

SBS GROUP

**BUSINESS &  
CSR REPORT**

2019

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**Editorial Policy**

The SBS Group has published the Business & CSR Report since fiscal 2018 to report to all stakeholders on its business development and strategies as a comprehensive logistics group, and on the progress of its integrated CSR management efforts.

This report aims to provide insight into the business activities SBS Group is pursuing from a short, medium and long-term perspective. The details of the report are also designed to be simple and clear, so that it is accessible to a wide range of people.

We welcome frank feedback and impressions from readers.

**Details of the Report**

**[Reporting Scope]**

■15 Domestic Consolidated Subsidiaries

• SBS Ricoh Logistics System Co., Ltd.

• SBS Logicom Co., Ltd.

• SBS Logicom Kanto Co., Ltd.

• SBS Freight Service Co., Ltd.

• Nippon Record Center Co., Ltd.

• SBS Global Network Co., Ltd.

• SBS Flec Co., Ltd.

• SBS Flec-net Co., Ltd.

• SBS Zentsu Co., Ltd.

• SBS Sokuhai Support Co., Ltd.

• SBS Staff Co., Ltd.

• SBS Finance Co., Ltd.

• SBS Asset Management Co., Ltd.

• L-MAX Co., Ltd.

• Marketing Partner, Inc.

■Public Interest Incorporated Foundation

• SBS Kamata Foundation

\*As of July 1, 2019,

Nippon Record Center

was absorbed into SBS

Logicom by merger.

**[Reporting Period]**

Fiscal 2018

**[Information Disclosure]**

On the SBS Group website, in addition to the CSR section, the latest information is published as it becomes available.

As well as information not listed in this report, the website also includes extensive IR information.

<https://www.sbs-group.co.jp>


## Management Philosophy

We provide services,  
to achieve client satisfaction,  
to meet shareholders’ expectations,  
and to be a company caring of its employees.

Long-term prosperity is rooted in paying the necessary attention  
to people and in the enthusiasm of our employees.

Social responsibility is essential to corporate growth.

Harmony within the community,  
efforts to make those around us happy, and contribution to  
society far and wide, is crucial.

<div>Customers</div> <div>Total Distance Driven</div> <div>126,053,307 km</div>		<div>Sales</div> <div>203.5 billion yen</div>
		<div>Employees</div> <div>Training Curriculum</div> <div>Actual Participants</div> <div>All 43 Subjects</div> <div>5,095</div>
<div>Shareholders</div> <div>Dividend per Share</div> <div>22 yen</div> <div>No split dividends (regular dividend, commemorative dividend)</div>	<div>Society (Safety)</div> <div>Number of Business Sites with G-Mark Certification</div> <div>153 business sites</div>	<div>Environment</div> <div>Investment in the Environment</div> <div>3,854 million yen</div>



# Transporting all manner of things safely, securely and in an optimal environment

## General Logistics Business

Truck Transportation / Modal Shift / International Logistics / Same-Day Delivery for Corporations / Company Relocation / On-site Logistics / Logistics Center Operation / 3PL\*

\*3PL (third-party logistics) is a service where we propose logistics reforms to consignors and are entrusted with their logistics operations on a comprehensive basis. For more details, refer to the explanatory section on "3PL Business" on page 15.

## Food Logistics Business

Processing in Logistics / Low Temperature Logistics / Home Delivery

## Property Management Business Other Businesses

Marketing Business / Real Estate Business / Pet Wellness Business / Insurance and Leasing / Environmental Business / Personnel Support

Number of Business Sites:

531

Number of Employees:

19,017

(Including 6,767 full-time employees)

Number of Vehicles Owned

Trucks and other road vehicles: Forklifts:

4,497 1,382

Administrative Division: 892 Sales Division: 444  
Operational Division: Drivers: 3,833  
Warehouse Personnel: 12,053  
Others: 1,795

\*Including 241 employees with disabilities

As of December 31, 2018

## SBS Holdings, Inc.

Characteristics: Holding company for the SBS Group  
Number of Employees: 218  
Number of Business Sites: 1  
Number of Vehicles: 4  
Renewable Energy Generating Capacity: 1,500 kW  
Main Operations: Group strategy functions, company-wide strategy such as corporate governance functions  
<https://www.sbs-group.co.jp/>



### SBS Ricoh Logistics System Co., Ltd.

\*Including SBS SAN-AI LOGISTICS HIGASHINIHON CO., LTD., SBS SAN-AI LOGISTICS KANTO CO., LTD., SBS SAN-AI LOGISTICS TOKYO CO., LTD., SBS SAN-AI LOGISTICS CHUBU CO., LTD., SBS SAN-AI LOGISTICS KANSAI CO., LTD. and SBS SAN-AI LOGISTICS KYUSHU CO., LTD.

Characteristics: Transportation of precision equipment for manufacturers, international logistics, delivery for corporations

Number of Employees: 3,829

Number of Business Sites: 103

Number of Vehicles: Trucks and other road vehicles: 423  
Forklifts: 555

Certifications: G-Mark, ISO14001, ISO27001, ISO9001, AEO

<https://www.sbs-ricohlogistics.co.jp/>



### SBS Logicom Co., Ltd.

\*Including SBS Logicom Kanto Co., Ltd.

Characteristics: General Logistics

Number of Employees: 5,486

Number of Business Sites: 90

Number of Vehicles: Trucks and other road vehicles: 1,034  
Forklifts: 517

Renewable Energy Generating Capacity: 6,812 kW

Certifications: G-Mark, ISO14001, Green Management Certification, GPN Certification, ISO27001, Relocation Safety Mark

<https://www.sbs-logicom.co.jp/>



### SBS Flec Co., Ltd.

\*Including SBS Flecton Co., Ltd.

Characteristics: Low Temperature Logistics

Number of Employees: 3,483

Number of Business Sites: 134

Number of Vehicles: Trucks and other road vehicles: 739  
Forklifts: 157

Certifications: G-Mark, ISO14001, ISO9001

<https://www.sbs-flec.co.jp/>



### SBS Zentsu Co., Ltd.

Characteristics: Logistics and Delivery of Foods in the Three Temperature Zones

Number of Employees: 3,872

Number of Business Sites: 94

Number of Vehicles: Trucks and other road vehicles: 1,595  
Forklifts: 32

Certifications: G-Mark, ISO14001, ISO9001, JAS Organic Agricultural Product Subdivider Certification

<https://www.sbs-zentsu.co.jp/>



### SBS Freight Service Co., Ltd.

Characteristics: Special-purpose Transportation, Marine Container Drayage

Number of Employees: 377

Number of Business Sites: 19

Number of Vehicles: Trucks and other road vehicles: 406  
Forklifts: 62

Renewable Energy Generating Capacity: 212 kW

Certifications: G-Mark, ISO14001, ISO9001, Privacy Mark

<https://www.sbs-freight.co.jp/>



### SBS Sokuhai Support Co., Ltd.

Characteristics: Delivery for Corporations, E-commerce Delivery, Environmental Business, Logistics and Manufacturing of Store Fixtures

Number of Employees: 643

Number of Business Sites: 58

Number of Vehicles: Trucks and other road vehicles: 266  
Forklifts: 38

Renewable Energy Generating Capacity: 175 kW

Certifications: G-Mark, ISO14001, ISO9001

<https://www.sbs-sokuhaisupport.co.jp/>



### SBS Global Network Co., Ltd.

Characteristics: International Air Cargo Transportation, International Marine Cargo Transportation, Customs Clearance Agency Service, Warehousing and Storage, Domestic Transportation

Number of Employees: 135

Number of Business Sites: 8

Number of Vehicles: 3

Certifications: AEO Certification (Planned)

<https://www.sbs-globalnet.co.jp/>



### Nippon Record Center Co., Ltd.\*

Characteristics: 3PL for Packaged Software (Music and Video Media)

Number of Employees: 775

Number of Business Sites: 1

Number of Vehicles: Trucks and other road vehicles: 11  
Forklifts: 21

Certifications: ISO14001, Privacy Mark

<http://www.nrc-jpn.net/>



\*As of July 1, 2019, Nippon Record Center was absorbed into SBS Logicom by merger.

### SBS Asset Management Co., Ltd.

Characteristics: Logistics Facility Development, Real Estate Business

Number of Employees: 9

Number of Business Sites: 1

Renewable Energy Generating Capacity: 1,500 kW  
<http://www.amax.jp/>



### SBS Staff Co., Ltd.

Characteristics: Temporary Staffing

Number of Employees: 140

Number of Business Sites: 20

Number of Vehicles: 32

Certifications: Privacy Mark

<http://www.sbs-staff.co.jp/>



### SBS Finance Co., Ltd.

Characteristics: Leasing and Insurance Sales

Number of Employees: 21

Number of Business Sites: 1

Main Businesses: Joint purchasing of fuel and tires, insurance agency

<https://www.sbs-finance.jp/>



### Marketing Partner, Inc.

Characteristics: E-commerce Support, Marketing Services, Pet Wellness Business

Number of Employees: 29

Number of Business Sites: 1

Certifications: Privacy Mark

<http://marketing-partner.jp/>



\*Refer to the CSR data on pages 43-44 for information on the number of business sites with certification.



# 2018 BUSINESS & CSR HIGHLIGHT

Management  
Plan

**[Basic Policy]**  
Improving earnings structure, developing new customers, strengthening operating foundations, promoting CSR management and bolstering Group coordination

**[Priority Issues]**  
Enhancing human resources (developing and retaining human resources), creating comfortable work environments, business streamlining, promoting compliance, improving risk management, promoting environmental management (promotion of medium- to-long-term plan), eliminating vehicle accidents, workplace accidents and product incidents.

## INPUTS 2017

<b>Financial Capital</b> (unit: million yen)	
Financial condition	
Total assets:	127,802
Current assets:	47,350
Fixed assets:	80,451
Current liabilities:	42,323
Long term liabilities:	46,968
Net assets:	38,510
Cash Flow	
Cash and cash equivalents:	11,534
Cash flows from operating activities:	11,671
Cash flows from investing activities:	-8,127
Cash flows from financing activities:	-1,420
Operating Results	
Sales:	152,870
Operating income:	6,229
Ordinary income:	6,475
Net income attributable to owners of parent:	4,446
-----	
<b>Capital for the Provision of Services</b>	
Number of Business Sites: 425, Vehicles: 4,103	
Forklifts: 814	
-----	
<b>Human Capital</b>	
Number of Employees: 14,913	
-----	
<b>Intellectual Capital</b>	
All intellectual property rights including licenses belonging to the SBS Group, all business expertise possessed by the SBS Group, and all synergies produced by intra-Group coordination	
-----	
<b>Social Capital</b>	
Relationships of trust forged with customers, employees and all stakeholders associated with the SBS Group, and the brand value of the SBS Group	
-----	
<b>Natural Capital</b>	
The energy and natural capital the SBS Group requires to operate	

## BUSINESS

Expansion of the 3PL Business

Rolling out 3PL in every direction

Site integration for the apparel businesses and retailers

Operation of East Japan logistics center for stationery manufacturer: 1.5 times year-on-year increase in sales

Warehouse storage and retrieval services for amusement businesses, etc.

Boosting transportation and delivery capacity

Expansion through Group-wide roll-out

Improved truck utilization rates

Higher productivity

Promoting labor-saving efforts by introducing IT on-site

Improving sales strength through enhanced Web-based content

Sharing information through customer management systems



M&A

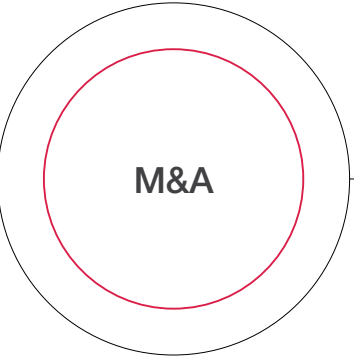
Addition of Ricoh Logistics System to the SBS Group

August 2018: Completed procedures to acquire of 66% of common stock

January 2019: Renamed SBS Ricoh Logistics

Accelerated investment in logistics facility development

Plans to increase floor area by approximately 495,000 square meters by 2023



## CSR

Safety

Transportation safety management, safety education, promoting efforts to acquire G-Mark certification, driver contests, forklift operator contests

Environment

Promoting the introduction of energy-efficient lighting, promoting the adoption of eco-friendly vehicles, education on eco-friendly and safe driving, maintaining environmental certifications

Governance

Coordinated company-wide questionnaires and information security-related e-learning, training on dealing with targeted attacks, emergency response drills

Social 1 (Human resource development, occupational health and safety, quality control)

Group education and training

Receipt of various awards related to the employment of people with disabilities

Maintaining quality-related certifications

Social 2 (Social contributions)

Support in the social sector: Food banks and environmental preservation groups

Social contribution-oriented sales events

Traffic safety initiatives

Donation of used goods

SBS Kamata Foundation: Logistics research grants

Scholarship funding system (for students receiving social care)

## OUTCOMES 2018

<b>Financial Capital</b> (unit: million yen) (year on year)	
Financial condition	
Total assets:	171,796
Current assets:	61,975
Fixed assets:	109,821
Current liabilities:	58,493
Long term liabilities:	65,130
Net assets:	48,173
Cash Flow	
Cash and cash equivalents:	16,303
Cash flows from operating activities:	12,398
Cash flows from investing activities:	22,433
Cash flows from financing activities:	14,815
Operating Results	
Sales:	203,516 (33.1% ↑)
Operating income:	8,240 (32.3% ↑)
Ordinary income:	7,607 (17.5% ↑)
Net income attributable to owners of parent:	4,409 (0.8% ↓)
-----	
<b>Capital for the Provision of Services</b>	
Number of Business Sites: 531, Vehicles: 4,497	
Forklifts: 1,382	
-----	
<b>Human Capital</b>	
Number of Employees: 19,017	
-----	
<b>Energy and Natural Capital Invested</b>	
Vehicle fuel: 25,548.3 kl	
Electricity: 44,740,083 kWh	
Water: 127,524 m³	Paper: 59,259,924 sheets

## OUTCOMES NEXT

<b>Growth Strategy</b>	
Achieve sales of 300 billion yen at an early stage through organic growth	
Maximize group synergy through "integration"	
Evolve the Group's unique 3PL business model	
-----	
<b>Medium-to-long-term Action</b>	
Promotion of the medium-to-long-term environmental plan	
IoT adoption at logistics facilities	



General Logistics Business

Expansion of the 3PL Business

New orders and expansion of existing business have both performed favorably, leading to a sales increase of 1.5 times over the previous year  
Publication of case studies on website and PR magazine has facilitated reliable closings in organizational sales

■ Results of new projects and expanded business in fiscal 2018 (excluding SBS Ricoh Logistics)

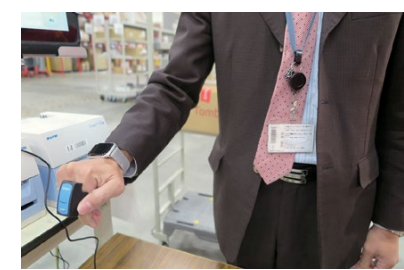
Site integration for apparel businesses and retailers, operation of East Japan logistics center for stationery manufacturer, warehouse storage and retrieval services for amusement businesses, etc.

■ 3PL at SBS Ricoh Logistics

Major consignors include the Ricoh Group, Otsuka Corporation and electrical component-related trading companies. The 3PL business accounted for roughly 78% of domestic logistics business sales (for the year ended December 2018).

	FY2016	FY2017	FY2018	FY2019 Plan
Sales (excluding overseas)	1,317	1,398	1,793	2,172
3PL sales	547	588	889	1,129
Change ratio	6.8%	7.5%	51.2%	27.0%
Ratio to sales	41.5%	42.1%	49.6%	52.0%

Improving Productivity in Sales and in the Field



■ Promoting labor-saving efforts on-site  
Phased introduction of IT tools with the aim of labor-saving and development of comfortable workplaces / introduction of autonomous driving carts, wearable devices and so on / effects including productivity improvements and lower turnover rate

■ Streamlining sales activities  
Increase in the number of business inquiries received from the website and higher successful order rate / shortening the time from order to launch by sharing information with the use of customer information systems, etc.

2018 BUSINESS topics

SBS Flec



Construction was completed on the SBS Flec Ami Logistics Center, the first three-temperature-compliance facility developed in-house

The center is able to provide high-quality food-specific 3PL services that support the three temperature zones, namely room temperature, refrigerated and frozen. Detailed temperature settings tailored to product characteristics can be configured, catering to the needs of products that require stringent temperature and freshness control.

SBS Sokuhai Support



The Environmental Division installed a mercury-containing waste crusher at the Shinonome Office (Koto Ward, Tokyo).

