



CSR Report 2014

Corporate Social Responsibility Report

Synergy, Innovation, and Speed

SG HOLDINGS GROUP

SG Holdings Group Corporate Philosophy

"Trust, Create, Challenge"

The SG Holdings Group will:

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

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Editing Policy

Two versions of the SG Holdings Group CSR Report have been published: a printed version (significant topics) and an online version (a detailed report). The printed version of CSR Report 2014 is intended for the general public and our many stakeholders, while the online version is for professional researchers of the environment and CSR. The printed version describes initiatives we particularly want to introduce to readers. The online version contains all information related to our group CSR activities, including numerical data.

Highlights this year include initiatives concerning important topics within the SG Holdings Group. Additionally, the report page introduces the main initiatives we are focusing on, and includes comments we have received from experts in related fields. Each activity is based on and classified by the seven core subjects of ISO26000, providing guidelines for international standards.

Reference Guidelines

Ministry of the Environment, "Environmental Reporting Guidelines 2007"
GRI, "Sustainability Reporting Guidelines (3rd Edition)"

Website

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

Report Period

March 21, 2013 - March 20, 2014

* When reporting periods differ, clarification will be provided as needed.

Organizations Subject to Reporting

SG Holdings Group Companies and Foundations

* Group-wide business initiatives are referred to as SG Holdings Group initiatives. Activities related exclusively to specific companies and organizations are clarified as needed.

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

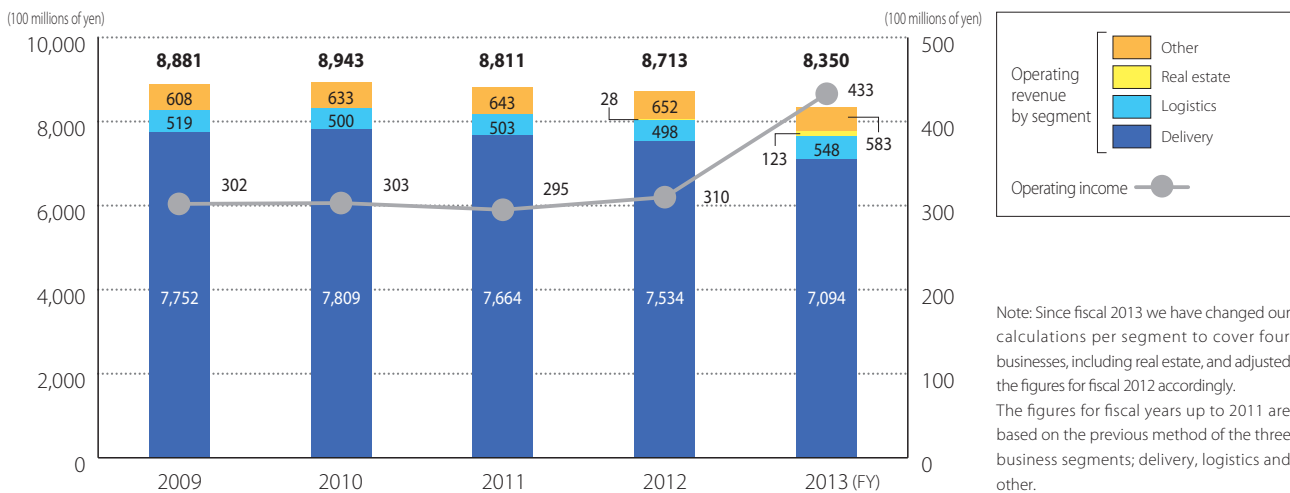
Company Outline

SG Holdings Co., Ltd. is the pure holding company of the SG Holdings Group, which implements management strategies and administration functions for the entire group. Each group company focuses on a specific area of expertise.

Name: SG HOLDINGS CO., LTD.
Established: March 21, 2006
Business Content: Group management strategies, administration, and related business.
Head Office Location: 68 Tsunoda-cho, Kamitoba, Minami-ku, Kyoto, Japan
Chairman and President: Eiichi Kuriwada
Total assets: 559,469 million yen
Net assets: 179,127 million yen
Capital: 11,882 million yen

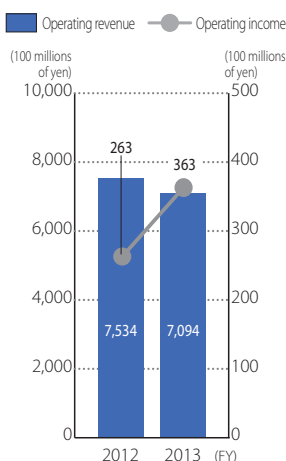


Consolidated Performance

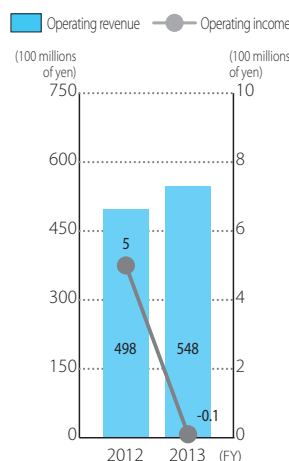


Note: Since fiscal 2013 we have changed our calculations per segment to cover four businesses, including real estate, and adjusted the figures for fiscal 2012 accordingly. The figures for fiscal years up to 2011 are based on the previous method of the three business segments; delivery, logistics and other.

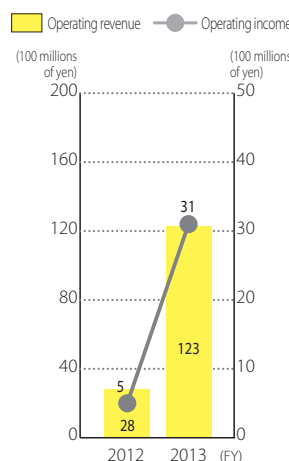
Delivery Business



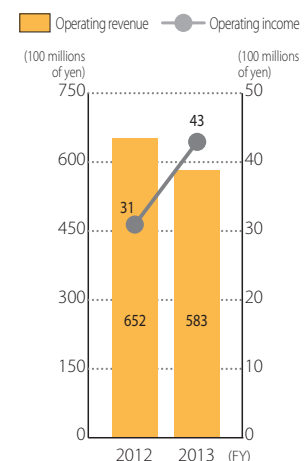
Logistics Business



Real Estate Business



Other



Main Domestic Companies

Delivery Business



(1) Sagawa Express Co., Ltd.

Providing total logistics solutions in addition to a wide range of delivery activities with a particular focus on express delivery.

(2) SG Moving Co., Ltd.

Offers various installation and moving related services, including large furniture and home appliances.

(3) World Supply Co., Ltd.

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

* A service that offers comprehensive solutions through undertaking all customer logistics operations.

Logistics Business



(4) Sagawa Global Logistics Co., Ltd.

Optimizes all aspects of the supply chain through 3PL operations, logistics processing, etc.

(5) Sagawa Logistics Partners Co., Ltd.

Offers total logistics support, ranging from inspection and needle detection, to storage and logistics processing.

(6) SGH Global Japan Co., Ltd.

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

Real Estate Business



(7) SG Realty Co., Ltd.

Provides management and lease business for real estate facilities owned by the Group.

(8) SG Assetmax Co., Ltd.

Makes real estate investments focusing on logistics facilities owned by the SG Holdings Group.

Other

(9) Sagawa Advance Co., Ltd.

Offers general services such as insurance agency, travel business, and retail business.

(10)SG Motors Co., Ltd.

Offers various services including vehicle maintenance support, new and used car sales, and body production.

(11)SG Systems Co., Ltd.

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

(12)Sagawa Financial Co., Ltd.

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

(13)SG Fielder Co., Ltd.

Offers outsourcing services of personnel for warehouse related business.

(14)SG Expert Co., Ltd.

Brings together SG Holdings Group administration operations, such as general affairs, human resources, and accounting.

(15)Nouvelle Golf Club Co., Ltd.

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

(16)Sagawa Forestry Co., Ltd.

Cultivates, preserves, and manages forests owned by the Group in Kochi and Tokushima prefectures.

Our Global Network: Connecting the World through Group Synergy

Customer accounts

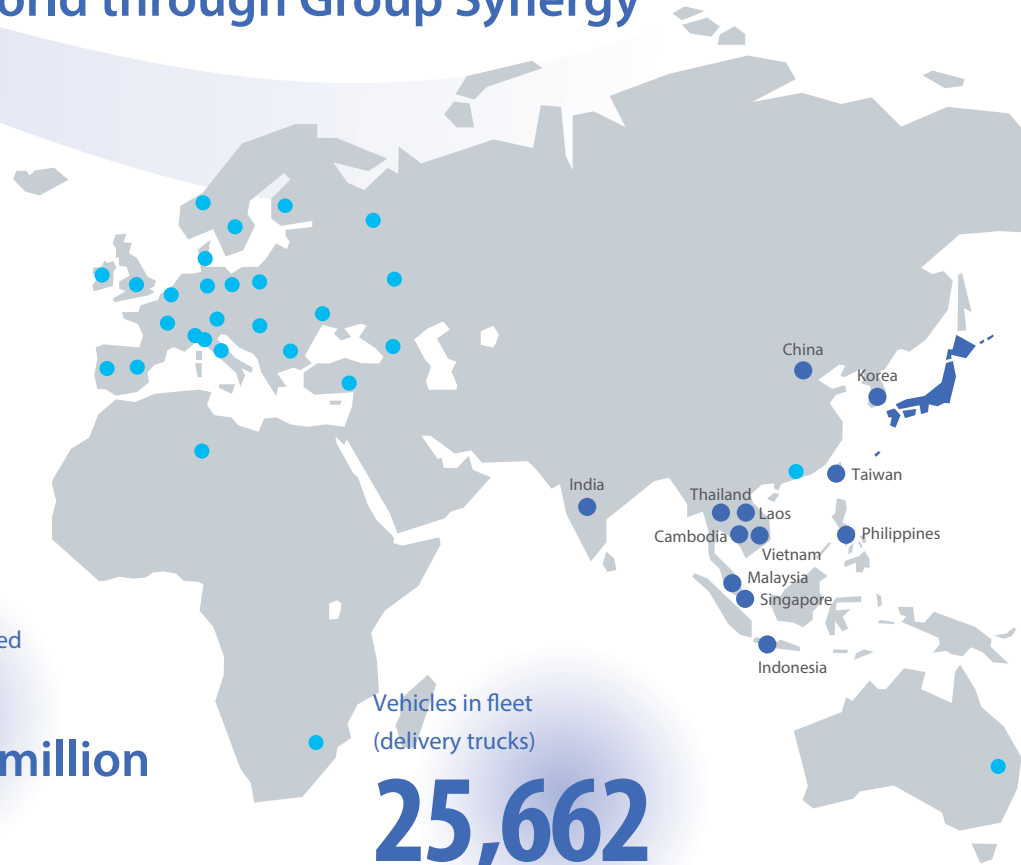
1 million

Express packages handled

1,200 million

Vehicles in fleet
(delivery trucks)

25,662



International Group Companies

SG Holdings Global Pte. Ltd.

The controlling company for the international business of the Group that provides planning for international business, strategy formulation, fund raising, funding of international locations, and other management operations.

● Tianjin Poly-Sagawa International Trading Co., Ltd.

Focuses on trade operations and forwarding ^(*). Storage agency business for metal parts, automobiles, etc. is conducted in our company-owned bonded warehouse.

*1 Forwarding: Agency work such as transport and customs procedures related to import/export for international business.

● Shanghai Poly-Sagawa Logistics Co., Ltd.

Focuses on courier ^(*), forwarding, and 3PL business to meet customer demands.

*2 Courier (International Courier Service): A service where documents and parcels, etc. are sent in a short period of time, using international air mail.

● Poly-Sagawa Logistics Co., Ltd.

Focuses on forwarding and logistics processing. Sales branches are located in Beijing, Dalian, Tianjin, Qingdao, and Guangzhou.

● Shanghai Dazhong Sagawa Logistics Co., Ltd.

Focuses on express home delivery within Shanghai. Many of the packages handled are mail order products. COD service and operate depots within the city are also provided.

● Sagawa Silox Shanghai Co., Ltd.

Features a logistics center located in Shanghai's Waigaoqiao Free Trade Zone, where various tasks are performed for textile goods, including spec confirmation, needle detection, price tag attachment, storage, high-speed sorting, store-specific classification, and kitting.

● Sagawa Silox Qingdao Co., Ltd.

Features a 12,540 square meter, company-owned warehouse within the Qingdao Free Trade Zone, where various tasks are performed for textile goods, including spec confirmation, needle detection, price tag attachment, storage, high-speed sorting, store-specific classification, and kitting.

● Sagawa Express (H.K.) Co., Ltd.

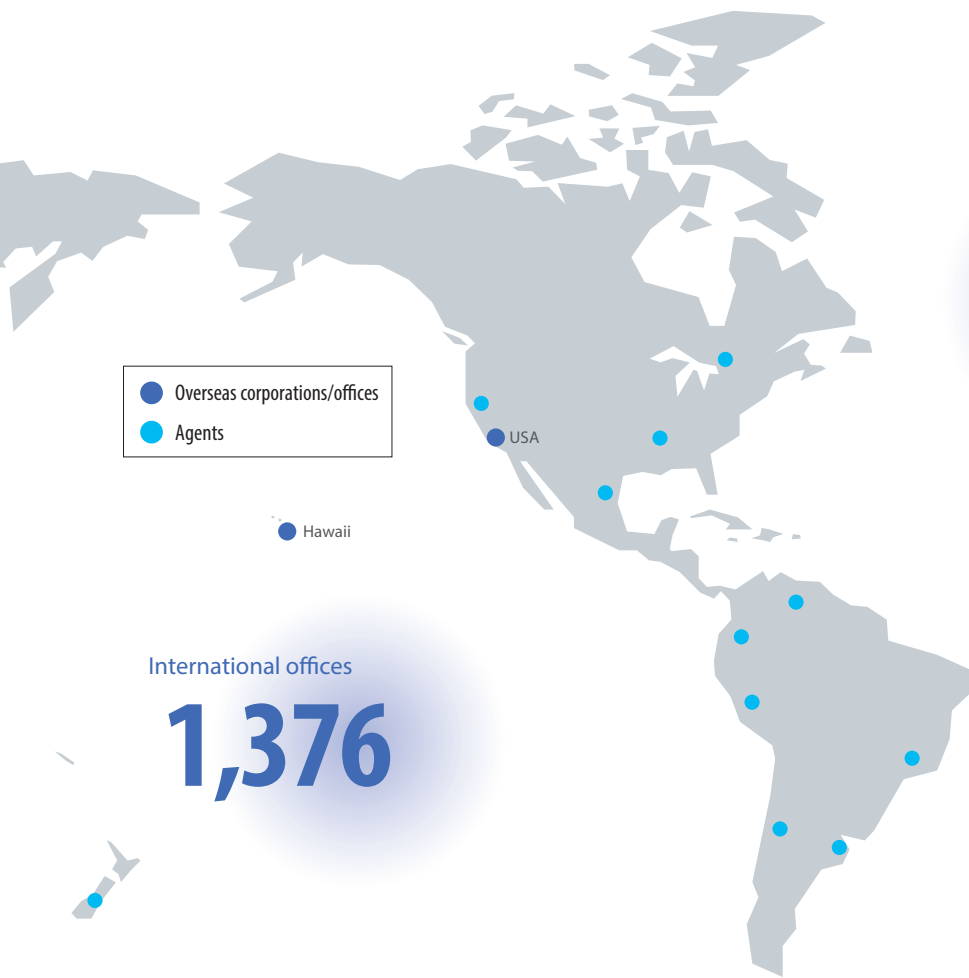
Focuses on forwarding, warehouse logistics, transport, courier tasks, and moving.

● Sagawa Express International Taiwan Corp.

Focuses on warehouse logistics, ocean transport, courier tasks, etc. Company-owned trucks are also used for small lot collection and delivery in the Taipei area.

● Sagawa Logistics Korea Co., Ltd.

Focuses on courier and forwarding operations, but also offers international, inter-modal transport services.



Global network

47 countries and regions

Consolidated employees

74,000

(as of March 2014)

● **Sagawa Express Philippines, Inc.**

Offers a comprehensive range of transport services, including truck transport. Also transports heavy goods, such as building materials which are needed as a part of Japanese Official Development Assistance.

● **Sagawa Global Logistics (Philippines) Inc.**

Warehousing and storage operations.

● **Sagawa Express (Thailand) Co., Ltd.**

Warehousing and storage operations.

● **Sagawa Express Thai Container Distribution Service Co., Ltd.**

Uses a 21,000 m² company-owned warehouse for warehousing, courier operations, forwarding, etc.

● **Sagawa Express Vietnam Co., Ltd.**

Offers a comprehensive selection of transport services, ranging from forwarding to truck transport. Also features a storage warehouse for logistics processing operations.

● **Sagawa Global Logistics (Malaysia) Sdn. Bhd.**

Focuses on forwarding. Exclusively made up of local staff members, and offers services rooted in the local community.

● **Sagawa Customs Brokerage (Malaysia) Sdn. Bhd.**

Provides agency services for export and import customs procedures.

● **Sagawa Express Singapore Pte. Ltd.**

Focuses on courier, forwarding and warehousing logistics.

