

SBS GROUP

Integrated report 2022



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Editorial Policy

The SBS Group, as a mega-venture that is "transforming the world of logistics," publishes an Integrated Report to inform stakeholders interested in the Group's short, medium and long-term value creation to report on its business activities as well as on its CSR management plan and its progress, its accomplishments, and future challenges. To ensure the accuracy and reliability of information, the report is designed to be simple and clear so that it can be easily read even without prior knowledge of the SBS Group.

On the SBS Group website, we disclose comprehensive IR information and general company information in addition to CSR information not listed in this report. <https://www.sbs-group.co.jp>

Reporting Process

This report is structured around the key challenges that have a significant impact on the SBS Group's ability to create value in the short-, mid- and long-term. The identification and weighting of key challenges is conducted carefully as the starting point in the annual reporting cycle, and serves as the basis for the information reported. After being combined organically with related information, the prepared report undergoes review by management and is then provided to stakeholders in printed and electronic form.



Reporting Scope

■ 25 Domestic Subsidiaries

SBS Toshiba Logistics Corporation / TL Logi Service Co., Ltd. / SBS Ricoh Logistics System Co., Ltd. / SBS San-Ai Logistics Co., Ltd. / Jas Co., Ltd. / SBS Logicom Co., Ltd. / SBS Logicom Kanto Co., Ltd. / SBS Freight Service Co., Ltd. / SBS Global Network Co., Ltd. / K.U.K. LINE Co., Ltd. / SBS Flec Co., Ltd. / SBS Flecnet Co., Ltd. / Hinomaru Kyuso Co., Ltd. / SBS Zentsu Co., Ltd. / SBS Sokuhai Support Co., Ltd. / Ai&Ai Co., Ltd. / SBS Staff Co., Ltd. / Jobright Co., Ltd. / SBS Finance Co., Ltd. / SBS Asset Management Co., Ltd. / L-MAX Co., Ltd. / Marketing Partner, Inc. / Global Pet Nutrition, Inc. / SBS Driving School Co., Ltd. / Toyo Warehouse and Transportation Co., Ltd.

■ Public Interest Incorporated Foundation

SBS Kamata Foundation

Reporting Period

Fiscal 2021 (January to December 2021)

Key Challenges

1 Changes to the structure of the logistics market

We analyze rapid changes to the structure of the logistics market, so that a strategic response can be facilitated

2 M&A and group synergy

M&A activities as the core of our growth strategy, and the processes to maximize those effects

3 3PL

Strengthening the expanding services to comprehensively handle and optimize corporate logistics operations

4 Logistics facility development

Systematic expansion of floor space as a core of increasing logistics infrastructure and the foundation of 3PL

5 Technology

Strategically utilizing LT* and IT to link value creation with improved competitiveness

6 Quality and safety

Ensuring the quality and safety of transportation and service that form the basis of our business activities

7 Human resources

Securing and developing a diverse range of human resources supporting the growth of the SBS Group and Japanese logistics

8 Working styles and productivity

Taking on the challenge of new working styles and pursuing ongoing improvements to business productivity

9 Energy and climate change

Addressing the energy demand-supply gap and climate change risks from a long-term perspective

10 Crisis management

Preparedness for natural disasters and other crises for management

11 Relationship with society

Coexistence rooted in dialogue with a diverse range of stakeholders

12 Governance

Ensuring corporate governance systems that represent the basis of value creation

* Logistics Technology

For Your Dreams.

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.



The Group Slogan, "For Your Dreams," expresses sentiments the SBS Group has continually pursued since its founding - the importance of chasing dreams, and how doing so shapes the future.

We conduct business to realize the dreams of all stakeholders and strive to enhance corporate value.

Highlights of our Management Philosophy Implementation (Fiscal 2021)

Customers

Total Distance Driven **138,110,305** km

Consolidated Net Sales **403.4** billion yen

Employees

Training Conducted All **23** Subjects

Actual Training Participants **8,966**

Society and the Environment

Number of Business Sites with G-Mark Certification (Certification Rate) **169** business sites (89.4%)

Logistics Research Grants **4**

Scholarships for Students Receiving Social Care **76**

Investment in the Environment **3,580** million yen

Environmental Efficiency (CO₂ emissions per unit of sales) **28.23** t
(46% improvement over the past five years)

Renewable Energy Generating Capacity **12,666** kW

Waste Processing Logistics Handling Volume **8,360** t

Sustainable Development

SUSTAINABLE DEVELOPMENT GOALS



Shareholders

ROE **19.4**%

ROA **7.7**%

Dividend per Share **55** yen

Aiming to achieve net sales of one trillion yen as a mega venture channeling an unrelenting passion to transform the world of logistics.



Ushering in a transformation in the world of logistics as a mega venture

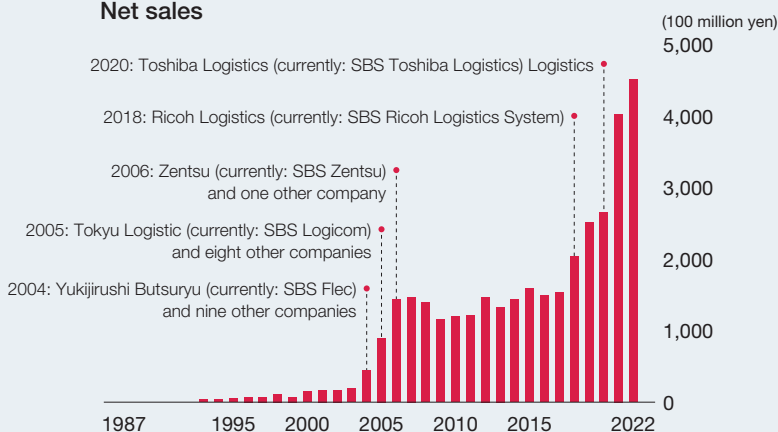
The SBS Group has been relentlessly taking on new challenges since its founding in 1987 when it started with what was then considered an innovative service: same-day delivery in the Tokyo metropolitan area. Even as a series of companies handling the logistics functions of national brands have joined the SBS Group, our indomitable venture spirit has continued to thrive as the DNA of the Group. As a result, since its founding the Group has achieved a number of milestones largely as planned, reaching 10 billion yen in net sales by its 10th anniversary, 100 billion yen by its 20th, and 200 billion yen by its 30th year in operation. The Group now has its sights set on the next stage: net sales of one trillion yen.

Looking ahead, with a wide range of logistics functions spread globally, the ability to propose innovative solutions and as a "mega venture" with an unrivaled sense of speed, we will shape the future of logistics.

Posting record business performance in four consecutive periods

In the fiscal year ended December 2021, the COVID-19 pandemic continued to impose enormous restrictions on economic activity in Japan and abroad. However, logistics demand related to electronic commerce (EC) for daily necessities and online shipping expanded

Net sales



Fiscal 2021 Results

Net Sales **403.4** billion Yen (+56.9%)

Operating Income **20.7** billion yen (+88.9%)

Fiscal 2022 Plan

Sales **430.0** billion yen

Operating Income **21.5** billion yen

further. The SBS Group has taken the initiative to respond to growing demand while placing top priority on preventing infections and ensuring safety among customers, business partners and employees.

In our logistics operations we saw strong performance, with expanded business with existing customers, capturing demand from new customers, the recovery of intercompany logistics that were hit hard by the spread of COVID-19, the capturing of e-commerce demand in the same-day delivery business, and catering to demand for daily necessities and online supermarket usage. Additionally in the real estate business where the SBS Group implements a unique business model of in-house logistics facility development and securitization, we transferred trust beneficiary rights for the Nanko Logistics Center (Osaka Prefecture).

As a result of these efforts, the Group posted consolidated net sales of 403.485 billion yen (up 56.9% year on year) and consolidated operating income of 20.706 billion yen (up 88.9% year on year) for the year under review, setting new records in both metrics for the fourth consecutive year.

For the fiscal year ending December 31 2022, we plan to achieve moderate year-on-year increases in sales and income, with consolidated net sales of 430 billion yen and consolidated operating income of 21.5 billion yen. This will shore up the Group's business structure after its rapid expansion in the previous year, and maximize growth in the next fiscal year and beyond.

Growth Strategies Aimed at Reaching the Top Tier of the Logistics Industry

The SBS Group's growth strategies aimed at reaching the top tier of the logistics industry comprise a strategy to achieve non-consecutive growth and a strategy to accelerate autonomous (organic) growth.

The engines of non-consecutive growth are M&A activities to add new members to the Group and the post-merger integration (PMI) activities for mutual collaboration thereafter. The SBS Group's approach is to view the process up to this point as a series of steps.

On the other hand, the keys to autonomous growth lie in the

utilization of logistics technology (LT) and IT, and in the development of logistics facilities and new businesses.

While maintaining the unique business model that has growth with 3PL at its core as a common foundation, we will combine these two approaches to growth and facilitate their interaction to achieve sustainable growth.

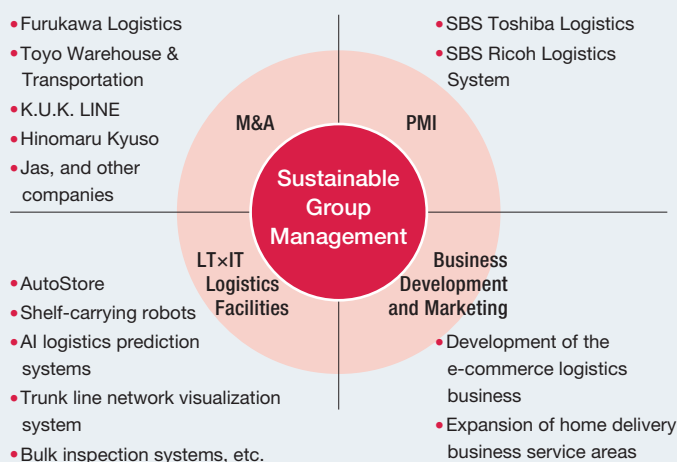
Non-consecutive growth through M&A and PMI activities.

Through M&A actions targeting carefully selected companies, the Group will extend the size and breadth as a corporate group and take measured steps to produce synergy. Instead of relying on simple restructuring, we focus our wisdom on helping new member companies become better logistics providers, thus enhancing the earning and growth potential of the Group as a whole.

In the fiscal year ended December 2021, a number of companies joined the SBS Group, including Furukawa Logistics, Toyo Warehouse & Transportation, K.U.K. LINE, Hinomaru Kyuso and Jas. While leveraging their individual strengths, we are strengthening the structure to more effectively support the logistics supply chains of diverse customers Group-wide. We have also been investing in the maintenance and development of regional delivery networks through the Japan Future Logistics Fund, a joint partnership between the Development Bank of Japan and SBS Holdings.

Meanwhile, we also pursued PMI activities with SBS Ricoh Logistics and SBS Toshiba Logistics, which had joined the SBS Group by the fiscal year ended December 2020. SBS Ricoh Logistics, which joined the Group shortly ahead of SBS Toshiba Logistics, has been winning new projects through intra-Group coordination. Its sales have grown 23% since the fiscal year ended December 2018, and 49%, almost half of its business, falls outside its previous parent company. The first steps of PMI with SBS Toshiba Logistics involved the migration of information systems, mutual sharing of knowledge regarding LT and IT, and the integration of overseas sites. The relocation to a new head office in Nishi-Shinjuku and the consolidation of head office functions in Spring 2022 was aimed at encouraging this process.

SBS Group Growth Strategy



M&A activities in Fiscal 2021

Target Company Name	Target Company Name
Furukawa Logistics	Expertise in transportation of telecommunications equipment and motor vehicles, etc. Expanded business with the Furukawa Electric Group
Toyo Warehouse & Transportation	Customs clearance, international logistics Location potential in Tokyo waterfront area
K.U.K. LINE	Small lot joint deliveries, furniture deliveries, logistics supply chain in western Japan
Hinomaru Kyuso	Food logistics at the three temperature zones Delivery network throughout Shikoku
Jas	Trunk line network between the Tohoku and Kanto districts serving small lot deliveries in the Tohoku district and deliveries for mass merchandisers

Developing Logistics Facilities Through LT × IT

Technology and logistics facilities are the key infrastructure enabling the SBS Group to operate as a 3PL corporate group possessing omnidirectional logistics functions, and need to be enhanced in both qualitative and quantitative terms.

Rapidly evolving logistics technologies give rise to new approaches that transform the world of logistics. The SBS Group established an information system division that spans the Group in April 2020, and has been developing advanced vehicle and logistics management while implementing projects to introduce LT and IT in the field. From robots used to carry shelf units or sort items to high-precision inspection systems using image processing technologies and systems that visualize the status of trunk line delivery networks, we are piloting methods with the potential to significantly enhance the productivity of logistics facilities.

The Yokohama Kanazawa Logistics Center which entered operation in October 2021 is a prime example of these advancements being deployed in the field. The center is the first facility developed by the SBS Group as a large-scale 3PL center using state-of-the-art LT and IT. Inside a building with a total floor area of around 52,000 square meters, we have installed Japan's first and one of Asia's largest implementations of the AutoStore system in which robots place and retrieve containers. Robots and other cutting-edge logistics technologies will also be utilized at a large-scale facility where construction will begin in 2022.

We have developed logistics facilities in each region, with one of our targets being a total operational area of one million tsubo (approx. 3.3 million square meters). As of December 31, 2021, we had reached an operational area of 765,000 tsubo (around 2.52 million square meters), and have reached 966,000 tsubo (3.19 million square meters) when forecasts in our floor expansion plans are included, indicating we are close to achieving this milestone.

We are working to enhance the added value of our logistics facilities in various ways, such as installing solar panels and wall-mounted signage. By December 2021, we had installed solar panels at 14 facilities, with a combined generating capacity of approximately 11 MW.

Business Development and Marketing

We will particularly focus on e-commerce (EC) as a future area of business growth. While the products handled and participating players become increasingly diverse with each day, EC is expected to enjoy considerable growth in the future. To seize this opportunity, a Groupwide project to start new EC logistics services was launched. The team, which is mainly made up of junior employees, is working at a rapid pace to begin service within the year. As the basis for the project, we will build a service platform dedicated to EC logistics and develop dedicated EC logistics facilities equipped with cutting-edge technologies. We will also provide total support for EC operators, from center operation to final delivery. Our plan is to develop EC logistics into a 100 billion-yen business by the fiscal year ending December 2030 in a way that differentiates it from existing EC-related businesses.

We are also working to expand our home delivery service area, which was previously focused in the Tokyo metropolitan area, to span all of Japan. This will be tackled through a multi-layered approach that includes coordination between SBS Sokuhai Support, whose main service areas is the Tokyo metropolitan area, and SBS Ricoh Logistics, which maintains a delivery network reaching every corner of the country, as well as tie-ups with external partners.

CSR Management and Raising the Level of ESG

For the SBS Group, CSR (corporate social responsibility) management, which is based on responding to the demands of society, is an initiative that should be consistent and strategic.

Climate change, which continues to emerge as a global risk, is an urgent issue for logistics companies. In Sincere Challenge 2030, the medium-to-long-term environmental plan, reducing CO₂ emissions from our vehicles and facilities is a major theme. As a part of this effort, over the next five years or so we plan to replace the approximately 2,000 vehicles that are operating as e-commerce vehicles in last mile logistics with electric vehicles (EV). We are also

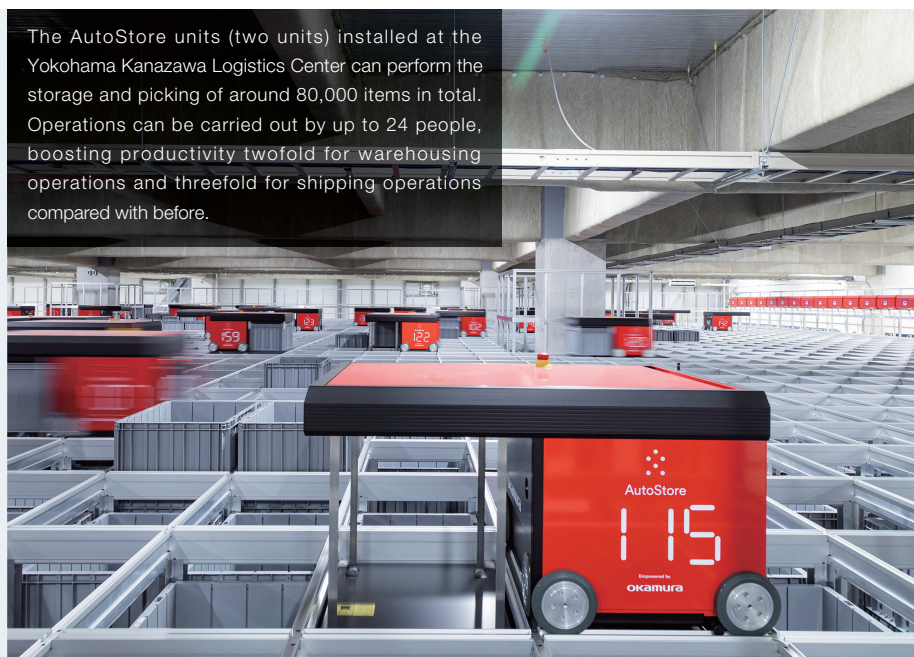
Size of Logistics Facilities

(as of December 31, 2021)

Operational Area: **765,200** tsubo
(approx. 2.5 million square meters)

Planned Floor Area Expansion: **201,600** tsubo
(approx. 666,000 square meters)

The AutoStore units (two units) installed at the Yokohama Kanazawa Logistics Center can perform the storage and picking of around 80,000 items in total. Operations can be carried out by up to 24 people, boosting productivity twofold for warehousing operations and threefold for shipping operations compared with before.



encouraging our affiliates to adopt EVs and expect EV replacements to number around 10,000 in the medium term. In addition, we have conducted risk assessments, studied countermeasures and disclosed our findings based on the framework of the Taskforce on Climate-related Financial Disclosures (TCFD).

The SBS Group owns 4,884 vehicles (excluding those used at its driving schools, etc.), and takes a multifaceted approach to safety measures that extends to the health of vehicle crew based on safety-first principles. Additionally, to optimize and enhance safety management systems at each business site, we have been working to obtain "G Mark" certification, which is evaluated and authorized by the Japan Trucking Association. In the fiscal year ended December 2021, three business sites newly obtained the certification. 169 business sites now maintain this certification, which corresponds to a certification rate of 89.4%.

Other ongoing initiatives including the cultivation of human resources in Japan and overseas, efforts to maintain optimal workplace environments, grants for outstanding research into logistics, scholarships for students receiving social care, and support for food banks.

Toward the future vision laid out by the SBS Group through the Sustainable Development Goals (SDGs), we will continue to envision the future of the logistics business and organizations that support it, and achieve our vision one step at a time. We are confident that this will raise the level of the SBS Group's ESG efforts in a natural way.

Shareholder Return

The SBS Group considers the return of profits to shareholders while achieving value creation for a wide range of stakeholders to be one of its most important management priorities. We seek to balance shareholder return with the retention of sufficient internal reserves to build a more robust management base, while endeavoring to maintain continuous dividends and improving the level of dividends in light of business performance.

In the fiscal year ended December 2020, we raised the dividend per share by 20 yen from the previous period to 55 yen, in light of the important progress the SBS Group had made. In the fiscal year

ending December 2022, we plan to raise dividends another 4 yen to 59 yen per share.

Also note that all of the indicators (total asset turnover, return on equity and net D/E ratio) that the SBS Group monitors closely to maintain its financial soundness have further improved over the previous year, and we believe shareholder return is at a sustainable level.

Expanding the Infrastructure of Hope Together with Growth

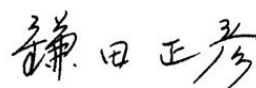
In an increasingly unstable world, logistics is playing an increasingly important role in supporting daily life in society by bridging the gaps between various locations and entities in each country. We will continue to search for better ways to provide logistics while pursuing growth that represents the "infrastructure of hope" delivering on the dreams of people around the world based on our slogan, "For Your Dreams."

In March 2022, operations commenced at our new head office in Nishi-Shinjuku (Shinjuku-ku, Tokyo), which consolidates the head office functions of SBS Group companies. The new head office will facilitate deeper intra-Group coordination and accelerate integration, ushering in the next stage of the Group.

At the Board of Directors meeting held on December 10, 2021, SBS Holdings decided to select and apply for Prime Market listing under the new market segments of the Tokyo Stock Exchange. We will continue to engage in constructive dialogue with investors from a global perspective and create value in the medium and long term.

To the readers of this report, I would like to again thank you for your interest in where the SBS Group is today, and the path we are taking into the future.

President, SBS Group



Masahiko Kamata



Since December 31, 2021, the SBS Group has been conducting demonstration testing on public roads of a compact EV truck (1-ton class, the first introduced in Japan) provided by the Kyoto-based venture company Folofly.

Number of Business Sites with G-Mark Certification and Certification Rate

(Assessment as business sites with excellent safety in fiscal 2021)

169 business sites

89.4%

Dividend Paid (fiscal 2021)

55 yen (+ 20 yen)

Indicators of Financial Soundness

Total Asset Turnover: **1.52** x (+0.34x)

Return on Equity: **19.4%** (+5.2%)

Net D/E Ratio: **1.19** x (improvement of 0.15 points)

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

The SBS Group has organically developed its General Logistics, Property Management and Logistics Support businesses. In the General Logistics Business, we perform the transportation and delivery of raw materials and products, as well as the associated storage, loading, unloading, packaging, distribution processing and information management. This is a third-party logistics (3PL) related business in which we propose logistics reforms to corporate clients and are entrusted with their logistics operations on a comprehensive basis. The 3PL-related business makes full use of the logistics facilities the Group has planned and developed through the Property Management Business. By securitizing facilities as high-utilization properties at the time they are sold, we obtain a gain on sale and recoup our investment. The Logistics Support Business provides the supplementary functions that these businesses require.

