

CSR Report 2013

Corporate Social Responsibility Report





SG Holdings Group Corporate Philosophy

"Trust, Create, Challenge"

SG Holdings Group will:

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

Handling logistics infrastructure and continuing to meet social expectations

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Editing Policy

The SG Holdings Group CSR Report has been published in two separate versions: a printed version (important topics) and an online version (a detailed report). The fiscal 2013 printed version is a medium geared towards general consumers, while the online version is a medium geared towards specialists who are researching the environment and CSR.

Feature articles of the printed version include the opinions and backgrounds of our employees, in order to broadly introduce a range of activities to general consumers in an easy-to-understand format. Other activities are included in summary format, with only the main topics covered.

The online version includes all activity-related information, including numeric data. Each activity is based on and classified by the seven core subjects of ISO26000, providing guidelines for international standards.

We have also referred to the Ministry of Environment's Environmental Reporting Guidelines 2007 and Sustainability Reporting Guidelines (Volume 3).

Online

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

Period Subject to Reporting

March 21, 2012 - March 20, 2013

*When reporting periods differ, we will clarify as needed.

Organizations Subject to Reporting

SG Holdings Group Companies and Business Summary

*Business initiatives by the entire group are referred to as SG Holdings Group initiatives.

Activities related exclusively to specific companies and organizations are clarified as needed.

Business Outline

SG Holdings Group: Connecting People, Society, and the Future

Company Outline

SG Holdings Co., Ltd. is a pure holding company of SG Holdings Group, which possesses management strategies and administration functions for the entire group. Each company is specified by its business affairs and duties.

Name: SG HOLDINGS CO., LTD.
Established: March 21, 2006
Business content: Group management strategies, administration, and related business
Location: 68 Tsunoda-cho, Kamitoba, Minami-ku, Kyoto, Japan
Chairman and President: Eiichi Kuriwada
Capital: 11,882,905,000 JPY

Main Domestic Companies

1 Sagawa Express

Providing total logistics solutions for a wide range of delivery activities, with a particular focus on express delivery.

2 SG Moving

Offers various installation and moving related services.

3 World Supply

Offers delivery agency services, 3PL, and cooperative food delivery service to department stores, etc.

4 Sagawa Global Logistics

Optimizes all aspects of the supply chain through 3PL business, the logistics process, etc.

5 Sagawa Logistics Partners

Offers total logistics support, ranging from inspection for foreign matter and product defects and inspecting to storage and logistics processing.

6 SGH Global Japan

Offers various international transport related services, from international logistics and shipping storage to domestic transport.

7 Sagawa Advance

Offers general services from an insurance agency business and travel business to a retail business.

8 SG Motors

Offers various services including a vehicle maintenance support service, new and used car sales business, etc.

9 SG Systems

An all-in-one logistics IT company offering various development and operation activities, including a package tracking system.

10 Sagawa Financial

Offers a variety of financial services, including the "e-collect" COD service.

11 SG Realty

Manages real estate held by SG Holdings Group.

12 SG Assetmax

Manages real estate investment operations, with a particular focus on SG Holdings Group logistics facilities. (As of June 2013, preparing to begin operations.)

13 SG Expert

Brings together SG Holdings Group management businesses, such as general affairs, human resources, and accounting.

14 SG Fielder

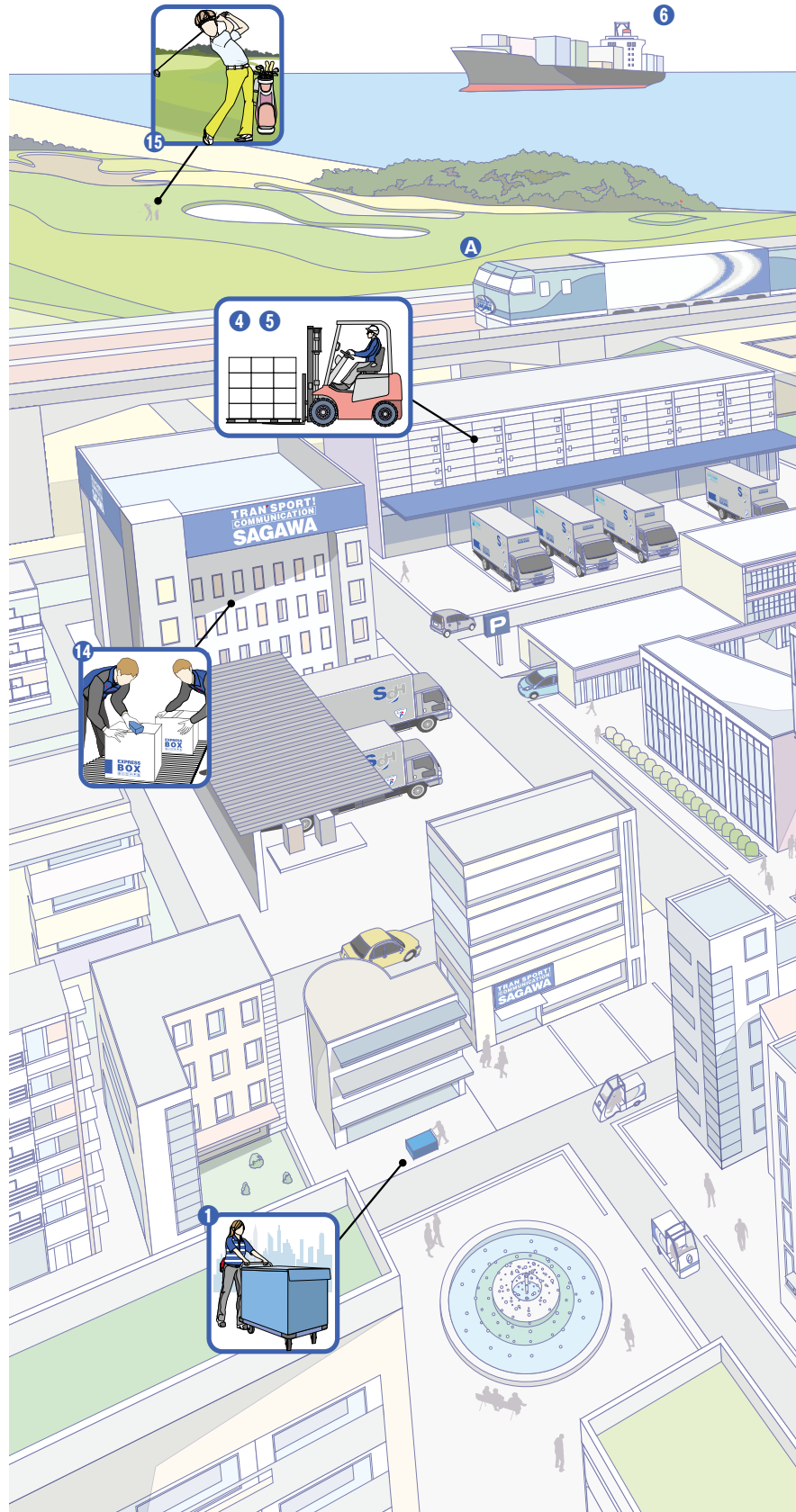
Offers outsourcing of personnel for warehouse-related business.

15 Nouvelle Golf Club

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

CSR Activities

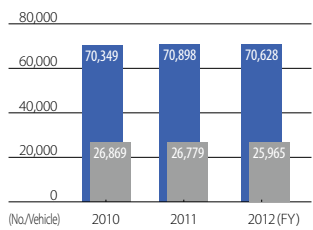
- A** [Super Rail Cargo] A railroad system that transports goods between Tokyo and Osaka, featuring low CO₂ emissions.
- B** [Sagawa Express Traffic Safety Classes] Provide traffic safety-related information to children. SG Holdings Group is involved in various other CSR activities as well.



Group Business Data

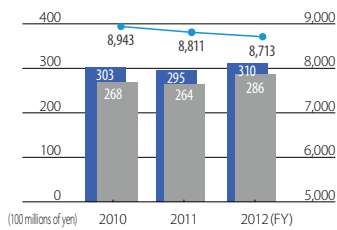
No. of employees (consolidated) / No. of vehicles owned (Sagawa Express)

■ No. of employees (consolidated) ■ No. of vehicles owned (Sagawa Express)



Operating profit / Ordinary profit / Operating revenue

■ Operating profit ■ Ordinary profit ● Operating revenue



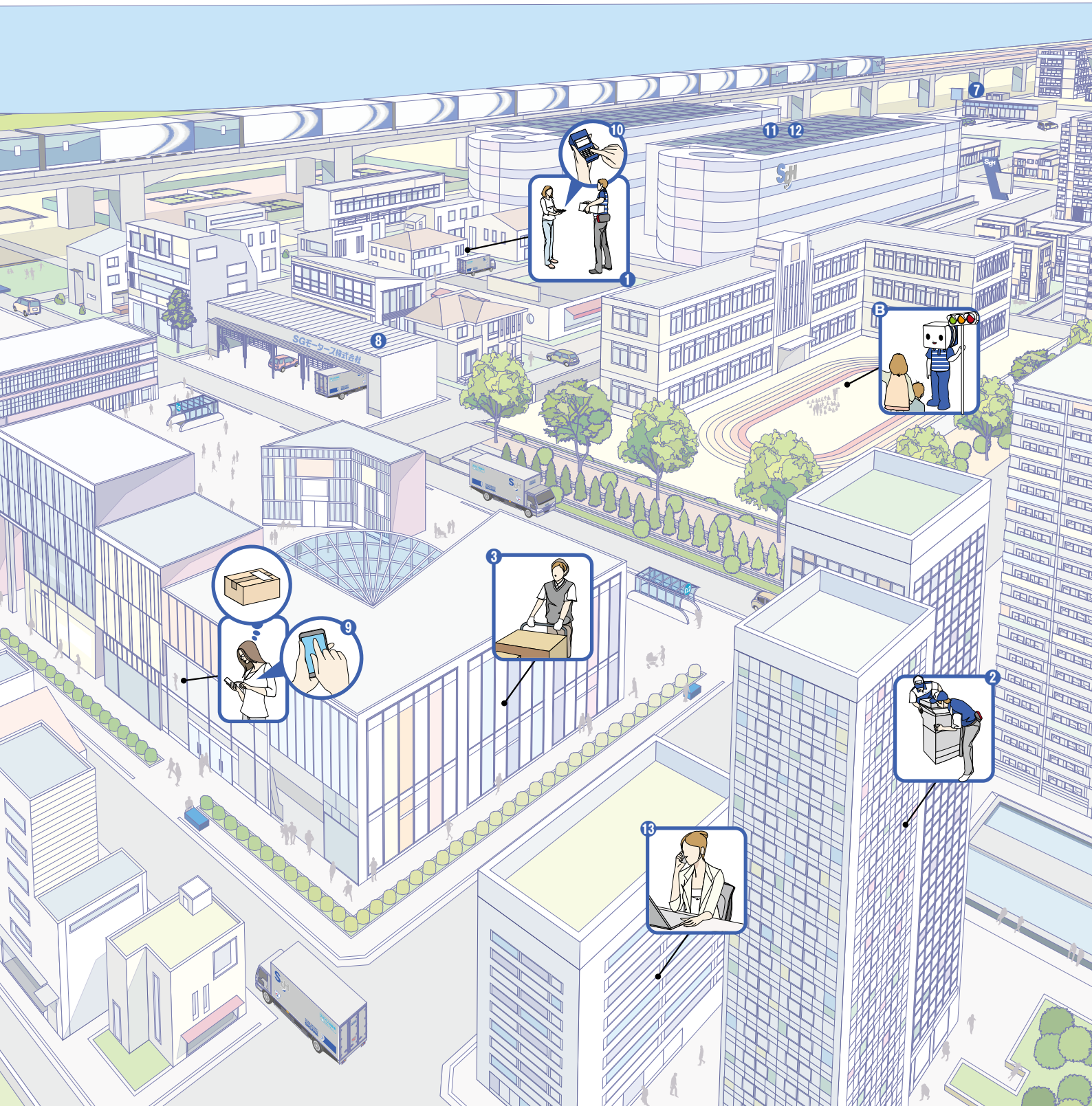
International Group Companies

SG Holdings Global Pte. Ltd.