A crushing machine was installed to process waste of products in which mercury is used (fluorescent tubes, cold cathode fluorescent lamps, HID lamps). This has made it possible to absorb and remove the mercury gases produced during disposal and prevent the dispersal of the gases into the atmosphere, enabling environmentally friendly disposal.

SBS Flec



Launch of Bicycle-based Last Mile Delivery

At the Ichikawa Delivery Station, which provides e-commerce delivery services, deliveries using power-assisted bicycles specifically designed for delivery operations were started. This will improve delivery efficiency in build-up residential areas.

Truck Transportation, Same-day Delivery Business

■ Roll-out of last-mile delivery business for e-commerce from SBS Sokuhai Support to SBS Group companies  
Utilizing the networks and expertise of SBS Flec, SBS Logicom and SBS Zentsu to expand coverage areas

■ Roll-out of B-to-B and B-to-C delivery business across the Group and expanding service regions  
Utilizing the main Higashi-Meihan Expressway route and regional delivery network of SBS Ricoh Logistics to expand into the Nagoya area

■ Improved truck utilization rates

Ascertaining per-vehicle utilization / sharing utilization status at formal meeting bodies / establishing a division dedicated to transportation sales



M&A

Addition of Ricoh Logistics System to the SBS Group



August 2018: Completed procedures to acquire 66% of common stock in Ricoh Logistics System

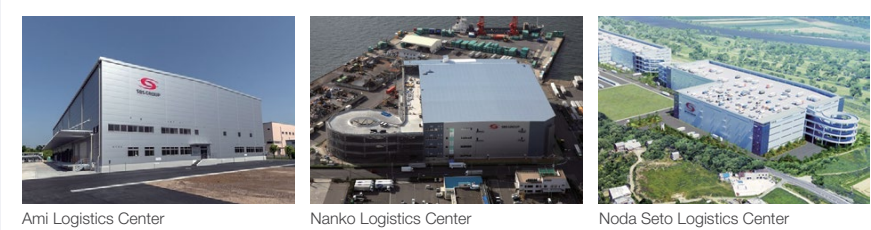
January 2019: Renamed to SBS Ricoh Logistics System

■ Synergy projects currently underway

1. Logistics facility development
2. Joint expansion of last mile delivery business for e-commerce
3. Integration of overseas sites
4. Promotion of joint purchasing

Property Management Business

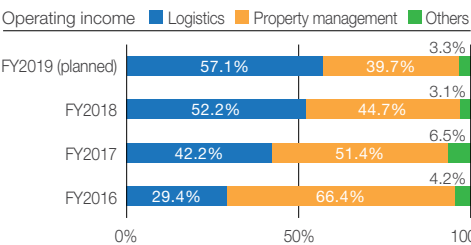
Accelerated Investment in Logistics Facility Development



Promoting the development of excellent logistics facilities, both in-house and leased, due to expanded operating floor area  
Plans to increase floor area by approximately 495,000 square meters from 2018 to 2023

Declining Trend in Impact of Logistics Facility Liquidation Results

- In the year ended December 2018, operating income from the logistics business accounted for the majority of all income.
- From fiscal 2019 onwards operating income from the liquidation of logistics facilities will continue at a certain level.



SBS Logicom



Completion of Construction of the Jonanjima Logistics Center (provisional name) Scheduled for Next Spring

Following on from the Yokohama Shin-Sugita Logistics Center, the center will be the second center in the Tokyo metropolitan area to be equipped with high-quality constant temperature and humidity features, and is expected to expand sales in areas such as wine logistics. The center will also be positioned as a warehouse jointly operated with SBS Ricoh Logistics.

Noda Seto Logistics Center

Development of a Logistics Facility with Leased Floor Area of Approx. 215,000 Square Meters - the Largest in the Group's History

- Investment: Approx. 35 billion yen
- About 7 minutes from the Kashiwa Interchange on the Joban Expressway
- E-commerce companies are expected to be the main 3PL tenants
- The adoption of IoT solutions including automation and robotics is also being considered

SBS Staff



Service Launch of "Butsuryupro.com", a Recruitment Service Site Specializing in Logistics

For more than 20 years, SBS Staff has been involved in temporary staffing and recruitment services, and has now launched "butsuryupro.com", which it developed using the extensive expertise in staffing services cultivated over this time. As well as listing recruitment information specifically geared to the logistics industry, the site accepts registration from job seekers looking to develop careers in the field of logistics.

SBS Logicom



Expanding 3PL Services into the Kansai Area with Completion of the Nanko Logistics Center, the Group's Largest

The Nanko Logistics Center is the largest logistics center operated by SBS Logicom and the first developed in-house in the Kansai area. Since its completion ceremony, the center has progressively accepted the business of multiple consignors including a drug store who is a customer in western Japan.



Name: Noda Seto Logistics Center	Address: Seto, Noda-shi, Chiba Prefecture
Building Site Area:	Total of Building A + Building B 115,857 m <sup>2</sup>
	Building A: 53,208 m <sup>2</sup> / Building B: 62,649 m <sup>2</sup>
Floor Area:	Total of Building A + Building B: 265,964 m <sup>2</sup>
	Building A: 122,602 m <sup>2</sup> / Building B: 143,362 m <sup>2</sup>
Start of Construction (Planned):	Building A: December 2019 / Building B: By the end of 2021
Completion of Construction (Planned):	Building A: 2022 / Building B: 2023



# Working to further enhance corporate value through “integration”

In recent years, the logistics industry has seen a resurgence in companies reevaluating their logistics functions, driven by an expanding e-commerce market and skyrocketing transportation costs, combined with heightened demand for logistics solutions. At the same time, the industry is under increasing pressure to deal with rising costs in the areas of human resources, subcontracted transportation and fuel as well as increasing labor shortages.

## Achieving sales of 200 billion yen through large-scale M&A and growth of the logistics business

Under this environment, in fiscal 2018 the SBS Group undertook the largest logistics facility development in its history, made efforts to secure orders for 3PL projects and took steps to improve the efficiency of existing businesses while embarking on efforts to pursue large-scale M&A and streamlining various business operating flows. Combined, these moves represent proactive investments that will serve as the key to the next-generation SBS Group.

Each SBS Group company launched marketing campaigns that combined websites, web-based advertising, PR publications and other initiatives, together with proposal activities at the organizational level, resulting in new orders and an expansion of existing businesses. For existing businesses showing unfavorable profitability, we absorbed rising cost pressure through proposals to improve efficiency, negotiations for price revisions and other measures. In addition, management-level staff led efforts to develop diverse working styles and create a comfortable work environment in the field in an effort to improve worker retention rates.

In August, we acquired 66% of the outstanding shares of Ricoh Logistics System Co., Ltd., our largest-ever M&A transaction. With its strengths particularly in production logistics and logistics technology (LT), Ricoh Logistics System is highly complementary to SBS Group companies in terms of functional characteristics, and we expect this acquisition to produce strong synergies through cooperation.

One of the strengths of the SBS Group is in the development of logistics facilities. In May we completed construction of a three-temperature-compliant logistics facility in Ibaraki Prefecture, while in June we acquired 115,000-square-meters of land in Chiba Prefecture for a logistics facility and began site preparation work. In March this year, construction of a logistics facility in Osaka was completed, launching at full

capacity operation as the SBS Group's first 3PL base in western Japan. As the beginning of the next-generation SBS Group, for the year in review we leveraged large-scale M&A and growth in the logistics business to achieve 200 billion yen in sales, a long-held dream since our founding, and also managed to post a record operating income of 8.2 billion yen.

## CSR in fiscal 2018: The start of new initiatives

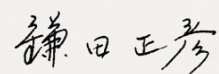
Turning attention to the promotion of CSR management, in fiscal 2018 we launched “Sincere Challenge 2030,” our new medium- to long-term environmental plan to address environmental issues, and have already achieved some results. As the name of the plan suggests, moving forward we will continue to drive implementation of this plan with sincerity.

In the area of safety issues, we took the addition of Ricoh Logistics System to the SBS Group as an opportunity to renew our efforts to enhance the sharing of information and initiatives related to transportation safety management throughout the Group. We will continue with these activities moving forward and strive to further enhance safety quality.

On another front, the year before last we launched a public interest incorporated foundation and started a project to provide scholarship benefits to students receiving social care, and received a large number of applications again in fiscal 2018. In the future we aim to expand the scope of the project to help even more people realize their dreams.

## “Integration” as the Group keyword for fiscal 2019

At the SBS Group, we are a collective full of unique individuals who have come together based on a resolve “to reform logistics!” Our keyword for fiscal 2019 is “Integration.” By connecting and fusing organically, our Group companies will maximize synergy and achieve our next goal: sales of 300 billion yen. I encourage all of our valued stakeholders to maintain high expectations for the next-generation SBS Group and thank you for your continued support.



Masahiko Kamata  
President  
SBS Group





Business Overview

Business Environment

During the fiscal year ended December 2018, the domestic economy remained stable, supported by steady corporate activities associated with robust capital investment and a moderate recovery in personal consumption. Nonetheless, a sense of caution over slowing economic activity was further heightened due to rising costs attributed to labor shortages and future concerns about the Chinese economy and trade friction.

In the logistics industry, moves by companies to reorganize their logistics functions gained momentum against the backdrop of an expanding e-commerce market and sharply rising transportation costs, leading to growing demand for logistics solutions. Meanwhile, since fuel prices have largely remained at high levels, in addition to labor and contracted transportation costs ticking upwards again, rising costs are placing pressure on profits and causing severe economic conditions.

A Second Start-Up Era

In December 2017, the SBS Group observed its 30th anniversary, and positioned fiscal 2018 as the beginning of its second start-up era. Based on the Group slogan “For Your Dreams,” the Group has made a concerted effort to pursue business activities to realize the dreams of all stakeholders through logistics.

Business Strategy

The SBS Group has deployed a two-pronged marketing initiative utilizing PR publications, websites and Internet advertising combined with organizational sales spanning the Group, as part of its efforts to win orders for new 3PL projects and expand existing businesses.

For existing businesses with subpar profitability, we have taken steps to boost profit margins through proposals to improve efficiency, negotiations for price revisions, among other initiatives.

To secure drivers and warehouse personnel, we have worked to improve worker retention rates by offering comprehensive support for

different working styles that meet individual desires in the form of flexible working systems.

Initiatives to create synergy with Ricoh Logistics System Co., Ltd. (now SBS Ricoh Logistics System Co., Ltd.), which became a new member of the SBS Group in August 2018, have entered the implementation stage with projects to integrate overseas sites and organize nationwide delivery networks.

Investment Strategy

In the area of M&A, in August 2018 we acquired shares in Ricoh Logistics System Co., Ltd. and made it a consolidated subsidiary. As part of this effort we have sought to enhance production logistics, our nationwide delivery network, logistics technology (LT) and our overseas businesses.

In the development of logistics facilities, in May we completed construction and began operation of a three-temperature-compliant logistics facility in the town of Ami in Inashiki District, Ibaraki Prefecture. Then in June, we acquired 115,000-square-meters of land in Seto in Noda, Chiba Prefecture for a logistics facility and began site preparation work. Meanwhile in Nanko, located in Osaka’s Suminoe Ward, we bolstered infrastructure catering to the rising demand for 3PL businesses with the construction of a logistics facility boasting a total floor area of around 60,000 square meters (completed in March 2019). In November, we transferred part of the trust beneficiary rights for a logistics facility in Nagatsuta, located in Midori Ward, Yokohama, and in doing so recovered our investment capital.

With the expanded operating floor area, we have put in place outstanding logistics facilities, both in-house and leased. Over a five-year period from 2018 to 2023, we plan to increase the area under operation by approximately 480,000 square meters.



Logistics facilities scheduled for commencing operation

\*As of July 31, 2019

Fiscal Year	Increased Floor Area (Unit: Square Meters)			Remarks
		Leased	In-house	
2018 (Results)	13,626	11,203	2,423	Iwatsuki, Iruma, Ami
2019	8,200	8,200	18,537	Nanko, Osaka (Operating); Fukuoka (September); Odaka, Nagoya (October)
2020	18,518	18,518		Jonanjima; Kanazawa, Yokohama (Leased)
2021	15,430		15,430	Kanazawa, Yokohama (Development)
2022	48,000		48,000	Building A, Seto, Noda
2023	32,000		32,000	Building B, Seto, Noda
Under Consideration	35,000		35,000	Under consideration in Chubu area
Total	157,148	26,718	130,430	

\*Shaded areas indicate projects already operating (excluded from calculation of total area)

Fiscal 2018 Operating Results

The Logistics Business experienced dramatic growth, posting sales of 203,516 million yen (33.1% up from the previous fiscal year). Operating income was 8,240 million yen (up 32.3% year on year) on the strength of the growth of existing businesses in the Logistics Business, successful rate optimization and business streamlining efforts, and the securitization of large-scale logistics facilities implemented in the Real Estate Development Business.

Net income attributable to owners of parent fell to 4,409 million yen (down 0.8% year on year) due to increased tax expenses and net income attributable to non-controlling interests.

Logistics Business

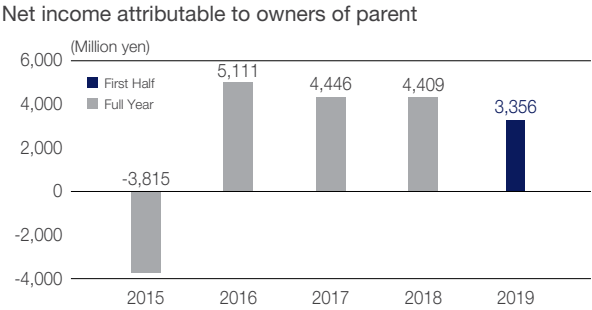
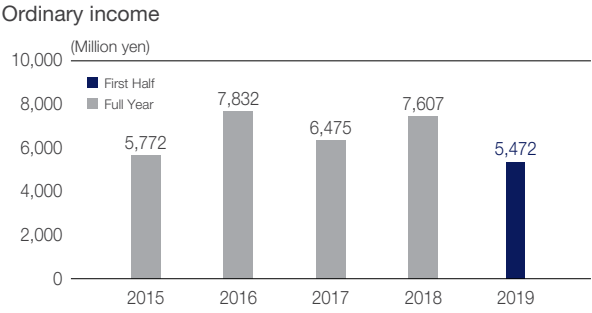
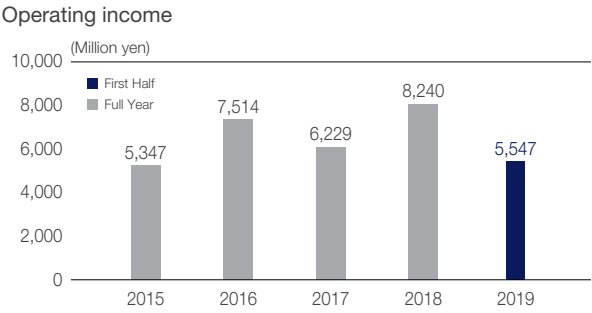
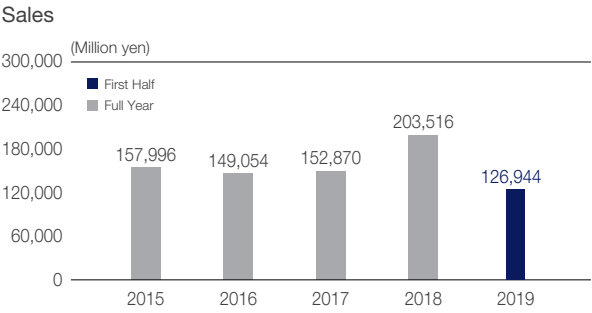
In the Logistics Business, sales increased to 188,627 million yen (up 34.3% over the previous fiscal year). This was due to the inclusion of the results of SBS Ricoh Logistics System Co., Ltd. in the scope of consolidation from the third quarter, as well as continued new orders in the 3PL business and expansion of existing businesses by existing Group companies. Operating income increased 69.8% year on year to 4,572 million yen, despite increases in personnel, vehicle hire and fuel costs, with the steady realization of cost reduction initiatives and rate optimization contributing to the increase.

Property Management Business

The Property Management Business posted sales of 8,712 million yen (up 42.2% year on year) and operating income of 3,913 million yen (up 19.4%). The Rent Business remained stable, and the Development Business transferred a portion of the trust beneficiary rights to the Nagatsuta Logistics Center, a logistics facility located in Midori-ku, Yokohama. As a result, both net sales and operating income increased.

Other Businesses

The Other Businesses segment posted sales of 6,716 million yen (up 0.2% year on year) and operating income of 273 million yen (down 33.7% year on year). This was mainly due to an increase in advertising expenses and recruitment-related expenses such as office relocation in the Human Resources Business, which weighed down on profits.