General Logistics Business

- Truck Transportation
- Rail Transportation
- Low Temperature Logistics
- Logistics Center Operation
- International Logistics
- Processing in Logistics
- Same-Day Delivery for Corporations
- Home Delivery (for Individuals)
- Company Relocation / Individual Relocation
- On-site Logistics
- 3PL Consulting

Logistics Support Business

- Marketing Business
- Pet Wellness Business
- Insurance and Leasing
- Environmental Business
- Personnel Support

Property Management Business

- Rent Business
- Development Business

SBS Holdings, Inc.

Holding company for the SBS Group

Number of Employees: 325

Number of Business Sites: 1

Renewable Energy Generating Capacity: 2,826 kW

Main Business: Group-wide strategies
(Group strategy functions, corporate governance functions)
Management, other

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





Number of Business Sites

674

Number of Vehicles Owned

* Excluding driving schools

4,884 (Trucks and other road vehicles)

1,488 (Forklifts)

Number of Employees

23,950

* All figures are the total number of employees and differ from the figures listed in securities reports.

SBS Toshiba Logistics Co., Ltd.

* Various figures include TL Logi Service Co., Ltd.

A Fourth Party Logistics (4PL) company going beyond the boundaries of the Toshiba Group that proposes and realizes logistics strategies in line with management strategies for a wide range of customers. Working in partnership with SBS Group companies, SBS Toshiba Logistics provides integrated services from logistics engineering (planning and design) to the operation of logistics functions at the implementation stages, both in Japan and overseas. By providing total logistics solutions that are not only of a high quality but competitive, the company provides powerful support for solving customers' management issues.

Number of Employees: 2,581 / Number of Business Sites: 87 / Number of Vehicles: Trucks and other road vehicles: -, Forklifts: -

Certifications: ISO14001, ISO9001, ISO/IEC17025, ISO/IEC27001, AEO

Consolidated Subsidiaries: TL Logi Service Co., Ltd., Toshiba Logistics (Shanghai) Co., Ltd., Toshiba Logistics (Hangzhou) Co., Ltd., Toshiba Logistics (Dalian) Co., Ltd., Toshiba Logistics Hong Kong Co., Ltd., Toshiba Logistics (Singapore) Pte. Ltd., Toshiba Logistics (Philippines) Corporation, TL Forwarding Service (Philippines) Corporation, Toshiba Logistics (Thailand) Co., Ltd., TL Service (Thailand) Co., Ltd., Toshiba Logistics Malaysia Sdn. Bhd., Toshiba Logistics Vietnam Co., Ltd., Toshiba Logistics India Private Limited, Toshiba Logistics America, Inc., Toshiba Logistics Europe GmbH



SBS Ricoh Logistics System Co., Ltd.

* Various figures include SBS San-Ai Logistics Co., Ltd. and Jas Co., Ltd.

Managing the supply chains of precision equipment manufacturers played a key part in the establishment of SBS Ricoh Logistics System. With the impressive quality and "KAIZEN" capabilities for which national brands are renowned in our DNA, we support the success of our customers through domestic and overseas 3PL. With our outstanding logistics technologies we continue to propose the best methods for a wide range of customers' logistics needs based on a backbone of "recycling-oriented logistics" that integrates procurement, production, sales and venous logistics.

Number of Employees: 4,189 / Number of Business Sites: 125 / Number of Vehicles: Trucks and other road vehicles: 529, Forklifts: 497

Certifications: SO14001, ISO9001, ISO27001, AEO

Consolidated subsidiaries: SBS San-ai Logistics Co., Ltd., RICOH LOGISTICS CORPORATION [USA], RICOH INTERNATIONAL LOGISTICS (H.K) Ltd. [Hong Kong], RICOH INTERNATIONAL FREIGHT FORWARDING (SHENZHEN) CO., LTD. [China], SBS Logistics (Thailand) Co., Ltd. [Thailand], SBS Vietnam Co., Ltd. [Vietnam], Jas Co., Ltd.



SBS Logicom Co., Ltd.

* Various figures include SBS Logicom Kanto Co., Ltd. and K.U.K. LINE Co., Ltd.

As a partner company to its customers, SBS Logicom provides total logistics services covering everything from logistics consulting and strategy to planning and operations. With various waves of change sweeping through the logistics industry, SBS Logicom continues to make strides forward as a logistics company meeting the needs of a wide range of customers across various industries and supporting social infrastructure through a focus on warehouse management, cargo handling and distribution processing services, along with logistics centers, truck and rail transportation, special transportation, customs clearance and international transportation, government, corporate and school relocations, and on-site logistics.

Number of Employees: 6,881 / Number of Business Sites: 134 / Number of Vehicles: Trucks and other road vehicles: 1,146, Forklifts: 482

Renewable Energy Generating Capacity: 6,812 kW

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

Consolidated subsidiaries: SBS Freight Service Co., Ltd., SBS Logicom Kanto Co., Ltd., SBS Global Network Co., Ltd., K.U.K. LINE Co., Ltd.



M&A



3PL/4PL



Truck Transportation



International Logistics



Modal Shift



Logistics and Delivery for E-commerce



Logistics Center Operation



Processing in Logistics



Support for LT Planning and Introduction



Company Relocation



Packaging Design and Development

SBS Flec Co., Ltd.

* Various figures include SBS Flecnet Co., Ltd. and Hinomaru Kyuso Co., Ltd.

SBS Flec was founded in 1956 as Yukijirushi Logistics Co., Ltd. It handled food logistics as the logistics subsidiary of the Yukijirushi Group, and has honed its expertise in food distribution technologies and quality control through its nationwide network. Today, SBS Flec provides comprehensive support for food manufacturers from production to the placement of products in stores as one of the few 3PL companies able to handle all three temperature zones, namely dry (room temperature), chilled (refrigerated) and frozen. As a leading company in low temperature logistics, SBS Flec is committed to delivering foods with safety and peace of mind.

Number of Employees: 4,208 / Number of Business Sites: 98 / Number of Vehicles: Trucks and other road vehicles: 868, Forklifts: 262
 Certifications: G-Mark, ISO14001, ISO9001
 Consolidated subsidiaries: SBS Flecnet Co., Ltd., Hinomaru Kyuso Co., Ltd.



SBS Sokuhai Support Co., Ltd.

* Various figures include Ai & Ai Co., Ltd.

In December 1987, the SBS Group started SBS Sokuhai Support as a same-day delivery business. Revolutionary for its time, this business model is still utilized by many users. More recently, SBS Sokuhai Support has been using the expertise it has developed in the same-day delivery business for the e-commerce home delivery business, which is experiencing rapid growth in demand, and is in the process of expanding its operations to major Japanese cities. The company also combines venous logistics functions to play a part in recycling-oriented logistics.

Number of Employees: 612 / Number of Business Sites: 31 / Number of Vehicles: Trucks and other road vehicles: 298, Forklifts: 46
 Certifications: G-Mark, ISO14001, ISO27001
 Consolidated Subsidiaries: Ai & Ai Co., Ltd.



SBS Zentsu Co., Ltd.

SBS Zentsu provides total support for the food supply chain by building logistics systems that consolidate pre-cooled and temperature-controlled transportation, joint delivery and food in four temperature zones. In response to increasingly sophisticated and complex logistics needs, SBS Zentsu uses the "creativity" it has cultivated providing operations and services for many years as a powerful tool, overcoming difficulties and issues one after another while continually creating new solutions.

Number of Employees: 4,095 / Number of Business Sites: 110 / Number of Vehicles: Trucks and other road vehicles: 1,626, Forklifts: -
 Renewable Energy Generating Capacity: 6,812 kW
 Certifications: G-Mark, ISO14001, ISO9001, JAS Organic Agricultural Product Subdivider Certification



SBS Furukawa Logistics

* Various figures include Yokohama Drum Manufacturing Co., Ltd.

Catering to all manner of needs utilizing expertise cultivated as a manufacturer-linked logistics company including electrical cables, nonferrous metals and synthetic resins. The company operates global logistics services with a focus on Asia. By providing logistics solutions optimized to the customer, the company achieves efficient logistics.

Number of Employees: 186 / Number of Business Sites: 28 / Number of Vehicles: Trucks and other road vehicles: -, Forklifts: -
 Certifications: ISO14001, ISO9001
 Consolidated Subsidiaries: Yokohama Drum Manufacturing Co., Ltd., Hong Kong Dehe Logistics Ltd., Furukawa Logistics (Shanghai) Co., Ltd.



SBS Freight Service Co., Ltd.

Transportation and delivery network covering the Pacific side of eastern Japan to Kansai. SBS Freight Service offers an extensive range of transportation services from three-temperature-zone transportation, special transportation such as shipping for filming locations, marine container drayage transportation, warehousing, storage and distribution processing, and office relocation services. The company is also focusing on distribution center operation in response to expanding e-commerce needs.

Number of Employees: 372 / Number of Business Sites: 22 / Number of Vehicles: Trucks and other road vehicles: 373, Forklifts: 61
Renewable Energy Generating Capacity: 212 kW
Certifications: G-Mark, ISO14001, ISO9001, Privacy Mark



SBS Global Network Co., Ltd.

Based on its extensive overseas distribution network that extends from Japan to Asia and the world, SBS Global Network supports supply chains in Japan and abroad. The company conducts analyses of the current status of international logistics being implemented by customers (consulting). It then proposes and implements optimum import and export operations based on cargo characteristics and supply chain strategies.

Number of Employees: 154 / Number of Business Sites: 8 / Number of Vehicles: 5
Certifications: AEO certification (planned)



Toyo Warehouse & Transportation Co., Ltd.

Based on large warehouses in Wakasu, Higashi-Ogishima, the company helps strengthen logistics infrastructure in Tokyo waterfront area. The company primarily engages in 3PL and customs clearance services, dealing with a wide range of products. By aiming to build a logistics management system that can cater to every business type, the company proposes optimum warehouse environments and logistics businesses.

Number of Employees: 153 / Number of Business Sites: 6 / Number of Vehicles: Trucks and other road vehicles: 6, Forklifts: 39



SBS Asset Management Co., Ltd.

* Various figures include L-MAX Co., Ltd.

SBS Asset Management is an asset management company responsible for developing the logistics facilities of the SBS Group. Using expert knowledge and know-how regarding finance, real estate and logistics, the company independently develops specialized logistics facilities optimized for 3PL. With a strength in highly functional design informed by an intimate knowledge of logistics in the field, SBS Asset Management handles increasingly sophisticated logistics while responding to changes in the value chain based on in-depth research. SBS Asset Management operates a total asset management business specializing in everything from land acquisition and leasing to asset securitization.

Number of Employees: 11 / Number of Business Sites: 1
Renewable Energy Generating Capacity: 1,500 kW
Consolidated Subsidiaries: L-MAX Co., Ltd.



M&A



3PL/4PL



Truck
Transportation



International
Logistics



Modal Shift



Logistics and
Delivery for
E-commerce



Logistics
Center Operation



Processing in
Logistics



Support for
LT Planning and
Introduction



Company
Relocation



Packaging
Design and
Development

SBS Staff Co., Ltd.

* Various figures include Jobright Co., Ltd.

SBS Staff operates a worker dispatch business which specializes in the logistics business and is tailored to customer needs. With its unique matching system, the company is able to respond to sudden job openings. Fee-based job placement services are also available.

Number of Employees: 140 / Number of Business Sites: 18 / Number of Vehicles: 20
Renewable Energy Generating Capacity: 1,500 kW
Certifications: Privacy Mark
Consolidated Subsidiaries: Jobright Co., Ltd.



SBS Finance Co., Ltd.

SBS Finance provides a wide range of services from leasing and sales to insurance. As a finance company excelling in the area of logistics, SBS Finance provides a range of functions including the joint purchasing of consumables for logistics businesses.

Number of Employees: 22 / Number of Business Sites: 1



Marketing Partner, Inc.

* Various figures include Global Pet Nutrition Inc.

Providing one-stop service for e-commerce site development and operation. The company provides e-commerce business support covering the four areas of marketing, analysis, creative and fulfillment.

Number of Employees: 57 / Number of Business Sites: 1
Certifications: Privacy Mark
Consolidated Subsidiaries: Global Pet Nutrition Inc.



SBS Driving School Co., Ltd.

We operate driving schools with the aim of developing safe drivers in the SBS Group and local community. Students can obtain licenses for regular cars, mid-sized vehicles and motorcycles.

Number of Employees: 43 / Number of Business Sites: 3 / Number of Vehicles: 72 (training vehicles (cars and motorcycles, shuttle cars, etc.)
Renewable Energy Generating Capacity: 6,812 kW
Certifications: G-Mark, ISO14001, ISO9001, JAS Organic Agricultural Product Subdivider Certification



Japan Logistics Future Limited Partnership for Investment (Japan Logistics Future Investment Fund Co., Ltd.)

Overseas Group Companies

SBS Logistics Holdings Hong Kong Ltd. [Hong Kong]
Shanghai Qingqiliu Plastic Processing Co., Ltd. [Shanghai]
SBS Total Logistics Malaysia Sdn. Bhd. [Malaysia]
SBS Logistics Philippines, Inc. [Philippines]
TAS Logistics Co., Ltd. (Thailand) [Thailand]

Overseas Affiliate Companies

Atlas Logistics Pvt Ltd. (India) [India]



The SBS Group sees capital that will support its business activities as a "3PL corporate group possessing omnidirectional logistics functions" from a broad perspective and seeks to effectively utilize and enhance that capital.

INPUTS

Capital utilized for corporate activities

Capital	Management Approach	Indicators	Change				
			2017	2018	2019	2020	2021
 Financial Capital	<p>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.</p>	Total assets (million yen)	127,802	171,796	180,047	254,550	277,197
		Net assets (million yen)	38,510	48,173	54,077	68,146	80,707
		Shareholders' equity ratio (%)	28.5	23.1	25.1	19.9	21.9
		Net DE ratio (times)	1.26	1.44	1.21	1.39	1.19
		Number of shareholders	3,702	2,921	2,878	3,911	4,501
 Capital for the Provision of Services	<p>We are committed to developing comprehensive logistics infrastructure including logistics facilities, vehicles, equipment, information systems and service sites, at a scale and quality level that adequately satisfies our need to grow.</p>	Number of business sites	425	531	655	716	674
		Number of warehouses (number of company-owned and leased buildings)	-	-	386	401	412
		Number of Vehicles	4,103	4,497	4,570	4,405	4,884
		Number of forklifts	814	1,382	1,436	1,369	1,488
		Investment in facilities and equipment (million yen)	9,576	11,607	11,710	11,507	14,501
 Human and Organizational Capital	<p>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.</p>	Number of Employees*	14,913	19,017	19,379	23,270	23,950
		Actual training participants	2,585	5,095	7,173	6,824	8,966
		Number of companies with ISO 9001 (quality) certification		5	5	6	7
		Number of companies with ISO14001 (environmental) certification		7	7	8	9
		Number of companies with ISO 27001 (information security) certification		4	4	5	5
 Intellectual Capital	<p>We will further enhance our wide-ranging logistics service operational capabilities while systematically accumulating, sharing and developing knowledge leading to solutions to customer issues.</p>	Group-average fuel efficiency (km/L)	4.94	4.93	4.93	5.01	5.03
		Number of employees taking eco-driving training (cumulative total)	1,449	1,500	1,570	1,570	1,617
		Awards and Commendations	3	2	2	4	7
 Social Capital	<p>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.</p>	Number of business sites with G-mark certification	129	153	162	167	169
		Number of vehicles equipped with driving support equipment					
		Digital / analog tachographs	3,239	3,554	3,692	3,692	Equipped in all vehicles except for shuttle vehicle and sales vehicles
		Dashcams	2,452	2,937	3,752	3,752	Equipped in all vehicles
		Rear-View Cameras	3,194	3,589	2,407	2,407	Equipped in 80% of cargo vehicles
		Logistics Research Grants	7	9	6	6	4
		Scholarships for students receiving social care	30	34	57	74	76
 Natural Capital	<p>The SBS Group pursues efforts to continually reduce its environmental impact from a medium-to-long-term perspective, positioning CO₂ emission reductions, the promotion of resource recycling and the preservation of natural resources as key issues.</p>	Number of times Food Bank support provided (cumulative)				12	18
		Environmental Efficiency (CO ₂ emissions per unit of sales)	52.09	47.77	38.09	40.77	28.23
		Quantity of Renewable Energy Delivered (kWh)	10,257	11,017	11,017	11,017	11,146
		Waste Processing Logistics Handling Volume (t)	8,889	10,943	8,817	9,371	7,579
		Investment in the environment (million yen)	3,677	3,854	3,202	4,444	3,584

* All figures are the total number of employees and differ from the figures listed in securities reports.

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

Upgrading the delivery network

LT×IT

Increasing logistics facility floor area

M&A activities and pursuing synergy

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

- Maintaining and improving the quality of transportation and service, developing human resources, ensuring occupational health and safety, making social contributions

Sound management

- Enhancing the governance framework and internal control, ensuring thorough compliance, taking risk countermeasures

FOUNDATION

Foundation of corporate activities

Management Philosophy

Slogan

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 net sales of 500 billion yen at an early stage and look further ahead



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/4PL business models



Social Capital

Building trust and cooperative relationships with a wide range of stakeholders



Natural Capital

Roadmap for achieving the 2°C target for climate change



Business Environment

In fiscal 2021 (January 1, 2021 to December 31, 2021), the COVID-19 pandemic that began in the previous year continued to spread, and the associated state of emergency declarations issued throughout the country had a significant impact on economic activity. However, e-commerce-related markets including those for daily necessities and online shopping have continued to expand, and the SBS Group has strived to actively respond to meet this demand while giving top priority to preventing infections and ensuring the safety of customers, partners and employees.

Additionally, from November 2020, a number of companies joined the SBS Group, starting with Toshiba Logistics Co., Ltd. and followed by Toyo Warehouse & Transportation Co., Ltd., K.U.K. LINE Co., Ltd., Hinomaru Kyuso Co., Ltd., Jas Co., Ltd. and Furukawa Logistics Co., Ltd. This further enhanced our service lineup and put in place a structure that will firmly support the logistics supply chain.

Sales and Profits

Net sales in fiscal 2021 were 403.485 billion yen, an increase of 146.293 billion yen from the previous fiscal year (a 56.9% increase compared with the previous fiscal year). The logistics business accounted for 93.8% of net sales by value, while the property management business and other businesses accounted for 4.2% and 2.0% respectively.

Operating income stood at 20.706 billion yen, rising 9.746 billion yen over the previous fiscal year (an 88.9% increase).

Additionally, net income attributable to owners of parent rose 3.964 billion yen year on year to end at 10.790 billion yen, a 58.1% jump.

The net sales and each income level achieved new records.

Net sales

403.4 billion yen **+56.9%**

Logistics Business	378.3 billion yen	+57.1%
Property Management Business	17.0 billion yen	+82.3%
Other Businesses	8.1 billion yen	+15.4%

Operating Income

20.7 billion yen **+88.9%**

Logistics Business	15.5 billion yen	+159.5%
Property Management Business	6.3 billion yen	+39.0%
Other Businesses	0.4 billion yen	+71.0%
Adjusted	-15 billion yen	

Net income attributable to owners of parent

10.7 billion yen **+58.1%**

Logistics Business

In the Logistics Business, in addition to expanding transactions with existing customers, we focused on acquiring new customers looking for advanced logistics functions. As shown on the left, in addition to making Toshiba Logistics Co., Ltd. and Toyo Warehouse & Transportation Co., Ltd. new consolidated subsidiaries, intercompany logistics that was hit hard by the spread of COVID-19 has recovered, including overseas, and together with the capturing of e-commerce demand in the same-day delivery business and expanded demand for logistics associated with daily necessities and online supermarket usage, logistics operations overall saw strong performance. Net sales in the Logistics Business rose 137.517 billion yen (up 57.1%) year on year to 378.335 billion yen, with operating income up 9.555 billion yen (up 159.5%) over the same period to 15.546 billion yen.

Property Management Business

The Property Management Business comprises the development business and rent business. In the development business, we pursue an integrated approach to developing large-scale warehouses that meet customers' logistics needs from land acquisition to construction, in order to promote 3PL and 4PL businesses. In the rent business, we generate rental income from Group-owned warehouses, office buildings, residences and other properties. SBS Holdings securitizes logistics real estate to recoup funds for future investment, and income recorded from securitization is included in the property management business.

In terms of the results of logistics real estate securitization in the fiscal year under review, trust beneficiary rights in the Nanko Logistics Center (Osaka) were transferred. In connection with this, revenue exceeded that generated in the previous year from the securitization of logistics real estate, and as a result, net sales in the Property Management Business rose 7.694 billion yen (up 82.3%) to 17.043 billion yen, with operating income rising 1.775 billion yen (+39%) to 6.333 billion yen.

Other Businesses

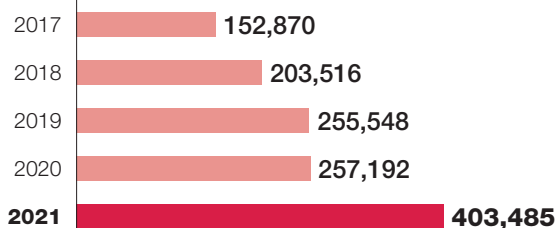
The main other businesses are a worker dispatch business, marketing business, solar power generation business and environmental business. Net sales rose 1.081 billion yen (up 15.4%) year on year to 8.106 billion yen, with operating income up 180 million yen (up 71.0%) over the same period to 435 million yen.

Capital Investment

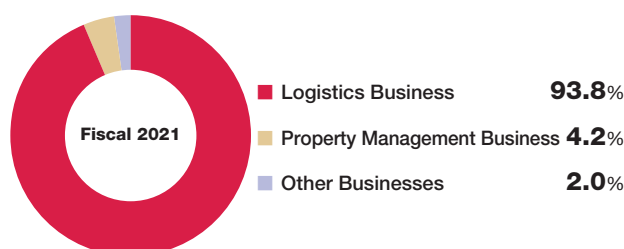
The SBS Group has actively pursued investments in logistics facility development and plans to increase the total floor area of facilities developed in-house by approximately 430,000 square meters (approximately 495,000 square meters when leasing is also included) over a six-year period from 2018 to 2023.

