

SBS GROUP



INTEGRATED



REPORT



2023

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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, covering its business activities as well as its sustainability management, its business plan and its progress, 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 sustainability information not listed in this report.

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

Reporting Process

This report is structured around the topics 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 these topics 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

■21 Domestic Subsidiaries

SBS Toshiba Logistics Corporation / TL Logi Service Co., Ltd. / SBS Ricoh Logistics System Co., Ltd. / SBS San-Ai Logistics Co., Ltd./ SBS Global Network Co., Ltd. / SBS Logicom Co., Ltd. / SBS Logicom Kanto Co., Ltd./ SBS Freight Service Co., Ltd. / SBS Flec Co., Ltd. / SBS Flecnet Co., Ltd. / SBS Sokuhai Support Co., Ltd. / SBS Zentsu Co., Ltd. / SBS Furukawa Logistics Co., Ltd. / SBS Staff Co., Ltd. / SBS Finance Co., Ltd. / Marketing Partner, Inc. / SBS Asset Management Co., Ltd. / L-MAX Co., Ltd. / Marketing Partner, Inc. / SBS Driving School Co., Ltd.

■Public Interest Incorporated Foundation
SBS Kamata Foundation

Reporting Period

Fiscal 2022 (January to December 2022)

Topics in the Integrated Report

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
M&A and group synergy	M&A activities as the core of our growth strategy, and the processes to maximize those effects
3PL	Strengthening the expanding services to comprehensively handle and optimize corporate logistics operations
Logistics facility development	Systematic expansion of floor space as a core of increasing logistics infrastructure and the foundation of 3PL
Technology	Strategically utilizing LT* and IT to link value creation with improved competitiveness <small>* Logistics Technology</small>
Quality and safety	Ensuring the quality and safety of transportation and service that form the basis of our business activities
Human resources	Securing and developing a diverse range of human resources supporting the growth of the SBS Group and Japanese logistics
Working styles and productivity	Taking on the challenge of new working styles and pursuing ongoing improvements to business productivity
Energy and climate change	Addressing the energy demand-supply gap and climate change risks from a long-term perspective
Crisis management	Preparedness for natural disasters and other crises for management
Relationship with society	Coexistence rooted in dialogue with a diverse range of stakeholders
Governance	Ensuring corporate governance systems that represent the basis of value creation

For Your Dreams.

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.



PHILOSOPHY & VISION

A Mega Venture Growing on the Strength of Logistics × IT

Aiming to solidify our top-tier position in the industry and respond to all manner of customer needs while becoming a trusted company that coexists with society

VISION

1. Contributing to customer value creation through the provision of services
2. Emphasizing ESG as a provider of social infrastructure to contribute to all stakeholders
3. Ongoing and performance-linked return of profits

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.

SBS Group Business Overview

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.

General Logistics Business	Truck transportation / rail transportation / low temperature logistics / logistics center operation / international logistics / distribution processing / same-day delivery for corporations / home delivery (for individuals) / company relocation and 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

Highlights of our Management Philosophy Implementation (Fiscal 2022)

Customers

Total Distance Driven **132,739,423** km

Consolidated Net Sales **455.4** billion yen

Shareholders

ROE **17.9** %

ROA **7.5** %

Dividend per Share **61** yen

Employees

Training Conducted **39** Subjects

Actual training participants **10,658**

Society and the Environment

Number of Business Sites with G-Mark Certification (Certification Rate)

177 business sites (89.4%)

Logistics Research Grants

7

Scholarships for Students Receiving Social Care

86

Investment in the Environment

1,972 million yen

Environmental Efficiency (CO₂ emissions per unit of sales)

26.312 t (46% improvement over the past five years)

Renewable Energy Generating Capacity

19,987 kW

Waste Processing Logistics Handling Volume

9,194 t

Sustainable Development

SUSTAINABLE DEVELOPMENT GOALS



Taking logistics to the next stage with **DX**

Mastering automation, labor saving and space saving

The Yokohama Kanazawa Logistics Center which opened in October 2021 is positioned as a hub of cutting-edge 3PL hub of logistics DX. With a development concept of “automation, labor saving and space saving,” the center was designed and developed with the latest-and-greatest systems and material handling facilities using Logistics Technology (LT) and Information Technology (IT). In addition to 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 throughout the facility. In addition, through integration with support systems that utilize AI and big data, automation and labor saving have been pursued, while storage efficiency has been improved.