● **Ameroid Logistics(s) Pte. Ltd.**

Provides services to support forwarding, such as domestic transport and warehousing, in Singapore.

● **Amgas Asia Pte. Ltd.**

Provides transport of petrochemical products.

● **Pt. Sagawa Express Indonesia**

Focuses on forwarding, warehousing, and courier operations. Offers services to Japanese corporations in the Jakarta region.

● **SG Sagawa USA, Inc.**

Handles mail-order cargo and provides such services as courier operations, warehousing and international freight transport between corporations via air and ocean on the outskirts of Los Angeles, California.

● **Sagawa Express Hawaii, Inc.**

Provides services such as inland transport and shipment of souvenirs and mail-order goods to Japan, as an outsourcing agent.

● **Wuxi Feisu Logistics Information Technology Co., Ltd.**

Joint venture company that provides development and sales of logistics and mail-order ordering systems within China.

We aim to develop sustainability, and to become a corporation people need everyday

To achieve continued growth, our core businesses must contribute to society

Fiscal 2013 marked the beginning of our new mid-term management plan, called the Third Stage Plan. The slogan for this plan is "Synergy, Innovation, and Speed," and our new Group management vision is "Creating new value by utilizing management resources and deepening cooperation inside and outside of the Group, while aiming to strengthen our management foundation and achieve lasting growth." With this vision, we continue to tackle various initiatives in order to build a healthy corporation that can respond to large-scale structural changes, such as changing demographics and globalization.

In order to achieve lasting growth mentioned in our management vision, our Group must be held in high regard and seen as necessary by citizens. How necessary are our core businesses to everyone? It's important that our customers feel that without us their lives would be less convenient. Contributing to society through our core businesses is our first priority, and this way of thinking forms our fundamental CSR principle.

We play a critical role in logistics, one part of the infrastructure of society. Like blood flowing in the body, we must continue to offer services without interrupting the flow of logistics. In other words, we must earnestly meet the needs of our customers and continue to quickly, carefully, and courteously deliver packages. In order to continue to do this, I believe that we must come together as a single group and push forward.

Strive to resolve social issues through group synergy

Logistics today differs from that of more economically stable times. Previously our role was to carry packages from manufacturers to primary and secondary wholesalers, and retail stores. However, as a logistics company we are now

required to provide solutions that select and combine services according to the needs and characteristics of our customers. In doing this it's important to establish businesses from a long-term perspective, and to adapt to provide new value-added services that take advantage of our Group synergy. We believe that we were able to make strategic moves during fiscal 2013 for the following fiscal year, such as strengthening our organization and network, and providing new solutions in our logistics business. We would like to solve various social problems through focusing our efforts even further.

Significant CSR issues include not only safety and the environment, but changing demographics

In fiscal 2013 we began sharing the safe driving experience and knowledge we constantly pursue as a logistics company with other corporations, in order to improve overall traffic safety. In addition to environmental initiatives we have taken in the past, such as introducing natural gas trucks with a low environmental impact, we have continued our environmental preservation efforts as a value chain, such as implementing carbon offsets using CO₂ emissions credits.

Furthermore, Japan is currently struggling with a decreasing birthrate and aging population, a very significant issue. It's estimated that there will be significant changes to the demographic composition by age, but there is no question that the young male demographic, which until now has been the main work force, has decreased. For corporations to continue to exist, ways to ensure workers and their contributions to supporting business activities is currently a significant management issue. The answer is a divers workforce, regardless of gender, age or nationality. In particular, we believe that having women for whom positions in logistics operations have until now been limited, develop new markets, and support the core of the business, will be crucial in the years to come.

In order to accomplish this, we have accelerated the three-year old WakuWaku Women's Project (a project to promote

the activity of female employees) in fiscal 2013. In addition to responding to legal requirements for childbirth and childcare leave, caregiving leave, etc., we have made proactive efforts in establishing a work-life balance that allows for a variety of work styles. As a result, we believe that each company in the SG Holdings Group has laid the foundation for more women to be even more active. We also believe that our initiatives toward increasing work styles options will lead to hiring of older generations and the utilization of global human resources.

**It is important to tackle these issues
with modesty and sincerity**

The SG Holdings Group plays a major role in social infrastructures deeply related to the lives of many people. We rely on public roads, in other words public assets, to conduct our business. For this reason we must always be humble, return profits to the company, and treat social contribution as a duty.

We will continue to take responsibility in establishing a sustainable company and aim to become a corporation that is highly regarded and needed by all, by listening to the opinions of our many stakeholders, objectively verifying our initiatives, and striving to continually make improvements.

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

栗和田 栄一





Highlight 1

Corporate Responsibility toward Social Infrastructure: Large-scale disaster response.

The future of BCP (Business Continuity Plan)/BCM (Business Continuity Management) as seen through dialogue with stakeholders

SG Holdings Group has identified specific items in our CSR activities and revised our initiatives after holding nine discussion sessions with our stakeholders.

In order to objectively evaluate what the SG Holdings Group has accomplished in BCP/BCM, during the tenth discussion we asked stakeholders in various positions, including public office, local governments, corporations, and consumer representatives for their opinions. Let's look at how the SG Holdings Group is tackling these activities.

(Titles omitted)

Topic
1

What does business continuity mean to the logistics industry?

What did SG Holdings think of first during the Great East Japan earthquake?

Takegahara (Facilitator): Why was the SG Holdings Group able to resume operations much more quickly than other companies following the Great East Japan earthquake? Please give your opinion on business continuity in the logistics industry.

Suzuki: During the Great Hanshin-Awaji Earthquake, our group took the initiative over other companies in preparing local systems. This may just be part of our corporate culture, but we were able to prepare systems based on speedy management decisions, and focusing on corporate officers with a high level of awareness during the 3/11 earthquake. The corporate officers providing instructions all had local experience and therefore understood the conditions there. As a result, they made decisions and gave instructions to take measures suited to the areas struck by the disaster, and we were able to restore operations more quickly than other companies. For example, we reopened our sales offices on March 17.

Takegahara: Did the fact that your corporate officers had the same level of awareness as people in these local areas lead to your rapid response?

Suzuki: Our corporate culture is one of facing challenges head-on. I believe this is closely related to the motivation of our employees, which resulted in our quick recommencement of activities. Of course, while we

of course strive to ensure the safety of our employees, when it comes down to it, our company has a quality of working together as a single unit until the end.

Tsutsui: I think this spirit of challenge is an important point. While everyone has their own roles, I believe you all share the same awareness, from the CEO to the people on site. I believe that during this major earthquake, you worked together with the same goals, and were able to accomplish a high level of activity locally.

Tatsumi: Every one of your employees knew we had to recover quickly so that logistics could flow and daily necessities could be delivered. I am sure that the strong desire of your employees to meet those needs was closely connected with restarting services in a short period of time. Consumers living in Tokyo felt the importance of logistics when they were placed in this difficult situation.

However, I believe the process of discussing safety with employees based upon information on which regions are safe or dangerous, and providing services, is also an important process.

Stakeholders



Keisuke Takegahara (Facilitator)
Environmental Initiative & CSR-Support
Department General Manager
Development Bank of Japan Inc.



Masatoshi Yokkaichi
Director
for Disaster Preparedness, Public relations
and International Cooperation
Cabinet Office



Satoshi Tsutsui
Chief clerk
Business Continuity Section
for Disaster Management
Cabinet Office



Shinpei Agou
Director
Distribution and Retail Industry Division
Commerce, Distribution and
Industrial Safety Policy Group
Ministry of Economy, Trade and Industry



Uichirou Masumoto
Senior Officer
Road Transport Bureau,
Cargo Transport Division,
Ministry of Land, Infrastructure,
Transport and Tourism



Hisayoshi Tsuchida
Chief, Yahata-nishi Fire Station
Kitakyushu City
(Former Chief, Kitakyushu City
Crisis Management Department)



Yoshiki Hiruma
Director, Enterprise Resilience
Rated Loan program
Environmental Initiative &
CSR-Support Department
Development Bank of Japan Inc.



Masahiro Shibuya
Leader, BCM Operation Team
Administration Department
Corporate Support Division
DISCO CORPORATION



Kikuko Tatsumi
Environment Committee
Nippon Association of
Consumer Specialists



Kiichi Suzuki
Managing Director
Sagawa Express Co., Ltd.

(Company/group names and titles are current as of March 5, 2014.)

Topic 2

What of issues facing inevitable earthquakes under the capital?

What points should plans be built around?

Takegahara: While the capital area was not directly affected by the earthquake, we became aware of several risks. Please give your opinion on what points plans should be built around, assuming an earthquake occurred directly under Tokyo.

Yokkaichi: It is estimated that there is a 70% chance of a magnitude seven earthquake occurring beneath the capital within the next 30 years. The Cabinet Office has raised four issues facing the future of corporate business continuity.

1. The realization that BCM is an important management strategy.
2. Promoting collaboration between corporations, regions, and industries in addition to individual initiatives.
3. Realizing valid investment in the future that is conducive to increasing corporate value and strengthening international competitive power.
4. Creating structures for corporate evaluation that are conducive to continual initiatives.

I would like to see consideration for the initiatives of individual companies, and then follow-up steps to take in collaboration ahead of time.

Takegahara: First is the building of functional BCM and BCP, right?

Agou: What should be done about commodity procurement and the trucks and boats that transport them? How should the commodities be divided and delivered to people? To accomplish this we will ask people to take roles. For example, while sorting is a local issue, under the current

system this is a role played by local governments. Is it really a good idea for local governments to do this? I wonder if we can ask logistics companies such as Sagawa Express — a transport and sorting professional — to provide their expertise. Is it okay to include this in the BCP activities of logistics companies in addition to transport?

Hiruma: Bringing up one more significant role, I believe logistics companies including Sagawa Express have the two following roles, assuming the threat of large-scale damage that an earthquake directly beneath the capital would cause. First is the preservation of economic activity. Many shippers have their headquarters located in Tokyo or the capital area, so it's important for logistics to support alternative strategies for production functionality. In other words, economic and corporate management logistics. The other is public logistics. There are over 35 million people living in the capital area. I expect this will result in logistics that collects emergency assistance commodities from all over the nation. One additional logistical characteristic of the capital area is that around 30% of all medical products in the country are stored there. These must be transported differently from standard packages. If this should happen, we will have a problem with assigning priority to logistics. Should corporate shippers have priority, or should public emergency logistics under orders from the state be given precedence? Handling all of this with limited management resources is another BCM issue.

Topic
3

How will citizens work as one with the government and with each other to respond?

Collaboration that leverages each opinion is the most important

Takegahara: We mentioned the word "role" earlier. What should be done regarding cooperation or residential segregation between citizens and the government, and with each other? Please discuss the importance of collaboration, concrete measures, obstacles, and the like.

Masumoto: Last year Sagawa Express was chosen as a designated public institution under the Disaster Countermeasure Basic Act to fulfill that role. The Ministry of Land, Infrastructure, Transport and Tourism will respond first for emergency commodity transport. However, emergency commodity transport is only one part of logistics. I would like Sagawa Express to focus not only on this, but to take on the burden of logistics throughout Japan, and take initiatives toward prioritizing smooth recovery of overall logistics by acting as a contact point for citizens and restoring daily functions. I believe it's important for companies to first recover and maintain their own functionality during a disaster.

Shibuya: We spoke about economic/management logistics as well as overall logistics in Japan. I would like shippers to first be able to be reached under any circumstances during normal deliveries. We can draft a plan if you give us information on what you can do and how far you can transport. Collaboration in the semiconductor industry is difficult because companies must also maintain their market share. How companies can uniquely respond is important for this reason. I think it would be important for you to handle this for us.

Tsuchida: Keeping our discussion focused on logistics, I believe it may be necessary to link information so that it can be shared and easily accessed during an emergency; for example, information on what goods are located in each provider's distribution inventory. How about saving emergency reserve information on a cloud system? It's also necessary to reconcile sorting methods, which differ technologically from provider to provider. I would like you to promote collaboration within the industry, such as how

people gathered from each company during an emergency should set up rules beforehand in order to improve efficiency and functionality in sorting, inventory control, and shipping.

Takegahara: As shown by our activity immediately after the Great East Japan Earthquake, one of the strengths of SG Holdings is our strong leadership and the on-site ability of each of our employees. You could say that's the DNA of our group.

I would like to carry on this BCP philosophy as a core value of our organization and assess the creation of a stronger structure through collaboration, which has been today's topic. There are business risks in disaster prevention and business continuity planning and, unlike environmental preservation activities, there are aspects that are difficult to show as attractive sides of a corporation. However, Japan is a country of natural disasters, where roughly 20% of earthquakes of magnitude six or greater worldwide occur.

Increasing our ability to respond through BCP and BCM, then proactively sharing that information with customers and other companies will lead to corporate competitiveness, and will work to raise corporate value.



Commitment

Hearing the opinions of our stakeholders



Strategic BCP is crucial

Hiroyuki Uchida

Head of General Affairs,
General Manager of General Affairs Department
SG Holdings Co., Ltd.

Our mission at SG Holdings Group is to continue logistics operations and maintain social infrastructure functions, even if an incident has occurred that has caused significant damage. In order to carry out this mission and meet the expectations of our stakeholders we have established a BCP (Business Continuity

Plan), and continue to maintain and improve our organizational business continuity functionality (BCM/Business Continuity Management).

In establishing our BCP, each division has conducted an operational inventory count. Doing so has allowed us to visualize operational roles, how we should collaborate, and issues with our organization and assets. It has also led to opportunities to revise how we improve operations and communicate, and has had a great effect on our BPR (Business Process Re-engineering).

BCP/BCM activities tend to focus on enhancing management of the company, but we believe that is not enough. Tackling BCP/BCM not only increases resilience during an emergency, but is directly connected with creating continuous value, such as improving business processes and developing BCP businesses. Furthermore, networking these win-win approaches carried out by each company will improve the resilience of each company during a disaster.

SG Holdings Group's BCP Initiatives

How should corporations responsible for logistics — part of the infrastructures of society — continue operations in various conditions, including disasters?

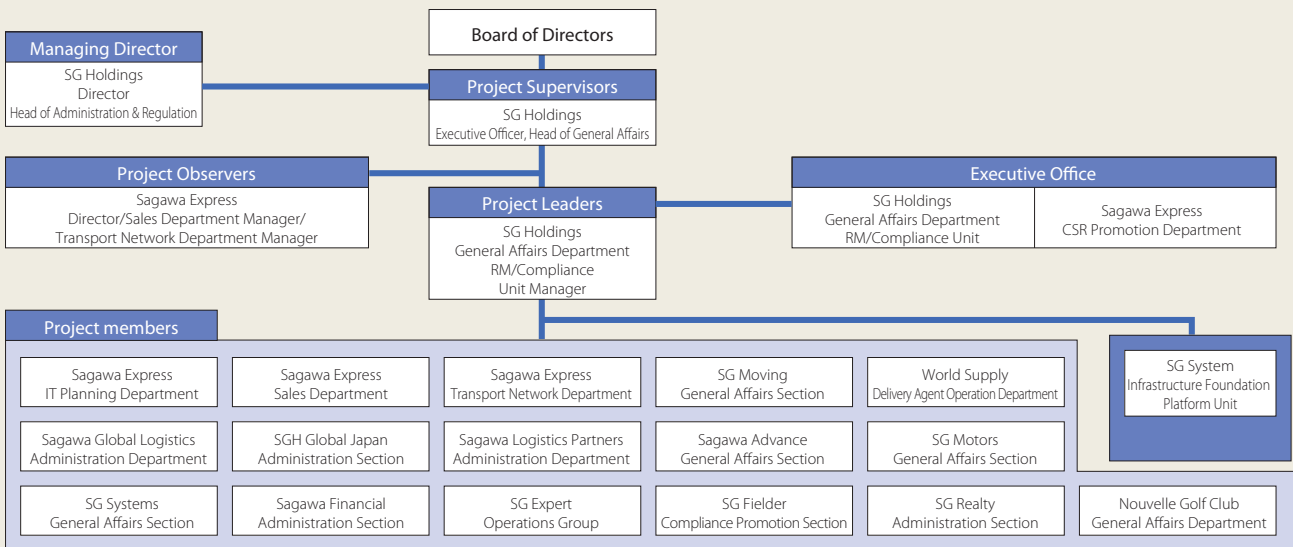
If a serious loss occurs in our corporate management or business activities, or if something occurs that has a serious effect on society in general, the SG Holdings Group's basic internal control policy tells us we must respond appropriately based on our crisis management regulations and disaster prevention control regulations. However, in response to the 2011 Great East Japan Earthquake we have begun to revise our chain of command, including our organization, regulations, and how we collect information.

Since fiscal 2012, we have imagined disaster scenarios such as earthquakes directly below the capital or in the oceanic trough to the south, abnormal climates, and pandemics (large-scale disease outbreaks), and have established highly viable BCP and BCM. In May 2013 SG Holdings and Sagawa Express decided on their basic BCP, while SG Systems did the same in March 2014. Currently, Sagawa Express is conducting simulation

drills based on their first response manual that assume a large scale earthquake has occurred, so that they can take rapid action when a disaster occurs. Other group companies are also creating BCPs and BCM while considering the business conditions of their own industries.

