyo Office)

### Major environmental targets and results in fiscal 2009

Suppressing global warming and air pollution due to tail pipe emissions			
<b>Target</b>	The introduction of low emission vehicles (108 compressed natural gas vehicles in 2009).	<b>Result</b>	Because we have modified the introduction plan for the purpose of more effective utilization of the existing vehicles, the number of vehicles introduced did not reach the target (Target: 108 ⇒ Result: 97) <b>Unachieved</b> → P51
<b>Target</b>	Reducing the number of newly acquired vehicles through setting up more Service Centers (adding 32 Service Centers and saving the acquisition of 64 vehicles).	<b>Result</b>	By setting up 34 Service Centers (totaling 251 Service Centers across the country), we reduced the number of newly acquired vehicles by 97. <b>Achieved</b> → P53
<b>Target</b>	Plans for environmental impact reduction through the implementation of Eco Safety Drive	<b>Result</b>	Business vehicle fuel consumption target: 5.77km/ℓ ⇒ achieved: 5.85km/ℓ <b>Achieved</b>
<b>Target</b>	Modal Shift usage/transportation efficiency increases/promotion of Eco Safety Drive	<b>Result</b>	Railway/marine transportation 10 mt conversion vehicle achievement target: 83,210 vehicles ⇒ achieved: 89,207 vehicles Average payload number per vehicle target: 617 ⇒ achieved: 647 Large-sized company vehicle fuel expense target: 3.73km/ℓ ⇒ achieved: 3.84km/ℓ <b>Achieved</b> → P54
<b>Target</b>	Research and evaluation of the next generation fuels (evaluation of biogasoline, BDF* and biogas)	<b>Result</b>	We use biogas for 10 vehicles in the Higashi Kobe Office. In fiscal 2010, trial utilization of BDF100% will begin in the Kansai region. <b>Achieved</b> → P52
Activities for establishing recycling-oriented societies by promoting resource saving, energy saving, and 3R			
<b>Target</b>	Proper disposal for used paper from secret documents	<b>Result</b>	We provided dedicated collection boxes for general paper waste, newspaper waste and used magazines to promote separated collection and recycling. At the same time, we established another recycling flow with dissolution treatment for secret documents with dedicated collection boxes. <b>Achieved</b> → P59
Promotion of Green Procurement			
<b>Target</b>	Putting a catalog environment-friendly merchandises on the procurement system	<b>Result</b>	Out of 2,656 items listed in the merchandise catalog on the procurement system, 1,456 items are listed now as environment-friendly goods. <b>Achieved</b> → P58
<b>Target</b>	Increase of the ratio of Green-compliant goods in the procurement order	<b>Result</b>	Through a lineup filled with green purchase eligible products, the ordering ratio for eligible products increased (target: 70% ⇒ achieved: 80%) <b>Achieved</b> → P58
Promotion of internal and external environmental enlightening activities and disclosure of environmental information			
<b>Target</b>	Creation of PR tools with various environmental activity themes and enactment of publicity activities	<b>Result</b>	We made educational efforts by publishing 17 news releases, 72 cases of media coverage, 30 issues of the company magazine (HIKYAKU), 16 issues of video magazines (SG-stage) and 6 issues of video magazines (Fureai), and 13 issues of web news in the year. <b>Achieved</b>
<b>Target</b>	Utilization of our website for environmental activity information distribution	<b>Result</b>	Our web site was updated 17 times with information widely distributed to stakeholders. <b>Achieved</b>

\* BDF (bio diesel fuel): A diesel engine fuel made from oils found in biological materials. It has been gaining attention as an alternative for petroleum fuels.

## Compliance with environmental laws and ordinances

The SG Holdings Groups adheres to our spirit of upholding laws and ordinances, conforming appropriately to environmental laws, ordinances, and regulations such as the Law Concerning the Promotion of the Measures to Cope with Global Warming, the Law Concerning Special Measures for Total Emission Reduction of Nitrogen Oxides and Particulate Matter, and the Law Regarding the Rationalization of Energy Use.

Hereafter, we will continue promoting efforts for preventing global warming and atmospheric pollution.

# Opinions on CSR

## The voices of our members nationwide who are working in CSR activities



**Yutaka Kimura**  
Sales driver  
Chiyoda Office  
Sagawa Express

### My safe driving set an example for a driver next to me

When driving, I always consider safe driving above all else, such as temporarily stopping at crosswalks when turning right or left at an intersection. Efforts such as these do more than gain the trust of local people. For instance, when a Sagawa Express truck temporarily stops at a crosswalk, other vehicles may also do the same thing. An unspoken message on traffic safety is also sent to surrounding vehicles. I want to continue making contributions to society by setting safe driving examples.



**Sayaka Suzuki**  
Payment Service  
Operations  
Department  
Sagawa Financial

### Responding to inquiries with courtesy and in an easy to understand manner

Presently, I am working in response operations for inquiries by telephone. For me, I believe that CSR activities are satisfying customers by responding sincerely and in an easy to understand manner so that customers' desires are fulfilled with our e-collect service and so it can be used effectively. I also support polio vaccinations for children in developing nations and am active in efforts for eco-cap activities.



**Kentaro Suetake**  
No.1 Business  
Division  
Nagoya Office  
Sagawa Moving  
Center

### Turning my attention to unneeded items during moving

When moving, customers take the opportunity to throw away unneeded things. There are often items that are still usable, and I actively propose recycling. The other day during a business relocation, after I arranged for a recycling company to purchase the desks and other items I was told "You are the only ones who have been this helpful." Our job is to transport things, however by noticing things that do not need transportation, we can achieve a greater amount of customer satisfaction.



**Nozomi Sone**  
Sales driver  
Oigawa Office  
Sagawa Express

### My gratitude for all the people who have supported me

When I first started working, I was so busy I did not have time to think of anything else. Once, a superior told me "your attitude is showing on your face, be careful." After a while, customers started telling me "you have a nice smile, I am starting to feel energetic myself" and "thanks again, you can have this if you would like", and I was treated to an energy drink. I will continue doing my job with a feeling of gratitude towards customers and coworkers, and I will never forget their smiles.