Utilization of robots also being pursued at other sites

■Saitama Logistics Center

Installation of shelf-carrying robots that reduce the amount of walking done by picking staff

■Kanto Logistics Center

Robot sorters are used to perform sorting work for last-mile delivery, building a structure that can adapt to fluctuating demand.

■Yokohama Logistics Center

The introduction of robots into logistics field operations has been accelerated, including the utilization of automated guided vehicles (AGV) in logistics work for electronic components.







Pursuing the next **LT**



Establishment of the LT Lab to improve the accuracy of advanced LT installation and quickly stabilize its operation.

On December 1, 2022, SBS Holdings opened the LT Lab, a verification facility inside the Saitama Logistics Center operated by SBS Ricoh Logistics that aims to improve accuracy in the introduction of advanced logistics technology (LT) and quickly stabilize its operation.

The LT Planning Department takes a central role as a gathering of LT specialist from SBS Group companies, in evaluating the functions of various solutions, collecting demonstration data and assessing the effectiveness of warehouse management systems (WMS) and integrated solutions, and providing feedback to manufacturers in the form of suggestions for improvements and modifications.

From January 2023, the LT Lab has set up an environment enabling existing and new customers who are considering the introduction of our robotic solutions to feed their product order information into our actual robot solutions.



Robot solution to be employed at the Ichinomiya Logistics Center (SBS Ricoh Logistics, scheduled to begin operation in September 2023)



Solution for dedicated EC centers to be established within the Seto Noda Logistics Center (Provisional name; SBS Asset Management, scheduled to begin operation in January 2024)

Jan

SBS Group

Becoming an Official Partner of Ricoh Black Rams Tokyo

The SBS Group became an official partner of Ricoh Black Rams Tokyo, a team in the new Japan Rugby League One that launched in January 2022. The SBS Group logo appears under the numbers of the official match jerseys worn by the players.



Mar

SBS Holdings

Decision to Invest in AEON NEXT Delivery Co., Ltd.

SBS Holdings has decided to invest in AEON NEXT Delivery Co., Ltd., which handles logistics services for AEON's next-generation online supermarket business. The SBS Group will provide its wealth of knowledge concerning logistics operations, while deepening and expanding its business with the AEON Group.



Mar

SBS Holdings

Opening of LT Showroom at the New Headquarters

A showroom displaying the various logistics technologies (LT) actually being operated at SBS Group sites was opened at the Group's new head office.



Mar-Apr

SBS Group

Consolidation of the SBS Group Head Office and Redesign of Uniforms

The Group's head office functions were relocated from Taihei in Sumida Ward, Tokyo and consolidated in Nishi-Shinjuku in Shinjuku Ward, with six of the Group companies with sites in the Kansai district consolidating head office functions in Yodogawa Ward, Osaka. The uniforms worn by Group employees were also redesigned. Through these efforts, the SBS Group will work to accelerate its sense of unity as a Group and enhance its collective strength.



Jun-Jul

SBS Flec

Fire at Ami Logistics Center 2

On June 30, a fire broke out at Ami Logistics Center 2, which is operated by SBS Flec. The incident inconvenienced customers and local residents. We take this seriously and will make every effort to prevent a recurrence.



A_{ug}

SBS Toshiba Logistics

Awarded at the Japan Packaging Contest for the 20th Consecutive Year

In the 2022 Japan Packaging Contest organized by the Japan Packaging Institute, SBS Toshiba Logistics won three awards, the Chairman of Japan External Trade Organization (JETRO) Award in the Japan Star award category, which is the most prestigious award category, and two Industrial Packaging Awards in the Packaging Category Award, making the company an award winner for 20 consecutive years.

