



SG HOLDINGS GROUP

# CSR Report

Corporate Social Responsibility Report 2012  
Connecting People, Society, and the Future



# Connecting People, Society, and the Future

We're connected to the people who are important to you.

Today is connected to the future.

Every day, we connect each and every customer who thinks this way, all the employees we work with, our business partners, local society, and the people of the world.

That is the calling of the SG Holdings Group.

Together with all of our stakeholders, we connect people, society, and the future.

## Company Summary

SG Holdings Co., Ltd. is a holding company for the corporate group centered on Sagawa Express Co., Ltd. It handles all the management strategy drafting and administrative functions of the overall group and specializes in functions for carrying out the work of each company. This management structure allows us to increase our decision-making speed to match the ever-changing demands of society and make the most of the group's overall strengths.

### Trade name

SG HOLDINGS CO., LTD.

### Establishment

March 21, 2006

### Businesses

Group management strategy drafting, administration, and related ancillary work

### Location

68 Tsunoda-cho, Kamitoba, Minami-ku, Kyoto, 601-8104 Japan

### CHAIRMAN, REPRESENTATIVE DIRECTOR, and PRESIDENT

Eiichi Kuriwada

### Capitalization

11,383 million yen

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## Editing Policies

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- The SG Holdings Group CSR Report has been published in two separate versions since fiscal 2011: a printed version (a report summarizing important topics) and an online version (a detailed report). For fiscal 2012, we have partially reviewed the role of the printed version and have aimed to draft a report that communicates an appropriate amount of information in the printed version alone.
- We have also referred to the Ministry of Environment's Environmental Reporting Guidelines 2007 and Sustainability Reporting Guidelines 2006 (GRI).
- Business Results Data have been compiled from Fiscal 2011 statistics. (Some content represents that of Fiscal 2012.)
- For certain initiatives for which we are unable to report numerical yearly results, we have described the corresponding period.

### Period Subject to Reporting

March 21, 2011 - March 20, 2012

### Organizations Subject to Reporting

Reports concerning the activities of SG Holdings Group companies and foundations, particularly the results of Sagawa Express.

### Other Methods of Providing Information

A more detailed report is available on the SG Holdings website. This report is also available for download.

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

Relationship between the printed and online (detailed report) versions of the Report

#### Printed version

A report that mainly summarizes topics with a high degree of interest and concern for readers so that many people are able to enjoy the content

Introduces important topics in an easy-to-understand manner

#### Online version (detailed report)

A report that complements the information contained in the printed version, and aims to help readers understand in further detail the SG Holdings Group's Safety Initiatives, Environmental Initiatives, and Relationship with the Community

Discloses more detailed, comprehensive information



**We will reconfirm our social calling of being a standard bearer for logistics infrastructure and aim to become a corporate group that can contribute to the development of a sustainable society.**

Eichi Kuriwada  
Chairman, Representative Director and President  
SG Holdings Co., Ltd.

栗和田 栄一

#### **Reconfirming Our Awareness of the Important Responsibility of Shouldering Logistics in a Social Crisis such as a Disaster**

We would like to offer our sincerest condolences to all those affected by the Great East Japan Earthquake.

The SG Holdings Group companies also suffered damage in this earthquake, in terms of both employees, their families, facilities, and vehicles, particularly in affected coastal areas. In this kind of social crisis, we all strongly feel that we would like to assist, even in some small way, and since the immediate aftermath of the quake, the Company as a whole has worked to transport support supplies with the assistance of the national government, local authorities, industry groups, and other related organizations. We also strove to rebuild our transportation structure as quickly as possible, managing to restart our Branch Pickup Service approximately one week after the fact, thus enabling us to deliver packages sent from across Japan to those living in affected areas.

Logistics is one type of social infrastructure, and we think that it is good to consider it like the air you breathe. We felt that our corporate philosophy is fully embedded and felt secure in our in-the-field capabilities on seeing the attitude of our employees, who were burning with a certain sense of mission in securely and smoothly delivering valuable packages as normal even in the midst of this type of large scale disaster. Many of our customers also expressed their gratitude that packages were being delivered as normal. This served as an opportunity for our employees working in the field to reconfirm exactly how important the tasks they perform are. We would like to use what we have gained from this experience to further increase service quality and strengthen our crisis



Visiting the affected areas and offering strong support to local drivers  
(Related article: P. 13 Special Feature: "Our Calling as a Standard Bearer for Logistics, a Vital Societal Infrastructure")



All Group companies strive to advocate for the achievements of female employees and for work-life balance  
(Related article: P. 20 Special Feature: "Wakuwaku Women's Project")

management.

The Group will continue to make long-term efforts to restore and rebuild affected areas. We feel that in doing so, it is important to continue activities through our main business, such as evolving and developing our businesses and creating employment.

### **The First Steps of CSR are Employment through Continued Growth and Obeying Laws and Regulations**

The employees of the SG Holdings Group currently number more than 70,000, and when we include their families and those in cooperating companies, our businesses support the lives of hundreds of thousands of people. As someone who bears responsibility for group management, I truly feel that protecting employment and daily life is the first step toward CSR. The fundamentals in realizing CSR make up the stable and continued growth of business and obeying laws and regulations which is essential as a member of society.

In terms of the management plan, which paints a picture of the group's growth, this term, we finished the second year of the Second Stage Plan, our medium term management plan started in fiscal 2010. This plan sets as its targets the expansion of business areas and strengthening of our revenue bases, aiming to further enhance the revenue base of the group's core delivery business, as well as making efforts to display the Group's synergy and establishing the group's second, third, and fourth pillars. Management at each company is fully aware that we are pillars supporting the group. We feel that we would like to connect this awareness to concrete results by expanding it to middle management and employees in the field.

### **Further Utilizing Valuable Human Resources by Promoting the Achievements of Female Employees and Work-Life Balance**

In promoting our medium term management plan, we operate under a stakeholder management framework that adapts to the expectations of those around the Group. We believe that our employees themselves, who stand at

the front lines connecting with customers, play the most important roles in stakeholder management. In fiscal 2012, we announced our personnel vision that reveals what human resources should be. Challenge for Innovation: Shining Individuality, A Connection Mentality, and the Widening World. This personnel vision was drafted with a focus on young employees, who will carry the Group in the future, and expects that no employees will be satisfied with current conditions, that they will always be aware of issues, and that they will press forward with innovation.

At the same time, we have also been emphasizing our advocacy of female achievements and the work-life balance so that each individual employee feels job satisfaction and is able to fully display their skills. We perceive our business, which is mainly transport, as a service industry, and the feelings and ideas of female employees are one of our great strengths. At present, women make up 20% of our employees. We intend to increase that number to 30% in 2014 and will proceed with creating an environment that is easy for women to work in. We will also enhance our human resource cultivation system in light of the work-life balance. We feel that improving this balance is essential in having the human resources we have cultivated perform well.

### **Continuing to Be Necessary to a Rapidly-Changing Society**

Using our creative originality, the SG Holdings Group has been able to achieve the services desired by our customers, and continues to grow by cultivating trust. Going forward, we will hold dialogs with all stakeholders from employees to local communities, shareholders, and trading partners, in order to increase their understanding, and will swiftly and earnestly respond to requests from society while fulfilling the social responsibilities required of the Group.

# SG Holdings Group Corporate Philosophy and Guiding Principles

The SG Holdings Group's corporate activities are all created in line with the sense of ethics of all our managers and employees. We have established a Corporate Philosophy, a Code of Conduct, and Ethical and Action Standards and we practice them across the entire Company in order to promote the creation of systems to ensure appropriate work and the establishment of systems to obey laws and regulations.

## SG Holdings Group Corporate Philosophy

The SG Holdings Group inherits the hikyaku express spirit -- the origin of Sagawa Express's establishment -- and engages in fair and free corporate activities that respect human rights and observe laws and regulations.

The hikyaku express spirit represents our motto of serving "speedily, securely, and courteously."

1. Fully promote the philosophy of "customer comes first."
1. Work for the development of local communities.
1. Make responsibility and good faith our calling.

## SG Holdings Group Code of Conduct

### Declaration to Earn the Trust and Empathy of Society

The SG Holdings Group engages in fair competition to create added value, bears responsibility for the development of an economic society, and aims to become a company that is useful for many sectors of society. To do so, all directors and employees of the SG Holdings Group stand as one at all times in order to thoroughly promote stakeholder management; respect human rights and obey related laws/regulations, international rules, and the spirit thereof both domestically and internationally; and fulfill our social responsibility with a high sense of ethics based on the following eight principles and management attitudes aimed toward creating a sustainable society.

#### Together with Customer Expectations

1. We shall gain trust and satisfaction through developing and providing useful and highly convenient products and aiming to continually improve our level of service.

#### Together with Employee Expectations

2. We shall respect the diversity, character, and individuality of our employees, strive to create a work environment which is safe and easy to work in, and create a free and fulfilling workplace.

#### Together with Community Expectations

3. We shall act independently, with our safety and environmental initiatives serving as a necessary requirement for the Group's existence and activities.
4. We shall proactively undertake social contribution activities as a good corporate citizen.
5. We shall, in terms of international business activities, not only obey all national and local laws and respect all international models such as human rights, but also engage in management which is considerate of our stakeholders, including their culture and customs, and contribute to the development of their respective nations and communities.

#### Together with Shareholder and Trading Partner Expectations

6. We strive to communicate not just with our shareholders, but with society as a whole, and we proactively and fairly disclose corporate information. Further, we thoroughly protect and manage the information that we possess, including personal information and customer information.
7. We engage in fair, transparent, and free competition as well as appropriate trading. We also maintain healthy and normal relationships with politics and with the government.
8. We stand resolute against anti-social forces and organizations that threaten civic order and safety, and we thoroughly refuse all relations with such groups.

### Management Attitudes

1. The management is aware of our responsibility to carry out the spirit of this Code, and we shall take the initiative in doing so to set an example for others, thus allowing it to permeate thoroughly within the Group and assisting in achieving this goal at our trading partners as well. In addition, we shall promote business activities that respond to the needs of our various stakeholders and establish effective internal systems.
2. In cases when an incident arises that runs contrary to code, the management shall make clear its stance toward resolving the problem to all internally and externally, strive to discover the reason for its occurrence and prevent it from happening again, and promptly and accurately disclose information to the public.

## SG Holdings Group Ethical and Action Standards (Abridged)

We shall act in accordance with these Ethical and Action Standards, which are a concrete representation of the SG Holdings Group Code of Conduct.

1. We shall continue to expand together with customer expectations.
2. We shall continue to create a bright workplace together with employee expectations.
3. We shall continue to press forward together with community expectations.
4. We shall continue to build trust together with shareholder and trading partner expectations.

## SG Holdings Group Unified Slogan

Safety, Environment, and Service  
Toward World Standards for All Aspects of Quality

## Stakeholder Management and Fundamental CSR Concept

The SG Holdings Group raises the banner of stakeholder management, which accurately responds to the expectations of all stakeholders: customers, employees, local communities, shareholders, and trading partners.

In order to become a corporation that is needed by society as a whole, we ensure that our management is highly efficient, healthy, and transparent, and make the fulfillment of our corporate social responsibility our basic policy. We will accomplish this by thoroughly promoting corporate ethics and compliance with laws and regulations, and by enhancing risk management and compliance in order to continually improve our corporate value based on our basic internal control policy.

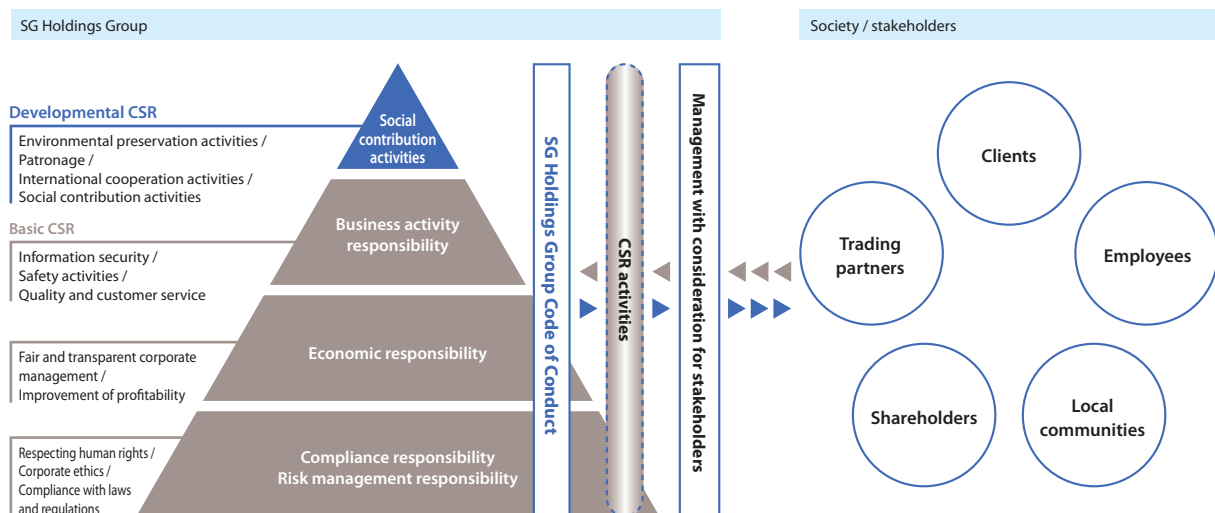
We believe that fulfilling our responsibility to all stakeholders is the adaptability to respond to the

diversifying and increasingly advancing needs and desires of the community, and that it is something that we do in order to strive toward securing corporate trust.

The SG Holdings Group has two CSR concepts: basic CSR and developmental CSR. We feel that compliance with laws and regulations, which is done to ensure the continuation of corporate activities, is an essential item of basic CSR. On top of this basic CSR, there is also developmental CSR, which responds to the various manifest expectations and requests from the community and contributes to society.

We are aware that business activities and social development are closely intertwined, and we feel that continually connecting the two pillars together and managing them is one way to contribute to the continued development of society.

SG Holdings Group Basic CSR Concept Chart



# Corporate Governance

The SG Holdings Group strives to slim down its management structure and practice speedy management as well as work to enhance governance through separating management audit functions and business affairs and clarifying authority and responsibility.