# Relationship with Society

Communication with people  
for becoming a trustworthy  
business group

Outline of  
SG Holdings Group

Effort on Safety

Efforts on  
Environmental  
Conservation

Relationship with  
Society



## Bringing people together for a prosperous society

### REPORT

#### Yasuo Kobayashi

General Manager  
CSR and General Affairs  
Operating Strategy Department  
SG Holdings Group



As an enterprise that brings people together through logistics, we highly value our relationships with communities. This conviction has been an enduring aspect of the psyche of the SG Holdings Group since our foundation. In that connection, the group is constantly deepening our communications with customers, employees, and people in each community while improving our business, adding compelling new services, and enhancing employee benefits. Moreover, we are determined to return prosperity to the communities that made us successful. This resolve manifests itself in contributions to medicine, culture, the arts, sports, and much more. In China and other developing countries in Asia, we conduct international exchange and offer support across a wide range of fields through appropriate economic-cooperation agencies. To grow and prosper alongside the communities we serve, I believe the SG Holdings Group must never cease asking, "What can we do to fulfill society's expectations and the role required of us?" We must always operate conscientiously, listening closely to the opinions of others.

### ▶ FY 2009 Review of Operations

#### Working with stakeholders for sustainable development

Sagawa Express's initiatives for stakeholders are as diverse as the company's stakeholders themselves. In FY 2009, in a bid to improve customer service, Sagawa Express launched Hikyaku Special Correspondence Delivery service. To support the education of the next generation, we continue to offer a nationwide "bring your child to work" program. We are also proud to contribute to communities by sponsoring a wide range of educational and sporting events. To create a supportive work environment for employees, we introduced shorts as part of our sales drivers' summer uniform as a measure against heat stroke during the summer. Finally, to support personnel training, we introduced career support training for female employees.

### ▶ Future Targets

#### Strengthening CSR to build the foundations of stakeholder-oriented management

Sagawa Express is a company that grows in partnership with the society it serves. The importance of our relationships with each region and community grows with each passing year. At the SG Holdings Group, we work hard to provide the excellent quality and high added value that serves customer needs, based on a solid foundation of stakeholder-focused management. We are committed to fulfilling our responsibilities as a good corporate citizen by growing alongside regional communities as well as supporting prosperous, healthy living in a safe and supportive society. Finally, we are determined to provide employees with work environments that bring out their best potential, and to respond flexibly to an ever-changing society with improvements to our CSR framework.

## ▶ Efforts on Services and Products for Our Customers

Through developing high-quality products and high value-added services, we seek to become a business that is chosen and trusted by customers.

### 3R compliant PC transport service, “Hikyaku PC Express”

Sagawa Express provides a 3R compliant transport service, “Hikyaku PC Express”.

For PC repairs, we use “Sagawa soft air package” which is our original reusable packaging material for PCs. This packaging material is highly appreciated as an environmental-friendly product for its reusability (hence generating no waste unlike conventional packaging), as well as for the ability to protect the goods from vibration or shock.

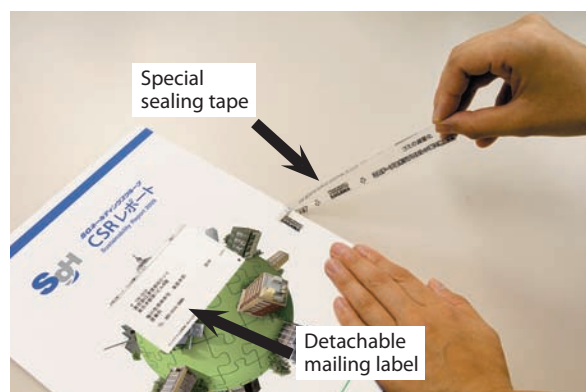


Our original “Hikyaku PC Express” packaging materials

### “Hikyaku Green Mail” significantly reduces packaging materials

“Hikyaku Green Mail” is an environmental-friendly delivery service which leads to considerable reduction of packaging materials. This is a mailing service that uses a special tape that seals the opening side of a brochure or booklet without leaving residue and is easily removable. All that is required for mailing is to attach an address label. With the growth of environmental awareness, use of this delivery system has been rapidly increasing, with the number of deliveries reaching 572,548 in FY 2009, which is 103.32% compared to the previous year.

Paper/plastic envelopes are no longer needed, and compared with delivery using commonly-used A4 size envelopes, this can reduce 13g of packaging materials per copy. In the case of sending 10,000 copies per month, for example, it leads to the reduction of 1,560kg of such materials per year.



■ Reduction of the packaging material in delivery of one copy of size A4

	Weight of the packaging materials			10,000 copies/ month for 1 year
	1 copy	500 copies	1,000 copies	
Conventional mail	14g	7kg	14kg	1,680kg
Hikyaku Green Mail	1g	500g	1kg	120kg

### “Hikyaku Confidential Document Recycling Courier” also covers the dissolution process

As more and more companies are shifting their disposal method of confidential documents from shredding to dissolution in consideration of protection of personal information and environmental aspects for resource protection, we have set up a new service to undertake processes from pickup from the offices to dissolution of confidential documents.

The flow of this service consists of: packing of the confidential documents into special boxes, delivery to the dissolution site in a unified delivery method securing confidentiality, and the dissolution processing. The dissolved documents are recycled into bathroom tissue or the like. On completion of the dissolution process, a certification can be issued on a Web service.



Special cardboard box

## Approval received for the start of "Hikyaku Special Correspondence Delivery"

In March 2009, we obtained the approval necessary to enter the delivery service business of designated correspondences according to the Act on Correspondence Delivery by Private Business Operators. This allows us to engage in the delivery business of designated mails. With this, we will deploy new services in conjunction with a bill collection service using the "e-collect" system or using existing infrastructures such as the internet.

■ Accepted document types

Letters, invoices, permits for licenses, etc., residence certificates, family register certificates, direct mail, etc.

## Our payment-on-delivery service, "e-collect," supports the infrastructure for mail-order shopping safely and securely

The usage of the payment-on-delivery service "e-collect" is steadily spreading for its safe and secure transaction method for mail shopping users.