O_{ct}

SBS Zentsu

Declaration of Voluntary Action for the Realization of Sustainable Logistics

SBS Zentsu endorsed the “White Logistics” movement advocated by the Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry and Ministry of Agriculture, Forestry and Fishers, submitting a declaration of voluntary action for the realization of sustainable logistics on October 1, 2022.

N_{ov}

SBS Holdings

Endorsement of Activities to Promote Women’s Active Participation in Shintomi, Miyazaki Prefecture

Viamaterras Miyazaki, a female soccer club in Miyazaki, is vying to join Japan’s Women Empowerment (WE) League, a female professional soccer league. The town of Shintomi employs the team’s players as government workers to create a supportive environment where female players can pursue dual career paths in soccer and work. SBS Holdings endorsed and supported the towns activities through a corporate version of the hometown tax.

N_{ov}

SBS Group

5th SBS Group Driver Contest is Held

The SBS Group held its Group-wide driving contest, which is aimed at achieving an accident-free society and becoming an accident-free logistics company. The contest was held for the first time in three years, with the 4th driving contest having been held before the COVID-19 pandemic.



N_{ov}

SBS Group

Release of new Commercial : Logistics in the Metaverse / The Future of Logistics

The new commercial depicts the logistic services handled by the SBS Group in a future society in which the metaverse and robots are a part of everyday life.



D_{ec}

SBS Holdings

Opening of the LT Lab

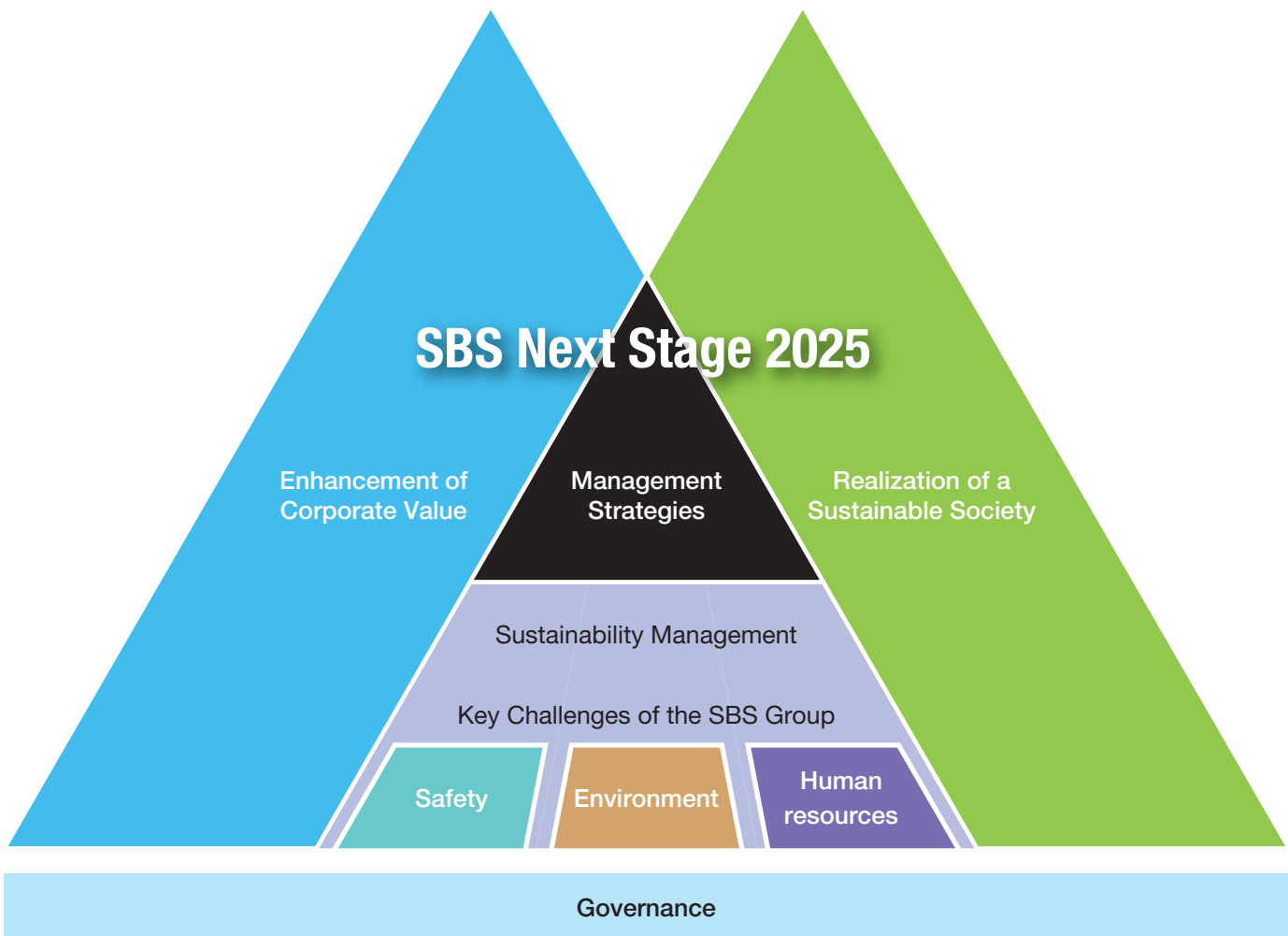
The LT Lab was opened in Koshigaya, Saitama Prefecture. This dedicated facility will evacuate the functions of various solutions, as well as integrate and verify warehouse management systems (WMS) and multiple solutions, with the aim of improving the accuracy of advanced LT installation and quickly stabilizing its operation.