While our priority during a disaster is on ensuring the safety of our employees and their families, we must also work to safeguard the assets our customers have entrusted us with. Additionally, as a provider responsible for social infrastructures directly connected to people's lives. As a provider deeply connected with supply chain management in corporate activities, continuing our business is a fact of life. During our basic BCP plan we are selecting alternate sites, ensuring fuel and power sources, and strengthening the DR (Disaster Recovery) functionality of our information systems and data, among other initiatives.

BCM (Business Continuity Management) organization structure



As a designated public institution under the Disaster Countermeasure Basic Act

In October 2013 Sagawa Express was selected as a designated public institution as defined by the Disaster Countermeasure Basic Act. Selected providers are given the responsibility to respond to emergencies in cooperation with the national and regional governments. As a logistics provider, Sagawa Express will be responsible for delivering emergency assistance goods over the Group's logistics network. While Sagawa Express has worked with regulatory agencies and local governments during disasters before being chosen for this role, we would like to use this opportunity to again exercise our responsibility as a logistics company supporting the infrastructure of citizens' safety and lives.

Our transport work during emergencies is not limited to assistance

goods such as food and medicine. We will deliver what is needed, where it is needed, in the quantities needed. Knowledge of logistics, such as how to sort and manage goods, is crucial in conducting this work. This is because efficiency during emergencies varies greatly according to the way it's managed.

The SG Holdings Group will continue to consider issues such as how to combine logistics inside and outside of disaster areas to maintain functionality, and how to build strategic collaborations with national and local governments. The SG Holdings Group will continue to function in our role as a designated public institution.



Highlight 2

Growing the Company through the Strength of Women

Initiatives to promote female employee activities

One measure to strengthen and upgrade our business infrastructure as part of our mid-term management plan, Third Stage Plan, is establishing a system where women will be responsible for 30% of our business revenue. The WakuWaku Women's Project is one initiative toward promoting the activity of female employees. By taking advantage of the abilities of female employees we will respond to changes in worker populations in society, build a livelier work environment, and further meet the needs of our customers.

Promoting Female Employee Activities

Our management environment continues to change significantly, due to such factors as changes in workforce demographics due to the decreasing birthrate and aging population, and the increasing mail-order shopping market. Determining strategies to handle these changes is a major management issue. As one strategy to resolve such issues, we began initiatives to promote female employee activities in 2011.

Our mid-term management plan (Third Stage Plan), announced in 2013 (until 2015), mentioned promoting female employee activities and giving responsibility of 30% of our business revenue to women as a basic strategy. With this in mind we inaugurated the WakuWaku Women's Project. Each company in our Group established policies to promote female employee activities, raise awareness, and carry out independent initiatives. We are now beginning to see the results.

At the end of fiscal 2013 we achieved 91.6% of our target number of female employees, and with 96 women in management positions we were only three away from meeting our target. This means that we were unable to accomplish our plan for the year. However, as a result of the motivated efforts of each company in the

Group, we have been able to transition satisfactorily and expect to achieve our mid-term management plan goal of female employees being responsible for 30% of our business revenue well before the plan's final year. Continuing this project will make best use of the knowledge and strengths of our female employees, and will lead to the development of new products and services to meet the needs of our customers. In addition to raising awareness among male employees, we hope this activity will lead to revitalization of our workplaces.

Initiatives to promote the activity of female employees is one way to promote diversity within our Group, and is a step toward expanding the employment of the older generation, the disabled person, and global human resources. With an aging society and significant changes in worker demographics approaching, it's clear that the traditional work force composition is unable to respond to these changes in the social environment. Before that happens, we must prepare an organization in which a more diverse workforce can flourish. We believe it's necessary to develop human resource strategies that fully utilize women, seniors, and others, and fulfill their potential as members of the workforce.

Ladies Moving: Moving Services for Female Customers

SG Moving began our Ladies Moving service in April 2014, in which female employees assist in moving. This service was created to meet the requests of female customers who would prefer their possessions be handled by females during their move.

Female employees handle the entire process, from creating the quotation to the actual moving on the day.

Ladies Moving also allows customer to choose to have the work handled by a Sorting and Storage Advisor (Housekeeping Association, a specified nonprofit corporation). Our certified staff offers professional advice on the moving process, from how to store items prior to moving, to how to arrange rooms most comfortably in their new home.

Furthermore, staff who have Service Assistant (certified by the Nippon Care-Fit Education Institute) certifications are available during the moving process to offer safe support and peace of mind to senior citizens and the physically challenged.

In addition to support by these industry-first specialized certification holders, we support the needs of customers more completely thanks to meticulous and considerate moving services that only women can provide.



Female Sorting and Storage Advisors propose moving solutions



Moving services provided by female staff

Holding the WakuWaku Awards

In May 2014 we held the WakuWaku Awards, in which female employees were recognized for outstanding contributions toward planning such activities as creating business opportunities that use the unique sensitivity of women and improving or enhancing existing businesses. This initiative was one means of promoting the WakuWaku Women's Project with the aim of spreading awareness of the value of promoting female employee activities and accelerating initiatives for the next fiscal year.

This initiative targets female employees in all companies within the SG Holdings Group. This year we received 76 applications. Of these groups, one team received the highest award, one team received the excellence award, and four teams received the fighting-spirit award.



The award ceremony (May 2014)

Voice

Comments from the winners of the highest award

Ideas from our customers inspired us

SG Moving Co., Ltd.

Kaori Aizawa

Human Resources & Training Section,
Administration Department

Akie Hamasaki

Sales Development Section Assistant
Manager, Sales Department

Kimiko Yamane

Sales Development Section Sub Chief,
Sales Department



From left to right: Aizawa, Hamasaki, Yamane

"Do you have a moving service for women?"

Ladies Moving was created thanks to a phone call from a customer. Moving is physical work, and on-site work was handled mainly by male staff. The central players in the workplace were also men. In order for women to participate in planning, it was important for them to acquire knowledge about the jobs, and for male employees to understand that women wanted to take part. We communicated closely with management, and shared information on the company Intranet. We also proactively set up opportunities for female employees to try moving work.

One year was dedicated to planning and preparing before we launched the service this spring. While there were various challenges along the way, we are extremely pleased that we were able to receive the highest award. In addition to putting the service into operation, we would like to promote policies for all employees to work in a lively manner from diverse perspectives rather than just from one point of view.

CSR Activities Report

Following is an introduction to the SG Holdings Group CSR activities during fiscal 2013. Please refer to our website for further details.

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

We believe these are important to meet the expectations of society.

Our CSR activities bring important issue to light, and we continue to promote initiatives based on the SG Holdings Group corporate philosophy of "Trust, Create, Challenge" to meet the expectations of our stakeholders.

We earnestly listen to the opinions and comments from experts received through dialogue and the instructions of our customers, then investigate and implement policies in response to widely apply the opinions of stakeholders to our businesses.

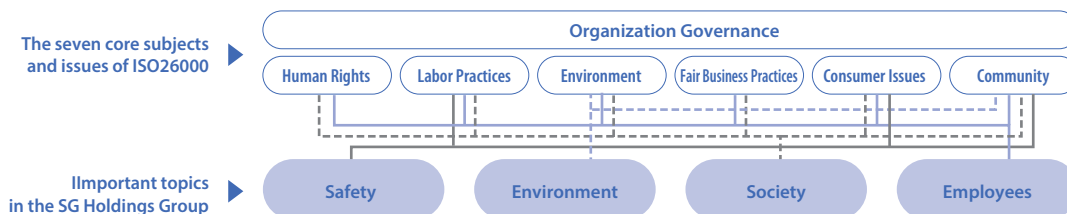
We also take stock of our existing CSR activities with ISO26000 (international guideline standards related to the social responsibilities of organizations) as our guide. We are working toward thoroughly conducting initiatives necessary to fulfill our corporate social responsibilities.

 Safety	P.18
 Environment	P.23
 Society	P.30
 Employees	P.36
 Management	P.39
 Foundation Activities	P.42
 International Group Company Business and CSR Activities	P.44

CSR Management Through Dialogue with Stakeholders

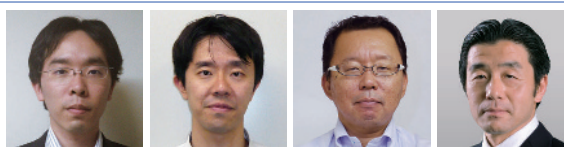
ISO26000

ISO26000 is used to organize our activities and identify issues in order to revise our activities. We believe this is one process to move forward as we confirm the direction of our initiatives.



Feedback from external experts

We ask experts in each specialized field for their opinions on SG Holdings Group initiatives. We then identify issues in our CSR activities, decide on plans, and revise our initiatives to reflect opinions.



Mr. Uichirou Masumoto
 Ministry of Land, Infrastructure, Transport and Tourism
Mr. Yuta Okazaki
 Ministry of the Environment
Nobuyoshi Ohmuro
 Associate Professor
 Faculty of Business Administration,
 Kyoto Sangyo University
Mr. Hiroshi Ishida
 Executive Director
 Caux Round Table - Japan

Dialogue with Stakeholders

We create opportunities to exchange opinions on our basic stance regarding issues the SG Holdings Group feels are particularly important, and their policies with our various stakeholders. We use this process to confirm the direction of our activities, and change our future CSR activities accordingly. We have been doing this since fiscal 2004, fiscal 2013 was the tenth time we have held such discussions.

Questionnaires

We analyze CSR report (printed and online versions) questionnaire results and make changes to our activities accordingly. Questionnaire results are released in a printed version (p. 47) and on our website.

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

Customer Feedback

The SG Holdings Group views customer opinions and requests as important guidance to improve the quality of our services and products. We also reference opinions received on our corporate and CSR activities when revising our activities and policies.

Social Studies Field Trips/Workplace Experience, etc.

The SG Holdings Group accepts requests for elementary and junior high school student social studies field trips and workplace experiences. We value communication with local children and are creating learning opportunities for the next generation.

SG Holdings Group and Stakeholders



Safety

Safety is the highest priority in our businesses. As such, we are involved in a variety of safety efforts Group-wide and will proactively expand initiatives to develop safe transportation services for society.

Fiscal 2013 Activity Results

- (1) The following initiatives focusing on safety were implemented to eliminate serious accidents on pedestrian crossings: improve driving manners, effectively use drive recorders, and curb important point violations
- (2) Conducted training for sales office safety promotion workers (437 people) responsible for safety
- (3) Reduced traffic accidents by 94% over the previous fiscal year, and reduced traffic violations by 98% over the previous year
- (4) Began safe driving education and training services, and safety management organization consulting from July 1, 2013

Safety Initiatives

Safety Management & Education

Safety Management Systems

Labor Practices Consumer Issues

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

With the Safety Measures Committee playing a central role, management and local staff work together to build a safe organization, and to ensure safety based on the transport safety management system.

Committee members hold a safety meeting each month in which the committee deliberates on the progress of safety activities, and on tangible and intangible measures to ensure safety. The committee also holds periodic safety review meetings, in which safety promotion staff from around the country participate, and considers feedback from onsite employees to improve safety measures. They periodically promote continuous safety initiatives.

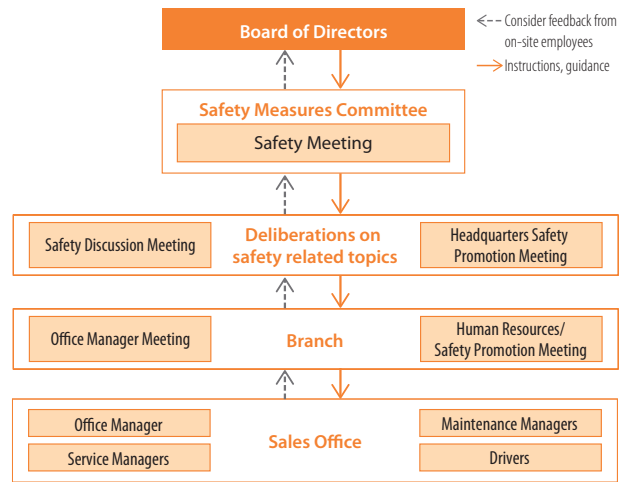


Transport safety management evaluation by the Ministry of Land, Infrastructure, Transport and Tourism

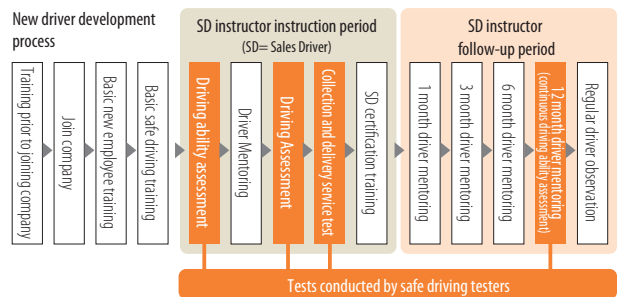


The regular monthly safety meeting

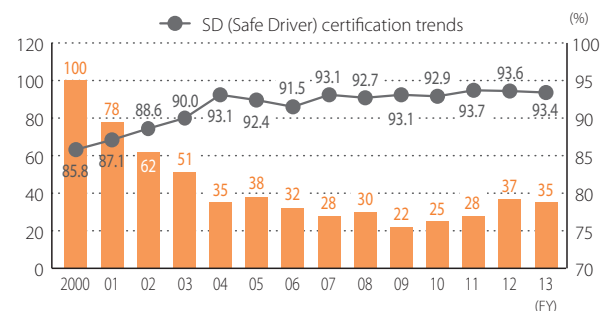
Safety Management Organization Diagram



Safety-related training



Traffic accident index trends (with year 2000 set at 100)



Pursuing Safety

Sagawa Express Driver Contest

Labor Practices Consumer Issues

On Friday, June 28, and Saturday, June 29 2013, the 21st Sagawa Express Driver Contest was held at the Sagawa Express Training Center's Automobile Training Course.

This contest has been held every year since 1993, with the goals of observing traffic regulations, improving inspection skills along with driving skills, increasing driving safety awareness, and improving driving manners.

A total of 61 drivers (including employees of group companies) are chosen from all over the country to use the driving skills and knowledge they have gained to compete for a total of 1,000 points in three contests: the knowledge contest (400 points), the driving contest (400 points), and the inspection contest (200 points).

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

Safety will always be our first priority, and we will work to cultivate professional drivers, and increase the safety awareness of all our employees as part of our responsibility as a corporation that uses public roads to do business.



A scene from the knowledge contest



Checking with an inspection hammer is one part of the contest

Health Management that Considers Safety: SAS Screening

Labor Practices Consumer Issues

Sagawa Express screens drivers throughout Japan in order to prevent traffic accidents caused by health issues such as sleep apnea syndrome (SAS). We began conducting this screening due to increasing public concern over multiple incidents of collisions in Japan that were thought to have been caused by SAS. These efforts are designed to meet our responsibilities as a corporation that uses vehicles in our businesses, and to promote health management among our drivers. Currently examinations are held every 5 years, and drivers who are determined to be 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.

We will continue to enhance our health management and benefits package so that all of our drivers can work at a level of health appropriate for driving.

Ensuring Traffic Safety in the Local Community

Preventing Traffic Accidents through Vehicle Maintenance

Labor Practices Environment Consumer Issues

SG Motors maintains company vehicles owned by the SG Holdings Group, with the goal of eliminating traffic accidents caused by vehicle maintenance defects, and reducing their environmental impact. While drivers inspect collection and delivery vehicles daily, vehicles are given more thorough inspections during three-month and 12-month periodic inspections.

We will manage the progress of repairs and respond quickly to manufacturer recalls, and continue to keep our vehicles in good condition and carry out appropriate maintenance.



Vehicles are always kept in good condition

Environmentally-Friendly Driving

Labor Practices Environment Consumer Issues

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

Environmentally-Friendly Driving is a form of driving that aims to consider the environment and prevent traffic accidents. Drivers do not start, accelerate, or stop their vehicles suddenly. In addition to considering safety and the environment through setting maximum engine speeds when starting or running vehicles and improving manual transmission driving skills, we have also seen economic results through curbing fuel usage.

In order for all drivers to practice Environmentally-Friendly Driving, we conduct specialized training for management and instructors. The most important items in Environmentally-Friendly Driving are included as the Seven Articles of Environmentally-Friendly Driving in booklets distributed to our employees, so that they can carry them everywhere they go. We also use training video tools during training.

[The Seven Articles of Environmentally-Friendly Driving]

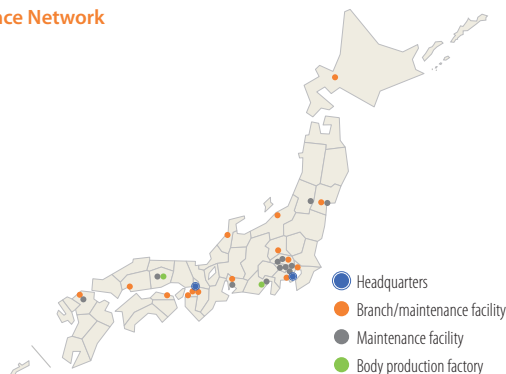
1. Practice e-Start soft acceleration
2. Shift up earlier rather than later
3. Drive at a consistent speed in line with traffic conditions
4. Maintain sufficient space between vehicles
5. Utilize the engine break by stopping acceleration early
6. When parking, remove the key and turn the engine off
7.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

Expanding the Maintenance Network, Increasing Functionality

Labor Practices Consumer Issues

SG Motors is expanding our support organization and improving service in an attempt to enhance our maintenance network across the country. As of March 2014, in addition to our 15 branch offices, 27 maintenance factories, and two body manufacturing factories, collaboration with 287 locations of our partner companies has resulted in complete coverage of all areas of the country.