\*Forecast Figures for Fiscal 2019

Operating Results for the First Half of Fiscal 2019 and Forecast Results for the Full Year

For the first half of the fiscal year ending December 2019, the Logistics Business performed steadily, particularly the 3PL business. In addition, the results of SBS Ricoh Logistics were newly included, and revenue was posted due to the securitization of logistics real estate that had been planned for the current fiscal year. Accordingly, sales in the first half of the fiscal year increased to 126,944 million yen (up 64.5% over the same period in the previous year). Similarly, operating income was 5,547 million yen

(up 137.3%) and net income attributable to owners of parent was 3,356 million yen (a 174.8% increase), revealing significant growth.

For the full fiscal year, we forecast sales of 250,000 million yen, operating income of 9,000 million yen, and net income attributable to owners of parent of 4,800 million yen.

Assets and Liabilities

Total assets for the fiscal year stood at 171,796 million yen, an increase of 43,994 million yen from the previous fiscal year.

The balance of current assets was 61,975 million yen (an increase of 14,625 million yen from the previous fiscal year). With the new inclusion of SBS Ricoh Logistics System Co., Ltd. in the scope of consolidation, cash and deposits, notes and accounts receivable increased.

The balance of fixed assets stood at 109,821 million yen (an increase of 29,370 million yen from the previous fiscal year). This is primarily due to the construction of logistics facilities and acquisition of land for logistics facilities, the acquisition and replacement of vehicles, and increased goodwill due to the acquisition of SBS Ricoh Logistics System Co., Ltd.

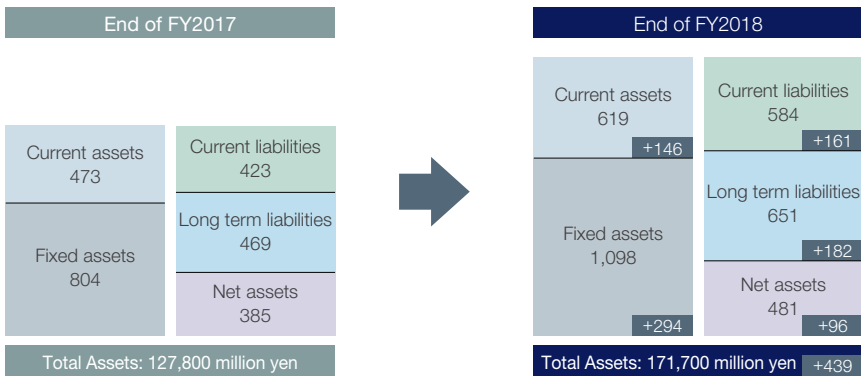
The balance of current liabilities stood at 58,493 million yen (up

16,170 million yen from the previous fiscal year). The main factors behind the increase are the increase in notes and accounts payable-trade in connection with the new inclusion of SBS Ricoh Logistics System Co., Ltd. in the scope of consolidation, as well as an increase in short-term loans payable.

The balance of long-term liabilities was 65,130 million yen (an increase of 18,162 million yen from the previous fiscal year). The increase is mainly attributed to growth in long-term loans payable.

The balance of net assets was 48,173 million yen (an increase of 9,662 million yen from the previous fiscal year). The main factors behind the increase were higher retained earnings resulting from the recording of net income attributable to owners of parent and an increase in non-controlling shareholders' equity.

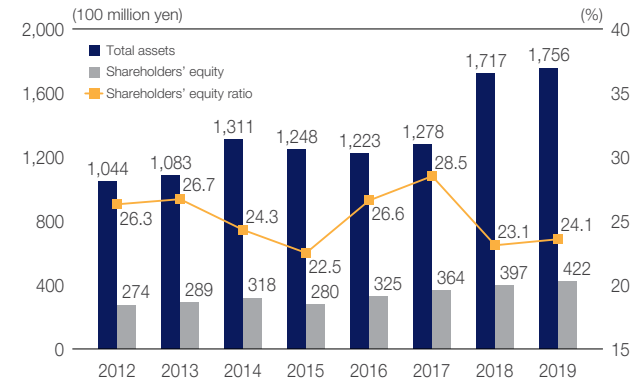
Change in Consolidated Balance Sheet



Trends in Finances

Working from a medium-to-long-term perspective, the SBS Group intends to achieve the sustainable growth of its businesses and boost earnings capability and capital efficiency. Additionally, as a part of key business and investment strategies, we will pursue the stable growth of the 3PL business by systematically iterating on a cycle of the in-house development and securitization of logistics facilities. In the interests of maintaining a balance between proactive investment activities and maintaining financial health, we have set 30% as a target shareholders' equity ratio.

Change in the shareholders' equity ratio

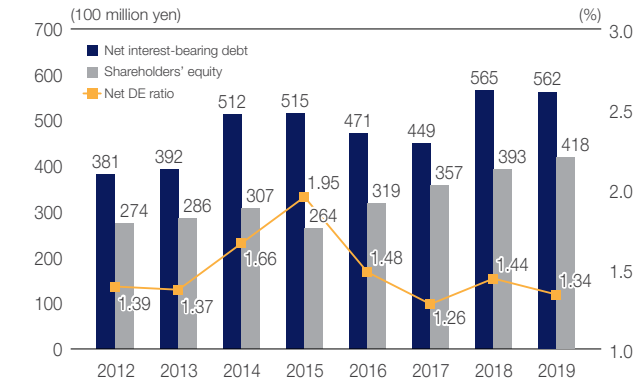


The shareholders' equity ratio for the fiscal year in review was 23.1% (down 5.4% from the previous fiscal year) due to an increase in long-term borrowing in connection with M&A activities.

Meanwhile the net DE ratio, which represents the ratio of net interest-bearing debt to shareholders' equity, shifted from 1.26 in the previous fiscal year to 1.44.

Moving forward, we will continue to actively pursue investments under a basic growth-oriented policy while engaging in business operation that is mindful of financial health.

Change in net DE ratio



Cash Flow

Cash and cash equivalents (hereinafter referred to as "cash") increased by 4,768 million yen from the end of the previous fiscal year, to 16,303 million yen. The main reasons for the changes in each cash flow are as follows.

Cash Flows from Operating Activities

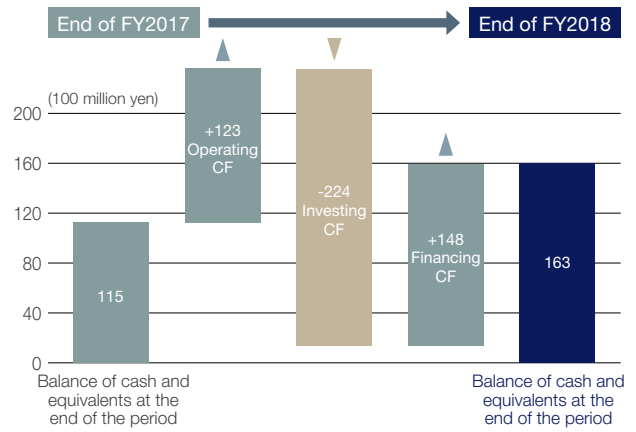
Net cash provided by operating activities was 12,398 million yen (an increase of 727 million yen compared with the previous fiscal year). The main factors for the increase include a decrease in inventories of 2,894 million yen in addition to income before income taxes of 7,467 million yen and depreciation and amortization of 5,536 million yen.

Cash Flows from Investing Activities

Net cash used in investing activities was 22,433 million yen. This was mainly due to the acquisition of land for logistics facilities, construction work and the replacement of vehicles amounting to 11,068 million yen for the purchase of property, plant and equipment and intangible assets, and the purchase of shares of subsidiaries resulting in changes in the scope of consolidation due to M&As amounting to 11,100 million yen.

Cash Flows from Financing Activities

Net cash provided by financing activities increased to 14,815 million yen (up 16,235 million yen from the previous fiscal year). This was mainly due to proceeds from long-term loans payable of 25,000 million yen, repayments of long-term loans payable of 9,484 million yen, and cash dividends paid of 834 million yen.



Cash Management System Utilization

The main working capital of the SBS Group is sales cost including vehicle hire, outsourcing expenses and personnel expenses, and operating expenses including selling, general and administrative expenses. Additionally, demand for funds aimed at investment includes the ordinary updating of vehicles, the acquisition of shares in subsidiaries and affiliate companies, the acquisition of land associated with logistics facilities developed in-house, the costs of construction work, capital investment, and so on.

The SBS Group has established a system where a holding company procures the funds required for the entire Group in a centralized fashion. In addition to receiving lines of credit from multiple banks so that working capital can be secured flexibly, the SBS Group also procures long-term funding in a systematic fashion to address funding capitals aimed at investment. The procured funds are put to the best and most effective use within the Group through a cash management system. Specifically, this system adjusts funding surpluses and shortages between subsidiaries (cash pooling) and performs payment operations on their behalf.

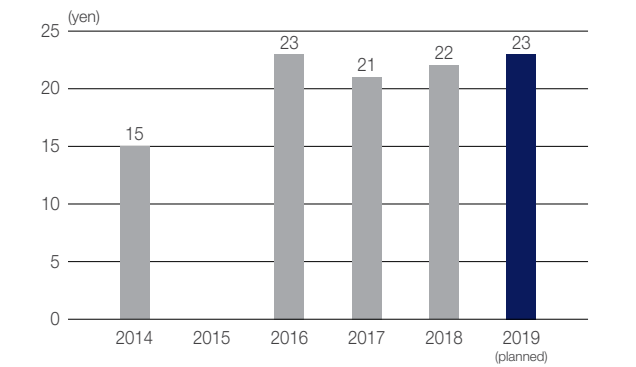
Shareholder Return

The Company considers the return of profits to shareholders to be one of its most important management priorities. The Company's basic policy on the distribution of profits is, while retaining sufficient internal reserves, maintain continuous dividends, and improve the level of dividends in line with business performance.

For the fiscal year in review, the Company paid a year-end dividend of 22 yen per common share in light of a comprehensive assessment of the SBS Group's business performance and financial situation. This marks an actual dividend increase of 4 yen per share from the previous fiscal year which, including the 3-yr commemorative dividend to mark our 30th anniversary, was 21 yen.

For fiscal 2019, the Company plans to pay a year-end dividend of 23 yen per share.

Dividend





# Management Policy

The SBS Group supports the efficient corporate activities of its customers by playing a part in the supply chain based on its combined proposal-making capabilities, expertise and problem-solving abilities as a group of 3PL companies possessing logistics functions in every direction. Moreover, as a company involved with logistics, a part of social infrastructure that is vital to people's daily lives, we promote CSR management rooted in consideration for the environment, ensuring safety, engagement with society and sound management.

## Medium-to-long-term Management Strategies

Recently the logistics industry has approached a period of structural upheaval of unprecedented proportions against the backdrop of labor shortages and technological innovation. Amid increasingly dire labor shortages, initiatives directed at the practical utilization of innovative technologies such as IoT, AI and robotics are accelerated. At the same time, with commercial distribution in continual flux due to the rapid expansion of the e-commerce market, logistics itself is being force to make drastic reforms to adapt to these new realities.

The SBS Group sees this paradigm shift in the management environment as a positive, and aims to survive the fierce competition between companies by continually driving its own change.

### Further Strengthening of the 3PL Business and Establishment of a Unique Service Model

The SBS Group is employing a range of methods to enhance its strength in the 3PL business. We will proactively consider and implement measures to expand new orders through web marketing and improved sales capabilities, pursue efficiency improvements by enhancing field capabilities, and proceed with M&A activities to raise the level of business and expand the fields in which we operate.

In addition to proposing 3PL including logistics facility development as a unique solution offered by the SBS Group, in the future we will strive to establish a service model that is unique to the SBS Group to help customers solve their logistics-related issues by incorporating the introduction of automation technologies, AI-related equipment and other advances.

### Maintaining Financial Health through Logistics Facility Development and the Securitization of Existing Facilities

We work to develop logistics facilities in-house in order to promote the expansion of the 3PL business and higher service levels, and maintain financial health by securitization of those facilities soon after completion.

#### About the 3PL Business

3PL (third-party logistics) is a service where we propose logistics reforms to consignors and are entrusted with their logistics operations on a comprehensive basis. The SBS Group defines logistics services meeting the criteria of direct contracts with consignor companies, medium-to-long-term plans and the joint entrustment of multiple services as 3PL. As part of the 3PL business we are entrusted with and undertake a range of operations arising in the supply chain field on behalf of customers, including transportation, packing, storage, cargo handling and information management.

The SBS Group leverages its strengths in consulting to achieve customers' ideal logistics visions, the development and operation of information systems, the in-house development and provision of logistics centers and outstanding low cost operations to provide valuable 3PL services to customers in every line of business.

## Development and Enhancement to Meet Challenges

### Maximizing Group Synergy

In a rapidly-changing management environment that includes changes to the social structure and the advance of technological innovation, the SBS Group recognizes the importance of maintaining the transparency and efficiency of management and maximizing Group synergy to survive intensifying competition between companies.

Priority issue: building a cooperative framework with SBS Ricoh Logistics System Co., Ltd.

### Retaining and Cultivating Human Resources, Developing an Energetic Corporate Culture

To continue to achieve future growth, it will be essential to retain the logistics human resources promoting our core 3PL business, the global human resources driving overseas development and the professional human resources driving logistics facility development and incorporating future technological innovations. At the same time, with the dwindling working population, we see the stable retention of drivers and other management resources that support the foundations of the logistics business as a key management issue, and to that end we are taking steps to improve personnel systems, hire and cultivate talented human resources, and develop an environment in which each individual employee can enjoy job satisfaction, pride and motivation.

### Continual Promotion of CSR Management

In addition to ensuring work safety and taking measures to prevent traffic accidents, we implement thorough environmental conservation initiatives, including the promotion of eco-driving and measures to reduce the environmental impact attributed to our vehicles and logistics facilities. Moreover, we pursue the further enhancement of our corporate governance system that includes these initiatives.

### Issues to be Addressed in Relation to Social Responsibility

- Human rights: further reforms to awareness and action / definitive action on diversity / eradication of harassment
- Labor: Prompt and steady compliance with laws and regulations  
Implementation of measures to address labor shortages and improve work environments
- Safety: Appropriate operational management of vehicles to prevent accidents and stepped up safety measures
- Climate change: Action on various risks
- SDGs: Helping to solve social issues through business activities
- CSR management: Promoting emerging CSR management practices

State of the External	Major Recent and Upcoming Events	Economic Conditions	Trends in the Logistics Industry	Human Resources and Society
<b>Environment Surrounding the SBS Group</b>  The SBS Group continually monitors and analyzes the effects of the external environment to make critical determinations of risks and opportunities. We also identify a range of challenges and recognize what should be done to create value.	<ul style="list-style-type: none"><li>• Tokyo Olympics and Paralympics</li><li>• Increase in the consumption tax</li></ul>	<p>[Domestic]</p> <ul style="list-style-type: none"><li>• Improving employment and income environment</li><li>• Expanding inbound demand</li><li>• Rising capital expenditure sentiment</li><li>• Stable share prices</li><li>• Ingredients for rising share prices</li></ul> <p>[World]</p> <ul style="list-style-type: none"><li>• Slowing US, Chinese and European economies</li><li>• Uncertain overseas situations</li></ul> <p>[Logistics Industry]</p> <ul style="list-style-type: none"><li>• Worsening labor shortages</li><li>• Worsening profitability and productivity</li><li>• Declining efficiency (more frequent deliveries of smaller quantities)</li></ul>	<p>[Challenges]</p> <p>Expanding transportation capacity, enhancing services, high added value</p> <p>[Customer Needs]</p> <p>More diverse services, handling of high-frequency small quantity deliveries, stable transportation capacity</p> <p>[Movement]</p> <p>Competition</p> <ul style="list-style-type: none"><li>• Increased competition due to e-commerce business operators developing in-house logistics systems</li></ul> <p>Restructuring</p> <ul style="list-style-type: none"><li>• Logistics cooperation (development of sharing platforms, etc.)</li><li>• Supplementing of logistics functions (or services)</li><li>• Alliances with other companies including industry players</li></ul> <p>Paradigm Shifts due to Digitization</p> <ul style="list-style-type: none"><li>• Utilization of IoT, AI and automation technologies</li><li>• Telematics</li><li>• Use of big data</li><li>• ETC 2.0</li></ul>	<p>[Human Resources]</p> <ul style="list-style-type: none"><li>• Worsening labor shortages</li><li>• Worsening work environments for truck drivers and aging drivers</li><li>• Expected increase in foreign workers</li><li>• Long-term decline in the working age population</li></ul> <p>[Society]</p> <ul style="list-style-type: none"><li>• Climate change (awareness of climate change and demands to disclose information on action)</li><li>• Requirements for appropriate operational management of vehicles and stronger safety measures</li><li>• Review of labor laws and regulations</li><li>• Heightened interest in workstyle reforms</li><li>• Demands for productivity improvements across Japan</li></ul>



# Ascertaining and Responding to Management Risks

The SBS Group makes every effort to avoid risks that could impact its management results, financial situation or share price, and to respond whenever such risks emerge.

