



SBS GROUP

BUSINESS & CSR REPORT
2020

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Editorial Policy

The SBS Group has published the Business & CSR Report since fiscal 2018 to inform stakeholders interested in the Group's short, medium and long-term value creation efforts by reporting on its business development as a comprehensive logistics group, the basic directions, plans, progress and performance of the CSR management activities that support it, and on future issues.

The report is designed to be simple and clear so that it can be easily read even without prior knowledge of the SBS Group.

We welcome frank feedback and impressions from readers.

Key Challenges

Before compiling this report, we summarized the following key challenges that significantly impact the SBS Group's ability to create value in the short, medium and long-term.

- | | |
|--|-------------------------------------|
| (1) Changes to the structure of the logistics market | (7) Human resources |
| (2) M&A and group synergy | (8) Working styles and productivity |
| (3) 3PL | (9) Energy and climate change |
| (4) Logistics facility development | (10) Crisis management |
| (5) Technology | (11) Relationship with society |
| (6) Quality and safety | (12) Governance |

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.

Highlights of our Management Philosophy Implementation (Fiscal 2019)

Customers	Total Distance Driven 130,524,653 km	Sales 255.5 billion yen
Shareholders	Dividend per Share 30 yen	
Employees	Training Conducted All 43 Subjects	Actual Training Participants 7,173
Society and People	Number of Business Sites with G-Mark Certification (Certification Rate) 182 business sites (89.00%)	
	Logistics Research Grants 6	
	Scholarships for Students Receiving Social Care 57	
	Investment in the Environment 3,202 million yen	
	Environmental Efficiency (CO ₂ emissions per unit of sales) 38.09% (39% improvement over the past five years)	
	Quantity of Renewable Energy Delivered 11,017 kw	
	Waste Processing Logistics Handling Volume 8,817 t	

Development of Society in
Japan and Abroad



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
[Reporting Period] Fiscal 2019 (January to December 2019) [Information Disclosure] On the SBS Group website, we disclose and make available comprehensive IR information and general company information in addition to CSR information not listed in this report. <https://www.sbs-group.co.jp>

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

Transporting all manner of things safely, securely and in a comfortable environment.



*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.

SBS Holdings, Inc.



Characteristics: Holding company for the SBS Group
 Number of Employees: 221
 Number of Business Sites: 1
 Number of Vehicles: 4
 Renewable Energy Generating Capacity: 1,500 kW
 Main Business: Management
<https://www.sbs-group.co.jp/>

Number of Business Sites

655

Number of Vehicles Owned

Trucks and other road vehicles

4,570

Forklifts

1,436

Number of Employees

19,379

(including 6,904 full-time employees)



* Refer to the CSR data on pages 47-48 for information on the number of business sites with certification.

SBS Ricoh Logistics System Co., Ltd.

* Including SBS San-Ai Logistics co., Ltd.

Characteristics: Transportation of precision equipment for manufacturers, international logistics, delivery for corporations / Number of Employees: 3,992 / Number of Business Sites: 194
 Number of Vehicles: Trucks and other road vehicles: 447 Forklifts: 560 / Certifications: G-Mark, ISO 14001, ISO27001, ISO9001 / <https://www.sbs-ricohlogistics.co.jp/>



SBS Logicom Co., Ltd.

* Including SBS Logicom Kanto Co., Ltd.

Characteristics: General Logistics / Number of Employees: 6,288 / Number of Business Sites: 110 / Number of Vehicles: Trucks and other road vehicles: 1,044 Forklifts: 569 / Renewable Energy Generating Capacity: 6,812 kW / Certifications: G-Mark, ISO 14001, Green Management Certification, GPN Certification, ISO 27001, Relocation Safety Mark / <https://www.sbs-logicom.co.jp/>



SBS Flec Co., Ltd.

* Including SBS Flecnet Co., Ltd.

Characteristics: Low Temperature Logistics / Number of Employees: 3,650 / Number of Business Sites: 137 / Number of Vehicles: Trucks and other road vehicles: 734 Forklifts: 176 / Certifications: G-Mark, ISO 14001, ISO 9001 / <https://www.sbs-flec.co.jp/>



SBS Sokuhai Support Co., Ltd.

Characteristics: Delivery for Corporations, Intermediate Processing of Industrial Waste / Number of Employees: 613 / Number of Business Sites: 71 / Number of Vehicles: Trucks and other road vehicles: 275 Forklifts: 38 / Renewable Energy Generating Capacity: 175 kW / Certifications: G-Mark, ISO 14001, ISO 9001 / <https://www.sbs-sokuhaisupport.co.jp/>



SBS Zentsu Co., Ltd.

Characteristics: Logistics and Delivery of Foods in the Three Temperature Zones / Number of Employees: 3,821 / Number of Business Sites: 98 / Number of Vehicles: Trucks and other road vehicles: 1,637 Forklifts: 30 / Certifications: G-Mark, ISO 14001, ISO 9001, 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: 372 / Number of Business Sites: 20 / Number of Vehicles: Trucks and other road vehicles: 400 Forklifts: 62 / Renewable Energy Generating Capacity: 212 kW / Certifications: G-Mark, ISO 14001, ISO 9001, Privacy Mark / <https://www.sbs-freight.co.jp/>



SBS Global Network Co., Ltd.

Characteristics: Total Coordination of International Logistics / Number of Employees: 163 / Number of Business Sites: 8 / Number of Vehicles: 3
 Certifications: AEO Certification (Planned) / <https://www.sbs-globalnet.co.jp/>



SBS Asset Management Co., Ltd.

Characteristics: Asset Management Business Specializing in Logistics Facilities / Number of Employees: 10 / Number of Business Sites: 1
 Renewable Energy Generating Capacity: 1,500 kW / <https://www.sbs-asset.co.jp/>



SBS Staff Co., Ltd.

Characteristics: Temporary Staffing / Number of Employees: 180 / Number of Business Sites: 13 / Number of Vehicles: 32 / Certifications: Privacy Mark
<http://www.sbs-staff.co.jp/>



SBS Finance Co., Ltd.

Characteristics: Leasing and Insurance Sales / Main Businesses: Joint purchasing of fuel and tires, insurance agency
 Number of Employees: 25 / Number of Business Sites: 1
<https://www.sbs-finance.jp/>



Marketing Partner, Inc.







Characteristics: E-commerce Support, Marketing Services, Pet Wellness Business / Number of Employees: 44 / Number of Business Sites: 1
 Certifications: Privacy Mark / <https://marketing-partner.jp/>



As a logistics business operator, the SBS Group aims to effectively utilize and enhance capital used from a medium-to-long-term perspective.

INPUTS

Capital utilized for corporate activities

Capital	Management Approach	Indicators	Change			
			2017	2018	2019	
Financial Capital 	We seek to maintain an equilibrium between active investment activities and ensuring financial health. Accordingly, a target shareholders' equity ratio of 30% has been set. In terms of shareholder return, the Company maintains continuous dividends and makes every effort to raise dividend levels in line with business performance.	Total assets (million yen)	127,802	171,796	180,047	
		Net assets (million yen)	38,510	48,173	54,077	
		Shareholders' equity ratio (%)	28.5	23.1	25.1	
		Net DE ratio (%)	1.26	1.44	1.34	
		Number of shareholders	3,702	2,921	2,878	
Capital for the Provision of Services 	As a group of 3PL companies possessing logistics functions in every direction, the SBS Group is committed to strengthening its comprehensive logistics infrastructure, including logistics facilities and vehicles, at a scale that adequately satisfies its need to grow.	Number of Business Sites	425	531	655	
		Number of Warehouses (number of Company-owned and leased buildings)	-	-	386	
		Number of Vehicles	4,103	4,497	4,570	
		Number of forklifts	814	1,382	1,436	
		Investment in facilities and equipment (million yen)	9,576	11,607	11,710	
Human and organizational capital 	To secure and develop talented human resources, the SBS Group makes improvements to its personnel systems, provides training and education to all employees, and develops a workplace that offers job fulfillment. The SBS Group also enhances the operational quality of the organization by developing and operating management systems.	Number of Employees	14,913	19,017	19,379	
		Actual training participants	2,585	5,095	7,173	
		Number of business sites with ISO 9001 (quality) certification	68	72	101	
		Number of business sites with ISO 14001 (environmental) certification	28	110	66	
		Number of business sites with ISO 27001 (information security) certification	4	97	93	
Intellectual Capital 	Based on its ability to operate a wide range of logistics services, the SBS Group further enhances its proposal-making capabilities, expertise and problem-solving abilities.	Number of employees taking eco-driving training (cumulative total)	1,449	1,500	1,570	
		Group-average Fuel Efficiency (km/l)	4.94	4.93	4.93	
		Logistics Facility Development Results	-	-	24*	
		Logistics service expertise such as 3PL	-	-	Large number of projects	
Social Capital 	The SBS Group gains an understanding of varied expectations and demands through dialogue with stakeholders, reflects that insight in its corporate activities, and strives to work in harmony with society. We make particular efforts with respect to ensuring safety, the most important social demand for a logistics business operator. We also contribute to society and local communities as a corporate citizen.	Number of Business Sites with G-Mark Certification	129	153	162	
		Number of Vehicles Equipped with Driving Support Equipment	Digital / Analog Tachographs	3,239	3,554	3,692
			Dashcams	2,452	2,937	3,752
			Rear-View Cameras	3,194	3,589	2,407
		Logistics Research Grants	7	9	6	
		Scholarships for Students Receiving Social Care	30	34	57	
		Compliance Awareness Survey Respondents	-	4,794	-	
Natural Capital 	The SBS Group pursues efforts to continually reduce its environmental impact from a medium-to-long-term perspective, positioning CO ₂ emission reductions, the promotion of resource recycling and the preservation of natural resources as key issues.	Number of eco-friendly vehicles introduced (cumulative total)	3,508	3,914	3,955	
		Environmental Efficiency (CO ₂ emissions per unit of sales)	52.09	47.77	38.09	
		Quantity of Renewable Energy Delivered (kWh)	10,257	11,017	11,017	
		Waste Processing Logistics Handling Volume (t)	8,889	10,943	8,817	
		Investment in the Environment (million yen)	3,677	3,854	3,202	

* Total floor area: 895,166 square meters



BUSINESS

Our Businesses

General Logistics Business

Food Logistics Business

Property Management Business

The SBS Group continues to implement a unique business model that has enabled growth while balancing logistics operations, M&A activities and the development of logistics facilities. At the same time, we enhance competitiveness by actively investing in IT and LT while accelerating collaboration with other industries, and aim to reach the top tier of the logistics industry.

Rolling out 3PL in every direction

Boosting transportation and delivery capacity

Investments in technology

- Including IoT adoption at logistics facilities

M&A and integration

Investment in logistics facility development



CSR

Social responsibility

Environment

Safety & Social

Governance

To fulfill our social responsibility as a logistics company, we have set up promotional organizations (Group meetings) to address important themes across four fields, namely environment, safety, social and governance. Through this framework we promote activities that span the Group and work to share information.

Consideration of the environment

- Promotion of the medium-to-long-term environmental plan

Ensuring Safety

- Pursuing zero accidents

Social engagement

- Human resource development, occupational health and safety, quality control

Social contribution

Sound management

- Strengthening internal control, ensuring thorough compliance, implementing risk countermeasures



FOUNDATION

Foundation of corporate activities

Management Philosophy

Code of Behavior

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

OUTCOMES

Medium-to-long-term value creation and capital adequacy

Financial Capital

Achieve sales of 300 billion yen at an early stage through organic growth



Capital for the Provision of Services

Logistics systems that respond to the evolving needs of society



Human and organizational capital

Maximizing the capabilities of each human resource and Group synergy



Intellectual Capital

Accumulating and utilizing the expertise that will support future 3PL business models



Social Capital

Building relationships of trust with all stakeholders



Natural Capital

Roadmap for achieving the 2°C target for climate change



Through the aspiration to "reform logistics" and the promotion of growth strategies, the SBS Group will achieve net sales of 500 billion yen and realize sustained growth.

Posting record business performance in two consecutive periods

In the fiscal year under review (fiscal year ended December 2019), there was a rise in logistics demand associated with expansion of the online shopping market, and the trend towards delivery cost optimization took root. Meanwhile, serious labor shortages among drivers and other workers have continued to hinder management, while damage due to frequent typhoons and other disasters have also had an impact.

Under this environment, the SBS Group has opened new warehouses in Nanko (Osaka), Odaka (Nagoya), Fukuoka (Fukuoka) and elsewhere while expanding its system to help home delivery drivers establish independent businesses. With this approach, we have managed to respond to the vigorous demand from customers in terms of both 3PL and home delivery services.

Additionally, the business performance of SBS Ricoh Logistics, which joined the Group in August 2018, contributed for a full year. As a result, the SBS Group recorded net sales of 255.548 billion yen, up 25.6% year on year, and operating income of 10.176 billion yen, a 23.5% increase. In doing so, we posted record figures for both sales and operating income for the second straight year.

Setting sights on reaching the top tier of the logistics industry

The key to the future growth of the logistics business lies in how well we adapt to major environmental changes such as the expansion of the online shipping (EC) market and the rapid advance of technological innovation. The SBS Group aims to reach the top tier of the logistics industry by pursuing two key pillars. The first pillar is a business model that has enabled growth while balancing logistics, M&A and logistics facility development; the strengthening of logistics infrastructure with the Group integration as our foundation; the continued promotion of M&A activities; active investment in IT and LT (Logistics Technology); and collaboration with other industries. The second pillar, meanwhile, is business innovation achieved through all of the above.

In the fiscal year ending December 2020, we plan to achieve increased sales and profits across every segment. Specifically, we aim to achieve net sales of 265 billion yen, operating income of 11.2 billion yen, ordinary income of 11 billion yen and net income attributable to owners of parent of 6.5 billion yen. The SBS Group will make a concerted effort to meet these goals.

Strengthening logistics infrastructure

To bolster our logistics infrastructure, we are pursuing a multifaceted approach that involves developing logistics facilities, enhancing our delivery networks, and providing support for the entire domestic logistics network.

Over a six year period from 2018 to 2023, we plan to increase the total floor area of our logistics facilities by approximately 495,000 square meters, and have already made steady progress

towards this goal. In March 2020, a facility at Jonanjima (approx. 26,000 square meters) entered operation, followed by a facility in Sachiura, Yokohama (approx. 34,000 square meters) in September. In 2021, a 51,000 square meter facility in Kanazawa, Yokohama is slated for completion, and we will also begin work on the Noda Seto Project whose A and B buildings will provide a combined 248,000 square meters. In the near future, we aim to be operating logistics warehouses with a combined area of around 3.3 million square meters, double what it is today.

To enhance our delivery network, we will focus on the reciprocal utilization and improved functioning of Group resources.

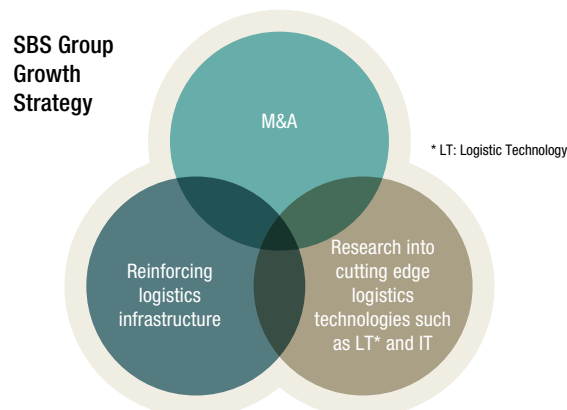
We will leverage the respective specialties of each Group company to achieve further growth going forward. For instance, we will leverage the strengths of SBS Ricoh Logistics in precision components, machinery parts and overseas logistics, the comprehensive logistics services provided by SBS Logicom, the food logistics expertise of SBS Flec, and the B-to-B last mile services handled by SBS Sokuhai Support. In addition to expanding its delivery network in the region made up of Tokyo, Kanagawa, Saitama and Chiba, SBS Sokuhai Support launched the YC Delivery Service, delivery network as part of a joint project with Yomiuri Shimbun, marking its entry into the B-to-C delivery industry.