Tianjin Poly-Sagawa International Trading Co., Ltd.
 Shanghai Poly-Sagawa Logistics Co., Ltd.
 Poly-Sagawa Logistics Co., Ltd.
 Shanghai Dazhong Sagawa Logistics Co., Ltd.
 Sagawa Silox Shanghai Co., Ltd.
 Sagawa Silox Qingdao Co., Ltd.
 Wuxi Feisu Logistics Information Technology Co., Ltd.
 Sagawa Express (H.K.) Co., Ltd.
 Sagawa Express International Taiwan Corp.
 Sagawa Logistics Korea Co., Ltd.
 Sagawa Express Philippines, Inc.
 Sagawa Global Logistics (Philippines) Inc.
 Sagawa Express (Thailand) Co., Ltd.

Sagawa Express Thai Container Distribution Service Co., Ltd.
 Sagawa Express Vietnam Co., Ltd.
 Sagawa Global Logistics (Malaysia) Sdn. Bhd.
 Sagawa Customs Brokerage (Malaysia) Sdn. Bhd.
 Sagawa Express Singapore Pte. Ltd.
 Ameroid Logistics (S) Pte. Ltd.
 Amgas Asia Pte. Ltd.
 Pt. Sagawa Express Indonesia
 Sagawa Express Hawaii, Inc.

Affiliated Companies Sindh Cargo Services Pte. Ltd.
 Sunlog Services Pte. Ltd.
 Two other companies





Creating logistical innovations by pursuing group synergy.

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

栗和田 栄一

Two years have passed since the Great East Japan Earthquake. Even to this day, people in the afflicted areas are working to recover and rebuild in the midst of difficult circumstances. Along with our renewed sympathies, we will continue to offer support activities.

A changing business base and continuing social responsibility

As a transport business, we are facing dramatic social changes head on, forced to fight an uphill battle to build a new business model for the future.

Since Japan's population is decreasing, we cannot foresee any large-scale transport or delivery increases in the express delivery market. While, package transport and delivery related to online business (such as online mail order services) is increasing rapidly. Due to an increase in compact parcels and short-distance transport, delivery costs are decreasing. This is a pressing issue for public carriers, who must figure out a way to stop the decrease and return to how it once was, in order to ensure an appropriate level of profit.

Although our business base is changing dramatically, some of our roles remain unchanged. While the logistics business serves as an important piece of infrastructure for industries and society, its use of vehicles runs the risk of potential traffic accidents and CO₂ emissions. Because these risks are unavoidable, logistics businesses have a responsibility to carry out traffic safety and environmental efforts during their daily tasks. We must become a business group that contributes to a better society through our work-related activities. We must never try to separate our corporate social responsibilities (CSR) from business activities.

In order to work closely with the society, and continue to earn its trust through effective work tasks, we must deal with social change in a flexible manner, and listen carefully to our stakeholders, including customers, shareholders, local communities, business partners, and employees. By striving to maintain our status as a safe, eco-friendly logistics business, we will continue to offer new services and solutions to meet the needs of the community, and create even more fulfilling infrastructure, contributing to the creation of an affluent society.

Taking the Second Medium Term Management Plan into account for the next step

SG Holdings was established as a holding company in 2006.

Functioning within the holding company group format, each business is able to offer agile management, and has contributed to the creation of a foundation for the Group's total power through two midterm management plans, entitled the First Stage Plan (2007-2009) and the Second Stage Plan (2010-2012).

Through the Second Stage Plan we were able to establish a 2nd, 3rd, and 4th delivery business to further strengthen our delivery busi-

ness revenue base. Yet except for one of them, results have been less than desirable. Although it's true we are experiencing a rough business environment, businesses in other industries are going through similar circumstances, yet some of them are able to achieve general recognition for their earnings, regardless of their scope or size. It's essential for us to relearn the ability to make sound business judgments, based on diligence, passion, and speed, to achieve the reforms at the base of their success.

Information on 70,000 employees as the source of our creation

In 2013 we kicked off a new mid term management plan, called the Third Stage Plan. The best way to summarize the philosophy behind this new plan, is "the pursuit of synergy within SG Holdings Group."

SG Holdings Group connects with customers on a daily basis, through nearly 30,000 Sales Drivers and employees receiving and delivering packages. And with approximately 70,000 employees in the Group, we help keep the world in motion through various businesses.

The information collected by our enormous staff is the source of our new needs and added value. By sharing and processing this information, we can generate synergy among the Group, creating new services that go beyond package delivery. We think of this as our mission as a contemporary transport business.

In the past I once thought that, in 10 year's time we may no longer be a package delivery company. What I meant was that, as a transport business, we would have to transition into a service industry with information at the core. My philosophy is generally the same today, and it has influenced the Third Stage Plan a great deal.

I proposed a new management vision within the Third Stage Plan, stating for us to "Create new value by utilizing management resources and deepening cooperation inside and outside of the Group, while aiming to



Third Stage Plan, the Fiscal 2013-2015 Medium Term Management Plan

SG Holdings Group Management Vision

"Create new value by utilizing management resources and deepening cooperation inside and outside of the Group, while aiming to strengthen our management foundation and to achieve lasting growth"

"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, creating new value, and striving to establish businesses that will become the second, third, and fourth pillars of the Group"

The graphic features the SG Holdings logo (SgH) at the top, with the tagline "Synergy, Innovation, and Speed" below it. The main title is "SG Holdings Group Medium Term Management Plan Third Stage Plan". Underneath, it lists four basic strategies: (1) Maximize the Group's earning capability, (2) Enhance the comprehensive strength of the Group by expanding business areas, (3) Reinforce and enhance operating platforms, and (4) Fully adopt stakeholder management. At the bottom, there is a molecular structure diagram with a blue oval containing the SgH logo, and the text "Fiscal 2013-2015" at the very bottom.

strengthen our management foundation and to achieve lasting growth." I have also included the following four basic strategies: (1) Maximize the Group's earnings capability, (2) Enhance the comprehensive strength of the Group by expanding business areas, (3) Reinforce and enhance operating platforms, and (4) Fully adopt stakeholder management.

Some promising businesses are already working under these strategies. Our "Facility Logistics Service" not only picks up and delivers goods for tenants in large commercial facilities, but also manages delivery vehicles and cargo-handling activities, for a comprehensive system that contributes to stronger security and conservation of the local environment. Services such as our "Rebirth Solution Service" function through the cooperation of all Group businesses, integrating the transport of products from various manufacturing companies for collection, return, recycling, etc. with other related tasks.

We have established a business alliance with Hamakyorex Co., Ltd, a company with years of experience and know-how in the industry, to act as the pillar of our domestic 3PL (third party logistics) activities. In Singapore, we established SG HOLDINGS GLOBAL PTE. LTD. as an overseas business company, promoting global business strategies such as M&A.

Stakeholder management fully implemented, and finding CSV

As mentioned in our 4th basic strategy above, we are making efforts to fully introduce stakeholder management as well.

We are working to create a corporate culture that always includes our stakeholders, with a particular focus on their philosophies and arguments. And through our business activities, we aim to define what CSV (Creating Shared Value) should be like within SG Holdings Group, with a goal of solving various social issues.

As for the environment, we are using trucks powered by natural gas, and have adopted new transport methods for more eco-friendly business. We continue to accumulate CSV related knowledge and experience through the expansion of our facility logistics service, and participating in the clean energy supply business (solar power). As for social action programs, we will continue to inspect the best ways to meet social needs, so that we can improve our strategy to contribute in more significant ways.

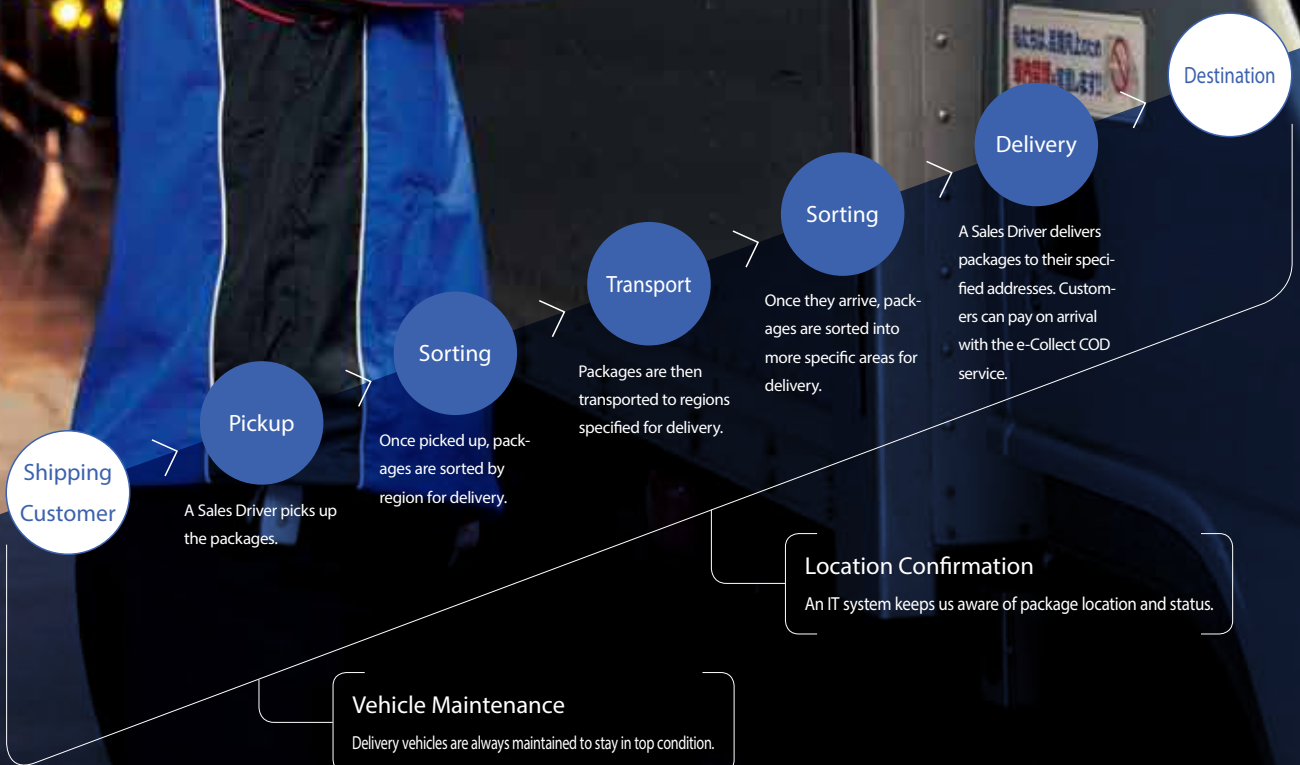
In terms of employees, we started the Wakuwaku Women's Project in 2011 to advance the achievements of female employees and promote a work-life balance. Our goal is to reach 30% female employment within the Group's businesses, implement a maternity leave system that spans longer than required by legal standards, and partake in other such actions to create a new way of working in a new era, to ultimately present a new transport business to society.

We will continue to listen closely to our stakeholders, and make great efforts to maintain our status as a necessity within society, so that our business group continues to be selected over others. Please watch carefully as SG Holdings Group develops its businesses into the future.

Continue functioning as a logistics group that our customers can trust, by bringing together the thoughts and abilities of each individual

A great many SG Holdings Group employees are involved in the transport process, from accepting packages to delivering them to their specified destinations.

These employees span a wide range of business fields, including Sagawa Express for delivery, Sagawa Global Logistics for managing and operating logistics centers, SG Fielder for sorting, SG Motors for vehicle maintenance, SG Systems for system-related tasks, Sagawa Financial, and more. Each and every one of them work with an earnest sense of pride to offer safe, high-quality service to our customers.





We speak with each other and stick to the basics.

Yoshimi Kobayashi
Service Department SGM Ladies
SG Motors Co., Ltd.

SG Motors

Vehicles are tuned up to keep them in a perfect condition, and entrusted to our drivers

Vehicles used by SG Holdings Group are maintained by SG Motors. This business adds much-needed support to keeping the logistics infrastructure safe, and goes beyond the Group's framework to bring about a safer society.



Maintenance Facility at SG Motors Head Office in Osaka.

Keeping vehicles in great shape with impressive technical skills

SG Motors was established as an SG Holdings Group company in 1980 to maintain delivery vehicles. As it developed along with the Group, its maintenance facilities and sales offices expanded throughout the country, and it now boasts a nationwide maintenance network. Today it features four pillar businesses, which are vehicle maintenance/inspection, new vehicle sales, used vehicle sales, and truck body manufacturing. SG Motors has 29 branches throughout Japan, with approximately 740 employees.

Delivery vehicles used by SG Holdings Group are always put through the appropriate maintenance and inspections to keep them in top shape. This is in order to fulfill our mission of delivering important merchandise safely to our customers. To keep our vehicles in top condition, SG Motors has cooperated with the Sagawa Express Safety Promotion

Department to formulate company-exclusive maintenance standards, in addition to the periodic vehicle inspections required by law. Additional checks are done for transport vehicles trav-

eling the main routes at night, simultaneously throughout the country.