Major Risks That Pose a Threat to Management Activities	
Risks due to changes in economic conditions	The businesses operated by the SBS Group are affected by economic and business trends in Japan and overseas, and by fluctuations in transportation demand among enterprise customers. In the event of sluggish consumption due to a domestic economic contraction, a fall in import/export volumes triggered by a sharp appreciation of the yen or a serious contraction in an overseas economy, our operating results or financial conditions may be impacted.
Risks due to sharp rises in fuel prices	The use of fuels such as light oil and gasoline is essential in the logistics business. But when fuel prices increase due to steep rises in crude oil prices or fluctuating exchange rates, they represent a factor that increases costs. The SBS Group pays careful attention to market trends while preparing budgets that incorporate price fluctuations to some extent. When price rise more than expected or shipping charges cannot be raised sufficiently to offset increased costs, operating results and financial conditions could be affected.
Risks due to interest rate fluctuations	As important growth strategies, the SBS Group engages in M&A activities and logistics facility development to advance its 3PL business, and chiefly relies on borrowing from financial institutions to procure the funds necessary for these activities. While working to repay interest-bearing debt through the securitization of logistics facilities, operating cash flow and otherwise, we also take steps to fix interest rates, but our operating results and financial conditions may be affected depending on trends in financial policies.
Risks due to M&A activities	When expanding its existing businesses and entering new fields of business, the SBS Group implements M&A activities, capital participation and capital tie-ups as part of its business strategy. If the progress of business plans following an acquisition or tie-up faced significant delays compared with initial forecasts, the delays could impact operating results and financial conditions.
Risks due to the real estate business	The SBS Group pursues logistics facility development and sales operations as part of its real estate business. When we develop new logistics facilities, the securing of customers, whether lease or sale, is a precondition, and we only start on construction once the shippers or customers have been determined, and after clarifying details such as intended use, specifications, lease amount and lease period. However, there may be cases in which the posting of sales and profits is delayed or is disproportionately allocated to certain time periods due to the timing of when an order for a logistics facility is received, the scale and specifications of the project, or the timing for completion or sale.
Risks due to legislative changes	The SBS Group is affected by various laws and regulations. In our core logistics business, for example, various business laws related to logistics apply to cargo vehicle transportation operations, warehousing services and customs brokerage. In the real estate business, the Building Standards Act and Financial Instruments and Exchange Act play a part, and in personnel support, the Worker Dispatch Act must be followed. These laws and systems are expected to be amended, strengthened or interpreted differently to reflect changing social conditions. The SBS Group engages in management with the observance of laws and regulations as a key priority, and is likely to shoulder new burdens or need to change how it runs its business in responding to these changes.
Business continuity risks due to the concentration of business areas	Industry and consumer activity is concentrated in the Tokyo Metropolitan Area as a central part of the Japanese economy that is attractive as a large-scale logistics market and represents an important logistics point between Japan and overseas locations. Since the SBS Group has declared the acquisition of this robust logistics demand as a management strategy, its logistics centers are necessarily concentrated in the Tokyo Metropolitan Area. If an incident such as a large-scale disaster were to occur in the area, business continuity could become difficult due to damage suffered by consignor companies or SBS facilities, congestion or interruptions to traffic networks, or the shutdown of lifelines.
Risks due to disasters and other incidents	The SBS Group conducts its business activities primarily through truck-based transportation and the operation of logistics centers. In the event of an incident such as a large-scale disaster, business continuity could become difficult due to damage suffered by consignor companies or SBS facilities, congestion or interruptions to traffic networks, or the shutdown of lifelines.

Risks due to serious incidents	Since the SBS Group uses public roads to transport customers’ products and goods using trucks and other road vehicles, in the event we cause a serious accident involving loss of life, we could be subject to legal action from victims, lose the trust of customers or social credibility, or be affected by administrative measures such as the suspension of vehicle use or a suspension of business.
Risks due to system shutdowns	The SBS Group utilizes computers and networks for a range of applications from business systems to manage customers’ cargo information, inventory control and customs processing to in-house systems that handle accounting, staff, salaries and other operations. If any of these systems were to fail due to malfunction, computer viruses, hacking, natural disasters or other incidents, the provision of services to customers may be interrupted, business processing may be delayed, or operations may be thrown into confusion.
Risks related to the management of customer information	The businesses run by the SBS Group involve the handling of a great deal of customer information, including personal information. The SBS Group has established corporate ethics regulations and personal information management regulations, and makes every effort to manage customer data and personal information appropriately, but in the event of an incident such as the leaking of customer information or the loss of data, operating results or financial conditions could be impacted.
Risks related to compliance	The SBS Group has established Group compliance regulations to promote the development of systems and mechanisms to ensure that the officers and employees who make up the SBS Group act in accordance with compliance requirements, and prescribed a Group-wide code of behavior, making every effort to cultivate an honest, fair and transparent corporate culture. However, in the event of an infringement of related regulations or improper conduct on the part of an officer or employee, the SBS Group could suffer the loss of social credibility, suspension of business from customers, or claims for costly monetary penalties or compensation.
Risks related to overseas expansion	The SBS Group is working to expand its business activities overseas to achieve continued growth in the future, but operating results or financial conditions could be impacted in the event of changing economic conditions, recession, exchange rate fluctuations, political or legislative changes, and social turmoil due to factors such as terrorism, war or disease, in an area into which the Group has expanded.
Risks related to the acquisition and development of human resources	The SBS Group focuses on recruitment activities in an effort to secure human resources and works to enhance the wide-ranging training it provides to current employees based on their positions within the organization. However, amid increasingly intense competition to acquire the necessary human resources on an ongoing basis and a rapidly changing employment environment, if we are unable to secure human resources in a timely fashion, experience a large exodus of human resources to elsewhere or if the development of human resources does not proceed according to Group plans, our business development, operating results or growth forecasts could be significantly impacted.
Risks associated with climate change	In terms of physical risks associated with climate change, our operating sites near ports or harbors could suffer damage due to torrential rains or other events, and workers could be more susceptible to heat stroke due to rising temperatures. Additionally, regulatory risks involve higher costs due to more stringent regulations on CO <sub>2</sub> emissions based on international agreements and the introduction of carbon pricing. The SBS Group is pursuing initiatives to deal with climate change risks from a long-term perspective.
Group risk management	The SBS Group has established the SBS Group Risk Management Regulations and endeavors to thoroughly manage risks concerning all events that could pose threats to management activities. We have also established the SBS Group Risk Management Council, comprising members selected from SBS Group companies, to maintain and operate the risk management system. We separate risks into Group-wide risks and risks affecting individual Group companies, monitor the status of measures to deal with each risk, and strive to prevent risks from occurring.



As a company responsible for logistics, the SBS Group takes part in the process of achieving the Sustainable Development Goals (SDGs) being pursued by the world towards 2030.

The SBS Group’s Business Activities and the SDGs

In conducting business operations as a “3PL corporate group possessing omnidirectional logistics functions,” the SBS Group focuses on social needs that emerge out of the myriad issues the world faces. We regard the SDGs as one of the most important international documents for determining these issues and utilize them accordingly. The SBS Group also hopes to play as great a role as possible in the process of realizing the worldwide vision presented by the SDGs by the year 2030.

The SBS Group continually improves and strengthens the mission-critical infrastructure of logistics, and enhances the

efficiency, convenience and sustainability of industrial activities and general daily life in society (goals 8, 9 and 11). We have also stepped up efforts to make logistics safer, to reduce their environmental impact, and to make logistics a fulfilling occupation for employees (goals 3, 4, 7, 12, 13 and 15). Through the foundation established by the Company, we are working to expand opportunities for inclusive and equitable education (goal 4). Through this process, the SBS Group engages in dialogue and coordination with organizations and individuals with a wide range of perspectives.






SUSTAINABLE  
DEVELOPMENT GOALS



Agenda 2030, which all 193 members of the United Nations agreed to adopt in September 2015, is a plan to eliminate extreme poverty, inequality and injustice and preserve the global environment over 15 years to achieve a better future. In the Sustainable Development Goals (SDGs) established by this plan, the future role of economic society and a vision of corporate activities are reflected.

10 SDGs Related to SBS Group Initiatives

	Ensure healthy lives and promote well-being for all at all ages	<div>3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents.</div> <div>3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.</div>
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<div>4.3 By 2030, ensure equal access for all women and men to affordable and high-quality technical, vocational and tertiary education, including university</div> <div>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</div>
	Ensure access to affordable, reliable, sustainable and modern energy for all	<div>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</div> <div>7.3 By 2030, double the global rate of improvement in energy efficiency</div>
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<div>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors</div> <div>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</div> <div>8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</div>
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<div>9.1 Develop high-quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</div> <div>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</div>

	Make cities and human settlements inclusive, safe, resilient and sustainable	<div>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons</div> <div>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</div>
	Ensure sustainable consumption and production patterns	<div>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</div>
	Take urgent action to combat climate change and its impacts	<div>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</div>
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	<div>15.8 By 2020, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species</div>
	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	<div>17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</div>



# CSR Message

What does it mean to deliver goods?

To deliver goods

is to connect goods with people.

To connect goods with people

is to link people’s lives together

and to connect society.

We will continue to deliver goods,

to bring stability to people’s lives,

and realize a sustainable society.

The SBS Group promotes CSR (corporate social responsibility) and management in an integrated way based on the Group Management Philosophy and Code of Behavior.

We have classified important CSR themes into four fields, namely environment, safety, social and governance. For each of these fields, we have further established important tasks and major initiatives, which we tackle in an ongoing and multi-faceted fashion. As two of these fields, the environment and safety, are regarded as major issues for the Group’s core business of logistics, we focus on them with the highest priority.

Promotional organizations (Group meetings) have been set up for each of the four fields to implement activities and share information. Additionally the CSR Promotion Committee, which oversees these organizations, comprises representatives of SBS Group companies and assumes a pivotal role in coordinating the promotion of CSR activities as a Group-wide organization. The committee’s remit includes determining policy and approving specific measures.

## Organizational Structure



## CSR Management Framework

Fields	Main Issues	Important Tasks	Major Initiatives	Promotion Organization	
				Integrated CSR Meeting (representatives from Group companies)	Issue-Specific Group Meetings (managers of the departments responsible at each Group company)
Environment	Consideration for the environment (Reduction of CO <sub>2</sub> emissions, energy conservation)	[Three pillars of environmental measures] Eco-driving (vehicles) Energy conservation (facilities) Environmental actions (employees)	[Mid-to-Long-Term Environmental Plan] Eco and safe driving training Introduction of eco-friendly vehicles Modal shift Introduction of energy-saving lights Creation of renewable energy Environmental actions taken within a 5-meter radius	CSR Promotion Committee	Environmental Management Promotion Meeting
Safety & Social	Ensuring safety (zero accidents)	Transportation safety management Thorough prevention of accidents (education, health management, factor analysis and risk prediction) Enhanced safety measures	Safe driving training Eco and safe driving training Analysis of near-miss accidents Regular health checks SAS screening tests Introduction of digital tachometers and driving records Driver contests G-Mark certification		Transportation Safety Promotion Meeting
	Social engagement	Human resource development Occupational health and safety Quality control Social contribution	Unified Group training Correspondence courses Counseling services provided by industrial physicians First aid courses Introduction of AEDs Commending social contributions Subsidized projects		Safety and Health Committee SBS Kamata Foundation
Governance	Sound management	Internal control Internal reporting hotline Compliance training Risk management Information security measures Business continuity management	Compliance tools Counseling room for all workplace concerns Hotline to Audit & Supervisory Board members External reporting hotline Business continuity planning (BCP) Information security seminars		Compliance Meeting Risk Management Meeting Information Security Promotion Meeting



Key Indicators (Fiscal 2018 Results)

Number of employees taking eco and safe-driving training (cumulative total)

1,500

Number of eco-friendly vehicles introduced (cumulative total)

3,914

Amount of freight transported by rail

250,955

Business sites where energy-saving lighting has been introduced (cumulative total)

50 business sites

Total CO<sub>2</sub> emissions (compared with the previous year)

17.2 % increase

CO<sub>2</sub> emissions per unit of sales (compared with the previous year)

8.39 % decrease

For details about our basic policy on the environment and the structure for promoting environmental initiatives, please check our website.  
TOP > CSR Initiatives  
<https://www.sbs-group.co.jp/sbsth/csr/>

Review of Fiscal 2018 Initiatives

In fiscal 2018, a large company became a member of the SBS Group. In addition, the logistics business performed steadily, and both total CO<sub>2</sub> emissions and major energy usage were at their highest levels since measurements were begun. On the other hand, CO<sub>2</sub> emissions per unit of sales showed a drop of 8.39% compared with the previous year, indicating that the SBS Group has improved its environmental performance.

In Environmental Action 2020 (2018 results are listed in page 23), the action plan that is part of our Sincere Challenge 2030

Mid-to-Long-Term Environment Plan, we achieved general goals including the CO<sub>2</sub> emissions per unit of sales mentioned above. We will continue to tackle these efforts next year and beyond.

The number of business sites that have installed energy-saving lighting, including partial installation, increased to a cumulative total of 50 sites. Compared with the lighting used previously, this is seen as having the effect of reducing CO<sub>2</sub> emissions by approximately 2,200 tons annually.

Energy Usage and CO<sub>2</sub> Emissions (Scope 1, Scope 2)

Vehicles		Facilities	
Vehicle Fuel (light oil, CNG, LNG, gasoline)		Electric Power	Light Oil
25,548,272 ℓ		44,740,083 kWh	57,740 ℓ
		LP Gas	Type A Heavy Oil
		66,908 m³	51,704 ℓ
		City Gas	Running Water
		20,310 m³	127,524 ℓ
		Gasoline	
		6,388 ℓ	
Vehicle Total		Facility Total	
68,572 t 12.4% increase		22,223 t 34.9% increase	
Total Emissions			
90,795 t 17.2% increase			
Scope 1		Scope 2	
Direct Emissions from Energy Sources		Indirect Emissions from Electric Power Purchasing, etc.	
69,305 t 12.49% increase		21,490 t 35.23% increase	

\*Increase or decrease is in comparison to the previous year

Usage of Electric Power, Paper and Water (fiscal 2018)

Electric Power	Paper	Water
Usage	Usage	Usage
44,740,083 kWh	59,259,924 sheets	127,524 m <sup>3</sup>
Specific Consumption	Specific Consumption	Specific Consumption
235,000 kWh	3,115.68 sheets	6,71 m <sup>3</sup>
Year-to-year	Year-to-year	Year-to-year
7.12% increase (specific consumption)	5.11% increase (specific consumption)	10.05% decrease (specific consumption)

\*Specific consumption is per employee (fiscal 2018: 19,017 employees)

Mid-to-Long-Term Environmental Plan

The SBS Group started its third mid-to-long-term environmental plan from fiscal 2018. Dubbed “Sincere Challenge 2030,” the plan comprises a slogan, medium-to-long-term priority issues and a medium-term action plan (Environmental Action 2020). We will work on this plan in a sincere and proactive way.



SBS Group Mid-to-Long-Term Environmental Plan

Plan Name	Sincere Challenge 2030	
Slogan	“We take on the challenge of making an eco-friendly society full of green!”	
Priority Issues	Mid-term	Curtailment of CO <sub>2</sub> emissions (reduction of carbon emissions from vehicles and facilities) Promotion of resource recycling (effective use and recycling of waste) Conservation of natural resources (reduction of use of copying paper and water)
	Long-term	Strengthening reduction of CO <sub>2</sub> emissions from vehicles (formulation and implementation of plan for introduction of next-generation vehicles)

Strengthening Reduction of CO<sub>2</sub> Emissions from Vehicles







If based on Japan’s nationally determined contributions in terms for target energy-derived carbon dioxide emissions in each sector in the Paris Agreement made at the Framework Convention on Climate Change, 2030 energy-derived CO<sub>2</sub> emissions in 2030 will need to be a 26% reduction from 2013 levels (24% reduction from 2005 levels, corresponding to roughly 927,000,000 tons of CO<sub>2</sub>), and in the transportation sector, a reduction of 28% from 2013 levels (32% reduction from 2005 levels), or roughly 163,000,000 tons of CO<sub>2</sub>. To achieve these reductions by the year 2030, the SBS Group calculates it will need to replace at least 1,000 medium-sized vehicles with next-generation vehicles (electric or hydrogen-powered, etc.). Moving forward, we will pay close attention to national policies and the development trends of automotive manufacturers to formulate solid plans and find the right time to introduce these vehicles.