Amid concerns over the weakening of domestic logistics infrastructure due to factors such as succession difficulties for small and medium-sized logistics companies and driver shortages, the SBS Group has formed a fund to provide assistance as part of efforts to maintain and strengthen the network to ensure lasting growth.

Non-consecutive growth through M&A activities

We will continue to focus on M&A activities going forward as a way to attain non-consecutive growth. While expanding the size of the Group and diversifying the services it offers through these activities, we will also work to produce synergy with the companies that become part of the Group.

As the next step in this initiative, we plan to acquire 66.6% of common shares in Toshiba Logistics Corporation some time in autumn 2020. Toshiba Logistics has taken the 3PL (services



President SBS Group

鎌田正彦



leading to optimization through comprehensive involvement with a company's logistics operations), which has been a focus of the SBS Group, a step further to become a 4PL company that handles everything up to the planning and implementation of logistics strategy for a contracting company. Toshiba Logistics maintains an extensive overseas network, and incorporating the company will represent a major step forward for the SBS Group.

Powering business innovation with LT and IT

The SBS Group has concentrated on investing in IT to streamline its business and develop new services.

To further accelerate these efforts and advance the utilization of the latest technologies including robotics, AI and RPA at a quick pace, in April 2020 the SBS Group newly established the IT Planning Department and LT Planning Department. The IT Planning Department will be responsible for planning and formulating the IT strategy for the entire group, while the LT Planning Department will coordinate Group efforts in the field of logistics technologies. In conjunction with these developments, we have consolidated the Group's information system functions to facilitate more efficient operation.

We have also made progress developing next-generation logistics facilities that utilize state-of-the-art LT and IT. Collaborative efforts between SBS Ricoh Logistics and SBS Logicom are at the forefront of this strategy. These initiatives will also make steady contributions to Group integration.

As part of coordination between industry and academia, the SBS Group has contributed to a fund on a joint basis with Yamato Holdings Co., Ltd. and Suzuyo & Co., Ltd. to newly establish an endowed research department for advanced logistics studies inside the Research Center for Advanced Science and Technology at the University of Tokyo. We aim to support logistics and supply chain optimization research across corporate boundaries while fostering the development of high level logistics talent able to use new technologies and create the future of logistics with science.

Also note that we have continued to offer grants for excellent logistics research carried out by university researchers through the SBS Kamata Foundation, and the grants have increased both in monetary amount and number.

We will pursue all manner of possibilities to develop business innovations that leverage technological capabilities.

Further promotion of CSR management

All of the business activities undertaken across the SBS Group

are predicated on safety. Towards achieving our ultimate goal of zero accidents, we have harnessed every means at our disposal to effectively improve safety levels, including improvements to operational management, the deployment of equipment to assist operations, safety training, and measures to prevent health-related accidents. In fiscal 2019, we launched the eco and safe-driving evaluation and award system as a new initiative.

The global issue of climate change is affected by fuel efficiency, which is closely related to safety, as well as CO₂ emissions. The SBS Group looks at impending climate change issues head-on. In "Sincere Challenge 2030," the medium-to-long-term environmental plan we launched in fiscal 2018, reducing the CO₂ emissions from vehicles and facilities is the primary theme.

We also place an emphasis using our capabilities as a logistics company to help solve social issues. In light of the dire issue of poverty, in 2018 we began supporting food bank activities. We have entered into a support agreement with the accredited NPO Second Harvest Japan (2HJ), under which we transport supplies between companies wishing to donate food and 2HJ distribution sites, and also provide advice and make proposals regarding warehouse and vehicle operation.

Effectively tripling dividends for shareholders in 10 years

The SBS Group considers the return of profits to shareholders to be one of its most important management priorities. We seek to retain sufficient internal reserves to build a robust management base while endeavoring to maintain continuous dividends and improve the level of dividends in light with business performance.

For the fiscal year in review, we paid a dividend of 30 yen per share, 2 yen higher than the planned dividend in light of improved business performance. This represents an effective tripling of the dividend level compared with 2010, a decade earlier.

Holding true to our aspirations and achieving our goals

The coronavirus pandemic that is shaking the world has brought the importance of logistics as social infrastructure into sharp focus. To develop in a way that makes logistics more sustainable while continuing to satisfy the diverse needs of industry and society, we will hold true to our aspiration to "reform logistics." On the other side of those efforts, we will achieve net sales of 500 billion yen and achieve sustained growth.

I would like to thank everyone who has obtained a copy of this report for their interest in and support of the SBS Group going forward.

Logistics Infrastructure

March 2019

Completion of the Nanko Logistics Center in Osaka

The first logistics center to be developed in-house by the SBS Group in the Kansai region was completed in Suminoe Ward, Osaka. With a total floor area of approximately 61,000 square meters, the center is equipped with constant temperature and constant humidity storage along with high performance equipment including solar power generation and LED lighting. The center has been operating at full capacity since March 2019.



Nanko Logistics Center

September / October 2019

Opening of Logistics Center Fukuoka and Logistics Center Nagoya Odaka

SBS Ricoh Logistics opened Logistics Center Fukuoka to conduct trading business services with Asian countries in September, and Logistics Center Nagoya Odaka to perform 3PL and last mile services in October.



Logistics Center Fukuoka

Logistics Center Nagoya Odaka

Logistics Infrastructure

March 2020

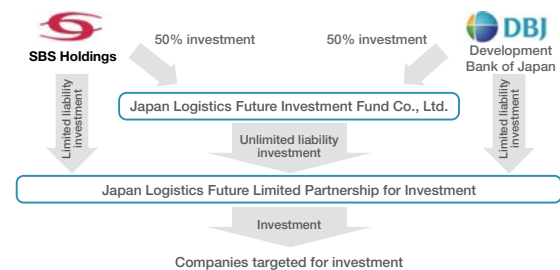
Creation of the Japan Logistics Future Investment Fund

In March 2020, the Company and the Development Bank of Japan Inc. (DBJ) jointly established the "Japan Logistics Future Limited Partnership for Investment (Japan Logistics Future Investment Fund)" to facilitate the business succession of operators in the logistics industry and resolve issues related to the maintenance of regional distribution and delivery networks.

In light of the reality that many small and medium-sized logistics operators, primarily in regional areas, face succession issues and labor shortages, the fund is designed to maintain regional distribution and delivery networks as social infrastructure, and improve continuity. In addition to making investments through the fund, DBJ and the Company will implement value-added initiatives that make use of their expertise (boosting sales by introducing business partners and consignors, reducing costs through the joint purchasing of vehicles and fuel, improving compliance mechanisms, etc.) to help enhance competitiveness.

After improving their competitiveness, the operators would generally become a member of the SBS Group to pursue synergistic effects and play a part in strengthening the Group's delivery network.

Framework of the Japan Logistics Future Investment Fund



Development Status of New Logistics Facilities

Fiscal Year	Total Floor Area (tsubo)			Property Name, etc.
		In-house	Leased	
2018	13,626	2,423	11,203	Iwatsuki, Iruma, Ami
2019	26,740	18,540	8,200	Osaka Nanko, Fukuoka, Nagoya Odaka
2020	18,300	-	18,300	Jonanjima, Yokohama Sachiura
2021	15,430	15,430	-	Yokohama Kanazawa
2022	40,000	40,000	-	Building A, Seto, Noda
2023	35,000	35,000	-	Building B, Seto, Noda
Total	149,096	111,393	37,703	

Figures for FY2018 and FY2019 listed on an actual basis, and on a planned basis for FY2020 and beyond

May 2020

Partial acquisition of shares in Toshiba Logistics Corporation

At the General Meeting of Shareholders held on May 26, 2020, the Company resolved to acquire a portion (to a shareholding ratio of 66.6%) of the common stock of Toshiba Logistics Corporation ("Toshiba Logistics"), a subsidiary of Toshiba Corporation.

In addition to third-party logistics (3PL) that involves being entrusted with a company's logistics operations to provide optimum logistics management and operations, Toshiba Logistics delivers solutions to various companies as a 4PL company that handles everything up to the planning and implementation of their logistics strategies.

Through the share acquisition, the SBS Group will acquire Toshiba Logistics' expertise in the 4PL business, further expand its lineup of services, and strengthen its international network. Even after the share acquisition, all full-time directors of Toshiba Logistics will be retained to maintain continuity of management. The Company will dispatch part-time directors to advance Group integration.

The final acquisition of shares is planned for around autumn 2020, contingent upon approval from the relevant authorities.

January 2020 * when announced

Launch of collaborative effort between industry and academia with the University of Tokyo

In July 2019, the Company worked on a joint basis with Yamato Holdings co., Ltd. and Suzuyo & Co., Ltd. to establish an endowed research department for advanced logistics studies inside the Research Center for Advanced Science and Technology at the University of Tokyo with the aim of contributing to the logistics industry as well as the future development of the Japanese economy.

The professors in charge of the department are Professor Katsuhiko Nishinari (the Research Center for Advanced Science and Technology) and specially-appointed professor Naoto Imura (the Research Center for Advanced Science and Technology).

From April 2020 the research department launched fully and began offering courses to foster the development of advanced logistics human resources through lectures given to students of the Graduate School of Engineering.



Presentation of a plaque from the UTokyo Foundation (January 10, 2020)

December 2019

AI driver assist device development venture and business alliance with Pyrenee

In December 2019, SBS Logicom entered into a business alliance with Pyrenee Inc. ("Pyrenee") related to development of the Pyrenee Drive driver AI assist device.

Pyrenee Drive uses its built-in stereo cameras to continually record video of the road. It works as a retrofit-type AI driving assist device equipped with hazard prediction and alert features driven by AI-based object recognition and analysis.

Prototype models of Pyrenee Drive will be fitted in approximately 1,500 vehicles owned by the Company, and demonstration data from daily operations will be provided to Pyrenee. In addition, the SBS Group's Anegasaki Driving School course will be loaned out to Pyrenee for device testing and the collection of additional data.

The Company will facilitate the deep learning performed by the AI equipped in Pyrenee Drive and work with Pyrenee towards commercialization of the device planned for mid-2020. If an external type Pyrenee Drive can be commercialized, it could also be utilized in existing vehicle currently on the road, and is expected to serve as a realistic shortcut to eliminating traffic accidents.



Scene of testing at the Anegasaki Driving School

April 2020

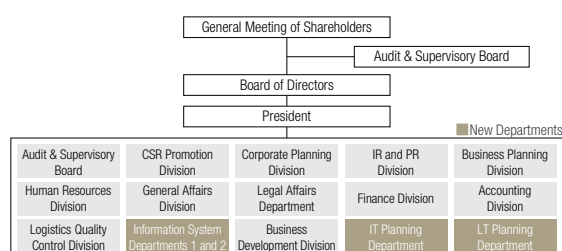
New establishment of IT Planning Department and LT Planning Department

In April 2020, the SBS Group restructured its information systems department in light of the importance of technological development as typified by the rise of robotics, AI, RPA and so on.

The newly established IT Planning Department will be responsible for Group-wide IT strategy planning and formulation from a medium-to-long-term perspective, and at the same time control management resources of the Group's information systems department. Meanwhile the LT Planning Department will pursue the fusion and accumulation of the logistics-related skills and expertise possessed by each Group company, while also pursuing technological development and reform of logistics sites, such as the development of next-generation logistics facilities.

To coincide with these developments, part of the information systems department of SBS Ricoh Logistics will be transferred to the Company. By consolidating the development functions of Group companies, this policy seeks to facilitate more efficient operation of the information systems department.

New Organizational Structure (from April 1, 2020)



Business Environment

In fiscal 2019 (January 1, 2019 to December 31, 2019), the serious shortage of drivers and other personnel continued to place a burden on management, and despite being affected by frequent wind and water damage events, the SBS Group's logistics business and primarily the third-party logistics (3PL) business performed steadily against a backdrop of rising logistics demand due to expansion of the online shipping market and delivery cost optimization efforts taking root. Additionally, the pace of business expansion picked up by having SBS Ricoh Logistics, which joined the Group in August 2018, contributing a full year to the business results.

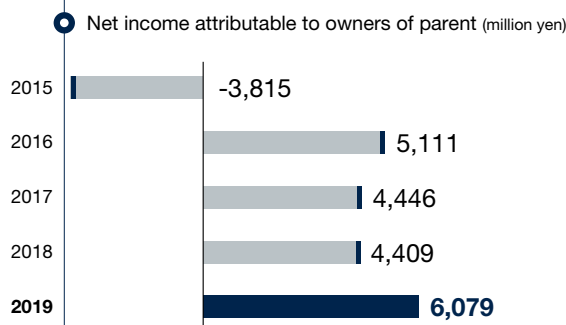
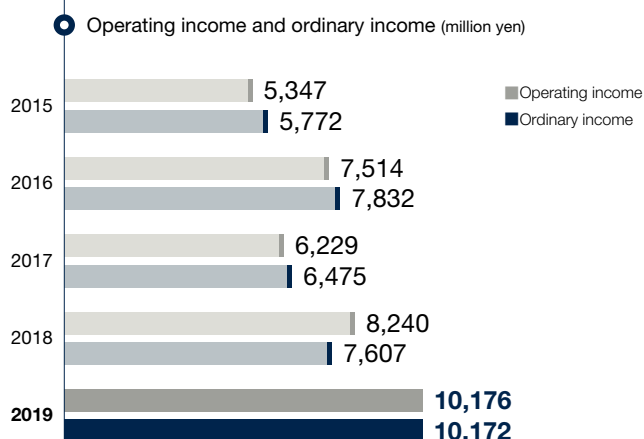
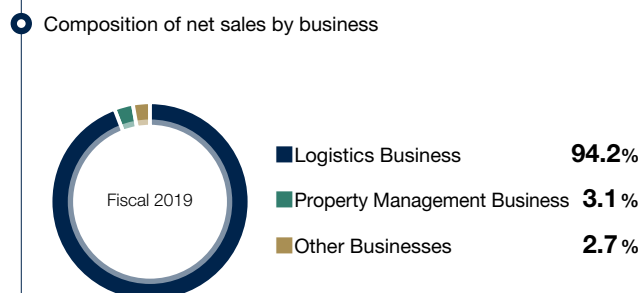
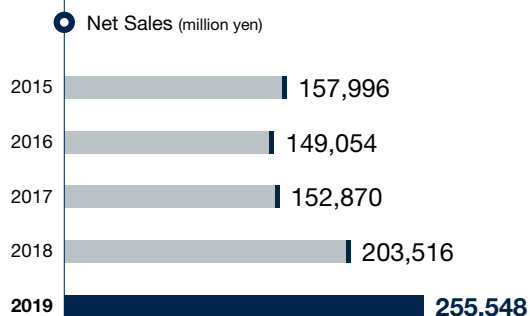
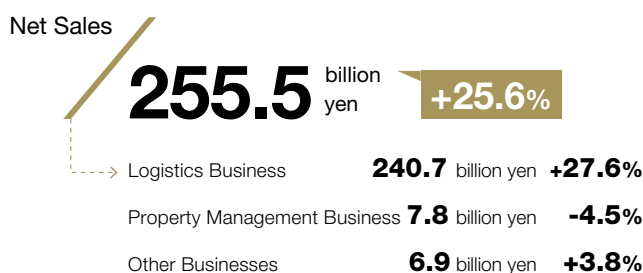
Sales and Profits

Net sales in fiscal 2019 were 255.548 billion yen, an increase of 52.031 billion yen from the previous fiscal year (a 25.6% increase compared with the previous fiscal year). The logistics business accounted for 94.2% of net sales by value, while the property management business and other businesses each accounted for around 3%.