TOPICS
2022



Key challenges (materiality) in sustainability management represent “importance for the sustainability of our own business model.” Demonstrating this practice (of identifying key challenges, pursuing initiatives to address them and engaging in disclosures) offers extremely useful insight to stakeholders in examining the mid- and long-term sustainability of a company. We have summarized the challenges that impact us (from the perspective of risks and opportunities) in carrying out business activities based on our value as a corporation (management philosophy) and business model. Note that we will reassess these key challenges in terms of their ratings of importance to stakeholders (investor ratings, assessment body metrics, etc.) and their ratings of importance in the Group (priority matters for business strategy, actual initiatives, etc.) and continue to review material matters.



To date, the SBS Group has strived to achieve sustainable growth while solving social issues. However, the environment surrounding companies has undergone a major shift, and in light of the increasing importance for companies to balance their efforts to create a sustainable society through solutions to social issues with sustainable enhancement to corporate value, we have redefined our key challenges (materiality) and established a Sustainability Policy that aims to illustrate the values that are important to employees and our goals. In addition, in our medium-term management plan SBS Next Stage 2025, we have declared improved governance supporting sustainability management and strengthened action on key challenges (materiality) as priority measures in an effort to integrate our management strategy with sustainability. Going forward, we will continue to practice sustainability management, aiming to improve corporate value while advancing sustainable society.

Safety

To advance logistics as a business that supports social infrastructure, safety initiatives aimed at zero accidents are our highest priority.

Key material issues: vehicle accidents, occupational accidents, facility fires, cyber attacks, natural disasters

Key initiatives: Promotion of safety education and training initiatives, reduced rate of accidents involving business vehicles

Major KPIs: Accident rate per vehicle / occupational accident rate per employee

Major risks: Loss of credibility, interference with business activities, occupational accidents, impact on funding

Major opportunities: Increased trust, improved external reputation, new business opportunities

Environment

To coexist with society and continue to be a company that is trusted by society, taking action environmental issues, a global challenge, is a matter of essential importance.

Key material issues: climate change, carbon reduction, resource recycling, air pollution, environmental conservation, regulatory compliance, improved fuel efficiency

Key initiatives: reducing CO₂ emissions, reducing NOx and PM values in exhaust gases, reducing water usage, initiatives to create renewable energy, initiatives to introduce next-generation vehicles

Major KPIs: Scope 1 and Scope 2 CO₂ emission reduction rate per unit of net sales, introduction of next-generation vehicles, NOx and PM values in exhaust gases (kg), improved logistics efficiency through the utilization of logistics DX (LT×IT)

Major risks: Growing costs of compliance, loss of social reputation, stoppage of business activities, impact on funding

Major opportunities: Curbed costs due to fuel improvements, differentiation through innovativeness

Human resources

Human resources are tasked with carrying out business activities, including safety and environmental initiatives.