## Corporate Governance System Summary

### ■ Board of Directors

In addition to undertaking business affairs through reporting on management intent, performing budget control, and other important items, the Board of Directors is also positioned as an organization that audits the business affairs of each director. Ordinary meetings of the Board of Directors are held monthly.

### ■ Board of Auditors

Through attendance at not only the Board of Directors meetings but other important meetings as well, it audits the legality and appropriateness of the Directors' business affairs. It strives for efficient and appropriate auditing functions in order to enhance corporate governance and management regulations.

### ■ Management Strategies Meetings ■ Business Promotion Meetings

These meetings improve the performance of guidance and administration of all aspects of Group company management through communicating important decisions, reports, and other such matters concerning group management policies, management strategies, and the like.

### ■ Management and Administration Enhancement Committees

These internal committees were established to be involved in issues related to advancing auditing entities and corporate structure with the goal of providing a further managerial and administrative structure for internal control appropriate for a listed corporation.

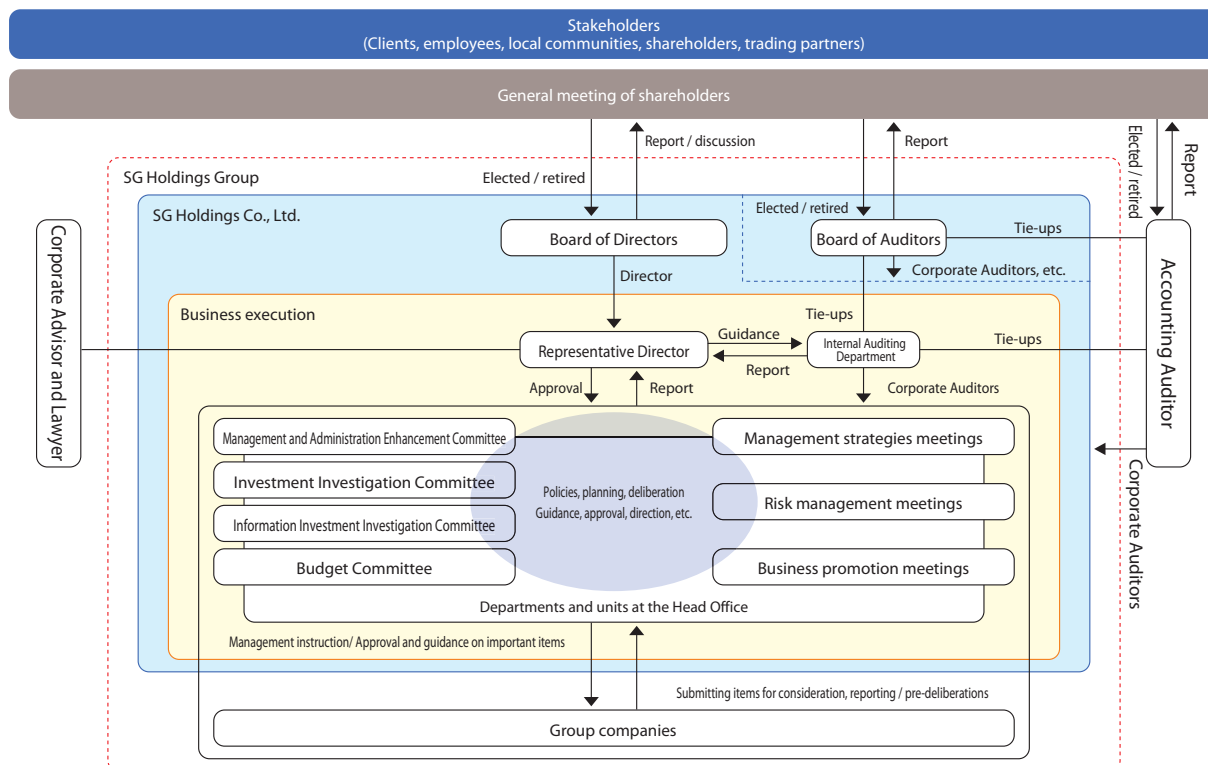
### ■ Risk Management Meetings

The committee sets forth Risk Management Guidelines for company loss risks, and holds monthly risk management meetings, of which Representative Directors from each group company are members. The committee brings together the risks of all companies in an effort to establish a Group management structure that laterally deals with a variety of risks that can have significant adverse effects on management.

### ■ Investment Investigation Committee ■ Information Investment Investigation Committee

These committees assess, deliberate on, and coordinate risks related to the efficacy and health of the Company and Group companies' investments and verify the post-investment conditions and effects.

## Corporate Governance System





## Basic Internal Control Policy (Abridged)

The SG Holdings Group ensures that its internal control functions are effective, and also ceaselessly evaluates them and makes necessary improvements. We also engage in

continued review in light of changes in the management environment and strive to prepare more effective internal control.

We are aware of the necessity to strengthen compliance systems further and for corporations to display clear policies toward preventing damage due to anti-social forces as a means of handling changes in the social and management environments, and we have reviewed and made necessary revisions to the SG Holdings Group Basic Internal Control Policy.

\* The items below are related to compliance and risk management (abridged).

### ■ Systems to Ensure that the Director and Employee Work Performed Complies with Laws, Regulations, and the Articles of Incorporation

- The following are set forth so that directors and employees will obey laws, regulations, and the Articles of Incorporation and to construct a corporate climate of undertaking ethical business activities.
  - (1) Management strategy meetings shall be held and continued improvements to the compliance system shall be promoted.
  - (2) Laws, regulations, and the Articles of Incorporation shall be obeyed and business activities shall be performed with a high sense of ethics based on the Group's Code of Conduct.
  - (3) The Group's Ethical and Action Standards shall be the basic action policy for directors and employees.
- The Ask Anything consultation office shall be established for the Group as an internal reporting system with the purpose of discovering legal non-compliance at an early stage and preventing scandals before they occur. The Company shall work to maintain and improve systems based on the Internal Reporter Protection Regulations in which information collection, reporting, and consultation can be conducted from the point of view of protecting whistleblowers, and shall take quick and appropriate measures when corrections and/or improvements need to be made.
- The Company is aware that eliminating anti-social forces which threaten social order and safety is an important issue shared across the community, and, as a socially-responsible corporation, shall set forth a basic policy regarding anti-social forces as given below and prepare systems for the actualization of this basic policy.
  - (1) The Company shall decisively confront anti-social forces and fully refuse relations therewith.
  - (2) The Company shall not respond to unreasonable requests from anti-social forces and shall not engage in any backdoor dealings or provide investment.
  - (3) The Company shall respond to anti-social forces at the organizational and legal level after having liaised with specialized external organizations, and shall place the utmost priority on securing the safety of our directors and employees.

### ■ Regulations and Other Systems for Managing Risk of Loss

- The Company shall engage in preventative management of the various business risks that we face, be they strategic, business activity, financial reporting, or otherwise, based on the Risk Management Regulations.
- In cases where an incident occurs that could cause major damage to corporate management, business activities, and/or the corporate image, or that could have grievous adverse effects on society as a whole, the Company shall respond appropriately based on the Crisis Management Regulations and the Disaster Management Regulations.
- Risk management meetings shall be held as appropriate, efforts shall be made to prevent and minimize risks and decrease losses occurring therefrom, and the Company shall promote the enhancement of risk management systems.

## Refusing Relations with Anti-Social Forces

SG Holdings and the SG Holdings Group companies shall press forth with a resolute attitude and posture against anti-social forces that threaten civil order and safety, and shall set as their basic policy the refusal of relations with anti-social forces.

Not only shall the above-mentioned policy be included in the Basic Internal Control Policy, the Company also swears such in our Code of Conduct, and shall set forth

similar regulations in the Ethical and Action Standards and Employee Regulations, and shall engage in employee education .

Administration Departments in each Company shall fully share information about anti-social forces and how to respond to them and strive to prevent them from interfering with clients and/or stop such interference if it occurs.

## Spreading Corporate Ethics: Enhancing Compliance Systems and Preparing Risk Management Systems

SG Holdings is aware that the management of compliance systems given in the SG Holdings Group Ethical and Action Standards and the risk management systems that understand, evaluate, and administer risks in the process of all businesses undertaken by each Group company are important pillars supporting internal control, and is working to enhance each of these systems.

In fiscal 2010, we constructed risk management systems for each company through the risk management site, and in fiscal 2011, we began preparations for management systems across the Group as a whole. At the same time, we conduct education for all group employees in order to further strengthen our compliance systems.

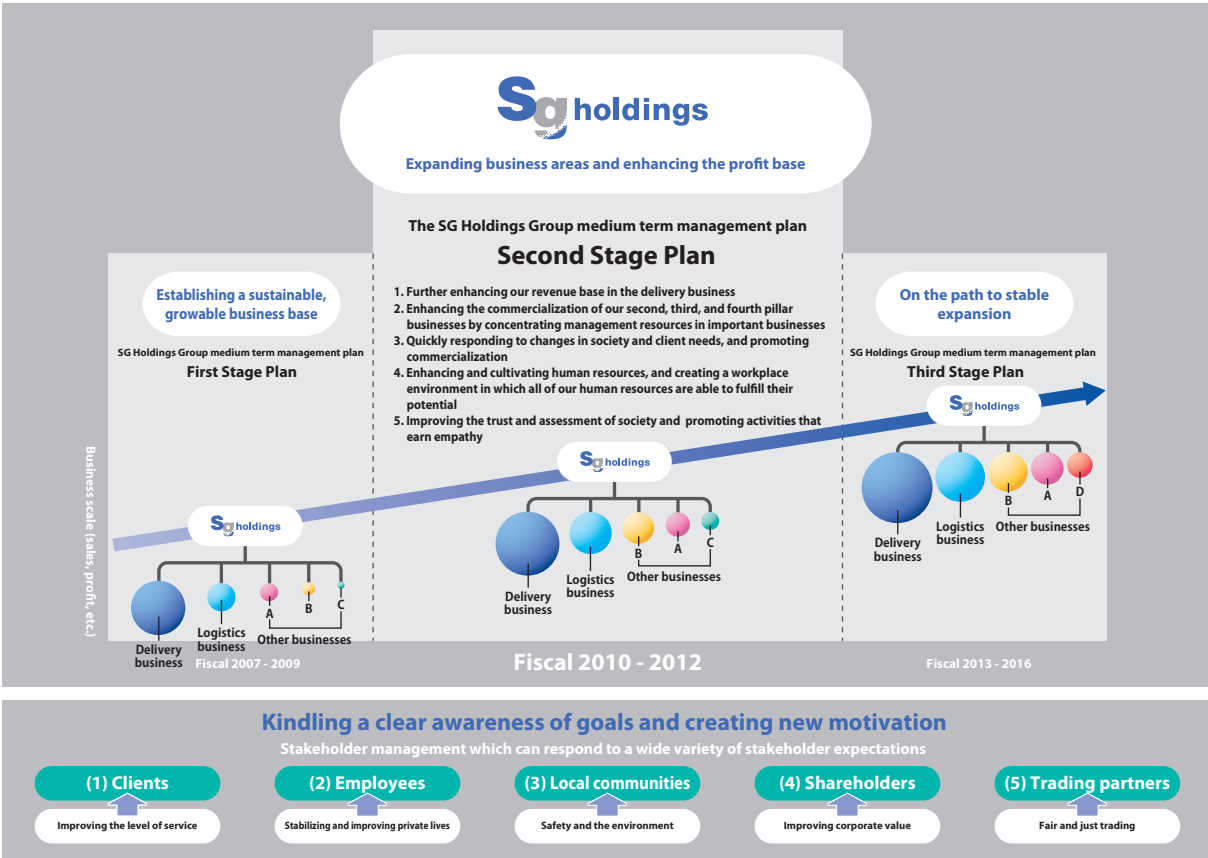
# SG Holdings Group Management Vision and Medium Term Management Plan

**Management Vision**

**"Group companies will form their own business bases and create their own new values."**

We will swiftly respond to changes in our customers' needs and the market environment, continue to revolutionize and make new challenges for growth long into the future, create new value, and strive to establish businesses that will become the second, third, and fourth pillars of the Group.

## Second Stage Plan, the Fiscal 2010-2012 Medium Term Management Plan



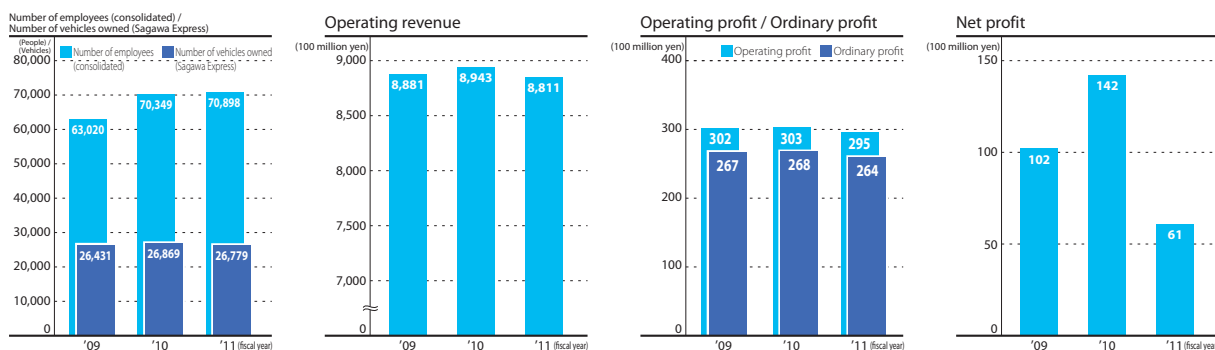
## Results for the Second Year of Second Stage Plan, Our Medium Term Management Plan

In fiscal 2011, the second year of the Second Stage Plan, our medium term management plan, we aimed to strengthen the revenue base of the delivery business, expand businesses areas that comprehensively utilize our management resources, and improve competitiveness and growth capabilities for the group as a whole in our quest to expand business areas and strengthen our revenue base. Yet operating revenue (¥881.1 billion; 98.5% of the previous period) and operating profit (¥29.5 billion; 97.4%

of the previous period) both decreased due to the increase in oil prices and concerns about deflation. In the next fiscal year, through having group companies proceed with business with an eye to achieving the plan's targets, we aim to improve corporate value and make a giant leap forward with the aim of heading for the final stage of the medium term management plan, "toward a stable path of expansion."