Operating income stood at 10.176 billion yen, rising 1.935 billion yen over the previous fiscal year (a 23.5% increase).

Additionally, net income attributable to owners of parent rose 1.670 billion yen year on year to end at 6.079 billion yen, a 37.9% jump.

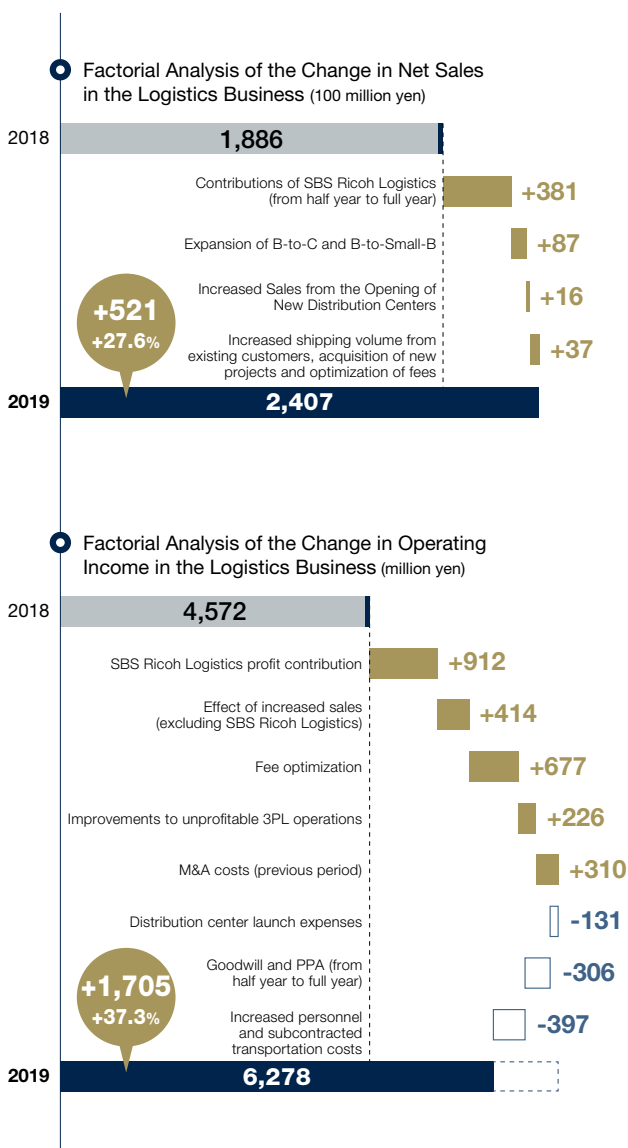
The net sales and each income level achieved new records.



Logistics Business

In the Logistics Business, we continued efforts aimed at fee optimization while focusing on gaining new customers demanding advanced logistics functions and expanding business with existing customers. Through B-to-B and B-to-C operations in the same-day delivery business, we have captured demand from the rapidly expanding e-commerce (EC) market. The Nanko Logistics Center, a large-scale multi-tenant warehouse that entered operation in March, has also contributed to results. Due to these factors, we were able to absorb the increased costs due to chronic labor shortages. Additionally in Noda, Chiba Prefecture we completed land improvement work for the SBS Group's largest distribution center, and have completed preparations for the start of construction.

As a result, the Logistics Business generated net sales of 240.772 billion yen (up 27.6% over the previous fiscal year) and operating income of 6.278 billion yen (a 37.3% rise), marking a significant improvement in both sales and profits.



Property Management Business

In the Property Management Business, we transferred 30% of the Company's interest in the Nagatsuta Logistics Center as we did in the previous fiscal year, and operating income of 2.417 billion yen was recorded. However, as rental income fell in connection with this securitization, net sales in the Property Management Business stood at 7.82 billion yen (down 4.5% from the previous fiscal year), while operating income was 3.787 billion yen (down 3.2%).

Other Businesses

While the Temporary Staffing Business and Marketing Business recorded higher sales and profits, other businesses saw a fall in overall profit from the impact of the Environmental Business temporarily suspending operations in connection with facility upgrades. Combined, other businesses generated net sales of 6.972 billion yen (a 3.8% increase over the previous fiscal year), while operating income stood at 186 million yen (a 31.8% drop).

Capital Investment

The SBS Group has actively pursued investments in logistics facility development and plans to increase the total floor area of facilities developed in-house by approximately 430,000 square meters (approximately 495,000 square meters when leasing is also included) over a six-year period from 2018 to 2023.

The Nanko Logistics Center (Suminoe Ward, Osaka) that entered operation in March 2019 has a floor area of around 61,000 square meters. Capital investments made in fiscal 2019 totaled 11.710 billion yen. In the Logistics Business, we made investments of 12.025 billion yen on the construction of logistics facilities, routine vehicle upgrades, and so on. In the Property Management Business, investments of 153 million yen were made in areas such as repairs for lease properties. In other businesses, we made investments of 319 million yen to install extra solar power generating equipment and in other areas. Also note that in the fiscal year under review, there were no major equipment sales or removals.

Capital Investment **11.7** billion yen

Change in Capital Investment Amount (million yen)

	2015	2016	2017	2018	2019
Total	11,142	10,455	9,576	11,607	11,710
Logistics Business	10,248	9,575	8,727	10,770	12,025
Property Management Business	101	491	832	502	153
Other Businesses	616	708	60	151	319

— Assets and Liabilities

As of the end of fiscal 2019, total assets stood at 180.047 billion yen, an increase of 8.250 billion yen over the previous fiscal year.

While inventories declined due to the sale of the Company's interest in the Nagatsuta Logistics Center, since notes and accounts receivable as well as cash and deposits increased due to business expansion, current assets rose 2.4 billion yen compared with the end of the previous fiscal year, standing at 64.376 billion yen.

In terms of fixed assets, in addition to an increase in property, plant and equipment including buildings associated with completion of the Nanko Logistics Center, increases in vehicles, delivery equipment and land were also recorded. For investments and other assets, investments in securities rose in connection with the acquisition of driving schools. As a result, fixed assets increased by 5.850 billion yen to 115.671 billion yen.

Liabilities stood at 125.97 billion yen, an increase of 2.346 billion yen compared with the end of the previous fiscal year. In terms of current liabilities, the main factors behind the increase are higher notes and accounts payable due to increased sales, with a rise in short-term loans payable also contributing. However, in long-term liabilities, long-term loans payable declined due to our capital procurement control.

Net assets stood at 54.077 billion yen, an increase of 5.93 billion yen compared with the end of the previous fiscal year. While this was mainly due to net income attributable to owners of parent recorded at 6.079 billion yen, a 22 yen per-share dividend payment amounting to 873 million yen also factored into the increase.

* The "Partial Amendments to Accounting Standard for Tax Effect Accounting" ASBJ Statement No. 28 dated February 16, 2018) was adopted from the beginning of the fiscal year under review. In descriptions concerning financial status, the figures are compared with those of the previous fiscal year after this accounting standard has been applied retroactively.

— Trends in Finances

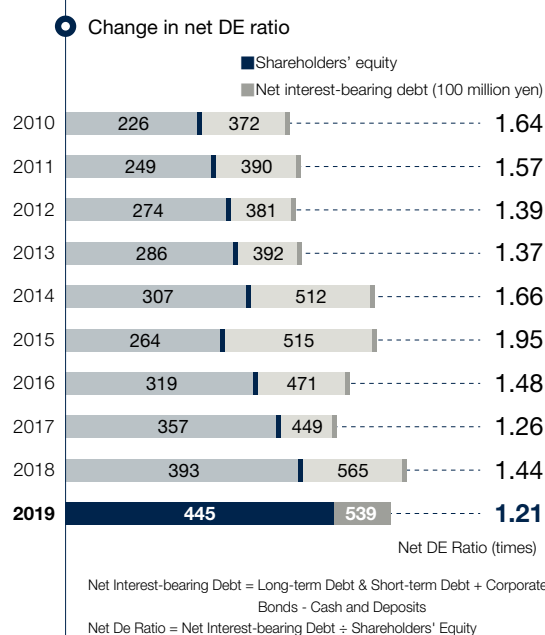
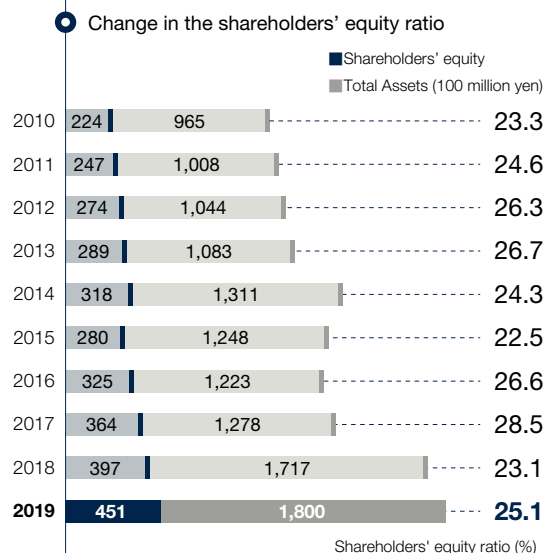
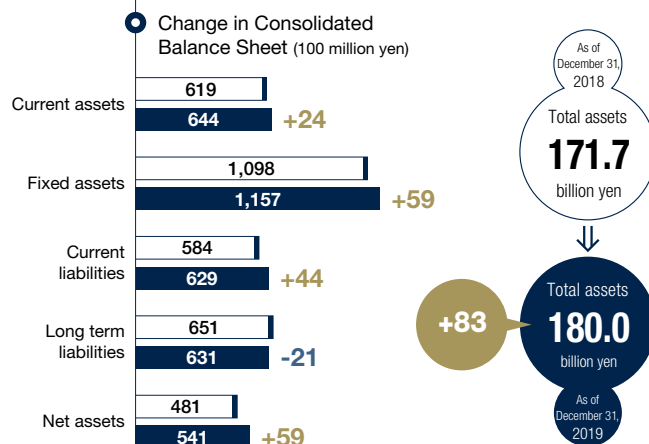
Working from a medium-to-long-term perspective, the SBS Group intends to achieve the sustainable growth of its businesses and boost earnings capability and capital efficiency. Additionally, as a part of key business and investment strategies, we will pursue the stable growth of the 3PL business by systematically 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.

In fiscal 2019 the shareholders' equity ratio rose 2.0 points from the previous fiscal year to 25.1%, moving closer to the target level.

Meanwhile the net DE ratio, which represents the ratio of net interest-bearing debt to shareholders' equity, shifted from 1.44 in the previous year to 1.21, due to a reduction in total interest-bearing debt and increase in shareholders' equity.

Moving forward, we will continue to undertake business operation that is mindful of financial health and pursue the optimum balance between investment and returns.

Shareholders' equity ratio
25.1 %



— Cash Flow

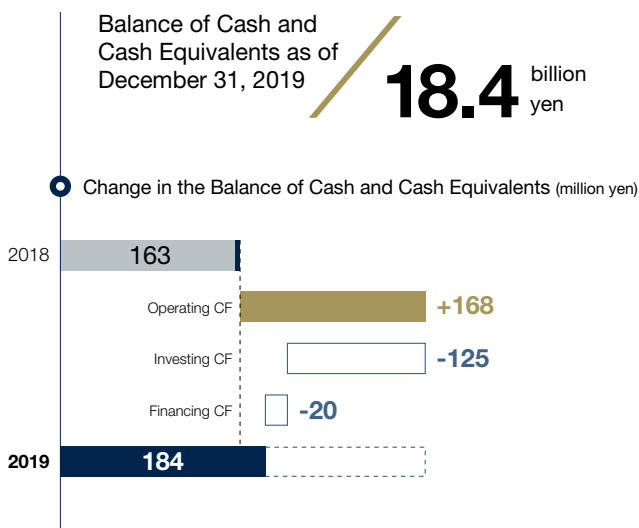
As of December 31, 2019, cash and cash equivalents ("cash," hereafter) had increased by 2.192 billion yen to 18.495 billion yen from the end of the previous fiscal year. The main reasons for the changes in each cash flow are as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities was 16.872 billion yen, mainly due to income before income taxes of 9.9 billion yen, depreciation and amortization of 7.07 billion yen and a decrease in inventories of 1.769 billion yen due to the sales of equity in the Nagatsuta Logistics Center, despite a 1.387 billion yen increase in trade receivables associated with sales growth. This marks an increase of 4.474 billion compared with the previous fiscal year, mainly due to rising earnings capabilities.

Cash Flows from Investing Activities

Net cash used in investing activities was 12.579 billion yen, falling 9.853 billion yen compared with the previous fiscal year, when the acquisition of SBS Ricoh Logistics took place. In terms of major outlays, expenditures for the acquisition of property, plant and equipment and intangible assets totaled 10.54 billion yen, including the acquisition logistics facility land and construction work for the Nanko Logistics Center and a planned construction work for facility in Noda, Chiba Prefecture, as well as vehicle replacements. Expenditures to acquire shares in affiliate companies amounted to 1.271 billion 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 routine vehicle upgrades, 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 procures the funds required for the entire Group in a centralized fashion through its holding company. 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 the capital demand for the purpose of 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.

Cash Flows from Financing Activities

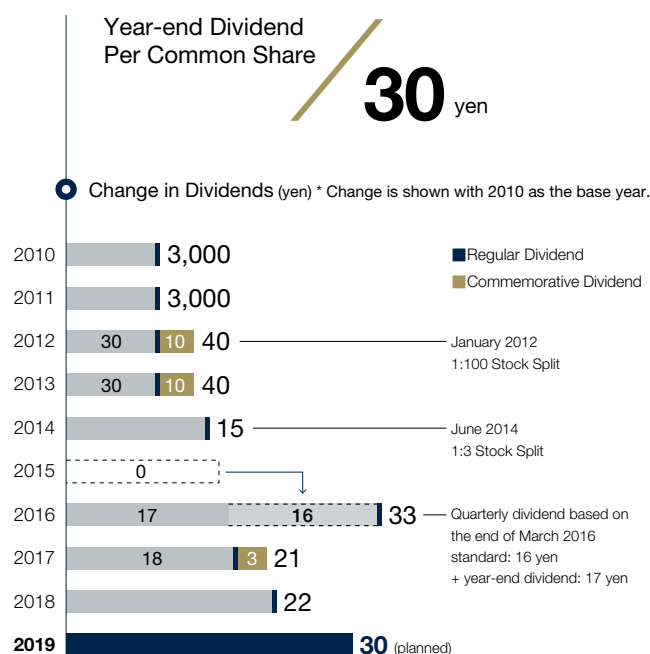
In financing activities, net cash decreased by 2.084 billion yen due to repayments of long-term loans payable exceeding proceeds. Compared with the previous fiscal year in which syndicated loan for acquisitions was employed, net cash fell to 16.899 billion yen.

— 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, to maintain continuous dividends, and improve the level of dividends in line with business performance.