Action Plan

The SBS Group is implementing Environmental Action 2020 as the action plan of the Sincere Challenge 2030 Mid-to-Long-Term Environmental Plan. The plan sets six aims and 10 environmental actions related to priority issues in the medium term, and defines medium-term goals (currently covering fiscal 2018 to fiscal 2020) to be achieved.

In fiscal 2018, the SBS Group managed to achieve its goals for reduced CO<sub>2</sub> emissions per unit of sales, reduced water usage per employee, improved eco-friendly vehicle ownership rate, eco-driving promotion, environmental action awareness-raising, and support for environmental groups.

Environmental Action 2020

Aim	Action	Goal			Results / Achievement Status	
		2018	2019	2020	2018	
 Preventing global warming	Reduction in CO <sub>2</sub> emissions per unit of sales	At least 3% year-to-year			-8.39% (52.08 tons / 100 million > 47.71 tons / 100 million)	○
	Reduction of CO <sub>2</sub> emissions per distance traveled in vehicles	At least 1% year-to-year			3.85% (0.52 t/km→0.54 t/km)	△
 Resource conservation [water and forests]	Reduction in water usage per employee	At least 1% year-to-year			-9.99% (7.45 m <sup>3</sup> →6.71 m <sup>3</sup> )	○
	Reduction in PPC paper usage per employee	At least 5% year-to-year	At least 10% year-to-year	At least 15% year-to-year	5.11% (2,964 sheets > 3,116 sheets)	△
 Resource recycling	Visualization of industrial waste product recycling	Sampling	Expansion of applicable business sites	Active promotion	As a result of the sampling that was conducted, it was determined that there is a need for common rules on sorting and waste handling. From fiscal 2019, we will look at developing common Group-wide guidelines.	△
 Development of green logistics services	Improved fuel efficiency	At least 1% year-to-year			-0.2% (4.94 ℓ/km→4.93 ℓ/km)	△
	Improved eco-friendly vehicle ownership rate	At least 3% year-to-year			5.59% (85.50%→91.09%)	○
	Eco-driving promotion	Development of an evaluation and commendation system	Launch of the evaluation and commendation system	Firm establishment of the evaluation and commendation system	Commendations will start from fiscal 2019, when development of the system will have been completed.	—
		Year-to-year increase in EMS introduction rate			8.43% (2,159 > 2,341)	○
 Education	Awareness-raising of environmental action (posters, etc.)	Active promotion			Sincere Challenge 2030 posters were created and displayed at the business sites of Group companies.	○
 Social contribution	Support for environmental groups	Providing support to at least one group			One environmental group was supported and provided assistance with its activities.	○



Climate Change Risks

The SBS Group recognizes risks due to climate change as important management challenges. As an enterprise responsible for part of social infrastructure, risks due to climate change are an issue that cannot be ignored, and to achieve sustainable management, we believe it is necessary to appropriately ascertain and manage these risks, and to respond and adapt to them as appropriate.

■ Risks Due to Physical Impact

To the SBS Group, which maintains many business sites around ports and harbors, disasters caused by weather phenomena believed to be affected by global warming, including typhoons of increased severity, storm surges and frequent torrential rains, pose risks to business continuity. To address these risks, we consider site conditions and facility design with flood damage in mind when establishing new logistics sites, and have prepared for emergencies with the creation of the SBS Group Business Continuity Plan, which sets out the measures to be taken in the event of a disaster. Additionally, with rising temperatures in recent years, workers face a significantly heightened risk of heat stroke. To the SBS Group as an employer of large numbers of drivers and warehouse personnel, risks to employee health represent a serious issue. We will take multifaceted measures to deal with these risks, including the installation of additional water supply equipment, the regular stocking of supplies, the provision of goods to help workers cope with the heat, careful monitoring of high-temperature warning information, and efforts to alert workers to the dangers.

■ Risks Due to Regulations

The strengthening of regulations based on international agreements such as the United Nations Framework Convention on Climate Change (Paris Agreement) could be a risk that places pressure on management costs. There is a possibility of new regulations and systems (carbon taxes, taxes on fuel and energy consumption, etc.) being advanced, and for the SBS Group as a transportation business operator, for example, we may be pressured to upgrade our vehicle fleet to next-generation vehicles and switch to more energy-saving facilities at an early stage. To address these risks, we will pay close attention to national policies while developing steady plans and make preparations so that we can swiftly invest in vehicles and equipment when the time comes.

SBS Group Business Continuity Plan

This is a plan to ensure business continuity in the event of a major disaster and is prepared in according with the SBS Group basic policy on business continuity planning. The plan gives top priority to safeguarding people's lives.

United Nations Framework Convention on Climate Change

This convention sets out an international framework to prevent the various adverse effects that are caused by global warming, with the ultimate aim of stabilizing the concentration of greenhouse gases in the atmosphere. The Paris Agreement (2015) was adopted as a new international framework that includes greenhouse gas emissions reductions for the year 2020 onwards.

The SBS Group's Climate Change Risks and Countermeasures

Type	Cause	Effect	Countermeasures
Physical	Changing rainfall patterns (typhoons of increasing severity, frequent torrential rain, heavy snowfall, etc.)	- Direct damage to logistics facilities (facility equipment, customer products) - Impeding securing of operational personnel and the operation of vehicles	Strengthening of risk countermeasures and disaster response management at facilities located in high-risk regions
	Changing temperatures	Health risks to workers (heat stroke, etc.)	- Careful monitoring of high-temperature warning information, and warnings to workers (encouraging rehydration, providing preventative information, thoroughly disseminating rules on action to take when a worker feels ill) - Installation of additional water supply equipment, regular stocking of supplies, provision of goods to help workers cope with the heat, etc.
	Changing management status of business partners (reduced production and sales volume, etc.)	Economic and financial impact	—
	Market stoppages or the cutting off of import/export routes due to disasters or conflicts caused by global warming	Impact of vehicle fuel shortages on operation	Increased installation of in-tanks at business sites
Regulations (transition, etc.)	Strengthening of domestic environmental regulations due to international agreements (carbon taxes, taxes on fuel and energy consumption, emissions trading)	Pressure on management due to increased costs	- Enhanced investment in the environment (introduction of next-generation vehicles, energy-saving lighting, carbon offsetting, etc.) - In-house use of renewable energy
	Delays in environmental measures under decarbonization trends against the backdrop of international agreements and other developments	Damage to trust from stakeholders (reduced competitiveness, falling share prices, etc.)	Enhanced environmental management structure (environmental initiatives, information disclosure, etc.)

Environmental Issues Tackled by the SBS Group

The SBS Group pursues initiatives to deal with major issues concerning environmental conservation, with a focus on measures that relate to vehicles and facilities.

Global Environmental Issues	The SBS Group's Initiatives
Global warming	Energy conservation, the creation of renewable energy, promoting eco driving, introduction of eco-friendly vehicles, modal shift, promotion of eco tires, activity awareness-raising
Air Pollution	Introduction of eco-friendly vehicles, reduction of aging vehicles
Depletion of the ozone layer	Compliance with Act on the Rational Use and Proper Management of Fluorocarbons
Resource recycling	Company-wide 3R promotion (implemented on a trial basis since fiscal 2018), promotion of retread tires, activity awareness-raising
Forest conservation	Use of FSC certification, support for conservation groups, promotion of paperless operations
Water issues	Water conservation, activity awareness-raising

■ Initiatives Related to Vehicles

The SBS Group is striving to foster a deeper culture of eco-driving through eco-driving (fuel-efficient driving) training (eco and safe-driving training: eco-driving workshops conducted in group settings) and through actual practice (voluntary fuel efficiency management: having drivers ascertain the effects of their own driving by recording supplied fuel, distances driven and fuel efficiency by hand to raise awareness of fuel-efficient driving) in a two-pronged effort.

■ Initiatives Related to Facilities

The SBS Group is promoting energy savings at its facilities through a range of energy conservation measures including the introduction of energy-saving lighting (LED, electrodeless lamps, etc.), primarily at existing large-scale centers and new centers. Energy-saving lighting has now been introduced at 50 business sites, and the effects of doing so have been visualized. We will continue to actively promote these activities.

■ Other Initiatives

The SBS Group is also addressing modal shift. In addition to reducing environmental impact, modal shift is a means of transportation that contributes to society by addressing the shortage of drivers. In 2015, SBS Logicom took part in the promotion of modal shift for liquor sellers and helped drastically reduce CO<sub>2</sub> emissions. As a result, we received a joint commendation as an Excellent Green Logistics Business.

■ Environmental Actions Taken within a 5-Meter Radius and Awareness-Raising Concerning the Mid-to-Long-Term Environmental Plan

To encourage each and every employee to consider the environment, the SBS Group has adopted the slogan “environmental actions taken within a 5-meter radius.” We call on employees to continually put into practice six environmental actions and also endeavor to raise awareness of the Sincere Challenge 2030 mid-to-long-term environmental plan.

Number of employees taking eco-driving training (cumulative total)

1,500

(as of December 31, 2018)

\*Does not include the results of individual training at Group companies.

ECO DRIVER.

Number of business sites where energy-saving lighting has been introduced (cumulative total including sites with partial introduction)

50 business sites

\*This initiative has helped curb CO<sub>2</sub> emissions by more than 2,200 tons annually.

Modal Shift (fiscal 2018)

256,204 t

By seeking to shift the means of transportation for cargo and people, in cargo transportation the movement of goods by cargo truck is switched to rail or coastal vessel-based transportation. Since attention was drawn to modal shift at the 3rd Conference of the Parties under the United Nations Framework Convention on Climate Change (Kyoto Meeting) in 1997, various countries have pursued initiatives, and efforts have also been promoted by Japan's Ministry of Land, Infrastructure, Transport and Tourism.



Major Indicators (Fiscal 2018 Results)

<Safety>

Number of Transportation Safety Promotion Meetings Held

4

Number of Group Safety Training Sessions Conducted

23

Group-average Fuel Efficiency

4.93 km/l

Number of Business Sites with G-Mark Certification (certification rate)

153 business sites (86.4%)

Number of Serious Accidents

1

For details about our basic policy and promotion system regarding safety, please check our website.  
TOP > CSR Initiatives  
<https://www.sbs-group.co.jp/sbsh/csr/>

Review of Fiscal 2018 Initiatives (Safety)

The SBS Group promotes transportation safety based on the three pillars of education & awareness-raising, accident prevention and safe operational management. In the area of education & awareness-raising, in fiscal 2018 we added health officer examination preparatory seminars to enhance our occupational health and safety performance. With regard to accident prevention, we conducted a thorough survey of heat

stroke that led to measures to prevent it in an effort to improve health management. Additionally, in response to a large warehouse fire that occurred last year, the checks of fire prevention measures at logistics facilities which had already been started were further reinforced. Monitoring is also underway. Across the Group, a single major accident occurred, the same as the previous year.

Priority Risks

Strengthening employee health management, reducing major accidents, strengthening fire prevention measures at logistics facilities

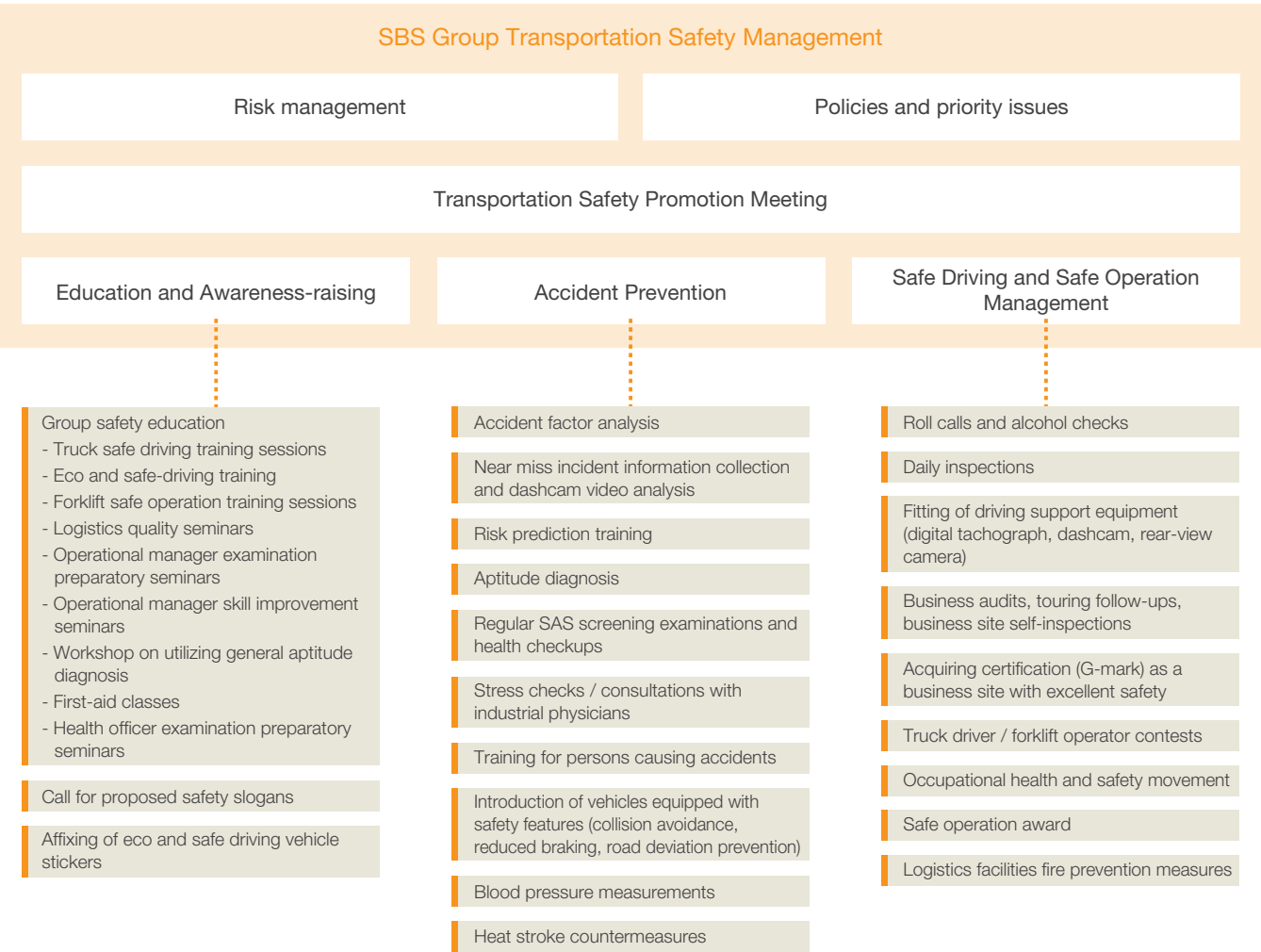
Priority Issues

Improving fuel efficiency through eco-driving training and enhancing awareness of safe driving

Preventing accidents by conducting safe operational training for trucks and forklifts

Strictly enforcing daily inspections of forklifts through the creation of a daily inspection manual

Skill improvement initiatives to foster the development of operational managers, health officers and other key personnel





<Society>

Education and Awareness-Raising

■ Group Safety Education

With reports of serious accidents attracting the attention of society, operation managers have become increasingly important. The SBS Group focuses on cultivating and improving the skills of operation managers and strives to raise the level of transportation safety management capabilities across the Group. In fiscal 2018 we began offering preparatory seminars for health officer examinations and also pursue enhanced occupational health and safety management.

- Operation manager examination preparatory seminars
- Operation manager skill improvement training
- Eco and safe-driving training
- Truck safe driving training sessions
- Forklift safe operation training sessions
- Logistics quality seminars
- First-aid classes
- Courses on utilizing general aptitude diagnosis for operation managers
- Health officer examination preparatory seminars

Number of Sessions Held

29

Number of Trainees

902

\*Excludes individual training conducted by Group companies.

■ Safety Slogan

Each year the SBS Group accepts proposals from employees for a safety slogan to be used in Group-wide awareness-raising activities to foster pride as professionals with responsibility for safety. The slogan for fiscal 2019 was selected from a record 10,629 submissions.

■ Affixing of Eco and Safe Driving Vehicle Stickers

Since December 2017, this sticker has been affixed to all SBS Group cargo vehicles. The sticker represents our promise to society that SBS Group vehicles take the environment and safety into consideration. We are conscious of being eco-friendly and safe drivers, and are committed to eco and safe driving.