## SG Holdings Group Business Data (Consolidated)

We are expanding our business in the following three areas: the delivery business, the logistics business, and other businesses. The group as a whole suffered decreases from the previous period both in terms of both operating revenue and operating profit.

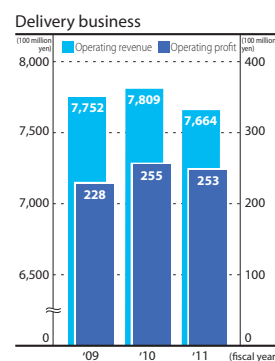


## Results Summary by Segment

### ● Delivery Business

In the delivery business, with an eye toward improving customer convenience, we began new services such as a home delivery box-based package transport reception service and the installation of Hikyaku MyBox's, the industry's first private P.O. boxes. We also proactively promoted the development of new delivery-related services such as Hikyaku Sealed Delivery Service and our Consignee Identification Delivery Service and the enhancement of infrastructure toward quality improvement efforts, such as expanded business bases, including small scale stores. Thanks to these efforts, the volume handled by Hikyaku Express increased, although transportation fees shifted downward due to increased competition with other companies in the industry and the new-found prominence of other companies, included trading firms, large mail order firms, and 3PL corporations.

As a result, operating revenue for this business segment was ¥766.4 billion (98.1% of the previous period.)

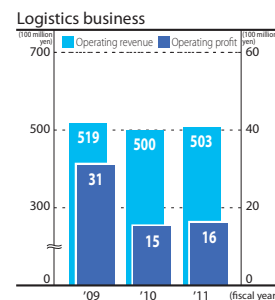


### ● Logistics Business

We aimed to expand the logistics business by providing total logistics solutions. To do so, we formed a business tie-up with TRINET LOGISTICS CO., LTD. and fully revamped our sgx International Courier Service service plans.

In overseas markets, SHANGHAI DAZHONG SAGAWA LOGISTICS CO., LTD. began a delivery business in Guangzhou City, Guangdong Province, China, and SAGAWA EXPRESS VIETNAM CO., LTD. started a metering and inspection business for apparel and sundries. We are also proceeding with the proactive expansion of various services in Hanoi and Ho Chi Minh City, including starting the first ever delivery business by a Japanese logistics corporation. We have, however, suffered the adverse effects of the flooding that occurred in Thailand, including water damage to warehouse facilities and halted cargo movement due to the cessation of work at shipping corporations.

As a result, operating revenue for this business segment was ¥50.3 billion (100.6% of the previous period.)



### ● Other Businesses

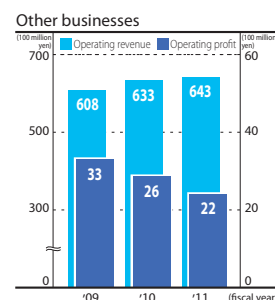
In the automobile maintenance business, our business activities that emphasized the pioneering of new clients who are expanding their transport networks over a wide area, and the maintenance of special vehicles resulted in favorable progress.

In the real estate leasing and administration business, as initiatives toward expanding revenue opportunities outside the group, we acquired two large logistics facilities, commenced construction on a new plant in Kashiwa City, Chiba Prefecture, and acquired a new logistics site in Maishima, Konohana-ku, Osaka City.

In the IT business, we established WUXI FEISU LOGISTICS INFORMATION TECHNOLOGY CO., LTD. in Yixing, Jiangsu Province, China. It is a joint venture company engaged in the development of a logistics system for online shopping and the construction and operation of shipping, inventory management, and other such systems.

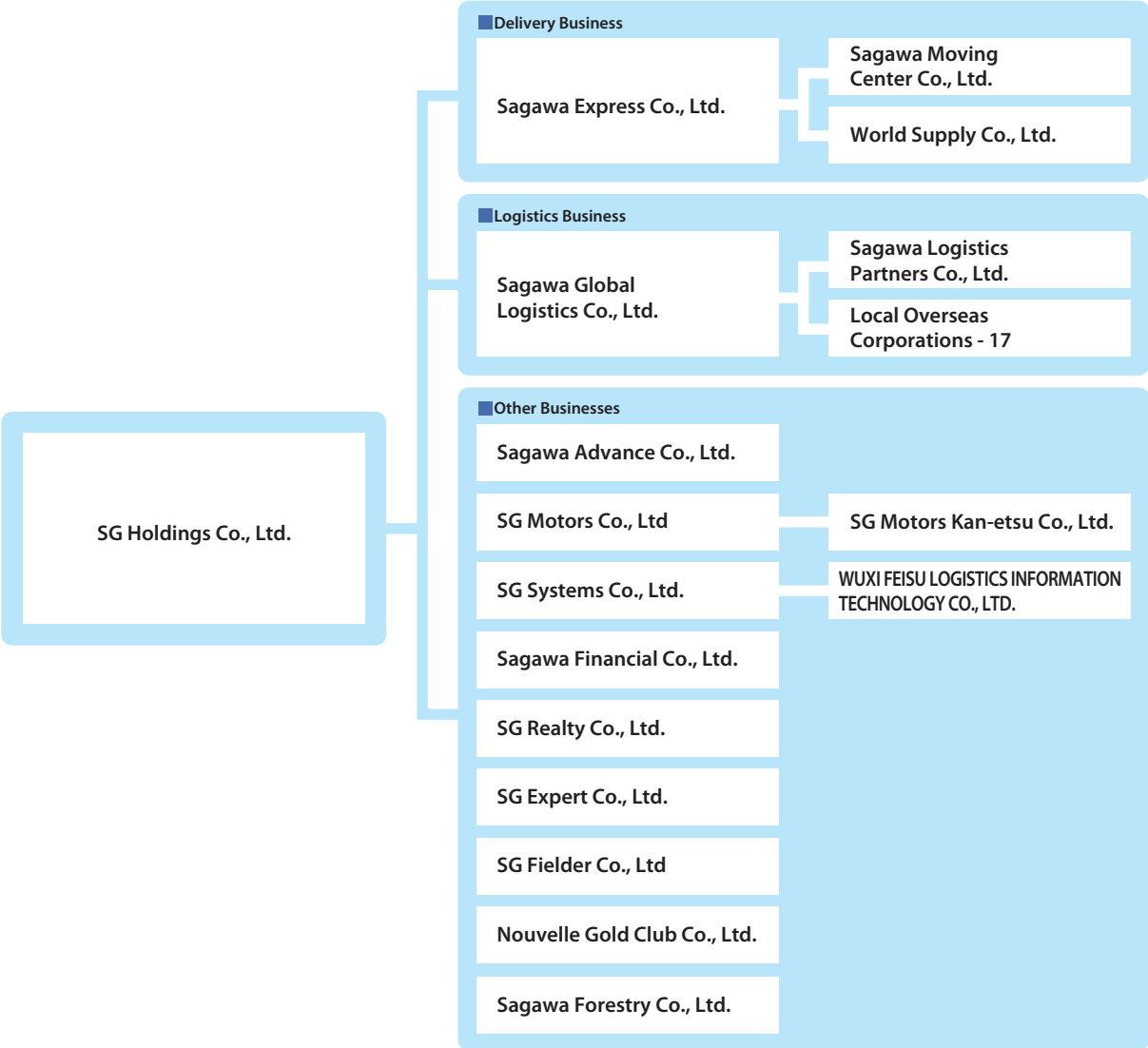
We also established SG Expert Co., Ltd., which provides shared services with the Group, as well as SG Fielder Co., Ltd., a human resource outsourcing service, which began its operations already having inherited the human resource development business division of Sagawa Advance Co., Ltd.

As a result, operating revenue for this business segment was ¥64.3 billion (101.5% of the previous period.)



# SG Holdings Group Business Structure and Business Summary

## SG Holdings Group Business Structure



## Main Domestic Companies and Business Summary

### Sagawa Express

Sagawa Express, as the core company of the SG Holdings Group, has developed our delivery business across a wide area, with a particular focus on delivery service. We handle approximately five million packages daily, delivering each individual package with the care our customers have come to expect. We also coordinate with Group companies to provide efficient total logistics solutions.



### Sagawa Moving Center

Our moving business not only provides personal moving services, but also assists with corporate moving as well. Similarly, our setting business supports customers all the way through the assembly and installation of furniture and electronics. We have also developed services in which we respond to a diverse range of customer needs – such as our route delivery business, in which we provide one-stop moving, installation, and disassembly of devices and fixtures used in events – to the maximum possible extent.



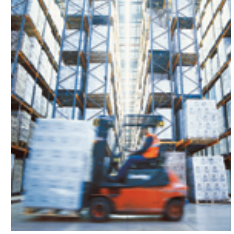
## World Supply

We have developed a 3PL business and a joint food delivery (Tsukiji market) business centered on our delivery agency services to department stores and large boutiques. Additionally, we provide logistic services at all steps, from storage to shipping, for apparel and cosmetic products, both domestically and internationally, through our TAPA Class-A international security regulations-accredited centers.



## Sagawa Global Logistics

We have developed a 3PL business and a logistics processing business that takes advantage of information systems through connecting our many domestic bases with bases overseas, in areas such as China and Southeast Asia, and constructing a from-start-to-finish international transport scheme that utilizes a diverse array of transportation modes. We aim to support our customers' management circumstances by proposing made to order one-stop logistics that work toward reducing logistics costs.



## Sagawa Logistics Partners

We provide total logistics support, ranging from meter reading and inspecting to storage and logistics processing, at nine locations throughout Japan. Through combining work in such a way that we are able to display the full range of our facilities' sorting capabilities, we are able to work with multiple owners and multiple delivery destinations using the same system. We possess a shared platform-style business base and work to propose low cost operations.



## Sagawa Advance

In our quest to become a comprehensive service corporation, we provide services in a wide range of fields, with main business pillars including insurance agencies, travel, product development, and facility supervision. Our Nursing Care Travel and Outing Support Service, which we started as a new travel business service, has received particularly high accolades. Just as the name "Advance" implies, we respond to all manner of customer needs.



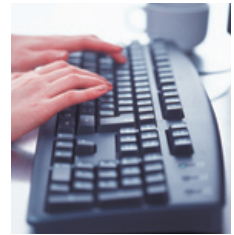
## SG Motors

We have 27 self-owned maintenance plants, two body manufacturing plants, and other cooperating plants nationwide, and can also provide detailed maintenance support via our cooperating plants nationwide. We also have services for corporations and individual users, such as selling new and used vehicles and custom vehicle maintenance. We are also proactively working to reduce the environmental impact of vehicles through efforts like developing and popularizing the Ecobody, an eco-friendly vehicle chassis.



## SG Systems

We contribute to increased corporate competitiveness not just through system architecture (shipping, cargo, payment, and warehouse management systems), but also using our other strengths -- Biz-Navi, a commercial-use car navigation system, and our BPO business (scanning and call centers) -- as an all-in-one logistics IT company. In fiscal 2011, we established a joint venture company in China in order to utilize our accumulated knowhow abroad.



## Sagawa Financial

Sagawa Financial has developed a variety of businesses in the field of finance. Through coordination with "e-SAXIS", our information reference service, our main powerhouse service, "e-collect", continues to boast steady growth through utilizing its strength of enabling account settlement via credit and debit cards. We will pursue service channel and quality improvement in our goal of becoming a comprehensive logistics and finance company.



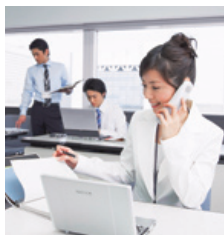
## SG Realty

We manage and operate the real estate of the SG Holdings Group, pursue the efficient utilization thereof, and conduct new development as a comprehensive real estate firm. We support our clients business in two main ways: PM strategies, in which we examine the current state of tenant leasing and optimize daily maintenance and repair planning, and CRE strategies, which aim to improve real estate value on the balance sheets as well as improve corporate value.



## SG Expert

SG Expert was established to advance the administrative functions of the SG Holdings Group and make them more efficient by centralizing general affairs, personnel affairs, accounting, and other administrative work in one location. We set up an environment in which group companies can focus on their own work (drafting strategies, promoting their businesses), and increase expert knowledge of the administrative functions to achieve personnel education and cross-sectional liquidation.



## SG Fielder

We provide personnel outsourcing services for clients with warehouse work, such as logistics and manufacturing, based on our knowhow gathered through Sagawa Express's delivery activities. We will provide optimal services in a variety of fields together with our vibrant on-site staff (fielders) and continue to be a valuable partner trusted by society.



## Local Overseas Corporations



## Topics Related to Local Overseas Companies

### ■ Sagawa Global Logistics

#### 3PL\* Business Commenced for Apparel in Vietnam

SAGAWA EXPRESS VIETNAM CO., LTD. acquired a license for metering and inspection from Vietnamese authorities. 3PL business for apparel started on September 1, 2011; we support the entrance of Japanese manufacturers into Vietnam.

\* Abbreviation of "3rd party logistics" An outsourcing service in which all aspects of a corporation's logistics functions are handled together and contracted out.



#### Delivery Business Started in Guangzhou, China

SHANGHAI DAZHONG SAGAWA LOGISTICS CO., LTD. which has been expanding its delivery business in Shanghai since January 2003, established a new base (the Guangzhou Branch) in Guangzhou. This branch began delivery business to Guangzhou and the surrounding Foshan area on November 21, 2011.



#### Delivery Business Started in Hanoi and Ho Chi Minh, Vietnam

SAGAWA EXPRESS VIETNAM CO., LTD. commenced delivery business in the capital of Hanoi, located in the north, and the commercial haven of Ho Chi Minh, located in the south, on March 1, 2012. Delivery business in Vietnam will be expanded to Da Nang in the second quarter of fiscal 2012, to be followed soon after by expansion to other cities.



### ■ SG Systems

#### Development and Sale of Logistics Systems for Mail Order Corporations Commenced in China

WUXI FEISU LOGISTICS INFORMATION TECHNOLOGY CO., LTD. a joint venture corporation involved in the development and sale of logistics and mail order systems in China, commenced sales operations in Yixing on July 2, 2011. The company provides logistics-related IT solutions and services to Chinese corporations as well as to Japanese corporations advancing into the Chinese market.



#### Risk Management Thai Flooding Initiatives

Sagawa Express Thai Container Distribution Service employed a variety of measures to keep damage to cargo incurred due to the October 2011 flooding to the minimum possible level.