Great efforts also go into quickly sharing information, or providing maintenance/repairs, at the first sign of trouble. At times, long-distance travel can take its toll on vehicles, and complications may arise that were not anticipated by the automobile manufacturer. However, even something that may seem trivial could lead to significant trouble, so if even the smallest of issues occurs, the head office's Service Department will collect data on the incident, analyze it, and share the data with maintenance facilities throughout the country. At the same time, checks and trouble prevention measures are taken for such vehicles.

At SG Motors, the training of mechanics is taken very seriously, and a training system is taken full advantage of within the company. Each base assigns one of their highest ranking "Class 1" mechanics as a licensed maintenance consultant, for customers to comfortably discuss their concerns with. SG Motors offers a comprehensive maintenance system that is not only limited to delivery vehicles. Licenses can also be acquired for performing maintenance on forklifts, trailers, and other special equipment.

And to deal with a recent surge in female drivers, service stations are now available that women can easily use when needed. SG Motors also plans to utilize its female employees as best as possible, and formed the female-exclusive "SGM Ladies" maintenance team in May 2012. It will soon be fully operational.



First members of SGM Ladies



▶ Sagawa Express

Sales Drivers deliver reliable service to our customers

Sagawa Express Sales Drivers are responsible for picking up customer packages and delivering them. Approximately 30 thousand of them are directly interacting with customers on a daily basis throughout the country.



Driving safely to carry out various roles

A Sales Driver has many responsibilities. For example, Toshimitsu Eto works in the Sales Department at the Chiyoda office, which illustrates that Sales Drivers do more than simply pick up and deliver packages. His other duties include acquiring new customers, suggesting new transport services to existing customers, etc.

"Even in the small amount of time I interact with customers during delivery, I ask if there's anything more we can do. Sometimes a little feedback from the customers gives us ideas on how to improve our logistics strategies." (Eto)

Sales Drivers must thoroughly perform a number of tasks. First of all, they must confirm their destination numerous times. For example, when picking up the package, taking it back to their delivery vehicle, getting in their vehicle, dropping off the package, they must repeatedly check the destination.

In the summer months, as they directly interact with customers, they need to change their uniform 3 or 4 times daily to stay fresh. And the most obvious task to thoroughly carry out as a professional driver, safe driving.

"We want people to look at us and immediately recognize that we're doing our best to drive as safely as possible. When approaching schools or other such areas, we are extra receptive in our ability to predict risks." (Eto)

Sagawa Express makes sure that each and every driver is thoroughly aware of safe driving techniques, and also strives to achieve a

Pre-departure roll call



Carrying out all common tasks properly, to ensure customers receive fair, impartial service.

Toshimitsu Eto
Sales Driver from the Chiyoda Office Sales Section
Sagawa Express Co., Ltd.

safe driving record from the entire staff. Sales Drivers perform a safety roll call and sales roll call every day before going out on the road. The safety manager and driver perform the safety roll call by looking each other in the eye and saying good morning. This increases the driver's awareness of safety and his own condition, and the safety manager is able to determine what sort of condition the driver is in by observing complexion and tone of voice. The sales roll call involves a voice adjustment to prepare the driver for talking with customers.

Also, in order to objectively assess work tasks and strive for customer safety and satisfaction, each driver's performance rate via the Delivery Time Selection Service is monitored and broken down into numbers with a portable data terminal (PDT).



SG Fielder

Being in charge of relay points, we strive to maintain and improve transport quality.

Packages picked up from all over Japan are sorted by shipment area at delivery bases, and then entrusted to Sales Drivers traveling to the appropriate shipment destination. SG Fielder functions as an outsourcer of relay point personnel management, which is significantly related to maintaining the trust of our customers.



We are responsible for creating the bond of trust between customer and Sales Driver.

Katsuya Ogawa
 Manager, Area Supervision 1, Kanto Branch
 SG Fielder Co., Ltd.

employees work together with approximately 16,000 part-time workers and employees from various subcontracting companies. Our Jonan Office (Yashio, Shinagawa-ku, Tokyo) has the largest number of delivery bases in the Group, collecting/receiving 280,000 to 290,000 packages in a single night.

Our primary mission during the sorting process is to ensure "consistent quality." The term "consistent quality" refers to accurate sorting, finishing the job within the allotted time, and ensuring that none of the packages are damaged during this process.

Mistakes such as sorting packages into the wrong destination group would happen sometimes when sorting by hands. But today we have a computerized system in which packages can be automatically sorted by the payment sticker attached to each package. This system has greatly reduced the occurrence of sorting mistakes. We strive for quality improvements by offering transparency for various indexes, and always working in accordance with the PDCA cycle.

We also feel that "time quality," or always getting the job done on time, is important as well. It's not uncommon to experience delays in collecting time or late arrival at delivery bases due to heavy traffic, etc. However, we have implemented a system to adjust work time accordingly, so that the customer's estimated delivery time is not affected. Because of this, we always combine innovation and effort by listening to proposals for improvement from each of our delivery bases.

We also research the safest of operation routes in advance for our employees, and always maintain communication with them to raise motivation and improve on quality. Moreover, we encourage our employees to become licensed forklift operators, etc. to increase their skills as professionals.

Transporting a massive amount of packages incident-free to required destinations

The packages picked up from our customers by Sales Drivers are transported to the delivery bases throughout the country from evening to late at night. Packages are then sorted by delivery area, but there are two steps of sorting they must go through. The first step of sorting is for sending the packages we've picked up to various regions throughout Japan. Packages to be sent to remote locations are transferred to a transport service featuring a long-distance network. The second step of sorting is done for packages received from various regions throughout Japan. Packages to be sent to areas close to our bases are received from regions throughout the country, so they are sorted for our Sales Drivers to deliver the next morning. Basically, packages are sorted throughout the night at our delivery bases.



This system automatically sorts packages.

These sorting tasks are carried out by SG Fielder for SG Holdings Group. SG Fielder provides solutions through personnel dispatching and outsourcing services, not only within the Group, but to external logistics businesses as well. Our 1,200+



► Sagawa Global Logistics

We are responsible for planning and improving efficiency for the logistics division of our client businesses.

Our current role does not stop at package delivery, as we are also responsible for actively solving logistical issues experienced by our client businesses. As an outsourcer, our customers expect us to provide comprehensive logistics services for their logistics division.

We are working to create a system that can flexibly and promptly handle cargo changes.

Sagawa Global Logistics Co., Ltd.
Sub Chief, Nishifunabashi Office, East Tokyo Branch
Mitsuya Yamaoka



Combining the functionality of a logistics center and a delivery center

Sagawa Global Logistics specializes in a variety of fields, including warehousing, customs, international express delivery, and is even licensed to manufacture cosmetic products. We have approximately 5,000 employees, working at 54 logistics bases such as SRC (Sagawa Ryutsu Center), 10 customs bases, and seven international sales bases, offering various services to build up synergy within the Group. These bases are located adjacent to significant airports and harbors throughout Japan.

Sagawa Global Logistics is committed first and foremost to making the logistical tasks of our client businesses more efficient. Service doesn't stop at simply providing warehouse space, but extends to functioning as a logistics center and delivery center as well. For example, our Nishifunabashi Business Office in the East Tokyo Branch is solely responsible for the mail order related tasks of a major clothing distributor. Approximately 150 employees are dealing with the distributor's tasks on a daily basis, from product arrival, replacement, and package, to providing them to Sagawa Express for delivery, receiving returns, etc. During the peak season at the end of the year, we have a system of 500 employees working day and night, 24 hours a day, to get these tasks done.

"Since we handle the assets (products) of our client businesses, we do whatever it takes to deliver them promptly without damaging them, and make sure to provide ample logistics and time-related quality." (Yuji Morita, Sub Chief, Nishifunabashi Business Office, East Tokyo Branch)

As a part of that, we have implemented a "voice recognition system" for maintaining product shelves at the Nishifunabashi Office and other warehouses. This device was implemented in order for the S-WMS (Sagawa Warehouse Management System) to operate efficiently. It includes

headphones, a microphone, and a barcode reader at the user's fingertips. Instructions are sent by voice to the headphones, while the user is able to respond using the microphone while performing a task. It's a two-way conversation capable operation system. With a barcode reader at the user's fingertips, tasks can be performed with more precision, while at the same time both of the user's hands are free to perform other tasks.

Sagawa Global Logistics has multiple bases established within a certain area to supplement one another during operation. Not only does this enable us to flexibly meet the requests of our client businesses, but it is also tied to major recruitment activities and evening out the workload for seasonal fluctuations.

Barcode reader



* Due to a company split on May 1, 2013, Sagawa Global Logistics is now responsible for domestic logistics business, while SGH Global Japan carries out international freight business.



SG Systems

An accurate tracking system that always let you know where your package is

Our real time tracking system allows customers to keep constant tabs on the status of their packages. This data can be used directly by the customers.

40 million transactions per day on average

Sales Drivers and other employees use a point information entry device called a PDT (portable data terminal). This device provides customers who have trusted us with their packages with peace of mind, and also contributes to the efficiency of logistics-related tasks coordinated with our customer information system.

SG Systems is responsible for developing information systems for SG Holdings Group, building all types of systems for logistical purposes. In order to enter information more efficiently, the PDT device was introduced as the system's core in 1985, and has been improved upon numerous times since, with a 9th generation of the device released in Spring 2012. Al-



Our aim is to offer a system that's convenient for both customer and delivery base.

Teppei Ueki
Freight Unit Manager
Yusuke Sawada
Assistant Manager
SI Division 1
SG Systems Co., Ltd.

though its only function is to read our company's barcodes, it has evolved through the years in terms of durability and scope of communication.

The PDT is used in 8 or 9 places per package, to enter information spanning from collection to delivery completion. Since we handle between 5 and 7 million packages on a daily basis, that's an average of 40 million information-related transactions in a single day. A chain of these data entries are provided to customers as delivery information, which can be used to monitor shipping dates and create receipts.

Sagawa Financial

Offering a wide-range of financial services, with a "COD service" at the core

Due to the expansion of online sales, demand is growing for methods of making small payments. SG Holdings Group's various payment methods play a part in meeting that demand. We are also beginning to offer new services for corporations, such as advancement guarantees for accounts receivable.

e-Collect COD service used to make 1.33 trillion yen in payments

As society becomes more Internet-dependent, not only online sales businesses but distribution channels and logistics businesses are springing up. Consequently, payment has become an issue. SG Holdings Group has offered a COD service in which the Sales Driver delivers a package and collects payment from the customer directly. And now we are offering a diverse menu of payment options, including by credit card, which

we introduced the first in the industry.

These services are offered through Sagawa Financial. In the fiscal year ending March 2013, customers have used our "e-Collect" COD ser-

Left: A credit card payment device
Right: A PDT used by our Sales Drivers

We want to further invigorate the logistics business by offering a diverse range of payment options.



vice to pay for approximately 135 million packages, for a total of approximately 1.33 trillion yen. We also offer an early payment method to our customers who use the COD service, in which a 3-times-per-week transfer cycle is used.

As a way of further strengthening SG Holdings Group's business-to-business dealings, SAGAWA B2B Payment Service was developed by Sagawa Financial, through which accounts receivable collection was done by Sagawa Financial for packages (products) delivered by Sagawa Express. We also handle money issues in various other comprehensive and multi-faceted ways, meeting the needs of our customers through services that support the expansion of distribution.





| Special Issue 2 | Environment |

Ways SG Holdings Group can contribute to the creation of an eco-friendly city

As a logistics business that has many trucks at its disposal, the reduction of CO₂ emissions is a goal we must continue pressing for. That is why SG Holdings Group is taking full advantage of its resources and know-how to create an eco-friendly logistics system.

Here we will introduce the efforts between Tokyo's new hot spot Tokyo Skytree Town, and a wide range of our delivery bases throughout Japan.

Contributing to Tokyo Skytree Town and the surrounding environment

Facility Logistics



© TOKYO-SKYTREE

Tokyo Skytree opened for business in May 2012, and has become a hot spot for tourists in the Tokyo area.

We provide a new logistics service at a commercial facility "Tokyo Skytree Town," taking into consideration the surrounding environment.

We call it Facility Logistics, an innovative solution used through Sagawa Express.