In our "e-collect" system, the payment is made on delivery, and its transaction is handled by our dedicated payment terminal. Therefore, the users no longer feel the troublesome of bank transfer prior to shipment, concerns about non-delivery after the payment was made, or the leakage of credit-card information on the internet. In FY 2009, the payment transactions through "e-collect" were used for approx. 127.13 million parcels and 1,370.9 billion yen in the total amount of payment. It has now become a system absolutely necessary for support of the mail-order infrastructure. As constant service improvements continue, one of the possible payment methods is credit cards. As of March 2010, 20 brands are accepted, and there is a wide selection of other payment methods including debit cards and cash.

In addition, in order to provide greater ease of mind Sagawa Express is developing the industry-first "Consignee Identification Delivery Service", which reliably confirms a specific receiving party. We also developed "Hikyaku Security Express" and working towards a full selection of security-related services.



Dedicated payment terminal



Valid credit cards

## "Hikyaku Courier with CO<sub>2</sub> Emission Credit" development/commercialization

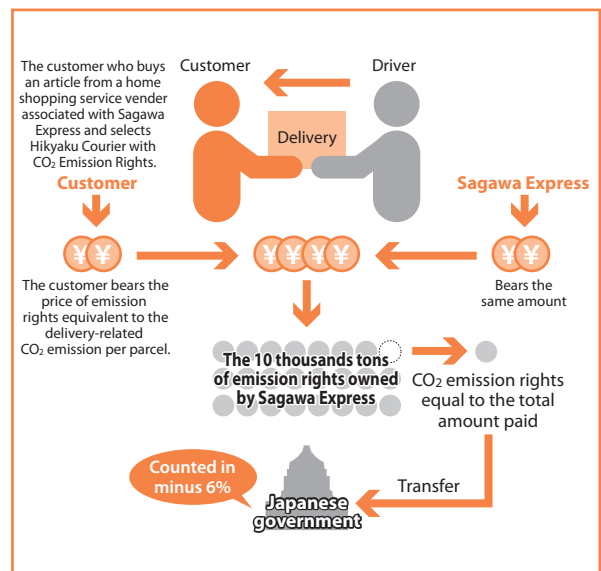
Sagawa Express has introduced "Hikyaku Courier with CO<sub>2</sub> Emissions Credit" service in order to prevent global warming.

In this service, if a customer chooses "Hikyaku Courier with CO<sub>2</sub> Emissions Credit" as a delivery method when purchasing goods in mail order shopping, the customer will bear a part of the price of CO<sub>2</sub> emission credit, while the same amount is born by Sagawa Express and the mail order company. This service uses CO<sub>2</sub> emission credit (CDM credit) to transfer CO<sub>2</sub> emission credit for the equivalent CO<sub>2</sub> emissions that accompany courier delivery transportation to an amount in greenhouse gas reduction in Japan.

This system allows courier delivery users to participate in the prevention of global warming in regards to Japan's emission reduction commitment of 6% as stipulated in the Kyoto Protocol, and many people are using this system.

Presently, the amount of CO<sub>2</sub> emission credit that has been transferred to the Japanese government is approximately 115 metric tons of CO<sub>2</sub>.

■ Mechanism of the service





## Large-sized furniture/appliance installation and transportation that emphasizes the potentials of the group

In response to demand from mail-order companies with expanding businesses, Sagawa Express and Sagawa Moving Center implement “Large-sized furniture/appliance installation and transportation” that emphasizes the transportation network and potentials of the group.

This is a service for large-sized furniture and appliances featuring delivery by two sales drivers, unpacking/installation in a specific location, and collection of any waste from the unpacking such as cardboard boxes. Plus, an internet cargo tracking system allows for confirmation of delivery status, and customers who purchase products through mail order can utilize e-collect.



Installation by a sales driver and staff member

## Making efforts to attend customer calls “promptly, reliably, and politely”

Sagawa Express understands that one phone call from a customer may define our corporate image. In the Customer Service Section where calls are handled, we make every effort to be appreciated in our service by the customers, as the “second sales section” next to the sales drivers. Each regional office has its own instructors for daily education, and external instructors are regularly invited for guidance. New recruits receive practical education in a man-to-man system for about one year.

Aiming at the improvement of telephone manners, the Customer Service Section has conducted an internal customer service contest since 2001. External instructors and consultants make evaluations, and teams representing different blocks and regions contend with each other for the purpose of enhancement of the quality of the daily service.



Customer Service Section



Customer Service Contest

## Efforts on improvement of quality

### Certified according to ISO 9001

Aiming to provide the services that satisfy our customers, Sagawa Express is working on the management of service quality to correctly answer the customer's needs. As of May 2010, as many as 386 branches and offices are certified according to ISO 9001: 2000, which is an international standard of quality management system, and we are making further efforts to the continuous improvement of various processes relating to transport services.



ISO 9001 certificate

### Quality Mark certification

For our own quality control method, Sagawa Express conducts the certification for Quality Mark. This is a service quality control method to correctly answer the customer's needs. After the review of 16 criteria, including the performance rates of the specified time delivery and redelivery, 9 branches were certified in FY 2009.



Quality Mark

## ▶ With Our Employees

Employees are an invaluable resource for businesses. In order to respect employees and guarantee equality, we are making efforts to provide comfortable work environments for all our employees.

### Realizing ideal working conditions

The number of employees in SG Holdings Group is about 44,000. The number reaches about 63,000 if part-timers, temporary staff, and contracted workers are included. Considering that our employees are our indispensable assets, we must realize ideal working conditions for all employees. We respect human rights, individuality, personality, and privacy at the workplace while making efforts in 5S activities, namely arrangement (Seiri), putting things straight (Seiton), purity (Seiketsu), cleaning (Seiso), and discipline (Shitsuke) for the realization of safe and healthy working conditions.



### VOICE



**Miho Hyodo**

Sub Chief  
Personnel and  
Safety Control  
Department  
Labor Section  
Sagawa Express

#### Work-life balance and consultation counters

As we seek to create comfortable work environments in regards to employment and lifestyle, the SG Holdings Group is making efforts towards work-life balance. One of these efforts involves introducing systems for maternity health care management, etc. so that female employees can keep working. We will soon be implementing thorough training on general knowledge for female employees and management. In addition, we have established the "SG Holdings Group General Consultation Room" with counters for both general issues and women's issues. Consultation is provided to employees and family members,

with subjects on company and work issues.