The Company worked to obtain the latest information in advance of the flooding and established an operational structure intended to enable customers to continue their business, including methods such as moving cargo to higher locations. After the floods receded, the employees themselves became involved cleaning efforts so as to return to work as soon as possible, and strove to set up systems, confirm the scope of the disaster, and draft initial recovery plans.

As flood risks in Thailand remain high, the company is proceeding with drafting a Large Scale Flooding Evacuation Manual and strives to create an environment in which clients can safely store their cargo.





Special Features (1)

# Our calling as a standard bearer for logistics, a vital societal infrastructure

## The SG Holdings Group's Initiatives in the Great East Japan Earthquake and the Assessment and Expectations of Society

The Great East Japan Earthquake gave us the opportunity to consider the true importance of the role logistics plays in modern society as well as how difficult it can be to maintain its functionality during a large-scale disaster. In this feature, we will summarize the activities that the SG Holdings Group performed in the past year as a corporation that handles the social infrastructure of logistics, and we will introduce stakeholder opinions about these activities.

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For one year starting on April 1, 2011, Sagawa Express employees have carried out their duties wearing badges reading, "Ganbaro Nippon!" ("You can do it, Japan!"), based on our motto of bringing people happiness.





1 | Emergency Support in the Aftermath of the Great East Japan Earthquake

# Transport of Rescue Supplies by Sagawa Express

We feel that shipping rescue supplies in times of emergency is an important responsibility of logistics as a social infrastructure, and we transported rescue supplies in the aftermath of the earthquake together with the national government, local authorities, and the self defense forces.

## Constructing a Support System for Affected Areas in the Aftermath of the Earthquake

After the Great East Japan Earthquake occurred on March 11, 2011, Sagawa Express immediately set up a Disaster Measures Headquarters, and quickly confirmed employee safety and collected information about our bases in the affected areas.

As we were preparing these internal systems, we received a request from the Japanese Red Cross Society, with whom we have an agreement about times of disaster, and early on the morning of the 12th, we began transporting blankets and other such rescue supplies to the affected areas.

Then on the 13th, we sent an emergency rescue team of 100 vehicles and 200 employees from the Kanto Branch Office based in Tokyo. Not only did we deliver rescue supplies, we also stayed there to provide support for the distribution of supplies in the affected areas.



200 support staff from the Sagawa Express Kanto Branch Office

Ordinarily, trucking associations, warehouse associations, and other industrial groups serve as the first point of contact with prefectures for distribution in times of emergency, employing a system in which transport requests are made to affiliated corporations. During the Great East Japan Earthquake, however, the prefectural office itself suffered a great deal of damage and was caught up in a tremendous volume of responses from all sides, and confusion arose in the distribution of rescue supplies.

Starting on the 14th, we stationed personnel at the Miyagi Prefecture Disaster Countermeasures Headquarters, undertook procedures for transport as in an emergency, on-the-spot request by the Prefecture, and worked with the SDF to transport liquids, food

products, powdered milk, and hospital blankets, all of which had been in short supply. We transported rescue supplies from the Prefecture's supply storage areas to the local authorities.

In these circumstances, Sagawa Express received a request for support from Ishinomaki City, Miyagi Prefecture, and took the responsibility of transporting rescue supplies throughout the city.

## Improving Conditions at Supply Storage Areas from the Point of View of Logistics

Ishinomaki requested that we transport rice balls, bread, and other important food products to those affected. As these items have short expiration dates, they must be sorted quickly at collection areas and shipped on the same day.

When, however, city officials went to Ishinomaki General Athletic Park, the city's ordinary collection area, to pick up rescue supplies, they found that it was not possible to manage the growing number of supplies and or to properly grasp what items they had, how many there were, or where they were located.

Sagawa Express gave the city and the SDF suggestions on how to improve operations at the collection area. We also cleared up the distinction between roles to be performed by the city, the SDF, and Sagawa Express, and we unified supply acceptance services. Then we decided on where to place the supplies by dividing them into categories and formulated a basic system setup for a logistics bases for appropriately managing content and volume.



Appropriately managing the content and volume of supplies at the collection area



## Responding to the Ever-Changing Needs of Affected Areas

On March 19, Sagawa Express worked together with the SDF to begin shipping rescue supplies to 210 evacuation centers. We had received official requests from Higashi-Matsushima City and Onagawa Town, both of which border Ishinomaki City, and we began full-scale shipping to evacuation centers including these two local authorities



A Sagawa Express truck transports rescue supplies amidst a difficult road environment

from the 21st.

In order to ship the supplies quickly, it was necessary to determine the most appropriate route in advance based on the evacuation center list and the number of evacuees. As time passed, however, increasing numbers of people left evacuation centers and returned home or created evacuation centers on their own, making it difficult to grasp the actual situations of evacuees. On top of that, the supplies requested by evacuees kept changing from day to day.

The requests we got from Ishinomaki and other places were to transport supplies to official evacuation centers. Based on this situation, however, Sagawa Express changed the number of shipments each day from two to three, and used the morning shipments to collect information in the community. We also decided, based on the requests we received and the changes in evacuation conditions, to distribute to places other than official evacuation centers and gained the approval of city hall to do so. Sagawa Express shared the information it collected with the SDF and the city, and we played a useful role in accurately responding to affected people's need for supplies.



We performed individual distribution for affected citizens who didn't have enough food after returning home

## Emergency Handling that Overcame Adversity through Bottom-Up and Top-Down approaches

In this disaster, local employees were very aware of the rescue and reconstruction of affected areas and proactive approaches were made by local authorities, the SDF, and ourselves. Because of the proactive information gathering, the management had a detailed understanding of the conditions, and utilized the information from the field in making timely decisions about its further support activities.

Information and requests were accurately communicated to the top, and they were used to make appropriate judgments. The fact that these bottom-up and top-down functions worked effectively was a great motivating force in reconstructing distribution in affected areas as quickly as possible.

### Words of Thanks Received from Our Customers

Miyagi Prefecture, which suffered large-scale disaster in the Great East Japan Earthquake, has gotten out of the period of confusion that existed in the immediate aftermath and is slowly but surely on the path to recovery. In this situation, the efforts Sagawa Express made in the immediate aftermath are once again highly appreciated, and we have received many messages of thanks.

#### Hiroyuki Komatsu

Crisis Management Planning Specialist  
Crisis Management Division, General Affairs Department,  
Miyagi Prefectural Government

Mr. Komatsu began his career at Miyagi Prefectural Office in April 2010 after retiring from the Ground Self Defense Forces. As the assistant manager of the Disaster Countermeasures Headquarters Secretariat, he mainly handles requests from and coordination with organizations in the field (SDF, police, fire departments, and coast guard).



### The Cooperation of Logistics Corporations Was Essential in Smoothly Transporting Rescue Supplies in the Aftermath of the Great East Japan Earthquake

|| Sagawa Express's transport activities in Ishinomaki were originally a volunteer undertaking. These efforts were incredibly valuable and were also greatly appreciated by Ishinomaki, and afterward this led to official requests for work. Due to the large size of the disaster, Ishinomaki was one place in the prefecture where it was difficult to come by detailed information, and as road conditions were quite poor, it really helped us that Sagawa Express was going between the evacuation areas each day to deliver supplies and providing us with information from the field in real time. Thank you very much for your help.

After the Great East Japan Earthquake, prefectural and municipal employees initially found work like collecting and storing rescue supplies and delivering them to evacuees incredibly difficult because of a lack of knowhow. In these difficult times, we witnessed the outstanding activities of Sagawa Express, which worked in close concert with the SDF, and realized that we should leave it to the professionals. Going forward, the full-fledged support of logistics corporations will be essential in providing physical support in times of disaster, and we are considering this system in our reviews of Miyagi Prefecture's disaster prevention plans.

I would like to ask for your continued support for the recovery of Miyagi Prefecture and I thank you for all that you have done. ||

# Restart and Continued Support for Delivery Service

After the Great East Japan Earthquake, many corporations promptly set out to provide emergency support to affected areas, and recovery efforts remain ongoing. The SG Holdings Group also continues to support restoration through a variety of initiatives.

## Sagawa Express's initiatives

### Successfully Restarting Delivery Services, Starting with Branch Pickup Service

Sagawa Express has 27 businesses offices in the three prefectures of Iwate, Miyagi, and Fukushima, and we suffered great damages in the earthquake, including the full destruction of four of these business offices and damage to 66 vehicles. In the immediate aftermath we had no choice but to suspend our Delivery Service to Hokkaido and the six prefectures of Tohoku.

While there were a multitude of obstacles we had to overcome to restart our Delivery Service, including a fragmented road network and a shortage of fuel for trucks, at the same we heard the compelling voices of our customers, crying "We want to send these packages to our relatives in the affected areas." Therefore, Sagawa Express determined that it was important to restart services as soon as possible, and so we decided to restart our Branch Pickup Service, where customers come to the branch to receive their packages. Starting March 17, we began collecting packages from around the country to be delivered to the affected areas.



Each package also contained the sender's hopes that it would arrive in the affected area.

There was a great response to our Delivery Service being restarted, and on the first day we received 40,000 packages at our national distribution center, with 110,000 following the day after. In many cases, shippers wrote messages such as "I hope it arrives quickly!" and "Hang in there!" We also received many thankful emails and telephone calls, with

messages such as "My package arrived at my parents' place safely. Thank you." This reminded us that delivery service isn't just about delivering goods, but about expressing the feelings wrapped up with them.

After restarting the Branch Pickup Service, we strove to restart ordinary services as quickly as possible, and about two weeks after the quake, we were largely able to bring our Delivery Service back to normal.

### Recovery/Employment Policies Preferentially Employing Victims

Sagawa Express provides support for recovery from the perspective of employment as well. We employed 100 people from Ishinomaki City and the surrounding areas to assist with managing work and sorting rescue supplies from July to December 2011.

The SG Holdings Group as a whole has also used employment facilitation procedures to give victims preference in employment, thus engaging in measures to promote restoration.

### Words of Thanks Received from Our Customers

We received posters with words of thanks.

On December 9, 2011, Suntory Wellness Limited sent a poster with words of thanks from its customers to Sagawa Express's Tohoku Branch Office. Suntory Wellness is a corporation involved in the manufacturing and development of health products, and they received over 400 letters from customers in affected areas thanking them for quickly restarting the shipping of supplements and other products. They praised Sagawa Express's contributions as significant and sent us a poster created using those various words of thanks.



## Holding Workplace Experience Classes for Elementary Students in Affected Areas

On November 9, 2011, in the Iwate Office, Sagawa Express held a workplace experience class for thirty-seven 5th year students from Ofunato-Kita Elementary School in Ofunato City. We held a facility tour and activities such as a cargo stowage game to teach about logistics work and other activities, with a Sagawa Express staff member who had assisted in restoration efforts after the Great East Japan Earthquake explaining the situation at that time. The students gained an increased understand of the calling and responsibilities of logistics.



Students learning about the roles of trucks

### SG Motors's Initiatives

## Proactively Supporting Affected Areas through Truck Donations and Movable Theme Parks

SG Motors, which handles vehicle maintenance and sales, heard from the affected areas that small trucks can enter narrow spaces and would be outstanding for work such as clearing debris. Therefore, in June 2011 we donated 5 trucks to Kesenuma City in Miyagi Prefecture, 3 trucks to Kamaishi City in Iwate Prefecture, and 2 trucks to Otsuchi Town in Iwate Prefecture, making for a total of 10 dump-style trucks.



We donated small trucks suitable for work in affected areas

We also set up Children's SG Land Mobile to give children in affected areas a place to play. In this initiative,

we provided play equipment made at our factories (such as electric carts and shooting games). At each location we visited, many children and their families came to play.



Mobile Children's SG Land at Higashi-Matsushima City Community Center

### Sagawa Advance's Initiatives

## Holding Volunteer Bus Tours to Spread Support for Restoration

Sagawa Advance, which handles the insurance, travel, and product development businesses, hosted four restoration support volunteer bus tours in fiscal 2011.

Affected areas need help from a large number of volunteers, yet at the same time, there are many people who want to volunteer but don't know how. To make it easy for ordinary people like those to volunteer, we created a two-day, three-night tour service that combined restoration support through tourism and lodging with one day of volunteer activities.

Rikuzentakata Disaster Volunteer Center in Iwate Prefecture served as the host for volunteer activities, and participants assisted in carrying our packages, cleaning up muck in people's residences, and getting rid of debris.



Bus tour participants assist in volunteer activities



### 3 | Stakeholder Views

# What is Required of Sagawa Express, a Social Lifeline

Yuji Yano,  
Professor, Ryutsu Keizai University School of Logistics Information

In February 2012, Sagawa Express held stakeholder dialogs on the topic of “attitudes and liaisons expected of Sagawa Express as a type of social infrastructure,” and we received valuable opinions from experts as well as national and local officials through focusing on the activities of Sagawa Express and the logistics industry in the Great East Japan Earthquake. See P. 37 for information on stakeholder dialogues.

We asked Yuji Yano, Professor at Ryutsu Keizai University, who served as the coordinator for these stakeholder dialogs, about his assessments of the areas he covered -- logistics as a whole and Sagawa Express’s activities – and his expectations in the future.

#### Assessment of Earthquake Handling(1)

##### Under National Direction, Everything Through Arterial Transport Functioned Appropriately

The Great East Japan Earthquake brought to attention the fact that our lives, urban activities, and industrial activities are incredibly dependent on logistics. It also made administrative functions such as the national, prefectural, and municipal governments acutely aware of how large a role of private corporations play in ensuring that logistics functions smoothly.

Recently, Japan has seen large earthquakes, including the Hanshin-Awaji Earthquake and the Chuetsu-Oki Earthquake, and emergency supplies are procured and shipped mainly at the prefectural level, but in this earthquake, things proceeded in a slightly different way than usual. This was because of the sheer scope of the damage. As the prefectural government itself had suffered great damage and was in disarray, the Cabinet's Emergency and Disaster Countermeasures Headquarters quickly stepped in, with the national government serving as the main agent for shipping supplies. As a result, supplies arrived at prefectural collection areas safely, but the problems started from there, and there were delays in transport to municipalities and evacuation areas.



Private logistics corporations started by shoring up the systems at the collection areas.

The national government kept sending supplies, but they didn't reach the evacuation centers. An investigation of the cause revealed that supplies had gotten bogged down in the prefectural collection areas, and the government had to turn to private logistics corporations for widespread cooperation.