Maintenance Network



To respond to continuing diversification in logistics operations, we also maintain specialized vehicles and industrial machines such as trailers and mixers, and sell and repair transport vehicles such as forklift trucks.

We will continue to expand our maintenance network and functionality in order to meet the diverse needs of our customers.

Preventing Traffic Accidents through Effective Use of Drive Recorders

Labor Practices Consumer Issues

While all delivery vehicles are equipped with analogue tachographs, Sagawa Express has also equipped 26% (about 6,450) of these vehicles with drive recorders to manage employee driving habits. Every driver will be expected to operate a drive-recorder enabled vehicle at least once a year. Drive recorders will be installed in all vehicles added to our fleet.

Drive recorders assign scores to five actions to measure driver ability and indicate problems with braking, stopping, steering, turning, and smooth driving. Drivers aim to obtain a high score, resulting in increased safe driving awareness and improved skills.

Potentially unsafe incidents recorded when driving can be used as material for safety-related training and discussion. Sharing this information with many drivers will help to prevent traffic accidents.

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



Drive recorder screen

運転診断結果		運転診断													
運転診断結果		100													
ブレーキ	11	79	18												
停止	28	51	9.5												
ステアリング	89	0	0												
変換	0	0	0												
合計	128	130	100												
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Driving diagnostic results form

Securing Safety for Highway Transportation

Conducting Highway Transport Safety Patrols

Labor Practices Fair Business Practices Consumer Issues

To increase safety during highway transportation, Sagawa Express has conducted Sagawa Express Highway Transport Safety Patrols every year since 1994. These patrols are done by Sagawa Express corporate officers, employees, and employees or partner companies at the main service areas and parking areas on arterial routes, to mentally and physically refresh our drivers. 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 partner companies.

We will continue to promote initiatives to improve the safety of highway transport and increase driver awareness.



Patrols are conducted at night. General trucks are inspected upon request

Highway Transport Terminal Inspections

Labor Practices Fair Business Practices Consumer Issues

Sagawa Express Highway Transport Terminal Inspections are conducted so that we always drive safely and maintaining and improving transport quality by preventing vehicle and traffic accidents during transport. Administrators from all Sagawa Express locations work together with administrators from partner companies, using special check sheets to conduct the inspections. During morning meetings, we also share the latest habits that may lead to accidents as a heads-up message to our drivers.



Visual Vehicle Inspection

Holding Safety Seminars for Highway Service Providers

Labor Practices Fair Business Practices Consumer Issues

Sagawa Express holds safety seminars for managers of partner companies related to highway transportation. In fiscal 2013 we invited lecturers from companies such as Mitsui Sumitomo Insurance Co., Ltd. to lecture truck operators on safety measure initiatives, the basic and legal responsibilities of operators, and how to avoid work related accidents. Managers from 285 companies participated in the seminars held at five locations.

Superior Safe Driving Operator Award

Labor Practices Fair Business Practices Consumer Issues

Driving records for the licenses of each employee in the SG Holdings Group can be obtained from the Safe Driving Center, upon the consent of the driver. This initiative allows us to check whether drivers have traffic violations outside of working hours, and is an attempt to increase safety awareness among all employees.

In fiscal 2013, 169 Group offices received Superior Safe Driving Operator Awards from the Safe Driving Center, through a system set up to use driving records and award operators' safe driving management efforts. Of those that have been evaluated with an SD (Safe Driver) score higher than the standard, 10 offices with the highest evaluation received platinum awards, 44 received gold awards, 43 received silver awards, and 72 received bronze awards. Out of approximately 10,000 business locations, 872 were eligible for the award, roughly 19% of which were companies within our Group.

We will continue our efforts to raise awareness among all Group employees so that we always drive safely.



Receiving an award from the Safe Driving Center

Safe Driving Training Service

Fair Business Practices Consumer Issues

As a corporation staffed by safe driving professionals, Sagawa Express conducts training programs that incorporate unique content. Our thorough training has resulted in a roughly 70% reduction in traffic accidents compared to fiscal 2000.

With the goal of contributing to overall traffic safety, in July 2013 we began offering our Safe Driving Training Service to general operators concerned about reducing traffic accidents. This service takes advantage of our safe driving philosophy and the knowledge we have accumulated over many years of operation.

Our driving training facility (approximately 31,680 m²) located in Ayase, Kanagawa, offers 38 training trucks, 6 light automobiles, and one minivan. Fully equipped with lodging facilities, it's able to handle programs that meet the needs of our customers, such as overnight training sessions or even single-day lectures.

We have received many inquiries from not only corporations dealing with freight and transportation, but from other corporations that use vehicles in their businesses, such as those shipping their own products or in the nursing care business. Since starting this service, 15 companies have already held 35 training sessions, lectures, and courses.



Training on checking the rear of the vehicle when exiting

In addition to offering training at our facility, we can respond flexibly to requests from customers to conduct lectures and courses at specified sites, provide training in customer facilities, and more.

Column

Safety is a common need

Japan Beverage group companies own a total of 3,500 vehicles, which are used to deliver beverages to customers and stock vending machines. We believe that avoiding accidents and driving safely are important issues that lead to improving traffic safety for all of society, and are closely connected with the lives of our employees and corporate trust. Initially we investigated renting out space to conduct training. However, we heard that Sagawa Express had considerable knowledge in traffic safety training, and began by taking their leader cultivation course. Our leaders came back after the course and trained our employees, beginning with new drivers, in philosophy and techniques related to safety, evaluated their level of skill, and sent them off to actual roads to train. As a result we have seen unprecedented results in accident reduction/prevention. We were allowed to give our honest opinions, and would like to see this information applied to their safe driving courses in order to further increase effectiveness.



Ms. Kazue Yamamori
Human Resources Director
Japan Beverage Holdings Inc.

Comment from management

Hideo Araki
President and CEO
Sagawa Express Co., Ltd.

The SG Holdings Group sees safety as our immediate priority. As long as we are operating we need to always be aware of and maintain safety. During fiscal 2013 we were able to continue our record of no serious accidents causing injury or death. We believe this is a result of operating our transport safety management system; conducting thorough safety management, strict education, training; and through each of our drivers continuing to practice basic safe driving.

Eliminating accidents without overestimating our own driving skills or convincing ourselves there are no problems- we continue to strictly enforce safe and sure driving. During fiscal 2013 we began a service to share our knowledge of safety with other corporations. We intend to take corporate responsibility for contributing to safety as a whole - not just within our Group.



Comment from an expert

Mr. Uichirou Masumoto
Senior Officer
Road Transport Bureau, Cargo Transport Division,
Ministry of Land, Infrastructure, Transport and Tourism

Safety is the most important thing for transportation businesses. Sagawa Express has established a safety management organization, with the Safety Measures Committee playing a central role. The organization confirms whether safety awareness initiatives are being carried out organization-wide through safety promotion work conducted by each sales office. We hope that you will continue these efforts so that everyone involved in transport will hold safety as their top priority.

It's also important to continue to conduct safety education, so we hope that you will continue to revise and enhance your initiatives through such means as enhanced instruction of new drivers and detailed evaluations of all drivers using drive recorders.

Also, as your company began offering a safe driving education and training service in 2013, I hope you will share your enhanced safety initiatives with other companies as a leading company in the truck industry.

Environment

As long as we continue our business activities we cannot ignore the environment.

In order to reduce our impact on the environment as much as possible, we continue to take a variety of environmental initiatives, beginning with preventing global warming.

We cooperate with our stakeholders in efforts to preserve the environment throughout society.

Fiscal 2013 Activity Results

- (1) Total CO₂ emissions for Sagawa Express was approximately 394,000 tons
* The emission factor has been changed this fiscal year, so a comparison with the previous fiscal year is not included.
- (2) As a means of promoting modal shift, we have been operating the Super Rail Cargo special container train for 10 years.
- (3) Sagawa Express received "carbon-neutral certification", the first company in the logistics industry to receive this.
- (4) SG Moving began "carbon-neutral transportation", the first to do this in the moving industry
- (5) Began our clean energy supply business, by utilizing SG Realty Group assets

Environmental Initiatives

Initiatives to curb CO₂ emissions

Initiatives Implemented throughout the Delivery System

Introduction of natural gas powered trucks

Environment

In order to reduce the amount of harmful substances released into the environment during collection and delivery, we have started using natural gas powered trucks. Natural gas trucks feature low CO₂ and NOx^{*1} emissions, do not emit SOx^{*2} or PM^{*3}, and have been attracting attention as the most environmentally clean trucks currently available.

As of March 2014, Sagawa Express owns 3,981 natural gas trucks (4,002 trucks throughout the entire SG Holdings Group), and was recognized as the top company in the world in terms of number of such trucks owned (International Natural Gas Vehicle Association, 2011).

We have introduced four large natural gas trucks into our fleet since April 2014, after receiving verification that such vehicles could handle medium distance highway transport. These efforts are estimated to reduce our CO₂ emissions by over ten tons per year.

*1 NOx refers to nitrogen oxides

*2 SOx refers to sulfur oxides

*3 PM refers to fine particulate matter



Environmentally friendly natural gas truck

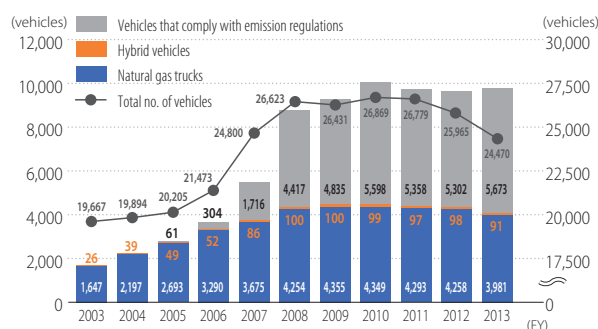
Large natural gas truck

Introduction of Low-emission Vehicles

Environment

Our home delivery business involves repeated starting and stopping over short distances, so Sagawa Express is making efforts toward introducing suitable vehicles by researching low-emission vehicles that offer good fuel consumption for our vehicle-related operations. In addition to hybrid vehicles, we are introducing vehicles that can continue to flexibly respond to conditions and offer a low environmental impact, such as low-emission vehicles that meet fuel economy standards and emissions regulations, even for diesel vehicles that traditionally have had a large impact on the environment.

Low-emission vehicle introduction trends (Sagawa Express)



Introducing of 3-wheeled Electric Vehicles (EV)

Environment

SG Motors has developed an EV body exclusively for collection and delivery purposes, which is part of a 3-wheeled EV called the LIKE-T3, developed by Mitsuoka Motor Co., Ltd. and Yuasa M&B Co., Ltd. Sagawa Express has been introducing these 3-wheeled EVs in Kyoto since 2012.

EVs do not release CO₂ and other exhaust gases during operation



Service Center Opened in Tokyo Station

Environment Consumer Issues

Sagawa Express has established Service Centers in approximately 340 locations throughout Japan, which collect and deliver packages with human powered 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 fewer automobiles on the road in total, thus is contributing to a reduction in air pollutant emissions.

We have recently opened a service center in Tokyo station. The center offers services such as temporary storage of belongings and same-day delivery of packages to lodging facilities, with the goal of improving usability for people making use of Tokyo station for sightseeing or other purposes.



Operational since March 2014

DBJ Green Building Platinum and Gold Certification Obtained

Labor Practices Environment

The SG Realty Kashiwa large-scale logistics facility obtained Platinum 2012, the highest level of the DBJ Green Building certification (for logistics). The certification is awarded by the Development Bank of Japan Inc. (hereafter, DBJ). The Sagawa Express Fukuoka Sales Office and Sagawa Express Kanda Sales Office also received the Gold 2012 certification.

The DBJ Green Building certification comprehensively evaluates several factors including the environmental performance of the building in question and consideration of stakeholder social demands.



SG Realty Kashiwa



Sagawa Express Fukuoka Sales Office

Efficient Transport by Large-scale Hub Facilities

Environment

As part of our efforts to build a transport supporting network, Sagawa Express is working to reduce the number of vehicles we use by optimizing transport using large-scale hub facilities. Reducing the number of vehicles we use will significantly cut vehicle gas emissions and will lead to curbing air pollutants and CO₂ emissions.

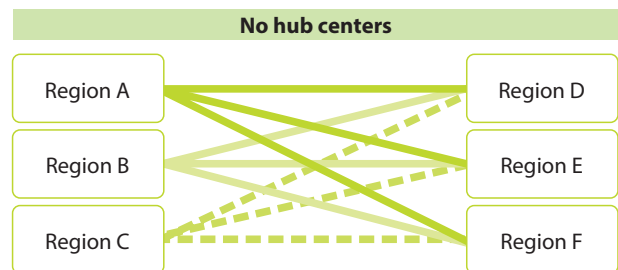
We have combined 6 hub centers, such as our Edogawa Center, Chuo Center, and Yokohama Tsurumi sales office, into 2 locations: the Yokohama Higashi Center and Sagawa Tokyo Logistics Center. These centers also offer warehousing functions, and reduce vehicle movement distances when collecting packages. Our optimization efforts have reduced our vehicle usage by about 30 vehicles per day. Additionally, planting plants on the roof and walls of the Sagawa Tokyo Logistics Center is one other way we are contributing to reducing our burden on the environment.

By creating routes focused on such locations as the Nishi Nihon Hub Center, Chubu Hub Center, Kuki Center, Tokyo Big Bay, and the Kita Kyushu Center, and by re-examining operation methods at our large-scale hub facilities, we aim to reduce the number of vehicles we use.

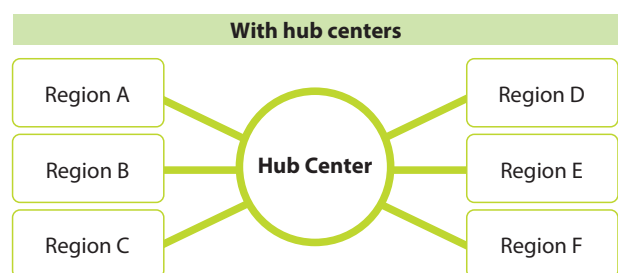


The Sagawa Tokyo Logistics Center (Koto-ku, Tokyo)

Large-scale hub facility transport flowchart



Necessary to carry packages from each region by direct highway.



Packages from each region are collected at the hub center, sorted by destination, and delivered.

Sagawa Distribution Center Administration/Management

Environment Fair Business Practices

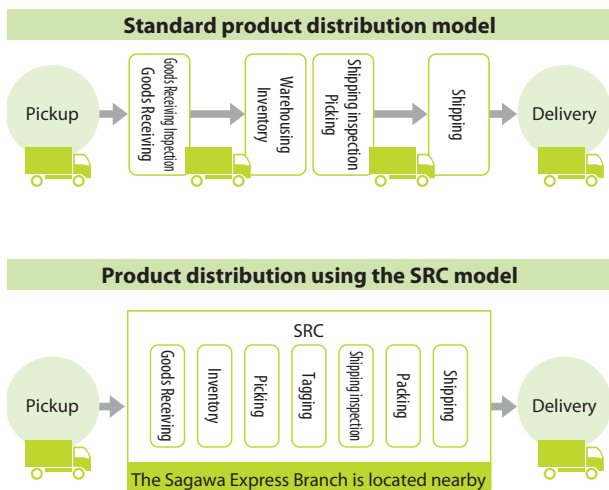
Sagawa Global Logistics operates and administers Sagawa Distribution Centers (Sagawa Ryutsu Center = SRC's), a comprehensive logistics facility, directly connected to a SAGAWA Express truck terminal. Many processes are involved in the distribution of general merchandise from factory to market, with transport by trucks or other vehicles necessary between each stage. However, products in the SRC are centrally managed within the facility, so transportation from shipping center to separate storage or processing center is not required, eliminating the need to use trucks. This is closely linked with simplifying our customer's logistics operations, reducing costs, reducing energy and reducing CO₂ emissions and air pollutants such as NOx^{*1} and PM^{*2} by minimizing truck transport.

As of March 2014, we have been able to optimize customer's logistics and reduce the environmental impact at 70 locations nationwide, including 25 SRC facilities. The SRC is a model business for green logistics, and we will continue to expand their operation, as logistics facilities which are environmentally friendly.

*1: NOx refers to nitrogen oxide

*2: PM refers to fine particulate matter

SRC transport flowchart



At SRC we sort and collect waste created during logistics operations, and promote recycling. We are also working towards geo-environmental conservation with our customers through such measures as proposing packing that use environmentally friendly materials.



Products centrally managed at SRC'S

Modal Shift Promotion

Environment

Sagawa Express is promoting modal shift in order to carry out transportation with a low environmental impact. "Modal shift" refers to transitioning from traditional truck transportation to methods with less of an environmental impact such as boat, and train.

Express delivery by Super Rail Cargo, a special container train jointly developed with Japan Freight Railway Company, is one component of this modal shift. Since its start in 2004 it has expanded to cover 10% of all freight transported between Tokyo and Osaka and is currently making great strides in reducing our burden on the environment, such as by reducing CO₂ emissions.