The Company's basic approach is to issue once-yearly dividends of surplus funds. In the fiscal year under review, the Company increased the planned year-end dividend of 28 yen per share by 2 yen, to 30 yen per common share. This was done due to the strong performance of the logistics business among major Group companies including SBS Ricoh Logistics, and in light of the Company's financial position and operating results.

In this way, we have worked to reinforce shareholder return by effectively tripling per-share dividends in ten years.



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

M&A Policy

Through M&A activities, regarded as a pillar of its management strategy, the SBS Group pursues coexistence and symbiosis rather than dominance. We maintain the employment of staff and welcome new human resources into the Group. We also implement measures to enhance Group-wide synergistic effects, including market development, expanded sales channels, and the sharing and enhancement of service provision, knowledge, people and organizational capital.

This approaches also represent the practical implementation of goals 8, 9 and 17 of the Sustainable Development Goals (SDGs).



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.

Logistics Facility Development and Maintaining Financial Health through 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 through the systematic securitization of existing facilities.

Promoting selection and concentration of businesses overseas

We clarify which regions and businesses should be advanced and pursue their selection and concentration.

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.

Economy

The External Environment Surrounding the SBS Group

The SBS Group monitors and analyzes short, medium and long-term effects of the external environment to make critical determinations of risks and opportunities. The impact of COVID-19 has also been incorporated as a basis of management strategy formulation.

[Domestic]

- Downturn due to consumption tax hikes and the impact of the COVID-19 pandemic
- Slumping employment or income environment, inbound demand or capital investment sentiment
- Stock market instability
- Impact of the postponed 2020 Tokyo Olympics and Paralympics

[World]

- Global economic slowdown due to COVID-19
- Uncertain overseas situations
- Demands to disclose information on awareness of climate change and action to address it

— Developing and Enhancing Management Foundations

Maximizing Group Synergy

To survive intensifying competition, it is vital to ensure the transparency and efficiency of management while maximizing Group synergy. In particular, as the management infrastructure of SBS Ricoh Logistics, which joined the Group in fiscal 2018, is highly complementary to the existing management infrastructure of the SBS Group, we will continue to reinforce the cooperative framework with the company.

Retaining and Cultivating Human Resources, Developing a Pleasant Workplace

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.

To that end, we are taking steps to improve personnel systems, hire and cultivate talented human resources, and develop a workplace environment in which each individual employee can enjoy job satisfaction, pride and motivation. In developing the workplace environment, we will also consider the public health risks that have become evident due to the spread of COVID-19.

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.

Market

[Basic Trends]

- Diversification of services
- Smaller and more frequent lots
- Demands for stable and flexible transportation capabilities
- Increased competition due to e-commerce business operators developing in-house logistics systems
- Cooperation on logistics
- Supplementary of logistics functions and services
- Alliances with other companies including industry players

[COVID-19]

- Expanded role of logistics in society
- Increased operational constraints
- Remote work demands

[Logistics Technology (LT)]

- IoT, AI, big data, automation
- Telematics
- ETC 2.0

Human Resources and Society

[Human Resources]

- Worsening labor shortages
- Worsening work environments for truck drivers and aging drivers
- Expected increase in foreign workers
- Long-term decline in the working age population

[Society]

- Emergence of the COVID-19 pandemic
- Emerging effects of climate change
- Requirements for appropriate operational management of vehicles and stronger safety measures
- Review of labor laws and regulations
- Demands to adopt working style reforms
- Demands for productivity improvements across Japan
- Changes to human rights awareness and action
- Definitive action on diversity

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.

Risk Management Policy and System

The SBS Group has established the SBS Group Risk Management Regulations and endeavors to manage all risk events that could pose threats to management activities. In addition to risks whose effects are immediately apparent, risks we determine need to be addressed from a medium or long-term perspective are also subject to management.

We have also established the SBS Group Risk Management Council, comprising members selected from SBS Group companies, to ensure that risk management is continually implemented on a Group-wide basis. At meetings generally held twice a year, the council separates risks into Group wide risks and risks affecting individual Group companies, monitors the status of measures to deal with each risks, and strives to prevent risks from occurring or minimize the damages that occur in the event of an emergency.

The Risk Management Process

SBS Holdings and each Group company start by identifying the risks to be handled by each department. Next, factors including the likelihood of occurrence, impact and potential for control are carefully examined and analyzed for each risk. We then implement response measures and work to prevent or minimize damages and losses due to risks.

The SBS Group Risk Management Council receives reports from SBS Holdings and Group companies to verify and evaluate the implementation status and effectiveness of the measures taken to address risks. The results of the evaluation are reported to the SBS Group CSR Promotion Committee for approval.

This cycle is repeated annually in an effort to not only ensure that existing risks are being appropriately handled, but to also prevent newly emerging risks.

Major Risks to be Addressed

We have currently established 15 categories of risk events that have the potential to affect the SBS Group's short, medium and long-term management results, share price and financial condition. While the risks differ as to whether they are mainly caused by external factors, caused by mistakes or other action by the SBS Group or exhibit both aspects, we manage all of these risks in a comprehensive fashion in the interest of enhancing the soundness and continuity of management.

Additionally, in light of the enormous impact on the global economy and business activities of the SBS Group due to the COVID-19 pandemic, from fiscal 2020 "risks associated with pandemics" has been added as a new risk event.

SBS Group Risk Management Regulations (Key Points)

- Basic Policy
In light of the social significance of the SBS Group, on a daily basis its officers and employees shall manage risks by placing the highest priority on safeguarding human life and ensuring safety, and in the event a risk occurs, endeavor to contain the risk, minimize damages and enable a quick recovery.
- Establishment and operation of the Risk Management Council
Monitoring, evaluation and approval of measures to address risks
- Emergency risk response
Establishment of Business Continuity Plan






Management Status of Major Risks

	Overview 	Effect 	Response Status 
<p>Risks due to changes in economic conditions</p> <p>[Short-term]</p> <p>Likelihood of Occurrence ●●●●●</p> <p>Degree of Impact ●●●</p> <p>Potential for Control ●●●</p>	<p>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.</p>	<p>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, a reduction in the number of orders received or downward pressure on transportation fees could occur.</p>	<ul style="list-style-type: none"> Promotion of business diversification Diversification of risks by expanding business partners Promotion of an enhanced and optimized the business portfolio in conjunction with the above measures
<p>Risks due to sharp rises in fuel prices</p> <p>[Short, Medium and Long-Term]</p> <p>Likelihood of Occurrence ●●●●●</p> <p>Degree of Impact ●●</p> <p>Potential for Control ●●</p>	<p>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.</p>	<p>It may not be possible to change transportation charges to reflect higher-than-expected fuel prices and equivalent increased costs due to sharp rises in global oil prices or the effects of currency exchange markets.</p>	<ul style="list-style-type: none"> Creation of budgets that incorporate fuel price fluctuations (predictions) by keeping close watch on market trends Switching to logistics services with higher fuel efficiency through the adoption of eco-driving practices, the phased introduction of next-generation vehicles, and other measures.
<p>Risks associated with a worsening financial environment</p> <p>[Short-term]</p> <p>Likelihood of Occurrence ●●●●●</p> <p>Degree of Impact ●●●●●</p> <p>Potential for Control ●●</p>	<p>In implementing M&A activities as an important growth strategy and developing logistics facilities to promote the 3PL business, we primarily procure funding through loans from financial institutions, and a worsening of the financial environment could be a factor in rising costs.</p>	<p>Difficulties in obtaining funding for strategic investments, or increased interest rates to finance loans could occur. Additionally, these situations could conflict with provisions in the case of debt with financial covenants.</p>	<ul style="list-style-type: none"> Measures including paying down interest-bearing debt through the securitization of logistics facilities and operating cash flow, and securing fixed interest rates.
<p>Risks due to M&A activities</p> <p>[Short-term]</p> <p>Likelihood of Occurrence ●●●●●</p> <p>Degree of Impact ●●●</p> <p>Potential for Control ●●●●●</p>	<p>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. There is a risk that these activities might not go as well as initially planned.</p>	<p>Due to unexpected circumstances, the progress of a business plan following an acquisition or tie-up could be significantly delayed compared with initial forecasts.</p>	<ul style="list-style-type: none"> Thorough due diligence conducted in advance Careful arrangements with the top management of the company to be acquired <p>* Even in the cases of capital participation or tie-ups, similar action is taken.</p>
<p>Risks due to the property management business</p> <p>[Short and Medium-term]</p> <p>Likelihood of Occurrence ●●●</p> <p>Degree of Impact ●●●●●</p> <p>Potential for Control ●●●</p>	<p>The SBS Group pursues logistics facility development and sales operations as part of its property management business. 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.</p>	<p>The posting of sales and profits may be delayed or 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.</p>	<ul style="list-style-type: none"> Development of logistics facilities predicted on securing customers <p>* We begin construction work on facilities after determining tenant consignors and sales destinations, as well as factors such as intended use, specifications, rent and rental period.</p>

Management Status of Major Risks

	Overview 	Effect 	Response Status 
<p>Risks due to legislative changes</p> <p>[Short and Medium-term]</p> <p>Likelihood of Occurrence ●●</p> <p>Degree of Impact ●●</p> <p>Potential for Control ●●●●</p>	<p>The SBS Group's operation is affected by various laws and regulations, and changes to these laws and regulations in response to changing social conditions. 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 property management 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.</p>	<p>New burdens could be imposed, or changes could be required in business expansion due to systems being revised, strengthened or subjected to a different interpretation based on related laws and regulations changing in line with changing social conditions.</p>	<ul style="list-style-type: none"> Collecting information through industry groups and other organizations Preparations and actions in anticipation of legislative changes
<p>Risks related to natural disasters and other incidents</p> <p>[Short, Medium and Long-Term]</p> <p>Likelihood of Occurrence ●●●●</p> <p>Degree of Impact ●●●●</p> <p>Potential for Control ●●</p>	<p>The business activities of the SBS Group revolve around truck-based transportation and the operation of logistics centers, and these operations are susceptible to natural disasters and other incidents. In particular, the SBS Group has situated many logistics sites in the Tokyo metropolitan area to cater to robust logistics demand in that region, and if the Tokyo metropolitan area was affected by such a disaster, it would have a significant impact on the SBS Group.</p>	<p>When an event such as a major disaster occurs, SBS Group operations could be cut off and the Group may be unable to provide some or all of its logistics services, due to damage to consignor companies or Company facilities, disruption or cutting off of transportation networks, and the shutdown of lifelines.</p>	<ul style="list-style-type: none"> Anticipating the state of damage through the formulation of business continuity plans (BCP), and preparing of response measures Periodic implementation of training to prepare for major disasters and other incidents Ensuring earthquake proofing of major buildings used for business Decentralization of major business sites to the extent possible
<p>Risks associated with pandemics</p> <p>[Short, Medium and Long-Term]</p> <p>Likelihood of Occurrence ●●●</p> <p>Degree of Impact ●●●●</p> <p>Potential for Control ●●</p>	<p>When an outbreak of a serious infectious disease occurs, the SBS Group businesses would be forced to take measures not usually implemented to prevent the spread of infections, and if the situation worsened, it could even threaten continued operations.</p>	<p>An outbreak of infectious disease imposes various constraints on the business activities of the SBS Group. Taking measures to prevent infections would be a factor increasing costs. Additionally, if a considerable number of infections occurred at the operating sites of the SBS Group or its business partners, the Group or its business partners could be forced to restrict or shut down operations.</p>	<ul style="list-style-type: none"> Strict enforcement of hand washing and disinfection Hygiene management for business sites and vehicles Consideration given to incorporating infectious disease preparedness into business continuity plans (BCP)
<p>Risks due to serious incidents</p> <p>[Short-term]</p> <p>Likelihood of Occurrence ●●●</p> <p>Degree of Impact ●●●●</p> <p>Potential for Control ●●●●</p>	<p>As the SBS Group uses public roads to transport customers' products and goods by truck and other vehicles, there is always a risk of traffic accidents.</p>	<p>If a major accident in which many people's lives are lost occurred, the Company could be sued by the victims, suffer a decline in credibility among customers and society, or be subjected to action imposed by authorities, such as being suspended from operating vehicles or conducting business.</p>	<ul style="list-style-type: none"> Continued operation of SBS Group-wide transportation safety management under the Transportation Safety Promotion Meeting Promotion of transportation safety based on the three pillars of education and awareness-raising, accident prevent, and safe driving/operation management
<p>Risks due to system shutdowns</p> <p>[Short and Medium-term]</p> <p>Likelihood of Occurrence ●●●●</p> <p>Degree of Impact ●●●●●</p> <p>Potential for Control ●●●●</p>	<p>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. There is a risk of these systems failing or operating incorrectly due to malfunction, computer viruses, hacking, natural disasters or other incidents.</p>	<p>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 and business partners may be interrupted, business processing may be delayed, or operations could be thrown into confusion.</p>	<ul style="list-style-type: none"> Promotion of Group-wide security measures, training and awareness-raising under the Information Security Promotion Meeting Strengthened defenses with AI-based anti-virus tools and next-generation firewalls Enhanced monitoring and checking functions through security operation center (SOC) service Third-party verification

	Overview 	Effect 	Response Status 
<p>Risks related to the management of customer information</p> <p>[Short and Medium-term]</p> <p>Likelihood of Occurrence ●●●</p> <p>Degree of Impact ●●●</p> <p>Potential for Control ●●●●●</p>	<p>The businesses conducted by the SBS Group involve handling large amounts of customer information, including personal information, and there are potential risks of the leaking of customer information or the destruction of data.</p>	<p>If an incident such as the leaking of customer information or destruction of data were to occur, the trust earned from customers could be lost, and the incident could affect the Group's business performance and financial situation.</p>	<ul style="list-style-type: none"> Clearly establishment of the proper management of customer information in corporate ethics regulations Continued implementation of measures ensuring the proper management of customer information and personal information as part of information security management
<p>Risks related to compliance</p> <p>[Short and Medium-term]</p> <p>Likelihood of Occurrence ●</p> <p>Degree of Impact ●●●●●</p> <p>Potential for Control ●●●●●</p>	<p>The SBS Group conducts its business activities based on laws related to the logistics business and a wide range of rules and social norms. Infringements of these requirements in any way could have a serious impact.</p>	<p>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.</p>	<ul style="list-style-type: none"> Establishment of the SBS Group Code of Behavior and SBS Group Compliance Regulations Conducting awareness-raising activities, monitoring, confirming and investigating compliance violations and driving improvements, primarily through the SBS Group Compliance Meeting in which Group companies take part Distribution of awareness-raising tools and periodically conduct awareness surveys
<p>Risks related to overseas expansion</p> <p>[Short and Medium-term]</p> <p>Likelihood of Occurrence ●●●</p> <p>Degree of Impact ●●</p> <p>Potential for Control ●●●</p>	<p>While the SBS Group has worked to expand its business overseas to ensure continued growth into the future, those businesses are affected by conditions in the countries and regions in which we operate.</p>	<p>There are possibilities of changing economic conditions, recessions, exchange rate fluctuations, political or legislative changes, and social unrest due to terrorism, war or disease, in addition to trouble stemming from or a lack of understanding of the local culture or international standards, and matters in conflict with international norms, standards or guidelines.</p>	<ul style="list-style-type: none"> Ongoing collection and analysis of information concerning the countries and regions in which we operate
<p>Risks related to the acquisition and development of human resources</p> <p>[Medium-term, Long-term]</p> <p>Likelihood of Occurrence ●●●●●</p> <p>Degree of Impact ●●●●●</p> <p>Potential for Control ●●●●●</p>	<p>The SBS Group recognizes the importance of human resources and focuses on hiring activities, education and training, but there is intense competition to continually secure the necessary human resources, and such efforts may not proceed as planned.</p>	<p>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.</p>	<ul style="list-style-type: none"> Proactively hiring talented human resources without drawing distinctions between graduate or mid-career hires In keeping with our Basic Policy on Human Resource Development, conducting various education and training for all Group employees and support their skills advancement and career development
<p>Risks associated with climate change</p> <p>[Medium-term, Long-term]</p> <p>Likelihood of Occurrence ●●●●●</p> <p>Degree of Impact ●●●●●</p> <p>Potential for Control ●●●</p> <p>* See p. 29-30 for details.</p>	<p>Due to the advance of climate change, the businesses of the SBS Group could be affected by changes to the environment or systems surrounding the market (transitional risks) or phenomena such as abnormal weather and rising temperatures (physical risks).</p>	<p>The rising price of CO₂ emissions, costs to shift to low-emission technologies, the sharp rise in fuel energy costs and similar developments lead to increased operating expenditures and put pressure on management. In addition, abnormal weather events could damage products and operating assets or reduce production capacity.</p>	<ul style="list-style-type: none"> Promoting systematic business strategies and environmental strategies based on a low-carbon approach Strengthening environmental management systems Stockpiling for emergencies Enhanced disaster response management

End hunger, achieve food security and improved nutrition and promote sustainable agriculture



Target

2.1: By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

The SBS Group's Initiatives

- (1) Support for food banks

Ensure healthy lives and promote well-being for all at all ages



Target

- 3.6: By 2020, halve the number of global deaths and injuries from road traffic accidents.
- 3.9: By 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination.