#### Assessment of Earthquake Handling(2)

##### Private Sector Knowhow Needed for Logistics in Complex Situations

It is thought that public entities mainly handle transport of emergency supplies when there is a large-scale disaster. In reality, however, prefectures and municipalities can have trouble adopting a logistics-esque thought processes, and if the separation and management of supplies is not performed appropriately, it can bog things down.

Thanks to the outstanding efforts of private logistics corporations, supplies began to be distributed to municipal collection areas smoothly. The efforts of Sagawa Express and other delivery corporations played a particularly large part in bringing them through last-mile transport to evacuation facilities, natural evacuation sites, and the personal residences of those who failed to evacuate.

The conditions at evacuation facilities and points of refuge changed daily, as did the items that were necessary. The reason we were able to respond quickly and thoroughly amidst these difficult conditions was because of delivery corporations working and closely with local community going to transport supplies every day.

At the request of Ishinomaki City, Sagawa Express took the responsibility of last mile transport, and ended up played an important role in terms of transmitting information, such as communicating the conditions and needs of victims to the government. Some things cannot be done in normal circumstances, much less during emergencies, but since Sagawa Express was always aware of itself as a member of the community, we can say that Sagawa's efforts to learn the desires of their recipients helped to do so.



Delivery corporations didn't just deliver supplies, they also acted as good listeners.

Assessment of Earthquake Handling (3)

Branch Pickup Service, Responding to the Needs of Many Customers

No matter how much you prepare, you can't anticipate everything; this is part and parcel of handling a disaster. In that regard, the way Sagawa Express restarted the Branch Pickup Service so quickly made me feel the inner strength of a corporation that is able to respond flexibly as the circumstances demand.

Immediately after the earthquake, there was a desperate need for food. At that time, however, the support infrastructure was just starting to come together, and when it became possible to acquire the bare minimum of food, it was quite natural to feel the need for supplements, something which I personally use each day. It is also natural for people living far away to want to send goods filled with their thoughts and prayers to their friends and loved ones in the affected areas.



Branch Pickup Service started with a temporary reception desk

Service may have resumed in the limited form of the Branch Pickup Service, but the choice to starting sending goods addressed to individuals as soon as possible was a courageous one.

Expectations Going Forward (1)

We Must Further Enhance the National-Private Relationship to Prepare for Disasters

The national government is proceeding with drafting new disaster prevention plans. This is not only because the Great East Japan Earthquake occurred but also because there have discussions about the possibility of an earthquake occurring directly beneath the Tokyo metropolitan area. The proactive utilization of the assets and knowhow of private logistics corporations is about to make a huge leap forward.

The recent earthquake made clear how important logistics is and taught us that specialized knowhow is necessary for logistics to function appropriately. Private logistics corporations have not only facilities and knowhow, but also a strong awareness of disaster response, and there is no reason not to make use of these advantages.

One aspect often mentioned in terms of future expectations for logistics is preparing for disasters in which large damages can be expected, such as in an earthquake occurring directly beneath the Tokyo metropolitan area. If a large earthquake were to occur in this highly populated metropolitan area, demand for supplies would balloon up. It is necessary to proceed with examinations into what extent private corporations would be able to function under such circumstances.

Expectations Going Forward (2)

Verifying Experiences with Society as a Whole and Preparing for the Future

I feel that Sagawa Express's efforts in the recent earthquake were praiseworthy. Discussing and verifying what Sagawa can and cannot do in times of emergency is an important exercise for the future.

Up until this point, the CSR Report has more or less focused on the environment, safety, compliance, and other such topics, but choosing to resolutely continue with business in times of disaster is a prime example of social responsibility. Fulfilling this responsibility and properly communicating it to society will improve the corporation's social reputation, raise employee morale, attract outstanding human resources, and further lead to the positive cycle of being a corporation with high value.

Regarding Social Reputation and Expectations

Utilizing Disaster Experience and Fulfilling a Higher Level Social Responsibility

We have heard society's feedback and expectations and realized anew how great a responsibility to society logistics really has.

Also, our experiences in the Great East Japan Earthquake have made crystal clear to all of us, down to each individual driver, that logistics is a social lifeline. A climate has begun to emerge where we can independently consider what kinds of unique social contributions and services we can provide. In the affected areas, recovery is still just beginning, but from here on, we will use these experiences as we continue to consider the social responsibility that we, as a logistics corporation, should fulfill.



Special Features (2)

# Wakuwaku Women's Project

Aiming to Promote Female Employee Achievements and Diversity

The SG Holdings Group aims for a system in which women bear 30% of the responsibility of the Group's businesses and promotes diversity as a Group-wide initiative.

In 2011, SG Holdings started the Wakuwaku Women's Project with the goal of advancing the achievements of female employees and promoting a work-life balance.

A preparatory committee comprised of 10 female members started meeting in May of the same year, and through multiple investigatory meetings to select the issues and implement the measures, they came up with the Four Pillars for Promoting Female Achievements. As of March 2012, there are personnel for this project at

each Group company, and the project has expanded laterally across the Group.

Also, a new diversity committee has been established centered on executives. This committee decides on overall policies, considers the various measures proposed by the project and works to expand the scope of work in which women are able to achieve, reexamines regulations for creating a work/family balance, and provides career support.

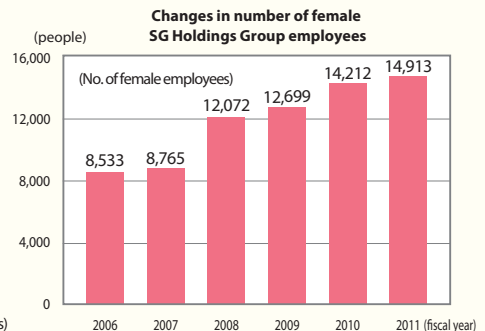
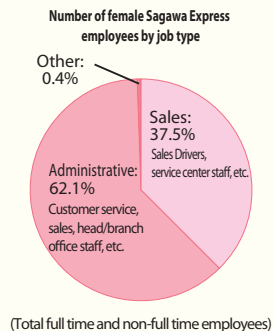
### Four pillars to promote female achievement drafted by the Wakuwaku Women's Project

Expanding female employment and increasing retention

Promoting a work-life balance

Cultivating, promoting, and deploying female employees

Corporate culture revolution and awareness reform



## VOICE

As the first female chief manager at Sagawa Express, I would like to forge a path ahead for female employees after me.



**Yukiko Onishi** Chief Manager, Yatsushiro Office, Sagawa Express

As the first female chief manager, I feel that I must actively think about creating a workplace environment where it is easy for women to work for the female employees after me.

On the other hand, what work needs to be done is the same regardless of your gender, so rather than thinking

about female compassion, I will think about what I must do as a person, and be conscious of being considerate of others when doing my work.

Going forward, I will work cheerfully toward the future in order to make the Yatsushiro Office even better.

**Q** Ease of working at Sagawa Express and issues going forward

**A** The number of female employees is growing, and systems which allow women to achieve are being established. However, I still feel that improvements to the labor environment are necessary to support women when they return to work after marriage and childbirth and to increase the number of women aiming for managerial positions.

**Q** Expectations for the Wakuwaku Women's Project

**A** Working conditions for female employees are different depending on whether they work in the office vs. out in the field, or in head/branch offices vs. business offices. I think that the field of business offices can show us many issues related to building an environment where women can thrive, so I'm hoping for an increase in opportunities to take the opinions of women in the field into account.

## More Places where Women Can Find Success as Women

Here we would like to introduce a dialog about the meaning of the project and forward-looking targets with Kobayashi, Director of the Personnel Department, and Hyodo, who is Sub Chief of the Personnel Department's Diversity Promotion Unit and also a member of the project.

**Kobayashi:** Sagawa Express originally grew with a focus on handling cargo between corporate clients, but in the past few years has been making efforts in handling cargo for home delivery as well. Some customers who live alone may feel safer receiving packages from a female delivery person, and opportunities for women to achieve in the workplace are steadily increasing.

When we say that women bear 30% of the responsibility of the Group's business, it sounds like an issue of quantity, but it's more about quality. The world is now calling for female achievements. Using the female perspective in services and planning, women achieving great things in a variety of workplaces around the group -- if these two concepts don't function properly, it will be difficult to bring about profitability.

**Hyodo:** Even our customer feedback shows that requests for female delivery people are increasing. Analyzing past data also shows cases where the number of complaints decreased when service centers which had been based around men came to be based around women.

**Kobayashi:** Group companies have previously tried a variety of efforts to utilize the strengths of women. Until now, however, they have been "women's achievements from the male perspective." What is fundamentally different with this project is that we created a project team of women and first had them paint a picture of "women's achievements from the female perspective." The Personnel Department will monitor these deliberations and direct the team in utilizing its strengths in systematizing the ideas that come from them to realize them.

**Hyodo:** Their past work experiences have given project members ideas about what issues have to be solved for women to achieve, so the first task was selecting such issues and considering how to clear them up from a women's perspective.

For example, there were a lot of opinions expressed about maintaining a balance between work and child rearing, such as "We should have this kind of system," or "It's not about systems; it's about having the understanding of those around us." Of course, the minimum systems required by law are already in place; we are talking about expanding the existing systems into something greater. It is also important that we make those systems known.

We have already proposed expanding the child and nursing care systems, and right now we are concerned with decreasing working hours and improving the percentage of people who take paid leave. Of course, in order for women to make achievements at work

it is critical to strike a balance with family and child raising, and it is very important to create a workplace environment where it is easy for women to continue working.

**Kobayashi:** This initiative allowed me to see firsthand how important creating a workplace environment truly is. No matter how much those around women talking about "creating a place for women to achieve," this is difficult if there isn't an environment where it is truly easy for women to work and where they can really shine. Down the road, the number of female managers is going to increase, and I want to aim for a system where we could have a female president at a Group company. First, however, we must create an environment in which women are able to aspire to such positions.

When you think about it, this all comes from the idea of "So that women can achieve," but I have realized that we must consider the work-life balance for all employees, regardless of gender. The project team also brought up this same opinion. The idea of simply reducing working hours for women only is in some ways discriminatory.

Another idea from the project team which surprised me was, although at first I felt that men have to change, the project team believes that there is a need for both men and women to change their awareness.

**Hyodo:** Until now, female employees themselves have never looked to aspire for managerial positions or seriously considered their career visions. There's something strange about that. The project team's opinion is that women, just like men, should pursue opportunities to achieve. And we shouldn't do this by becoming like men, but by making it a reality while still holding tight to what makes us women, and utilize our own talents to contribute to the company.



SG Holdings  
Sub Chief, Diversity Promotion Unit, Personnel  
Department,  
Miho Hyodo



SG Holdings  
General Manager, Personnel Department,  
Yasuo Kobayashi

# Safety Initiatives

We promote activities that aim for safe driving, including improving safety awareness through events such as driving contests and having employees acquire knowledge and techniques related to driving. We also strive to improve safety through tie-ups with local communities, such as by holding Sagawa Express Traffic Safety Classes.

## Activities in Fiscal 2011

With eliminating major accidents involving pedestrians on walkways as our highest priority issue, we implemented the following three important measures.

### (1) Advocating for Safe, Environmentally-Friendly Driving

We worked toward the following targets in fiscal 2011: 101% or more fuel efficiency compared to fiscal 2010 and a soft acceleration rate of 80%. Gentle starting and acceleration have not only improved fuel efficiency but also led to a decrease in the number of accidents.

### (2) Effective Utilization of Driving Recorders to Prevent Accidents Before they Occur

Driving instruction was performed with a focus on SD Instructors (driving instructors) giving instructions on board. We also assess the driving of all our drivers by effectively utilizing the 6,300 driving recorders installed and using their numerical data in instruction.

### (3) Improving Driving Manners

We performed a full analysis of all opinions and concerns about driving manners and ethics that were submitted by customers via our website. We are using these ideas in our driver safety training and ethics training as we also strive to improve the Sagawa Express brand image, prevent vehicle accidents before they occur, and improve driving manners.

As a result, the number of customer online submissions on driving manners and ethics has decreased to 82.1% compared to a year earlier.

## Targets Going Forward

### Aiming to Cultivate True Professional Drivers

As the industry leader, we are aware that ensuring safety in transportation is of the utmost importance. With our firm belief that we must not cause any accidents foremost in our minds, we aim to cultivate professional drivers who are well-versed in safe driving. In fiscal 2012, we will continue to work toward three important policies: promoting safe, environmentally friendly driving, effectively utilizing driving recorders, and improving driving manners.

## Employee Feelings toward Safety

### We Want to Be a Safe Driving Model for Professional Drivers

**Ryo Igarashi**, Sales Section, Echigo-Yoshida Office, Sagawa Express  
Sales driver who entered his third year with the company in April 2012.  
The 19th Sagawa Express Driver Contest Overall Individual Winner



I was able to win the 2011 Sagawa Express Driver Contest, but now that I look back on it after returning to my everyday duties, I don't see it as being about winning or losing so much as about the great significance of improving my knowledge and techniques through the studying and practicing that I did to prepare, and of raising my safe driving awareness together with my colleagues.

This experience was also an opportunity for me to remind myself of the importance of safety for professional drivers. Causing an accident does not only affect the victims, but also many others, including the customers who trusted you with their cargo, the company, your coworkers, and your family. Safety is made a priority so that these kinds of incidents do not happen.

In the course of our everyday work, we must not drive recklessly, no matter how busy we are. Instead, we must make efforts to win back time in other areas, such as loading the vehicles.

We would also like to continue contributing to community safety by participating in various initiatives such as traffic safety classes for community children. Going forward, we aim to be professional drivers who serve as models for safe driving.



Tire pressure checks, one item in regular inspections



**CLOSE UP** **The 19th Sagawa Express Driver Contest Held**

On May 27 and 28, 2011, Sagawa Express held the 19th Sagawa Express Driver Contest at the Ayase Training Center's Automobile Training Course in Kanagawa Prefecture.

This event, which is held every year with the goal of preventing traffic accidents and improving driving manners, marked its 19th anniversary in fiscal 2011. Fifty-nine drivers selected from around the country struggled to get the highest marks out of a possible

1,000 using their polished driving techniques and environmental awareness in three areas: the academic competition (400 points), the driving competition (400 points) and the inspection competition (200 points).