The special container train, Super Rail Cargo, has been in operation for 10 years

Results of modal shift (FY2013)

No. of reduced trips (ten-ton truck conversion)	72,243
Reduced CO ₂ emissions	85,597 t-CO ₂

* Source: Calculated from CO₂ emissions output levels of freight traffic institutions, Ministry of Land, Infrastructure, Transport and Tourism (FY2012)

* CO₂ reductions from environmental burden (theoretical value) if the modal shift had not been carried out

Clean Energy Supply Business

Environment Consumer Issues

SG Realty began its clean energy supply business in April 2013, by utilizing Group assets. We have begun to generate solar power in facilities at 59 locations and to supply clean energy to power companies in each region, with the goal of contributing to the supply of stable power and reducing our environmental burden. At a scale of approximately 13.2 megawatts, this generated power represents a reduction of about 5,850 tons of CO₂ emissions when compared with power generated through non-natural means.

We are planning to install solar generators in an additional 42 locations, for a final total of 101 locations generating an estimated 24.2 megawatts of power. This generated power represents a reduction of about 21,624 tons of CO₂ emissions when compared with power generated through non-natural means.



SG Realty Kashiwa equipped with solar power panels

Initiatives to curb CO₂ emissions

Collaborating at the National and Regional Levels

Model Project Focusing on the Creation of a Low Carbon Society Commissioned by the Ministry of the Environment in the Hakata Station area

Environment Consumer Issues

In September 2012, Sagawa Express took on the Model Business 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 the Hakata Station area. This project involves initiatives in the logistics processes of express delivery operations that are thought to be effective as countermeasures against global warming.

The Delivery Box Pickup Service was started in the Kyushu area in April 2013. The service allows redelivery of packages to delivery boxes installed around the Hakata Station area. Currently, delivery boxes are installed in 18 locations around Hakata Station and in 4 Daiei, Inc. retail locations. As a service that allows for simple "station pickup," it reduces CO₂ emissions and is a convenient option for users.

Furthermore, the light vehicles used in this area for collection and delivery have been replaced with electric automobiles, a first in Fukuoka. Also, three diesel vehicles used for shipments from hub centers to commercial facilities (such as JR Hakata City) and for transport to service centers within the city have been replaced with natural gas trucks.



Hakata Station delivery box



An electric automobile charging up



Hakata Ekimae 1-chome Service Center



Shijo Takakura Service Center



Tokyo Station Yaesu Exit Service Center

First company in the logistics industry to receive the "carbon-neutral"^{*1} certification

Environment Community

Sagawa Express is the first company in the logistics industry to receive the carbon-neutral certification.

Sagawa Express was selected as a trial business for carbon-neutral certification by the Ministry of the Environment in March 2012. Three service centers have worked toward obtaining certification: the Tokyo Station Yaesu Exit Service Center (Tokyo), the Shijo Takakura Service Center (Kyoto), and the Hakata Ekimae 1-chome Service Center (Fukuoka).

The selected service centers calculated their CO₂ emissions, and worked proactively to reduce them. Additionally, the approximately 70 t-CO₂ of emissions that are difficult to reduce are offset by domestic emissions credits (J-VER)^{*2} generated by Sagawa Forestry to achieve carbon-neutrality (no actual CO₂ emissions).

In recognition of these efforts, Sagawa Express has obtained carbon-neutral certification (certification #CN004-01, valid from March 21, 2014 until March 20, 2015).



Carbon-neutral certification

*1 Carbon neutralization is an effort to offset the total amount of CO₂ emissions resulting from business activities. In addition to reducing CO₂ emissions, this involves using credits to offset emissions that are difficult to reduce, resulting in total CO₂ emissions of zero.

*2 The 5,612 t-CO₂ absorbed during the two years of the SG Holdings Group Kochi/Tokushima Mountain Forest Long-term Management Project from April 1, 2008 until March 31, 2010 has been certified as domestic emissions credits.

Striving to become the world's first "carbon-neutral transportation company"

Environment Consumer Issues Community

In March 2014, SG Moving became the first company in the moving industry to start carbon-neutral transportation that has resulted in zero actual CO₂ emissions. In February 2013 SG Moving also became the first company in the industry to offer "carbon offset"^{*1} moving services. By offsetting CO₂ emitted by moving trucks with offset credits (J-VER[®]) generated by such organizations as the Kamaishi Regional Forestry Association in Iwate, users of the service can contribute to both reducing their environmental impact and supporting earthquake recovery efforts.

"Carbon-neutral transport" further deepens carbon offset moving transport and uses offset credits to offset emissions that are difficult to reduce through operator CO₂ reduction efforts, as noted in Ministry of the Environment certification criteria. SG Moving was selected as a trial business for carbon-neutral certification by the Ministry of the Environment in fiscal 2013, and is currently working to obtain certification in 2015. SG Moving plans to visualize the CO₂ emitted in all business activities related to moving transport, use J-VER etc. created in areas struck by disaster, and realize carbon-neutral operations.



*1 Carbon offsetting refers to offsetting emissions corresponding to the amount of CO₂ reduced through efforts such as investment in CO₂ reduction activities.
 *2 J-VER is a system in which the Ministry of the Environment issues and certifies credits necessary in carbon offsetting.

Activities to Popularize Eco-cars in Kyoto, in Association with "Walking city Kyoto"

Environment Consumer Issues

As a company formed in Kyoto, Sagawa Express participates in central Kyoto Clean Delivery Promotion Assembly, with the goal of reducing air pollution and preventing global warming to tackle local environmental issues. As one component of these efforts, Sagawa Express has replaced all collection and delivery vehicles in central Kyoto with natural gas trucks. Additionally, the Kyoto Fuyacho Sales Office, established in April 2014, has built a collection and delivery system using push carts, and has begun serving the area in association with the "Building a Fun Town that Prioritizes People and Public Transportation Project" promoted by Kyoto city.

Initiatives to curb CO₂ emissions

Collaborating with Corporations

Facility Logistics Initiatives

Environment Consumer Issues

With examples of their initiatives in Tokyo Skytree Town (Tokyo), Tokyo Midtown (Tokyo), JR Hakata City (Fukuoka), and Shinshizuoka Cenova (Shizuoka) acting as models, Sagawa Express and World Supply are developing a service for constructing facility logistics systems. This service works to reduce vehicle traffic around facilities and reduce CO₂ emissions. Furthermore, comprehensively managing people, objects, vehicles, and information within the building prevents suspicious people and objects from entering the building, thus enhancing security. Finally, designing detailed logistics flow routes protects walls and floors from damage, and contributes to reducing facility repair and maintenance costs.



Tokyo Skytree Town

© TOKYO-SKYTREE

Column

The Tripartite Environment Ministers Meeting Among China, Japan, and Korea (TEMM) business forum presentation

Atmospheric and oceanic environmental issues may affect Japan, China, and Korea due to our close geographical proximity. In order to discuss environmental issues on a global scale and enhance cooperation, a meeting has been held every year since 1999.

Sagawa Express presented CO₂ emissions reduction efforts taking place in the logistics industry during the 16th Tripartite Environment Ministers Meeting Among China, Japan, and Korea Business Forum held in April 2014 in Daegu, Korea. Sagawa Express introduced several examples of business activities, such as the introduction of low-emission vehicles (including with natural gas trucks), modal shift promotion, obtaining carbon neutral certification, and Environmentally-Friendly Driving that offers both economical and safe driving.



Sagawa Express Director Akira Takemura, giving a presentation

Efforts Aimed at a Recycling-oriented Society

Adoption of Eco-friendly Uniforms

Environment Consumer Issues

The SG Holdings Group is currently promoting green purchasing, and is actively purchasing products that contribute to reducing our environmental impact. As one component of these efforts, EcoMark-certified reused polyester products made from recycled plastic bottles have been adopted for Sagawa Express uniforms. During fiscal 2013 approximately 208,500 eco-friendly uniforms were manufactured. Converted into 500 ml plastic bottles, this comes to roughly 664,300 bottles.

Additionally, used uniforms that cannot be easily reused are collected at the uniform management center, crushed and pelletized at an intermediate disposal site, and recycled as blast furnace reductants for ironworks. EcoMark-certified products are also used for the cotton gloves worn by Sales Drivers. Approximately 650,000 pairs of gloves were used during fiscal 2013.



Eco-friendly uniform made from recycling materials

Manufacturing and Introducing ECO Vehicle Bodies

Environment Consumer Issues

SG Motors has developed environmentally-friendly ECO vehicle bodies and is working to deploy them as Sagawa Express collection and delivery vehicles throughout the country. By using environmentally-friendly materials for vehicles, we are putting our efforts into reducing our environmental impact.

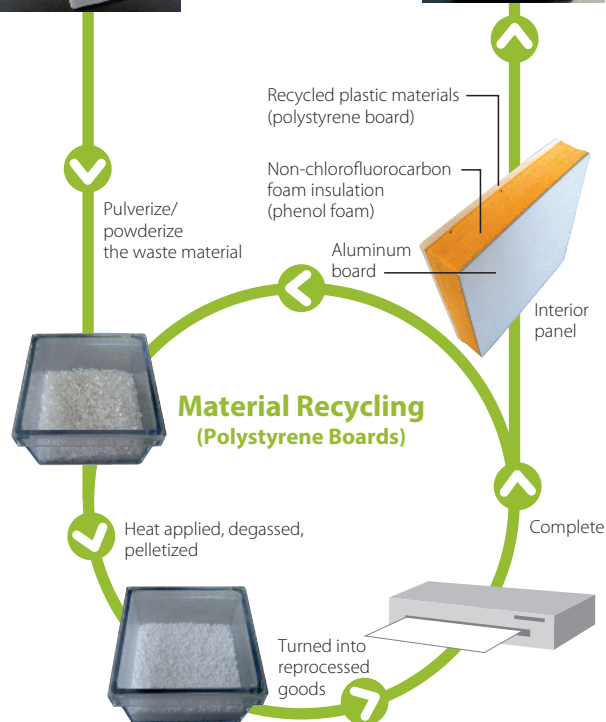
100% recycled plastic materials made from waste generated during the process of manufacturing instant noodle containers are used as the interior materials of ECO vehicle bodies. Compared with traditional vehicle bodies, the amount of wood used in these ECO vehicle bodies is greatly reduced.

During fiscal 2013, we had a total of 8,647 vehicles with ECO vehicle bodies. We have reduced the amount of wood we use by approximately 600 tons since beginning development in 2003. Besides interior materials, we are working to manufacture vehicle bodies that are environmentally-friendly, such as using non-chlorofluorocarbon foam insulation as heat insulating material and curbing the release of chlorofluorocarbon gas when disassembling vehicles.

We will continue to develop and deploy vehicle bodies that contribute to reducing our environmental impact and costs.

The process leading to an ECO vehicle body being made

Waste materials taken from instant noodle container manufacturing



Initiatives to Conserve Biodiversity

Forest Preservation Activities, Forest Experience Classroom

Environment Community

We own approximately 735 hectares of forest in Shikoku's Kochi and Tokushima Prefectures, as well as in Hachioji City (Takao), Tokyo. This is equivalent to the area of approximately 160 Tokyo Domes. Preserving these forests allows us to use them as a source for CO₂ absorption, as well as places for environmental communication and education. As one component of our forest preservation activities, we periodically restore undeveloped woodlands in cooperation with volunteers and local citizens. We also conduct forest experience classroom activities that allow children to experience nature, in collaboration with environmental incorporated non-profit organizations and educational groups.

During fiscal 2013 a total of 200 students ranging from elementary school to high school visited these forests, explored, and created wooden name plates.



Children creating nameplates

Offset Credit J-VER Certification

Environment Community

Sagawa Forests are located in Kochi and Tokushima prefectures and managed by Sagawa Forestry. They are approved as sources of greenhouse gas absorption by the Ministry of the Environment J-VER Certification Committee and have received offset credits totaling 5,612t-CO₂. SG Holdings Group is the first transport/logistics corporation group to receive offset credits.

Environmentally-friendly Golf Course

Environment Community

The Nouvelle Golf Club is an environmentally-friendly golf course.

The course was designed and built with environmental conservation in mind, from the mock railway sleeper planting enclosures made from 100% recycled plastic, to the natural and artificial lakes that feature various plants and living things.



Biodiversity-conscious golf course

Environmental Awareness Initiatives

Conducting Environmental Behaviors

Labor Practices Environment

All employees in the Group have made proactive promotion of environmental conservation activities their goal and have decided on participatory environmental behaviors, which they are conducting them daily. Beginning with energy conservation exercises in the summer and winter, employees take part in year-round activities, such as regional cleanup activities and environmental picture diary contests.

Environmental Event Exhibition

Environment Consumer Issues

In order to spread environmental awareness, the SG Holdings Group makes presentations during environmental events held by ministries and government offices, organizations, and other groups.

During fiscal 2013, we gave presentations at the Eco Life Fair 2013 in June, and Eco-Products 2013, Japan's premier environmental exhibition.



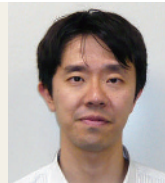
Eco-Products 2013 booth

Comment from management

Akira Takemura
Director
Sagawa Express Co., Ltd.

While the Group is pouring its efforts into reducing the environmental impact of trucks (our central means of transport), we are also developing environmental policies that focus on the entire supply chain. Keeping this in mind from the creation of our logistics system, we have been able to achieve effective results both nationally and in collaboration with local regions. In fiscal 2013 Sagawa Express was the first company in the logistics industry to obtain carbon neutral certification. In addition to efforts at reducing our service center operations, we have implemented initiatives in combination with the utilization of domestic emissions credits generated within the Group.

We will continue our efforts as an environmentally-conscious logistics company.



Comment from an expert

Mr. Yuta Okazaki
Deputy Director
Environment and Economy Division
Environmental Policy Bureau,
Ministry of the Environment

The SG Holdings Group cannot avoid the environmental impact of greenhouse gases, due to the characteristics of its business. We believe that their activities deserve some recognition as they keep this fact in mind and continue to reduce their environmental impact as much as possible.

Beginning with promoting modal shift and adopting natural gas trucks and electric automobiles, we must make note of their initiatives to incorporate options that utilize human power over motive power into the delivery system. Building a delivery system that combines both hardware measures and software policies to allow the use of these hardware measures to their fullest- in other words, the optimal transport mode in balance with our business- contributes not only to the environment but to the living environments of towns.

Sagawa Express is participating in the carbon offset and carbon neutral certification trial project run by the Ministry of the Environment. Using the offset credits (J-VER) generated by Sagawa Forestry (another company in the Group), Sagawa Express is working toward obtaining carbon neutral certification for the CO₂ emitted by the service centers in Tokyo, Kyoto, and Hakata.

We hope they will continue to promote initiatives as a leading logistics company, and will fulfill their social duties as a good corporate citizen.

Society

Community

Logistics is a part of our social infrastructure that connects people with people, and to society in general. We will contribute to society through deeper communication with our customers, employees, and local communities to benefit everyone.

Fiscal 2013 Activity Results

- (1) Improved quality by managing temperatures on the Hikyaku Cool Express and switching to new cooling boxes
- (2) Focused on information security services with the Hikyaku Security Express and the On-site Confidential Document Disposal Service
- (3) Helped to resolve social issues by providing Reverse Solutions and home appliance repair services
- (4) Focused efforts on cultivating the next generation through traffic safety classes, and the Logistics Frontline work experience event
- (5) Worked to advance health and revitalize regions through initiatives to support sports

Initiatives to Improve Customer Satisfaction

Quality improvements

Quality Improvement Initiatives

Consumer Issues

With 460 Sagawa Express sales offices having obtained the ISO9001:2008 international quality management accreditation, Sagawa Express continues to improve transport service processes.

During fiscal 2013, Sagawa Express focused on four quality KPIs for our management system: shipping freight accident rate, arrival freight accident rate, morning delivery rate, and time band service fulfillment rate.

Implementing new Hikyaku Cool Express cooling boxes

Environment

Consumer Issues

Since fiscal 2012, Sagawa Express has been introducing new cooling boxes for Hikyaku Cool Express, which specializes in collecting and delivering refrigerated and frozen goods. The possible cooling time for traditional cooling boxes was short, at six hours, so it was necessary to maintain the temperature using dry ice. New cooling boxes have a maximum cooling time of 12 hours with storage coolant alone, allowing us to reduce the amount of dry ice we use. As a result we have improved the quality of our Hikyaku Cool Express service and have seen favorable results from an environmental aspect. We have reduced the amount of dry ice we use from 5,833 tons in fiscal 2012 to 3,062 tons in fiscal 2013, and have reduced our CO₂ emissions by about 47% compared with the previous fiscal year.

Additionally, during fiscal 2013 we disposed of all six-hour type cooling boxes and have switched to our new cooling boxes nationwide, with the goal of not using dry ice in sales offices. Furthermore, we plan to complete the replacement of refrigerants and cool storage related to chlorofluorocarbon regulations by fiscal 2020.

We will continue to meet the needs of our customers as we work to further improve our transport service quality.

Report on inappropriate Hikyaku Cool Express temperature management

In November 2013, it came to light that some Hikyaku Cool Express packages were handled at an inappropriate temperature. Once again, we sincerely apologize for any trouble we caused to our customers.