The SBS Group's Initiatives

- (1) Promotion of transportation safety management
- (2) Sincere Challenge 2030 (medium-to-long-term environmental plan)

11 SDGs

Related to the SBS Group's Initiatives

As a "3PL corporate group possessing omnidirectional logistics functions," the SBS Group focuses on the Sustainable Development Goals (SDGs) representing the myriad issues the world faces and the direction of their solutions. We regard contributions to achieving the SDGs as one of the cornerstones of our management policy.



Agenda 2030, which all 193 United Nations member nations agreed to adopt in September 2015, is a plan to end extreme poverty, inequality and injustice and preserve the global environment over 15 years to achieve a better future. The Sustainable Development Goals (SDGs) that this plan sets out reflect the future role of the economic community and how corporate activities should be conducted.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Target

- 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.
- 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.
- 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.

The SBS Group's Initiatives

- (1) Declaration on Respect for Human Rights and Elimination of Harassment
- (2) Basic Policy on Human Resource Development and Education & Training Plan

Ensure sustainable consumption and production patterns



Target

12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

The SBS Group's Initiatives

- (1) Sincere Challenge 2030 (medium-to-long-term environmental plan)
- (2) Expanded functionality of the reverse logistics business

Take urgent action to combat climate change and its impacts



Target

13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

The SBS Group's Initiatives

- (1) Sincere Challenge 2030 (medium-to-long-term environmental plan)
- (2) Climate Change Risks and Countermeasures

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Target

- 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.
- 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.

The SBS Group's Initiatives

- (1) Basic Policy on Human Resource Development and Education & Training Plan
- (2) Scholarship Program (Foundation) for Students Receiving Social Care

Ensure access to affordable, reliable, sustainable and modern energy for all



Target

- 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.
- 7.3: By 2030, double the global rate of improvement in energy efficiency.

The SBS Group's Initiatives

- (1) Transmission of Renewable Energy through Solar Power Generation
- (2) Sincere Challenge 2030 (medium-to-long-term environmental plan)

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation



Target

- 9.1: Develop 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 fair access for all.
- 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.

The SBS Group's Initiatives

- (1) Reinforcement of logistics infrastructure, enhancement of IT and LT
- (2) Fostering logistics research (foundation)

Make cities and human settlements inclusive, safe, resilient, and sustainable



Target

- 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.
- 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.

The SBS Group's Initiatives

- (1) Addressing modal shift
- (2) Reinforcement of logistics infrastructure, enhancement of IT and LT
- (3) Risk management
- (4) Program to foster logistics research (foundation)
- (5) Sincere Challenge 2030 (medium-to-long-term environmental plan)

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



Target

- 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.

The SBS Group's Initiatives

- (1) Cooperation with environmental conservation efforts

Strengthen the means of implementation and revitalize the global partnership for sustainable development



Target

- 17.17: Encourage effective partnerships: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

The SBS Group's Initiatives

- (1) Partnerships associated with business activities and CSR management
- (2) Support for the social sector

**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 corporate social responsibility (CSR) 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 promotional measures, 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	
				Issue-Specific Group Meetings (managers of the departments responsible at each Group company)	Integrated CSR Meeting (representatives from Group companies)
Environment	Consideration of the environment (reduction of CO ₂ emissions, energy conservation)	[Three pillars of environmental measures] Eco-driving (vehicles) Energy conservation (facilities) Environmental actions (employees)	Sincere Challenge 2030 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	Environmental Management Promotion Meeting	CSR Promotion Committee
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 dash cams Driver contests G-Mark certification Fire prevention measures at logistics facilities	Transportation Safety Promotion Meeting	
	Social Engagement	Human resource development Occupational health and safety Quality control Social contribution	United Group training / correspondence courses Counseling services provided by industrial physicians First aid courses / introduction of AEDs Commending social contributions Subsidized projects Support for the social sector	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 General workplace consultation office Auditor hotline Outside reporting hotline Business continuity planning (BCP) Information security seminars e-learning Investigations of response to targeted attacks	Compliance Meeting Risk Management Meeting Information Security Promotion Meeting	





Key Indicators
(Fiscal 2019 Results)

Environment

Environment

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/sbsh/csr/>

Number of employees taking eco-driving and safe-driving training (cumulative total)	1,570
Number of eco-friendly vehicles introduced (cumulative total)	3,955
Amount of freight transported by rail	270,509 t
Business sites where energy-saving lighting has been introduced (cumulative total)	51 business sites
Total CO ₂ emissions (compared with the previous year)	0.5% increase
CO ₂ emissions per unit of sales (compared with the previous year)	20.16% decrease

Review of Fiscal 2019 Initiatives (Environment)

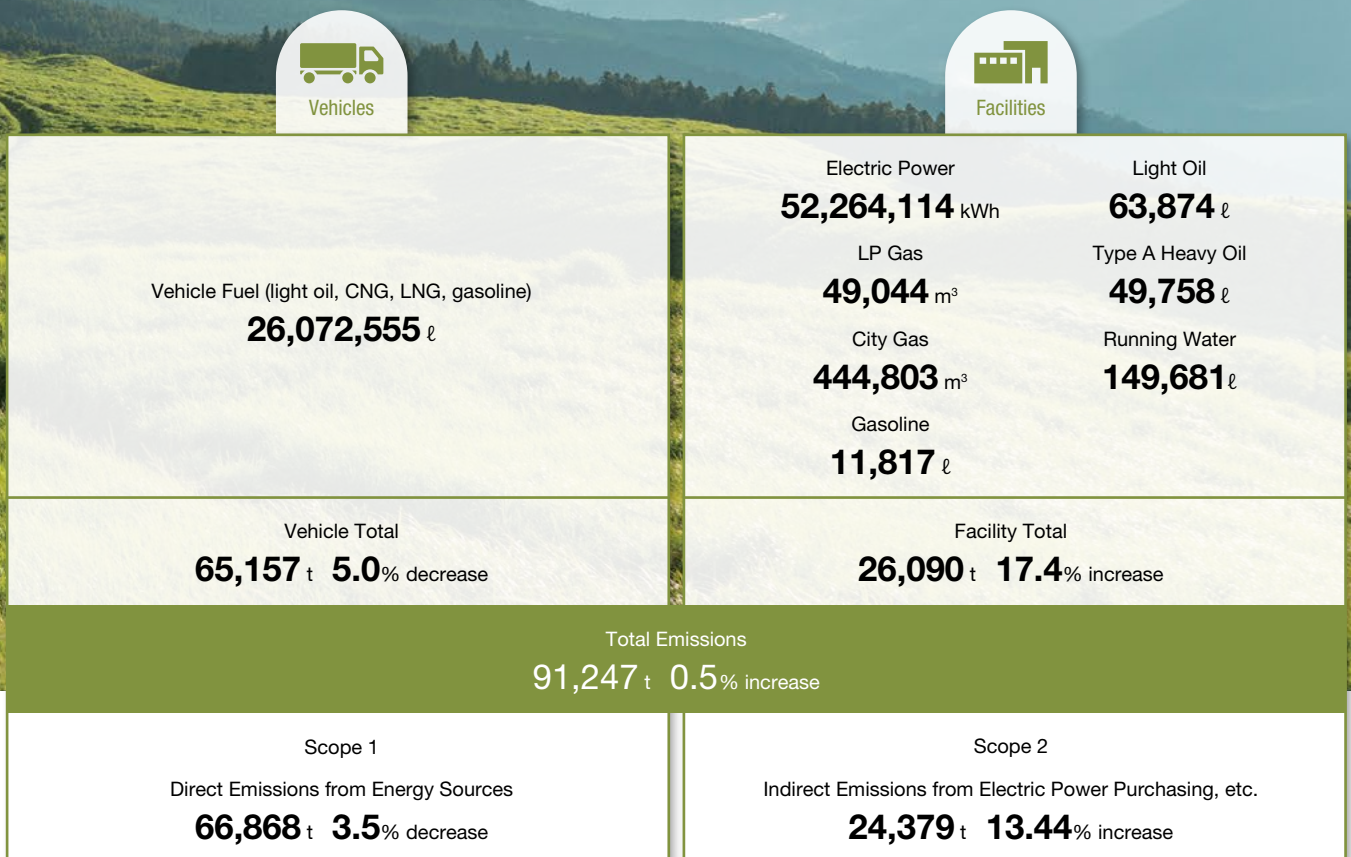
In fiscal 2019, SBS Ricoh Logistics became a member of the SBS Group. Additionally, in part due to the strong performance of the logistics business, total CO₂ emissions and usage of major energy sources recorded their highest levels since we began measurements. On the other hand, CO₂ emissions per unit of sales have decreased by 8.39%, indicating an improvement in environmental performance.

We have largely achieved the goals set out in Environmental Action 2020, the action plan that is part of our Sincere Challenge

2030 mid-to-long-term environmental plan (fiscal 2019 results are listed on page 27), including, CO₂ emissions per unit of sales as mentioned above. We will continue to tackle these efforts next year and beyond.

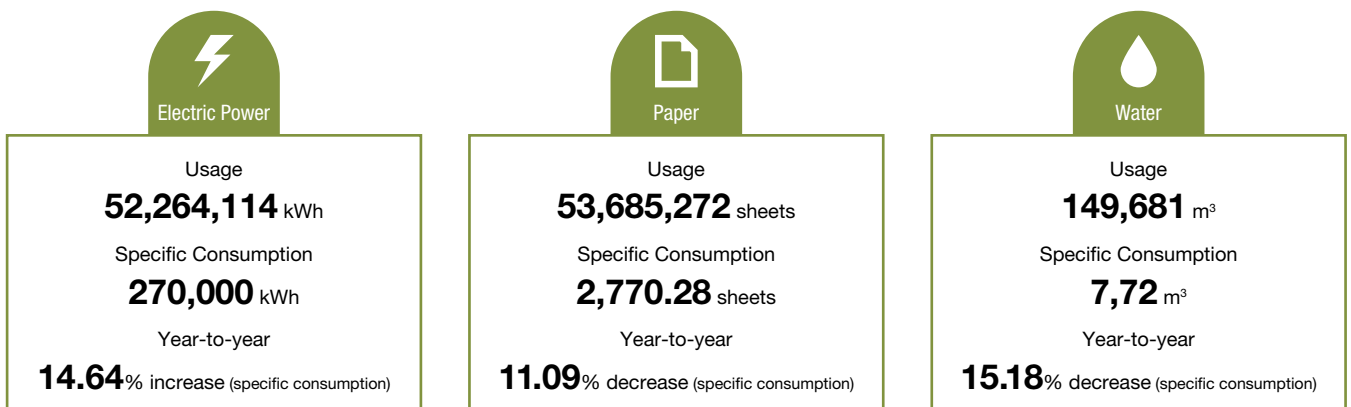
The number of business sites that have installed energy-saving lighting increased to a cumulative total of 50 sites, including partial installations. Compared with the lighting used previously, this is seen as having the effect of reducing CO₂ emissions by approximately 2,200 tons annually.

Energy Usage and CO₂ Emissions (Scope 1, Scope 2)



* Increase or decrease is in comparison to the previous year

Usage of Electric Power, Paper and Water (fiscal 2019)



* Specific consumption is per employee (fiscal 2019: 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.



SINCERE CHALLENGE 2030



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 CO₂ 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 CO₂ emissions from vehicles (formulation and implementation of plan for introduction of next-generation vehicles)

Strengthening Reduction of CO₂ 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 CO₂ 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 CO₂), and in the transportation sector, a reduction of 28% from 2013 levels (32% reduction