Sagawa Express will continue to position safety as its highest priority, work to cultivate professional drivers, and raise the safety awareness of all our employees as part of its responsibility as a corporation that uses public roads to do business.

**Academic Competition**

This competition judges knowledge of traffic regulations necessary for safe driving, vehicle structure, and Sagawa Express's safety and environmental initiatives.



Attempting to answer 100 questions in 60 minutes



A wide range of knowledge is required in the academic competition

**Driving Competition**

This competition has the driver run through a set course within a limited amount of time, with the on-board judge judging the driver on safety call-outs, driving posture, respect for traffic regulations, safety confirmation, and other such categories.



Driving an S-curve course



Confirming safety through safety call-outs

**Inspection Competition**

This competition judges whether the locations and content to be inspected based on regular inspection standards are done properly within a limited amount of time, and also judges the status of inspection, including whether or not pre-set defects are discovered.



Engine oil inspection



Coolant inspection

**Life Saving Course Held Simultaneously**

A life saving course was held after the competition concluded. In the wake of the Great East Japan Earthquake, this course was held with the goal of acquiring life-saving skills for times of disaster or crisis, and participants received practical instruction in CPR and AED use from the Ayase City Fire Department.



Life Saving Course

# Aiming to Achieve a Safe Society

We would like to introduce some of our fiscal 2011 safety initiatives.

## Improving Safety through Licensing Systems

We employ the Sagawa Licensing System, which uses instructor accreditation, in the aim of training drivers who do not cause accidents. The safety license types include Upper Class SD\* Instructors and Upper Class Safe Driving Testers. From among the employees who are well-versed in their work and have passed the appropriate test, these licenses recognize those who display particularly high levels of knowledge, technique, and instruction capability as Upper Class SD Instructors. These instructors help cultivate new employees through one-on-one on the job training. The Safe Driving Testers, on the other hand, play the important role of judging whether a new employee is ready to stand on their own. Upper Class Safe Driving Testers are managers and veterans who are recognized as possessing not only specialized knowledge and technique but also outstanding judgment. We strive to enhance our cultivation of human resources by separating the instruction and judging functions in this way.

As of March 20, 2012, we have recognized 8,597 SD Instructors (of these, 3,869 Upper Class SD Instructors) and 2,381 Safe Driving Testers (of these, 349 Upper Class Safe Driving Testers).



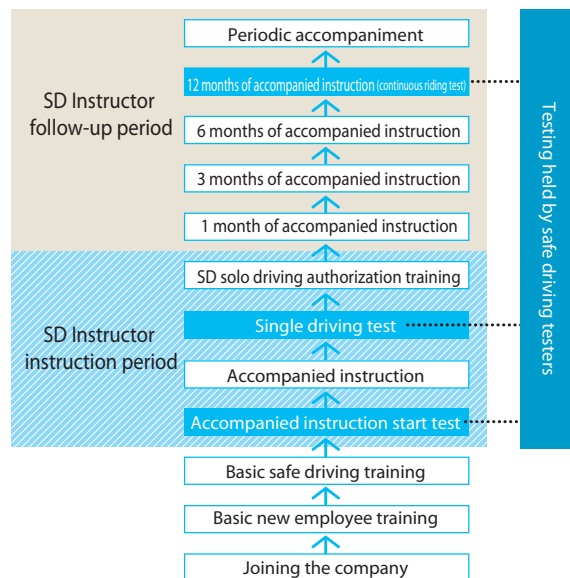
Upper Class SD Instructor accreditation certificate



Upper Class Safe Driving Tester accreditation certificate

\* SD: Sales Driver

### ■ New driver training flowchart



Training by an Upper Class SD Instructor

## SAS Screenings

In fiscal 2007, Sagawa Express began screening drivers in order to prevent traffic accidents caused by health issues such as sleep apnea syndrome (SAS). To date, 10,482 drivers have undergone such testing. Drivers who have been diagnosed through these screenings as possibly having SAS undergo more

specific testing at specialized medical facilities. Drivers who have been diagnosed as requiring medical care undergo periodic follow-ups, such as at daily call-outs or through interviews with managers. We will continue to periodically run these screenings for all of our drivers in the future.

### The 5th Forklift Driving Technique Contest Held

In October 2011, Sagawa Global Logistics held the 5th Forklift Driving Technique Contest at Nichiyu Onsite Training Center in Saitama Prefecture with the goal of establishing a safe, secure labor environment by improving driving/inspection techniques and strengthening compliance.

We position safety as the highest priority responsibility of a corporation involved in the logistics business, and we have held the Forklift Driving Technique contest every year since 2007 in order to increase the safety and environmental awareness of all our employees.

In this contest, 26 forklift operators selected from around the country, including from Sagawa Logistics Partners, compete for a total of 1,000 points in three competitions that test the driving techniques and safety awareness they

have cultivated during their everyday work: the academic competition (200 points), the driving competition (600 points), and the inspection competition (200 points).



Contest participants had a high level of safety awareness and fully displayed their acquired techniques and knowledge

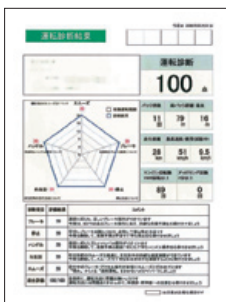
### Preventing Traffic Accidents through Drive Recorders

We have introduced drive recorders (devices that record safe driving) in order to obtain an objective grasp of our drivers' driving characteristics and to give safety directions effectively. Drive recorders give point assessments on five different items -- breaking, stopping, handling, left/right turning, and smoothness -- thereby making the driver's daily actions and issues clear. By making it possible for the driver to aim to achieve a high score, they increase awareness of safe driving. Furthermore, since these devices are equipped with a hazard map functionality, which sounds an alarm and records video when the vehicle passes through one of the areas pre-designated on the map, they also work to prevent traffic accidents before they occur.

Drive recorders are installed on 6,300 vehicles as of March 2012, and the diagnostic results are also shared with the head and branch offices, leading to improved awareness of safe driving across Sagawa Express as a whole.



A safety promotion worker uses the diagnostic results to give appropriate advice.



Driving diagnostic results are written so as to be easy to understand and are utilized in driver instruction.

### Effectively Utilizing Near-Miss Experiences in Safety Education

In preventing accidents, it is essential to share near-miss experiences encountered while driving amongst many drivers. Not only do we broadcast the dangerous videos recorded by drive recorders at business offices, we also use them as materials at safety-related discussions and training sessions, thereby using them to help prevent accidents before they occur.



Video of an example near-miss



Near-miss video on a drive recorder

## Advocating for Safe, Environmentally-Friendly Driving

Sagawa Express promotes safe, environmentally-friendly driving where sudden starts, acceleration, and stops are avoided. The entire company is involved in these efforts. Through setting an upper limit on the number of engine rotations when starting the engine and while running, and through improved driving techniques related to the timing of shifting gears, we both show consideration for safety and the environment and keep fuel consumption down. This can also lead to financial benefits. We also conduct technical training for administrators and leaders in order to thoroughly promote safe, environmentally-friendly driving.

In fiscal 2011, we held two training sessions on safe, environmentally-friendly driving with a total of 61 participants.

### ■ The Seven Articles of Safe, Environmentally-Friendly Driving

We have decided upon and written in employee booklets the Seven Articles of Safe, Environmentally-Friendly Driving, which are particularly important items in carrying out such driving. We also provide education to thoroughly instill these articles into our employees via our Seven Articles of Safe, Environmentally-Friendly Driving Implementation Video Manual.

- (1) Practice e-Start soft acceleration.
- (2) Shift up earlier rather than later.
- (3) Drive at a stable speed in line with traffic conditions.
- (4) Ensure sufficient space between vehicles.
- (5) Utilize the engine break by stopping acceleration early.
- (6) When parking, remove the key and turn the engine off.
- (7) Perform daily inspections, maintenance, and pressure management.



Safe, environmentally-friendly training session

### Improving Fuel Efficiency and Keeping Accidents Down by Introducing Soft Acceleration Diagnostics

In fiscal 2011, we set a target of having 80% practice what we refer to as "soft acceleration," the idea of gently starting up and gently accelerating. We used driving recorders to manage its implementation. As a result, in fiscal 2011 we achieved the improvement of a 10% increase in soft acceleration compared to before this initiative began, and a 1.25% improvement in fuel efficiency compared to a year earlier.



Posters on safe, environmentally friendly driving promotion management are displayed internally.

Also, the act of gently pressing down on the accelerator gives drivers peace of mind (for example, helping them leave an appropriate amount of space between vehicles), making it possible for them to perform safety checks with certainty, resulting in the prevention of accidents.

## The 33rd Sagawa Express Arterial Transport Safety Patrol

In the aim of improving safety in arterial transportation, Sagawa Express has conducted Sagawa Express Arterial Transport Safety Patrols every year since 1994. This initiative is to prevent traffic accidents and incidents before they occur by reaffirming what drivers know and enhancing vehicle inspections through intermediate roll calls.

On September 9 and 10, 2011, we did safety call-outs to drivers engaged in maintenance inspections and arterial transportation for 2,958 vehicles, mainly in service areas and parking areas along major expressways.

Upon request, we also inspected freight vehicles other than those of Sagawa Express in areas under the supervision of Central Nippon Expressway Company Limited.



Staff guide trucks during a safety inspection

## Sagawa Express Traffic Safety Classes: Protecting Children's Smiles

Our Sagawa Express Traffic Safety classes began from our desire to protect children -- our future -- from tragic accidents. In these traffic classes, which are aimed at nursery school and young elementary school students, we instruct participants in basic traffic rules, such as how to cross the street and the meanings of stoplights and signs, and also have them actually ride in trucks to experience what a blind spot is.

In fiscal 2011, we held 963 classes nationwide, and a total of 118,523 children participated. We have received messages from the children as well, and not only did we feel happy, we also felt the importance of safety-related responsibilities. Going forward, all employees will further increase their awareness of traffic safety and will work thoroughly to advance safe driving so that accidents do not occur.



Actual experience programs are held on subjects such as how to cross the street.



Employees participate in traffic safety classes by taking the lead as teachers

### VOICE



**Very Happy that Children Participate with Smiling Faces**

**Mitsuyo Kojima,**  
Safety Promotion Section, Sendai Minami Office, Sagawa Express

We use traffic safety classes to connect with children, and we have a strong desire that they will not become victims of accidents. Therefore, it is vital to be sure to communicate to them a respect for life, and we would like to continue teaching not only traffic rules but also about respecting life in easy to understand terms. As a Group in the position of promoting safety, in our work we strive as hard as we can to ensure that no one will become a perpetrator or a victim.

## The Ministry of Land, Infrastructure, Transport and Tourism Highly Rates Our Transport Safety Management

The Ministry of Land, Infrastructure, Transport and Tourism made its fourth transport safety management assessment in September 2011. We received high marks in this assessment, including "(1) Top management proactively fulfilling its obligations, including holding Sagawa Express official communication and undertaking driver surveys" and "(2) Enhancing and strengthening initiatives for responding to major accidents, such as holding response training at small stores and drafting protocol for responding to the issues covered therein." We are aiming to continue to improve safety awareness company-wide and will promote initiatives for doing so.



The Transport Safety Management Assessment conducted by the Ministry of Land, Infrastructure, Transport and Tourism in fiscal 2011

 More detailed information about our safety initiatives is available on our website.

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

# Environmental Initiatives

We must make serious strides in reducing gas emissions as a corporate entity centered on logistics operations. We proactively promote activities aimed at preventing global warming, such as promoting efficient transport and safe, ecological driving, and efficiently using natural resources. We are also involved in continued efforts toward preserving biological diversity and regenerating undeveloped woodlands as headlined by our Takao 100-Year Forest Project.

## Activities in Fiscal 2011

### Comprehensive environmental measures lead to reductions in CO<sub>2</sub> emissions

- (1) We were the first transport/logistics corporate group to receive the offset credits introduced by the Ministry of the Environment. We began a carbon neutral certification test program as a model program using these credits.
- (2) In fiscal 2011, Sagawa Express emitted approximately 400,000 tons of CO<sub>2</sub>. Even as the number of delivery packages we handled increased by 8.8%, our comprehensive environmental measures showed their strength, with overall CO<sub>2</sub> emissions dropping 3.5% year-on-year.
- (3) SG Motors acquired Eco Action 21 accreditation at 14 business offices, a first for the Group. We aim to have the remaining 13 locations acquire accreditation in fiscal 2012.

## Targets Going Forward

### Aiming to expand our environmental preservation activities to society as a whole.

Of course we will continue environmental measures within our main business going forward as well, and we will also collaborate with stakeholders involved with the SG Holdings Group, starting with Sagawa Express, and promote environmental preservation activities and activities toward living in harmony with nature to society as a whole. In doing so, we will continue to undertake activities toward reducing our total CO<sub>2</sub> emissions by 6% from the fiscal 2002 level, as 2012 is the final year of the WWF Climate Savers Program.

## Employee Feelings for the Environment

**We would like to contribute to improving our corporate value by increasing the environmental awareness of our employees.**

**Shigenori Shiba**, Assistant Manager, Environment Promotion Section, General Affairs Department, Head Office, Sagawa Express  
In charge of planning, proposing, and implementing environmental actions, including events using J-VER. We are involved in efforts to further improve our environmental value.



In 2011, the commemorative International Year of Forests, our forests were able to receive official recognition under the J-VER system as a resource that absorbs greenhouse gases. Most of all, we feel that this first recognition for the transport and logistics industries was a highly meaningful event.

We also feel that our receiving the Minister of the Environment Award in the 21st Global Environment Awards was because Sagawa Express's environmental activities, including but not limited to forest preservation, were highly praised by the community. Bolstered by our receipt of this award, we desire to further promote our corporate activities that give consideration to the global environment and contribute to improving corporate value.

For corporations that are steadily and continuously engaged in environmental actions, it is incredibly important to improve employee motivation and decide how easy it is to participate in and emphasize with corporate activities. In that respect, owing to the increasing trend for our employees to independently involve themselves in such activities, it is clear that we place importance on having environmental awareness spread internally. In terms of external activities, we have held exchange events with the local community as well as forest experience learning and rice farming events for children. In the future, we would like to continue proactively implementing environmental activities that people can enjoy participating in, such as by increasing the opportunities available at Takao 100-Year Forest, which is conveniently located approximately

one hour outside central Tokyo.