Capital investments made in fiscal 2021 totaled 14.500 billion yen. In the Logistics Business, we made investments of 12.544 billion yen on the acquisition of land for logistics facilities and their construction, routine vehicle upgrades, and so on. In the Property Management Business, total investments of 145 million yen were made in areas such as repairs for lease properties. In Other Businesses, 128 million yen was invested in routine vehicle upgrades and other things. In terms of company-wide assets, investments totaling 1.682 billion yen were made in areas such as the purchase of software for in-house use and interior construction at the new head office. In the fiscal year under review, there were no major disposals or sales of equipment.

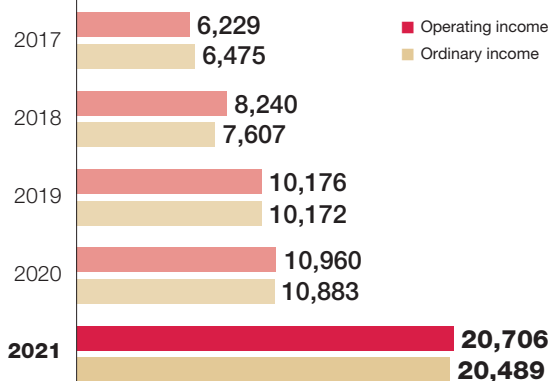
Net Sales (million yen)



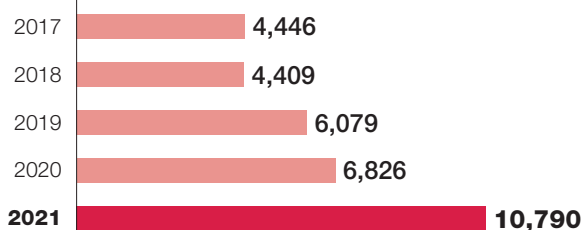
Composition of net sales by business



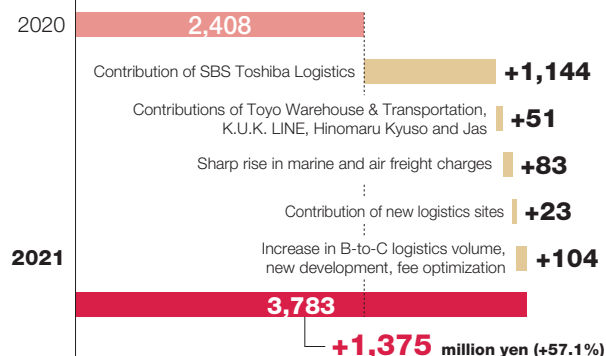
Operating Income and Ordinary Income (million yen)



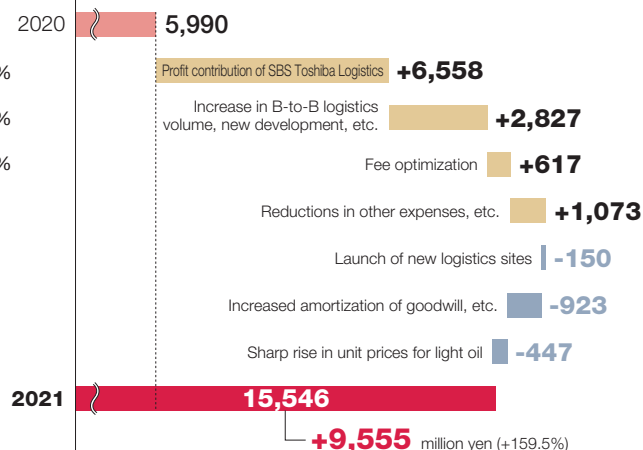
Net Income Attributable to Owners of Parent (million yen)



Factorial Analysis of the Change in Net Sales in the Logistics Business (100 million yen)



Factorial Analysis of the Change in Operating Income in the Logistics Business (million yen)



Capital investment of **14.5** billion yen

Change in Capital Investment Amount (million yen)

	2017	2018	2019	2020	2021
Total	9,576	11,607	11,710	11,507	14,501
Logistics Business	8,727	10,770	10,899	10,971	12,544
Property Management Business	691	502	153	75	145
Other Businesses	60	151	319	107	128
Company Assets	-	-	-	-	1,682

* Amount of purchases of software for in-house use was previously included under "Other Businesses" but has been included under "Company Assets" from 2021.

Assets and Liabilities

Total assets as for the fiscal year stood at 277.197 billion yen, an increase of 22.646 billion yen from the end of the previous fiscal year. This was due to an increase in inventories associated with land acquisition for the construction of a logistics warehouse, and an increase in fixed assets due to the addition of Toyo Warehouse & Transportation Co., Ltd. as a consolidated subsidiary.

Liabilities stood at 196.489 billion yen, an increase of 10.085 billion yen compared with the end of the previous fiscal year. This is mainly due to an increase in long-term loans payable in connection with the acquisition of shares in Toyo Warehouse & Transportation Co., Ltd.

Net assets stood at 80.707 billion yen, an increase of 12.561 billion yen compared with the end of the previous fiscal year. The increase was due to higher retained earnings resulting from the recording of net income attributable to owners of parent and an increase in non-controlling interests.

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 promote the unique business model of pursuing the stable growth of the 3PL and 4PL businesses by systematically iterating on a cycle of the in-house development and securitization of logistics facilities. Due to this approach, we have placed an emphasis on maintaining a balance between active investment activities and maintaining financial health, have set a target shareholders' equity ratio of 30%, and position this as a decision-making indicator.

In fiscal 2021 the shareholders' equity ratio was 21.9% (up 2.0% year on year).

Meanwhile the net DE ratio, which represents the ratio of net interest-bearing debt to shareholders' equity, has been trending downward due to profit accumulation after peaking in fiscal 2015. In the previous year it temporarily rose to 1.39 due to M&A activity, but improved to 1.19 in the fiscal year under review due to profit accumulation.

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 **21.9%**

Cash Flow

As of December 31, 2020, cash and cash equivalents ("cash," hereafter) had decreased by 3.741 billion yen to 23.795 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 27.472 billion yen (inflow of 17.262 billion yen in previous fiscal year). This was mainly due to an increase in income before taxes and other factors in the bottoming out of profitability.

■ Cash Flows from Investing Activities

Net cash used in investing activities was 22.343 billion yen (outflow of 30.48 billion yen in previous fiscal year). This was mainly due to the acquisition of fixed assets such as vehicles and equipment, and the new acquisition of shares in Toyo Warehouse & Transportation Co., Ltd.

■ Cash Flows from Financing Activities

Net cash used in financing activities was 9.278 billion yen (inflow of 22.726 billion yen in previous fiscal year). This was mainly due to the proceeds from 26 billion yen in long-term loans payable, compared with the repayment of long-term loans payable of 11.802 billion yen, a net decrease in short-term loans payable of 20.18 billion yen, and dividends paid to the amount of 1.39 billion yen.

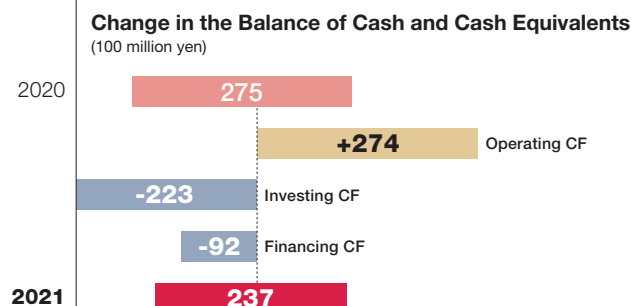
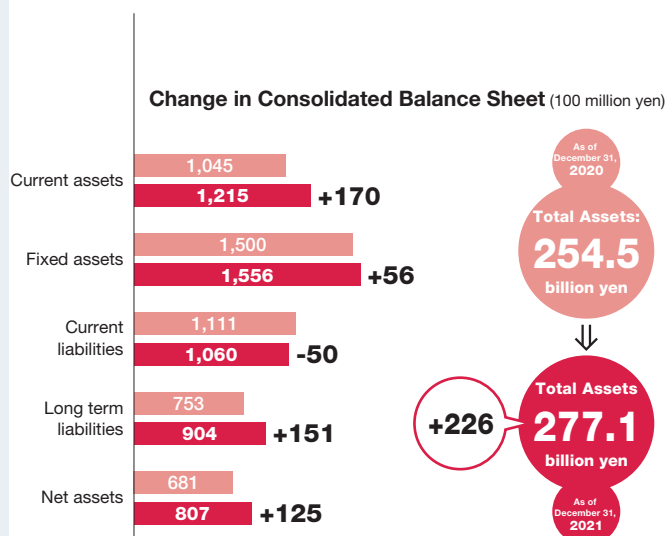
Balance of Cash and Cash
Equivalents as of **23.7** billion yen
December 31, 2020

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 pay once-yearly dividends of surplus funds. In comprehensively taking in to account the results in the fiscal year under review and the Company's financial status, a year-end dividend of 55 yen per common share was issued. This represents an increase of 20 yen per share compared with the previous fiscal year.

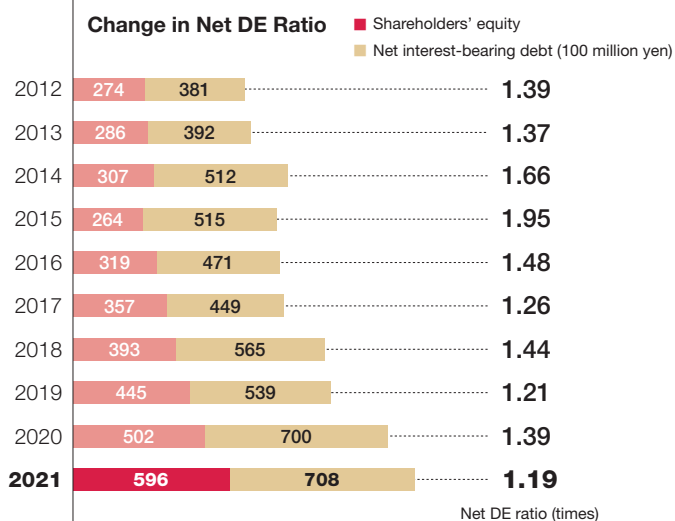
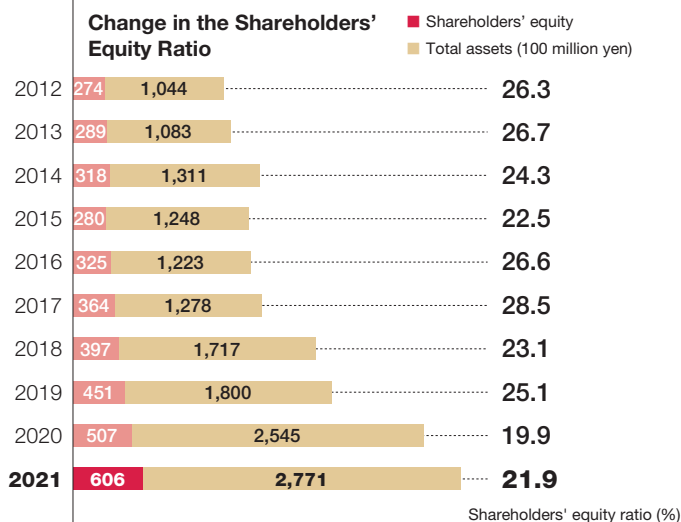
Year-End Dividend
Per Common Share **55** yen



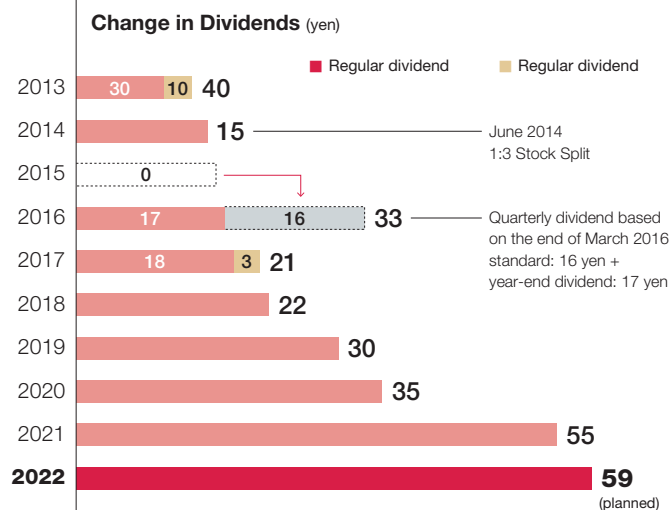
Cash Management System Utilization

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.



Net Interest-bearing Debt = Long-term Debt & Short-term Debt + Corporate Bonds - Cash and Deposits
 Net DE Ratio = Net Interest-bearing Debt ÷ Shareholders' Equity



The SBS Group takes a broad view of external environmental changes in implementing its medium- and long-term management strategies. Based on the concepts of being a "group of 3PL companies possessing logistics functions in every direction" and a "mega venture," we continue to strengthen our comprehensive proposal-making capabilities, expertise and problem-solving abilities while establishing a management base.

The External Environment Surrounding the SBS Group

The SBS Group identifies and analyzes the short-, mid- and long-term impacts due to changes in the external environment, and uses that insight as a basis for formulating management strategy and reviewing strategy in a flexible manner.

Economy

Changing consumption patterns due to the COVID-19 pandemic / slumping employment and income environment, inbound demand and capital investment sentiment / destabilization of share markets / stunted expansion of global economy due to COVID-19 pandemic / uncertainty in international affairs / requirement to recognize climate change and disclose climate change action / ESG requirements / expansion of the sharing economy

Market

Diversification of services / high frequency and small lots / last mile delivery issues / need for stable and flexible transportation capacity / increased competition due to e-commerce operators development in-house logistics systems / cooperation on logistics / complementary logistics functions and services / alliances with other companies including those in the same industry / fluctuating energy prices

Medium-to-long-term Management Strategies

■ The Simultaneous Pursuit of Co-existence, Symbiosis and Synergy in M&A Activities

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. These post merger integrations (PMIs) are positioned as a pillar of our current growth strategy, as they ensure that the series of M&As we have carried out bear results and are crucial in maximizing those results.

■ Business Expansion Leveraging 3PL as a Strength

Our business structure is being developed around a core of third-party logistics (3PL), which involves providing comprehensive logistics services to shippers. We are also enhancing our strengths by expanding new orders gained through web marketing and enhanced sales activities, pursuing improved efficiency through stronger field capabilities and investment in LT/IT, and expanding our operating base through the development of logistics facilities.

■ Maintaining Financial Health Through the Logistics Facility Development Cycle

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.

■ Securing the Human Resources to Support the Logistics Business and Facilitating Their Success

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 with diverse capabilities and backgrounds 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.

■ Initiatives to Address Logistics Industry-Wide Issues

We seek out collaboration with strong partners while promoting initiatives that help solve the short-, mid- and long-term issues facing the logistics industry from various angles. These initiatives mainly address the shortage of truck drivers and climate change.

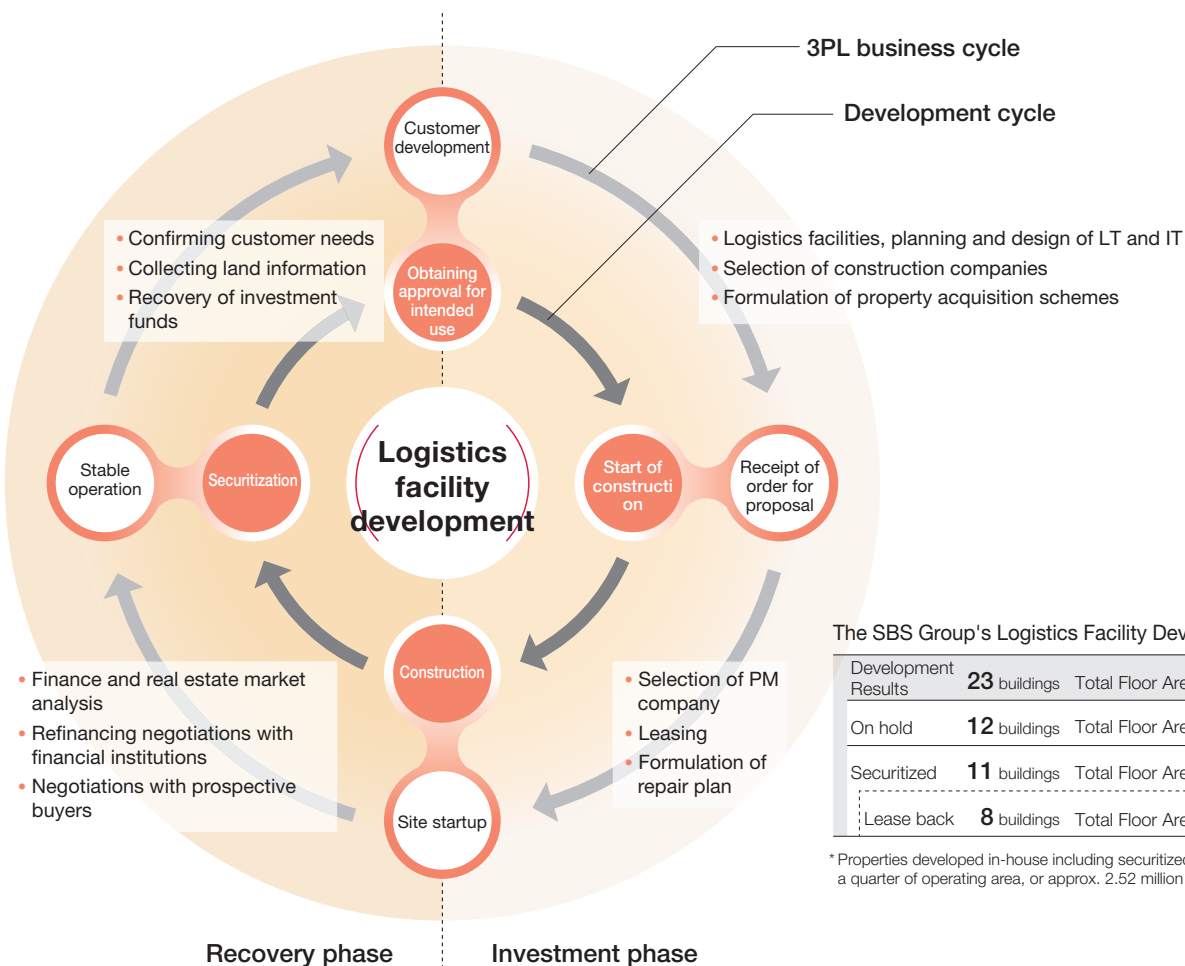
Technology

Logistics DX in general / supply chain management (SCM) / IoT and AI / big data / data warehousing / automation and robotics / AutoStore / telematics / ETC 2.0 / EVs / autonomous driving / drones

Society

Development of COVID-19 into a pandemic / materialization of the effects of climate change / need to appropriately operate and manage vehicles, and strengthen safety measures / increasingly serious labor shortages / truck driver work environment / expected increase in foreign workers / long-term decline in working age population / revisions to labor laws / need to improve productivity of Japan overall / human rights issues in Japan and overseas / diversity & inclusion requirements

SBS' Unique Logistics Facility Development Model



The SBS Group's Logistics Facility Development Track Record

Development Results	23 buildings	Total Floor Area	Approx. 629,000	square meters
On hold	12 buildings	Total Floor Area	Approx. 198,000	square meters
Securitized	11 buildings	Total Floor Area	Approx. 429,000	square meters
Lease back	8 buildings	Total Floor Area	Approx. 347,000	square meters

* Properties developed in-house including securitized properties account for about a quarter of operating area, or approx. 2.52 million square meters

The SBS Group emphasizes 3PL that comprehensively supports corporate logistics and is further enhancing its strengths in this area. We are also tackling 4PL, which helps solve management issues from a strategic and organization-wide perspective.

3PL is positioned at the core of our management strategy

3PL (third-party logistics), which the SBS Group positions at the core of its management strategy, is a service where we propose logistics reforms to consignors and are entrusted with their logistics operations on a comprehensive basis. To achieve the ideal form of logistics envisaged by customers, we plan and operate a range of operations arising in the supply chain on behalf of customers, including transportation, packing, storage, cargo handling and information management.

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. We consistently work to maximize the benefits of 3PL. Based on the low-cost operations the Group has honed, we flexibly combine various elements including consulting, information systems and logistics centers to provide valuable 3PL services to customers in various industries and lines of business.

The Ministry of Land, Infrastructure, Transport and Tourism has taken a multifaceted approach to support measures including the development of laws and guidelines, special tax exemptions for logistics sites and facilities and the development of human resources, based on the belief that logistics efficiency improvements through the spread of 3PL will not only improve the productivity of industry and the economy as a whole, but also pose considerable social benefits such as reduced CO₂ emissions.

Ongoing Improvements to 3PL Infrastructure

To deliver the benefits of 3PL services to as many customers as possible, the SBS Group is systematically developing its business infrastructure.

Logistics facilities are the most important element as infrastructure supporting 3PL. The SBS Group has made it a goal to develop logistics facilities with a total operational area of one million tsubo (approx. 3.3 million square meters). As of the end of 2021, our logistics facilities including those currently being planned account for 960,000 tsubo (approx. 3.17 million square meters), showing that our goal is almost within reach (see table below).

Improving the efficiency of logistics through 3PL is accelerated by the development of logistics technologies (LT). Through proactive investment in LT and IT, the SBS Group is making progress in updating and redesigning the entire logistics systems it operates. Through the introduction of the latest technologies including robots and AI systems, logistics facilities are the basis for a new generation of 3PL services.

We are concentrating on improving and updating our operating vehicles, innovating our management techniques, developing and reorganizing 3PL-related organizations and continually investing in human resources responsible for implementing 3PL.