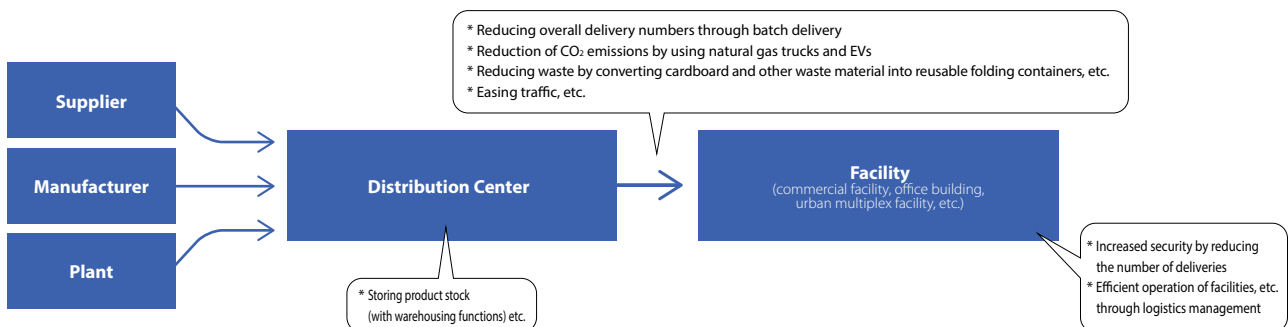
A "General Headquarters" for logistics within facilities

A blue and white shop curtain hangs in a corner of Tokyo Skytree Town's ㊦ Tourist Service Center. That is where female employees wearing royal purple "happi" coats accept packages from customers for express delivery, and temporarily hold their hand luggage, etc. When looking closely, you'll see the happi coats are designed with a historic "Musashi" pattern from the Edo period, and contain 6-3-4 alternating purple lines resembling Tokyo Skytree. These women are Sagawa Ex-

press employees dressed in special Tokyo Skytree Town uniforms.

There are four receiving bays in the back that tourists don't notice. Apart from 20 staff members that carry out deliveries in the facility, there are another 50 Sagawa Express employees performing various business tasks. Other than express delivery package reception and joint delivery operations, these management tasks include: (1) cargo arrival parking lot management and entry permission ID issuance/management, (2) security checks for arriving visitors and products, (3) cargo elevator operation and schedule adjustment, (4) arrival/depar-

The logistics system and related merits we hope to attain through "Facility Logistics" (examples)



ture line guidance, maintenance of common areas, and more.

There are 312 shops and restaurants operating within Tokyo Skytree Town, and numerous transport vehicles are going in and out on a daily basis, carrying huge amounts of products and foods to keep the shops going. These adjustments are done by Sagawa Express at the Logistics Management Center, where people, products, and vehicles are managed uniformly. Process charts are created to maximize operation efficiency for cargo arrival parking lots, cargo handling sites, and cargo elevators, including information such as in/out times for visitors, in/out destinations, in-coming/out-going product content, vehicles used, and other external factors, as well as internal factors such as tasks performed inside the facility, which are managed uniformly.

This enables both management and assurance of efficiency and security for in-coming products. This management is also performed in Tokyo Skytree Town's East Tower office building, with such comprehensive logistics management known as "Facility Logistics," carried out by Sagawa Express.

By creating a process order of people, products, and vehicles and carrying these tasks out efficiently, the impractical turning around of vehicles waiting for packages in surrounding areas is eliminated, and safety is ensured for consumers. At the same time, illegal parking and traffic can be greatly reduced, and CO₂ emissions are cut. Also, through appropriate facility care and efficient cargo elevator operation, repair expenses, electricity costs, maintenance costs can be reduced as well.

A service developed by Sagawa Express

Facility Logistics is a service that utilizes the knowledge accumulated by Sagawa Express through years of experience to manage operations within a large complex facility such as Tokyo Skytree Town.

The enforcement of the Large-Scale Retail Stores Location Law in 2000 provided an opportunity for us to fully enforce Facility Logistics. Enactment of this law required facilities to be managed in a way that considers the local community, while also requiring measures to reduce nearby vehicle increases, illegal parking, and traffic, and ensuring the safety of local community members through environmental measures to reduce exhaust fumes, etc. Sagawa Express proposed Facility Logistics as a way to meet these requirements.

Sagawa Express services originally comprised of collection and joint express product delivery for unique commercial facilities such as volume sellers, but later they expanded, offering mail room management services and business support services (such as replenishing consumable goods, inventory control, and ordering) within large company buildings. Recently it has evolved into a service that uniformly manages "people, products, vehicles, and information" as a logistics management task for entire urban, large-scale complex facilities.

More specifically, these services have expanded into targeted tasks such as management of joint delivery and in-coming/out-going packages for express delivery, mail, and direct delivery, as well as work process management and efficient facility maintenance measures based on acquired information.

In order to carry out these services, a deep understanding and ample experience are required regarding the daily activities of tenant employees, those working in the cleaning, security, and construction fields, measures for the improvements of facility security, and building maintenance measures. Sagawa Express is already carrying out Facility Logistics activities in approximately 70 locations throughout Japan, including logistics operations in Tokyo Midtown for 124 shops, high-rise office buildings, hotels, and residences.

Looking into the "eco-friendly logistics" philosophy

Sagawa Express has cooperated with clients at Tokyo Skytree Town from the initial planning stages, to verify that design conditions fully consider Facility Logistics, to ultimately create an eco-friendly city.

Sagawa Express has crafted Facility Logistics to contribute significantly to environmental conservation, and aims to further expand subcontracting in the near future. From the initial building phases, Sagawa Express wants to provide a service that incorporates designs sensitive to the Facility Logistics line, and not only provides logistics within the facility, but also supports the lives of those living in surrounding areas.

We will continue providing logistics management services designed based on customer feedback, in order to create an eco-friendly city, along with safety and security throughout the region.

* The number of stores mentioned here is accurate at the end of March 2013.

■ By contributing to the environmental maintenance of nearby roads, we can contribute to the safety and security of the local community, and reduce our environmental footprint.

Column

Why did we entrust Facility Logistics to Sagawa Express? Because we've determined they are more than capable of not only carrying out logistical tasks, but also carrying out a comprehensive list of tasks throughout the facility, such as managing cargo handling site operations, and ensuring a smooth logistics line. We realized we were correct in this determination right after the Skytree opened. When we were preparing to open, many logistics vehicles came to the facility, and we were concerned at the level of traffic congestion generated on nearby roads. Sagawa Express suggested to us that an appointment system be established for entering the facility, and that 24-hour cargo handling sites be implemented to avoid the traffic congestion. Thanks to implementing those ideas, we were able to open the facility with no traffic issues to worry about. When pinpointing the issue, they are able to quickly put forth an independent solution. Only Sagawa Express can get it done so quickly! Today we see them as our companion, someone we've overcome issues with.

Ryo Kitagawa, General Manager, Facility Administration Department, Tobu Town Solamachi Co., Ltd.



Promoting the use of solar power to stop CO₂ emissions

Clean Energy Supply Business

SG Holdings Group has a wide range of delivery bases and "ryutsu" distribution centers throughout Japan. We have implemented solar panels on the roofs of these facilities as a way of participating in the clean energy supply business. These efforts contribute to the spread of natural energy.

In May 2013, we started generating solar energy at our large-scale logistics facility called "SG Realty Kashiwa Building A" in Kashiwa City, Chiba. Once Building B is completed in October, we will be generating 1.2 megawatts of electricity. It was the first facility of SG Holdings Group's clean energy supply business starting from 2013.

SG Holdings Group has a wide range of delivery bases and "ryutsu" distribution centers throughout Japan, with SG Realty in charge of the leasing, management, and development of this real estate.

"The transport industry is now trying to reduce their CO₂ emissions, and SG Holdings Group is helping to resolve this issue through our use of natural gas powered trucks, etc. "As a measure that can contribute to environmental conservation, we are also utilizing solar power via panels on the roofs of our delivery bases, etc. as a portion of the power used within our facilities." (Hiroshi Akimoto, Manager of CRE Strategy Section, Construction Management Section, SG Realty)

These efforts led to a startup of the "Feed-in Tariff Program for Renewable Energy" in July 2012, with management focused on METI. This business also took investment efficiency into consideration, and as a company in possession of significant real estate assets, these efforts were made to encourage the spread of natural energy.

At the beginning, we decided to introduce solar power generation in the 78 out of 400 delivery bases in Japan, which have a roof of wide area and are sturdy enough to hold the weight of solar panels, excluding those in where power generation is difficult due to snow.

With a total installation area of about 186,000 square meters, 114,410 solar panels will be installed, with total annual power generation at an impressive 17 million kW/h. That's enough power for 4,700 average domestic households to consume on a yearly basis. And generating that amount of power without using natural energy would release approximately 9,600 tons of CO₂.

Our 4 facilities including SG Realty Kashiwa Building A and the Sagawa Express Kyushu Branch Office received top-ranking "Platinum" and "Gold" certification within the DBJ Green Building Certification program, in which the Development Bank of Japan evaluates sustainable logistics facilities from 5 perspectives. These facilities have got a reputation other than in the clean energy supply business as well.

A summary of our solar power generation system for supplying clean energy

Scope of power generation: 18.3 megawatts

Installation area: 185,950 square meters

No. of panels: 114,410

Install locations: Kyushu (20 places), Shikoku (4 places), Chugoku (7 places), Kansai (7 places), Chubu (18 places), Kanto (19 places), Tohoku (3 places)

Panels used: CIS thin film solar cells*

* New-generation type thin film solar cells. A compound of copper, indium, and selenium is used for light absorbing layers instead of silicon. Not only is more actual power generated (kWh) per solar cell installation capacity (kW) compared to older models, but the panels themselves feature an eco-friendly design, made of environmentally-friendly, recyclable materials.



SG Realty Kashiwa Building A

| Special Issue 3 | Creating New Value |

Striving to provide service that meets the needs of our customers and a changing society

In order to grow mutually with our clients and everyone in the local community, SG Holdings Group is working hard to create and provide new, innovative services.

We strive to meet the needs of our customers in the midst of a rapidly changing social climate.

This doesn't stop at simple business expansion, but includes the creation of new value to foster the growth of society.



Female delivery workers blend in with a traditional town

Gion Sagawa Express

(Received the "Mayor's Award for Best Outdoor Advertising Section" at the 2012 Kyoto Landscape Awards, and designated "Excellent Design for Outdoor Advertising Materials")

The town of Gion provides a traditional Kyoto hospitality. Sagawa Express opened a service center in Gion labeled "Gion Sagawa Express." Blending in with the traditional atmosphere, "Gion Sagawa Express" has gained the trust of local community members, and the town serves as a place where we can learn about Kyoto hospitality.

A small service center of major significance

Sagawa Express was established in Kyoto in 1957, where we continue to develop by learning from the spirit of gratitude and hospitality offered by the people of that great city.

We will never forget our Kyoto roots. And in June 2010 we opened Gion Sagawa Express (Gion Service Center) in Gion, Kyoto as a way of making our "customer comes first" philosophy known to a great many people.

This small service center only covers the southern area of Gion Town. Other than the center's manager Keiji Kitaura, the remaining three em-



ployees are all females, wearing special rickshaw driver type uniforms with the company ㊦ logo on their chests. No cars or trucks are used here, tri-cycles or a cart is used to pick up and deliver packages.

The town of Gion is managed under strict rules in order to preserve its traditional feel, so regional agreement is required even to refurbish a single floor or wall. "Gion Sagawa Express" rented out a vacant old house and refurbished part of it to open for business.

"I had our staff take hospitality training. In order to blend in with the town's atmosphere, we must be careful with our manners and behavior, and during deliveries we make an effort to bow before speaking. I also have them use such etiquette after closing the front door, by bowing and giving a polite farewell greeting." (Kitaura)

Our center also contributes to Gion tourism, in that the staff members are sometimes asked for directions by tourists, and asked to have their pictures taken with them to commemorate the experience.

In Spring 2012, we joined together with the Kyoto Chamber of Commerce and Industry to develop "Delivering the essence of Kyoto by hikyaku" as a slogan for their Kyoto Sightseeing Caravan. In Ginza, Tokyo; Sakae, Nagoya; and Hakata, Fukuoka, our employees peddled tri-cycles while wearing the special uniforms, passing out Kyoto Expert Certification plans and Kyoto tour maps as a promotional event for the city.

Meeting customer needs and facilitating new lifestyles

24-hour phone reception service for collection

In June 2012, Sagawa Express opened a phone reception service for 24-hour collection needs. This service is the first of its kind in the delivery industry.