Through efforts on work-life balance, we strive to create work environments where everyone can feel a sense of value in their jobs and mature with their life stage.

### Substantial education and training courses

In order to give all our employees the experience of feeling the reward of their jobs and growth through educational training courses, Sagawa Express promotes the nationwide standardized education system in various job fields.

We are working on the construction of a quantitative measurement system for achievement and growth made by the employees who finished the courses, looking to the better development of human resources.

#### ■ Training courses conducted in FY 2009

	Name of course	Number of participants
1	Basic education course for new recruits	3,994
2	Basic education course for safe driving	3,295
3	Graduation certifying course for SD	3,108
4	Basic practical training course for CS	715
5	Graduation certifying course for CS	459
6	CS Instructor certifying course	113
7	SD Instructor certifying course	768
8	Safe Driving Supervisor certifying course	202
9	Exclusive Safety Administrator training course	195
10	Female Career Support Training/Workplace Reform PJ	125
11	Leadership training course	1,131
12	Leadership training course	1,195
13	Core Management Member Training	32
14	First-time manager training course	48
Total		15,380

### Job development for persons with disabilities

Sagawa Express is making efforts to employ the physically/mentally challenged. Our employment rate in FY 2009 was 1.85% and we have consistently exceeded the minimum rate required by law. The big difference from many other companies is that we do not employ them at a specific company; namely, they are assigned to work together with physically unimpaired employees. It is our understanding that only working with other employees and sharing the pains and joy of achievement with them results in self-reliance of disabled persons in the true sense of the word.

Based on this policy, we will continue our efforts in job development to grow with disabled persons.

## Supporting female employees in various job categories

Providing opportunities for all employees to fulfill their personalities and abilities is one of our business strategies to secure a strong workforce in the future. In an industry where female employment is relatively low, Sagawa Express is making efforts to hire female employees. The ratio of female employees has been steadily increasing year by year. Just employing many female workers is not our aim. We actively promote them to administrative positions in view of cultivating more female staff and developing their capabilities.

We have programs to support the child-raising in employees' families, such as assistance for coming back to work from child-care leave. Many female staff have actually come back to work with us after pregnancy.

### Female career support /training

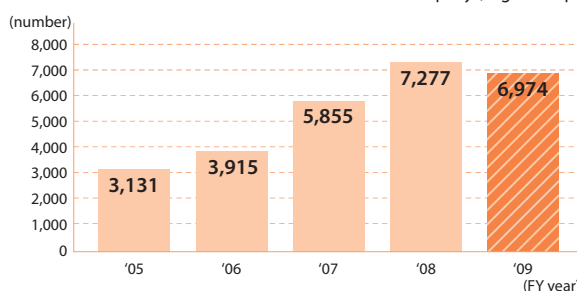
The purpose of this training is for the study of knowledge and skills that are linked to achievements and will stimulate activity unique to Sagawa Express's female management. In particular, we recognize the expectations of the roles Sagawa Express's female businesspersons play in various business situations, and we value their captaincy and leadership through the increase of motivation.

#### ◀ Main curriculum ▶

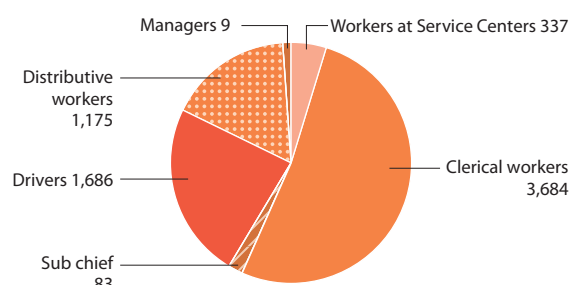
- Female employee support in business organizations created by males
- Stances during work
- Communication and network creation that facilitates organization
- Mindsets and skills necessary for a leader
- Powers of expression expected of a leader
- Drawing out motivation in members
- Coaching
- Basic management
- Logical thinking

During training, active female businesspersons are invited as guests, and female employees learn how to collect, recognize, and analyze information using proper thought processes for organization management. Based on this, judgment capability, etc. is studied to improve skills.

■ Trends in the number of female recruits in our company (Sagawa Express)



■ Breakdown of female staff by job field (Sagawa Express)



Scene from the first round of training

## VOICE

### I can rest easy and do my job thanks to various systems

Sagawa Express Ena Office Customer Service Section  
**Chitose Yamaguchi**

Thanks to maternity leave, I was able to enjoy a year of time with my child. In addition, the birth of my child gave me motivation for work, so I can now do each and every task with greater care.

From here on, I expect an increasing number of female employees that are able to effectively use welfare systems.

## The first usage of shorts in the courier service business in Japan

For the first time in the courier industry in Japan, Sagawa Express has introduced shorts as part of the summer uniforms.

This has expanded the "cool biz" scope to sales drivers in addition to management and operations department staff, and is also linked to work environment improvements such as the prevention of heatstroke.



A sales driver wearing shorts

## Supporting quality of life of the employees and their families through an exclusive website

SG Holdings Group runs an exclusive internet website “SG Holdings Group exclusive website for staff and families.” It has various contents, such as consultation services for health or troubles in working conditions, information on recreation facilities, other resorts across Japan, various welfare information, etc. with a view to helping our employees and their families enjoy physical and mental well-being.



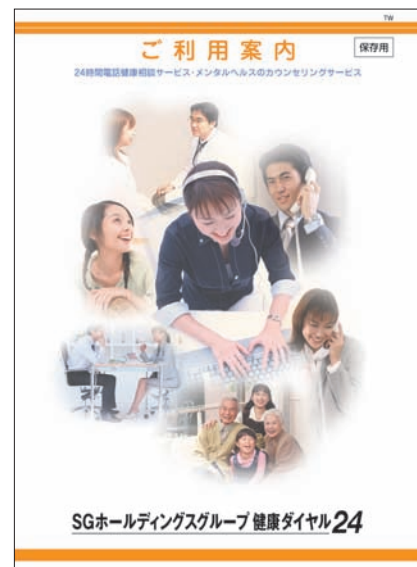
Main website page

## Promoting mental health care

The SG Holdings Group initiates measures for sound mental health in the workplace based on our Mental Health Guidelines for preserving the health of our worker's minds.