In addition, as a mechanism supporting 3PL from a finance perspective, we have established a cycle of logistics facility development-centric investment and recovery, and a cash management system that ensures flexible working capital (see page 20), as part of a series of improvements connected with business growth and environmental changes.

Plans for Increased Logistics Facility Floor Area

Name	Location	Timing of Operation (Consolidated)	Type	Total floor area / tsubo	Operating Companies
Operational Area as of December 31, 2020				531,000	
SBS Toshiba Logistics	Nationwide	January 2021	M&A	200,000	SBS Toshiba Logistics
Toyo Warehouse & Transportation	Kanagawa and Tokyo	January 2021	M&A	18,000	Toyo Warehouse & Transportation
Yokohama Kanazawa Logistics Center	Kanagawa	October 2021	In-house	16,200	SBS Ricoh Logistics
Operational Area as of December 31, 2021				765,200	
SBS Furukawa Logistics	Nationwide	January 2022	M&A	23,000	SBS Furukawa Logistics
Logistics Center Atsugi Morinosato	Kanagawa	May 2022	Lease of entire building	17,400	SBS Ricoh Logistics
Ami Logistics Center 2	Ibaraki	June 2022	In-house	5,300	SBS Flec
Logistics Center Ichinomiya	Aichi	April 2023	In-house	21,100	SBS Ricoh Logistics SBS Asset Management
Building A, Seto, Noda	Chiba	January 2024	In-house	50,800	SBS Asset Management
Building B, Seto, Noda	Chiba	Planned	In-house	39,500	SBS Asset Management
Tomisato Land	Chiba	Planned	In-house	30,000	SBS Asset Management
Tokorozawa Land A	Saitama	Planned	In-house	10,000	SBS Logicom
Tokorozawa Land B	Saitama	Planned	In-house	4,500	SBS Sokuhai Support
Plans for Increased Floor Area from January 2022 Onward				201,600	
Total Operational Area (existing + planned facilities)				966,800 tsubo (approx. 3.19 square meters)	

Rollout of 3PL in Each Region

The SBS Group, which is a collection of logistics business operators with a diverse range of strengths, is rolling out 3PL in a multifaceted way.

SBS Logicom Co., Ltd., a logistics company affiliated with multiple electric railway companies in the past, provides 3PL services to customers across various industries including manufacturers, retail chains and e-commerce businesses, and is involved with a wide range of operations from integrated international transportation to logistics center operation and store deliveries. The company also has a track record of accepting contracts to strengthen logistics functions as a business continuity planning (BCP) initiative.

SBS Flec Co., Ltd, which provides food logistics at the three temperature zones (refrigerated, frozen and room temperature), provides Food 3PL services that offer one-stop logistics management services from food production sites to customers. The Company responds to the need for food safety and security, taking action by expanding trading zones, as well as streamlining logistics and reducing its costs.

SBS Ricoh Logistics System Co., Ltd., which boasts a track record as a logistics subsidiary for a precision equipment manufacturer, provides 3PL services that make full use of its technologies, expertise and business infrastructure. In addition to logistics for precision equipment, the company supports a wide range of customers spanning everything from electrical component and machinery component logistics that require high levels of expertise to procurement and production logistics catering to the needs of factories, logistics for mass retailers supporting increasingly

complex delivery services and office e-commerce logistics, as well as logistics for cosmetics and quasi-drugs.

4PL as an Evolved Form of Logistics

Taking 3PL one step further, 4PL describes the SBS Group's efforts to propose and realize logistics strategies that reflect customer management strategies (and solve management issues). From a medium-to-long-term perspective, we conceptualize measures aimed at optimization of the entire supply chain, and promote those measures together with customers.

Toshiba Logistics Corporation, which has built up experience in providing solutions from a management perspective as a subsidiary allotted logistics functions for an electric appliance manufacturer, has added more advanced 4PL-based operations to the services of the SBS Group by becoming a Group company.

EC Logistics Based on 3PL and 4PL

The SBS Group plans to operate an e-commerce (EC) logistics service by the end of 2022. With the Business Strategy Department of SBS Holdings playing a leading role, the LT Planning Department driving the introduction of LT across the SBS Group and young leaders with expert knowledge at each Group company are organizing this Group-wide project. Based on 3PL and 4PL, we will utilize knowledge of know initiatives including fulfillment and last mile delivery to build services that leverage the SBS Group's unique strengths. We aim to generate 100 billion yen in net sales by FY2030.

TOPICS

Launch of the Yokohama Kanazawa Logistics Center (October 2021)

In October 2021, the Yokohama Kanazawa Logistics Center was completed, and began operating as the first large-scale 3PL center developed by the SBS Group using cutting-edge LT and IT.

The facility caters to the expansion of logistics value in the Kanto area, and mainly handles 3PL operations for the Tanomail office supply e-commerce business operated by Otsuka Corporation. SBS Logicom Co., Ltd. undertook construction of the facility, spending roughly two years on the endeavor as a project that took advantage of synergies within the SBS Group. The development concept was "automation, labor saving and space saving." Using two AutoStore units, a robotic storage system with at least three times the storage capacity compared with conventional storage equipment, the digital picking system has been enhanced, and automation equipment including automated packing machines and shuttle racks have been installed. In addition, through integration with support systems that utilize AI and big data, automation, labor saving and storage efficiency are all improved.

The facility employs a seismically isolated construction, and is equipped with the latest business continuity planning (BCP) functions including emergency generators and redundant networks and systems. Moreover, the entire facility uses LED lighting and has solar power generating equipment for in-house consumption installed.



The SBS Group is keenly aware of its responsibility as a company handling logistics as a key part of social infrastructure. We also place an importance on the sustainable development goals (SDGs) and their role in providing direction for solutions to the various issues facing the world. Helping to achieve the SDGs is one of the key aspects to our management policy.

The Future Vision the SBS Group is Shaping Through the SDGs

SUSTAINABLE DEVELOPMENT GOALS



Maximize opportunities for social activities to be helpful

To the extent that is reasonably possible, we will maximize opportunities for logistics systems to contribute to social activities across a wide range of actions, from the transportation of relief supplies to the promotion of recycling.



Expand partnerships with a diverse range of entities to every corner of society

In each area where the SBS Group operates, it will expand cooperative relationships with a wide range of parties, from governments and financial institutions to research organizations, non-profit groups and individual consumers.



Build efficient and sustainable logistics systems in Japan and around the world

Making full use of evolving technologies, we will take the convenience, safety and environmental performance of logistics systems - the foundation of social lives and industrial activity - to the next level.



Make opportunities for anyone to demonstrate their individuality and succeed the new normal

To build an inclusive world, we will create direct and indirect opportunities for all kinds of people to demonstrate their individual and pursue their true potential.

The SBS Group views the SDGs as its vision for creating a better world with all stakeholders towards the year 2030. Additionally, in the context of the SBS Group's business activities, we have shaped four future vision and are pursuing efforts aimed at its realization.

The 12 SDGs the SBS Group is Currently Tackling

Goal	Targets Towards 2030	Current Initiatives
 2 ZERO HUNGER End hunger, achieve food security and improved nutrition and promote sustainable agriculture	2.1: 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.	<ul style="list-style-type: none"> • Support by providing logistics services to food bank groups (transportation and storage of donated food)
 3 GOOD HEALTH AND WELL-BEING Ensure healthy lives and promote well-being for all at all ages	3.6: Halve the number of global deaths and injuries from road traffic accidents. 3.9: Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	<ul style="list-style-type: none"> • Promotion of transportation safety management aimed at zero serious accidents • Introduction of next-generation vehicles and promotion of eco-driving
 4 QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.3: Ensure equal access for all women and men to affordable and high-quality technical, vocational and tertiary education, including university. 4.4: Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	<ul style="list-style-type: none"> • Systematic education and training plans based on the Basic Policy on Human Resource Development • Scholarship Program (SBS Kamata Foundation) for students receiving social care
 5 GENDER EQUALITY Achieve gender equality and strive to empower all women and girls	5.1: End all forms of discrimination against all women and girls everywhere. 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.	<ul style="list-style-type: none"> • Creating a workplace in which women can succeed
 7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all	7.2: Increase substantially the share of renewable energy in the global energy mix. 7.3: Double the global rate of improvement in energy efficiency.	<ul style="list-style-type: none"> • Transmission of renewable energy through solar power generation • Improved fuel efficiency
 8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	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: 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.	<ul style="list-style-type: none"> • Maintaining and expanding employment, ensuring decent work • Promotion of diversity • Declaration on respect for human rights and elimination of harassment
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	9.1: Develop high-quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. 9.4: 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.	<ul style="list-style-type: none"> • Strengthening and expanding logistics functions as social infrastructure • Promoting logistics DX • Fostering logistics research (SBS Kamata Foundation)
 11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable	11.2: 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: Reduce the adverse per capita environmental impact of cities, by paying special attention to air quality and municipal and other waste management.	<ul style="list-style-type: none"> • Improving last mile logistics • Addressing modal shift • Development of green logistics services
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse.	<ul style="list-style-type: none"> • Recycling waste • Expand functions of the venous logistics business
 13 CLIMATE ACTION Take urgent action to combat climate change and its impacts	13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	<ul style="list-style-type: none"> • Reducing the carbon footprint of vehicles and facilities • Climate Change Risks and Countermeasures
 15 LIFE ON LAND Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.	<ul style="list-style-type: none"> • Supporting groups engaged in forest preservation activities
 17 PARTNERSHIPS FOR THE GOALS Strengthen the means of implementation and revitalize the global partnership for sustainable development	17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.	<ul style="list-style-type: none"> • Partnerships associated with business activities and CSR management • Support for the social sector

Uncertainty in the management environment for logistics business operators has increased due to the COVID-19 pandemic and a fluctuating international climate. The SBS Group takes a broad view in identifying risks that could impact management results, financial situation or share price, analyzes the nature and impact of these risks, and responds to them in a more precise manner.

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 risk, 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 respond quickly to 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" have been added as a new risk event.

SBS Group Risk Management Regulations (Key Points)

● Basic Policy

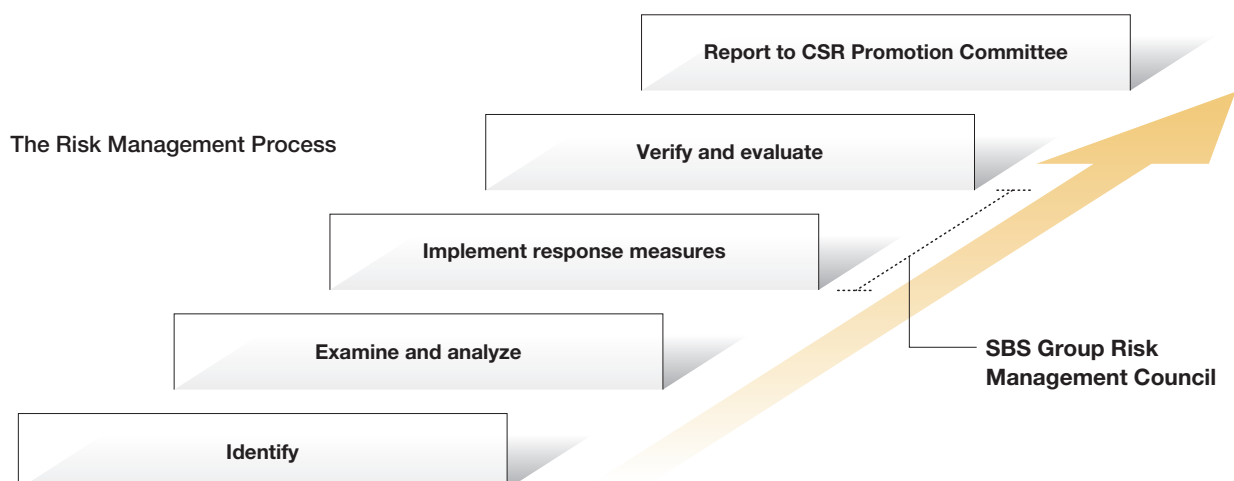
In light of the social significance of the SBS Group, on a daily basis its officers and employees shall manage risks by placing the highest priority on safeguarding human life and ensuring safety, and in the event a risk occurs, endeavor to contain the risk, minimize damages and enable a quick recovery.

● 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 
Risks due to changes in economic conditions [Short-term] Likelihood of Occurrence ●●●●● Degree of Impact ●●● Potential for Control ●●●	The businesses operated by the SBS Group are affected by economic and business trends in Japan and overseas, and by fluctuations in transportation demand among enterprise customers.	In the event of sluggish consumption due to a domestic economic contraction, a fall in import/export volumes triggered by a sharp appreciation of the yen or a serious contraction in an overseas economy, a reduction in the number of orders received or downward pressure on transportation fees could occur.	<ul style="list-style-type: none"> Promotion of business diversification Diversification of risks by expanding business partners Promotion of an enhanced and optimized business portfolio in conjunction with the above measures
Risks due to sharp rises in fuel prices [Short, Medium and Long-term] Likelihood of Occurrence ●●●●● Degree of Impact ¹ ●●● Potential for Control ●●	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.	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.	<ul style="list-style-type: none"> Creation of budgets that incorporate fuel price fluctuations (predictions) by keeping close watch on market trends Group Joint Purchasing 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
Risks associated with a worsening financial environment [Short-term] Likelihood of Occurrence ●●●●● Degree of Impact ●●●●● Potential for Control ●●	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.	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.	<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
Risks due to M&A activities [Short-term] Likelihood of Occurrence ●●●●● Degree of Impact ●●● Potential for Control ●●●●●	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.	Due to unexpected circumstances, the progress of a business plan following an acquisition or tie-up could be significantly delayed compared with initial forecasts.	<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>
Risks due to the real estate business [Short and Medium-term] Likelihood of Occurrence ●● Degree of Impact ●●●●● Potential for Control ●●●●●	The key activities of the SBS Group's Property Management Business are the development of real estate such as logistics facilities, and the provision of that real estate (through sale or leasing) to customers. If we are unable to acquire customers who will use the developed real estate according to our plans, it could be a factor in declining sales and profits. In addition, 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.	The impact on sales and profits when customers cannot be acquired as planned could be non-negligible, depending on the investment amount. Additionally, the same would apply if the sales and profits were skewed towards certain time periods or delayed.	<ul style="list-style-type: none"> Development of logistics facilities predicted on securing customers * 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 Detailed development schedule management Preparation of various schemes to securitize developed logistics facilities

*1. The impact rating was raised by 1 due to the seven-year high in spring 2022.

Management Status of Major Risks

	Overview 	Effect 	Response Status 	
Risks due to legislative changes [Short and Medium-term] Likelihood of Occurrence ●● Degree of Impact ●● Potential for Control ●●●●	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.	New cost 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.	<ul style="list-style-type: none"> Collecting information through industry groups and other organizations Preparations and actions in anticipation of legislative changes 	
Risks related to natural disasters and other incidents [Short, Medium and Long-term] Likelihood of Occurrence ●●●●●● Degree of Impact ●●●●● Potential for Control ●●	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.	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.	<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 the earthquake resistance of the main buildings used for projects Decentralization of major business sites to the extent possible 	
Risks associated with pandemics [Short, Medium and Long-term] Likelihood of Occurrence ●●●●●● Degree of Impact ●●●●● Potential for Control ●●●	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.	The outbreak of an infectious disease causes various restrictions on the business activities of the SBS Group. Taking measures to prevent infectious causes higher costs. In addition, if an infected person is confirmed in the SBS Group or shipping consignee, the SBS Group or the shipping consignee could be forced to restrict or shut down operations.	<ul style="list-style-type: none"> Thorough hygiene management for business sites and vehicles Having employees thoroughly implement infection prevention measures consistent with government guidelines (temperature checks when arriving at work, checking health status, washing and disinfecting hands, wearing masks) Taking swift measures to prevent the spread of infections when a person is confirmed to be infected 	
Risks due to serious incidents [Short-term] Likelihood of Occurrence ●●● Degree of Impact ●●●●● Potential for Control ●●●●●	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.	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.	<ul style="list-style-type: none"> Continued operation of SBS Groupwide 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 	
Risks due to system shutdowns [Short and Medium-term] Likelihood of Occurrence ●●●●●● Degree of Impact ●●●●●● Potential for Control ●●●●●	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, cyberattack, natural disasters or other incidents.	If any of these systems were to fail or operate incorrectly due to malfunction, computer viruses, cyberattack, 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. There is also a risk of causing unintentional damage to a third party.	<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 
Risks due to the leaking of customer information [Short and Medium-term] Likelihood of Occurrence ●●● Degree of Impact ●●● Potential for Control ●●●●●	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.	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.	<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
Risks related to compliance [Short and Medium-term] Likelihood of Occurrence ● Degree of Impact ●●●●● Potential for Control ●●●●●	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.	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.	<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
Risks related to overseas expansion [Short and Medium-term] Likelihood of Occurrence ² ●●●●● Degree of Impact ² ●●●●● Potential for Control ●●●	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.	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.	<ul style="list-style-type: none"> Ongoing collection and analysis of information concerning the countries and regions in which we operate Ensuring alternate means during an emergency
Risks related to the acquisition and development of human resources [Medium-term, Long-term] Likelihood of Occurrence ●●●●● Degree of Impact ●●●●● Potential for Control ●●●●●	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.	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.	<ul style="list-style-type: none"> Proactively hiring talented human resources without drawing distinctions between graduate or mid-career hires Various training for all employees of Group companies based on the basic policy on human resource development Conducting training, supporting skill improvement and career development
Risks associated with climate change [Medium-term, Long-term] Likelihood of Occurrence ●●●●● Degree of Impact ●●●●● Potential for Control ●●●	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).	The rising price of CO ₂ 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.	<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

* See page 39 for details.

²2. The likelihood of occurrence and impact ratings have been increased by 1 each in light of multifaceted impacts associated with the situation in Ukraine.

Impact on the business environment due to COVID-19 and the SBS Group's response

Continuing on from the previous fiscal year, in FY2021 the COVID-19 pandemic was a restricting factor on social and economic activity in Japan and overseas. State of emergency (SOE) declarations issued by the national government for various locations in Japan continued to change in terms of length and the regions affected, and as a result, our businesses were under state of emergency conditions for at least seven months in total across two SOEs, from January 7 to March 18, and from April 23 to September 28.

Under this environment, logistics entered a new stage. Demand for intercompany logistics, which had been hit hard in the previous fiscal year due to the pandemic, recovered both domestically and overseas as industry in general began to adapt to the new environment. In addition, logistics demand for food, daily necessities and the various products handled by online shopping also continued to grow, in part due to changing consumption styles.

Working under the COVID-19 Task Force and Basic COVID-19 Response Policy established during the first wave of COVID-19 infections, we have ensured thorough coordination of information within the Group, taken measures to prevent infections at each site, responded quickly and accurately when infections have occurred, and continued to disclose information. These initiatives have formed the basis for responding to new logistics demand in a way that places top priority on the safety and peace of mind of customers and employees.

The Tokyo 2020 Olympic and Paralympic Games ended up being held under state of emergency conditions, but we maintained smooth business operations by working to respond to the various policies and requests from the national government and local municipalities.

Framework Development

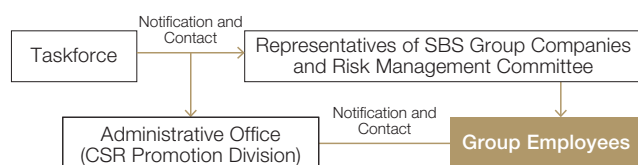
In connection with the emergence of COVID-19, the SBS Group has set up a task force, formulated basic response policies, and made efforts to conduct its business during the COVID-19 pandemic.

■ Our Changing Response

March 30, 2020	In response to the rise in infections (first wave), the COVID-19 Task Force is launched
April 3, 2020	Basic COVID-19 Response Policy is formulated
April 8, 2020	To coincide with the first state of emergency declaration, we begin the introduction and operation of the work system required to operate under the COVID-19 pandemic such as at-home work, distributed work and staggered shifts for sales and administrative department employees.

■ The taskforce plays a central role in coordinating information

The taskforce mainly comprises members of the Board of Directors of SBS Holdings and the representatives of core SBS Group companies, and is responsible for determining and approving various measures while notifying and maintaining contact with SBS Group companies.



Fiscal 2021

Taskforce Notices	Administrative Office Notices
5 times	12 times

Information is also communicated to employees via email and the Group's portal website.

As part of the Group wide policy that places an emphasis on business continuity during the pandemic (maintaining employment,

taking measures to prevent infection, ensuring the infrastructure that is essential for continuing with operations, cash flow measures), the Basic COVID-19 Response Policy was formulated and we have been pursuing business activities based on this policy.

The SBS Group Basic COVID-19 Response Policy

- 1 The SBS Group's basic philosophy is to value employees
 - Maintain the employment of staff
 - Pay 100% of salaries during home furlough periods
 - Ensure the health and safety of employees
- 2 Prevent infection clusters from forming within the Group
 - General ban on face-to-face meetings
 - General ban on business travel
 - Requiring employees to report on their physical condition
 - Appropriate measures when a person is infected
- 3 Continue current business operations with a focus on logistics
 - Prompt resumption of operations after an infected person is discovered (flexible support systems, advance preparations such as transferring some operations to other companies in the Group)
 - Maintaining employee motivation (reaffirming the significance of logistics as a part of social infrastructure, providing livelihood security to non-permanent employees)
 - Establishing and maintaining the minimum necessary chain of command and management functions
- 4 Ensure basic infrastructure
 - Ensuring a framework that can maintain the administrative operations that are essential for business continuity
 - Implementing measures in response to the situation (at-home work, distributed work, staggered shifts, etc.)
- 5 Adequate cash flow measures
 - Implementing financial measures at each Group company such as postponing non-urgent investments
- 6 Implement specific measures based on the above policy
- 7 Maintain lines of notification and communication within the Group

Based on decisions and approvals from the SBS Group COVID-19 Taskforce, notices and communications related to this policy are issued and communicated by SBS Group company representatives and the Risk Management Committee.