An urban service to meet new needs

This service takes collection requests at any time, 24-hours a day. Demand was especially strong among mail order businesses and individual proprietors, which influenced us to start it off. When first opened, it only covered a portion of the Tokyo area, but due to an increase in customer needs, we are expanding this service to other areas as required.

As of late January 2013, covered areas included the following wards for Tokyo: Chuo, Chiyoda, Minato, Shibuya, Shinjuku, as well

as Osaka Chuo and Kita wards. By making delivery available on the same day of the collection, business is more convenient for companies that have bases in each area, and also helps us find new demand.

Also, an "sgx" international courier service 24-hour phone reception for collection was added in January 2013.

We will continue observing customer needs and market conditions to expand the target areas for this service, pioneering the new late night collection and global handling markets.

A new type of logistics service, sending products from consumer to manufacturer —

Reverse Solutions

In March 2012, we expanded upon our existing services by offering a new collection, return, and recycle service for products of various manufacturers. By utilizing the resources and know-how from each of our business companies, with a particular focus on Sagawa Express, we are creating a new level of convenience through the Group's combined power.

Logistics in a new direction

This logistics service flows in two directions: sending products from manufacturer to consumer, and sending used products from consumer back to manufacturer for repairs, recycling, etc. Until now we've been focusing almost exclusively on sending products from manufacturer to consumer, but due to a recent increase in demand for recycling efforts and product guarantees from manufacturers and other businesses, logistical needs are increasing for sending products in the other direction, from consumer to manufacturer. As a way to meet these needs, SG Holdings Group started providing "Reverse Solutions" comprised of four main support services: recall/voluntary recall support, maintenance support, collection support (buy ups etc.), and recycling support (Kansai area only).

We offer so much more than package delivery

The recall/voluntary recall support service provides collection transport to our client manufacturers for cases in which recall/voluntary recall has occurred for their products. But this service doesn't stop at transport, as it also handles call center and refund tasks, and even provides consulting as needed. Since the level of service varies depending on our customer's business content, the scale of recall/voluntary recall, etc., it can be customized in a flexible manner for each customer.

Maintenance support is a service we started together with BEST Service Co., Ltd, which offers after-care service for household appliances. All sorts of household appliances are taken in for repairs, regardless of manufacturer or purchase location. On May 1, 2013, we opened the

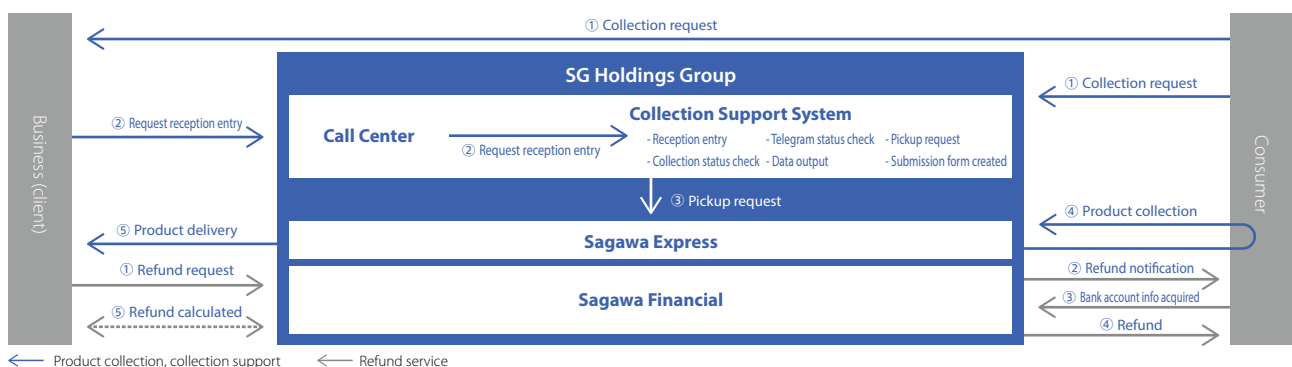
"STLC Appliance Repair Center" within the Sagawa Tokyo Logistics Center, which offers 24-hour repair services. Our repair staff is always available, with repairs made and product shipped immediately if we have the parts in stock. Generally, a lead time for a repair is 4 to 12 days (from the reception of broken product to the delivery back to the user), but the STLC Appliance Repair Center offers a lead time as short as 2 days (Kanto area). For household appliance general merchandising, mail order businesses, and appliance extended warranty businesses, maximum repair needs are met within a short lead time, providing solid after-care service support. The 3Rs (*) are met through this service, which also promotes the efficient utilization of resources, increases work efficiency for mail order businesses, and makes life easier for consumers.

Collection support (buy-ups etc.) is a service that promotes the 3Rs as well. As a way of promoting the "reuse" movement, we have entered into contract with companies that buy used goods, and we transport those goods during the collection process. Not only do we collect the used goods for transport, but companies can also make payment through our service, making life more convenient for businesses and consumers alike.

In August 2012, our recall/voluntary recall support and collection support (buy-ups etc.) services added a payment feature for after products are collected, called the "Product Collection/Payment Service." In February 2013, we also added the "Collection Support System," in which a product collection voucher slip is issued to consumers upon collection, and a status list management function can be used among other features. We will continue to assess various situations, and make improvements to our services accordingly, to offer more convenient, useful solutions to our customers.

* The 3Rs = Reduce, Reuse, and Recycle

Recall/volunteer recall handling examples (product collection, collection support, payment service)



Support activities for areas affected by the Great East Japan Earthquake

Since the Great East Japan Earthquake, SG Holdings Group has cooperated with national and regional government entities, industry groups, and other related organizations to transport relief supplies to affected areas.

We will continue to offer our support for the revitalization of those areas hit the hardest.

An IT system built for the demand responsive transport, traveling throughout temporary residential areas in Kamaishi City

SG Systems developed an IT system needed for the demand responsive transport to operate, which is performing field tests for Toyota and Kamaishi City, Iwate Prefecture. Field tests are being run with two buses, one in the northern part of Kamaishi City, and the other in urban sections. Each bus runs 8 or 9 deliveries per day. Field tests will be performed until March 2015, with a goal of meeting customer demand regarding more flexible general transportation services to poorly-situated temporary shelters, as well as construction of a new transportation system that solves changing transportation challenges that come with revitalization.

This demand responsive transport is a passenger bus connecting temporary shelters in regions afflicted by the Great East Japan Earthquake with urban areas of Kamaishi City, enabling citizens to ride and get off at the times and places of their choice.

SG Systems is responsible for input-output operations, and database design tasks for these field tests. The system calculates whether or not riding is possible, alternate travel routes, and required run times based on information such as desired stops, times reserved by users, and reservation status. It sends the latest routes to a terminal on each bus, and can even calculate bus fares according to travel distance. (Toyota Motor Corp. is responsible for the development of the route calculating system.)

In March 2013, a new "Step 2" IT system was released to upgrade terminal responsiveness and controls to make things easier for the driver, and feedback from users was considered to improve design. We are still making efforts to make a more efficient, convenient, easier-to-use means of transportation throughout the region.



Demand Responsive Transport

Scanning center opened in Koriyama City, Fukushima

SG Systems opened a scanning center in Koriyama City in Fukushima (SG System Fukushima BPS Center) as the best of its kind in Japan (according to SG Systems research), which began operating on September 21, 2012.

By doing business in Fukushima Prefecture, an area significantly damaged by the Earthquake, we have created new local employment opportunities there (about 160 people*). We wish to continue our efforts contributing to therebuilding and regeneration of the area.

At first, the scanning center will perform scanning and data entry tasks for Sagawa Express delivery slips, but service will eventually expand to customers outside of the Group.

* Including cooperating businesses.



Signing a disaster prevention agreement for the quick and smooth delivery of supplies needed in disaster situations

Due to a shortage of relief supply storage bases, and not enough distribution specialists during the Earthquake, inventory control, sorting, and delivery tasks were not carried out efficiently, hindering overall distribution of relief supplies.

Using this example as a learning experience, Osaka Prefecture has decided to utilize the know-how and facilities of private businesses who fully understand the relief supply reception, storage, sorting, and delivery tasks needed to quickly and smoothly delivery vital supplies to evacuees in case of a large-scale disaster, such as the big Nankai Trough earthquake predicted to occur in the near future. Taking this into account, the Sagawa Express Nishinohon Branch Office signed an agreement with Osaka Prefecture on March 29, 2013, regarding the reception and delivery of relief supplies in a disaster.

CSR Activities Report

Here we introduce the main CSR activities SG Holdings Group was a part of in 2012.

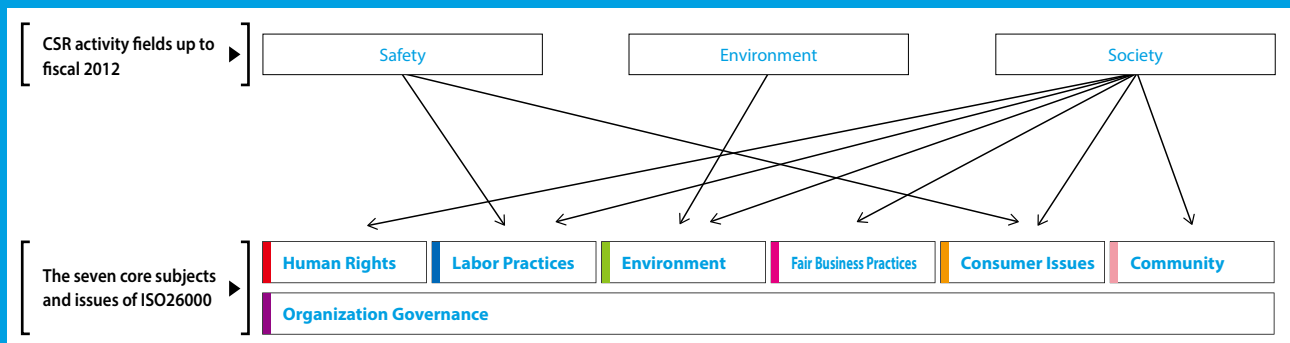
Please refer to our website for a detailed account of activities. -----> <http://www.sg-hldgs.co.jp/csr/>

SG Holdings Group's CSR and ISO26000

In order to hold fulfilling activities that are easier to understand for all of our stakeholders, and to also review the content of our activities up to now, SG Holdings Group has organized upcoming activities according to the ISO26000 international guidance standards for social responsibility.

We have performed activities in three fields: Safety, Environment, and Society. In order to indicate which core subjects ISO26000 applies to for these activities, we have included seven core subject icons in each activity report.

Moreover, detailed activity reports available on our website are classified based on these seven core subjects.



The 7 core subjects and issues of ISO26000

Organization Governance

Issue: Organization governance

Human Rights

Issues: due diligence, a critical state regarding human rights, avoiding assistance, resolving complaints discrimination and socially disadvantaged people, citizen and political rights economic, social, and cultural rights , general rules and rights regarding labor

Labor Practices

Issues: Employment and employment-related, labor conditions and social protections, social dialog labor health and safety, on-the-job employee education and training

Environment

Issues: pollution prevention, use of renewable resources the easing of and adaptation to climate change environmental protection, recovering biodiversity and natural habitats

Fair Business Practices

Issues: pollution prevention, responsible political participation, fair competition promoting social responsibility in valuation, respect for property rights

Consumer Issues

Issues: fair marketing, non-biased information based on reality, fair contract fulfillment consumer health and safety protections, sustainable consumption consumer service, support, and complaints, conflict resolution consumer data protection and privacy access to essential services improving education and awareness

Community Participation and Development

Issues: community participation, education, and culture, job creation and skill development skill development and access to technologies, creation of wealth and income, health social investment

Management

We will strive to slim down our management system and practice speedy management as well as engage in efforts to enhance governance. We strive to respect our employees and to provide equal opportunities for them, and to create a workplace environment where it is easy for everyone to work.

Fiscal 2012 Activity Results

- 1 Start off BCP (Business Continuity Plan) measures
- 2 Revise Risk Management Guidelines
- 3 Create new personnel vision and system
- 4 Promote the Wakuwaku Women's Project

Corporate Governance

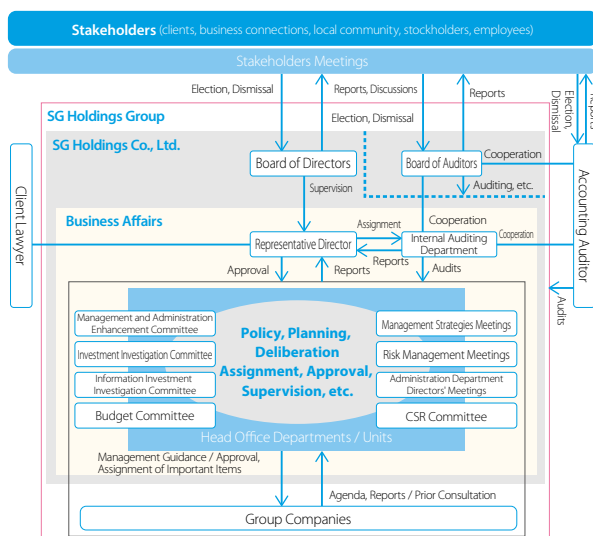
Organization Governance

Corporate Governance System

We strive to slim down our 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.