Experiencing thinning through natural experience learning at Takao 100-Year Forest together with children

**CLOSE UP**

## Sagawa Forestry Acquires Accreditation for Offset Credit J-VER\*, Introduced by the Ministry of the Environment

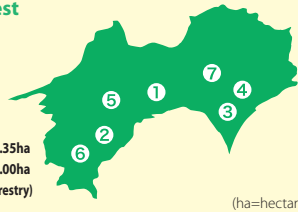
Sagawa's Forest, a forest managed by Sagawa Forestry in Kochi and Tokushima Prefectures, was officially recognized by the Ministry of the Environment's J-VER Accreditation Committee as a resource for absorbing greenhouse gases, and acquired 5,612t-CO<sub>2</sub> offset credits. This makes the SG Holdings Group the first transport/logistics corporate group to be recognized as a resource for absorbing greenhouse gases or reducing emissions and to receive offset credits.

\* J-VER is an offset credit system introduced by the Ministry of the Environment. These credits refer to those issued through the amount reduced or absorbed by autonomous greenhouse gas emissions reduction/absorption projects.

### Data on Sagawa's Forest in the Shikoku region

**SG Holdings total**  
685.35ha

Acreage owned by Sagawa Forestry: 572.35ha  
Acreage owned by Sagawa Express: 113.00ha  
(Forested land administered by Sagawa Forestry)



(ha=hectare)

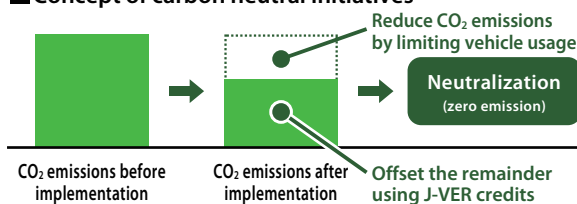
	Name	Total area	Administrative association
(1)	Tosa Yamada Forest	178.62ha	Kami Forestry Association
(2)	Oreai Forest	54.69ha	Kubokawa-cho Forestry Association
(3)	Kainan Forest	311.64ha	Kaifu Forestry Association
(4)	Kaminaka Forest	58.96ha	Kito Forestry Association
(5)	Nanokawa Forest	22.54ha	Niyodogawa Forestry Association
(6)	Sukumo Forest	8.82ha	Sukumo City Forestry Association
(7)	Miyoshi Forest	50.08ha	Miyoshi Seibu Forestry Association

### Participating in the Ministry of the Environment's Carbon Neutral Certification Test Program

Sagawa Express was accepted into the Carbon Neutral Certification Test Program promoted by the Ministry of the Environment, and commenced model programs at three service centers (located in the Tokyo, Kyoto, and Hakata areas) starting on March 21, 2012.

At these three locations, efforts are made to reduce the amount of CO<sub>2</sub> emissions through restricting the use of trucks and other transport vehicles, with the remaining CO<sub>2</sub> emissions covered by the Group's carbon offsets (J-VER). We aim to acquire carbon neutral certification by May 2013.

### Concept of carbon neutral initiatives



### Exhibitions in Environmental Events

As part of our educational activities to improve environmental awareness, we held exhibits in Eco Life Fair 2011, held in June 2011, and in December of the same year in Eco Products 2011, the nation's largest environmental exhibition. Visitors experienced craft making using thinned wood from the Takao 100-Year Forest in order to feel closer to forests.

Further, at Eco Products 2011, the CO<sub>2</sub> generated from electricity used at our booth during the event was offset utilizing offset credits (J-VER) held by Kochi Prefecture and Sagawa Forestry.



The booth Sagawa Express exhibited at Eco Products 2011

### Sagawa Express received the Minister of the Environment Award in the 21st Global Environment Awards\*

In the 21st Global Environment Awards, sponsored by the Fuji Sankei Group, Sagawa Express's "continued development of multifaceted approaches to reducing gas emissions" was recognized and we received the Minister of the Environment Award.

Measures for preventing global warming in the business field included the introduction of natural gas trucks (the highest number worldwide), and utilization of services centers that reduce the amount of truck transport. Further, the committee greatly praised our efforts, such as the maintenance of company-owned forests, preservation activities, and the implementation of employee-wide environmental action.

\* The Global Environment Awards were established in 1992 as a recognition system for the industrial world that aims for harmony between industrial development and the global environment.



Toshiaki Tsujio, President of Sagawa Express, receives the award from the Vice-Minister of the Environment (left).

# Toward the Earth's Future: Beautiful Skies and Green Landscapes

We would like to introduce some of our fiscal 2011 environmental initiatives.

## Intra-Facility Transport Initiatives

The increase in large scale multi-purpose facilities in urban areas has been accompanied by many large issues coming to the forefront – not just transport efficiency, but also the establishment of measures to decrease environmental footprints and improve security. Sagawa Express and World Supply have set example initiatives in Tokyo Midtown (Tokyo), JR Hakata City (Fukuoka), and Shinshizuoka cenova (Shizuoka) as model cases for developing services aimed at establishing intra-facility logistics systems.

These services mitigate vehicle-based traffic congestion in surrounding areas that originates from inside the facilities, and also make decreases in CO<sub>2</sub> emissions possible. They

also strengthen security by preventing suspicious persons and objects from entering the facilities by comprehensively managing the people, goods, vehicles, and information therein. Furthermore, they contribute to decreasing the upkeep and maintenance costs for these facilities through protecting the walls and floors from damage by designing detailed logistics leads.

Construction of these large scale multi-purpose facilities in urban areas will continue, and we would like to provide services that leverage our knowhow in establishing intra-facility transportation services and that contribute to decreasing the environmental burden.



### Tokyo Midtown\* Example

\* A large multi-purpose facility comprised of offices, commercial facilities, residences, and hotels.

Since Tokyo Midtown first opened, facility logistics operations have been consigned to Sagawa Express. Tokyo Midtown is said to handle a similar amount of packages as a logistics base would, with over 1 million items handled annually and over 250,000 distribution vehicles. Having started operations in 2007, it is now approaching its 4th year, and there have been positive evaluations from tenants about its convenience.

Tokyo Midtown's facility logistics systems continue to evolve, with logistics center personnel decreasing 25% in number and average vehicle stopping time dropping from 17-18 minutes to 14 minutes since services started. We have seen results in terms of decreasing our environmental footprint through the smooth facilitation of transport.



### JR Hakata City\* Example

\* A large multi-purpose facility containing department stores, approximately 230 boutiques, and cultural facilities.

Sagawa Express has been consigned with facility logistics operations for JR Hakata City, which opened March 3, 2011, and has been involved in project planning and opinion exchange since the beginning of the project. We efficiently operate intra-facility logistics through controlling lead tracks for people, goods, and vehicles within the facility. We have operated a logistics center for shipped goods therein since before it was opened.

By temporarily aggregating all goods sent from across the country into the Sagawa Express logistics base for JR Hakata City, we have eliminated the need for trucks from a variety of transportation companies to ride into the facility, thereby greatly decreasing the number of delivery trucks (from 100/day to a concentrated 25/day) and have also shortened waiting time. This contributes to a decrease in environmental burdens around the JR Hakata Station area and to the mitigation of traffic congestion in surrounding areas.



### Shin Shizuoka Cenova\* Example

\* A multi-purpose commercial facility directly connected with Shizuoka Railway's Shin Shizuoka Station.

Facility transportation work in Shinshizuoka cenova, which opened on October 5, 2011, has been consigned to World Supply, which has mainly developed delivery agency businesses for department stores and large boutiques.

World Supply receives all goods delivered to Cenova from delivery firms and sends them to each tenant via its facility logistics system, thereby smoothly managing information related to facility shipping. Additionally, because the process is managed from the delivery vehicle to entrance into the facility, vehicles are no longer left waiting, and services are operated with consideration toward reducing the environmental burden on the surrounding areas and improving security. Cargo shipping from tenants within the building is first handled by World Supply, displaying group synergy by liaising with Sagawa Express's Shizuoka Office.



## Utilizing Service Centers

Sagawa Express has established Service Centers which collect and distribute packages using not trucks but rather manpower, such as push carts and three-wheeled delivery cycles. We also contribute to reducing CO<sub>2</sub> emissions as well as the emission of air pollutants such as Nox\*<sup>1</sup> and PM\*<sup>2</sup> by minimizing the number of such delivery vehicles.

Additionally, developing services that work closely with local communities leads to secondary benefits, such as improving customer service, reducing parking costs in urban areas where there is a lot of traffic, and mitigating traffic congestion.

Further, we have set up shop in easily accessible office areas of major cities so that even those who do not have a driver's license can utilize their skills to the fullest, and in doing so we have a number of female employees who are able to efficiently carry out their work.

As of March 2012, we have 397 service centers located mainly in urban areas throughout the country, contributing to a reduction of approximately 1,670 vehicles. Going forward, we will continue to expand these service centers, as they are transport bases that are kind to people, the earth, and the community.



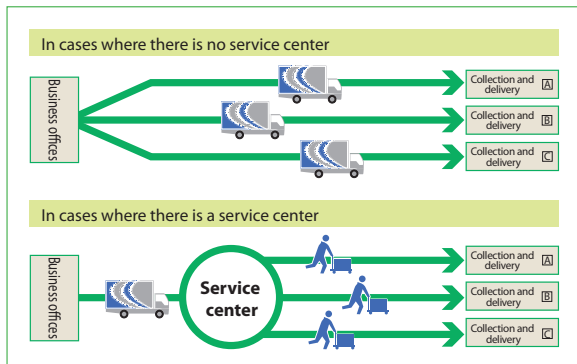
Using carts to collect packages within a small area allows us to develop our services in step with local communities.



Collecting and delivering packages through man-powered methods such as three-wheeled delivery cycles also means that we can decrease our environmental footprint and mitigate traffic congestion.

\*1 NO<sub>x</sub> refers to nitrous oxide.

\*2 PM refers to particulate matter.



Flowchart for service centers which allow transport with no environmental burden

### Gion Sagawa Express, a service base which values traditional Kyoto hospitality

We opened Gion Service Center and Gion Sagawa Express in Gion. Gion is a microcosm for the wonders of Kyoto, the place where Sagawa Express was established.

As it is a business base with strong roots in the community, the original work clothes used were made to resemble those of rickshaw drivers. Our three-wheeled delivery cycles and carts also employ a design that evokes the scenery of Gion. Staff also undergo training that covers the principles of hospitality that are unique to Japan in terms of comportment and language use, making this a base that both functions as a standard service center and can serve as a base for distributing information to visitors to Gion.



## Introducing Natural Gas Trucks

Natural gas trucks are, as the name suggests, trucks that run on natural gas (a.k.a. urban gas). Compared with diesel, gasoline, and LPG-fueled vehicles, natural gas vehicles have low CO<sub>2</sub> and NO<sub>x</sub> emissions, do not emit PM, and are currently gaining traction as the cleanest freight vehicles in the trucking field. As of March 2012, Sagawa Express has introduced a running total of 4,293 such trucks.

Additionally, the number of natural gas vehicles owned by Sagawa Express was recognized as the highest number in the trucking industry by the Corporate and Organizational Natural Gas Vehicle Ownership Survey conducted in July 2011 by the International Natural Gas Vehicle Association.

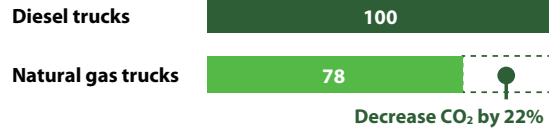


Natural gas trucks

### The nature and properties of emission gas (comparison between diesel vehicles and natural gas trucks)

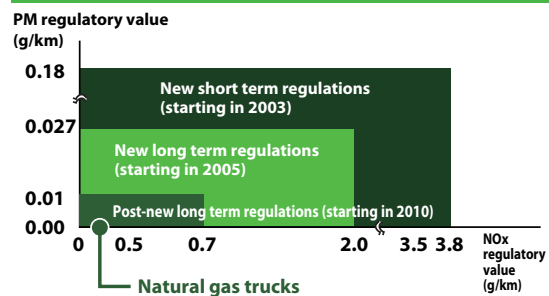
#### Comparison of CO<sub>2</sub> emissions

Setting diesel vehicle emission volume as 100.  
(According to a March 2007 study by the Japan Gas Association)



\* Calculated CO<sub>2</sub> emissions by running 101 trucks of two to four tons in weight (average 2.7t) for 6 months.

#### Comparison of vehicle NO<sub>x</sub> and PM emissions



## Acquiring Eco Action 21\* Accreditation

As part of our medium term business plan, SG Motors aimed to achieve Eco Action 21 accreditation, and 14 core business offices out of our 25 business offices and 2 body plants nationwide received accreditation in fiscal 2011.

We will strive to attain the trust and satisfaction of local communities, the industry, and our customers by engaging in environmental management systems based on Eco Action 21. We will also systematically proceed with environmental activities such as green purchasing and local cleanup efforts.

In acquiring this accreditation, we strove to acquire credentials for auditing personnel at each business office and appointed a total of 40 professionals. We also set forth a new environmental policy; drafted pocket cards with information on our environmental policy, direction,

and activities and handed them out to our employees; heightened employee awareness across the company; and are involved in autonomous and proactive environmental activities.

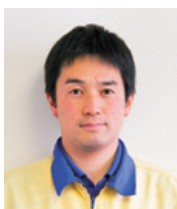
We aim to have the remaining 13 locations acquire accreditation in fiscal 2012.

\* Eco Action 21 is a set of guidelines drafted by the Ministry of the Environment which set forth methods for all corporations to create mechanisms for environmental initiatives, engage in, continually improve upon, and publicize the results of those initiatives, so that environmental initiatives can be carried out effectively and efficiently.

The Eco Action 21 certification and registration system is a system for judging, certifying, and registering corporations involved in initiatives based on the Eco Action 21 guidelines.

### VOICE

## We Will Continue to Enhance Our Environmental Initiatives to Serve as a Model for the Group



**Tomonori Waki** Sub Chief General Affairs Section, Administration Department, SG Motors

Acquiring Eco Action 21 accreditation was just the first effort of the group. We will continue further with these efforts even after accreditation, enhancing them and acting autonomously and proactively to serve as a model for the group.