Hikyaku Cool Express is a refrigerated transport service that often handles goods such as food products. We realize that decreased transport quality due to improper temperatures is a serious issue related to food safety, so we have re-inspected this service and considered corrective measures.

We will continue to improve the quality of our Hikyaku Cool Express service and regain the trust of our customers.

Primary causes:

- Insufficient management/instruction, and checking system
- Sorting errors due to misrecognition of labels displaying refrigeration/cold storage classification (care mark stickers). Wrong sticker applied or sticker forgotten
- Improper handling of packages return to warehouse when receiver not available
- Storage coolant not replaced when using old style cooling boxes (cooling duration: 6 hours)
- Old cooling boxes mistaken for new style cooling boxes (cooling duration: 12 hours)

Countermeasures that have been implemented:

- Enhanced equipment, such as replacing/reinforcing cooling boxes, introducing temporary cooling warehouses, etc.
- Care mark stickers reprinted, information on packages appropriate for Hikyaku Cool Express storage temperature ranges reinforced, rules prohibiting packages that are difficult to store cooled (packages that are large, abnormally shaped, with multiple packaging, etc.) carried out more strictly, checking of packages remaining in trucks when coming back to warehouses made more strict, operations improved such as reinforcing employee training

Care mark sticker



(As of June 2014)

SG Moving Holds 2013 Fiscal Quality Championship

Labor Practices Consumer Issues

SG Moving Held the 2013 Fiscal Quality Championship in November 2013, at the Tokyo Sports and Culture Hall.

SG Moving values service quality in its main businesses of moving and installation. We believe that it's necessary to further enhance the cultivation of specialized staff engaged in these businesses. For this reason we have held the Quality Championships since last fiscal year. Contestants compete in customer etiquette, advanced knowledge, and skills in an attempt to increase customer satisfaction by providing high quality services.



The Quality Championship



The award ceremony

World Supply's 4th MAPLE Activities

Labor Practices Consumer Issues

World Supply provides delivery agent services to department stores and large-scale retail stores, and continues to promote QC activities throughout the company. All teams, made up of World Supply employees conduct MAPLE (Make, Action, Plan, Lead, Evaluation) activities, in which they engage with improvement points they notice during their daily work activities and visualize the results. In January 2014, the fourth MAPLE Strategic Presentation was held. Out of 59 participating teams, the 14 teams who showed the most significant results gave presentations on their initiatives. Sharing best practices on operational improvements leading to work optimization and reducing time spent working is connected with overall optimization and aims to further increase quality.



Presentation participants

Improving Call Handling Quality

Labor Practices Consumer Issues

Sagawa Express is committed to improving telephone support skills. We realize that a single phone call can determine how customers regard us, and our Customer Service Section, which is responsible for call handling, is classified as "sales" along with our Sales Drivers. We therefore verify the first thing sales office operators say during phone calls, as well as their product knowledge, and are working to improve phone support awareness.

We participate in the Call Operator Contest held by the Japanese Telephone and Telegraph Users Association to improve our phone support skills. Four employees received awards during the national tournament held in November 2013.

We are also introducing IVR (Interactive Voice Response) for redelivery of packages, so that customers do not have to wait on the phone.



The contest

Original bottler vehicle FVV (For Vendor Vehicle) reaches 700 vehicles released

Consumer Issues

SG Motors has developed the FVV, an original bottler vehicle meant for soft drink manufacturers throughout the country. We have been selling the vehicle since fiscal 2012.

The FVV has been praised for its features that meet various customer needs, such as the light bodies and improvements to driver work efficiency. Over the three years since its release to market over 70 companies are using a total of 784 vehicles.



Original bottler vehicle FVV

Providing Solutions that Strengthen Trust

Hikyaku Security Express

Consumer Issues

The Security Transport Service offers increased security and confidentiality during transport, delivering personal information and valuables with security and reliability, using independently developed specialized boxes. These specialized boxes are equipped with two combination locks, and with PHS (PHS is a cellular data network system) location information terminals that allow real time location tracking of the box.



Locked with combination locks



Specialized box that allows location tracking

Document Disposal Service

Environment Consumer Issues

The types of documents for which consideration must be paid to information security, such as confidential corporate documents, are increasing. There are more and more cases where the disposal method of these documents is transitioning from traditional shredding to pulping.

In order to meet these needs, Sagawa Express offers the Hikyaku Confidential Document Recycle Express Service, which offers uniform confidential transport, from collection to disposal.

SG Moving has also introduced specialized vehicles (four-ton trucks equipped with pulping functions), and has begun the On-site Confidential Document Disposal Service - a first in the moving industry. We are able to offer treatment with a higher level of confidentiality over traditional methods by traveling directly to the customer's location and carrying out pulping on-site.

Documents treated by both companies are reduced to pulp, and instead of being disposed of are recycled into new products such as toilet paper.



SG Moving pulping vehicle (four-ton truck)

Hikyaku Special Correspondence Delivery Service

Consumer Issues

In March 2009, Sagawa Express received permission from the Ministry of Internal Affairs and Communications to participate in the delivery of special correspondence as stipulated by the Act on Correspondence Delivery by Private Business Operators. Hikyaku Special Correspondence Delivery Service handles missives, invoices, permits such as licenses, certificates such as certificates of residence and official copies of family registers, direct mail, and other correspondence. Handling volumes for fiscal 2013 were 142% compared to fiscal 2012.

We also began offering the Correspondence Collection Service for collecting applications and other documents along with our call center operation services.



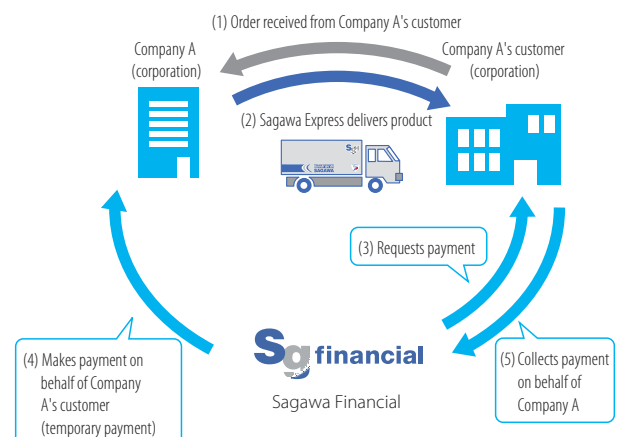
Specialized envelopes used for the Correspondence Collection Service

B2B Settlement Service

Consumer Issues

Sagawa Financial offers the Sagawa B2B Settlement Service to our corporate clients. As a service to replace selling on credit (credit purchasing), which has been the traditional means of settlement between corporations, the Sagawa B2B Settlement Service collects payments on behalf of the vendor.

Service Flow



Reverse Solutions

Corporate Risk Supporting Recalls, Recovery, and Repayment

Consumer Issues

In March 2012, Sagawa Express began offering a service to comprehensively support recalls. In addition to picking up, replacing, and refunding defective products, the service offers customer support when a problem occurs (call center), as well as many other necessary operations involved in recalls. These operations cannot allow support mistakes, and are handled using our logistics functions as well as the administrative resources, such as financial functions and call centers, offered by the SG Holdings Group.

Conducting recall operations in a timely manner not only avoids administrative risks, but is connected to carrying out the social responsibilities of corporations. We will contribute to improving the usability for our consumers by carrying out this service which follows the opposite workflow of normal logistics (delivering products to customers).



Sales Drivers pick up and replace defective products

Home Appliance Repair Service

Environment Consumer Issues

In May 2013, Sagawa Express opened the Home Appliance Repair Center, which offers 24-hour home electronics repair services. The Center offers a one-stop solution for home electronics repair, from picking up devices and repairing them, to delivery after repairs are complete. This reduces lead time to around one-fourth, and customers can receive their repaired electronics the next day if they are within metropolitan or surrounding areas.

Since beginning the service Sagawa Express had mainly been commissioned by home appliance mail-order businesses and home appliance extended warranty companies for the repair of purchased home appliances. Since last year, Sagawa Express has also been offering one-stop pickup and repair of voluntary recall products of home appliance manufacturers.

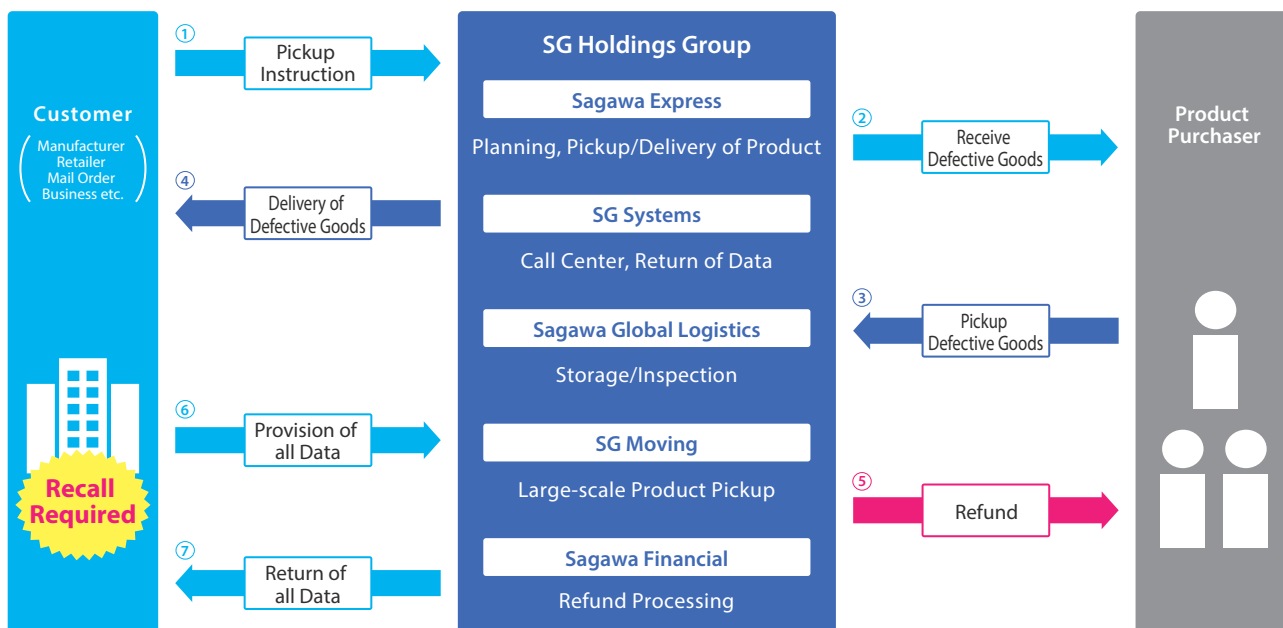
Due to the Home Appliance Recycling Act of April 2013, there is increasing awareness in society of repair options for home appliances so they need not be discarded.

In addition to meeting these social needs, this service contributes to the effective utilization of natural resources.



The Home Appliance Repair Center within the Sagawa Tokyo Logistics Center

Recall Total Service



Next Generation Education Initiatives

Holding Traffic Safety Classes

Labor Practices Consumer Issues Community

Our Sagawa Express Traffic Safety Classes are held by Sagawa employees in every region, in an attempt to protect our children, from tragic traffic accidents. Course 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. During fiscal 2013, 796 classes were held across the country, with 86,626 people participating.



Traffic safety class held in an elementary school

The Logistics Frontline Work Experience Event

Community

We cooperate in offering the Logistics Frontline work experience event to provide opportunities for children to work, and to think about careers. This event is held in cooperation with the Future Innovation Forum, an organization that cultivates the next generation of leaders and conducts activities to increase the potential of children, and allows participants to study the latest package sorting equipment or experience collection and delivery work at the Sagawa Tokyo Logistics Center.

In addition to learning how logistics works, participants are also able to work, learn about careers, exchange business cards with Group executives, and take part in question and answer sessions. We will continue to contribute to the cultivation of the next generation.



Participants can try out collection and delivery bicycles and sorting work

Educational Activities: the Sagawa Kids Museum

Community

The Sagawa Art Museum holds two workshop events in the summer and winter: the Summer Festa and the Christmas Festa. These events offer parents and children the opportunity to experience the joy of interacting with the arts together.

Since fiscal 2008, we have held Art Appreciation of Workshops in collaboration with public elementary schools in Moriyama City, Shiga Prefecture, in which participants can learn about art appreciation etiquette and works of art, and can participate in creating sand art. 934 fourth grade school children from the city visited the Sagawa Art Museum during fiscal 2013.

During the fifth Children's Art Contest, we collected as many as 1,000 works of art from young artists who could become the next generation of master artists, and in February 2014 held the 5th Children's Art Contest Excellence Exhibition in a special exhibition hall.

We hope that we can continue to contribute to cultivating the emotional development of children so as to create an abundant sense of expression and sensitivity.



Works of art from children all over the country

Learning about Nature through Experience

Environment Community

Since fiscal 2007 we have been conducting nature experience learning activities focusing on rice cultivation experiences in rice fields in Moriyama City, Shiga Prefecture, to help children realize the bounty of nature, the importance of food, and learn about the vibrant ecosystem living in rice fields. Group employees, their families, and local citizens experience traditional methods of making rice, such as planting, harvesting, and drying the rice on racks.



Rice harvesting

Initiatives Supporting Sports

Club Activities

Community

To encourage sporting events for 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. Supporting employee athletes encourages participation in sports. At the same time, when people cheer on their top-level athlete coworkers it contributes to a sense of company loyalty.

We will continue to design and implement new plans so that our track-and-field team can train to win the New Year Ekiden, and our softball team can reach the top of the Japanese Women's League Division 1.



Softball team



Track-and-field team

Connecting with Regions through Sports

Community

Our track-and-field team is sent out to teach schoolchildren ranging from elementary school to high school students and assist in athlete lectures, in collaboration with industries and universities. We plan to further deepen our communication with local citizens through track-and-field.

Our softball team held four classes in fiscal 2013 and taught 520 elementary school students and middle school students the joy of softball.

We will continue to maintain connections with our community through sports.



Track-and-field class and softball course

Comment from management

Yasuji Ioka

Executive Officer, General Manager of Business Promotion Department
SG Holdings Co., Ltd.

In order to bring even more satisfaction to our customers through our main businesses, the SG Holdings Group is improving our product and service quality. In addition to promoting our original quality management system, we are working toward creating value in new logistics fields that meet the needs of our customers, such as recall, product pickup, and refund services. Furthermore, we continue to contribute to overall social development through next generation education (such as work experience and company-owned forest events), sports activities, foundation activities, and more. We believe we can contribute to further improving the future of society using the combined resources of our Group.



Comment from an expert

Professor Nobuyoshi Ohmuro
Associate Professor
Faculty of Business Administration, Kyoto Sangyo University

I have confirmed three points in the relationship between SG Holdings and society: initiatives to improve customer satisfaction in various ways, efforts toward cultivating the next generation, and supporting sports initiatives. They show their level of engagement in CSR activities as though they were just part of everyday routine, and I am impressed that they do this without regard for outside evaluation. Their Reverse Solution is a particularly excellent initiative for society that combines customer satisfaction and the strengths of corporations. They have also responded accordingly to issues with inappropriate Hikyaku Cool Express temperature management and have released a report. I would like them to reveal the results of initiatives for these issues from the next fiscal year. On the other hand, while initiatives such as customer service are mainly for corporations, packages are collected by people, so attention should be focused more on communication with individual consumers. In this respect I would like them to engage with even better initiatives.

Employees

We believe that respecting each employee and providing a work environment in which they can continue to work long-term, and according to their individual lifestyles regardless of gender or age, are corporate strategies to secure excellent human resources for the future.

Fiscal 2013 Activity Results

- (1) Conducted an employee attitude survey with the goal of increasing employee satisfaction, as one component of stakeholder management
- (2) Implemented an open application system for Overseas Training Tours, and revised the content as a global human resources cultivation program
- (3) Conducted personnel vision acceptance training in order to change employee actions, awareness, and values, and to put all Group companies on the same track
- (4) Established life support functions, such as introducing a defined contribution pension plan and renewing the benefits package website
- (5) Held the Women's Career Support Forum and WakuWaku Awards as a way of promoting the activities of female employees

Human Affairs/Human Resources Initiatives

Basic Philosophy

Personnel Vision

Organization Governance Labor Practices

The SG Holdings Group established our personnel vision in 2012, so that all employees of the SG Holdings Group can act independently and make the best use of their abilities and individuality. Our personnel vision clarifies our organizational culture and the various ways of working, necessary to cultivate human resources, and communicates the importance of each employee acting independently. Furthermore, since 2013, GMs (Group Managers*) were given the task of promoting improved communication activities, and we began activities to communicate these new values to all employees. We believe that creating a corporate culture in which each employee is aware of issues and works toward innovation will lead to business growth.

* Division manager-level employees.

SG Holdings Group Shared Human Resources System

Organization Governance Labor Practices

SG Holdings Group implemented a Group Human Resources System as a shared system in September 2012, in which human resources can be managed efficiently by the Group in a cross-sectoral manner. Humans are responsible for the Group's sustainable growth. Combined with the efficient deployment 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.

[System Points]

1. Role-based system
2. M/A (Manager, Associate) promotion screening system
3. GM (Group Manager) human resources system
4. GS (Group Staff) ability development system
5. Rotation system

Personnel Vision



Shining Individuality

Each individual strives to develop their personal abilities and then polishes them to shine brighter.