In fiscal 2012, we appointed a CSR committee to carefully consider the content of important CSR activities to be carried out, create management systems, and promote continuous improvement activities.

Corporate Governance System



Organization Governance

Risk Management System Maintenance

In order to create a framework in which business risks can be dealt with in a cross-sectoral manner, we are building up our risk management system, which will enable each company in the Group to understand, evaluate, and manage the risks involved within their fields of business. In fiscal 2012, we revised our Risk Management Guidelines, clarifying them for internal auditing and third party committees. We also started implementing BCP measures in order to continue doing business, and to take social responsibility if a large-scale disaster was to occur.

Organization Governance

Stakeholder Management and Fundamental CSR Concept

We are moving forward with stakeholder management, in order to remain relevant as a business group that society depends on, and to carry out efforts which enable us to grow as a business together with society in a sustainable manner. By contributing to society through business activities, both business and society will benefit, and we can carry out our social responsibilities as a business.

SG Holdings Group performs CSR activities according to two major pillars: (1) "activities as a business," which means to provide excellent social infrastructure, and (2) "activities as a corporate citizen," which means to meet stakeholder expectations through social and environmental efforts. Through these two types of activities, SG Holdings Group will continue its efforts to bring about CSV, to grow together with society in a sustainable manner, and to carry out activities which fulfill the requests of all of its stakeholders.

SG Holdings Group's CSR Framework



Compliance

Organization Governance

Basic Internal Control Policy and Management System

We make sure that our internal controls function effectively, and to evaluate them to make necessary improvements. We also continuously review our policies to keep up with changes in the management environment, and strive to develop more effective internal controls. SG Holdings has formulated a Basic Internal Control Policy.

Internal controls of the entire Group are managed by the SG Holdings Internal Controls Promotion Office, with the Internal Controls Promotion Section of the Group's core business Sagawa Express providing explanations of internal control-related documents, while also maintaining and evaluating internal controls.

Soon we plan to rebuild our task management system, build an internal controls report system for the entire Group, expand the target range by strengthening internal controls, and build an internal controls management system for each company within the Group.

Organization Governance

Strengthening the Compliance System

In order to deal with changing social and management environments, and to build a corporate culture that performs business activities with integrity, we are working to improve the maintenance and management of our compliance system, which abides by the "SG Holdings Group Ethical and Action Standards." In fiscal 2011, we started preparing management systems for the entire Group. At the same time, we educated all Group employees to further improve our compliance systems.

Personnel Management

Organization Governance | Labor Practices

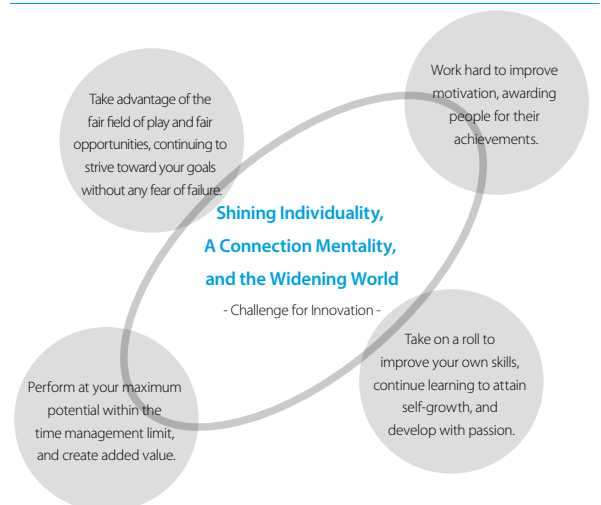
Revise personnel / Organization

SG Holdings Group has been carrying out a new human resource vision and Group Human Resources System since September 21, 2012.

The new human resource vision clarifies the organizational climate and work style needed to develop human resources, while stressing the importance of changing employee actions, awareness, and sense of values in order to develop their abilities to the fullest. Also, each employee plays an important role within SG Holdings Group, and is reminded that he or she is a representative of the Group to customers. By forming a culture in which all employees within the Group are always aware of the issues, and work hard toward innovation, we will contribute to the Group's perpetual growth.

We implemented a Group Human Resources System as a shared system, in which human resources can be utilized efficiently by the Group in a cross-sectoral manner. Human assets are responsible for the Group's sustainable growth. Through this philosophy, combined with the efficient utilization of human resources, and the achievement of self-growth, our aim is to produce a great deal of talented human resources with a competitive edge.

Personnel Vision



Shining Individuality

Everyone work to expand their personalities, and then polish them to shine brighter than any others.

A Connection Mentality,

Everyone should work with the same mindset for total solidarity. Work towards a new future, never forgetting our roots or the "hikyaku" (express service) spirit

Widening World

Broaden horizons and potential by connecting various personalities. Create new value, not only in Japan, but on a global scale.

Human Rights | Labor Practices

The "Ask Anything" consultation office

The "Ask Anything" consultation office is available for whistleblowers and employees to discuss their troubles. It's a place where employees can report actual or possible breach of compliance, so that prevention or correction can be done properly. It also provides a venue for receiving counseling from other employees via phone, email, or direct correspondence. There is also a female exclusive counseling service available, which is headed by a female employee.

Appropriate communication through such counseling sessions enables employees to more fully demonstrate their abilities, and creates an environment that's easier to work in for everyone. As a result of fully respecting the ideas and privacy of those receiving counseling, the number of counseling sessions has steadily increased year after year, and it has proved to be an easily approachable venue for those in need of consultation.

Feedback from an external expert

SG Holdings Group is carrying out CSV activities in accordance with a Mid Term Management Plan starting in fiscal 2013. We would love to have you carry out these efforts, but from a CSV perspective, it's important to understand the extent at which society is influenced by these activities, and whether or not value can be created. Please keep in mind the amount of influence these activities hold, and be aware of the scope of influence the activities have on society.

Regarding human resource management, your efforts to advance the activities of female employees are very interesting from a business-perspective. I think that getting women more involved raises potential for new services to enter into the local community, so I hope you continue these efforts while maintaining an environment that is easier to work in. Also, with the objective of promoting activities among female employees, it's important to clarify what your expected results are, and to make sure they resonate with employees to increase their motivation.

Finally, regarding the human rights related activities, every industry in Japan is still groping for answers on these. This is why I think multiple businesses and experts need to come together and discuss it, so that they can formulate clear definitions that work for them. I'd definitely like to see SG Holdings Group actively involved in the discussion as well.

Hiroshi Ishida

Executive Director and Secretary General
of Caux Round Table-Japan (a specified nonprofit corporation)

Advancing the achievements of female employees

Column

As a pioneer in the logistics industry, we are working to transform the Group's business culture to enable female employees to become more active than ever before. More specifically, our goal is to build a system in which 30% of Group business employees are female.

In order to secure talented human resources, not only must we increase the ratio of female employees, but we must also develop their skills, and appoint them to management positions. In addition, we are advancing measures that improve both work performance and child rearing, such as encouraging employment after child care leave is acquired.

Soon we plan to start holding women-participatory meetings, team formation, etc. to encourage female-proposed business.

[Efforts to advance the activities of female employees]

1. Expand the child rearing/nursing care leave system (leave can be taken until the child turns 3 years old. Effective from April 2012)
2. Promote the taking of consecutive leave
3. Offer cost subsidies for gynecological exams (for breast cancer, cervical cancer, and bone density)
4. Hold diversity management seminars (for Group management level employees)
5. When possible, abolish uniforms, and implement a plain clothes policy in the workplace
6. Carry out a survey for those who have experienced maternity leave/child rearing leave
7. Hold a support seminar for those who have experienced maternity leave/child rearing leave
8. Distribute a "To Be What I Want to Be" booklet, which includes how women work (introduce role models), company systems, etc.



Round-table discussion for those who have taken maternity leave/child rearing leave



Maternity leave/child rearing leave support seminar

Wakuwaku Women's Project

The Wakuwaku Women's Project was started with a goal of proactively accepting employee diversity, particularly striving to increase the level of contribution of female employees in the Group's businesses, as well as aiming to change the Group's corporate culture and improve the status of the industry. Project members, who are all female employees, select issues for encouraging women to take active roles, while also drawing up and investigating measures.

Safety

We view safety as the highest priority in our businesses, and the entire Group is involved in a variety of safety efforts. We also proactively expand our initiatives to realize a society that can provide a safe transportation.

Fiscal 2012 Activity Results

- 1 Stress the importance of environmentally-friendly driving
- 2 Improve health care through SAS screenings and brain dock exams
- 3 Received the Skilled and Safe Driver Award for Businesses in 147 offices
- 4 Hold Arterial Transport Safety Patrols, Arterial Transport Terminal Inspections, and Safety Seminars for Cooperating Arterial Companies
- 5 Held a "Traffic Safety Class" 625 times throughout Japan, mainly for young children

Safety Management & Education

Labor Practices | Consumer Issues

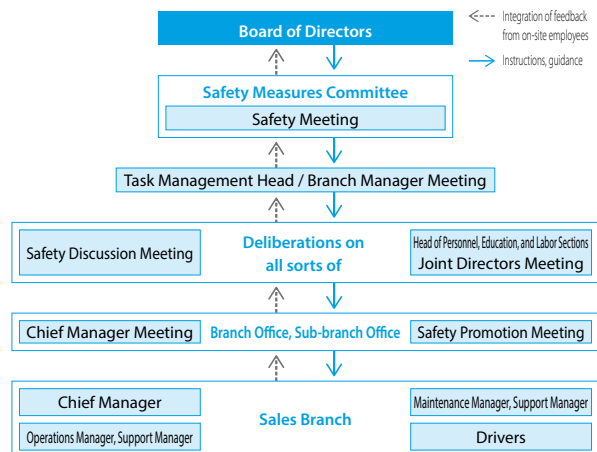
Safety Management Systems

Sagawa Express views transport safety as the most important management issue.

We have implemented a Transport Safety Management System and appointed a Safety Measures Committee so that management and on-site employees can work together for safety.

The Safety Measures Committee holds monthly safety meetings to make sure that safety measures are continuously being carried out. The committee deliberates on the progress of safety activities and on tangible and intangible measures on ensuring safety. The committee also holds periodic safety review meetings, where safety promotion staff from branch offices throughout the country participate, considering feedback from on-site employees to improve safety measures.

Safety Management Organization Diagram



Labor Practices | Environment | Consumer Issues

Environmentally-Friendly Driving

Safe driving has significant, positive effects on the environment. Sagawa Express promotes Environmentally-Friendly Driving.

Environmentally-friendly driving is a technique in which the driver does not suddenly depart, suddenly speed up, or suddenly stop. It is an eco-friendly technique, and is implemented to prevent traffic accidents. To make sure all of our drivers have mastered this technique, detailed driving data is analyzed that is taken from specialized research and drive recorders.

Especially important steps for utilizing this technique are covered in the "Seven Articles of Environmentally-Friendly Driving." Since fiscal 2011, we have used the "soft acceleration" concept in which departure and acceleration are done gradually. When compared to business before this effort was started in 2011, gas mileage is 1.25% more efficient than the previous year. By gradually stepping on the accelerator, drivers can stay the appropriate distance between cars, ultimately preventing accidents.

We will continue to closely follow the "Seven Articles of Environmentally-Friendly Driving" so that our employees carry out safe and eco-friendly driving habits throughout the day.

[The Seven Articles of Environmentally-Friendly Driving]

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

Pursuing Safety

Labor Practices | Consumer Issues

Sagawa Express Driver Contest

On June 1 and 2, Sagawa Express held the 20th Sagawa Express Driver Contest at the Sagawa Express Training Center's Automobile Training Course.

The contest is held annually with a goal of preventing vehicle accidents and improving driving etiquette, with drivers selected from

all over the country, competing to see who has gained the best knowledge, driving skills, and environmental awareness on the road. In fiscal 2012, 60 drivers competed from our 7 branch offices, as well as from SG Moving and World Supply.