Measures to Prevent Infections

Based on the "list of reference materials to prevent COVID-19 infections and manage health in the workplace" released by the Ministry of Health, Labour and Welfare, the SBS Group has instituted key measures to prevent infection and provided guidance to employees.

(1) Through implementation of infection prevention measures at workplaces

- Washing and disinfecting of hands
- Wearing of masks, observance of coughing etiquette
- Hygiene management and ventilation (ensuring distancing, regular ventilation, measures in break rooms and changing rooms, disinfecting areas touched by multiple people)
- Health management (checking body temperature and physical condition, creating an environment that makes it easy for employees to report feeling unwell)
- Promoting work from home and staggered shifts (adjusting the percentage of employees coming into work based on the spread of infections)
- Utilizing online meetings, ensuring adequate distancing during face-to-face meetings and discussions
- Ban on non-essential outings and business travel (handled based on the state of infections)
- Ban on non-essential parties and dinners

(2) Private activities

- Moderation in behavior (wearing masks when going out, avoiding dinners and parties, avoiding crowded situations, etc.)
- Vaccinations (encouraging employees to get vaccinated)

Definitions Related to COVID-19 and Action to Take in the Event of Infection

The SBS Group formulated guidelines summarizing definitions related to COVID-19 (affected persons, close contacts, persons requiring observation) and action to take in the event of infection based on guidance from the Ministry of Health, Labour and Welfare and local governments, and rolled out the guidelines throughout the Group.

While our basic policy is to always follow the guidance of local health centers, when health centers are under strain and cannot be contacted or when active epidemiological studies have been scaled down, we make preparations to ensure accurate judgment and action, including measures to quickly identify close contacts and persons requiring observation and have them standby at home, and making sure that PCR tests and antigen testing kits are always available at each location. In addition, while sets for performing initial disinfection when infected persons are discovered have been allocated to each business site, in anticipation of constraints on market supply, sets of disinfectant solution and protective equipment have been stockpiled at four major locations throughout Japan as a part of a system to deliver needed supplies to business locations in each region.

Situation in the SBS Group Regarding Infections and Other Developments

Standards for announcing infections

When an infection occurs within the Group, the SBS Group considers the need to protect the personal information and privacy of the people affected to prevent prejudice, discrimination and damage to the reputation of business locations, and announces information in the following way.

1. When it is determined that a cluster has formed and there is a large impact on society
2. When an announcement is deemed necessary as a result of consultation with a customer (shipping consignor, etc.)

Details of announcement: The necessary information regarding the infection person(s) and business locations is announced to the extent that the individual person(s) infected cannot be identified.

Cumulative figures starting from the first infection (as of June 30, 2022)

Infected Persons	Close Contacts	Persons Requiring Observation
1,598	777	284

Through CSR that leverages our strengths as a logistics provider, we will contribute to the stability of daily life and a sustainable society.

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

In a degree of recognition for its efforts to date, SBS Holdings was made a constituent stock of the FTSE Blossom Japan Sector Relative Index at the beginning of April 2022.

The index was created by global index provider FTSE Russell, and is designed to be a sector-neutral index reflecting the relative performance of Japanese companies that excel in responding to the environment, society and governance (ESG) in each sector. Additionally, to encourage the shift to a low-carbon economy, for companies with particularly large greenhouse gas emissions, only the companies evaluated for their improvement efforts according to the TPI Management Quality Score are included.

TOPICS

The latest CSR topics (CSR news) are listed on the SBS Group website.
Top page → CSR Initiatives <https://www.sbs-group.co.jp/sbsh/csr/>

SBS Holdings

- Fiscal 2021 SBS Group Safety Slogan is set
- Number of business sites with G-Mark Certification increased to 169!
- SBS Group Awarded Eruboshi Certification for Promoting Women's Participation and Advancement in the Workplace
- SBS Group Vehicle Database System (commonly known as Sais) started operation
- Conclusion of Official Partnership Agreement with Ricoh Black Rams Tokyo

SBS Group

- Two SBS Group companies received the Logistics Optimization Effort Award at the All Japan Logistics Improvement Case Conference
- SBS Group Companies Awarded in Japan Packaging Contest 2021
- BUSINESS & CSR REPORT 2021 integrated report published
- Adoption of Electric Trucks in Last Mile Logistics in Japan First

SBS Ricoh Logistics

- Took part in the KANSAI LOGIX 2021 logistics expo
- Began operation of a trunk line network visualization system
- Atsugi Baseball Club held classes for infants and early elementary school students
- Implemented forest volunteer and corporate forest activities
- Received award for excellence in 2021 Eco-Driving Activity Contest

SBS Toshiba Logistics

- Automation-promoting shelf-carrying robots began operation
- Bulk image inspection system that improves productivity and quality was developed
- Kansai Branch received 2021 Osaka City Environmental Bureau Director's Award



SBS Flecnet

- Second group of technical interns from Vietnam started working!
- Won a prize for the first time in the female (truck girl) category at the 53rd Truck Driver Contest!

SBS Freight Service

- Local logistics in the Izu Peninsula posted to the company website
- Received certificate of appreciation from TB Logistics Service

SBS Logicom

- Responded to the rapidly growing online shopping logistics needs under the COVID-19 pandemic
- Published issue 9 of the LOGILINK logistics PR magazine
- Opened anti-flooding barrier-free trunk rooms following renovations
- Released an introductory video for the iGOQ vehicle dispatch matching service

SBS Sokuhai Support

- Launched a business matching service!
- Obtained ISMS certification at six new business sites
- Held the 1st Sales Driver Customer Service Manners Contest

Marketing Partner

- Released Sustainability POCHI VISIONS

Environment

Major Indicators (Fiscal 2021 Results)

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

1,617

Total CO₂ emissions
(compared with the previous year)

3% increase

Number of eco-friendly
vehicles introduced
(cumulative total)

From the following fiscal year, this
will be reported as "Number of
next-generation vehicles
introduced."

CO₂ emissions per unit of sales
(compared with the previous year)

30.77 % decrease

Modal shift
transportation volume

265,351_t

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

55 business sites



For details about our basic policy on the environment and the structure for promoting environmental initiatives, please check our website.

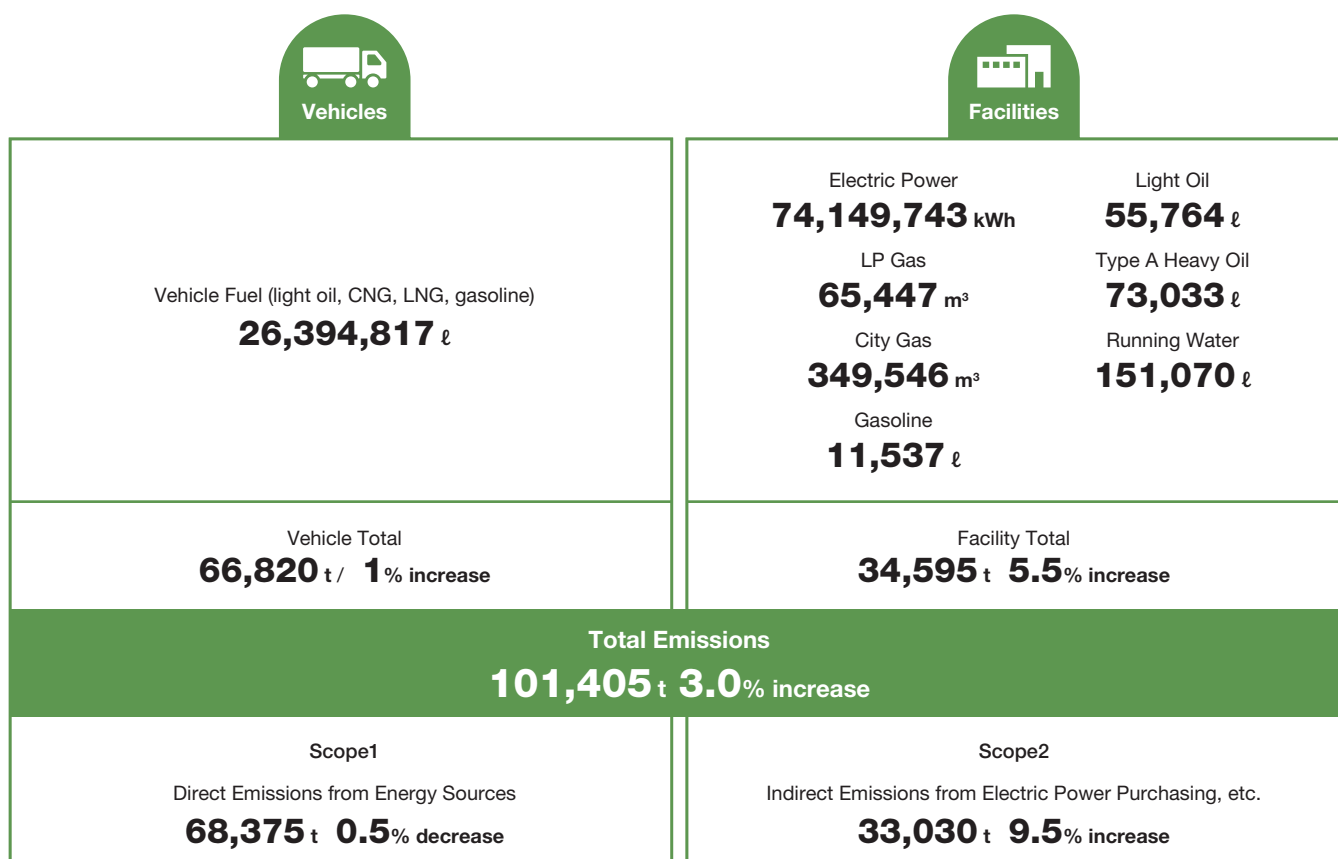
TOP → CSR Initiatives

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

In fiscal 2021, total CO₂ emissions increased 3% year on year, in part due to the addition of environmental data from SBS Toshiba Logistics, which joined the SBS Group the year before. However, CO₂ emissions per unit of sales, which indicates the environmental efficiency of the entire SBS Group, declined 30.77% year on year, enabling the Group to attain a higher level of environmental efficiency.

In addition, we began a new span (Environmental Action 2023) of the action plan under our Sincere Challenge 2030 medium-to-long-term environmental plan. Also note that starting fiscal 2021 the SBS Group began to consider the specifics of introducing next-generation vehicles. As a first step in that effort, we have been conducting demonstration testing of EV vehicles (1 ton) for last mile delivery service.

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 2021)



* Specific consumption is per employee (fiscal 2021: 23,950 employees)

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 2023). We will work on this plan in a sincere and proactive way.



SBS Group Mid-to-Long-Term Environmental Plan

Plan Name Sincere Challenge 2030

Slogan “We take on the challenge of making an eco-friendly society full of green!”

Priority Issues	Mid-term	<p>Curtailment of CO₂ emissions (reduction of carbon emissions from vehicles and facilities)</p> <p>Promotion of resource recycling (effective use and recycling of waste)</p> <p>Conservation of natural resources (reduction of use of copying paper and water)</p>
	Long-term	<p>Strengthening reduction of CO₂ emissions from vehicles (formulation and implementation of plan for introduction of next-generation vehicles)</p>

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.

The SBS Group is implementing Environmental Action 2023 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 2021 to fiscal 2023) to be achieved.

In fiscal 2021, we largely achieved our goals for CO₂ emissions, mainly on a per-unit basis. However, regarding reductions in the

amount of paper used for PPC, despite actively promoting paperless meetings in administrative settings, effective reduction measures were not taken in operational settings, and the amount used has increased as the size of the business has grown. Going forward, we will reexamine measures with the aim of making fundamental improvements. Moreover, since the goals set for these activities were too far from reality, for the meanwhile we will change our action plan with the goal of achieving reductions of "at least 1% year on year."

Environmental Action 2023

Aim	Action	Goal			Results		Achievement Status
		2021	2022	2023	2020	2021	
 Preventing global warming	Reduction in CO ₂ emissions per unit of sales	At least 3% year-to-year			40.77 tons / 100 million	28.23 tons / 100 million	○ 30.77% decrease
	Reduction in CO ₂ emissions per distance traveled in vehicles	At least 1% year-to-year			0.50 kg/km	0.48 kg/km	○ 4.21% decrease
 Resource conservation [water and forests]	Reduction in water usage per employee	At least 1% year-to-year			6.32 m ³	6.31 m ³	△ 0.21% decrease
	Reduction in PPC paper usage per employee	At least 1% year-to-year			3,598 sheets	3,753 sheets	× 4.28% increase
 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			5.01 km/ℓ	5.03 km/ℓ	△ 0.4% decrease
	Improved eco-friendly vehicle ownership rate ^{*1}	-			92.45%	-	
	Eco-driving promotion	Development of an evaluation and commendation system	Launch of the evaluation and commendation system	Firm establishment of the evaluation and commendation system	Commendations awarded to 6 business sites	Commendations awarded to 4 business sites	○
		Year-to-year increase in EMS introduction rate			2,218 vehicles	Completed introduction of cargo vehicles	○
 Education	Raising awareness of environmental action (putting up 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.		○

*1 From the following fiscal year this will be set as "number of next-generation vehicles introduced"

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 business expenditures (rising costs to comply with laws and regulations, rising insurance premiums)	Pressure on management due to business expenditures / pressure on management due to rising environmental investment costs (higher expenditures due to the decarbonization of vehicles and other equipment) / rising costs and lower revenues associated with stronger CSR procurement on the part of customers	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	Higher expenditures due to the decarbonization of vehicles and other equipment / introduction of next-generation vehicles / introduction of energy-saving measures / introduction of other environmental conservation measures / usage 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.)
	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	Decline in order amounts and losses due to changes to the operational status of customers	Reduced revenue and lost orders due to worsening financial conditions for customers	Ascertaining market conditions and strengthening CSR management
Physical	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

— Responding to the Taskforce on Climate-related Financial Disclosures (TCFD)

As a part of its ESG information disclosures, SBS Holdings will develop climate change-related information disclosures based on the TCFD recommendations.

- Declaration of support for TCFD: during 2022
- Start of information disclosures based on the TCFD recommendations: 2023 onward

To mitigate climate change, we will engage in multifaceted efforts focusing on vehicles and facilities, which are major sources of CO₂ emissions but which can also create energy with innovative approaches.

— Initiatives Related to Vehicles

① Eco-driving

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.

② Introduction of next-generation vehicles

With options for cargo vehicles extremely limited at the moment, we have begun practical verification tests aimed at the practical use of EVs for last mile delivery service. SBS Group is planning to replace approximately 2,000 vehicles that are operating as e-commerce vehicles in last mile logistics with electric vehicles in the coming five years or so, and to adopt approximately 10,000 electric vehicles over the medium term as vehicles of partner companies as well.

— 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 55 business sites, and the effects of doing so have been visualized. We will continue to actively promote these activities.

— Creation of Renewable Energy

The SBS Group maintains solar power generating equipment (total generating capacity of approx. 13megawatts) at 16 locations (facility rooftops and dedicated installations), contributing to the creation of renewable energy. Although on-site use accounts for only several percent of total generation, in the future we plan to shift to on-site use.

— Modal Shift

The SBS Group also supports modal shift. Modal shift refers to social contribution-oriented modes of transportation that not only reduce the impact on the environment but also address the shortage of drivers. In 2015, SBS Logicom Co. Ltd. participated in promoting the model shift of sales routes for liquor dealers and helped significantly reduce CO₂ emissions as a result. The company received a joint award under the Excellent Green Logistics Commendation Program.

Companies targeted for modal shift

(SBS Toshiba Logistics / SBS Ricoh Logistics / SBS Logicom)

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.

— Preventing Air Pollution

Harmful air pollutants emitted from vehicles are continually measured and managed. In recent years we have continued to update our vehicles and these emissions have been decreasing with each year.

Usage / Fiscal Year	2019	2020	2021
Nox (unit: kg)	141,085	138,977	104,815
Year-on-year decline (%)	-10.93%	-1.49%	-24.58%
PM (unit: kg)	3,729	3,458	2,587
Year-on-year decline (%)	-11.72%	-7.27%	-25.19%

Solar power generating equipment

16 locations

Total power generating capacity

Approx. **13** mega watts

Number of employees taking eco-driving and safe-driving training (as of December 31, 2021)

1,617

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

55 business sites

Modal shift transportation volume (fiscal 2021)

265,351 t

(fiscal 2021)

Rail cargo: 242,610 t, ship cargo: 22,740 t

Safety & Social

Key Indicators [Safety] (Fiscal 2021 Results)

Number of
Transportation Safety
Promotion Meetings Held

4 times

Number of Group
Safety Training
Sessions Conducted

37 times

Group-Average
Fuel Efficiency

5.03 km/ℓ

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

169 business sites (89.4%)

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/>



In fiscal 2021, as usual we identified points of improvement in terms of safety and reflected them in operation and management work, took measures against health-related incidents (SAS measures, prevention of overwork, heat stroke, etc.) and the prevention of truck

and forklift accidents (analysis and training) as priority issues, and promoted operational safety management. We are also pleased to report zero serious accidents throughout the SBS Group.

Priority Risks

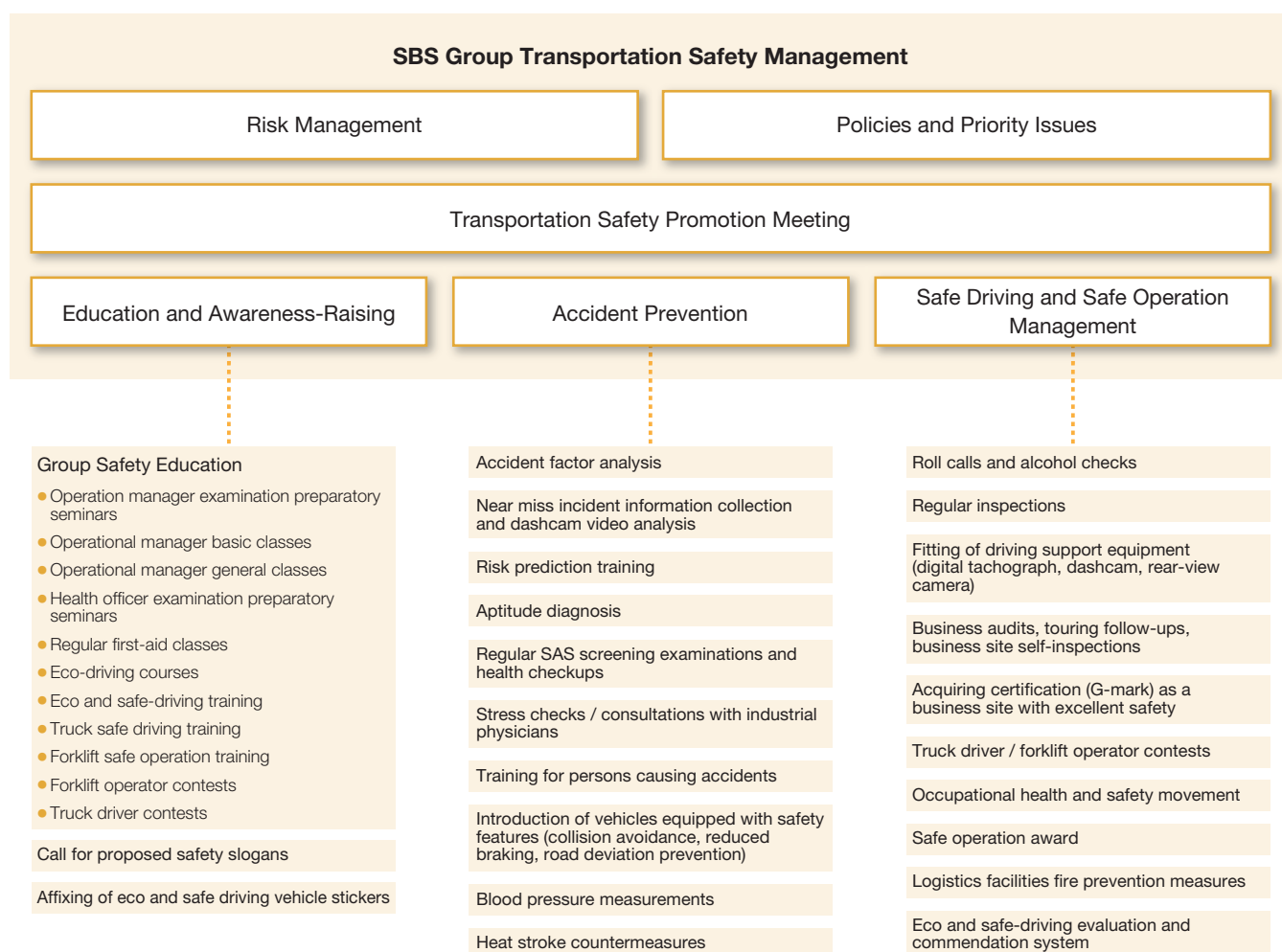
Strengthening employee health management, reducing major accidents, strengthening fire prevention measures at logistics facilities

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



Group Safety Education

Regular determinations made by operational managers are extremely important in minimizing the risks of serious accidents and other risks. 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 2021 we resumed several training sessions that had been postponed due to the COVID-19 pandemic.



SBS Group Safety Education Curriculum Implementation Status for 2021

Curriculum	Number of Sessions Held	Number of Trainees
Operation manager examination preparatory seminars	12	229
Operational manager basic classes	12	180
Operational manager general classes	4	120
Health officer examination preparatory seminars	1	65
Regular first-aid classes	2	30
Eco-driving courses	1	23
Eco and safe-driving training	1	24
Truck safe driving training	1	26
Forklift safe operation training	2	45
Forklift operator contests	Cancelled	-
Truck driver contests	Cancelled	-

Meetings **36**

Number of Trainees **742**

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 in recent years, 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.