The development of human resources is an important factor in boosting competitiveness.

Key material issues: Securing and retention of human resources, human resource development, workstyle innovation, health and productivity management, diversity

Key initiatives: Initiatives to improve employee skills and support their career development, initiatives aimed at enhancing employee work-life balance, initiative to develop an environment promoting the active participation of women

Major KPIs: Percentage of managerial positions filled by women / consideration and implementation of improvements to systems supporting the active participation of women / annual leave usage rate / childcare leave usage rate by eligible male employees

Major risks: Decline in competitiveness, lost business opportunities

Major opportunities: New value creation due to workforce diversity, promotion of innovation, new business opportunities

Related SDGs

For the major KPIs for materiality, the SBS Group has identified the following KPIs that have a particularly strong association with multiple of the 17 goals and 169 targets that make up the SDGs goals and targets, and pursues initiatives in relation to them.









Assessing Materiality

Regarding the assessment of materiality, we will reassess these key challenges in terms of their ratings of importance to stakeholders (investor ratings, assessment body metrics, etc.) and their ratings of importance in the Group (priority matters for business strategy, actual initiatives, etc.) and continue to review material matters.

The SBS Group sees capital that will support its business activities as a “3PL corporate group possessing omnidirectional logistics functions” from a broad perspective. We promote our business activities and ESG in an integrated fashion in an effort to effectively utilize financial and non-financial capital.

INPUTS Capital utilized for corporate activities

Capital	Management Approach
 <p>Financial Capital</p>	<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>
 <p>Capital for the Provision of Services</p>	<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>
 <p>Human and Organizational Capital</p>	<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>
 <p>Intellectual Capital</p>	<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>
 <p>Social Capital</p>	<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>
 <p>Natural Capital</p>	<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>