The driving contest is more than just a simple competition for points in which results are given on the spot, as it also serves as form of human resource training. Training is performed at multiple branches before the contest, allowing participants to share related knowledge, hone their driving skills and etiquette, and develop a professional awareness.

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



Inspection Competition

Labor Practices | Consumer Issues

Forklift Driving Technique Contest

Sagawa Global Logistics holds the Forklift Driving Technique Contest as a way to improve the forklift driving and inspection skills of employees, with the objective being to establish a safe and secure work environment. It was held at Kawasaki SRC (Sagawa Ryutsu Center) on October 19 and 20, with 24 forklift operators selected from the Sales Department of various branches throughout the country to display their forklift driving skills and safety awareness in competition.

The aim of this competition is to promote safety awareness and improve operating techniques, for a safer, more secure work environment.

Labor Practices

Health management with safety in mind - SAS Screenings

Sagawa Express screens drivers throughout Japan in order to prevent traffic accidents caused by health issues such as sleep apnea syndrome (SAS). These efforts are designed to meet our responsibilities as a corporation that uses vehicles for business, and to promote health management for our drivers. Currently examinations are held every 5 years, and drivers who are determined as potential sufferers of SAS must take a detailed examination at a specialized agency. Treatment is then administered according to what the medical specialist deems appropriate.

In fiscal 2012, a trial examination called the Brain Dock examination was given to drivers age 55 or older employed in the Kanto area. The objective of this exam is to prevent the danger of having a stroke while behind the wheel, and we are considering extending such exam efforts in the near future.

Ensuring traffic safety in the local community

Labor Practices | Consumer Issues

Preventing Traffic Accidents through Drive Recorders

Sagawa Express has equipped 25% (about 6,300) of the vehicles used for collection and delivery with drive recorders in order to manage employee driving habits. Every driver will experience driving while being monitored by a drive recorder at least once a year.

The drive recorder evaluates 5 categories by points: braking, stopping, steering, right/left turns, and smoothness. By understanding

employees' driving habits, we clarify issues, increase safe driving awareness, and improve techniques of drivers. Driving data can be used for safety-related training and instructions, especially when unsafe actions are recorded, proving useful in the prevention of accidents.



Driving diagnostic results chart

We plan to continue our efficient utilization of drive recorders to make collection and delivery tasks even safer.

Consumer Issues | Fair Business Practices

Securing Safety for Arterial Transportation

To improve traffic safety in arterial transportation, Sagawa Express has implemented initiatives to improve safety awareness for drivers including for those of cooperating companies.

Arterial Transport Safety Patrols

To increase safety in arterial transportation, we conduct Sagawa Express Arterial Transport Safety Patrols. These patrols are done at the main service areas and parking areas on arterial routes to mentally and physically refresh our drivers, and vehicle checks are performed as well, to prevent traffic accidents and vehicle breakdowns.

In order to contribute to the safety of society as a whole, we also perform vehicle inspections as requested for cargo transport vehicles outside of the employment of Sagawa Express and cooperating companies.



Arterial Transport Terminal Inspections

We conduct Sagawa Express Arterial Transport Terminal Inspections with the goal of maintaining and improving transport quality by preventing vehicle and traffic accidents during transport. Our administrators at all Sagawa Express locations work together with administrators from cooperating companies, using special check sheets to conduct these inspections. At the morning assembly, we also share the latest habits that may lead to accidents as a heads-up message to our employees.



Holding Safety Seminars for Cooperating Arterial Companies

We hold safety seminars for managers of cooperating arterial companies. We also invite lecturers from the Labor Standards Inspection Office and so on, to discuss safety initiatives for trucking firms, the basic and legal responsibilities of transport firms, and ways to prevent work-related injuries. In fiscal 2012, managers from 275 companies participated in the seminars at seven locations.

Labor Practices | Consumer Issues | Community

Sagawa Express Traffic Safety Classes

Our Sagawa Express Traffic Safety classes were started through a desire to protect our future, the children, from tragic accidents. Content includes how to properly cross the street, the meanings of road signs and traffic signals, etc. Truck related accidents and blind spots are explained with impact by using actual trucks as examples. As an effort to keep children safe throughout the entire community, local police and parents are asked to participate as well, creating an environment where everyone involved can learn something.

Even employees who teach at Traffic Safety Classes can use this as an opportunity to review their own safe driving habits, and have an opportunity to think of safety from the viewpoints of non-drivers.

In fiscal 2012, we held 625 classes nationwide, with a total of 80,325 children participating. The class was held at Kamikita Elementary School in Osaka on October 23, 2012. Since the class was first held in 2003, more than one million people have participated. Going forward, we will continue efforts to build a safer society for our children.



Traffic Safety Class held at Kamikita Elementary School

Environment

**As a good corporate citizen, we continue our efforts to curb global warming.
We cooperate with various stakeholders in efforts to preserve the environment throughout society.**

Fiscal 2012 Activity Results

- 1 Total CO₂ emissions from Sagawa Express were approximately 390 thousand tons, for a reduction of nearly 3% since 2011
- 2 Sagawa Express participates in field tests for recycling small household appliances
- 3 SG Motors has acquired Eco Action 21 certification in 19 offices
- 4 SG Realty is Platinum and Gold certified by DBJ Green Building in four locations
- 5 SG Realty has started a clean energy supply business (see page 18)
- 6 Held hands-on forestry educational courses using company-owned forests

Sagawa Express main environmental numbers

- Total CO₂ emissions: ————— approximately 390 thousand tons
- Total waste matter emissions: ————— approximately 3,723 tons

Efforts to curb CO₂ emissions

Environment | Consumer Issues

Model project focusing on the creation of a low carbon society in front of Hakata Station - Commissioned by the Ministry of the Environment

In September 2012, Sagawa Express took on the "Model Project Focusing on the Creation of a Low Carbon Society" commissioned by the Ministry of the Environment, and started up the "Model Project for the Creation of a Low Carbon Delivery and Collection System in Front of Hakata Station." The project entailed: (1) creating an efficient delivery system that uses delivery boxes, (2) implementation of eco-friendly delivery vehicles, and (3) creation of an integrated collection and delivery model covering the JR Hakata City area. From April 1, 2013, the system kicked off with delivery boxes installed at stations and super markets in the Hakata Station front area, providing an acceptance service for packages during absences, as well as electric cars for express collection and delivery service.

During this project, we will carry out inspections regarding CO₂ reduction effects, profitability, feasibility, the spread of similar activities near other large stations, regional revitalization, job creating effects, etc. Our aim is to create a low-carbon delivery system that will positively affect the community.

Environment

Implementing trucks powered by natural gas

In order to reduce the amount of harmful substances released into the environment during delivery tasks, Sagawa Express has started using natural gas powered trucks. Since these trucks use natural gas (town gas) as fuel, they emit less CO₂ and NOx (*1) than diesel, gasoline, and LPG-fueled vehicles, and do not emit any PM (*2), which is why they are currently gaining traction as the cleanest vehicles in the trucking field. As of March 2013, we are using 4,285 natural gas trucks in total, recognized as the largest natural gas ownership by a company in the world (according to the International Association for Natural Gas Vehicles).

We plan to continue these efforts into the future, not only utilizing natural gas trucks, but various other types of eco-friendly transport as well.



*1: NOx refers to nitrogen oxide.
*2: PM refers to fine particulate matter.

Setting Up Natural Gas Refueling Stations

In order to promote the use of natural gas trucks and the necessary infrastructure, we have opened many natural gas refueling stations. As of March 2013, we have private natural gas refueling stations in 22 locations throughout Japan.



Private natural gas refueling station

Utilizing Biofuel

The Sagawa Express office in Higashi Kobe uses biogas as fuel for our natural gas trucks. Biogas efficiently utilizes digestion gas (*), and is viewed as a next generation fuel source that can help reduce CO₂ emissions.

We have also begun to introduce biogasoline and biodiesel, and are promoting various types of biofuels to lower CO₂ emissions.



* Digestive gas: Gas with a high methane content, generated through sewage treatment.

Biogas station

Environment

Implementing new EV types

SG Motors has developed an EV body exclusively for collection and delivery purposes, which is part of a new 3-wheel EV called the LIKE-T3, developed by Mitsuoka Motor Co., Ltd. and Yuasa M&B Co., Ltd. After implementing natural gas trucks, Sagawa Express was considering bringing another type of eco-friendly vehicle into the company, and SG Motors selected the LIKE-T3 as a promising candidate, so it has been involved with the LIKE-T3 since its early development stages.

In order to make an exclusive body that's environmentally friendly and crafted especially for collection and delivery tasks, SG Motors used lightweight aluminum, and an original canopy design that functions well on rainy days. Currently, this new type of vehicle is being put through a trial run at the Sagawa Express Shijo Takakura Service Center.

SG Motors will continue to research and develop vehicle bodies that offer both eco-friendly design and task efficiency.



Environment | Consumer Issues

Field tests for recycling small household appliances

From December 2012 to February 2013 in Obu City, Aichi Prefecture, Sagawa Express participated in a field test for the Ministry of the Environment's "Reuse Model Promotional Project" entitled the "Project to Consider the Possibilities of Reusing or Recycling Small, Discarded Home Appliances during Home Delivery Tasks." This went into effect with the Small Home Appliance Recycling Law of April 2013, and Sagawa Express was in charge of collecting small appliances from general consumers and transporting them to designated facilities.

Small appliances such as digital appliances and mobile phones contain valuable resources such as rare and useful metals, and by recycling them, they are considered a very valuable resource to Japan. As a result of the field test, we were able to collect more than expected, and contributed to consumer awareness by informing them of the law.

Soon we will combine our long standing appliance recycling and transport support services, developing them into a larger service that is more convenient and promotes recycling to a wide range of consumers.

Labor Practices | Environment | Community

Utilizing service centers

Sagawa Express has established Service Centers in 370 locations throughout Japan, which collect and deliver packages with "man-power" vehicles, such as push carts and three-wheeled delivery cycles, rather than using trucks, etc. Each service center has reduced the use of automobiles by 3 to 5 vehicles per office, for about 1,500 less automobiles on the road in total, which is seen as contributing to a reduction in air pollutant emissions. As there is a service center located in each region, community-based services have grown, service quality has increased for customers, and traffic has been reduced.

Going forward, we will continue to efficiently utilize these service centers, as they are transport bases that are kind to people, the earth, and the community.

Labor Practices | Environment

DBJ Green Building certification acquired

SG Realty received the top-ranking "Platinum" DBJ Green Building certification through the Development Bank of Japan for its large "SG Realty Yokohama" facility completed in May 2012, and "SG Realty Kashiwa Building A" completed in June. It also received "Gold" certification for Sagawa Express Kyushu Branch Office and Sagawa Express Kanda office.

SG Realty Yokohama was the first logistics facility to receive "Platinum" certification since the certification system began.

SG Realty performs real estate leasing, management, and development tasks. Since its founding, it has worked to efficiently utilize real estate, participating in green activities such as installing solar panels on rooftops, putting in "refresh corners" for employees to work more comfortably, and developing parking lots. These sorts of activities are what led to receiving DBJ Green Building certification.

We will continue to design facilities with the environment and employee well-being in mind.



SG Realty Yokohama

Environment

WWF Climate Savers Program

Sagawa Express signed on to the Climate Savers Program in May 2003. The Climate Savers Program is an initiative where corporations work together with the world's largest nature conservation group, the World Wide Fund for Nature (WWF), to reduce greenhouse gases.

CO₂ reduction goals are set through consultation with WWF. At the time of signing, Sagawa Express set a target of 6% reduction in total CO₂ emissions by fiscal 2012 as compared to the fiscal 2002 level.

We exceeded our 2012 target with 9.29% less emissions than 2002. This was achieved through continuous environmental efforts and the activities of each and every one of our employees.

Sagawa Express will continue these efforts into the future, developing efficient, eco-friendly modes of transport.

Living in Harmony with Nature

Environment | Community

Company-owned Forests

Forest Preservation Activities

The SG Holdings Group owns 735 hectares of forest in Shikoku's Kochi and Tokushima Prefectures, as well as in the Takao area of Hachioji City, Tokyo. Not only does this forest land absorb CO₂, but we also use it to communicate with the local community, as a place to offer environmental education.

Sagawa Forestry works together with the local forestry cooperative to effectively manage Sagawa's Forest (approx. 685 hectares) in Shikoku, performing maintenance activities such as thinning and felling. We were also the first transport/logistics business to receive J-VER certification (5,612t-CO₂ offset credits). In February 2013, we cooperated with the Kami City Board of Education, NPOs, and volunteers to offer hands-on forest education courses in Kami City, Kochi Prefecture, where one of our forests is located. Participating students were primarily from local elementary schools.