Standardization of Operational Management

The SBS Group, which is made up of multiple logistics companies, has prepared an operational management manual (in booklet and video form) that is common to the Group and makes efforts to standardize the knowledge and business operations of operational managers, maintenance managers and crew.



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. For fiscal 2022, one entry each was selected for the traffic safety slogan and business site safety slogan.

Fiscal 2022 Traffic Safety Slogan

Drive with a broad mind and wide field of vision

Tomoya Nomura, Kodaira Sales Office, SBS Zentsu Co., Ltd.

Fiscal 2022 Business Site Safety Slogan

Preconceptions, carelessness and impatience cause accidents

Isao Kihara, Matsuyama Center, Hinomaru Kyuso 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.



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 reduce incidences of heat stroke. We will continue to address this issue with the aim of completely eliminating cases of heat stroke among our employees.

Truck Driver / Forklift 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, and hone skills through friendly competition. In addition, the contests aim to raise awareness of their social responsibilities as drivers and operators by 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.



The FY2021 Truck Driver Contest and Forklift Operator Contest were postponed due to the COVID-19 pandemic.

Raising Awareness of Accident Prevention and Safety

The SBS Group creates and displays various posters as part of efforts to prevent vehicles and occupational accidents, and to raise awareness about safety.



Fitting of Driving Support Equipment

All cargo vehicles operated by the SBS Group are fitted with digital tachographs. These devices not only ensure compliance with speed limits but also record, evaluate and analyze a range of information including sudden accelerations and decelerations, the opening and closing of doors, and idling information. This is used to prevent accidents, improve mileage and raise awareness about safe driving. In addition, all vehicles are equipped with dash cams, and we make every effort to improve safe driving habits by monitoring driving conditions. New vehicles are also equipped with rear cameras and collision avoidance support systems to prevent collisions when reversing. Going forward, the SBS Group will continue to enhance support for the safety of crew members.

Fire Prevention Measures at Logistics Facilities

The SBS Group has created its own 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

We implement an 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 awards commendations to business sites that have achieved excellent results in eco and safe-driving (based on evaluation items including fuel efficiency improvement rate compared with the previous year, and the implementation status of safe driving management and safety education). The SBS Group strives to improve quality in both environmental and safety terms through this system.

Business Sites Awarded Eco and Safe-Driving Evaluation and Commendations in FY2021

Company Name	Branch Name
SBS San-ai Logistics Co., Ltd.	Tohoku Office, Southern Tohoku Branch, East Japan Branch Office
SBS Logicom Kanto Co., Ltd.	Keiyo Branch
SBS FlecNet Co., Ltd.	Nagoya Sales Office
SBS Zentsu Co., Ltd.	Kaihin Office, Chiba Delivery Section, No. 2 Delivery Department

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.

— 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 64 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.

— 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 develop 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 COVID-19 pandemic, telework and work-from-home systems were developed (drawing up of rules and practical development of various functions) for the administrative divisions. 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, specialized theme-specific training, department-specific training and personal development support, and is designed to help employees improve their skills and develop their careers.

* See the CSR data on pages 64 for a breakdown of the curricula.

Developing a Pleasant Workplace

The SBS is committed to developing a workplace in which anyone can work with peace of mind and demonstrate their capabilities based on the promotion of diversity and workstyle reforms.



Eruboshi Certification for Promoting Women's Participation and Advancement in the Workplace
* SBS Holdings



Kurumin Certification for companies offering childcare support to employees
* SBS Holdings



Certification System for Pleasant Workplace Development (Automotive Transport Business Operators)
* SBS Ricoh Logistics, SBS Zentsu

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.

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

Communication with Employees

Publication of the SBS Express Group magazine **4 times**
Compliance Training Tools **7 times** * Individual educational tools for divisions and business sites

Communication with Shareholders and Investors

Total Financial Results Briefing Attendees **173 (twice a year)**
Responses to Investors and Analysts **131 / year**

Media Communication

Press Releases Issued **73**
Web Information **7**

Website Communication

Number of Visitors **3,639,514**
(1,183,665)
Page Views **14,784,487 PV**
(6,259,040) * Figures in parentheses are for SBS Holdings, Inc.

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 Certified NPO Organization 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)

Number of Times Support Was Provided **18 times**
(Since 2018 launch to 2021 present)

Major Support Initiatives in Fiscal 2021 (Storage)

Cup noodles	1080 cases, 36 pallets	Canned soup stock	2500 cases, 29 pallets
Packaged cooked rice	768 cases, 16 pallets	Mayonnaise	3584 cases, 45 pallets
Oatmeal	32 cases, 32 pallets	Canned fruit	562 cases, 11 pallets

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 promotes 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.

— Endowed Course at the University of Tokyo

Together with Yamato Holdings Co., Ltd. and Suzuyo & Co., Ltd., SBS Holdings Co., Ltd. has established the Endowed Research Department for Advanced Logistics Science at the Research Center for Advanced Science and Technology, the University of Tokyo, and from April 2020, began offering lectures for graduate students of the university's School of Engineering. The course aims to develop high-level logistics human resources who can use advanced science and technology to transform logistics, to solve issues faced by logistics companies, and to contribute to the development of the Japanese economy.

— 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-kamazaidan.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 2021 **4**

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 2021 **76**

Application Requirements: Students who are generally at least 18 years old and have been accepted for enrollment into higher education, who are children residing in a child welfare home or living in a foster home in the Kanto region, and who plan to advance to university, junior college, a vocational school or similar
Scholarship Amounts: 300,000 yen per student (as a higher education allowance)

Results of Issued Grants and Awarded Scholarships

	2015	2016	2017	2018	2019	2020	2021
Logistics research grants	6	7	7	9	6	6	4
Number of scholarships granted (number of recipients)	-	-	30	34	57	74	76

Results of Logistics Research Adopted in Fiscal 2021

Name of Affiliate Organization	Position	Name	Research Subject	Grant Amount (thousand yen)
Nihon University College of Commerce	Associate Professor	Takuya Akikawa	Survey of young women's perceptions of employment in the logistics industry	500
Faculty of Education, Gifu University	Assistant Professor	Shumpei Harada	Study on the possibilities of freight and passenger consolidation as a measures for persons with limited opportunities for shopping.	500
Academic Research Institute, Tokyo University of Marine Science and Technology	Associate Professor	Toshimasa Asou	Work instruction support systems at logistics facilities	500
Graduate School of Informatics and Engineering, The University of Electro-Communications	Associate Professor	Dairoku Muramatsu	Development of a passive-type intra-body communication-based picking system to improve the efficiency of logistics work	500

Governance

Major Indicators (Fiscal 2021 Results)

Outside Directors	Board of Directors meeting attendance rate by outside directors	Audit & Supervisory Committee meeting attendance rate	Assessment of Internal Control Related to Financial Reporting for Fiscal 2020
5 (out of 12 directors)	All Directors: 98% Outside Directors: 97%	97%	Valid

Basic Approach

As the holding company of the SBS Group, SBS Holdings ("the Company") ensures the efficiency, soundness and transparency of overall SBS Group management. Additionally, to continually enhance corporate value and become a company that earns the trust of society, the Company promotes compliance and risk management Group-wide.

At the Board of Directors meeting held in December 2020, the Board resolved to shift to the structure of a company with an Audit & Supervisory Committee. The resolution was approved at the Ordinary General Meeting of Shareholders held in March 2021. The purpose of the shift to this structure is twofold, as described below.

(1) Enhancing management transparency

Audit & Supervisory Committee members responsible for auditing and otherwise overseeing directors in the execution of their duties having voting rights on the Board of Directors enhances its monitoring function and further improves management transparency.

(2) Speeding up decision making

The provisions of the Articles of Incorporation make it possible to delegate decisions regarding the execution of important business to directors, and directors can make decisions on the execution of business without requiring resolution by the Board of Directors, which is designed to further improve the flexibility of management decisions.

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/>

The Company has established a General Meeting of Shareholders, Board of Directors, Audit & Supervisory Committee and Accounting Auditor as corporate bodies.

— General Meeting of Shareholders

The Company regards those shareholders listed or registered in the final shareholders' register as of December 31 of each year to be the shareholders entitled to exercise their rights at the Ordinary General Meeting of Shareholders in that fiscal year. The Ordinary General Meeting of Shareholders is convened within three months of the day following the last day of each fiscal year. In addition, extraordinary general meetings of shareholders are convened whenever necessary. The General Meeting of Shareholders is convened and chaired by the President and Representative Director. Resolutions made as decision-making mechanisms at the General Meeting of Shareholders are carried out based on a majority of the voting rights of shareholders who are present and entitled to exercise their rights, except when otherwise provided for by law or the Articles of Incorporation.

— Board of Directors

The Company's Board of Directors comprises 12 members, five of whom are outside directors. Except when otherwise provided for by law, the Representative Director and President shall convene and chair meetings of the Board of Directors, but an Audit & Supervisory Committee member appointed by the Audit & Supervisory Committee may also convene Board of Directors meetings. As a decision-making body, the Board of Directors decides on matters required by law, matters set forth in the Articles of Incorporation, management policy and important matters related to management. The board also monitors and supervises directors in the performance of their duties. Resolutions of the Board of Directors are passed when a majority of directors eligible to take part in votes are present, based on a majority of the votes of those directors in attendance.

The Board of Directors meets at least once a month and on an extraordinary basis when necessary, operating under a structure that enables swift and effective decision making on the part of directors. In addition, some directors with the exception of outside directors serve concurrent roles as directors of the Group's major subsidiaries, in order to enable the deliberation of important matters concerning subsidiaries and facilitate smooth communications within the

SBS Group through their attendance at Board of Directors meetings.

An executive officer system has been introduced to speed up decisions on management strategy and further enhance systems for the execution of business.

— Audit & Supervisory Committee

The Audit & Supervisory Committee is made up of three directors who are Audit & Supervisory Committee members, two of whom are outside directors. The Audit & Supervisory Committee meets at least once a month and on an extraordinary basis when necessary, and fulfills the role of auditing and supervising the execution of duties by members of the Board of Directors other than Audit & Supervisory Committee members and matters of legality. The Audit & Supervisory Committee members, primarily its chairperson, also attend Board of Directors meetings and other key internal meetings where they provide advice as necessary.

— Accounting Auditor

The accounting auditor retained by the Company is selected by a resolution of the General Meeting of Shareholders. The term of appointment of the Accounting Auditor shall expire at the end of the Ordinary General Meeting of Shareholders that is the final such meeting within the fiscal year ending within one year of the Accounting Auditor's appointment. Compensation and other matters concerning the Accounting Auditor shall be designated by the Representative Director with the consent of the Audit & Supervisory Committee.

There are two reasons why the Company has adopted this current structure: (1) to ensure the swift decision making and the flexibility of decision-making bodies as the greatest management strengths of SBS Holdings and the SBS Group; and (2) to firmly maintain sound management through the objective and neutral monitoring of management.

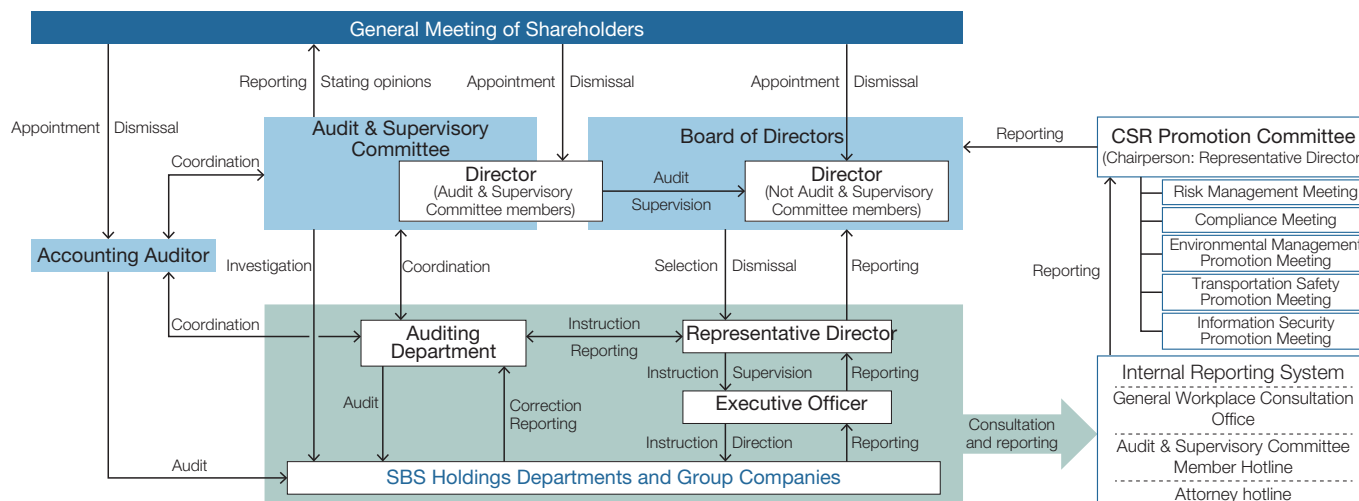
Number of Board of Directors Meetings and Status of Attendance (FY2021)

Meetings	13
Attendance Rate (%)	All Directors (12 members) 98%
	Outside Directors (5) 97%

Number of Audit & Supervisory Committee Meetings and Status of Attendance (FY2021)

Meetings	14
Attendance Rate (%)	97%

Organizational Chart of Corporate Governance



Board of Directors



Masahiko Kamata

President, Representative Director and CEO
Number of Shares Held: 14,388,400

Mr. Kamata has served as the Company's President and Representative Director since March 1988, and as CEO since March 2004. He also serves as representative director of SBS Group companies, including SBS Logicom Co., Ltd. and SBS Sokuhai Support Co., Ltd., and as a director of SBS Flec Co., Ltd., SBS Zentsu Co., Ltd., SBS Ricoh Logistics System Co., Ltd. and SBS Toshiba Logistics Co., Ltd. Additionally, he assumed the post as director of the SBS Kamata Foundation in July 2013.



Yasuhito Tanaka

Director, Executive Officer
Number of Shares Held: 4,400

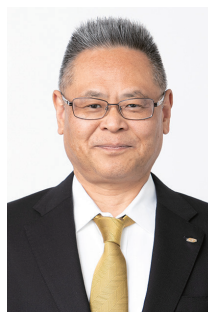
After working at The Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation Group), he assumed the post of Assistant General Manager of the Corporate Planning Department of SBS Holdings in November 2010. He has served as an executive officer (General Manager of Corporate Planning Dept.) since December 2018 and as a director since March 2021. He also serves as a director of SBS Asset Management Co., Ltd., L-MAX Co., Ltd., SBS Ricoh Logistics System Co., Ltd. and SBS Toshiba Logistics Co., Ltd.



Masato Taiji

Director, Managing Executive Officer
Number of Shares Held: 13,100

He has served as General Manager of the Human Resources Division of Tokyu Logistics Co., Ltd. And TL LOGICOM Co., Ltd., both of which are currently SBS Logicom Co., Ltd., and has been a Director of SBS Holdings since March 2017. From March 2019, has also served as Managing Executive Officer (in charge of Human Resources and General Affairs).



Katsuhisa Wakamatsu

Director
Number of Shares Held: 6,700

After working as head of the Production Management Center at Ricoh Company, Ltd., in October 2011 he became a Director and Executive Officer of Ricoh Logistics System Co. Ltd. (now SBS Ricoh Logistics System Co., Ltd.) as Representative Director, President and Chief Executive Officer of Ricoh Logistics in October 2013. He has also served as a Director of SBS Holdings since March 2019.



Kenichi Iriyama

Director
Number of Shares Held: 144,000

After working at the Long-Term Credit Bank of Japan (now Shinsei Bank, Limited), he took on the post as General Manager of the Corporate Planning Office of SBS Co., Ltd. (now SBS Holdings Co., Ltd.) from June 2002. He served as Director and General Manager of the Administration Department, Managing Executive Officer, and from March 2019 Senior Executive Officer of the SBS Holdings. He took on his current post as Director from March 2022. He also serves as a Director of SBS Group companies.



Gen Kato

Director
Number of Shares Held: -

After working as General Manager of the Logistics and Production Division of Kirin Business System Co., Ltd., as Director and East Japan Branch President of Kirin Logistics Co., Ltd., President and Representative Director of Kirin Group Logistics Co., Ltd. and Executive Officer of Kirin Brewery Co., Ltd. From December 2019 he became Vice President and Executive Officer of SBS Flec Co., Ltd., and since March 2020 has served as Representative Director, President and Executive officer of SBS Flec Co., Ltd. and as a Director of SBS Holdings.

Male / Female Ratio of Directors

Male: 11
Female: 1
(Male: 92%, Female: 8%)

For more detailed information on the biographies of each director, please refer to the "Company Officers" section in SBS Holdings' securities report.



Jiro Iwasaki

Outside Director

Number of Shares Held: 200

Mr. Iwasaki serves as a Director and Senior Executive Officer at TDK Corporation and as a Director and Managing Executive Officer at JVC Kenwood Corporation (General Manager of Corporate Strategy). He has served as an Outside Audit & Supervisory Board Member and now Outside Director of GCA Corporation, and also serves as an Outside Director of Renesas Electronics Corporation. At SBS Holdings, he was appointed Outside Audit & Supervisory Board Member from March 2011, and has served as an Outside Director since March 2015.

Audit & Supervisory Committee



Takashi Endo * Newly appointed

Director (Full-time Audit & Supervisory Committee Member)

Number of Shares Held: -

After working at the Long-Term Credit Bank of Japan (now Shinsei Bank, Limited) for 30 years, he took on the post of General Manager of the Corporate Planning Department, Executive Officer and General Manager of Finance at the Company, and served as Representative Director of Japan Logistics Future Investment Fund (now Japan Logistics Future Investment). From March 2022, he has served as a Director (Audit & Supervisory Committee member) of the Company.



Tetsuya Sekimoto

Outside Director

Number of Shares Held: -

In April 1991 Mr. Sekimoto established Sakurasogo Law Offices (now Del Sole Sakura Law Office). In November 2012 he assumed the post of Representative Director of Del Sole Consulting Corporation. He serves as an Audit & Supervisory Board Member of Koyo Chemical K.K., Outside Audit & Supervisory Board Member of Premium Value Bank K.K., and as an Outside Director of Mitsumi Electric Co., Ltd., Samantha Thavasa Japan Limited and IBJ Inc. He has served as an Outside Director of SBS Holdings since March 2014.



Masato Matsumoto

Outside Director (Audit & Supervisory Committee Member)

Number of Shares Held: -

He has served as a Managing Executive Officer, Vice President and Representative Director at Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., and in the same capacity as Managing Executive Officer at Mitsubishi UFJ Financial Group, Inc. Since March 2019, he has served as an Outside Audit & Supervisory Board Member of SBS Holdings, and as an Outside Director (Audit & Supervisory Committee member) since March 2021.



Shuichi Hoshi

Outside Director

Number of Shares Held: 2,000

After working as General Manager and Executive Officer of the Food Products Marketing & Distribution Department of Itochu Corporation and as President and Representative Director of Itochu-Shokuhin Co. Ltd., Mr. Hoshi assumed the role of Outside Director of SBS Holdings from March 2019. Since June 2020 he has also served as an Outside Director of Morinaga & Company, Ltd.



Sachie Tsuji

Outside Director (Audit & Supervisory Committee Member)

Number of Shares Held: -

As a certified public accounting, Ms. Tsuji has served as a Representative Director of SPLUS Corporation, Director of Tsuji Sachie Public Accounting Office, Director of the Association of Certified Fraud Examiners, as an Outside Audit & Supervisory Board Member of C'BON COSMETICS Co.,Ltd, and as an Outside Audit & Supervisory Board Member of Shindengen Electric Manufacturing Co., Ltd. Since March 2021, she has served as an Outside Director (Audit & Supervisory Committee member) of SBS Holdings.

Executive Officer

* Serving concurrently as director

Masahiko Kamata Representative Executive Officer*

Masato Taiji Executive Officer*

Responsibilities: Human resources and general affairs

Assigned Departments: CSR Promotion Department, Human Resources Division, General Affairs Division, Legal Office, Logistics Quality Control Division

Yasuhiro Tanaka Executive Officer*

Responsibilities: Corporate planning, business oversight

Assigned Departments: Corporate Planning Division, Business Development Division, Business Strategy Division

Natsuki Gomi Executive Officer

Responsibilities: Finance, IT/LT oversight

Assigned Departments: IR and Corporate Communications Division, Finance Division, Accounting Division, Information Systems Division 1, Information Systems Division 2, IT Planning division, LT Planning Division, Group Common Infrastructure Promotion Division

— Appointment of Directors

As directors of SBS Holdings, the President nominates individuals who possess a vast array of knowledge and expertise concerning SBS Group management, financial strategy, risk management and legal compliance, are of outstanding character, and who possess the knowledge, experience and skills to fulfill their responsibilities. After seeking feedback from outside directors, the Board of Directors is consulting on draft nominations, which are then approved by the General Meeting of Shareholders.

In addition, in the appointment of the representative directors of Group companies and other top management, the President nominates individuals of outstanding character who possess the knowledge, experience and skills to fulfill their responsibilities. After receiving approval by the SBS Holdings Board of Directors, the nominations are approved by the General Meeting of Shareholders of the Group company concerned.

Also note that SBS Holdings lists the individual reasons for nomination for all candidate directors in the Convocation Notice for the General Meeting of Shareholders.

Number of independent officers
among outside directors

4 (out of 5)

— Restrictions on Concurrent Positions Held by Company Directors

An internal director of SBS Holdings shall only serve concurrently as an officer at another publicly listed company when there are clear reasons for doing so, such as helping to strengthen the business relationship with that company, and the officer concerned shall focus on their duties at SBS Holdings as much as possible. The status of these concurrent positions is disclosed in business reports on an annual basis.

— Outside Directors

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 on the independence of outside directors are set forth in Appendix 1 of the Corporate Governance Guidelines to prevent conflicts of interest with regular shareholders.