SG Holdings Group has established “SG Holdings Group Health Dial 24” for employees and their partners and families, and an expert organization provides 24-hour consultation on a toll-free telephone line and website. They accept a wide range of problems concerning family life, including health, medical care, nursing care, raising children, and information on medical institutions, as well as mental affairs concerning distress about jobs or human relations. Consultation on an anonymous basis is accepted as well.

If the consultee wishes, “consultation in interview” by an expert is also available at 200 locations in 47 prefectures. We support our employees, their partners and families.



SG Holdings Group Health Dial 24 pamphlet

## Further improvement through recognition of excellent staff

Once every year the SG Holdings Group conducts a Group Joint Awards Ceremony for acknowledging the outstanding achievements throughout the year of individual employees and business locations.

Beginning in fiscal 2009, Environmental Protection Activity categories were newly added to other categories such as achievements, quality, and safety for the purpose of increasing public benefits and new industry developments by increasing company awareness for these categories and promoting activities.



Group Joint Awards Ceremony

## Full Benefits

### Organizing SG Holdings Group Sports Festival

In order for our staff to work with vigor and enthusiasm, understanding and support by family members are highly valued. We understand that their families are also an essential part of SG Holdings Group and thus organize various events to cultivate mutual friendships between our employees together with their families, within each group company, branch, or region.

Among these, the SG Holdings Group Sports Festival (SSF), the largest such event for our group, is held in the beginning of May every year. The participating employees and their family members from all over the country get together at Moriyama Park, one of our resort facilities located in Moriyama City, Shiga Prefecture, and enjoy the sense of togetherness through sports and events.



### Club activities

We also support various sports club activities within the company for promoting sports and for the health of our employees. In cooperation with local communities, Sagawa Express supports artistic and sports activities and educational programs for children.

#### Track and Field Athletics Team

The team has taken part in the All Japan Corporate Ekiden held on January 1<sup>st</sup> every year for fifteen consecutive years. Our many achievements include Mr. Shimizu placing in the Lake Biwa Marathon for two consecutive years and Mr. Yamamoto coming in second place in the Hokkaido Marathon.



#### Soccer team

The team belongs to the Japan Football League (JFL) and won our second league championship in fiscal 2009.

The team is also actively taking root in the local communities in their home town Shiga through activities such as organizing a soccer academy for primary and junior-high school children.



#### Women's softball team

After the team joined Division 3 of the Japan Women's Softball League in 2005, they were further promoted twice more and now compete in Division 1. In addition, they competed in the 2009 Niigata National Athletic Meet and came in third place as a Kyoto Women's Adult representative team.



### Providing recreation facilities

We have several recreation facilities and contracted resort facilities, in which our employees can feel refreshed in mind and body, both domestically and abroad and many employees use them to deepen bonds between their family members.

#### Major recreation facilities



Lake Sagawa



Atami Sagawa Soh



SG Holdings Group Moriyama Field Athletics Stadium

## ▶ With Society

As we recognize our position as a “corporation within society” to fulfill our responsibilities as a corporate citizen, we are constantly reviewing and implementing both “what we can do” and “what we should do”.

### Hosting Stakeholders' dialog

What does society expect from the Sagawa Express as a distribution business? What can we do in our business activity to contribute to society? Do we satisfy such expectations sufficiently? In order to answer these questions, we have been holding “SAGAWA Stakeholders dialog” every year since FY 2004.

#### Summary of the 6<sup>th</sup> SAGAWA Stakeholder's Dialog

<b>Theme:</b>	Aiming to become a corporation worthy of gratitude
<b>Date:</b>	February 5 <sup>th</sup> (Fri.), 2010
<b>Location:</b>	Sagawa Express Tokyo Head Office
<b>Facility field inspection:</b>	Tokyo Midtown, Service Center, Mail Center
<b>Participants:</b>	15
<b>Content</b>	<ul style="list-style-type: none"> <li>● Facility field inspection</li> <li>● Keynote speech</li> <li>● General discussion</li> </ul>

#### < Major topics of the general discussion >

- What we can do and what we should do in distribution operations towards the creation of healthy economic conditions
- What is expected of Sagawa Express and how can we fulfill these expectations
- As a distribution business, how can we link CSR activities and intentions to business activities
- Topics on partnerships and cooperation
- As Sagawa Express, what can we do right now, what should we do in the future, what is requested of us. etc.

#### Opinions raised in the general discussion (extract)

- **The ideal standpoint of a distribution business**  
The preservation and continuation of a sound management system for the distribution network which is our societal infrastructure can now said to be our “ideal standpoint”.
- **New businesses that respond to societal problems**  
There is a necessity to review the provision of services that can precisely fulfill the needs of consumers and respond to societal problems in modern society.
- **Added value for services**  
New services become new business prototypes with potential benefits as value-added services.

#### VOICE from a participant



**Mika Takaoka**  
Professor  
College of Business  
Rikkyo University

#### Expectations for solution possibilities of courier service in societal problems

Previously, I used courier services without giving it much thought. But after participating in a Sagawa Express dialog, I had an opportunity to re-think my opinion on courier service.

Taken for granted in modern society, courier service does not just support economic activities, it can also be considered a societal infrastructure that contributes to links between people. In the future as we confront societal problems such as low birthrates, an aging society, and a declining population, expectations of a courier service network are great. I will be interested in the developments made in courier service as it continues to respond to the demands of society.



Scene from the discussion

## ▶ Social Action Programs

The SG Holdings Group has established a policy of “contributing to the development of regional communities”. We conduct activities for contributing to society based on a desire to return the favor to the customers that have supported us as well as society.

### Contributions to society through sports events

#### Active sponsorship for sports events

At Sagawa Express, we provide contributions to soccer, baseball, and other sport events as well as to amateur Go tournaments as part of our contributions to society as a corporate citizen.