Concrete activities include measures to reduce our environmental footprint, like proactively decreasing waste

produced and water and electricity used, and as well as continually performing volunteer cleanups through tie-ups with other corporations in order to communicate with local communities. We increase employee awareness about the environment through these activities, and I myself feel such actions are worth taking.

## Activities toward Living in Harmony with Nature

In addition to reducing our environmental footprint, the SG Holdings Group also treats living in harmony with nature as an important topic and is proactively involved in activities to protect biological diversity.

### Activities toward Preserving Forests

The SG Holdings Group owns a total of approximately 735 hectares of forests in Kochi and Tokushima Prefectures in Shikoku as well as in the Takao area of Hachioji City, Tokyo.

Sagawa's Forest (approx. 685 hectares) in Shikoku acquired J-VER offset credits (see P. 29) through the appropriate forest management of Sagawa Forestry. With the Takao 100-Year Forest project covering approximately 50 hectares of forest in the Takao area of Hachioji City, we are involved in initiatives to regenerate undeveloped woodland with the cooperation of NPOs, volunteers, and members of the community. We also hold hands-on forestry classes in which people can experience nature and research related to forest preservation firsthand.



(Above) Appropriate forest management is practiced in Sagawa's Forest in Shikoku.  
(Below) Hands-on forestry class, Takao 100-Year Forest

### Holding Hands-on Nature (Rice Planting) Classes

Since 2007 we have been implementing Hands-on Nature (Rice Planting) classes in Moriyama City, Shiga Prefecture, with the goal of having children learn about the blessings of nature and the importance of food. A running total of 380 Group employees, their families, and local residents have participated to date, experiencing traditional rice growing, including weeding an irrigated rice paddy of approximately 3,000m<sup>2</sup>, planting rice, harvesting, and drying.

We will continue holding these and other such hands-on nature classes so that children will be aware of what it means to live in harmony with nature.

We also give support to Shiga Prefecture's "Sakana-no Yurikago" (Fish Cradle) project in which juvenile nigoro buna fish are raised in irrigated rice paddies and then set free in Lake Biwa.



(Above) Rice planting  
(Below) Harvesting

## SG Holdings Group Environmental Activities

Since fiscal 2003, we have set, established, and implemented participatory environmental actions with the goal of having all Group employees proactively participate in activities that help preserve the environment. These actions take place each year so that not only employees can participate, but also so that these activities broaden

in scope to include families and local communities. In fiscal 2011, in addition to our summer and winter energy saving movements, we also held activities such as the Environmental Picture Diary Contest. Held for the fourth time in 2011, this environmental education activity involves both employees and their families.



More detailed information about our environmental initiatives is available on our website.

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

# Relationship with the Community

The SG Holdings Group has developed a wide array of business activities based on the corporate brand that we have cultivated through our trusting relationships with our customers since the time Sagawa Express was founded. A trusting relationship with our stakeholders is essential to being a corporate Group that is chosen in a diversifying social environment. Going forward, we will continue to engage in management that gives consideration to our stakeholders in order to earn their trust.

## Activities in Fiscal 2011

### Reaffirming our Social Responsibility and Promoting Stakeholder Management through Support for Affected Areas

- (1) In addition to reaffirming the role and social responsibility we have as a type of social infrastructure through activities to support the restoration and revitalization of the affected areas, we created new issues for management to tackle as this year has given us a chance to learn from society.
- (2) We promoted female achievements and the work-life balance to begin creating a workplace environment in which each employee can take pride in their work and fulfill their potential.

## Targets Going Forward

### Enhancing CSR through the Stakeholder Management Base

First of all, we are aware that as a type of logistics infrastructure, it is our responsibility to continue our activities for the recovery of areas affected by the Great East Japan Earthquake through our main business this year as well. Further, we will strive to promote the Wakuwaku Women's Project and the work-life balance as well as reforming our employment and workplace environment. We will also work to promote a harmonious existence with our stakeholders who support the Group. In addition, we will promote CSR activities in order to grow into a useful group that can respond to a management that shares its values and to changes in society and the environment.

## Employee Feelings toward Social Contribution

**I take pride in our ability to continue engaging in social contribution activities in the midst of the difficult Japanese economy.**

**Misa Shimizu**, CSR/Risk Management Unit, General Affairs Department, SG Holdings  
Ms. Shimizu works at the CSR/Risk Management Unit, where she provides support for the activities of our four foundations and is involved in public relations activities for Group companies.



In fiscal 2011, I lent a hand as a staff member with the Sagawa Foundation for the Promotion of Cancer Research's lectures for the public and the Sagawa Foreign Students' Scholarship Foundation selection certificate award ceremony and exchange event.

In fact, before being transferred to this division, I had worked in a service center, and at that time I was largely unaware of the activities of our foundations. At the service center, I had my hands full with the customers in front of me, so I had very little interest in them.

In the General Affairs Department, however, I was put in charge of these tasks, and I became aware that part of the profit we generated from working hard in the field is given back to society as a whole through the activities of these foundations. Though people say that Japan is in a period of economic stagnation, I am moved by the marvelous fact that, as part of our social contributions, we have continued providing support to international students and those involved in cancer research all this time.

I learned that the foundations' activities, based on our corporate philosophy of working for the development of the community, have had a strong, proven history since long before I became involved, and I take pride in the fact that I am able to work in a department directly connected to the SG Holdings Group's social contribution activities.

CLOSE UP

Activities by Four Foundations

In order to remain a corporation that can contribute to society, the SG Holdings Group uses foundation activities as a conduit to repay the debt it owes to the community through a variety of activities, such as living in harmony with the community, international exchange, and academic and artistic support.

Sagawa Foreign Students' Scholarship Public Interest Foundation

Supporting the 16 Fiscal 2011 (26th Group) Scholarship Students' First Step toward Their Dreams

We accepted as scholarship students 16 students (9 undergraduate, 7 graduate) carefully screened from among the 113 self-funded students from southeast Asia recommended by the presidents of national, public, and private universities throughout the country.

In association with this, we held the 2011 Sagawa Scholarship Students Acceptance Certificate Presentation Ceremony and Exchange Event from November 25 - 27. These students engaged in exchange with the guests, the previous year's 25th group of recipients, and Foundation and SG Holdings Group staff.



2011 Sagawa Scholarship Students Acceptance Certificate Presentation Ceremony and Exchange Event

Sagawa International Economic Cooperation Foundation

Donating Used Trucks to Various Countries at No Cost and Cultivating Vehicle Maintenance Technician Students

The Sagawa International Economic Cooperation Foundation was established to carry out stable, continued international support activities that came out of the opportunity to donate used Sagawa Express trucks. In fiscal 2011, we donated two vehicles to Laos, making for a total of 3,300 no-cost donations of vehicles since 1985.

We also hold student training programs for vehicle maintenance technicians, and in 2011, we accepted six students from China and five students from Laos. Up through fiscal 2011, we have trained a total of 126 students from China and 10 students from Laos.



Fiscal 2011 Vehicle Maintenance Technician Training

Sagawa Cancer Research Promotion Public Interest Foundation

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

In fiscal 2011, there were a total of 183 applications for Sagawa Cancer Research Support from research facilities across Japan, and, following a strict judging process by the selection committee, a total of 14 research projects were each awarded 1 million yen in research cost support (14 million yen total). Among these was a project by Motoyuki Otsuka, an Assistant Professor of Gastroenterology at the University of Tokyo Hospital.

Further, each year the Sagawa Foundation for Promotion of Cancer Research holds cancer lectures for the public in which we invite doctors who are active on the front lines to lecture the public on the latest information in cancer prevention, diagnosis, and treatment in an easy to understand fashion.



2011 Sagawa Cancer Research Support Award Ceremony

Sagawa Art Museum Public Interest Foundation

The joy of connecting with culture and art while surrounded by nature, overlooking Lake Biwa

Sagawa Art Museum, which was established in order to promote and develop culture and the arts, has permanent exhibitions of the works of Ikko Hirayama, a painter of traditional Japanese paintings; the sculptor Churyo Sato; and the potter Kichizaemon Raku. In fiscal 2011, we held scheduled exhibitions on Giobanni Segantini, marking the first time his work was displayed in Japan in 33 years, and on the 150th anniversary of the death of Kuniyoshi Utagawa. We welcomed 124,000 guests in total.

In our quest to become a museum that is open to the community, we are also involved in educational activities such as museum concerts and workshops with a focus on children's programs.



Sagawa Art Museum's Art Appreciation Class

Relationship with the Community

VOICE

I take pride in what I studied in Japan, and would like to communicate this wonderful experience to the people of Malaysia.



Teo Siew Ying 26th group scholarship student

I was selected as a scholarship student while in my third year at Osaka Sangyo University, and it made it possible for me to pursue further education at Kobe University Graduate School. When I was selected again in graduate school, I was so happy that I almost cried. Never in my dreams did I think I would be selected again. I would like to throw myself into my studies and

research so as not to waste the opportunity that the Foundation has given me.

I have met many people as a scholarship student, and everything I have learned through these exchanges has been valuable. When I return to Malaysia, I would like to keep both what I learned in Japan and the wonderful culture I learned here close at heart and communicate them to many people there.

# Valuing Human Connections toward an Abundant Society

We would like to introduce some of our fiscal 2011 initiatives toward living in harmony with society.

## New Services Leading to Improved Customer Convenience

Sagawa Express strives to attain an accurate grasp market trends and customer needs while being proactively involved in developing new products and services that lead to improved customer convenience.

### Established the Private P.O. Boxes, Hikyaku MyBox, in Ginza

Sagawa Express predicts an increase in demand for private P.O. boxes in conjunction with the expansion of the EC business. As such, on September 21, 2011, we launched the Hikyaku MyBox, the industry's first private P.O. box, in Ginza, Tokyo.

With this service, private P.O. boxes are set up in Sagawa Express service centers and can be used as a place for customers (corporate and private sector) to receive products. This service is not only holding onto goods; it can also be used as a logistics base for shipping products that already have arrived to a different location. It also takes advantage of Sagawa Express transport services like Hikyaku Cool Express and e-collect to make it possible to ship chilled products, (refrigerated or frozen), which is not possible with existing P.O. boxes, and to use COD services.



We will continue to successively start services in major cities throughout Japan.

### Starting Shipping Reception Services from Home Delivery Boxes

On February 4, 2012, Sagawa Express began home delivery shipping reception services using home delivery boxes installed in apartment buildings and other such facilities.

The customer writes the place of delivery and other necessary information on a special shipping ticket and simply places it in the home delivery box installed in their apartment building. (There is no need to contact Sagawa Express.) Our sales drivers will come to collect the packages at a set time every day. This service allows customers to send their packages when it is convenient for them without having to make a trip to one of our stores.



The service has been well received as it makes shipping easy.

## The Heat Stroke Prevention Call-Out Project, held with the cooperation of mail order companies

Sagawa Express endorses the Heat Stroke Prevention Call-Out Project (main office: Japan Environment Consortium), a movement in which government organizations such as the Ministry of the Environment and local public organizations work together with private organizations such as corporations and NPOs to call out for heat stroke prevention. We participated in these call-outs from August 1, 2011 to September 30, 2011.

In this initiative, we attach Heat Stroke Prevention Call-Out Project stickers to the packages of shippers (mail order companies) who consent to the project and, when Sagawa Express sales drivers deliver products with those stickers, they tell the recipient, "Please be careful of heat stroke."

We feel that these proactive call-outs do not just prevent heat stroke, but also lead to the improvement of communication, one of the goals of this project, and contribute to the wide popularization of elegant Japanese habits.



Sales drivers made call-outs during delivery.

## Social Contributions through Sports Classes and Other Activities

In 2010, we started giving Scientific Athlete Training Courses at Ritsumeikan Moriyama High School. Based on requests from high schools, we send out athletes who work on the front lines as lecturers and have them give practical instruction on training methods.

On top of this, we also promote community exchange activities through our official sports clubs, such as by holding sports classes for local children.



### Ryo Yamamoto of the Sagawa Express Track and Field Club was selected to represent Japan in the men's marathon portion of the London Olympics.

Ryo Yamamoto of the Sagawa Express Track and Field Club (a member of the Kyoto Track and Field Association) was selected to represent Japan in the men's marathon portion of the 30th Olympic Games, held July 2012 in London, England.



Mr. Yamamoto (left) and Coach Nakano (right) hold a press conference upon Mr. Yamamoto's selection.

## Holding Stakeholder Dialogs

In fiscal 2004, we began to hold yearly Sagawa Stakeholder Dialogs in order to understand what roles society expects Sagawa Express to play as a logistics corporation, what contributions we can make in our business activities, and whether we are meeting the requests of our stakeholders.

We held the Sagawa Stakeholder Dialogs for fiscal 2011 on the topic of "the attitudes and tie-ups required of Sagawa Express as a type of social infrastructure" in light of our recovery and restoration support activities related to the unprecedented disaster of the Great East Japan Earthquake.

These dialogs gave us valuable opinions and proposals about the social infrastructure of logistics. Sagawa Express, in light of how we responded to this disaster as a logistics corporation, feels that we cannot delay preparations for large disasters that are expected in the future, and that we would like to fulfill our role as a type of social infrastructure.



The 8th Sagawa Stakeholder Dialogs

### Summary: The 8th Sagawa Stakeholder Dialogs

Theme: The attitudes and tie-ups required of Sagawa Express as a type of social infrastructure

Date: Thursday, February 9, 2012

Location: Conference room, Sagawa Express Co., Ltd. Tokyo Head Office

Content: Keynote address, discussion

### Stakeholder Opinions (Abridged)

- Logistics, which we take for granted, broke down in the Great East Japan Earthquake, prompting many to recognize its importance once again. Such a situation made clear how important it is to utilize private resources in areas where national and local authorities cannot provide adequate support, especially in the transportation and distribution of emergency supplies. Sagawa Express's initiatives in this aspect were met with incredibly high praise.
- In the future, delivering supplies over the last mile and the face-to-face aspect of logistics will continue to increase in importance not just in times of emergency but in ordinary times as well. In particular, it will also be necessary to hold discussions on the treatment of the elderly and what society should be like going forward.
- We were reminded of how delivery corporations play a pivotal role in society. It will be necessary to further promote deliberation on the roles of logistics corporations as a type of local and social infrastructure in the future as well.



More detailed information about our relationship with the community is available on our website.

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

Please contact us below if you have any questions regarding this report

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