Fiscal 2019 SBS Group Safety Slogan

Trust comes from safety,  
security and zero accidents

Takao Chisaka, Kiso Sales Office  
SBS Zentsu Co., Ltd.



Accident Prevention

■ Driver Health Management

The SBS Group not only takes steps to prevent overwork but also makes thorough efforts to regularly conduct health checkups and perform SAS (sleep apnea syndrome) screenings to prevent accidents attributable to employee health. SAS screening tests not only involve secondary screening but also regular monitoring after testing. Additionally, since there has also been an uptick in accidents related to brain disorders across society, we continually monitor the state of health of drivers by conducting brain MRI scans as necessary in order to ensure safety and peace of mind in our transportation operations.

■ Employee Health Management

In light of recent rising temperatures, since fiscal 2018 the SBS Group has stepped up measures to combat heat stroke in its warehouses. We have thoroughly investigated information related to incidences of heat stroke and installed additional air conditioning equipment to enable proper temperature management within warehouse facilities. In addition, we actively advise drivers to run air conditioning continuously. As a result, we have managed to halve the number of heat stroke cases compared with the previous year. We will continue to address this issue with the aim of completely eliminating cases of heat stroke among our employees.

Safe Driving and Safe Operation Management

■ Driver & Operator Contests

We have been holding contests since fiscal 2016 with the aim of having drivers and operators compete over their knowledge of advanced driving skills, inspection technologies and related laws and regulations in order to raise awareness of their social responsibilities as drivers and operators by honing skills through friendly competition and acting as exemplary representatives of

their respective workplaces. In fiscal 2018, the SBS Group Driver Contest was held for the third time, and the SBS Group Forklift Operator Contest was held for the first time.

We will continue to hold these contests to improve the awareness and skills of individual drivers and cultivate a Group identity that pursues safe driving and operation.

3rd SBS Group Driver Contest



Saturday, November 17, 2018  
Saitama Prefecture Comprehensive  
Truck Training Center  
Competitors: 24  
Related Personnel: 176  
Total Participants: 200  
(1) Regular inspections  
(2) Academic examination  
(3) Practical driving skills

1st SBS Group Forklift Operator Contest



Saturday, June 9, 2018  
Toyota L&F Customers Center Tokyo  
Competitors: 17  
Related Personnel: 53  
Total Participants: 70  
(1) Regular inspections  
(2) Academic examination  
(3) Practical operating skills

■ Fitting of Driving Support Equipment

The SBS Group has proceeded to fit its vehicles with digital tachographs (including switch-overs from analog systems). A digital tachograph sounds a warning alarm when a driver exceeds a speed limit or brakes suddenly. We are also steadily equipping vehicles with dashcams. The company monitors these records and makes drivers aware of areas for improvement as necessary. In addition, we have made steady progress in the installation of rear-view cameras, which prevent collision accidents when a vehicle is reversing.

■ Fire Prevention Measures at Logistics Facilities

In response to a large-scale warehouse fire that occurred at another company in 2017, the SBS Group created its own fire prevention measures check sheet based on guidelines from the Ministry of Land, Infrastructure, Transport and Tourism and the Fire and Disaster Management Agency. All Group logistics facilities are required to perform periodic checks and report on the results. Criteria have been established for the items to be checked, and when the criteria are not met, facilities are obligated to take corrective action. We strive to continually raise the level of fire prevention methods by iterating on this cycle of checks and improvements.

Number of Vehicles Equipped with Driving Support Equipment

Digital / Analog Tachographs

3,554 vehicles

Dashcams

2,937 vehicles

Rear-View Cameras

3,589 vehicles

Safety Activities 2018



Eco and Safe-Driving Training



Safe Driving and Operation Training Sessions



Maintenance Manager Courses

Engagement between the SBS Group and Society

The SBS Group undertakes its corporate activities with the involvement of various stakeholders.

The SBS Group regards the customers to whom it provides services, as well as shareholders and investors, the employees who work together with the Group, business partners including suppliers and contractors and the local communities where the Group does business as major stakeholders.

To stakeholders, we commit to putting the customer first,

Engagement with Customers

Quality Management System

Each Group company in the SBS Group has established a quality management system and we endeavor to maintain and improve the quality of the transportation and services we provide. In addition to the international ISO9001 standard that indicates systematic requirements for quality management systems, we have also obtained other appropriate certifications including ISO27001 certification for information security management systems, the Privacy Mark related to the protection of personal information, as well as JAS Organic Agricultural Product Subdivider Certification and the Relocation Safety Mark.

Implementation of Improvement Activities

The SBS Group conducts a wide range of improvement activities and holds an Improvement Contest designed to recognize achievements in those endeavors and share outstanding expertise. For its part, SBS Ricoh Logistics System holds a Global KAIZEN Contest under the themes of KAIZEN and Reform incorporating management issues. Meanwhile at SBS Zentsu, the Home Delivery Division responsible for the delivery of foods at the four temperature ranges holds Improvement Example Presentations to develop a comfortable workplace environment, and has workers compete and learn home delivery customer service skills through the “Customer Service Master Contest.” SBS Flecnet holds Business Improvement Presentations with the aim of providing better services and developing an improved work environment. Each of these initiatives is not only an opportunity to raise awareness of issues and share lessons, but is also positioned as an opportunity to develop a positive corporate culture.

ISO9001 (Quality Management Systems)

72 business sites

ISO27001 (Information Security Management Systems)

97 business sites

making appropriate information disclosures, developing a comfortable workplace, cultivating partnerships and contributing to local communities, and we endeavor to reflect these commitments in our corporate activities through wide-ranging dialogue with stakeholders. We have established a Code of Behavior prescribing compliance with laws, manners and morals, environmental conservation and social contribution as a corporate citizen, and strive to coexist with society.

Provision of Information

In addition to disclosing information about the business operations it is entrusted with, the SBS Group earns the trust of stakeholders by providing a range of information with a focus on customers.

The LOGILINK, a logistics-oriented PR publication issued by SBS Logicom for customers, has earned a favorable reception among companies, groups and government organizations as a medium for disseminating useful information to those responsible for and involved with logistics, including case studies of logistics solutions and the latest information. Everything from the expertise and functions of SBS Logicom logistics services to the ingenuity of its staff is introduced in an easily understood format that illustrates SBS Logicom's collective strength as a logistics company.

On another front, SBS Flec has produced “Specialists in Food Logistics,” a web-published documentary highlighting the work and appeal of the Flec Group specializing in food logistics over more than six decades. The documentary mainly targets new customers and job seekers, but also provides thorough insight into the corporate values of SBS Flec.



“Specialists in Food Logistics”

View the video here.

SBS Flec Website (<https://www.sbs-flec.co.jp/>)

SBS Flec TV (<http://cowtv2.jp/c3/sbs-flec-tv/>)

Engagement with Employees

Human Resource Development

The SBS Group provides wide-ranging education and training to all employees working at Group companies in accordance with the following Basic Policy on Human Resource Development.

1. We will implement human resource development as a part of our management strategy and human resource strategy, and foster human resources able to contribute to the growth and development of the Group.
2. We will cultivate human resources through a broad range of education and training, and strive to build up the Group's personnel-based assets.
3. We will assist employees in achieving their self-actualization goals through life-long education.

The composition of training is systematically organized into tiered training, theme-specific training, specialist training and personal development support, and is designed to help employees improve their skills and develop their careers.

Human Resource Development and Educational Support (Fiscal 2018)

Curricula: 43

Total Trainees: 5,095

\*See the CSR data on pages 43-44 for a breakdown of the curricula.

Developing an Environment in Which Everyone can Succeed

The SBS Group strives to develop an employment environment in which anyone can succeed in ways appropriate to the respective business site, including those who are disadvantaged in some way. In fiscal 2018, the SBS Group received two awards related to the employment of persons with disabilities.

In recognition of its active efforts to employ persons with disabilities, SBS Zentsu received a commendation from the head of the Saitama Labor Bureau.

Meanwhile, Rie Yamazaki from the Oita Sales Office of the SBS Flecnet Kyushu Logistics Division was recognized for overcoming her disability and demonstrating independence as a model worker, and received an award for excellent work as an employee with a disability.



Engagement with Business Partners

The services provided by the SBS Group are also supported through the cooperation of many business partners. We regard our business partners as fellow entities executing business

goals in tandem with the SBS Group. Accordingly, we endeavor to fulfill our obligations and develop in step with these business partners, in keeping with laws and ethics.

Communication with Stakeholders

The SBS Group strives to engage in dialogue as well as disclose and provide information by developing and utilizing various means of communication with stakeholders.

Communication with Customers	Communication with Employees	Communication with Shareholders and Investors	Media Communication	Website Communication
LOGILINK published by SBS Logicom 1	Publication of the SBS Express Group magazine 4 times  Publication of CSR News 1  Compliance Newsletter 12 times	Total Financial Results Briefing Attendees 117 (twice a year)  Responses to Investors and Analysts 107 responses (as required)	Press Releases Issued 53	Number of Visitors 1,048,397 visitors (116,240 visitors)  Page Views 4,591,066 views (680,614 views)

\*Figures in parentheses are for SBS Holdings, Inc.



Social Contribution Activities

■ Support for the Social Sector

The SBS Group provides support to groups engaged in non-profit activities with considerable social significance while utilizing the Group's strengths.

We provide advice and make proposals to Second Harvest Japan (2HJ), an accredited NPO working to build a food safety net for people without enough food, in relation to transportation support, warehouse operation and vehicle operation to link companies wishing to donate food with 2HJ distribution sites. 2HJ is promoting the "Tokyo 2020: Food for 100,000" project, which aims by 2020 to support 100,000 people in the Tokyo area and 60,000 people in the Kanagawa and Saitama areas who are suffering from a lack of food, and the SBS Group is providing assistance to help 2HJ reach this goal.

We also subsidize and support the activities of The Organization for Industrial, Spiritual and Cultural Advancement (OISCA), which works to develop human resources in the areas of rural development and environmental conservation, primarily in the Asia-Pacific region.

■ Activities in Which Employees Also Take Part

In a meeting room in Olinas Tower (Sumida-ku, Tokyo), where SBS Holdings has established an office, sales drives to offer sweets created at the Sumida Ward Community Workshop\* to employees, and sales drives to support earthquake reconstruction are held regularly.

As a trucking business operator that makes use of public roads, the SBS Group also believes it has an obligation to set a good example in terms of traffic safety. To achieve safety and security on the roads, we also cooperate with traffic safety activities and traffic safety classes held each spring and autumn by local police forces, traffic safety organizations and trucking associations.

The SBS Group takes part in and supports a range of used item collection initiatives.

Items collected: books, DVDs, CDs, toothbrushes, school satchels, stamps

\*A vocational aid care center established by Sumida-ku in 1988 for people who find it difficult to gain employment primarily due to intellectual disabilities.



Social contribution-oriented sales drives

2

Earthquake recovery-oriented sales drives

1

Spring traffic safety initiatives

1

Autumn traffic safety initiatives

1



Social Contribution-Oriented Sales Drives



Traffic safety initiatives

Fiscal 2018 SBS Group Social Contribution Award

Nippon Record Center Co., Ltd.: Contributions to the local community

To date Nippon Record Center has actively promoted a number of exchange development initiatives with the local community and employees. In addition to running sessions to exchange views with local residents, the company runs power walking classes to the public, and offers *etegami* picture letter classes and workplace tours for the children of employees.

As a part of its efforts in fiscal 2018, "ME-BYO Supporter Educational Training" was held as part of the ME-BYO improvement and promotional activities run by Kanagawa Prefecture. Over 50 members of the local community association took part in the event, which was received favorably. The company also planned a sweet potato digging experience for employees' children. Thirty-one children enjoyed the experience of digging for sweet potatoes.

Nippon Record Center's activities contribute to the community

in a wide range of ways, from dialogue with local residents to improved education and cultural engagement, the promotion of health and job creation. As a result, these ideal activities developed sustainability not only internally but across the region. The company was also recognized for combining those activities with efforts to preserve and maintain employment.

\*As of July 1, 2019, Nippon Record Center was absorbed into SBS Logicom by merger.



ME-BYO Supporter Educational Training



Sweet Potato Digging Experience

■ SBS Kamata Foundation

The SBS Kamata Foundation is a support foundation that provides grants for excellent logistics research and offers scholarships to students receiving social care.

SBS Kamata Foundation Website (<https://www.sbs-kamatazaidan.or.jp/>)

Logistics Research Grants

The foundation conducts aid activities with the aim of supporting academic research into logistics, which is part of the social infrastructure, and contributing to the development of the industry as a whole and the betterment of people's lives, for instance by using the fruits of research to improve logistics efficiency and prevent accidents.

Applicable Research: (1) academic research and (2) the holding of research workshops, symposiums, seminars, etc. that contribute to the promotion or development of logistics are eligible.

\*Examples of the themes addressed : improving logistics efficiency, improving safety in cargo transportation and reducing the impact on the global environment (reducing CO<sub>2</sub> emissions) through better logistics systems  
Grant Amounts: Total of 3,000,000 yen, up to 500,000 yen per individual grant.

Grants Issued in Fiscal 2018

9

Grants Issued in Fiscal 2018

Name of Affiliate Organization	Position	Name	Research Subject	Grant Amount (thousand yen)
Department of Electrical and Electronic Engineering, Faculty of Engineering, Shizuoka University	Assistant Professor	Masahiro Aoyama	Research into motors appropriate for a dynamic wireless power transfer system for transportation equipment	500
Faculty of Distribution and Logistics Systems, Ryutsu Keizai University	Associate Professor	Norie Yokoi	Possibility and potential methods for the integration of logistics and marketing: initiatives to solve logistics issues from a marketing perspective	500
Advanced Materials Science, Graduate School of Frontier Sciences, The University of Tokyo	Specially Appointed Associate Professor	Shunichiro Watanabe	Development of print process-type antennas in wirelessly powered RFID tags achieving a smart logistics society	500
Mechanical Engineering Course, Graduate School of Science and Engineering, Ehime University	Associate Professor	Jae Hoon Lee	Development of handcarts that can move autonomously	500
Faculty of Business and Commerce, Aichi Gakuin University	Professor	Hirofumi Tange	Research into the promotion of health-oriented management in the logistics industry	500
Faculty of Distribution and Logistics Systems, Ryutsu Keizai University	Professor	Yuji Yano	Research into the deployment of joint logistics through horizontal and vertical coordination	499.14
Center for Integrated Disaster Information Research, Interfaculty Initiative in Information Studies, The University of Tokyo	Specially Appointed Assistant Professor	Saneyuki Udagawa	Research and development of map exercise learning materials for relief supply logistics in the event of a disaster	500
Flight and Control, Graduate Department of Aerospace Engineering, Nagoya University	Professor	Susumu Hara	Development of an anti-tip mechanism during the landing of multicopter drones used for logistics	500
Department of Electrical Engineering, Faculty of Science and Technology, Tokyo University of Science	Associate Professor	Dairoku Muramatsu	Development of a passive-type intra-body communication-based picking system to improve the efficiency of logistics work	500



Scholarships for Students Receiving Social Care

This project provides scholarship funding to motivated and talented students and other persons to prevent them from abandoning education for economic reasons, with the aim of contributing to equal opportunity in education and the development of human resources, while helping enhance education and welfare.

Application Requirements: Students who are generally at least 18 years old and have been accepted for enrollment into higher education, who are children residing in a child welfare home or living in a foster home in the Kanto region, and who plan to advance to university, junior college, a vocational school or similar

Scholarship Amounts: 300,000 yen per student (as a higher education allowance)

Number of Scholarship Recipients in Fiscal 2018

35

## Major Indicators (Fiscal 2018 Results)

Outside Directors

**3** (out of 8 directors)

Assessment of Internal Control Related  
to Financial Reporting for Fiscal 2018

**Valid**

Resolutions of the Annual General Meeting  
of Shareholders for the 32nd Period

- Item 1: Appointment of eight directors  
(three of whom are outside directors)
- Item 2: Appointment of one Audit &  
Supervisory Board member
- Item 3: Appointment of one substitute Audit  
& Supervisory Board member

Convening of the Fiscal 2018  
CSR Promotion Committee

**1**

# Governance

## Corporate Governance

### Purpose and Basic Approach

By achieving the Group Management Philosophy and Code of Behavior established based on its founding spirit, the SBS Group aims to maintain a positive relationship with its stakeholders and endeavor to build an effective management structure by enhancing the efficiency, soundness and transparency of its management.