Besides various sports events, Sagawa Express has been participating in the “Pink Ribbon Campaign” initiated in Kyoto in 2005, supporting the enlightenment activities and sponsoring symposiums.

#### “Dream Teacher” fosters healthy minds

As a part of our contributions to local communities and efforts with local school education, we are working towards the sound development of children's minds. Our soccer team takes part in the “Japan Football Association’s Kokoro-no-project (Project for Minds) - Dream Teacher” for children’s education. In fiscal 2009, they participated in the lessons of 266 students in years 5 and 6 at Moriyama City Hayano Elementary School. In addition, they visit kindergartens and nursery schools to hold a soccer lecture, and a soccer school named “Soccer Academy” is organized for children from the 3<sup>rd</sup> grade to middle school students who applied for the school.

#### Cooperation with Kyoto citizens’ event

Our women’s softball team participates in various events with a desire to increase the popularity of softball and improve skills. A softball exchange tournament featuring 18 teams from middle schools in Kyoto was held on the grounds at Moriyama Park. This tournament was held to contribute to the local region and junior education through participation by Sagawa Express in the 1<sup>st</sup> Japan women’s softball league. Approximately 500 players participated in the tournament.



Okinawa Marathon Tournament sponsored by Sagawa Express



Soccer class



Scene from a lesson in the Dream Teacher program



Kyoto Middle School Exchange Tournament



Softball class

## Activities by Four Foundations

In order to continue being a corporation that makes contributions to society, we conduct a wide range of activities such as “symbiosis with communities”, “international exchange”, and “academics/art” through foundation activities.

### Heart to Heart

## Overcoming the framework of distribution operations, our foundation activities aim for a better society

### Sagawa Foreign Students' Scholarship Foundation

#### Support for the first step of the dream of 16 students in the 24<sup>th</sup> period

We received applications from 84 privately funded foreign students from Southeast Asia and were recommended by presidents of national universities in Japan. Through impartial judgment, 16 students (6 undergraduate, 10 graduate) were selected to become scholarship students.

Accompanying this was the “Fiscal 2009 Sagawa Scholarship Acceptance Certificate Award Ceremony/Cultural Exchange” held on November 2<sup>nd</sup>. The 16 scholarship students attended the award ceremony, and the scholarship student Le Thang Tinh Buu (Fukushima University, symbiotic system science and engineering, 3<sup>rd</sup> year) from Vietnam greeted the audience with “I hope to study hard during my time in Japan so that Vietnam can make developments similar to Japan.” At the social gathering after the ceremony, there was exchange between the guests, the 23<sup>rd</sup> period upperclassmen students, foundation members, and SG Holdings Group Members.



Scholarship student expressing gratitude at the scholarship acceptance certificate award ceremony

### Sagawa International Economic Cooperation Foundation

#### Fiscal 2009 saw the 20<sup>th</sup> Japan-China cultural exchange meeting on vehicle maintenance

Our main business implements “Sagawa Japan-China relations and vehicle maintenance skill training”.

In fiscal 2009, this training point reached its 20<sup>th</sup> milestone year. Yuan Min Dao, chief secretary of the Japan-China friendship Association (who are the source of the dispatched trainees) came to Japan to give a congratulatory address at the opening lecture on September 4<sup>th</sup>.

There were six trainees dispatched from the city of Xining, Qinghai in the China Western Development region. Beginning on August 17<sup>th</sup>, they received basic training for approximately two weeks in Shanghai, then beginning September 4<sup>th</sup> they received intense vehicle maintenance skill training for two months in Japan.

### VOICE

#### Japanese vehicle maintenance skills spreading across all of China



**Yuan min dao**  
Chief Secretary  
Japan-China friendship  
Association

Thank you for your active support and cooperation over many years including the donation of repaired used trucks to China beginning in 1985 and the free transportation of goods to orphanages in order to improve China-Japan relations and promote economic development. I truly value your inviting and accepting Chinese vehicle maintenance skill trainees to Japan. The trainees learned not only advanced vehicle maintenance skills, they will also carry on the passion for work held by the SG Holdings Group.

They are now working successfully across all of China.

On the occasion of this training, I hope for the continuation of positive China-Japan relations.



Training in Japan involves the study of repairing engines, electric devices, power transfer devices, control devices (brakes), etc., as well as the experience of international exchange through training and third party observation programs.

We also accepted three vehicle maintenance skill trainees over a period of 10 days. This was achieved by a request from the Lao People's Democratic Republic, a recipient of donated used trucks, and the support of Tri Petch Isuzu Sales.



Scene from an opening lecture in Thailand

## ■ Sagawa Cancer Research Promotion Foundation

### What we can do to reduce the number of people suffering from cancer

A ceremony was held for the fiscal 2009 selection of the recipient research for the "Sagawa Cancer Research Grant" and the recipients of the 7<sup>th</sup> "Sagawa Special Research Award/Sagawa Nursing Care Special Study Award". 195 applications from research organizations across Japan were received for the research grants. After an impartial judgment by the selection committee, consultation on the results was performed by the board of directors. A total of 14 research grants were awarded. Each research grant was for 1 million yen (for a total of 14 million yen).

In addition, a similar process was used to select two people to receive the "Sagawa Special Research Award" and one person/one organization to receive the "Sagawa Nursing Care Special Study Award" and a bronze statue.



Awarding of a grant by the chief director, Eiichi Kuriwada

#### 【Sagawa Cancer Research Grant】

- Kyoto University Hospital Radiation Department Associate professor Masashi Ueda and 13 others

#### 【Sagawa Special Research Award】

- Jichi Medical University Medical Department Genome Function Research Department Professor/ University of Tokyo Graduate School of Medicine Genome Medicine Course Professor Hiroyuki Mano
- Nagoya City University Graduate School of Medical Sciences Graduate Course Tumor/ Immunization Internal Medicine Professor/Nagoya City Hospital Authority Chief Ryuzo Ueda

#### 【Sagawa Nursing Care Special Study Award】

- Group Pallium Nursing Chief Hiromi Kawagoe
- University Hospital, Kyoto Prefectural University of Medicine Pain Relief Medical Care Department Representative: Sawako Fujimoto

## ■ Sagawa Art Museum Public Interest Foundation

### The joy of experiencing culture and art amongst nature

In fiscal 2009, in addition to permanent exhibits for works by Ikuko Hirayama, Churyo Sato, and Kichizaemon Raku, project exhibits and events related to the community were held. 110,234 people visited the museum during these exhibits. In October, the total museum attendance reached one million people since its opening.