from 2005 levels), or roughly 163,000,000 tons of CO₂. 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 (such as electric or hydrogen-powered vehicles). 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 CO₂ 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	2019		
 Preventing global warming	Reduction in CO ₂ emissions per unit of sales	At least 3% year-to-year			47.71 t / 100 million	38.09 t / 100 million	○ 20.16% decrease	
	Reduction of CO ₂ emissions per distance traveled in vehicles	At least 1% year-to-year			0.54 t/km	0.49 t/km	○ -9.26%	
 Resource conservation [water and forests]	Reduction in water usage per employee	At least 1% year-to-year			6.71 m ³	7.72 m ³	× 15.05%	
	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	3,115 sheets	2,770 sheets	○ -11.08%	
 Resource recycling	Visualization of industrial waste product recycling	Sampling	Expansion of applicable business sites	Active promotion	Under consideration		△	
 Development of green logistics services	Improved fuel efficiency	At least 1% year-to-year			4.93 ℓ/km	4.93 ℓ/km	△ No change	
	Improved eco-friendly vehicle ownership rate	At least 3% year-to-year			91.09%	92.45%	△ 1.36-point increase	
	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	Under development	Commendations awarded to 6 business sites		○
		Year-to-year increase in EMS introduction rate			2,341 vehicles	2,218 vehicles	× -5.25%	
 Education	Awareness-raising of environmental action (posters, etc.)	Active promotion			Sincere Challenge 2030 posters and "Environmental Actions Taken Within a 5-Meter Radius" posters were displayed.		○	
 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. 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. 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 accordance 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	Details	Effect	Detailed Effects	Countermeasures
Transition	Rising greenhouse gas emissions prices	Strengthening of domestic environmental regulations due to international agreements (carbon taxes, taxes on fuel and energy consumption, emissions trading)	Increased operating expenditures (rising legal compliance costs and rising insurance premiums)	Pressure on management due to increased operating expenditures / pressure on management due to increased costs of environmental investments (increased expenditures from reducing carbon emissions from vehicles and other facilities) / increased costs and reduced revenue associated with customers strengthening CSR procurement efforts	Formulating and executing systematic business strategies (and environmental strategies) based on a low-carbon approach
	Costs to transition to low emissions technologies	Pressure on management due to increased environmental investment costs	Increased time and costs spent adopting and deploying new activities and processes	Increased expenditures from reducing carbon emissions from vehicles and other facilities Introduction of next-generation vehicles / introduction of energy-saving measures / introduction of other environmental conservation measures / use and creation of renewable energy	Formulation and execution of systematic business strategies (and environmental strategies)
	Changes in the market environment	Market stoppages or the cutting off of import/export routes due to disasters or conflicts caused by global warming	Sudden and unpredictable fluctuations in energy costs and energy shortages	Pressure on management or reduced production capacity from sharply rising fuel and energy costs and supply shortages causing increased expenditures	Increased installation and upkeep of in-tanks to prepare for emergencies / In addition to the above, supplementary measures such as providing fuel supply services during disasters will be taken
	Damage to reputation due to delays in environmental measures under decarbonization trends against the backdrop of international agreements and other developments	Rise in stakeholder concerns or feedback from negative stakeholders	Damage to public trust arising from breaches of stakeholder trust	Falling share prices / reduced competitiveness / personnel exodus	Enhanced environmental management structure (environmental initiatives, information disclosure, etc.)
Physical	Other impacts due to climate change	Risk of customer difficulties with operations or business continuity from the effects of climate change causing lower revenue for the SBS Group	Changing sales sources and combinations therefore leading to reduced sales	Reduced revenue and lost orders due to worsening financial conditions for customers	Strengthened CSR management and monitoring of market conditions
	Increased severity of abnormal weather phenomena including typhoons and flooding	Increasingly frequent weather-related disasters including typhoons of increasing severity, frequent torrential rain, heavy snowfall and so on	Direct damage to facilities and adverse impact on production capacity and workforce	Compensation for loss of product value due to damage to customer products or flooding, etc. / losses due to direct damage to business assets (business facilities, vehicles, etc.) / accidents suffered by employees while commuting or at work / reduced production capacity due to difficulties securing operational personnel or disruptions to vehicle operations	Strengthening of risk countermeasures (hazard management at sites and the associated responses) and disaster response management
	Rising mean temperatures	Adverse impacts on the health of employees and reduced production capacity due to rising temperatures	Lower sales and rising costs due to the adverse impacts on the workforce (Examples: health, safety and absenteeism)	Workforce reductions due to employee health hazards such as heat stroke / increased installation of air conditioning in warehouses and facility/equipment investments to combat rising truck cabin and body temperatures / compensation for loss of product value for refrigerated or frozen goods / facility investment to maintain quality to prevent accidents involving products	Implementation of measures, including careful monitoring of related information and warnings to workers / increased installation of air conditionings and water supply equipment, regular stocking of supplies, provision of goods to cope with the heat / facility and equipment investment to curb in-vehicle temperatures

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 CO₂ 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) **1,570**
(as of December 2019)

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

Number of business sites where energy-saving lighting has been introduced (cumulative total including sites with partial introduction) **51** business sites

* This initiative has helped curb CO₂ emissions by more than 2,200 tons annually.

Modal Shift (fiscal 2019) **270,509** t

Modal shift is to shift the means of transportation for cargo and people, and in cargo transportation, it means 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.





Key Indicators
(Fiscal 2019 Results)

Safety & Social

Safety & Social

[Safety]	Number of Transportation Safety Promotion Meetings Held	4 times
	Number of Group Safety Training Sessions Conducted	29
	Group-average Fuel Efficiency	4.93 km/l
	Number of Business Sites with G-Mark Certification (certification rate)	162 business sites (89%)
	Number of Serious Accidents	0

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 2019 Initiatives (Safety)

In fiscal 2019, we strengthened our focus on priority areas, including operational management and other measures aimed at business optimization, measures to prevent accidents related to health (measures to deal with sleep apnea syndrome or SAS, preventing overwork, heat stroke, etc.),

and specific operations as part of fire prevention measures. We also launched the eco and safe-driving evaluation and award system as a new measure promoting safe and eco-friendly practices. We are also pleased to report zero serious accidents throughout the SBS Group.

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

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

SBS Group Transportation Safety Management

Risk management

Policies and priority issues

Transportation Safety Promotion Meeting

Education and Awareness-raising

Accident Prevention

Safe Driving and Safe Operation Management

Group safety education

- Operation manager examination preparatory seminars
- Operational manager skill improvement seminars
- Operational manager basic classes
- Operational manager general classes
- Health officer examination preparatory seminars
- Regular first-aid classes
- Eco-driving training
- Eco and safe-driving training
- Truck safe driving training
- Forklift safe operation training
- Forklift operator contests
- Driver contents

Call for proposed safety slogans

Affixing of eco and safe driving vehicle stickers

Accident factor analysis

- Near miss incident information collection and dashcam video analysis
- Risk prediction training
- Aptitude diagnosis
- Regular SAS screening examinations and health checkups
- Stress checks / consultations with industrial physicians
- Training for persons causing accidents
- Introduction of vehicles equipped with safety features (collision avoidance, reduced braking, road deviation prevention)
- Blood pressure measurements
- Heat stroke countermeasures

Roll calls and alcohol checks

- Daily inspections
- Fitting of driving support equipment (digital tachograph, dashcam, rear-view camera)
- Business audits, touring follow-ups, business site self-inspections
- Acquiring certification (G-mark) as a business site with excellent safety
- Truck driver / forklift operator contests
- Occupational health and safety movement
- Safe operation award
- Logistics facilities fire prevention measures
- Eco and safe-driving evaluation and commendation system

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 2019, we made further additions to our curriculum for operational managers.



SBS Group Safety Education Curriculum Implementation Status for 2019

Curriculum	Number of Sessions Held	Number of Trainees
Operation manager examination preparatory seminars	9	259
Operational manager skill improvement seminars	1	52
Operational manager basic classes	2	52
Operational manager general classes	2	91
Health officer examination preparatory seminars	1	13
Regular first-aid classes	2	28
Eco-driving training	2	28
Eco and safe-driving training	2	41
Truck safe driving training	3	63
Forklift safe operation training	3	40
Forklift Operator Contests	1	16*
Driver contests	1	29*

* participating contestants

Meetings

29

Number of Trainees

713

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 2020 was selected from 10,393 submissions.

Fiscal 2020 SBS Group Safety Slogan

Give way to one another, and embrace the relaxed presence of mind of a true professional

Mitsuhiro Komoda, Utsunomiya Branch, SBS Logicom Co., Ltd.

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.



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. Each contest will improve the awareness and skills of individual drivers and cultivate a Group identity that pursues safe driving and operation.

4th SBS Group Driver Contest



Saturday, November 16, 2019
Anegasaki Driving School
(SBS Driving School Co., Ltd.)
Competitors: 29
Related Personnel: 188
Total Participants: 217
(1) Regular inspections
(2) Academic examination
(3) Practical driving skills

2nd SBS Group Forklift Operator Contest



Saturday, August 31, 2019
Toyota L&F Customers Center Tokyo
Competitors: 16
Related Personnel: 42
Total Participants: 58
(1) Regular inspections
(2) Academic examination
(3) Practical operating skills

Fiscal 2019 Eco and Safe-Driving Evaluation and Commendation System

Company Name	Branch Name
SBS San-Ai Logistics Higashinohon Co., Ltd.	Miyagi Sales Office
SBS Logicom Kanto Co., Ltd.	Kawasaki Port Container Terminal Branch
SBS Freight Service Co., Ltd.	Nobukiyo Sales Office
SBS FlecNet Co., Ltd.	Kitami Sales Office
SBS Sokuhai Support Co., Ltd.	Chiba Branch
SBS Zentsu Co., Ltd.	Iwatsuki Branch

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.

Number of Vehicles Equipped with Driving Support Equipment

Digital / Analog
Tachographs
3,692 vehicles

Dashcams
3,752 vehicles

Rear-View
Cameras
2,407 vehicles

Fire Prevention Measures at Logistics Facilities

The SBS Group has 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 raise the level of fire prevention methods by iterating on this cycle of checks and improvements.

Eco and Safe-Driving Evaluation and Commendation System

In fiscal 2019 the SBS Group launched the Eco and Safe-Driving Evaluation and Commendation System with the aim of achieving transportation safety and appropriate business operation by widely disseminating eco and safe-driving awareness and skills among SBS Group companies. The system recognizes those business sites in the Group's six transportation-oriented companies that have exhibited outstanding results in eco and safe-driving. Fuel efficiency improvement rate (compared with the previous year) and the implementation status of safe driving management and safety education have been established as evaluation items. In the system's inaugural year, six business sites received commendations. The SBS Group strives to improve quality in both environmental and safety terms through this system.

[Social]

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, 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.

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.

* See the CSR data on page xx for more information on certification status.

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.

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.

Engagement with Employees

Respect for Human Rights and Eradicating Power Harassment

To coincide with the enactment of power harassment prevention legislation, the SBS Group established a Declaration on Respect for Human Rights and the Eradication of Harassment. In our management philosophy, we at the SBS Group state the belief that "long-term prosperity is rooted in paying the necessary attention to people and in the enthusiasm of our employees." In keeping with this belief, we will make every effort to respect human rights and prevent harassment.

SBS Group Declaration on Respect for Human Rights and Elimination of Harassment

All people are born equal with dignity and rights, and no one may harm their character.

Based on this basic philosophy, we deepen our understanding of human rights and act in accordance with a respect for human rights.

To maintain a workplace environment in which everyone can thrive, we will eradicate harassment.

To achieve this, we will actively take part in educational and awareness-raising activities, heed compliance information, acquire knowledge and development the ability to take action.

Whenever we suffer or witness harassment, we will consult with or report it to a consultation service and never leave it unaddressed.

Diversity

The SBS Group ranks the promotion of diversity among its key issues in the medium term and is working on the following issues.

1. Cultivating a workplace environment that considers individual differences to be something of value
2. Conducting diversity & inclusion training and awareness-raising to eliminate prejudice
3. Enhancing organizational strength through the proactive hiring of a diverse range of human resources
4. Establishment and enhancement of support for minorities
5. Development of a workplace environment enabling all employees to maintain a healthy work-life balance

Development of Telework and Work-From-Home Systems

In response to measures addressing the recent coronavirus pandemic, telework and work-from-home systems were developed for the administrative divisions. Remote work functions that had previously been introduced for a subset of operations were expanded to cover roughly 90% of employees (as a percentage in SBS Holdings). In conjunction with these developments, we will establish new rules (establishment of work-from-home regulations) and revise existing systems (further systemization of administrative functions).

The SBS Group will ensure that new styles of working can take root and work to promote a healthy work-life balance while strengthening business continuity functions.

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. * See the CSR data on pages 47-49 for a breakdown of the curricula.



Poster for the Declaration on Respect for Human Rights and Elimination of Harassment

Engagement with Business Partners

The services provided by the SBS Group are 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.

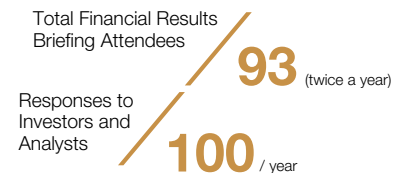
Communication with Stakeholders

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 Employees



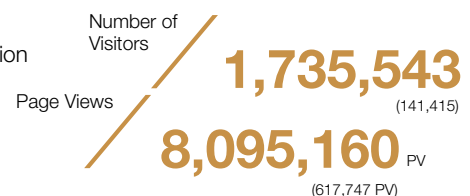
Communication with Shareholders and Investors



Media Communication



Website Communication



* Figures in parentheses are for SBS Holdings, Inc.

Social Contribution Activities

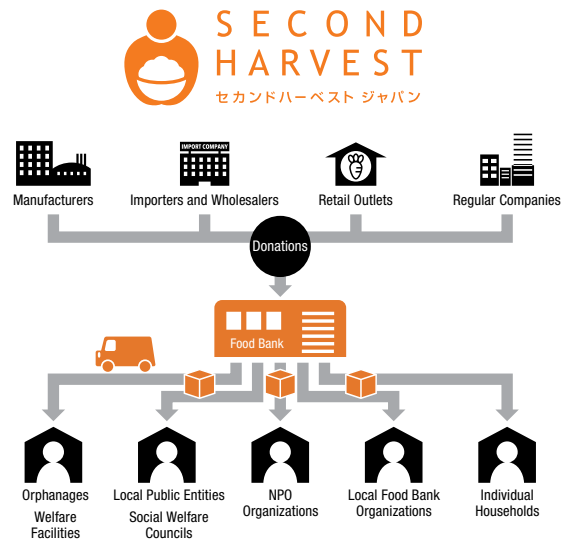
Food Bank Support Through the Provision of SBS Group Resources

The SBS Group began food bank support activities in 2018. A food bank is an activity or organization that collects from corporates and other organizations food that has not yet expired but cannot be sold for various reasons and distributes it to people in need (people in distress).

We support Second Harvest Japan (2HJ), the largest food bank in Japan which is based in Asakusabashi, Tokyo. We were looking for ways to contribute to society through logistics, and 2HJ's needs for logistics support coincided with our capabilities, leading to the conclusion of a support agreement. We provide support in two main ways, firstly providing the temporary transportation of goods between food donors and 2HJ sites, and secondly providing advice and recommendations on warehouse management and vehicle operation.

For the temporary transportation of goods, 2HJ usually uses its own vehicles to pick up donated foodstuffs (at the request of manufacturers, etc.), but when there is no way to secure a vehicle or manpower, such as when there are no available vehicles or drivers (who are all volunteers), an SBS vehicle can be used as an alternative transportation service. On rare occasions when the 2HJ warehouse is full, we receive requests to store supplies and respond as needed.

The food bank support is a very meaningful initiative that not only contributes to strengthening the food lifeline for people in need, but also contributes to the reduction of food loss, which is a recent social problem. In the future, we will continue to work together with 2HJ to create a society where people have a place they can turn to when they encounter difficulties with food.



Food Bank Support Results (Transportation and Storage)

Implementation Date	Logistics	Shipment (Segment)	Support
May 17, 2018	Transportation	209 cases of crackers (Misato to 2HJ Saitama Yashio warehouse)	SBS Logicom (Noda Logistics Center)
October 4, 2018	Transportation	240 kg of brown rice (Goka, Sashima District, Ibaraki Prefecture to 2HJ Saitama Yashio warehouse)	SBS Logicom (Koshigaya Branch)
October 18, 2018	Storage and Transportation	8,064 bottles of avocado oil * Transported to 2HJ warehouses as needed	SBS Zentsu (Kawaguchi Center)
November 15 to November 22, 2018	Transportation	780 boxes of instant ramen noodles (Asahikawa to 2HJ Saitama Yashio warehouse)	SBS Logicom (Transportation Sales Development Department)
June 13, 2019	Transportation	1.16 tons of chocolate (Nishi Funabashi to 2HJ Saitama Yashio warehouse)	SBS Logicom (Nishi Funabashi Branch)
February 21, 2020	Storage and Transportation	8,374 cases of Rosti * Transported to 2HJ warehouses as needed	SBS Zentsu (Kawaguchi Center)
July 6, 2020	Storage and Transportation	10,584 cases of granola bars * Transported to 2HJ warehouses as needed	SBS Zentsu (Kawaguchi Center)

The SBS Group's Major Social Contribution Initiatives

Type	Nature of Support and Recipients	Details of Support	Reception / Implementation
Coordination with the Social Sector*	Support for food banks (Certified NPO Organization, Second Harvest Japan)	Transportation support connecting companies that wish to donate food to Second Harvest Japan (2HJ) with 2HJ logistics sites. In addition, advice and proposals on warehouse management and vehicle operation are also provided.	Implemented at the request of 2HJ
	Support for environmental conservation activities (Public Interest Incorporated Foundation, OISCA)	Sponsoring and support activities (participation in forest conservation activities, donations of collected items such as used books, CDs and DVDs)	Collected items are accepted at any time
Contributing to the local community	Social contribution-oriented sales drives (Sumida Ward Welfare Workplace Network <kai>)	We sell sweets and bread made at about 20 welfare workplaces in Sumida Ward (where people with disabilities are involved in the work).	2 to 3 times / year Olinas
	Donation of used stamps (Sumida Ward Council of Social Welfare)	Proceeds (stamps are purchased by a stamp company) are used for social welfare projects in Sumida Ward	Accepted at any time
Others (Collection of used items, etc.)	Collection of toothbrushes >Toothbrush Collection Program) (LION / TerraCycle Japan G.K.)	This initiative collects used toothbrushes and recycles them into new plastic products, such as flower pots. The program aims to reduce plastic waste and promote the use of recycled resources.	Accepted at any time
	Collection of school backpacks <Randoseru for Life Collection> (NPO, International Consulting Association)	An initiative to send "randoseru" school backpacks to children in Afghanistan who still lack educational opportunities due to the civil war and other factors. This is recognized as supporting the empowerment of girls in their schooling, especially because of the lack of cultural understanding female education. * As the support has spread, the "randoseru" backpacks have become a symbol of education in Afghanistan.	Accepted at any time

* In addition to the activities listed above, individual SBS Group companies also undertake various social contribution activities.