A Connected Mentality

All employees have the same mind and achieve unity. We want employees to always remember the "Hikyaku" spirit, which is the cornerstone of our founding, and progress to a new future.

Widening World

We will broaden horizons and potential by connecting various personalities. Then, we want employees to create new value that can be used worldwide, not just within Japan.

Human Resources Cultivation

Overseas Training Tours

Human Rights Labor Practices

SG Holdings Group has conducted overseas training visits since 1979. In fiscal 2013, we introduced activities such as local corporate observation and group work, and have renewed our training content to focus on global personnel resources in order to cultivate the next generation of excellent human resources. At the same time, we have changed the selection method for trainees to open application, and are transforming the Group into a place for those with a strong will to grow along with the rapidly expanding Asian market and study hard. We will continue to cultivate global human resources who will contribute to expanding our businesses.

Employee Award System

Labor Practices

Each year the SG Holdings Group holds the Employee Excellence Awards in the form of the SG Holdings Group Award Ceremony, in which Group employees who have delivered superior results are recognized. Recognizing employees who have significantly contributed to organizational profits and growth during this award ceremony increases motivation and spreads efforts and knowledge throughout the Group. Our goal is to use this as a model to bring about even better results and improve quality. In fiscal 2013 we shared information on the efforts and results of outstanding employees, and conducted an award ceremony to which we invited the families of award winners.

Initiatives to Promote Diversity

Promoting the activities of female employees

Human Rights Labor Practices

To promote the activities of female employees within the SG Holdings Group we actively continue to expand job categories for female employees and recruit more women into management roles. In addition to establishing an environment in which women can work comfortably in terms of both systems and culture, we are taking initiatives to promote career progression for our female employees.



Women's Career Support Forum

In fiscal 2013 we held the Women's Career Support Forum. In May 2014 we held the WakuWaku Awards (P.15) in order to award women who took a leading role in operations contributing to increased business and results.

Employing People with Disabilities

Human Rights Labor Practices

The SG Holdings Group actively promotes the employment of people with disabilities. We continue to promote improvements that allow both those with disabilities and those without, to exercise their individuality and expertise and to work in a lively manner.

Pleasant Workplace Environment

Employee Satisfaction Survey

Human Rights Labor Practices

The SG Holdings Group has conducted employee attitude surveys since fiscal 2013, with the goal of understanding Group employee attitudes, identifying issues, and making improvements. Specifically, we conduct web-based questionnaires for Group employees, carry out analysis based on replies, and provide feedback on the results throughout the entire Group. We then take initiatives toward improving possible issues in each area based on these results. We will continue to improve the quality of our products and services, and realize the creation of a positive growth cycle connected with increasing customer satisfaction by incorporating the opinions of our stakeholder employees into management.

Preventing Harassment

Human Rights Labor Practices

Each year between June 1 and June 30 the SG Holdings Group holds Harassment Prevention Month. During this period the Group engages in harassment prevention activities, with the main goals of respecting the diversity, character, and individuality of all employees, and promoting the creation of a bright workplace environment in which employees are not subject to harassment but instead are able to feel hope and ambition toward the future. All employees participate in Group initiatives such as displaying posters, teaching via videos and written material, and voluntary inspections of workplaces, and work toward creating a considerate workplace that is pleasant for all employees.

Life Support/Work-Life Balance Initiatives

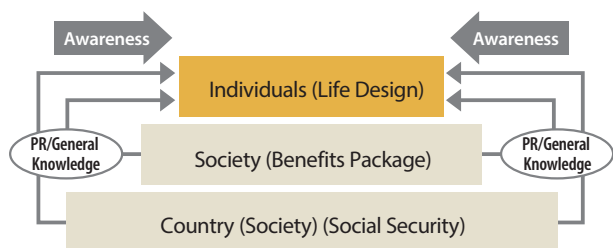
Creation of Life Support Functions

Human Rights Labor Practices

The SG Holdings Group has established life support functions in order to improve job and employee satisfaction. We support our employees in coming up with favorable life designs by expanding benefits programs, offering PR and general knowledge that provides beneficial life information, and offering public awareness so that employees can learn how to make best use of it.

We are constructing an environment which promotes individual employee growth and allows them to perform at their full potential by enhancing benefit package policies with a focus on life support functions. We also offer a benefits package website called "Famalink" that allows employees and their families to obtain information about the benefits packages.

Life Support Functions Diagram



Comment from management

Hiroyuki Urushizaki
Director
SG Holdings Co., Ltd.

With over 70,000 employees across all companies in the Group, people are at the heart of SG Holdings Group's businesses. While utilizing the characteristics of each region and corporation, we continue to provide workplace environments that are pleasant for our employees to work in. In particular, we are working to improve quality and create businesses that take advantage of the unique traits of women through the WakuWaku Women's Project, an initiative to leverage the ability of our female employees.

As the birth rate declines and the population ages, corporations are under increasing pressure to revise their personnel strategies. We intend to become a group that can offer work-life balance initiatives, work styles that suit the lifestyles of our employees, as well as a pleasant and diverse work environment.

Holding Mandatory Retirement Seminars

Human Rights Labor Practices

The SG Holdings Group held Mandatory Retirement Preparation Seminars in Tokyo, Osaka, and four other locations across the country for employees who are preparing to retire during the next fiscal year. During fiscal 2013, 152 employees participated. The seminars featured topics retirees will face, such as retirement procedures, continued employment, financial planning (pensions, retirement pay, taxes, etc.), and health. The SG Holdings Group is working hard to help employees imagine their lives after retirement, and to resolve any issues.

Mental Healthcare Initiatives

Human Rights Labor Practices

The SG Holdings Group continues to promote mental health measures in order to maintain and improve the mental health of employees and their families. We established SG Holdings Group Health Dial 24, a means of contacting specialized institutions for consultation. It is available 24 hours a day by Internet and toll-free telephone. In fiscal 2011, SG Holdings and other companies introduced a mental health program and are currently offering self-check and education programs. We will continue to work to prevent mental health problems.



Comment from an expert

Professor Hiroshi Ishida
Visiting Professor, Graduate School of Economics, Kyushu University
Executive Director
Caux Round Table - Japan

One employee issue worth noting in the logistics industry is disparity in workplace environments, in particular working hours, work safety, and treatment of employees. Of these, I would like to point out how progressive their initiatives supporting the activities of female employees are, in an industry that often tends to be male-oriented. I hope for activities that are aware of diversity on a wider scale, such as the treatment of people with disabilities and elderly employees.

On the other hand, due to the severe ups and downs of the logistics industry, it is necessary to manage possible long working hours during busy periods. I look forward to seeing the Group continue to set and implement concrete and clear policies to address this.

Additionally, expanding globally with a focus on Asia requires a higher level of response when it comes to these issues - that is, business and human rights. While this is a topic many Japanese companies have not yet begun to engage with, looked at another way, this is an opportunity to gain social trust before anyone else. I'm looking forward to seeing the activities of the SG Holdings Group.

Management

We will strive for lean and speedy management, as well as engage in efforts to enhance governance and establish a risk management system.

Corporate Governance

Corporate Governance System

Organization Governance

The SG Holdings Group strives 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.

Since fiscal 2012, we have 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.

Board of Directors

Manages business by making decisions and reporting on important matters such as budgetary control.
Oversees the business management of each director.
Holds regular monthly board meetings.

Board of Auditors

Audits the legality and validity (enhances corporate governance and management regulations) of the business management of directors, by participating in board meetings and other important meetings.
The Board of Auditors is composed of four individuals.

Management Strategies Meetings

Administration Department Directors' Meetings

Directs and shares important matters such as Group management strategies and policies; confirms the status of resulting business strategies, policies, management, and controls; and discusses topics such as policies and countermeasures.

Management and Administration Enhancement Committee

Promotes and monitors initiatives for enhancing management controls such as internal controls.

Risk Management System Maintenance

Organization Governance

In order to create a framework in which business risks that have a serious effect on management 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.

During fiscal 2013 we drafted a BCP (Business Continuity Plan) and established a BCM (Business Continuity Management) system in order to minimize business interruptions during emergencies.

We will continue to build and enhance systems in preparation for various risks.

Risk Management Meetings

Determines risk management regulations in order to minimize losses resulting from risks, and comprehensively manages risks across all companies.
Establishes a group risk management system that cross-sectionally deals with various risks that could have a serious impact on management.
Composed of the risk management managers and supervisors of the company, as well as the representative directors of each company.
Held monthly.

Investment Review Committee

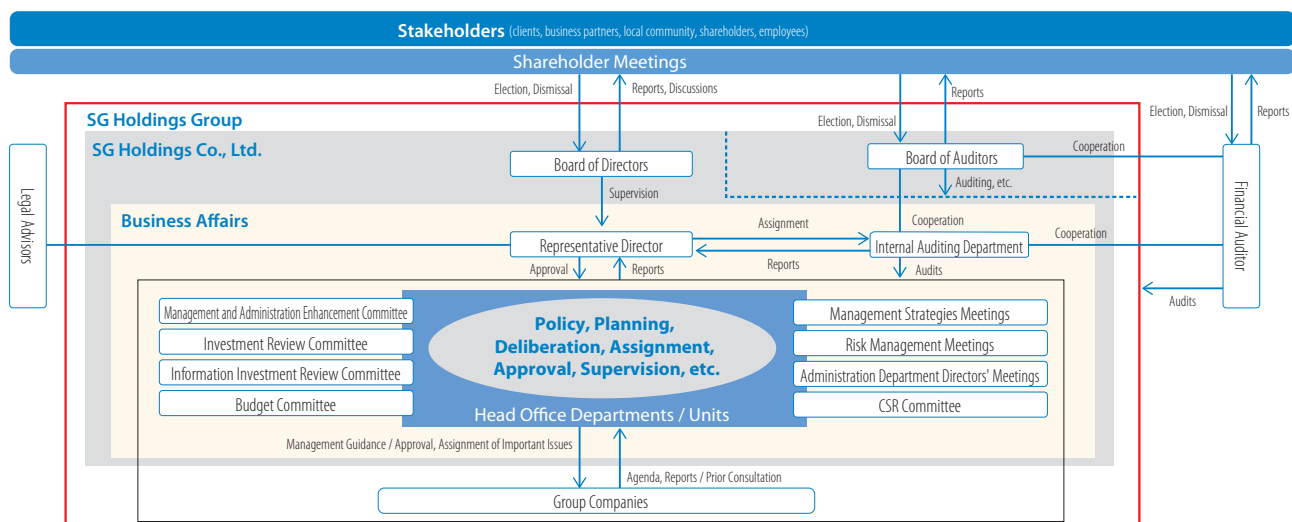
Information Investment Review Committee

Determines validity of investments based on their compatibility with Group management strategies, necessity, investment results, and risk awareness. Also verifies the status and results after investments have been made.

CSR Committee

Carefully considers important planned CSR activities, creates management systems, and promotes continuous improvement activities.

Corporate Governance System



Stakeholder Management and Fundamental CSR Concept

Organization Governance Fair Business Practices

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 that enable us to grow as a business together with society in a sustainable manner. In addition to enforcing compliance and risk management, we provide benefits between society and corporations by contributing to society through our business activities as a means of running the Group in a way that meets the expectations of all of our stakeholders, such as customers, business partners, local communities, shareholders, and employees. Carrying out our corporate social responsibility in this way is the basic policy of the entire Group.

SG Holdings Group's CSR activities are based on 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 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



CSR Committee

Compliance

Basic Internal Control Policy

Organization Governance Fair Business Practices

We make sure that our internal controls function effectively, and 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 for the 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. Sagawa Express provides explanations of internal control-related documents to the heads of each branch office and each sales office, while also maintaining and evaluating internal controls for the Sagawa Express headquarters and each branch office.

Basic internal control policy items

1. Systems for ensuring that director's and employee's duties are compliant with laws, ordinances, and company statutes
2. Systems related to the storage and management of information concerning director's duties
3. Other systems for regulations concerning the management of loss risks
4. Systems for ensuring that director's duties are executed efficiently
5. Systems for ensuring the suitability of the duties of corporate groups made from applicable public corporations, and from their parent and subsidiary companies
6. Items related to applicable employees when auditors place said employees in positions that must be supported
7. Items related to the independence of said employees from directors
8. Systems for directors and employees to report to auditors, and other systems for reporting to auditors
9. Other systems for ensuring that auditors are inspecting efficiently

Strengthening the Compliance System

Organization Governance Fair Business Practices

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 Code of Ethics and Conduct.

We will continue to promote initiatives as pillars supporting the internal controls of the entire Group.

Enforcing Fair-trade

Conducting Ethical Code of Conduct Training

Organization Governance Labor Practices Fair Business Practices

The SG Holdings Group trains all employees on ethics and behavioral standards, under the assumption that Group business activities have an effect not only on certain customers, but on society as a whole. This training is conducted not only for employees of all Group companies, but for temporary workers, and everyone at Sagawa Express involved in collection and delivery. Our goal is to raise the ethical standards of the Group by enhancing the humanity (character building) of our employees, and developing a wide variety of knowledge, skills, and ethical viewpoints (moral framework). During morning meetings and other meetings, employees read through the SG Holdings Group Code of Ethics and Conduct to spread awareness. Activity results are managed through training records, and we attempt to accurately share this information with all employees.

We will continue to aim for an even deeper sense of awareness in all employees, for the ethics and manners of each employee to align with those of the Company, and to increase the quality of our services.

Cutting Relationships with Antisocial Forces

Organization Governance Fair Business Practices

The basic policy of the SG Holdings Group is to cut any ties with antisocial forces in order to take a firm stance against such groups that endanger the order or safety of civil society. This policy is found in our basic internal control policy and Corporate Charter of Business Conduct. The same policy is also defined in our Code of Ethics and Conduct, so that all employees can understand it thoroughly. As an example of one activity, the staff in charge of undue request prevention in each Group company takes a central role in conducting fact-finding surveys on whether auditors assigned to our business partners or employees receive inappropriate requests.

We will continue to develop the system, thoroughly share information on antisocial forces and our response, and prevent or block those who would interfere with our business partners and others.

Information Security

Information Security in Corporate Social Responsibility

Consumer Issues

Sagawa Express considers information assets (information and information systems) to be important management resources for fulfilling our corporate social responsibilities, conducting business continuity, preserving information security, as well as ensuring business stability, efficiency, and trust. We have defined basic information management policies and continue to strengthen information security to enhance preservation of information assets, minimize risk, and reduce losses when a risk actually occurs.

Obtaining ISO27001

Consumer Issues

Sagawa Express (Sales Department, Sales Section and Reverse Solutions Section) has obtained the international ISO27001:2005 information security management system certification, in order to meet our customers' needs and improve user-friendliness by providing services that require high levels of information security.



Protection of Intellectual Property

Fair Business Practices Consumer Issues Community

We protect the intellectual property rights of the Group to maintain the health of our business activities, manage our intellectual property rights, and spread knowledge and awareness so that the intellectual property rights of other parties are not infringed upon.

Our initiatives for protecting the intellectual property of the Group include acquiring rights for the intellectual property of each company in the Group, and maintaining control of our intellectual property rights. We regularly confirm the intellectual property rights of other parties to avoid intellectual property right infringement, and share this information with relevant divisions and send out awareness messages.

We also spread knowledge and awareness of these activities throughout the entire Group. The SG Holdings Code of Ethics and Conduct includes a basic intellectual property policy as one part of "Management of Corporate Property and Information."

We will continue to appropriately manage intellectual property.

Foundation Activities

The SG Holdings Group has established incorporated foundations and continues to conduct various activities to contribute widely to the public good.

Sagawa Foreign Students' Scholarship Foundation

Community

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

As a way to contribute to friendly relations with Southeast Asian countries, the Sagawa Foreign Students' Scholarship Foundation provides scholarships to students from Southeast Asia to attend Japanese universities. We want scholarship students to have a fulfilling and positive experience studying in Japan, so we are engaged in activities that offer mental and spiritual support in addition to financial support.

During fiscal 2013, 109 students from 87 universities all over the country applied, of which 16 applicants were selected as our 28th term scholarship students. During the selection certificate award ceremony held in November 2013, Eiichi Kuriwada (Foundation Director) stated, "I hope that you will gain a better understanding of Japan through interacting with Japanese people and experiencing Japanese culture and society. I am looking forward to you flourishing as citizens of the world." Kham Tipmart (in the second grade of the doctoral course, Graduate School of Niigata University), an exchange student from Myanmar who represented the scholarship students, responded that "I would like to acquire knowledge and experience in Japan, return home, and contribute to Myanmar's economic development."

During the network event, thirty-five 28th term scholarship students and graduates experienced Japanese culture, art, and hospitality.



28th Graduating Class Award Ceremony



Kham Tipmart speaking of her aspirations

Sagawa International Economic Cooperation Foundation

Community

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

The Sagawa International Economic Cooperation Foundation donates transport vehicles and accepts trainees to study vehicle maintenance skills to improve and develop emergent nations in Asia. In fiscal 2013 the Foundation donated four used trucks as a means of economic assistance. The Foundation accepted five trainees from China and five trainees from Laos for vehicle maintenance skill training.

Beginning in fiscal 2015, we will survey needs in other countries and continue to promote activities that suit the environments of the areas we assist.