To encourage lively discussions at Board of Directors meetings, meeting materials are sent to members in advance, and at the request of outside directors, the departments raising agenda items may provide prior briefings to outside directors on the matters to be discussed, as part of efforts to minimize information disparities with internal directors. In addition, one member of staff is appointed to assist the duties of outside audit & supervisory board members, and the Auditing Department, the internal auditing organization of the Company, also provides assistance as needed.

— Balance of knowledge, experience and abilities on the Board of Directors overall, and approach to the board's diversity and size

When appointing candidates for director, in addition to the perspective of strengthening management oversight functions, a balance between the number of people in supervisory and executive roles is also considered. In addition, to effectively fulfill the role and purpose of the Board of Directors, the board is made up of personnel who possess experience and knowledge of priority issues that related to business management.

When appointing candidates for outside director, people with management experience at companies from other industries are considered, not limited to those from the logistics industry which constitutes the core business of the SBS Group, and candidates are appointed with diversity in mind, including those with expert knowledge related to law and accounting audits.

Candidates for internal director are selected from among those with a wide range of knowledge and expertise related to the management of the SBS Group, financial strategy, risk management and compliance, and the representatives of the SBS Group's core subsidiaries are also considered.

The Company is considering disclosing the combination of skills and other qualities possessed by its directors by way of a skills matrix.

Appointment of Outside Directors

Name	Audit & Supervisory Committee Members	Independent Officer	Reason for Appointment	Concurrent Posts
Jiro Iwasaki		○	Jiro Iwasaki brings a wealth of experience and broad insight concerning management from many years as a company officer, and was appointed on the expectation that his experience and knowledge as an outside officer can be reflected in the management of SBS Holdings.	Outside director (full-time audit & supervisory committee member) of GCA Corporation Outside director of Renesas Electronics Corporation
Tetsuya Sekimoto		○	Tetsuya Sekimoto possesses extensive experience and expert knowledge as an attorney as well as experience and knowledge as an outside officer, and was appointed on the expectation that these experience and knowledge can be utilized for the compliance management of SBS Holdings.	Outside director of IBJ Inc.
Shuichi Hoshi		○	Shuichi Hoshi worked for many years as the head of the food logistics department for a general trading company and was appointed on the expectation that the business experience he accumulated there and managerial acumen he has cultivated as a company officer can be utilized as a director of SBS Holdings.	Director of Itochu-Shokuhin Co. Ltd. Outside director of Morinaga & Company, Ltd.
Masato Matsumoto	○		Masato Matsumoto possesses extensive experience as a corporate manager at a financial institution along with considerable knowledge regarding finance and accounting. He was appointed on the expectation that his broad knowledge in these areas can be reflected in the auditing of SBS Holdings.	Outside director of Sundrug Co., Ltd.
Sachie Tsuji	○	○	Sachie Tsuji possesses many years of experience working on internal control, internal auditing and compliance in addition to her specialized knowledge and experience as a certified public accountant, and was appointed on the expectation that her specialized knowledge in these areas can be reflected in the auditing of SBS Holdings.	Representative director of SPLUS Corporation Director of Tsuji Sachie Public Accounting Office Director of the Association of Certified Fraud Examiners Outside audit & supervisory board member of C'BON COSMETICS Co., Ltd. Outside audit & supervisory board member at Shindengen Electric Manufacturing Co., Ltd.

— Officer Remuneration

To coincide with the shift to a company with an Audit & Supervisory Committee, the Company resolved a policy at a Board of Directors meeting concerning decisions related to the amount and calculation methods of remuneration for directors (excluding directors who are Audit & Supervisory Committee members).

With the aim of incentivizing sustained growth and enhanced corporate value, in accordance with the Internal Regulations on Director Remuneration the remuneration of the Company's executive directors comprises base remuneration determined on a positional basis, and performance remuneration linked to the Company's business results. The ratio of performance remuneration to total remuneration is set at around 15%. As the subsidiaries concerned conduct the performance evaluations of directors who concurrently serve as the representative directors of subsidiaries, the remuneration of those directors at SBS Holdings comprises only the base remuneration, pursuant to the Internal Regulations on Director Remuneration. The remuneration of outside directors (excluding directors who are Audit & Supervisory Committee members) comprises only base remuneration, pursuant to the Internal Regulations on Director Remuneration.

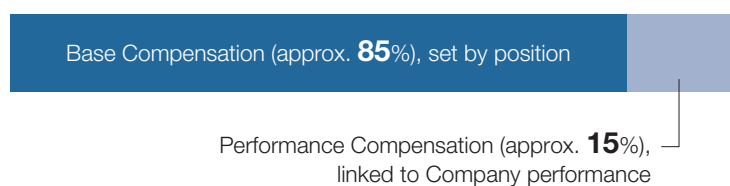
To better link with Company business performance with remuneration and to enhance objectivity and transparency, performance remuneration uses consolidated operating income as a measure for evaluation. Amounts for performance compensation are calculated by taking the sum of quantitative points based on 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 (excluding gain on the sale of real estate) related to performance compensation in the fiscal year under review was 10,700 million yen, and the Company posted 10,790 million yen, achieving this target.

The remuneration of directors (excluding directors who are Audit & Supervisory Committee members) is determined by the President and Representative Director Masahiko Kamata, having been entrusted to do so by the Board of Directors, by formulating remuneration plans for each director in accordance with internal regulations on director remuneration and seeking feedback from directors who are Audit & Supervisory Committee members and outside directors. The reason for this delegation of authority is that the Board of Directors has determined that it is most reasonable for the President and Representative Director, who has been responsible for the management of SBS Holdings and the SBS Group for many years, to evaluate the performance of each director's assigned duties in the broader context of the Company's overall performance. Also note that the Board of Directors has determined that the details of individual remuneration of directors in the fiscal year under review were set in light of Company performance and in accordance with the aforementioned internal regulations.

Upper limits on the total remuneration of the directors of SBS Holdings were approved by the 35th General Meeting of Shareholders held on March 25, 2021. Remuneration for directors who are not Audit & Supervisory Committee members is limited to 200 million yen annually (of which up to 40 million yen is allocated to outside directors), and remuneration for directors who are Audit & Supervisory Committee member is limited to 50 million yen annually.

Composition of Director Remuneration



Consolidated Operating Income Associated with Performance-Linked Remuneration in the Fiscal Year under Review

Target: **10,700** million yen

Results: **10,790** million yen

* Excluding gains from the sale of real estate

Remuneration for Each Officer Category (Fiscal 2021 Results)

Officer Category	Total Amount of Remuneration, etc. (million yen)	Total Amount of Remuneration, etc. by Type (million yen)		Number of Eligible Officers
		Base Compensation	Performance Compensation	
Directors who are not Audit & Supervisory Committee members (of which, those who are outside directors)	113 (20)	103 (20)	10 (-)	10 (3)
Directors who are Audit & Supervisory Committee members (of which, those who are outside directors)	20 (9)	20 (9)	- (-)	3 (2)
Audit & Supervisory Committee members (of which, those who are outside Audit & Supervisory Committee members)	10 (3)	10 (3)	- (-)	4 (2)

— Effectiveness of the Board of Directors

SBS Holdings has conducted anonymous questionnaires to self-evaluate the effectiveness of the Board of Directors annually since 2017. From fiscal 2017 to fiscal 2020 the same initial questions were maintained to enable comparisons from year to year, but in light of the shift to the structure of a company with an Audit & Supervisory Committee and the market segment change in Tokyo Stock Exchange, the questionnaire was revised, including the addition of questions.

The average score on all questions in the questionnaire that was conducted among all directors (13 people) including Audit & Supervisory Committee members in fiscal 2021 was 3.95 (5-point scale), suggesting in summary that the level at which the Board of Directors should function has been largely maintained. For the items and questions that were problematic, the Board of Directors will take the necessary action following extensive discussions, and work to make ongoing improvements to enhance its effectiveness.

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

- ① Composition of the Board of Directors (three questions)
- ② Operation of the Board of Directors (five questions)
- ③ Matters taken up by the Board of Directors (ten questions)
- ④ Systems supporting the Board of Directors (four questions) **22 questions in total**

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

Average Score Obtained in
the Evaluation of the
Effectiveness of the Board
of Directors

3.95 points
(5-point scale)

— Improving the Skills of Directors

To ensure that directors fulfill their expected roles, the Company describes their obligations and responsibilities as directors when they assume their posts. In conjunction with this, outside directors receive briefings on the management policy of the SBS Group and other matters related to its business activities.

As ongoing training for directors, SBS Holdings invites outside instructions to conduct training sessions around twice a year, and also provides the necessary support for directors to improve themselves.

— Operation of the Audit & Supervisory Committee

The Audit & Supervisory Committee members of SBS Holdings attend important internal meetings and are able to provide advice as necessary. They are also given the right to freely view the minutes of various meetings and other documents.

To facilitate the smooth operation of the Audit & Supervisory Committee, the company has assigned one individual as a full-time staff member of the Board to assist with its duties, and the Company's Auditing Department also assists with tasks as needed. Matters concerning authority of personnel matters such as the appointment or transfer of Audit & Supervisory Committee staff are decided after obtaining consent from the Audit & Supervisory Committee in advance.

Audit & Supervisory Committee members, the SBS Holdings Auditing Department and the accounting auditor appointed by SBS Holdings coordinate with the internal control departments of SBS Holdings and SBS Group companies to formulate and execute auditing plans and to report the results to the Board of Directors.

— Status of Accounting Audits

The Company's accounting audits are handled by Ernst & Young ShinNihon LLC. This auditing firm has been selected based on a comprehensive evaluation, including that it possesses a certain size and global network enabling effective auditing consistent with the Company's business activities, that it has developed review systems, as well as its auditing track record. Note that the Company has been continually audited by the same auditing organization for 21 years.

Two certified public accountants carried out the auditing work for fiscal 2021, designated limited liability partners and managing partners Yoichi Tsukimoto and Katsuya Ishida. They were assisted by seven certified public accountings and 24 other personnel.

Compensation for the auditing work is determined based on the details of the auditing plans presented by the auditing firm, by way of producing an estimate of the valid number of days spent engaging in the auditing work.

— Ensuring Shareholder Rights

The Corporate Governance Guidelines of SBS Holdings state that in light of the importance of shareholder rights, the Company shall endeavor to enhance management transparency through the proactive disclosure of information, and develop an appropriate environment in which the rights of all shareholders are ensured. As a part of these efforts, the Company reports to the Board of Directors on the status of approval or rejection of the Company's proposals submitted to the General Meeting of Shareholders, and if more than 20% of votes are cast in opposition to a Company proposal, the Company considers action, including dialogue with shareholders, as necessary.

— Reinvigorating the General Meeting of Shareholders and Facilitating the Exercising of Voting Rights

The Company places an emphasis on constructive dialogue with shareholders and endeavors to develop an appropriate environment regarding the exercising of rights by shareholders at the General Meeting of Shareholders. In addition, the Company recognizes that the exercising of shareholder voting rights as the General Meeting of Shareholders is one of the important rights of shareholders, and makes every effort to provide appropriate information that will aid in decisions concerning the exercising of voting rights in a timely and appropriate fashion.

To ensure that as many shareholders as possible can attend general meetings of shareholders and exercise their voting rights, the Company sets the dates on which such meetings are convened so as not to overlap with days on which many such meetings are held by other companies.

To give shareholders an ample period of time to consider the proposals put forth at a general meeting of shareholders, the Company endeavors to send out the Convocation Notice for the General Meeting of Shareholders earlier than required by law. In addition, the convocation notice is posted to the websites of the Company and the Tokyo Stock Exchange without delay following a resolution by the Board of Directors on convocation.

Shareholders can choose the manner in which they exercise their voting rights, either in writing, or via the Internet by accessing a Company-designated website for exercising voting rights from a PC, smartphone or mobile phone.

Also note that when the voting rights held by overseas investors as a percentage of total voting rights 20% or more, the Company will translate financial results briefing materials and convocation notices into English, and endeavor to develop an environment that makes it easier for overseas investors to exercise their voting rights.

— Handling of Cross-Shareholdings

The Company holds stocks in another company only when it determines doing so to be important in building a cooperative relationship with a partner company for the sustainable growth of SBS Holdings and the SBS Group into the future, and when there is significance in maintaining cross-shareholdings from the perspective of enhancing the corporate value of the Company and the Group.

For major cross-shareholdings, the Company verifies the benefits gained by maintaining or strengthening business relationships for each individual stock, and when it determines that "continuing to hold stock in a certain company will have minimal contribution to the enhanced corporate value of SBS Holdings and the SBS Group in the medium and long term," the stock in such a company is sold

following approval by the Board of Directors, while taking into account the business performance of the Company and the Group, the impact on the stock market, and other factors.

Regarding the exercising of voting rights, as a general rule the Company makes individual determinations regarding the management policies, business strategies and other information about the companies in which it holds stock, judges whether the details of proposals to be voted on by shareholders contribute to the improved corporate value of that company, SBS Holdings and the SBS Group, and decides whether to approve or reject proposals on that basis.

— Takeover Defense Measures

The basic policy of the Company is to not employ so-called "takeover defense measures." When shares in the Company are subject to a tender offer, the Board of Directors will clearly explain its position to shareholders and ensure that the appropriate procedures are followed.

Overview of the 36th Ordinary General Meeting of Shareholders

Date and Time

Friday, March 25, 2022, from 10:00 a.m.

Location

Nishiki Room, 4th Floor, Tobu Hotel Levant Tokyo, 1-2-2 Kinshi, Sumida-ku, Tokyo, Japan

Matters Reported

1. The Business Report and Consolidated Financial Statements for the Company's 36th Fiscal Year (January 1, 2021 - December 31, 2021) and results of audits by the Accounting Auditor and the Audit & Supervisory Committee of the Consolidated Financial Statements
2. Non-consolidated Financial Statements for the Company's 36th Fiscal Year (January 1, 2021 - December 31, 2021)

Proposals for Resolution and the Results

Proposal 1: Partial Amendments to the Articles of Incorporation

1. To strengthen the head office functions and make further improvements to operational efficiency by consolidating the head offices of the Company and of the individual companies in the Group, the Location of Head Office stipulated in Article 3 of the current Articles of Incorporation shall be changed from "Sumida-ku" to "Shinjuku-ku."
2. The amended provisions stipulated in the supplementary provisions of Article 1 of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, to prepare for the introduction of the system for electronic provision of materials for general meetings of shareholders, the Company's Articles of Incorporation shall be amended.

Proposal 2: Election of Ten (10) Directors Not Serving as Audit & Supervisory Committee Members

Masahiko Kamata, Kenichi Iriyama, Masato Taiji, Yasuhiro Tanaka, Katsuhisa Wakamatsu, Gen Kato, Hiroaki Sato, Jiro Iwasaki, Tetsuya Sekimoto and Shuichi Hoshi will be elected as directors not serving as Audit & Supervisory Committee members.

Proposal 3: Election of One (1) Director Serving as Audit & Supervisory Committee Member

Takashi Endo will be elected as Director serving as Audit & Supervisory Committee member. As Mr. Endo has been elected to fill the position vacated by former Director serving as Audit & Supervisory Committee member Yasuhiro Yamashita, under the provisions of the Company's Articles of Incorporation, the term of office will be until the original expiry of the term of office of the retiring Director serving as Audit & Supervisory Committee Member.

Proposal 4: Election of One (1) Substitute Director Serving as Audit & Supervisory Committee Member

Tomoyuki Suzuki will be elected as substitute Director serving as Audit & Supervisory Committee member.

The Convocation Notice for the General Meeting of Shareholders and the Extraordinary Report (including "The Number of Voting Rights for Approval, Disapproval and Abstention in the Matters Resolved, the Requirements for Adoption of the Matters Resolved, and the Results of the Resolutions") can be viewed on the SBS Holdings website.
Top → Shareholder and Investor Information → General Meeting of Shareholders
<https://www.sbs-group.co.jp/sbsh/ir/meeting/>

— Capital and Dividend Policies

The Company strives to improve corporate value and shareholder value through the sustainable growth of SBS Holdings and the SBS Group. To maintain financial health that can withstand strategic investments made for corporate growth, we target a shareholders' equity ratio of 30% or higher and do our utmost to achieve this.

The Company considers shareholder return to be one of its most important management issues. The Company's basic policy is to continuously maintain dividend levels and endeavor to raise dividend levels based on business performance while retaining sufficient internal reserves to build a solid management base.

Shareholders'
Equity Ratio

21.9%

Dividend per Share
(Year ended December 31, 2021)

55 yen

— Disclosures

In addition to making appropriate disclosures in accordance with law, the Company makes disclosures when it has formulated plans concerning the management foundations, business strategies and other action needed to ensure future business growth in order to achieve improved corporate value in the medium and long term.

We have been making information disclosures in English to the extent reasonable to gain corporate recognition from shareholders, investors and other stakeholders in Japan and overseas, and to contribute to enhancing corporate value to a global level through dialogue with stakeholders including shareholders and investors.

As the points of contact in promoting dialogue with shareholders and investors, the Company has appointed an officer in charge of IR and designated the IR and Corporation Communications Department. Primarily the General Manager of the IR and Corporate Communications Department handles individual dialogue with shareholders and investors, with the President and officer in charge of IR also taking part as appropriate.

Collaboration With Stakeholders Other Than Shareholders

— Basic Approach

Seeking enhanced corporate value in the medium and long term on keeping with the SBS Group Code of Behavior, SBS Holdings and the SBS Group make every effort to respect stakeholders, clarify the purpose of the Company and the Group to them, and maintain positive relationships.

In addition, the Board of Directors of SBS Holdings takes responsibility for periodically evaluating whether the SBS Group Code of Behavior is being broadly put into practice.

— Structure

The Company has established the SBS Group CSR Promotion Committee as a joint effort of SBS Holdings and the SBS Group to promote action on the issues surrounding sustainability. Meeting bodies operated under the committee decide on and implement action policies to deal with various issues.

Responding to the Corporate Governance Code

The Company places an importance on the Corporate Governance Code (formulated and published by Tokyo Stock Exchange, Inc. in cooperation with the Financial Services Agency) as a document that summarizes the key principles contributing to the sustainable growth and medium-to-long term improvement in corporate value of publicly listed companies. The Company has also embraced the "comply or explain" stance required by the code.

In its corporate governance report, SBS Holdings reports on its disclosure status according to the principles of the Corporate Governance Code, and for those supplemental principles which have not been immediately addressed in their entirety, the Company explains the reasons and describes its outlook for the future.

- Measures for substantial shareholders' attendance at meetings of shareholders (Supplementary Principle 1-2-5)
- Oversight of plans for successors for CEO, etc. (Supplementary Principle 4-1-3)
- Procedures for appointment or removal of representative director (Supplementary Principles 4-3-2, 4-3-3)
- Coordination between independent outside directors and top management, such as the appointment of a lead independent outside director (Supplementary Principle 4-8-2)
- Establishment of a Nomination Committee and Compensation Committee (Supplementary Principle 4-10-1)

The Corporate Governance Report submitted to Tokyo Stock Exchange, Inc. is posted on the SBS Holdings website.

TOP → Investor Relations → Corporate Governance

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

Management

The SBS Group has established the SBS Group Code of Behavior and SBS Group Compliance Regulations, and is committed to developing its compliance systems and promoting compliance. 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. Awareness-raising tools (compliance cards, compliance manuals, compliance rulebooks) are also distributed among all Group employees in an effort to promote fair and ethical conduct and activities through shared awareness and knowledge.

Number of times the Compliance Meeting was convened **2**

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 focused on compliance in a broad sense, while in training for specialized themes, 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.

Number of Compliance-Related Training Sessions **14**

* Tiered training + specialist training (harassment)

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 hotlines, the General Workplace Consultation Office fielded by the administrative office of the Compliance Meeting, the Audit & Supervisory Committee Member Hotline fielded by full-time Audit & Supervisory Committee members, and the Attorney hotline fielded by consulting attorneys. The General Workplace Consultation Office allows a choice of contact details (direct dial) for consultation staff (male or female) at the discretion of the person seeking consultation.

The consultations and reports received by each hotline are reported to the Board of Directors by the administrative officer of the SBS Group CSR Promotion Committee. After conducting an objective investigation and verifying the facts of a case, the response is discussed with the relevant departments of SBS Holdings and the SBS Group.

Also note that a protection system has been put in place by prescribing internal regulations that prohibit the disadvantageous treatment of those who seek consultation or make reports.

Number of Consultations Fielded by Compliance Consultation Hotlines **257**

* Check the CSR data on page 64 for details about consultations fielded.

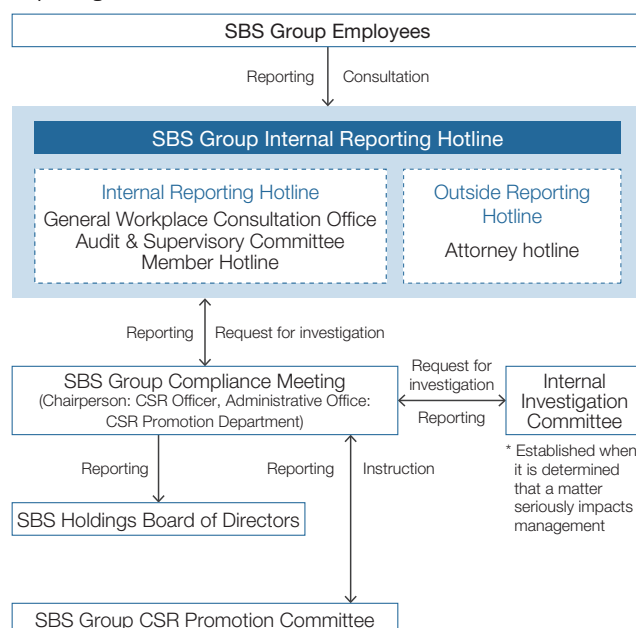
Compliance Awareness Survey

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.