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.

Grants Issued
in Fiscal
2019 / **6**

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 CO₂ emissions) through better logistics systems
Grant Amounts: Total of 3,000,000 yen, up to 500,000 yen per individual grant.

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.

Number of Scholarship
Recipients in Fiscal
2019 / **57**

Application Requirement: 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)

Results of Issued Grants and Awarded Scholarships

	2015	2016	2017	2018	2019
Logistics Research Grants	6	7	7	9	6
Scholarships Awarded	-	-	30	34	57

Results of Logistics Research Adopted in Fiscal 2019

Name of Affiliate Organization	Position	Name	Research Subject	Grant Amount (thousand yen)
Nihon University College of Commerce	Associate Professor	Takuya Akikawa	Research into the relationship between carbon dioxide emissions due to transportation and business practices	495
Department of Information Network and Communication, Faculty of Information Technology, Kanagawa Institute of Technology	Professor	Jun Usuki	Research into physical inventory management in a warehouse using multiple UAVs	500
Department of Energy and Environmental Engineering, Interdisciplinary Graduate School of Engineering Sciences, Kyushu University	Professor	Jun Tanimoto	Basic design for a system of fully automated operation based on IoT technologies to ensure logistics resilience	500
Academic Research Institute, Tokyo University of Marine Science and Technology	Assistant Professor	Toshimasa Asou	Truck driver operational measurement system to facilitate contract negotiations with shipping consignees	500
Department of International Business and Management, Faculty of Business Administration, Kanagawa University	Associate Professor	Daisuke Doyo	Study of the impact of additive manufacturing on supply chains	500
Faculty of Business Administration, Josai University	Professor	Shikato Kamimura	Research into cold chain demand trends to promote the export of Japanese foods to Asia	500



Key Indicators
(Fiscal 2019 Results)

Governance

Governance

See the SBS Group website for details about corporate governance. The website includes the SBS Holdings Corporate Governance Guidelines, which summarize the SBS Group's basic framework and approach regarding corporate governance, as well as the Report on Corporate Governance submitted to the Tokyo Stock Exchange.

TOP → Investor Relations → Corporate Governance
<https://www.sbs-group.co.jp/sbsh/ir/governance/>

— Outside Director **3** (out of 8 directors)

— Board of Directors meeting attendance rate by outside directors **100 %**

— Assessment of Internal Control Related to Financial Reporting for Fiscal 2019 **Valid**

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.

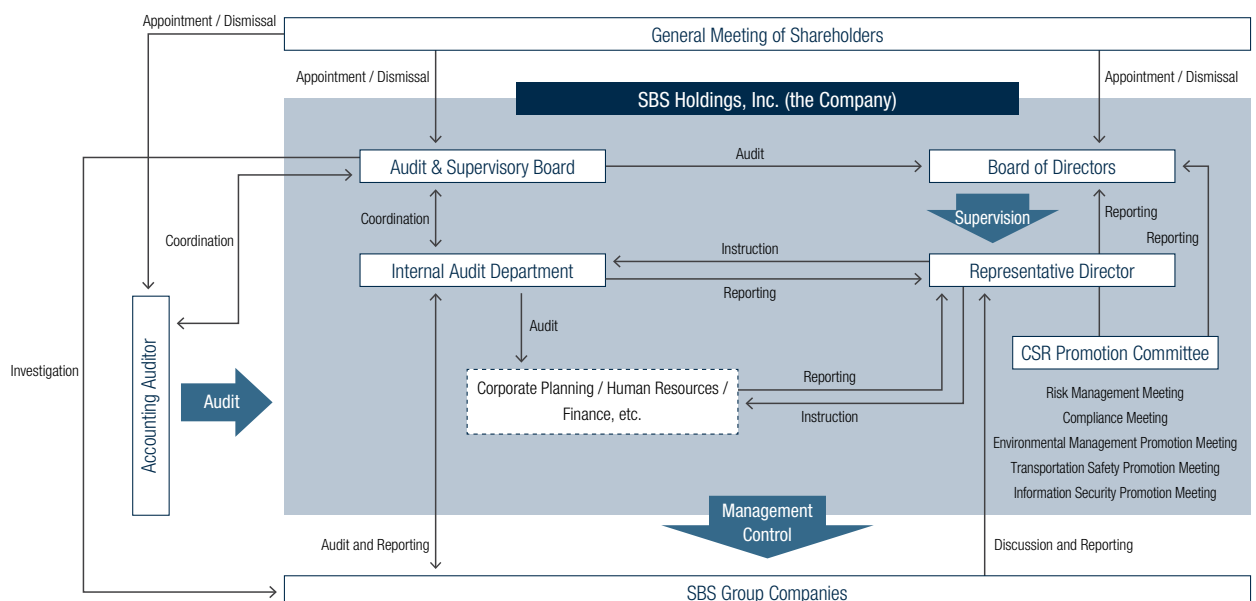
Structure

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.

The reason SBS Holdings has adopted the current structure is to ensure a prompt and automatic decision-making body, which is the greatest strength of SBS Holdings and the SBS Group companies, and to steadfastly preserve objective and neutral monitoring functions that support sound management.

Organizational Chart of Corporate Governance



Board of Directors

The Board of Directors meets at least once a month, where it deliberates over and decides on management issues, new business policies and other important matters. The matters deliberated over and decided on by the Board of Directors is set forth in the Board of Directors Regulations. Decisions are made on legal matters, major issues related to the business policies and management of SBS Holdings and the SBS Group, and on other matters to be resolved. Official Authority limit the scope of matters handled by the Board of Directors and delegate authority to the President, executive directors and executive officers.

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.

Meetings of the Board of Directors and Attendance by Outside Directors (Fiscal 2019)

	Board of Directors	Audit & Supervisory Board
Meetings	14	14
Attendance Rate (%)	Outside Directors (3)	100%
	Outside Audit & Supervisory Board Members (2)	91%

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 two full-time auditors 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. Standards concerning the independence of outside directors are set forth in the Corporate Governance Guidelines.

With the aim of stimulating discussion at Board of Directors meetings, materials for Board of Directors meetings are sent to outside directors and outside Audit & Supervisory Board members in advance, and at the request of outside directors, the department preparing the agenda items provides advance explanations, in an effort to minimize the information gap with internal directors. Additionally, one Audit & Supervisory Board staff member has been appointed to assist outside Audit & Supervisory Board members in their duties. The Internal Audit Department, which is the Company's internal auditing body, also facilitates operations by assisting outside Audit & Supervisory Board members.

Outside Officers (officers appointed at the Annual General Meeting of Shareholders for the 34th Period [held March 26, 2019] and still in office as of the end of August 2020)

Title	Independent Officer	Name	Reason for Appointment
Outside Directors	○	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 he will continue to reflect these qualities in the management of SBS Holdings.
	○	Tetsuya Sekimoto	Tetsuya Sekimoto possesses extensive experience and 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 as a director of SBS Holdings on the expectation that he will continue to utilize the business experience he accumulated there and managerial acumen he has cultivated as a company officer.
Outside Audit & Supervisory Board Members	○	Masahito Takeda	Masahito Takeda has worked for many years as an auditor and has served as an outside Audit & Supervisory Board Member for SBS Holdings. He was appointed on the expectation that he will continue to make use of his past experiences as a member of audit committees and experience as an outside Audit & Supervisory Board member of SBS Holdings in the future 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 he will continue to reflect his broad knowledge in these areas in the auditing of SBS Holdings.

Analyzing and Evaluating the Effectiveness of the Board of Directors

SBS Holdings has been analyzing and evaluating the effectiveness of the Board of Directors (by conducting surveys of the directors and Audit & Supervisory Board members) since fiscal 2016 in an effort to improve its functioning.

As changes were made to the directors and Audit & Supervisory Board members at the Annual General Meeting of Shareholders held in March 2019, the questions on the survey were kept the same as fiscal 2017 and 2018, in order to understand the evaluation of the Board of Directors' operation by the new directors and Audit & Supervisory Board members, and to ascertain impact of their evaluation on the overall operation of the Board of Directors.

The average evaluation across all survey questions was 4.24 points (with each question graded on a five-point scale), surpassing the previous year's results of 4.23 by 0.01 points. These evaluation results suggest that the Board of Directors is functioning at a largely satisfactory level.

The results of the survey responses and the opinions submitted by the respondents were shared at the Board of Directors as issues to be addressed in the future and were the subject of deliberation over actions to be taken. The Board of Directors will take action to further improve its effectiveness following repeated discussions.

Format of the Survey (each question graded on a five-point scale)

- (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

* The survey included a space for respondents to supplement their assessments and describe other opinions.

Group Governance

The matters deliberated over and decided on by the Board of Directors include those submitted from SBS Group companies. In addition, the directors of SBS Holdings have monthly meetings with the main Group companies to discuss their management issues in an effort to improve Group governance.

As needed, Audit & Supervisory Board members also attend the board of directors' meetings and other meetings of Group Companies as observers, in an effort to collect information and ensure internal control functions.

Corporate Governance Code

SBS Holdings values and respects the basic principles expressed in the Corporate Governance Code established and published by the Tokyo Stock Exchange, Inc. in conjunction with the Financial Services Agency. In its report on corporate governance, SBS Holdings reports on its disclosure status according to the principles of the Corporate Governance Code and provides reasons for any areas in which it is not putting the principles of the Code into practice.

Director
/ 8
3 of whom are outside directors

Board of Directors
Meetings Held
/ 14

Average Score Obtained in the
Evaluation of the Effectiveness
of the Board of Directors
/ 4.23 points
* five-point scale
↓
4.24 points

Officer Remuneration

To ensure objectivity and transparency, the remuneration of SBS Holdings directors is set by the president in accordance with the Internal Regulations on Director Remuneration adopted by the Board of Directors, and is determined after seeking opinions from outside directors. The remuneration of Audit & Supervisory Board members is determined through consultation by the Audit & Supervisory Board.

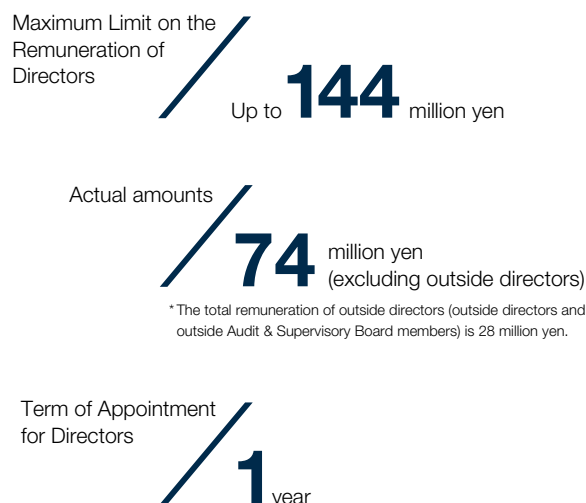
The maximum limit on the annual remuneration has been set at 144 million yen for directors of SBS Holdings by resolution of the Annual General Meeting of Shareholders held on December 22, 1999, and at 50 million yen for Audit & Supervisory members by resolution of the Annual General Meeting of Shareholders held on March 26, 2020. Amounts including the remuneration of directors for the fiscal year under review were determined at the Board of Directors meeting held on March 26, 2020.

The remuneration of the directors of SBS Holdings comprises base compensation and performance compensation. The base remuneration is determined on a per-officer basis. To better link performance compensation with company performance and increase objectivity and transparency, consolidated operating income is used as a measure for evaluation. Amounts for performance compensation are calculated by taking the sum of quantitative points based on the achievement of consolidated operating income targets and qualitative points that assess each officer's required roles, functions, responsibilities and achievements, and multiplying it by a base amount determined for each officer. The target consolidated operating income for the fiscal year under review was 9 billion yen, and a consolidated operating income of 10.1 billion yen was achieved.

Also note that in the interest of maintaining independence from the operating divisions, the remuneration of outside directors only comprises base compensation.

Appointment and Dismissal of Officers

SBS Holdings appoints directors, top management such as its directors and the representative directors of Group companies and Audit & Supervisory board members who are of excellent character and have the knowledge, experience and ability to carry out the responsibilities required of them. In addition, we nominate candidates for outside director and outside Audit & Supervisory Board member from among those who possess a wealth of experience and expert knowledge related to corporate management and whose characters meet our standards for independence. In appointing, dismissing and nominating individuals for these positions, we consult the Board of Directors after asking outside directors for their opinions in advance. The Company's articles of incorporate prescribe one-year terms of appointment for directors, and the reasons for appointing candidate directors and Audit & Supervisory Board members are listed in the notice of the Annual General Meeting of Shareholders.



Officer Remuneration (Fiscal 2019)

Office Category	Total Amount (million yen)	Amounts by Type (million yen)		Number of Applicable Officers
		Base Compensation	Performance Compensation	
Directors (excluding outside directors)	74	71	3	5
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	15	15	-	1
Outside Officers	28	28	-	6

*1: Directors (excluding outside directors) include two directors fulfilling concurrent roles as the representative directors of subsidiaries, and as the performance evaluations of those two directors are carried out by the subsidiaries in question, they are only paid base compensation as remuneration from SBS Holdings.
 *2: The amount of remuneration for outside directors includes the remuneration for one outside director who stepped down at the conclusion of the Annual General Meeting held on March 26, 2019, for the period of the fiscal year under review during which they held office.