Scene from a workshop

#### 【Project exhibitions】

- Tomohiro Sekiguchi  
Railroad picture diary original drawing exhibition: Travel, People, and Heart
- 60 years of walking with children's books  
Daihachi Ota and his picture book friends exhibit
- Kichizaemon X  
Indonesian primitive art Takashi Inaba selection

#### 【Other events】

- 40<sup>th</sup> MoriYama City Art Exhibition Contest
- Sagawa Art Museum Children's Picture Contest Exhibition
- Twilight Concert, four total performances
- Welfare day (May 11<sup>th</sup>, August 17<sup>th</sup>)
- Art Museum Summer Activities (June 20<sup>th</sup> to August 30<sup>th</sup>)
- Workshop with Picture Book Authors (August 4<sup>th</sup>-9<sup>th</sup>)
- Association Tour  
Angkor Historic Ruins Tour (September 29<sup>th</sup> to October 6<sup>th</sup>)
- Christmas with "Sagawan" Characters (December 23<sup>rd</sup>)

# Opinions on CSR

## The voices of our members nationwide who are working in CSR activities



**Hiroki Mori**  
Tokyo SRC  
Higashi Tokyo Branch  
Sagawa Global Logistics

### Feeling the importance of distribution when I see a product I shipped myself in public

At my workplace, we manage general distribution from receiving to shipping of apparel products. When I casually go to a shopping mall and see products I have shipped lined up, I can feel the meaning and importance of logistics. My job is by no means extravagant, but I proudly value being a part of the distribution that provides luxury to people's lives as I make contributions to society.



**Tamami Ito**  
Sales Department  
Nouvelle Golf Club

### Placing value on the feeling of hospitality

Nouvelle Golf Club values hospitality. We determine what customers are looking for, and we work hard so that they truly feel a desire to come again. I do more than just try to provide satisfaction to customers, I receive an eagerness to keep doing well when they say "thank you". By interacting with such customers, I hope to continue maturing day by day.



**Tomoaki Okabe**  
Customer Service Section  
Wakkanai Office  
Sagawa Express

### Increasing love for my home town through waste collection

Once a year, the regional community collects waste as part of the community services. Seeing small children trying their best to carry collected items naturally makes me feel a desire to keep up and compete. Even though Wakkanai is a small town, through partnerships with people in the local communities I was able to feel the pride of working in my home town. Events such as these help make home towns into better places, and I have come to like Wakkanai even more.



**Eri Mori**  
CRE Strategy Department  
SG Realty

### The SG Holdings Group creates opportunities for active female employees

The SG Holdings group has work environments that allow equal chances for female employees. I have worked in a variety of fields, and have numerous experiences. They offer active support for acquiring qualifications and provide optimum workplaces for people who seek to improve their skills. Presently, I am working in realty management operations to provide appropriate answers for facility users that have worries, feel inconvenienced, or have other problems.



**Yuya Shimizu**  
Sales driver  
Osaka Office  
Sagawa Express

### Creating a relationship of mutual trust with proposals that fit a customer's needs

When I interact with customers, I always try to greet them with a smile and use an energetic tone of voice. I only meet with customers for brief periods every day, but a relationship of mutual trust with customers is probably built up little by little through this kind of communication. In the future I will propose the very best transportation plans from the customers' points of view and aim to become a sales driver that is truly counted upon by customers.

# The Third-party Warranty Report (Climate Savers Program)



## 独立した第三者保証報告書

佐川急便株式会社  
代表取締役社長 平間 正一 殿

2010年5月31日

### 1. 保証の対象と目的

株式会社あらたサステナビリティ認証機構（以下、「当社」という。）は、佐川急便株式会社（以下、「会社」という。）からの委嘱に基づき、会社と財団法人世界自然保護基金ジャパン（以下、「WWF」という。）との間で締結された「クライメート・セイバーズに係る覚書」（以下、「覚書」という。）に基づき、会社が算定した2009年度の二酸化炭素排出量、削減量及び目標の達成度に関して保証業務を行った。保証業務の目的は、SGホールディングス株式会社が作成した「CSRレポート2010」（以下、同レポートという。）に記載されている会社の2009年度の二酸化炭素排出量、削減量及び目標の達成度を対象に、「覚書」並びに会社の方針及び基準を規準として、以下の点について独立の立場から結論を表明することである。

- 同レポートに記載されている会社の2009年度の二酸化炭素排出量、削減量及び目標の達成度（同レポート P50）が、「覚書」並びに会社の方針及び基準（同レポート P50）に従って、重要な点において収集、報告されていないと認められる事項がないかどうか。

同レポートに記載されている会社の2009年度の二酸化炭素排出量、削減量及び目標の達成度は会社の責任のもとに作成されたものであり、当社の責任は独立の立場から結論を表明することにある。

### 2. 実施した保証手続の概要

当社は、「過去財務情報の監査又はレビュー以外の保証業務（ISAE3000）」（2003年12月改訂 国際会計士連盟）、「環境報告書審査基準案」（2004年3月公表 環境省）に準拠して業務を行った。本業務はこれらの基準に基づき限定的な保証を提供するものである。また、本業務は一般に公正妥当と認められる監査基準に準拠した監査ではなく、従って監査意見を表明するものではない。

保証業務において行った手続の概要は以下のとおりである。

- 会社の全般的状況及び2009年度の二酸化炭素排出量、削減量及び目標の達成度のマネジメントに関する本社における資料の閲覧、質問
- 同レポートに記載されている保証対象に関する、会社の方針及び基準の設定と運用の状況に関する本社及びサイトにおける質問
- 保証対象を測定、集計、報告する方法に関する本社及びサイトにおける資料の閲覧、質問
- 保証対象について本社及びサイトにおけるサンプリングしたデータと根拠資料の証憑突合、各根拠資料間の整合性の評価、分析的手続