In addition, the SBS Group will adopt the basic approaches of ensuring management transparency towards its shareholders and other stakeholders, maintaining management efficiency and conducting business activities consistent with business ethics and practicing CSR management, while striving to enhance and strengthen corporate governance in keeping with the following policies.

- To ensure substantial equality with respect to shareholders, the Company will endeavor to enhance management transparency through the proactive disclosure of information, and develop an environment in which shareholders can exercise their rights appropriately.
- The SBS Group will make every effort to respect and maintain a positive relationship with its stakeholders, including employees, customers, business partners and local communities, to enhance corporate value in the medium and long term, in accordance with its Group Management Philosophy and Code of Behavior.
- In light of its fiduciary duty to shareholders, the Company's Board of Directors will appropriately carry out its roles and responsibilities, including making decisions regarding the implementation of important business of the SBS Group, monitoring the progress of such operations, and supervising

the attainment of business plans and the management philosophy, in the interests of the sustainable growth of the company and the enhancement of corporate value over the medium and long terms.

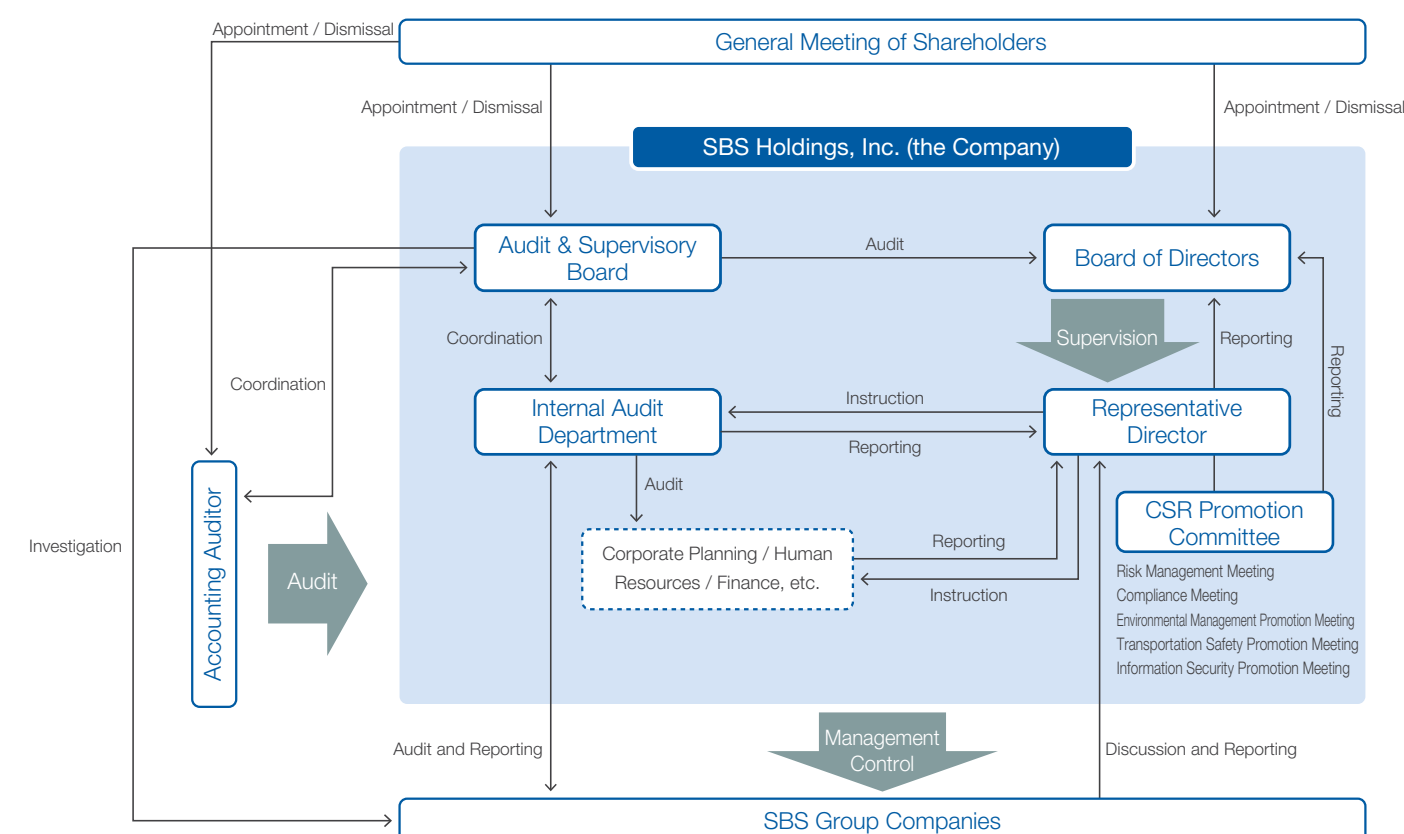
- The Company will develop an investor relations structure headed by the President and Director and will promote dialogue with shareholders and investors in an effort to achieve sustainable growth and enhance corporate value over the medium and long terms.

### Structure

SBS Holdings has adopted the system of a company with an Audit & Supervisory Board. Under this system, the Board of Directors is responsible for making important management decisions and overseeing the execution of business operations. Working independently from the Board of Directors, the Audit & Supervisory Board and its members are responsible for conducting strict auditing of statutory requirements. Several outside directors are appointed to the Board of Directors to bolster its monitoring function. SBS Holdings has also adopted an executive officer system in order to clarify the executive responsibilities of officers while ensuring the proper delegation of authority. Through these efforts, SBS Holdings has developed a system that enables business operations to be carried out flexibly.

To ensure that directors and Audit & Supervisory Board members fulfill their respective roles as required, when appointed they are briefed on matters primarily concerning their obligations and responsibilities, and are offered the necessary support for self-improvement.

### Corporate Governance Structure



See the SBS Group website for details about corporate governance  
Top > Investor Relations > Corporate Governance  
<https://www.sbs-group.co.jp/sbsh/ir/governance/>



■ Board of Directors

The Board of Directors meets at least once a month, where it discusses and decides on management issues, new business policies and other important matters.

The Board of Directors comprises eight directors, three of whom are outside directors. The outside directors fulfill their roles and responsibilities to enhance corporate value, including offering advice and guidance related to management from an independent standpoint, attending important Group meetings, and providing recommendations as necessary.

■ Audit & Supervisory Board

Independent of the Board of Directors, the Audit & Supervisory Board meets at least once a month. At the meetings, which are attended by Audit & Supervisory Board members and members of the Internal Audit Department, the status of audits and matters identified in audits are reported on, compliance with statutory requirements is verified, and information is shared to promote recognition of issues.

The Audit & Supervisory Board members comprise one full-time auditor and two part-time auditors. These members endeavor to collect information by attending important meetings such as meetings of the Board of Directors, viewing important documents and checking the implementation status of operations, and strive to enhance the internal checks and balances function.

■ Outside Officers

SBS Holdings has been working to expand its ranks of outside officers to bolster management supervisory functions. These efforts are also expected to achieve highly independent and transparent monitoring functions and play a part in the

formation of new ideas and principles that are not beholden to customary practices.

■ Evaluating the Effectiveness of the Board of Directors

SBS Holdings has been analyzing and evaluating the effectiveness of the Board of Directors since fiscal 2016 in an effort to improve its functioning.

Specifically, we conduct surveys of the directors and Audit & Supervisory Board members, and then analyze and evaluate the results. For the fiscal 2018 survey, we asked respondents about the following items on a five-point scale, as well as providing space for respondents to supplement their assessments and include other opinions.

- (1) Composition of the Board of Directors (two questions)
- (2) Operation of the Board of Directors (five questions)
- (3) Matters taken up by the Board of Directors (eight questions)
- (4) Systems supporting the Board of Directors (four questions)
- 19 questions in total

Meetings of the Board of Directors and Attendance  
by Outside Directors (Fiscal 2018)

	Board of Directors	Audit & Supervisory Board
Meetings	14	14
State of Attendance	Outside Directors (3)	14 out of 14
	Outside Audit & Supervisory Board Members (2)	14 out of 14

Outside Officers

Title	Independent Officer	Name	Reason for Appointment
Outside Director	○	Jiro Iwasaki	Jiro Iwasaki brings a wealth of experience and broad insight concerning management from many years as a company officer, and was appointed on the expectation that his experience and knowledge as an outside officer can be reflected in the management of SBS Holdings.
	○	Tetsuya Sekimoto	Tetsuya Sekimoto possesses extensive experience and expert knowledge as an attorney as well as experience and knowledge as an outside officer, and was appointed on the expectation that these experience and knowledge can be utilized for the compliance management of SBS Holdings.
		Shuichi Hoshi	Shuichi Hoshi worked for many years as the head of the food logistics department for a general trading company and was appointed on the expectation that the business experience he accumulated there and managerial acumen he has cultivated as a company officer can be utilized as a director of SBS Holdings.
Outside Audit & Supervisory Board Members	○	Masahito Takeda	Masahito Takeda was appointed on the expectation that his many years of experience and insight regarding finance and accounting work can be reflected in the auditing of SBS Holdings.
		Masato Matsumoto	Masato Matsumoto possesses extensive experience as a corporate manager at a financial institution along with considerable knowledge regarding finance and accounting. He was appointed on the expectation that his broad knowledge in these areas can be reflected in the auditing of SBS Holdings.

Compliance

■ Management

The SBS Group has established the SBS Group Code of Behavior and SBS Group Compliance Regulations, and is committed to developing and promoting its compliance systems. Playing a central role in this effort is the SBS Group Compliance Meeting, which comprises members appointed from SBS Group companies. In addition to playing a pivotal role in awareness-raising activities, the Compliance Meeting also monitors, confirms and investigates compliance violations and drives improvements. In addition, by distributing a range of awareness-raising materials including the SBS Group Compliance Manual to all Group employees and thoroughly ensuring the observance of compliance requirements, the SBS Group makes every effort to promote fair and ethical behavior and activities.

Awareness-raising materials distributed to all employees

- Compliance Card
- Compliance Manual
- Compliance Rulebook

■ Initiatives to Increase Awareness

We try to increase awareness of compliance by providing regular training and disseminating information to employees. In tiered training, we provide instruction on compliance in a broad sense, while in specialist training, we provide guidance to managers under the theme of harassment. We also regularly distribute educational materials to the persons in charge and conduct follow-ups to ensure they can provide on-site guidance. “Compliance Newsletter” is issued to all employees to communicate compliance-related paradigms and news, and we also produce original compliance training videos to be screened during training and on-site.

■ Establishment of Consultation and Internal Reporting  
Hotlines

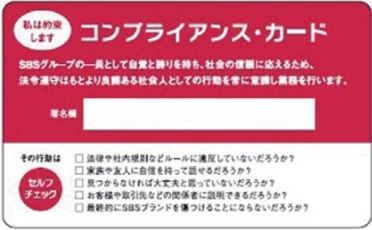
The SBS Group has established and operates hotlines through which all employees working in the SBS Group can seek consultation or make reports when they become aware of an issue with the workplace environment or business operations, or of conduct that violates laws, internal regulations or corporate ethics. There are three types of hotline, the “General Workplace Consultation Office (staffed by compliance personnel), the Auditor Hotline (staffed by Audit & Supervisory Board members) and the Outside Reporting Hotline (staffed by attorneys). The General Workplace Consultation Office allows an employee to select the contact details (direct dial) of the consultant (male or female) they will speak to.

■ Compliance Awareness Survey

The SBS Group periodically conducts compliance awareness surveys to ascertain the extent of compliance awareness among employees and to monitor changes in the environment surrounding employees. The survey results are used to roll out new measures, and when issues come to light in the consultation or reporting hotlines, corrective measures are implemented.

Number of times the Compliance Meeting was convened

2



Number of compliance-related training sessions

9

\*Tiered training + specialist training (harassment)

Provision of educational materials to persons in charge

5 times

Publication of dedicated “Compliance Newsletter” to employees

12 times

Number of consultations fielded by compliance consultation hotlines

86

2018 compliance awareness survey respondents

4,794

Risk Management

SBS Group Crisis Management Structure

With the Risk Management Meeting playing a central role, information is shared on crisis management matters under the jurisdiction of each meeting body. When a determination is made that a crisis has occurred, a company-wide response is initiated in accordance with the Crisis Management Manual.

Main Crisis Matters

- Information Security Promotion Meeting  
Major security incidents, cyber-attacks, system failures
- Transportation Safety Promotion Meeting  
Vehicle and industrial accidents that involve human life
- Compliance Meeting  
Corporate scandals such as inappropriate labor management, fraudulent accounting or inadequate information management
- Disaster Response Management (Business Continuity Plan)  
Natural disasters such as major earthquakes

BCP and BCM

The SBS Group recognizes that in the interest of safeguarding people's lives, it has a social responsibility to continue to perform business activities with a focus on logistics as a part of social infrastructure in the event of a major disaster, and has formulated a business continuity plan (BCP) accordingly. The BCP clearly stipulates matters such as conditions for countermeasures, advance preparation, initial response and restoration efforts. We also focus on business continuity management (BCM), to ensure that the BCP we have formulated functions properly.

Emergency Response Drills

The SBS Group periodically conducts emergency response drills to prepare for major disasters and other emergencies. The drills focus on setting up an emergency headquarters and alternate sites during an emergency, coordinating information such as the state of damage and safety at each Group company and site, and sharing all related information. The specific scenario is changed for each drill.

Development of an Intra-Group Emergency Contact Network

An emergency contact structure and emergency contact network is maintained and managed to confirm the safety of employees and share site damage reports as quickly as possible in the event of an emergency, facilitating business continuity.

Developing Site Information and Sharing Hazard Risks

As part of BCM initiatives, site information including hazard risks\* is centrally managed and shared throughout the Group. Sharing information allows the SBS Group to standardize the measures taken to address issues and facilitates coordination with nearby business sites.

\*Government-issued hazard maps are used.



Ensuring Driver Safety

To ensure driver safety, all Group-operated vehicles are provided with emergency supplies (water, emergency toilets, thermal sheets for protection against cold). Additionally, mutual acceptance arrangements have been made so that certain locations can be used as driver evacuation locations during an emergency.

Dedicated Disaster Information Portal Site for Employees

The SBS Group has set up the SBS Group Disaster Information Portal Site as a dedicated site for employees to share business continuity-related information such as the state of damage in the Group in the event of an emergency. At regular times the site provides useful disaster prevention information.

Certified by the Tokyo Metropolitan Government as a Company Discouraging the Simultaneous Return Home of Employees during a Disaster

SBS Holdings (based in Sumida-ku, Tokyo) has been certified as a company discouraging the simultaneous return home of employees during a disaster.

The certification recognizes the steps taken by SBS Holdings to stockpile food and supplies for a disaster and the status of various facilities allowing employees to take refuge in the offices. SBS Holdings is also part of disaster prevention cooperative agreements with Sumida-ku and non-governmental organizations.



Information Security

The SBS Group recognizes that appropriately protecting and managing all kinds of information on customers and other stakeholders is an important social responsibility. Based on this belief, we have established an information security policy and various standards, and have established an effective management structure to deal with various information risks.

In fiscal 2018, we looked to the lessons from information security incidents that occurred in the previous year and continued to make significant enhancements to our security measures. Those advancements include reinforcing technological defenses, improving employee literacy through better information security education, and increasing the speed of system recovery.

Information Security Policy

We have established the SBS Group Basic Policy on Information Security and declared a Group-wide commitment to tackling information security.

SBS Group Basic Policy on Information Security

- We will observe laws, government-issued guidelines and other norms related to information security.
- We will clarify responsibilities related to information security and establish systems to implement information security measures.
- We will identify information security risks and take appropriate personal, organizational, technical and physical measures.
- We will conduct training and raise awareness concerning information security, and ensure that all employees are able to carry out their work with an awareness of information security.
- We will carry out inspections of our information security-related management systems and initiatives, and conduct ongoing reviews and make continual improvements.

Information Security Management

The SBS Group has established the SBS Group Information Security Policy. In accordance with the policy we strive to firmly maintain security levels, with the Information Security Promotion Meeting playing a central role in monitoring the status of security measures on a Group-wide basis while promoting education and awareness-raising related to information security.

Protection from Threats

We have installed anti-virus tools that use artificial intelligence (AI) to prepare against unknown threats. We have also put in place next-generation firewalls in an effort to reinforce defenses against attacks from the inside and outside alike.

Responding to Vulnerabilities

By introducing a security operation center (SOC) service, we have enhanced monitoring and checking functions. We also perform inspections of public server vulnerabilities and investigate security intrusions of servers and PCs in an effort to maintain safety.

Education and Awareness-Raising

Seminars

We offer purpose-built curricula for information security personnel at various organizational levels and Group companies.