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

The SBS Group tries 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 / **10**

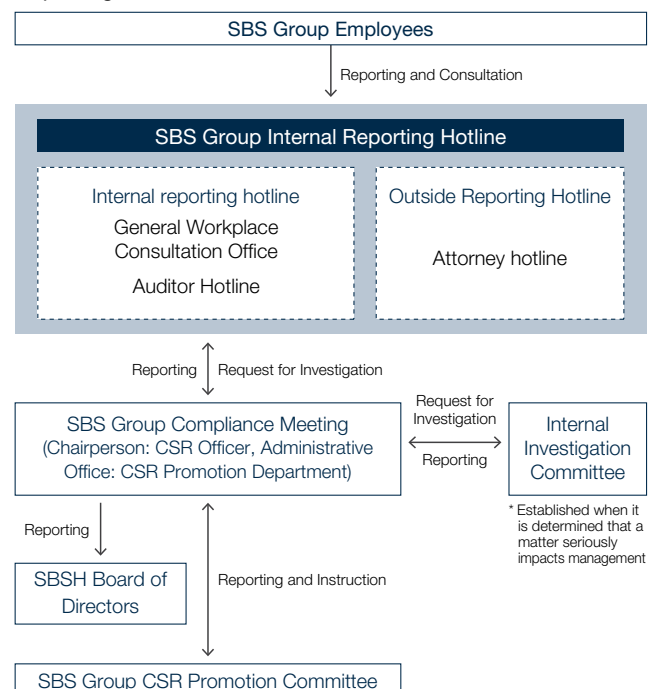
* Tiered training + specialist training (harassment)

Number of consultations fielded by compliance consultation hotlines / **92**



General Workplace Consultation Office Counseling room for all workplace concerns posters

Reporting and Consultation Flow



Risk management

Crisis Management Framework

With the SBS Group 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.

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

1. We will observe laws, government-issued guidelines and other norms related to information security.
2. We will clarify responsibilities related to information security and establish systems to implement information security measures.
3. We will identify information security risks and take appropriate personal, organizational, technical and physical measures.
4. 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.
5. 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 perform vulnerability tests on the necessary servers in an effort to maintain safety.

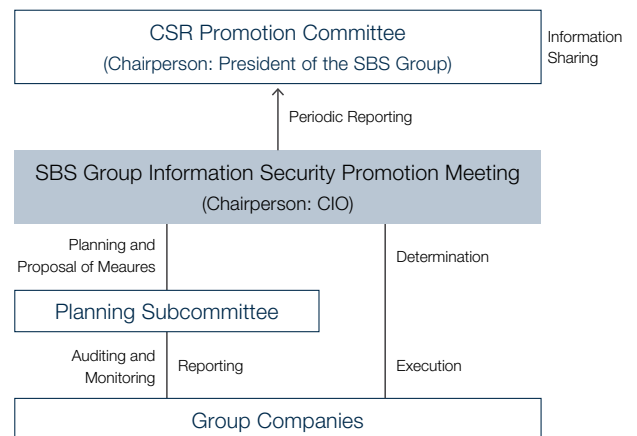
Third-Party Verification

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

Information Security Governance

The SBS Group has established an information security governance framework through which it strives to maintain a standard Group-wide infrastructure and share information. We have also set up internal systems enabling us to effectively respond to security incidents and issues. Incident response organizations not only respond when an incident occurs, but also plan and implement prevention, education and awareness-raising efforts during normal times to control security management across the Group.

SBS Group Information Security Governance



* Formulation and promotion of information security infrastructure within the Group / disseminating the latest security information throughout the Group / Measures to quickly establish control when an incident occurs / education and awareness-raising / development of information security policies and standards for various measures

Education and Awareness-raising

• Seminars

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

Fiscal 2019
seminar
attendees

295

• e-Learning

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

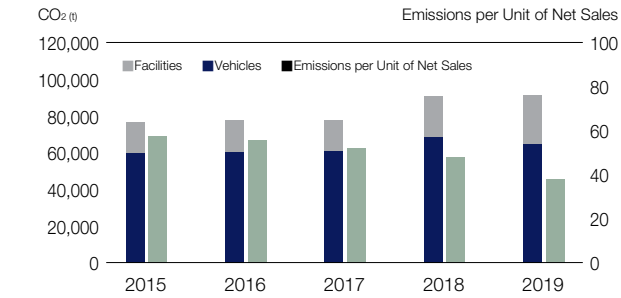
Fiscal 2019
seminar
attendees

4,760

• 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.

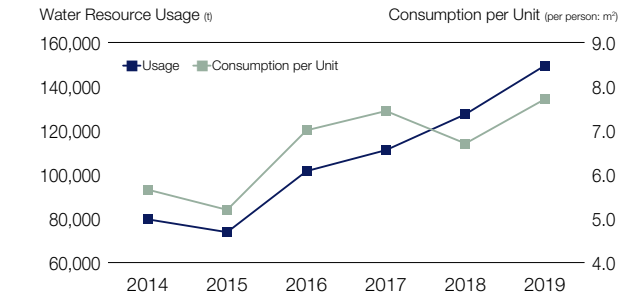
CO₂ Emissions



	2015	2016	2017	2018	2019
Facilities	17,347	17,412	16,475	22,223	26,090
Vehicles	59,463	60,204	61,026	68,572	65,157
Total	76,810	77,616	77,501	90,795	91,247
Emissions per unit of net sales	57.57	55.73	52.09	47.77	38.095

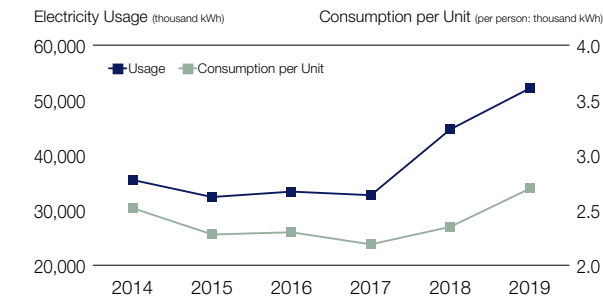
* Emissions per unit of net sales are figures for every 100 million yen in sales

Water Usage



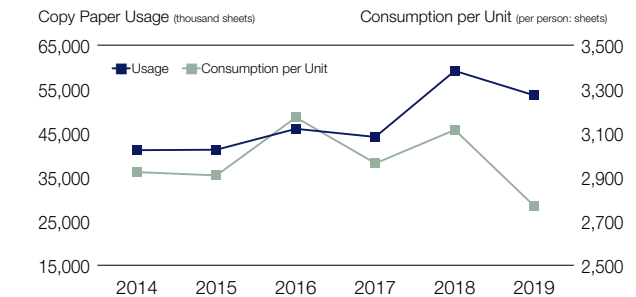
	2014	2015	2016	2017	2018	2019
Usage	79,682	73,828	101,642	111,175	127,524	149,681
Consumption per Unit	5.66	5.20	7.01	7.45	6.71	7.72

Power Consumption



	2014	2015	2016	2017	2018	2019
Usage	35,528	32,424	33,405	32,754	44,740	52,264
Consumption per Unit	2.52	2.28	2.30	2.19	2.35	2.70

Copy Paper Usage



	2014	2015	2016	2017	2018	2019
Usage	41,191	41,295	46,049	44,205	59,251	53,685
Consumption per Unit	2,924	2,909	3,173	2,964	3,116	2,770

Number of Eco-Friendly Vehicles Introduced

(as of the end of fiscal 2019) (Unit: vehicles)

Vehicle Type	Number of Vehicles
Vehicles complying with new long-term emission regulations	3,349
Hybrid vehicles	215
CNG vehicles	19
LPG vehicles	368
Electric Vehicles (Commercial Vans)	4
(Total Low Pollution Vehicles)	3,955

Reference: Status of air pollutants released by all Group vehicles
 NOx (nitrogen oxides) > down 10.93% compared with the previous year
 PM (particulate matter) > down 11.72% compared with the previous year

Status of Environmental Certifications Acquired

(as of the end of fiscal 2019)

Certification	Company Name (number of business sites with certification)	Total
ISO14001 (environmental management systems)	SBS Logicom (3), SBS Flec (1)	68
	SBS Freight Service (15), SBS Zentsu (5)	
	SBS Sokuhai Support (2)	
	SBS Ricoh Logistics (15)	
	SBS San-Ai Logistics Higashinohon (8)	
	SBS San-Ai Logistics Kanto (4)	
	SBS San-Ai Logistics Tokyo (6)	
	SBS San-Ai Logistics Chubu (2)	
	SBS San-Ai Logistics Kansai (4)	
	SBS San-Ai Logistics Kyushu (3)	
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

Investment in the Environment

(Unit: million yen)

Investment	Details	2014	2015	2016	2017	2018	2019
Vehicle-related investments	CNG vehicles, LPG vehicles, hybrid vehicles, vehicles that meet heavy vehicle fuel efficiency standards, etc.	2,960	2,830	3,250	3,616	3,791	3,055
	Improved fuel efficiency (eco and safe-driving training, etc.)	2	2	2	1	3	1
Investments related to improved energy savings at facilities	Demand monitoring and energy-efficient lighting, etc.	141	72	9	35	45	131
Investments in global environmental conservation	Solar power generation, etc.	629	223	0	13	6	6
Environmental management	Environmental management registration and management activities, etc.	3	3	8	6	3	3
Environmental communication	Internal and external awareness-raising, creation of reporting materials, etc.	4	5	5	6	6	6
Total		3,739	3,135	3,274	3,677	3,854	3,202

Quantity of Renewable Energy Delivered (as of the end of fiscal 2019)

Facility Name	Generating Capacity (kW)	Facility Name	Generating Capacity (kW)
Noda Yoshiharu Logistics Center	514	Takasaki Sales Office	161
Shibayama Solar Power Plant	2,826	Odawara Sales Branch	210
Kawagoe Logistics Center	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	1,072
Kimitsu Branch	268	Shin-Tokorozawa Logistics Facility	940
Yoshikawa Branch	223	Nanko Logistics Center	1,490
		Total	11,017

SBS Sokuhai Support Waste Processing Logistics Handling Volume (fiscal 2019) (unit: t)

Item Name	Total Processing Volume (SBS Group volume)	
Waste plastics	5,007	(401)
Recycled plastics	801	(64)
Scrap metal	1,520	(31)
Waste wood	509	(139)
Paper and other waste	980	(045)
Total	8,817	(680)

G-mark Certification Status (as of the end of fiscal 2019)

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	2	33	35	37	94.60%
SBS Freight Service	-	14	14	14	100%
SBS Flecnet	2	21	23	25	92.00%
SBS Zentsu	5	56	61	77	79.20%
SBS Sokuhai Support	-	8	8	8	100%
SBS Group Total	9	153	162	182	89.00%

Certification rate of nationwide truck transportation business sites: 30.5% (figure as of December 13, 2019 * from the website of the Japan Trucking Association)

Status of Human Resource Development Initiatives: SBS Group Training Results (as of the end of fiscal 2019) (Unit: number of employees)

Tiered Training	Theme-specific Training	Specialist Theme Training	Support for Self-Improvement
Departmental Manager Training 166	Open Seminars 278	Harassment Training (for Managers and Supervisors) 109	Correspondence Courses 221
Manager Advanced Training 23	Training for Mid-Career Hires 61	Eco and Safe-driving Training 70	e-Learning 19
Manager Basic Training 30	Mid-Career Hire Follow-up Training 18	Safe Driving Training Sessions (Truck) 73	TOEIC Test 51
Supervisor Advanced Training 32	OJT Leader Development 18	Safe Operation Training Sessions (Forklift) 29	Business Career Certification 115
Supervisor Basic Training 39	Site Manager Development Training S1 62	Driver contests 29	
Mid-career Employees 115	Site Manager Development Training S2 15	Forklift Operator Contests 16	
Third-year Employees 36	English Skills Improvement (Group Training) 7	Operation Manager Examination Preparation 156	All 37 Subjects Actual Participants: 7,173
Follow-up Training for New Employees 70	English Skills Improvement (e-Learning) 1	Operation Manager Skill Improvement Training 51	
New Employee Training (General) 84	Business Career Certification Exam Preparation 12	Operational manager basic classes 52	
Site Leader Enhancement Training 23		Operational manager general classes 91	
		First-aid Classes 28	
		Health Officer Examination Preparation 13	
		Information Security (Group Training) 96	
		Information Security (e-Learning) 4760	

Status of Quality-Related Certifications Acquired (as of the end of fiscal 2019)

Certification	Company Name (number of business sites with certification)	Total
ISO9001 (Quality Management Systems)	SBS Flec (35) SBS Flecnet (28) SBS Freight Service (15) SBS Zentsu (17) SBS San-Ai Logistics Tokyo (6)	101
ISO27001 (Information Security Management Systems)	SBS Logicom (3) SBS Sokuhai Support (2) SBS Ricoh Logistics (24) SBS San-Ai Logistics Higashinohon (12) SBS San-Ai Logistics Kanto (10) SBS San-Ai Logistics Tokyo (6) SBS San-Ai Logistics Chubu (12) SBS San-Ai Logistics Kansai (15) SBS San-Ai Logistics Kyushu (9)	93
Privacy Mark	SBS Staff SBS Freight Service Marketing Partner	4
JAS Organic Agricultural Product Subdivider Certification	SBS Zentsu (2)	2
Relocation Safety Mark	SBS Logicom	1

Number of consultations fielded by the consultation hotline* (as of the end of fiscal 2019)

Details of Consultations	Number of Consultations
Consultations regarding laws, regulations and internal rules	48
Consultations regarding interpersonal relationships in the workplace	41
Others	3
Total	92

* 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, 2019

Company Name	SBS Holdings, Inc.
Representative Director	Masahiko Kamata
Founded	December 16, 1987
Paid-in Capital	3,920.75 million yen
Net Sales	255.5 billion yen (consolidated) * For the year ended December 31, 2019
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
Senior Director	Kenichi Iriyama
Director	Masato Tajji
Director	Katsuhisa Wakamatsu
Director	Gen Kato
Director	Jiro Iwasaki
Director	Tetsuya Sekimoto
Director	Shuichi Hoshi
Full-Time Audit & Supervisory Board Member	Yasuhiro Yamashita
Full-Time Audit & Supervisory Board Member	Koki Kakehashi
Audit & Supervisory Board Member	Masato Matsumoto
Audit & Supervisory Board Member	Masahito Takeda

* As of March 26, 2020

* 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.

Consolidated Subsidiaries

SBS Ricoh Logistics System Co., Ltd.
SBS San-Ai Logistics Higashinohon 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.
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

Stock Information

Number of shares authorized	154,705,200 shares
Number of shares issued	39,718,200 shares Including 75 fractional shares
Unit stock system	Yes (100 shares)
Number of shareholders	2,878

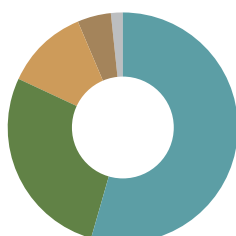
Major Shareholders

* As of December 31, 2019

Masahiko Kamata	14,388,400	36.22%
Japan Trustee Services Bank, Ltd. (trust account)	6,303,100	15.86%
SBS Holdings Employee Share Ownership Association	1,374,700	3.46%
The Master Trust Bank of Japan, Ltd. (trust account)	1,317,700	3.31%
SMBC TRUST BANK Designated Securities Trust	1,200,000	3.02%
TOBU Properties Co., Ltd.	954,800	2.40%
Hiroshi Date	830,900	2.09%
Government of Norway	826,400	2.08%
Junichi Ouchi	800,000	2.01%
Masaru Wasami	365,000	0.91%

* 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)



■ Individuals and others	21,693,500 shares	(54.62%)
■ Financial institutions	10,916,200 shares	(27.49%)
■ Non-Japanese corporations	4,637,900 shares	(11.68%)
■ Japanese corporations	1,837,700 shares	(4.63%)
■ Securities firms	692,300 shares	(1.58%)
□ Treasury stock	900 shares	(0.00%)

**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

CSR Promotion Department, SBS Holdings, Inc.
4-1-3 Taihei, Sumida-ku, Tokyo 130-0012, Japan
Tel: +81-3-3829-2367 Fax: +81-3-3829-2822
<https://www.sbs-group.co.jp>