### ・ 選定した往査サイト

サイト名	主な機能
佐川急便株式会社 本社 東京本部 総務部環境推進課	本社機能
同 関東支社※	支社機能

※関東支社（東京地区）、西関東支店、東関東支店、北関東支店が対象

なお、保証の対象とし、手続を実施した2009年度の二酸化炭素排出量、削減量及び目標の達成度については、同レポートの該当箇所にマーク（☑）を付した。

### 3. 結論

当社の結論は、以下のとおりである。

- 同レポートに記載されている会社の2009年度の二酸化炭素排出量、削減量及び目標の達成度が「覚書」並びに会社の方針及び基準に従って収集、報告されていないと認められる重要な事項は、当社が実施した手続の範囲では発見されなかった。

### 4. 独立性

会社と当社の間には、「環境報告書審査基準案」及び公認会計士法の規定により記載すべき利害関係はない。

以上

株式会社あらたサステナビリティ認証機構



東京都中央区銀座八丁目21番1号  
住友不動産汐留浜離宮ビル

代表取締役社長 木村浩一郎

# Opinions from A Third Party

## Attempting to deepen stakeholder management

The Earth is finite. The more we use resources the more they will decrease, and eventually they will be depleted. If toxic substances are released into nature, the global environment will gradually be destroyed. Businesses are currently living in an era where the Earth is at its limit. It depends on whether or not the world needs a business for it to live in such an era. My company is ceaseless in our self-questioning to know whether or not we are needed by society, and demands are being made for us to constantly question how we can contribute to the sustainability of the Earth. Businesses are not public property, however in an era where environmental and resource restrictions are increasing, it is inevitable that businesses will take on more and more qualities like that of public property.

Businesses also create and publish CSR reports as part of the demands of this era. The SG Holdings Group is clearly a leading business in these fields as they are already managing stakeholders using management standards and putting efforts into CSR. In particular, they are actively working on a number of subjects and obtaining results, such as the "Climate Savers Program" as a measure against global warming, which calls for urgent solutions. In this year's report, they are shown to be comprehensively implementing such measures and receiving praise.

However, creating a report worthy of the SG Holdings Group requires a few more plans and improvements.

The first is a method of writing placed in the middle of CSR management. It must be clearly shown that pursuing CSR activities as a business contributes to the expansion of corporate earnings. For example, the transportation efficiency, etc. of a large-scale intensive facility can have such a position. It will also be possible to create an appearance that gives a stronger impression of win-win situations for both the business and stakeholders. CSR usually has an image of tree planting and other environmental activities as well as philanthropy activities, etc. for returning some profit back to society. However the true nature of CSR activities is creating corporate earnings by being placed in the middle of CSR management.

The second issue is that I had hoped to see mid-term goals for corporate measures against global warming. The Democratic Party of Japan has stated goals of reducing greenhouse gases in 2020 by 25% of those of 1990, and 80% by 2050. In the current fiscal year, the SG Holdings Group started a new Second Stage Plan, however it would be appropriate to detail the relationship of this new plan and measures against global warming. Management planning and measures against global warming are not separate issues, they should be seen as different sides of the same coin. I believe that stakeholders will also take concern at this issue when they see this report. If the SG Holdings Group has not yet completed such work, they should explain their situation and make a commitment to include such information in next year's report.

The third issue is that the jobs of the SG Holdings Group are geared towards male employees, therefore the ratio of female employees is comparatively low. There was also a limit in the efforts towards CSR activities. However, they stated a goal of raising the female employee ratio to 16% and are increasing utilization of female employees. Female management has also been introduced. An organizational balance between male and female employees is important for sound business activities. If female employees with CSR activity jobs with leadership responsibility and female employees that fill CSR activity roles increase, CSR activities will expand and grow deeper, and the report will have greater equality. Active assignment of female employees is a vital part of CSR activities.



Tadahiro  
Mitsuhashi

Affiliate professor  
Chiba University of  
Commerce Graduate School

## Title of the CSR Report Brochure

Based on infrastructure operations in distribution, a service indispensable to modern society, we want to link people with other people and society to create a prosperous future. This strong desire of the SG Holdings Group inspired the advertising slogan "Supporting people, commerce, and the future".

## Cover Design

A Sagawa Express natural gas fueled truck is driving in the space balancing a city and nature. This represents the environmentally-friendly business activities of the SG Holdings Group. A blue sky that stretches as far as the eye can see is above the natural gas fueled truck, and a cloud in the shape of people holding hands floats above. This is our stakeholders leading prosperous lives through our operations. Through graphic designs such as this, we express the SG Holdings Group's position of supporting a prosperous future for the global environment through our daily business activities.

## Editorial Policies and Report Scope

### Editorial policies

- 1 We strive to use easy to understand expressions with clear and concise explanations.
- 2 The Ministry of the Environment's "Environmental Reporting Guidelines 2007" and "Sustainability reporting guidelines 2006" (GRI) were referred to.
- 3 The data results for fiscal 2009 are being totaled (the activity content includes some content from fiscal 2010).
- 4 The applicable periods are specified for values that could not be reported as yearly result values due to the status of the efforts.

### Applicable report period

March 21, 2009 to March 20, 2010

### Applicable report organizations

The activities of the SG Holdings Group businesses and foundations are shown with a focus on the activity results of Sagawa Express.

### Other report provision methods

This report can also be downloaded from the website of the SG Holdings Group. (<http://www.sg-hldgs.co.jp/>)

## Editor's postscript

Through our businesses, the SG Holdings Group seeks to complete and develop industrial/societal infrastructures as we fulfill our CSR duties through sincere efforts towards operations with high public praise such as those shown.

The opinions on the SG Holdings Group and the assistance received from many of our stakeholders were utilized in the creation of our 2010 CSR report as much as possible. As editor, I was able to once again see the positive aspects of the SG Holdings Group and find areas where we should improve. I am grateful for my role.

With this CSR report, I hope that many people are able to understand our activities. In addition, I hope that our stakeholders will give us their valued thoughts and opinions so that we can continue to implement business activities that strengthen the bonds between people and society.

SG Holdings Co., Ltd  
CSR manager

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This report can be found at our website shown above.