Fiscal 2018 seminar attendees

123

e-Learning

We conduct regular awareness-raising activities, including requiring employees across the Group to undergo e-learning training once a year.

Employees undergoing training in fiscal 2018

2,571

Investigating Actual Conditions Using Simulated Emails of Targeted Attacks

Follow-ups (targeted training, etc.) will be conducted based on the results in an effort to raise literacy levels regarding these threats.

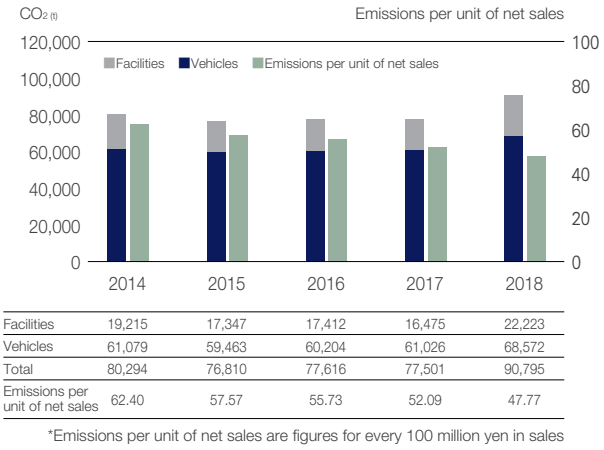
Third-Party Verification

We periodically commission management reviews by specialist information security firms to improve the level and quality of our information security management.

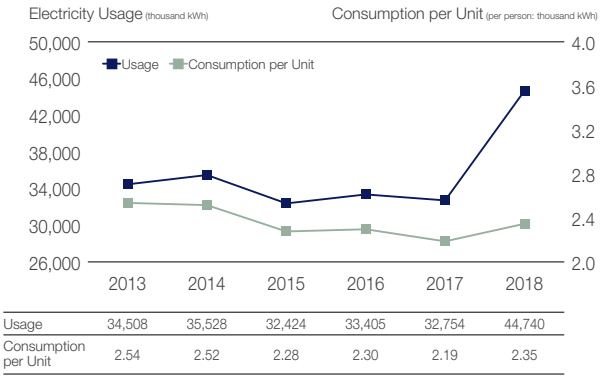




CO<sub>2</sub> Emissions



Power Consumption



Number of Eco-Friendly Vehicles Introduced  
(as of the end of fiscal 2018) (Unit: vehicles)

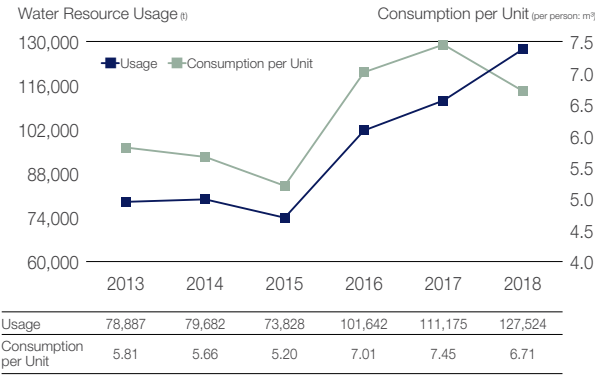
Vehicle Type	Number of Vehicles
Vehicles complying with new long-term emission regulations	3,346
Hybrid vehicles	208
CNG vehicles	19
LPG vehicles	341
(Total low pollution vehicles)	3,914

Reference: Status of air pollutants released by all Group vehicles  
Nox (nitrogen oxides) > down 3.85% compared with the previous year  
PM (particulate matter) > down 7.55% compared with the previous year

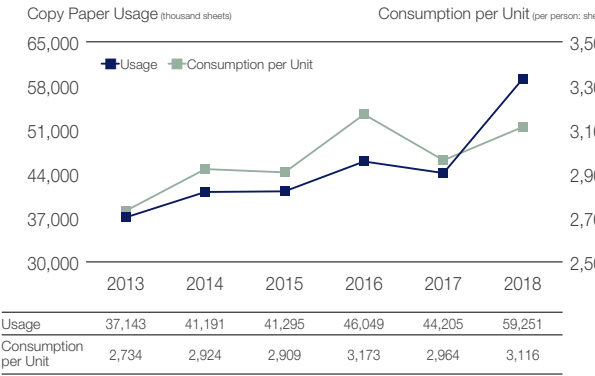
Investment in the Environment

Investment	Details	2013	2014	2015	2016	2017	2018
Vehicle-related investments	CNG vehicles, LPG vehicles, hybrid vehicles, vehicles that meet heavy vehicle fuel efficiency standards, etc.	1,886	2,960	2,830	3,250	3,616	3,791
	Improved fuel efficiency (eco and safe-driving training, etc.)	2	2	2	2	1	3
Investments related to improved energy savings at facilities	Demand monitoring and energy-efficient lighting, etc.	1	141	72	9	35	45
Investments in global environmental conservation	Solar power generation, etc.	1,248	629	223	0	13	6
Environmental management	Environmental management registration and management activities, etc.	2	3	3	8	6	3
Environmental communication	Internal and external awareness-raising, creation of reporting materials, etc.	3	4	5	5	6	6
Total		3,142	3,739	3,135	3,274	3,677	3,854

Water Usage



Copy Paper Usage



Status of Environmental Certifications Acquired  
(as of the end of fiscal 2018)

Certification	Company Name (number of business sites with certification)	Total
ISO14001 (environmental management systems)	SBS Logicom (3), SBS Flec (2), SBS Freight Service (15), SBS Zentsu (5), SBS Sokuhai Support (2), SBS Ricoh Logistics (20), SBS San-Ai Logistics Higashinohon (13), SBS San-Ai Logistics Kanto (9), SBS San-Ai Logistics Tokyo (6), SBS San-Ai Logistics Chubu (11), SBS San-Ai Logistics Kansai (15), SBS San-Ai Logistics Kyushu (9)	110
Green Management Certification	SBS Logicom (4)	4
GPN Certification (Green Purchasing Network)	SBS Logicom *Certified as a delivery service for the Eco Product Net	1

Quantity of Renewable Energy Delivered (as of the end of fiscal 2018)

Facility Name	Generating Capacity (kW)	Facility Name	Generating Capacity (kW)
Noda Yoshiharu Logistics Center Branch	514	Takasaki Sales Office	161
Shibayama Solar Power Plant	2,826	Odawara Sales Branch	210
Kawagoe Logistics Center Branch	830	Nagatsuta Logistics Center	935
Nishinohon Logistics Center (Kyotanabe)	617	Toyohashi Logistics Center	221
Shibayama No. 2 Solar Power Plant	710	Shin-Sugita Logistics Center Branch	1,072
Kimitsu Branch	268	Shin-Tokorozawa Logistics Facility	940
Yoshikawa Branch	223	Nanko Logistics Center Branch	1,490
		Total	11,017

G-mark Certification Status (as of the end of fiscal 2018)

Company Name	Number of newly certified business sites	Number of business sites with existing certification	Total number of G-mark-certified business sites	Number of G-mark-eligible business sites	G-mark certification rate
SBS Ricoh Logistics	-	21	21	21	100%
SBS Logicom	1	32	33	36	91.70%
SBS Freight Service	1	13	14	14	100%
SBS Flecnet	1	20	21	25	84.00%
SBS Zentsu	5	51	56	73	76.70%
SBS Sokuhai Support	-	8	8	8	100%
SBS Group Total	8	145	153	177	86.40%

Certification rate of nationwide truck transportation business sites: 29.6% (figure as of December 13, 2018 \*from the website of the Japan Trucking Association)

Status of Human Resource Development Initiatives: SBS Group Training Results (as of the end of fiscal 2018) (Unit: number of employees)

Tiered Training	Theme-specific Training	Specialist Theme Training	Support for Self-Improvement
Departmental Manager Training 154	Open Seminars (Compliance, Security, etc.) 341	Harassment Training (for Managers and Supervisors) 90	Correspondence Courses 299
Manager Advanced Training 22	Training for Mid-Career Hires 9	Operation Manager Examination Preparation 173	e-Learning 62
Manager Basic Training 36	Mid-Career Hire Follow-up Training 32	Operation Manager Skill Improvement Training 45	TOEIC Test 20
Supervisor Advanced Training 31	Mental Health Training 13	Eco and Safe-driving Training 51	Business Career Certification 16
Supervisor Step-up Training 0	Manager and Supervisor Logistics Training 13	Safe Driving Training Sessions (Truck) 93	
Supervisor Basic Training 48	Basic Logistics Training 25	Safe Operation Training Sessions (Forklift) 38	
Mid-career Employees 44	Presentations to Strengthen Sales Skills 13	Driver Contests 169	
Third-year Employees 44	ADS to Strengthen Sales Skills 11	Forklift Operator Contests 17	
Follow-up Training for New Employees 64	OJT Leader Development 18	Logistics Quality Seminars 68	
New Employee Training (General) 69	Site Manager Development Training S1 35	First-aid Classes 46	
New Employee Training (OJT) 19	English Skills Improvement Training 22	Courses on Utilizing General Aptitude Diagnosis 8	
Site Leader Enhancement Training 36	Business Career Certification Exam Preparation 16	Health Officer Examination Preparation 56	
	Follow-up Training for Prospective Employees 35	Information Security (Group Training) 123	
		Information Security (e-Learning) 2,571	

All 46 Subjects  
Actual Participants: 5,095

Status of Quality-Related Certifications Acquired (as of the end of fiscal 2018)

Certification	Company Name (number of business sites with certification)	Total
ISO9001 (Quality Management Systems)	SBS Flec (29), SBS Flecnet (7), SBS Freight Service (15), SBS Zentsu (17), SBS San-Ai Logistics Tokyo (4)	72
ISO27001 (Information Security Management Systems)	SBS Logicom (2), SBS Sokuhai Support (2), SBS Ricoh Logistics (25), SBS San-Ai Logistics Higashinohon (17), SBS San-Ai Logistics Kanto (9), SBS San-Ai Logistics Tokyo (5), SBS San-Ai Logistics Chubu (13), SBS San-Ai Logistics Kansai (14), SBS San-Ai Logistics Kyushu (11)	97
Privacy Mark	SBS Staff, SBS Freight Service, Marketing Partner, Nippon Record Center	4
JAS Organic Agricultural Product Subdivider Certification	SBS Zentsu (2)	2
Relocation Safety Mark	SBS Logicom	1

SBS Sokuhai Support Waste Processing Logistics Handling Volume (fiscal 2018) (Unit: t)

Item Name	Total Processing Volume (SBS Group volume)
Waste plastics	7,222 (348)
Recycled plastics	719 (0)
Scrap metal	1,864 (464)
Waste wood	316 (54)
Paper and other waste	822 (0.24)
Total	10,943 (866.24)

Number of consultations fielded by the consultation hotline\* (as of the end of fiscal 2018)

Details of Consultations	Number of Consultations
Consultations regarding laws, regulations and internal rules	45
Consultations regarding interpersonal relationships in the workplace	25
Others	16
Total	86

\*Total consultations fielded by hotlines set up inside and outside the company from which employees are able to seek direct consultation

Corporate Profile

\*As of December 31, 2018

Company Name	SBS Holdings, Inc.
Representative Director	Masahiko Kamata
Founded	December 16, 1987
Paid-in Capital	3,920.75 million yen
Net Sales	203.5 billion yen (consolidated) *For the year ended December 31, 2018
Head Office	4-1-3 Taihei, Sumida-ku, Tokyo 130-0012, Japan Tel: +81-3-3829-2222 (main switchboard) Fax: +81-3-3829-2822
Lines of Business	Logistics business, real estate business, marketing business, human resources business, etc.

Representative Director	Masahiko Kamata	Full-Time Audit & Supervisory Board Member	Yasuhiro Yamashita
Senior Director	Kenichi Iriyama	Audit & Supervisory Board Member	Masato Matsumoto
Director	Masato Taiji	Audit & Supervisory Board Member	Masahito Takeda
Director	Yoshitsugu Sato	*As of March 25, 2019  *Three of the directors, Tetsuya Sekimoto, Jiro Iwasaki and Shuichi Hoshi are outside directors. *Two of the Audit & Supervisory Board members, Masato Matsumoto and Masahito Takeda are outside Audit & Supervisory Board members.	
Director	Katsuhisa Wakamatsu		
Director	Tetsuya Sekimoto		
Director	Jiro Iwasaki		
Director	Shuichi Hoshi		

Stock Information

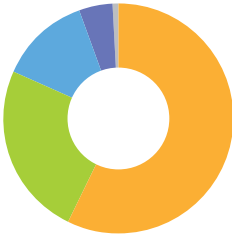
\*As of December 31, 2018

Number of shares authorized	154,705,200 shares
Number of shares issued	39,718,200 shares including 914 fractional shares
Unit stock system	Yes (100 shares)
Number of shareholders	2,921

Major Shareholders		
Masahiko Kamata	14,888,400	37.48
Japan Trustee Services Bank, Ltd. (trust account)	5,446,900	13.71
SBS Holdings Employee Share Ownership Association	1,424,400	3.58
The Master Trust Bank of Japan, Ltd. (trust account)	1,238,700	3.11
SMBC TRUST BANK Designated Securities Trust	1,200,000	3.02
TOBU Properties Co., Ltd.	954,800	2.40
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING	896,700	2.25
Junichi Ouchi	875,000	2.20
Government of Norway	814,700	2.05
Hiroshi Date	740,200	1.86

\*The ratio of shares held against the number of shares issued is truncated after the third decimal place.

Distribution of Shares by Shareholder Type  
(number of shares issued: 39,718,200 shares)



Consolidated Subsidiaries

\*As of January 1, 2019

SBS Ricoh Logistics System Co., Ltd.  
SBS San-Ai Logistics Higashinihon Co., Ltd.  
SBS San-Ai Logistics Kanto Co., Ltd. SBS San-Ai Logistics Tokyo Co., Ltd.  
SBS San-Ai Logistics Chubu Co., Ltd. SBS San-Ai Logistics Kansai Co., Ltd.  
SBS San-Ai Logistics Kyushu Co., Ltd. RICOH LOGISTICS CORPORATION  
RICOH INTERNATIONAL LOGISTICS (H.K) Ltd.  
RICOH INTERNATIONAL FREIGHT FORWARDING (SHENZHEN) CO., LTD.

SBS Logicom Co., Ltd.  
SBS Freight Service Co., Ltd. Nippon Record Center Co., Ltd.  
SBS Global Network Co., Ltd. SBS Logicom Kanto Co., Ltd.

SBS Flec Co., Ltd.  
SBS Flecnet Co., Ltd.

SBS Zentsu Co., Ltd.

SBS Sokuhai Support Co., Ltd.

SBS Staff Co., Ltd.

SBS Finance Co., Ltd.

SBS Asset Management Co., Ltd.  
LMAX Co., Ltd.

Marketing Partner, Inc.

SBS Logistics Singapore Pte. Ltd.  
\*As of July 1, 2019, Nippon Record Center was absorbed into SBS Logicom by merger.

## Fair and Transparent Corporate Activities

We will engage in fair and transparent corporate activities in accordance with laws, regulations and the common sense of society.  
We will take a resolute stance against antisocial activities and forces.

## Promotion of Corporate Governance

We will actively disclose information to shareholders and society, and enhance management transparency.  
We will respond seriously to proposals regarding management improvements and similar matters, and strive to achieve open management with respect to shareholders and society.

## Ensuring Safety

We regard being safe with zero accidents as our most important mission, and will make every effort to ensure safety with an awareness of our social responsibility and role.  
We will observe rules, remain faithful to basic requirements, enhance knowledge, techniques and skills, and strive to cultivate a culture that requires safety as essential.

## Social Contribution and Consideration of the Environment

With an awareness of our responsibilities as a good corporate citizen, we will actively contribute to society through our corporate activities.  
As a citizen of the Earth, we will pay attention to environmental issues and pass on a healthy global environment to those who come after us.

## Customer-First Principle

We will adopt a customer-first perspective and always act in good faith by considering the customer’s viewpoint.  
We will take on the challenge of unremitting innovation in our thoughts and actions, and provide customers with services that meet their expectations.

## Compliance with Laws and Regulations

We will observe all laws, and act in good faith so as not to warrant criticism from customers in light of social norms.  
We will responsibly fulfill our duties as members of a corporation, and properly observe the regulations, rules and manners to be followed in executing operations.

## Development of a Fulfilling Workplace

We will cultivate a civil, free and open corporate culture with mutual respect for creativity and independence.  
We will place importance on mutual cooperation and workplace communication to ensure a safe and pleasant workplace environment.



Contact for Inquiries

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