■ Results of accepting trainees for vehicle maintenance skill training (cumulative)

China: 157 trainees, Laos: 23 trainees

■ Results of donating repaired used trucks (cumulative total)

China: 3,000 vehicles
 Mongolia: 102 vehicles
 Peru: 150 vehicles
 Laos: 62 vehicles
 Malawi: 2 vehicles
 Total: 3,316 vehicles



Trucks donated to Laos



Speech by a vehicle maintenance skill trainee

Sagawa Foundation for Promotion of Cancer Research

Community

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

To contribute to improvements in medical welfare, the Sagawa Foundation for Promotion of Cancer Research supports research and development efforts related to basic cancer studies and applied treatments. It offers research grants and awards for basic studies and applied treatments to promising cancer researchers, holds cancer related lectures/citizen courses, and publishes a report on research results.

In fiscal 2013, we nominated research eligible for the 25th Sagawa Cancer Research Support, and selected winners of the 11th Sagawa Special Award and the Sagawa Nursing Care Special Award.

■ Sagawa Cancer Research Support

The Foundation reviewed 183 applications received from research institutions nationwide.

The Foundation awarded research funds of one million yen each to fourteen research projects, including to Professor Atsushi Kaneda (Department of Molecular Oncology, Graduate School of Medicine, Chiba University), for his "Basic Research Toward Molecular Target Treatment of High Expression of EZH2 in Pulmonary Small Cell Carcinoma".

■ Sagawa Special Award and the Sagawa Nursing Care Special Award

The foundation awarded a prize of five million yen each to the two recipients of the Sagawa Special Award

The foundation awarded a prize of one million yen each to the two recipients of the Sagawa Nursing Care Special Award

■ Held our 12th Public Lecture, "Radiant Life"

The lecture was held in February 2014 in the Yomiuri Hall (Yurakucho, Tokyo)



25th Award Ceremony



12th Public Lecture

Sagawa Art Museum Public Interest Foundation

Community

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

The Sagawa Art Museum exists to cultivate creativity and develop culture in citizens through the holding public exhibitions of works of art and handicrafts. The Museum also works to collect, store, and research works of art, as well as to promote activities to spread education with the goal of widely contributing to social creativity as a space for the transmission of cultural exchange.

The Museum also holds specially planned art exhibitions, focusing on permanent exhibitions of the works of Ikuo Hirayama, Churyo Sato, and Kichizaemon Raku. The Museum also promotes education through events such as Sagawa Kids Museum (p. 34) and concerts, to cultivate aesthetic sensibility that creates abundant senses of expression and sensitivity.

We will continue to further open the Museum as a place for cultural communication with regional communities.

■ Specially planned exhibitions

The Tale of Genji as Drawn by Hiroshi Senju: Gazing at the Heian Dynasty Sky
Mitsumasa Anno Exhibition: Anno's Work
Ikuo Hirayama Exhibition: Silk Road & Eternal Journey
Kichizaemon X: Dyeing & Weaving by Michiko Uehara, Pottery & Tea Containers by Kichizaemon Raku, Silk Tea Pouches by Hanshiro Tsuchida

■ Events

Lobby concerts, twilight concerts, exhibition commemorative talks, Seiro tea ceremony, Kanro tea ceremony, exhibition commemorative tea ceremonies

■ Main educational activities

- Sagawa Kids Museum 2013
17 workshops
Participants: 1,198
- Collaborative classes with Moriyama City Board of Education
Art appreciation class in nine public elementary schools in the city
Participating children: 934
- 5th Children's Art Contest and Excellence Exhibition



Sagawa Art Museum exterior



Art appreciation class

International Group Company Business and CSR Activities

The SG Holdings Group continues to increase convenience for our stakeholders and solve social issues through our international businesses and services.

Recent Main International Business Developments

- June 2012: International business headquarters, SG Holdings Global Pte. Ltd. established
- July 2012: Obtained 26% of shares in Sindhu Cargo Services Pte. Ltd., an Indian logistics company
- May 2013: Obtained 90% of shares in Ameroid Logistics(s) Pte. Ltd., a Singaporean logistics company; Ameroid becomes a subsidiary
- March 2014: SG Sagawa USA, Inc. (located in outskirts of Los Angeles, USA) begins business
- June 2014: Obtained majority of shares in Expolanka Holdings Plc, a Sri Lankan logistics company; Expolanka becomes a subsidiary

SG Sagawa USA Begins Service

Utilizing our global network to assist in mail-order that crosses borders from the USA to Japan



SG Sagawa USA, Inc. (headquartered in California), our local subsidiary in the USA, opened for business in March 2014. While the Group includes a local subsidiary in Hawaii, this is our first site on the mainland.

In response to increasing international transportation as e-commerce becomes globalized, we will utilize the Sagawa Express network within Japan to offer transport services from the USA to Japan for Internet e-commerce businesses in the USA, and work to continuously expand the scale of this business. Beginning with package collection in the Los

Angeles area, we will investigate opening up sales offices in other cities and states in the future. We are also setting our sights on expanding delivery outside of Japan and into other regions in Asia.

Trade name: SG Sagawa USA, Inc.
Established: November 2013
Headquarters: 16927 S.Main St., Unit A, Gardena, CA 90248
Director & CEO: Tomonari Niimoto
Capital: 1 million US Dollars

Small-lot Consolidated Service* Started between Industrial Parks in and around Bangkok



Sagawa Express Thai Container Distribution Service Co., Ltd., our local subsidiary in Thailand, began offering small-lot transportation services in January 2014 to meet the small-lot freight transportation needs of our customers, focusing on Japanese factories expanding into Thailand and industrial parks in and around Bangkok. With a particular focus on next-day delivery, we offer services with the same quality as in Japan, such as freight tracking, payment on delivery, and receipt return in Thailand, which does not have as robust a small quantity freight transport network. These services allow us to offer the inexpensive and reliable next-day delivery our customers require.

* Small-lot consolidation service: Consolidated freight transport service in which small-lot freight is collected from multiple customers, loaded onto a single truck, and delivered.

Trade name: Sagawa Express Thai Container Distribution Service Co., Ltd.
Established: June 1989
Headquarters: 138 Moo 5 Tiwanond Road, Tambol Bangkadi, Amphoe Muang, Pathumthani 12000 Thailand
Representative Director and President: Makoto Arai
Capital: 103 million Thai Bahts

Sagawa Express Thai Container Distribution Service Co., Ltd.



● **NONTHAPOON orphanage charity drive**

A donation box is always available at headquarters. Funds donated by employees are collected annually, and donated to orphanages. This year we were able to donate 10,000 Thai Bahts (about 32,000 yen).



Presenting donations

Sagawa Express Philippines, Inc.



● **Assistance for disaster victims**

We donated funds (disaster victim rehabilitation assistance) through the Philippine Red Cross to regions affected by Yolanda, a major typhoon that struck in November 2013.

● **Support for orphanages**

We have donated computers to children in educational foundation institutions managed by priests, and donated encyclopedias to libraries.



Support activity

Sagawa Express Vietnam Co., Ltd.



● **Communication among employees through sports**

We support the sporting activities of soccer and badminton fans. Sporting activities refresh the mind and body, and stimulate communication among employees.



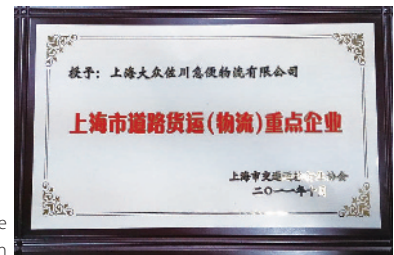
Supporting the sporting activities of employees

Shanghai Dazhong Sagawa Logistics Co., Ltd.



● **Recognized as an important road freight (logistics) company in Shanghai**

In October 2011, Shanghai Dazhong Sagawa Logistics Co., Ltd. was recognized as an important road freight (logistics) company in Shanghai by the Shanghai Traffic Transportation Business Committee, which falls under the Shanghai Transportation Bureau. This organization proposes and authorizes how logistics and transport contribute to Shanghai and its people, and authorizes proposals for in-building delivery and cooperative delivery. Our proposal for vehicles that are environmentally friendly was recognized again in 2013.



Certificate from the association

● **Cleaning activities on Future Island (Taopu)**

In October 2013 we cleaned around the company grounds (Future Island (Taopu)). We participate in this activity twice per year, and this year 20 employees took part and were able to deepen their connection with local people.



Local employees cleaning

Topic

Female-employee Activity

Initiatives at Wuxi Feisu Logistics Information Technology Co., Ltd.

More and more women are being appointed to sales and management positions in Chinese corporations. However, there are few Japanese women working in Japanese corporations abroad. Female staff are dispatched to the SG Systems international subsidiary Hisoku* for this very reason. In addition to mastering Chinese, growing accustomed to China, and building our sales network, they help strengthen the system from a management point of view. While there are relatively few women in the systems industry, 70% of our local employees are women.

The SG Holdings Group will continue to promote the same female employee activity initiatives in our international locations.

* Hisoku: Established in Jiagsu, China, in July 2011, this is the first international SG Systems subsidiary. The official name of the company is Wuxi Feisu Logistics Information Technology Co., Ltd. The company mainly deals with off shore development for Japan and logistics-related system development for Japanese corporations in China.

SG Holdings Group

Third party Opinions Regarding "CSR Report 2014"

<Positively-rated Aspects>

Overall, I feel that this is a good CSR report that clearly reflects the corporate philosophies of the SG Holdings Group: "Trust: earn the trust of customers and society and grow together," "Create: create new value, contributing to social development," and "Challenge: always take on the challenges presented to us, pursuing all possibilities." The report includes many honest opinions from stakeholders such as employees, and really shows the character of the Group.

Fiscal 2013 was the start of the new mid-term management plan for the SG Holdings Group, called the Third Stage Plan. The Group has succeeded in creating and challenging various things based on an awareness of their responsibility for logistics, which is an important part of the infrastructure of society. However, as mentioned in the Message from the Chairman and President, the Group is taking advantage of synergy and moving away from merely transporting things toward activities that provide solutions that meet the needs of their customers, based on their Third Stage Plan this fiscal year. I rate the Group highly as they continue to consider the value they can provide to society and people, even as times change - in other words, taking a corporate stance that keeps CSR in mind as they pursue their core businesses.

While the Group places safety at the forefront of its businesses and continues to conduct numerous safety initiatives such as the Driver Contest and Environmentally-Friendly Driving, I would like to draw attention to the Safe Driving Training Service that Sagawa Express (p. 22) began to offer this fiscal year. This safe driving training program is based on their considerable knowledge and experience. I believe that providing it to other corporations will help create a safe driving society.

Due to the nature of their business, the SG Holdings Group cannot avoid engaging in environmental initiatives. Their continually motivated corporate stance on reducing their burden on the global environment can easily be seen in such examples as increasing the number of natural gas trucks they own to approximately 4,000 vehicles this fiscal year (p. 23), and their efforts to become the first company in the logistics industry to obtain carbon-neutral certification (p. 26). The facilities logistics service for large-scale facilities (p. 27) provided by Sagawa Express and World Supply is one example of a solution the Group provides to other corporations. I believe this is a good example of core business CSR that curbs CO₂ emissions by alleviating traffic around facilities.

As for management, I am impressed with their creation of a business continuity management (BCM) system, as mentioned in special feature article 1 (p. 10 to 13). During this fiscal year, Sagawa Express was selected as a designated public institution, as defined by the Disaster Countermeasure Basic Act. It goes without saying that the transport of emergency materials requires not only transport technologies, but logistics technologies such as sorting and storage. However, it is also necessary to establish an information network to share information on where materials are and in what quantity, and how much of what materials are required in which location. I hope that the SG Holdings Group will build this information system in collaboration with concerned government agencies, and will function effectively as a social infrastructure not only for their customers, but for all of Japan.

<Future Requests>

It will be necessary to introduce the PDCA cycle to suitably and continuously improve their CSR activities. I would like the SG Holdings Group to include an action plan that shows a list of the goals, details, terms, target values, and degree of attainment for the main CSR activities that the SG Holdings Group is involved in.

Special feature article 2 (p. 14 to 15) introduces policies intended to promote the activity of female employees. Setting the goal of having female employees responsible for 30% of business revenue and initiatives leading to the creation of new businesses shows the degree to which the SG Holdings Group understands diversity management. I would like to see the Group expand these initiatives next fiscal year to the elderly, people with disabilities, and people from other countries.



Mika Takaoka
Professor, College of Business,
Department of business,
Rikkyo University

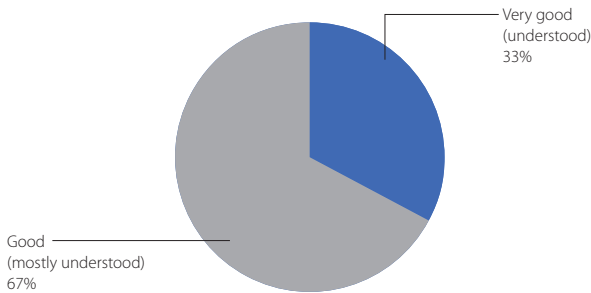
CSR Report 2013 Questionnaire Summary Results

We would like to thank everyone for sending us their opinions on our CSR Report 2013 through the questionnaire form on our website, and the questionnaire sheet included with the printed version of the report. Below are the results.

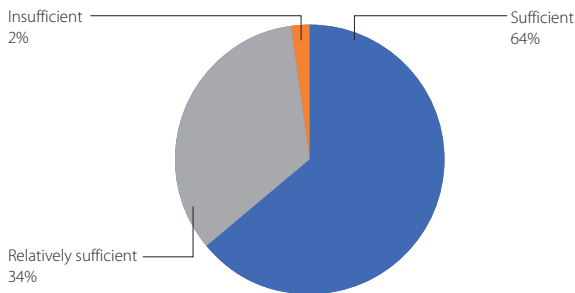
Also, we are currently administering a questionnaire for CSR Report 2014. We would appreciate your cooperation.

How did you feel about this report?

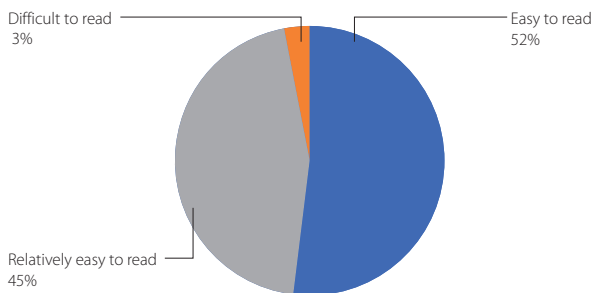
Overall rating



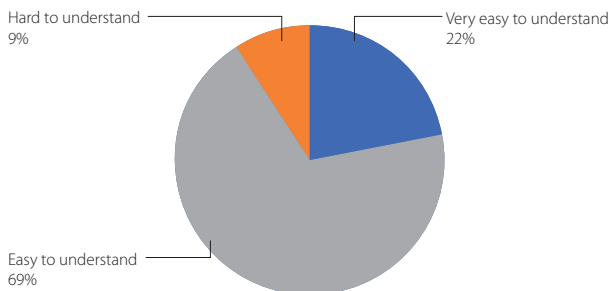
Please tell us how you felt about the amount of information in the report



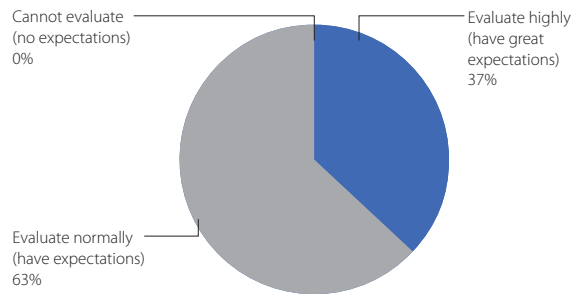
Please tell us how you felt about how easy the report was to read



Please tell us how you felt about how easy the report was to understand



How do you feel about our CSR activities?



Please tell us the topic you found most interesting.

(This includes multiple answers, so only the top 5 out of 12 are noted here.)

- 1 Special issue 1: Continue functioning as a logistics group that our customers can trust, by bringing together the thoughts and abilities of each individual
- 2 Special issue 3: Striving to provide service that meets the needs of our customers and a changing society
- 3 Support activities for areas affected by the Great East Japan Earthquake
- 4 Special issue 2: Ways SG Holdings Group can contribute to the creation of an eco-friendly city
- 5 SG Holdings Group business outline: Connecting People, Society, and the Future

Main opinions

- I felt your sense of responsibility toward the safety of society (Driver Contest, traffic safety, etc.)
- I was very interested in the introduction of natural gas trucks and participation in the solar power generation business in order to reduce CO₂
- This is the first I have heard about such services as facility logistics in Tokyo Skytree and other buildings and 24-hour phone support.

Please tell us about yourself

Customer	32%
Research/education institution	0%
Student	9%
Business Partner	11%
Government/administrative organization	0%
CSR/environmental specialist	2%
Media organization	0%
Corporate/organizational CSR/environmental staff	0%
Employee of our Group or family member	46%
Other	0%

We will use your invaluable feedback in designing our reports and will reflect it in our CSR activities. Thank you for your cooperation.

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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) Activities

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

SG Holdings Co., Ltd. Corporate Website

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

Financial Information

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

SG Holdings Group Websites

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