"General Workplace Consultation Office Counseling room for all workplace concerns" posters

Reporting and Consultation Flow



— 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, namely the Transportation Safety Promotion Meeting, Compliance Meeting and Information Security Promotion Meeting. When a determination is made that a crisis has occurred, a company-wide response is initiated in accordance with the Crisis Management Manual. Note that the response when a COVID-19 infection has occurred is carried out based on procedures set forth in SBS Group guidelines.

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

In December 2018, SBS Holdings, Inc. was certified by the Tokyo Metropolitan Government 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 and intra-Group coordination allowing employees to take refuge in the offices. Going forward, SBS Holdings will continue to pursue these initiatives as a certified company.

SBS Holdings is also part of disaster prevention cooperative agreements with Sumida-ku and non-governmental organizations.



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 and cyber-security 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

To deal with high-level threats, we have installed an antivirus tool that employs artificial intelligence (AI). We have also installed a next-generation firewall that strengthens our defenses, not only against attacks from the outset, but also in the event of an attack from the inside.

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.

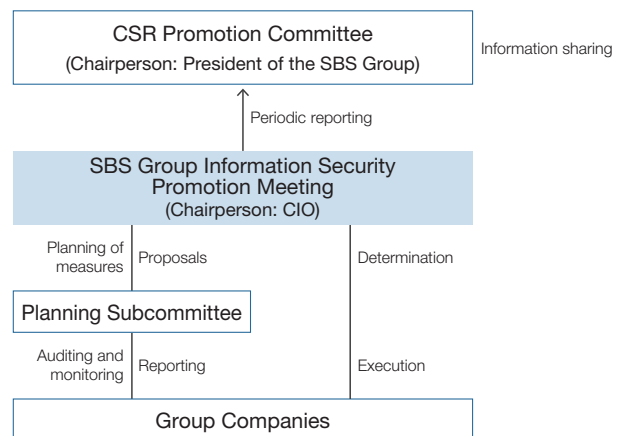
Third-Party Verification

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 employees at various levels and for information security personnel of Group companies.

e-Learning

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

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.

Employees Undergoing Training in Fiscal 2021

Seminars

339

e-Learning

6,978

Financial and Business Information

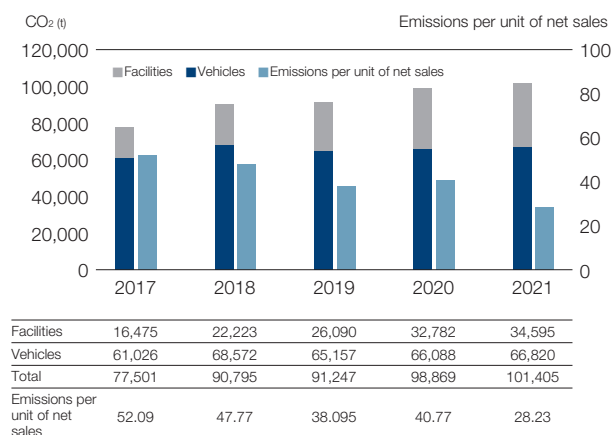
Period		27th fiscal period	28th fiscal period	29th fiscal period	30th fiscal period
Year of Financial Results		FY2012	FY2013	FY2014	FY2015
Net sales	million yen	127,935	132,205	141,535	157,996
Ordinary income	million yen	2,746	3,779	3,648	5,772
Net income attributable to owners of parent	million yen	1,626	1,549	2,725	-3,815
Comprehensive income	million yen	1,788	1,817	3,702	-4,693
Net assets	million yen	27,780	29,218	35,091	29,947
Total assets	million yen	104,496	108,354	131,120	124,817
Net assets per share	Yen	716.61	742.68	811.23	706.32
Net income per share	Yen	43.56	40.26	69.77	-96.84
Diluted net income per share	Yen	-	40.09	69.65	-
Shareholders' equity ratio	%	26.3	26.7	24.3	22.5
Return on equity	%	6.2	5.5	9.0	-12.7
Stock price to earnings ratio	Times	7.7	13.0	14.4	-9.8
Cash flows from operating activities	million yen	7,329	6,257	6,603	7,728
Cash flows from investing activities	million yen	-5,520	-6,214	-15,101	-7,081
Cash flows from financing activities	million yen	-829	80	8,893	-2,685
Balance of cash and cash equivalents	million yen	10,175	10,306	11,037	8,984
Number of Employees (additionally, average number of temporary employees)		4,645 (7,999)	4,662 (7,906)	5,572 (8,512)	5,555 (8,636)
Consolidated subsidiaries		24	23	27	23
Capital Investment	million yen	7,196	8,478	15,988	11,142

Notes

- Net sales do not include consumption taxes.
- Diluted net income per share in the 30th fiscal period is not listed because of a net loss in that period despite there being potential shares that have a dilutive effect. Diluted net income per share in the 26th and 27th fiscal periods is not listed as there are no potential shares that have a dilutive effect.
- For the 31st fiscal period, figures after retrospective application are listed due to the early application of "Current Handling of Accounting for Foreign Subsidiaries in the Preparation of Consolidated Financial Statements" (Practical Report No. 18, March 29, 2017) and "Current Handling of Accounting for Equity Method Affiliates" (Practical Report No. 24, March 29, 2017) from the 32nd fiscal period onwards.
- "Partial amendments to the Accounting Standards for Tax Effect Accounting, etc." (Accounting Standards Board of Japan Statement No. 28, February 26, 2018) has been applied since the beginning of the 34th fiscal period, and for the 33rd fiscal period figures after retrospective application are listed.
- Diluted net income per share is not listed as there are no potential shares that have a dilutive effect.
- The number of employees indicates the number of full-time employees.

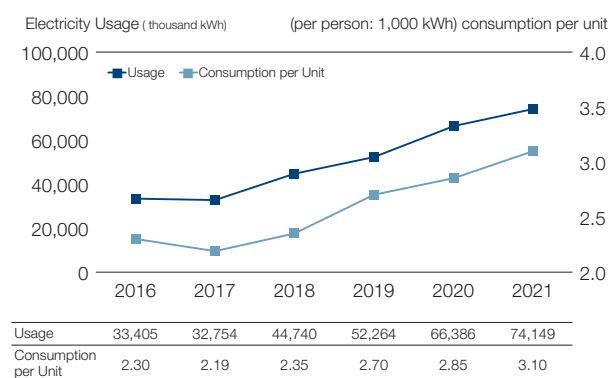
31st fiscal period	32nd fiscal period	33rd fiscal period	34th fiscal period	35th fiscal period	36th fiscal period
FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
149,054	152,870	203,516	255,548	257,192	403,485
7,832	6,475	7,607	10,172	10,883	20,489
5,111	4,446	4,409	6,079	6,826	10,790
5,346	4,702	4,494	6,923	7,181	13,936
34,533	38,510	48,173	54,077	68,146	80,707
122,330	127,802	171,796	180,047	254,550	277,197
818.55	916.50	1,001.05	1,136.22	1,277.92	1,527.58
128.69	111.94	111.01	153.06	171.88	271.67
-	-	-	-	-	-
26.6	28.5	23.1	25.1	19.9	21.9
16.9	12.9	11.6	14.3	14.2	19.4
6.3	10.1	12.8	12.4	15.2	12.0
12,201	11,671	12,398	16,872	17,262	27,472
-10,043	-8,127	-22,433	-12,579	-30,480	-22,343
-1,733	-1,420	14,815	-2,084	22,726	-9,278
9,383	11,534	16,303	18,495	27,537	23,795
5,189 (8,652)	5,515 (8,911)	6,979 (10,575)	7,124 (10,674)	9,742 (12,098)	10,689 (12,805)
17	16	25	24	28	33
10,455	9,576	11,607	11,710	11,507	14,501

CO₂ Emissions



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

Power Consumption



* Calculations are made in accordance with "Joint Guidelines on Methods for Calculating CO₂ Emissions in the Logistics Field, Version 3.1" provided by the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry.

* As the majority of CO₂ emissions are produced by the operation of vehicles, emissions are influenced by the activity level and efficiency of the SBS Group's overall business activities. For this reason, net sales, an indicator reflecting the activity level of the company overall, is used as the denominator. However, environmental impacts including water, electricity and copy paper mainly occur within offices and facilities, and therefore, there is significant room for reduction through employees' environmental conservation efforts. For this reason, these figures are calculated on a per-person basis.

Status of Environmental Certifications Acquired (as of the end of fiscal 2021)

Certification	Company Name (number of business sites with certification)
ISO14001 (Environmental management systems)	SBS Toshiba Logistics, SBS Ricoh Logistics, SBS San-ai Logistics, SBS Logicom, SBS Flec, SBS Freight Service, SBS Zentsu, SBS Sokuhai Support, SBS Furukawa Logistics
Green Management Certification	SBS Logicom
GPN Certification (Green Purchasing Network)	SBS Logicom * Certified as a delivery service for the Eco Product Net

Investment in the Environment

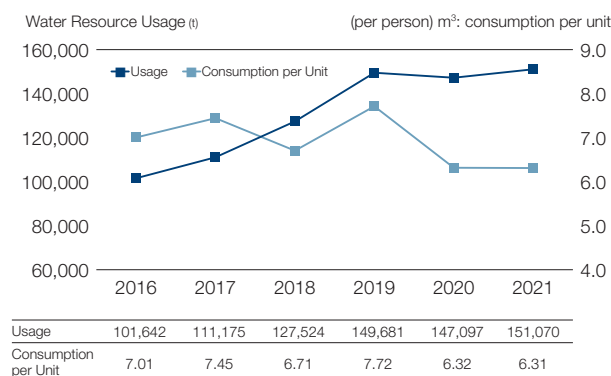
(Unit: million yen)

Investment	Details	2016	2017	2018	2019	2020	2021
Vehicle-related investments	CNG vehicles, LPG vehicles, hybrid vehicles, vehicles that meet heavy vehicle fuel efficiency standards, etc.	3,250	3,616	3,791	3,055	4,379	3,514
	Improved fuel efficiency (eco and safe-driving training, etc.)	2	1	3	1	19	8
Investments related to improved energy savings at facilities	Demand monitoring and energy-efficient lighting, etc.	9	35	45	131	26	14
Investments in global environmental conservation	Solar power generation, etc.	0	13	6	6	6	29
Environmental management	Environmental management registration and management activities, etc.	8	6	3	3	4	8
Environmental communication	Internal and external awareness-raising, creation of reporting materials, etc.	5	6	6	6	10	8
Total		3,274	3,677	3,854	3,202	4,444	3,580

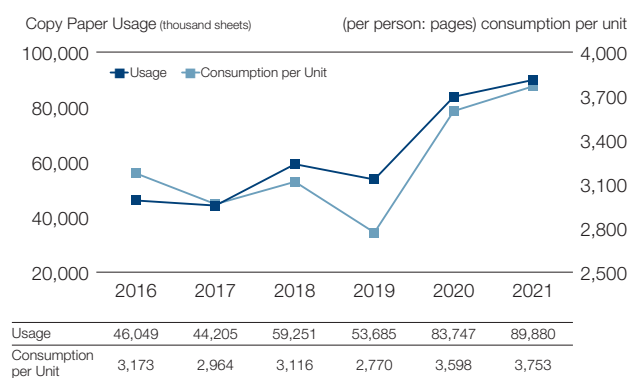
* While referencing the Environmental Accounting Guidelines (2005 edition) of the Ministry of the Environment, classifications are made in light of the SBS Group's business characteristics as a comprehensive logistics business operator.

* "Investments in global environmental conservation" are expenditures for the installation, operation, maintenance and upkeep of renewable energy-derived power generating equipment operated by the Company at its facilities. To date, all such facilities employ solar power generation.

Water Usage



Copy Paper Usage



Renewable Energy Generating Capacity (as of the end of fiscal 2021)

Facility Name	Generating Capacity (kW)	Facility Name	Generating Capacity (kW)
Noda Yoshiharu Logistics Center	514	Odawara Sales Branch	210
Shibayama Solar Power Plant	2,826	Nagatsuta Logistics Center	935
Kawagoe Logistics Center	830	Toyohashi Logistics Center	221
Nishinohon Logistics Center (Kyotanabe)	617	Sugita Logistics Center	1,072
Shibayama No. 2 Solar Power Plant	710	Tokorozawa Logistics Center	940
Kimitsu Branch	268	Nanko Logistics Center	1,490
Yoshikawa Branch	223	Daito Warehouse Solar Power Plant	129
Takasaki Sales Office	161	Yokohama Kanazawa Logistics Center	1,520
		Total	12,666

SBS Sokuhai Support waste processing volume * Figures in parentheses are within the Group

Item Name	Amount handled (t)
Waste plastics	5,375 (525)
Recycled plastics	0
Scrap metal	771 (45)
Waste wood	208 (102)
Paper and other waste	1,223 (107)
Total	8,360 (1,563)

G-Mark Certification Status (as of the end of fiscal 2021)

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	23	91.30%
SBS Logicom	-	34	34	36	94.40%
SBS Freight Service	-	14	14	14	100%
SBS Flecnet	1	22	23	26	88.50%
SBS Zentsu	2	67	69	81	85.20%
SBS Sokuhai Support	-	8	8	9	88.90%
SBS Group Total	3	166	169	189	89.40%

* 1 Certification rate of nationwide truck transportation business sites: 32.1% (figure as of December 17, 2021 *from the website of the Japan Trucking Association)

* 2 Applicable business sites includes newly established business sites (business sites under three years old that do not meet the requirements for G-mark application).

Status of Human Resource Development Initiatives: SBS Group Training Results (as of the end of fiscal 2021) (Unit: number of employees)

Category	Details	Number of courses	Number of trainees
Job class-specific training	For each job grade, the knowledge and techniques required for that job grade are taught • Training for new employees • Training for managerial employees	7	547
Specialized theme-specific training	For each theme, the specialized knowledge and techniques are taught • Sales skills improvement training • Business skills training, etc.	7	348
Division-specific training	Business training provided by each business division • Truck safe driving training • Operation manager skill improvement training • Information security, etc.	9	7,720
Self-development	Self-directed acquisition of knowledge and skills through correspondence courses, etc. • Correspondence courses • e-Learning • Business Career Certification, etc.	-	351
Total			8,966

Status of Quality-Related Certifications Acquired (as of the end of fiscal 2021)

Certification	Company Name (number of business sites with certification)
ISO9001 (Quality Management Systems)	SBS Toshiba Logistics, SBS Ricoh Logistics, SBS Flec, SBS Flecnet, SBS Furukawa Logistics, SBS Freight Service, SBS Zentsu, SBS San-ai Logistics
ISO27001 (environmental management systems)	SBS Ricoh Logistics, SBS San-ai Logistics, SBS Logicom, SBS Sokuhai Support
ISO/IEC27001*	SBS Toshiba Logistics
ISO/IEC17025* (Testing and Calibration Organization Management Systems)	SBS Toshiba Logistics
Privacy Mark	SBS Freight Service, SBS Staff, Marketing Partner, Nippon Record Center
JAS Organic Agricultural Product Subdivider Certification	SBS Zentsu
Relocation Safety Mark	SBS Logicom

* Jointly with the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC)

Number of Consultations Fielded by Compliance Consultation Hotlines (FY2021)*

Details of Consultations	Number of Consultations
Consultations regarding laws, regulations and internal rules	129
Consultations regarding interpersonal relationships in the workplace	107
Others	21
Total	257

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

Highlights 2021

Toyo Warehouse & Transportation and Furukawa Logistics join the SBS Group

SBS Group

Procedures to acquire the shares of Toyo Warehouse & Transportation were completed on January 29. Following this, we announced the acquisition of shares in Furukawa Logistics, the logistics subsidiary of Furukawa Electric Co., Ltd. on April 27, and the procedures completed on December 1. From that day forth, Furukawa Logistics became SBS Furukawa Logistics and began to fully operate as a member of the SBS Group.



SBS Group
Completed acquisition of shares in Toyo Warehouse & Transportation Co., Ltd.

Jan

Feb

Mar

Apr

May

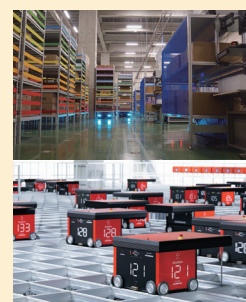
SBS Logicom
Kyokushin Unyu Kaihatsu (K.U.K. Line) became a member of the SBS Group
SBS Flec
Acquired all shares of Hinomaru Kyuso Co., Ltd.

Introduced automation system and database system using 3PL (logistics technology)

SBS Toshiba Logistics / SBS Ricoh Logistics

SBS Group

SBS Toshiba Logistics installed 20 shelf-carrying robots. In October, a bulk image inspection system was developed and introduced to improve productivity and save on labor. In addition, in October SBS Ricoh Logistics opened the Yokohama Kanazawa Logistics Center. The latest systems including AutoStore, cutting-edge logistics DX, and material handling equipment were installed. SBS Holdings introduced SAIS (SBS Automobile Information System), a database system that centrally manages Group vehicle information over the web.



►► Corporate Profile and Stock Information

Corporate Profile

* As of July 1, 2022

Company Name	SBS Holdings, Inc.
Representative Director	Masahiko Kamata
Established	December 16, 1987
Paid-in Capital	3,920.75 million yen
Net Sales	403.485 billion yen (consolidated) * For the year ended December 31, 2021
Head Office	Sumitomo Fudosan Shinjuku Grand Tower 25F, 8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160-6125, Japan Tel: 03-6772-8200 (main switchboard)
Lines of Business	Logistics business, property management business, marketing business, human resources business, etc.
Listed Exchange	Tokyo Stock Exchange Prime Market (Security Code: 2384)

Officers

* As of July 1, 2022

Representative Director	Masahiko Kamata
Director	Masato Taiji
Director	Kenichi Iriyama
Director	Yasuhito Tanaka
Director	Katsuhisa Wakamatsu
Director	Gen Kato
Outside Director	Jiro Iwasaki
Outside Director	Tetsuya Sekimoto
Outside Director	Shuichi Hoshi
Director (Full-time Audit & Supervisory Committee Member)	Takashi Endo
Outside Director (Audit & Supervisory Committee Member)	Masato Matsumoto
Outside Director (Audit & Supervisory Board Member)	Sachie Tsuji

Stock Information

Number of shares authorized	154,705,200 shares
Number of shares issued	39,718,200 shares Including 2,590 fractional shares
Unit stock system	Yes (100 shares)
Number of shareholders	4,501

Acceleration of small M&A activities by Group companies

SBS Group

On April 1, SBS Logicom acquired all shares of K.U.K. Line, and SBS Flec acquired all shares of Hinomaru Kyuso Co., Ltd. In July, SBS Ricoh Logistics acquired shares in Jas Co., Ltd, and in October SBS Sokuhai Support acquired shares in Ai&Ai. SBS Group companies have been actively engaged in small M&A activities aimed at strengthening regional delivery capabilities.

Strengthening environmental conservation efforts

SBS Group

In October, the full-scale introduction of EV trucks commenced in an effort to strengthen reductions to vehicle CO₂ emissions. The Group plans to switch around 2,000 vehicles providing last mile delivery service to EVs over the next five years. Additionally, the Kansai Branch of SBS Toshiba Logistics received a 2021 Osaka City Environmental Bureau Director's Award in recognition of its waste reduction activities. SBS Ricoh Logistics is pursuing environmental conservation efforts including the implementation of corporate forest activities as a forest volunteer.



SBS Ricoh Logistics
Received award for excellence in 2021
Eco-Driving Activity Contest

Jun Jul Aug Sep Oct Nov Dec

SBS Ricoh Logistics
Acquired all shares of Jas Co., Ltd.

SBS Holdings
Awarded Eruboshi Certification for
promoting women's participation
and advancement in the workplace

SBS Group
Furukawa Logistics Co., Ltd. (now
SBS Furukawa Logistics Co., Ltd.)
became a member of the SBS Group

Rapidly progressing into a group that involves active women participation

SBS Holdings / SBS Flecnet

In August, SBS Holdings was awarded Eruboshi certification by the Minister of Health, Labour and Welfare based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace. In addition, at the national truck driver contest held in October, a female driver from SBS Flecnet placed 5th for the first time, drawing attention to the active participation of women.



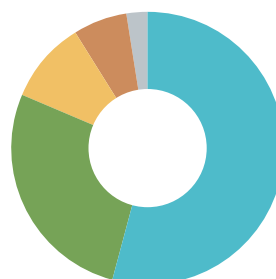
SBS Sokuhai Support
Ai&Ai Chiba Chuo Co., Ltd. became a member of the
SBS Group
SBS Group
Adoption of Electric Trucks in Last Mile Logistics in
Japan First
SBS Sokuhai Support
Obtained ISMS certification at six new business sites
SBS Ricoh Logistics
Logistics Center Yokohama Kanazawa opened

Major Shareholders	Number of Shares Held	Shareholding Ratio
Shareholder Name		
Masahiko Kamata	14,388,400	36.22%
Custody Bank of Japan, Ltd. (trust account)	5,156,200	12.98%
The Master Trust Bank of Japan, Ltd. (trust account)	1,575,700	3.96%
SBS Holdings Employee Share Ownership Association	1,354,100	3.40%
SMBC TRUST BANK Designated Securities Trust	1,200,000	3.02%
Sumitomo Mitsui Trust Bank, Limited (Trust Account A-13)	1,000,000	2.51%
TOBU Properties Co., Ltd.	986,000	2.48%
Junichi Ouchi	800,000	2.01%
Masaru Wasami	576,700	1.45%
Hiroshi Date	449,800	1.13%

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

Distribution of shares by shareholder type

Number of Shares Issued: 39,718,200 shares



■ Individuals and others	21,531,011 shares (54.21%)
■ Financial institutions	10,802,800 shares (27.20%)
■ Non-Japanese corporations	3,892,373 shares (9.80%)
■ Japanese corporations	2,513,120 shares (6.33%)
■ Securities firms	978,321 shares (2.46%)
□ Treasury stock	575 shares (0.00%)

Rounded to the nearest three decimal places

Contact for Inquiries

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