Also, with the Takao 100-Year Forest project, covering approximately 50 hectares of forest in the Takao area of Tokyo's Hachioji City, we are involved in initiatives into a healthy "satoyama" (village forest) and hold hands-on forestry classes with the cooperation of NPOs, volunteers, and members of the community.

SG Holdings Group continues to consider and suggest new forest activities to promote a co-existence with nature.



Hands-on forestry education courses in Takao

Feedback from an external expert

Environmental-related efforts I am particularly impressed with include the use of natural gas trucks, environmentally-friendly driving, modal shift, and other such activities to curb CO₂ emissions. A logistics business uses a lot of trucks, which can be rough on the environment. You are expected to be fully aware of these issues, and should integrate environmental efforts into Group business activities as a whole. I hope you will make sure each and every one of the Group's employees are fully aware these environmental activities, and that you will continue to perform them steadily and honestly.

I also suggest that you put more energy into environmental PR in order to have an overall more effective, significant impact by getting customers, business connections, and the local community involved in your efforts. One possibility would be to revive regional contributions, environment-related educational activities etc. by utilizing Sagawa's Forest and the Takao 100-Year Forest Project. If you could include the carbon offset certification acquired by Sagawa's Forest, and bring attention to the fact that a forest has multiple functions other than providing lumber, I believe you could be quite successful at creating environmental PR and imagery that appeals to general consumers.

Lastly, the ability to meet global standards is an issue the logistics industry faces as a whole. As all industries are now transitioning into globalization, I'm expecting this industry to become more globally acceptable in terms of environmental activities as well.

Hisako Makimura
Kyoto Women's University,
Professor

Society

Logistics is a part of our social infrastructure that connects people with other people, and to society in general.

We shall contribute to society through deeper communication with our customers, employees, and local communities to benefit everyone.

Fiscal 2012 Activity Results

- 1 Implement new Hikyaku Cool Express cooling boxes
- 2 Start up smartphone websites and distribute iPhone applications
- 3 Support London Olympics participants Ryo Yamamoto and Takayuki Tani (track and field club)
- 4 Carry out efforts to support work experience events, private company training for teachers, and other next-generation developments

Quality improvements

Consumer Issues

Quality Improvement Initiatives

In 2008, Sagawa Express had 418 of its offices ISO9001 certified, which is an international quality management system standard. We are also constantly working to improve our transport process, and in fiscal 2011 started quality control through a unique Sagawa Express management system called "Attack 10." This system includes 10 articles, such as the fast delivery ratio, which are directly related to quality improvements.

In fiscal 2013, we focused a lot of energy on four items: ratio of freight shipping accidents, ratio of freight arrival accidents, ratio of morning delivery, and ratio of time service performance.

Implementing new Hikyaku Cool Express cooling boxes

Since fiscal 2012, we've been implementing new cooling boxes in an orderly fashion for Hikyaku Cool Express, which specializes in delivering refrigerated and frozen goods. The new cooling boxes enable longer usage of storage cooling agents (12 hours), allowing us to reduce the amount of dry ice used together with them. As a result, we used 5,883 tons of dry ice in fiscal 2012, compared to 8,149 tons in fiscal 2011, for an overall CO₂ emissions reduction of nearly 30%.

Consumer Issues

Special Correspondence Delivery Business

Sagawa Express has acquired permission to enter the special correspondence delivery business. This has allowed us to start up services working together with existing infrastructure, such as online collection requests. Since Hikyaku Special Correspondence Delivery Service

is able to handle identification correspondences such as invoices, resident cards, and family register copies, the number of handlings increased by about 180% in fiscal 2012 compared to the previous year.

We are also considering transport of celebration or condolence telegrams for the near future.

Consumer Issues

Smartphone compatibility and applications distribution

In order to handle the recent increase in smartphone users, Sagawa Express is developing smartphone websites and iPhone applications, to be made available to the public, so that customers can acquire information more conveniently. With a screen designed to utilize unique smartphone tools, customers are offered high quality controls and more convenience.

Feedback from an external expert

You need to provide consumers with a proper understanding regarding the value of logistics, so that they can cooperate as users. In order to accomplish this, SG Holdings Group must aggressively hold enlightenment activities for its consumers. You'll have to properly inform consumers of this value, by explaining that a delivery service consumes energy and materials, while it is also an important part of social infrastructure. I believe such efforts are connected to an improvement in delivery service quality, reducing environmental strain, and furthering the element of fairness in business transactions.

Also, I think strict management of personal data and other "information security" related efforts are expected of the logistics industry, as it holds massive amounts of personal information. I think you're already securely managing information through a payroll management system, but the personal data of consumers' needs to be managed more delicately, so perhaps you'll need to step up your efforts even more.

SG Holdings Group is a group that, once it determines a policy, it applies to the entire group, which is then able to achieve significant results through related efforts. My hope is that SG Holdings Group will carry out activities which can ultimately improve the entire logistics industry.

Hirohito Kuse

Professor, Marine Science and Technology Research Department,
Tokyo University of Marine Science and Technology

Support for sports

Community

Sporting events to promote physical and mental health

In order to encourage sporting events to promote physical and mental health, SG Holdings Group is helping to create an environment in which athletes who work for us and want to continue playing sports can do so.

As a business sports activity, we help train athletes at the top of their field in softball and track and field, to increase overall sports-related competition in each field. Some athletes from our Group started out domestically, and eventually represented Japan in the 2012 London Olympics, participating in the men's marathon and men's 50-kilometer competitive walking.

We also periodically hold events so that all employees and local citizens have an opportunity to enjoy sports together, sharing their dreams and impressions, in an earnest effort to revitalize communication through sports. We will continue to encourage exchange with the local community through sporting events into the future.



© Photo Kishimoto
Ryo Yamamoto, athlete

Participant in the London Olympics men's marathon

Foundation Activities

Community

Sagawa Foreign Students Scholarship Public Interest Foundation

As a way to contribute to friendly relations with Southeast Asian countries, we are providing scholarship support to students from Southeast Asia to attend Japanese universities, etc. We want scholarship students to have a fulfilling and positive experience studying in Japan, so we offer mental and spiritual support in addition to financial support.

In fiscal 2012, we awarded 16 students with the Sagawa Scholarship in the 27th term.

Community

Sawaga International Economic Cooperation Foundation

As a way to contribute to the economic and technological advancement of developing Asian countries, we are donating used trucks and other transport vehicles, as well as accepting trainees to learn vehicle maintenance skills.

By fiscal 2012, we donated 3,312 used trucks, and accepted 150 trainees.

Community

Sagawa Cancer Research Promotion Public Interest Foundation

To contribute to improvements in medical welfare, we support research and development efforts related to basic cancer studies and applied treatments, offer research grants and awards to promising cancer researchers, hold cancer related lectures/citizen courses, and publish a report on research results.

In fiscal 2012, we selected research eligible for the 24th Sagawa Cancer Research Support, and selected winners of the 10th Sagawa Special Award and the Sagawa Nursing Care Special Award.

Community

Sagawa Art Museum Public Interest Foundation

We are carrying out projects for public arts and crafts exhibitions and promotional activities, with a goal of contributing to wide-ranging social creativity. We are constructing an art museum as a place for various exhibitions, concerts, and educational activities (Sagawa Kids' Museum), as a means of communicating with the local community.



SG Holdings Group

Third party opinions regarding "CSR Report 2013"

The opinions expressed herein are based on content from this report and posted on the Group website, as well as interviews performed with members of the Group's General Affairs Section, Personnel Section, and those responsible for CSR. SG Holdings Group has not yet established a comprehensive management cycle (PDCA) to deal with a wide-range of CSR efforts, such as environmental improvements, calls for cooperative efforts with business partners. Other global businesses already have such management cycles in place, so SGH should immediately move forward with these fundamental principles and create a system.

Points that are satisfactory, and points that need work

- Regarding the Safety Management System (page 27), the teaching of basic operations and daily checks for traffic safety to Sales Drivers is satisfactory. However, accident examples are limited to an introduction of those involved, along with the content. I expect reference to advanced cases in the manufacturing industry, which indicate the cause of the accident, along with effective, practical, concrete measures to take in response.
- Regarding health and safety improvements (page 28), the implementation of cutting-edge facilities and other efforts to reduce physical strain are satisfactory. However, numerous risks are still not addressed, such as heavy lifting while stooped over, walking on uneven, steep levels. I expect efforts to be implemented which offer specific objectives and promotion programs that work toward solutions to these risks.
- Regarding Environmentally-Friendly Driving (pages 27-28), the fact that 25% of all work vehicles are equipped with a drive recorder to determine the rank of Sales Drivers at each service base based on their driving performance is satisfactory. However, I feel that the number of turns, speed, etc. should be checked daily during after work inspections, based on data recorded by the tachograph, to find out specifically how superior drivers operate. This information should be shared between offices rather than kept individually, and time should be taken now and then to compliment drivers on their actions.
- Regarding efforts to reduce environmental strain (page 30), the world's largest implementation of natural gas trucks, participation in the solar power generation business, and a 2.8% reduction in CO₂ emissions compared to the previous year for Sagawa Express are satisfactory. However, in the near future I expect to see specific promotion plans formulated based on mid-term objectives, and a detailed disclosure of information regarding the primary topics, including CO₂.
- Regarding the development and utilization of human resources (pages 25-26), I'm quite impressed with the Group's formulation of a human resource system and vision, and the advancement of female employees into new fields such as maintenance work. However, in the near future I expect to see plans that don't stop at women, but include foreigners, the disabled, and others which can maximize the potential of a diverse range of people. A specific, mid-term human portfolio with goals set several years in the future, such as by 2020, would be a satisfactory way of advancing the necessary measures.

Improvements I'd like to see immediately

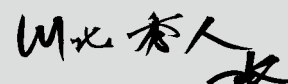
- Regarding the Group's CSR Promotion System (page 24), there are currently no promotion plans to carry out mid-term objectives, and no chances have been set aside for the sharing of individual efforts with the entire Group. Under these circumstances, effective, efficient promotion is difficult to achieve, so the CSR committee needs to step up, and share the actual situation concerning on-site mid-term objectives and promotion plans. Also, it needs to act as a venue for conferences and cooperation to achieve Group-wide improvements. I strongly feel that everyone in top management, including CEOs and CSR directors, must clearly understand the importance of these actions, and step up as leaders in system creation.
- Regarding the procurement of products to consider and manage social responsibilities [Website: Environment > Efforts to create a sustainable society > Purchasing eco-friendly products], I strongly feel that general rules must be formulated immediately, the situation of business contacts needs to be accurately understood, and efforts for improvement need to be developed.



Hideto Kawakita

Representative of IIHOE

[International Institute for Human, Organization and the Earth]



IIHOE: An NPO founded in 1994 on the principle of "democratic, harmonious development for all life on earth." Activities are mainly related to management support for citizen groups and social workers, but a lot of effort is put into CSR support for large corporations as well.

<http://blog.canpan.info/iiohe/> (Japanese only)

Communication Through Websites

SG Holdings Group uses various means of communication, including websites, to relay information to our stakeholders, regarding CSR activities, information from other companies, and business activities.

CSR (Corporate Social Responsibility)

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

Financial Results

-----> http://www.sg-hldgs.co.jp/company/financial_results.html

SG Holdings Corporate Website

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

Sagawa Express Official Application



SG Holdings Group Business URL

- | | |
|--|--|
| ■ Sagawa Express Co., Ltd.
http://www.sagawa-exp.co.jp/ | ■ SG Fielder Co., Ltd.
http://www.sg-fielder.co.jp/ |
| ■ SG Moving Co., Ltd.
http://www.sagawa-mov.co.jp/ | ■ Nouvelle Golf Club Co., Ltd.
http://www.nouvelle-gc.co.jp/ |
| ■ World Supply Co., Ltd.
http://www.world-supply.co.jp/ | ■ Sagawa Forestry Co., Ltd.
http://www.sg-hldgs.co.jp/sagawa-fore/ |
| ■ Sagawa Global Logistics Co., Ltd.
http://www.sagawa-logi.com/ | |
| ■ SGH Global Japan Co., Ltd.
http://www.sgh-globalj.com/ | |
| ■ Sagawa Advance Co., Ltd.
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| ■ SG Motors Co., Ltd.
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| ■ SG Systems Co., Ltd.
http://www.sg-systems.co.jp/ | |
| ■ Sagawa Financial Co., Ltd.
http://www.sg-financial.co.jp/ | |
| ■ SG Realty Co., Ltd.
http://www.sg-realty.co.jp | |

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