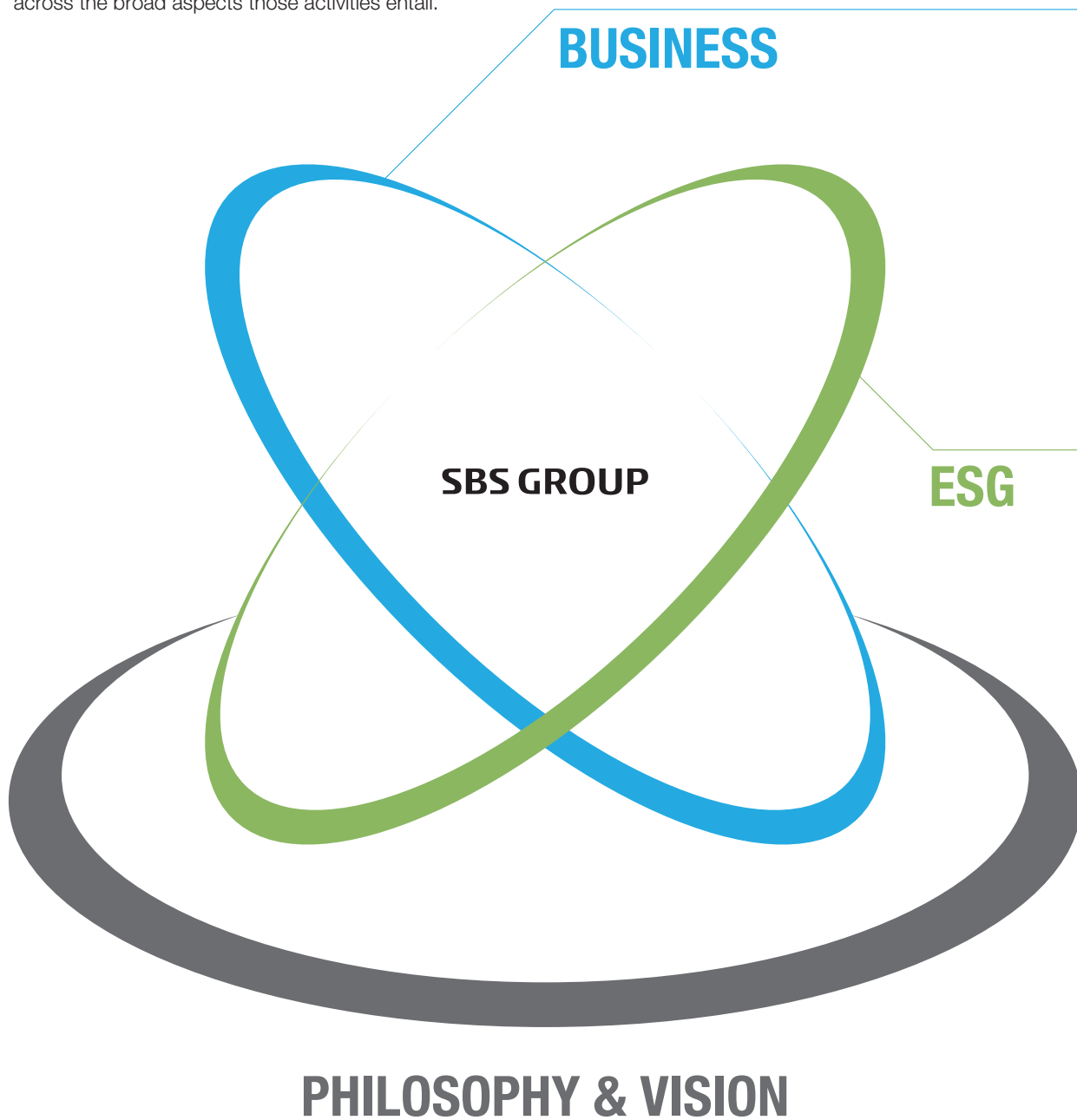
Indicators	Change				
	2018	2019	2020	2021	2022
Total assets (million yen)	171,796	180,047	254,550	277,197	296,898
Net assets (million yen)	48,173	54,077	68,146	80,707	92,172
Shareholders' equity ratio (%)	23.1	25.1	19.9	21.9	23.7
Net DE ratio (times)	1.50	1.26	1.44	1.23	1.01
Number of shareholders	2,834	2,878	3,664	4,501	4,247
Number of business sites	531	655	716	674	678
Number of warehouses (number of company-owned and leased buildings)	-	386	401	412	504
Number of vehicles	4,497	4,570	4,405	4,884	5,080
Number of forklifts	1,382	1,436	1,369	1,488	2,154
Investment in facilities and equipment (million yen)	11,607	11,710	11,507	14,501	17,859
Number of employees*	19,017	19,379	23,270	23,950	23,773
Actual training participants	5,095	7,173	6,824	8,966	10,658
Number of companies with ISO 9001 (quality) certification	5	5	6	7	7
Number of companies with ISO14001 (environmental) certification	7	7	8	9	9
Number of companies with ISO 27001 (information security) certification	4	4	5	5	5
Group-average fuel efficiency (km/L)	4.93	4.93	5.01	5.03	5.05
Number of employees taking eco-driving training (cumulative total)	1,500	1,570	1,570	1,617	1,662
Awards and commendations	2	2	4	7	8
Number of business sites with G-mark certification	153	162	167	169	177
Number of vehicles equipped with driving support equipment	Digital / analog tachographs 3,554	3,692	3,692		
	Dashcams 2,937	3,752	3,752		
	Rear-view cameras 3,589	2,407	2,407		
Logistics research grants	9	6	6	4	7
Scholarships for students receiving social care	34	57	74	76	86
Food bank support expenses (million yen)			2.23	2.41	2.92
Environmental Efficiency (CO ₂ emissions per unit of sales)	47.77	38.09	40.77	28.23	26.312
Quantity of renewable energy delivered (kWh)	11,017	11,017	11,017	11,146	12,734
Waste processing logistics handling volume (t)	10,943	8,817	9,371	7,579	9,195
Investment in the environment (million yen)	3,854	3,202	4,444	3,584	1,972

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

PHILOSOPHY & VISION

Philosophy & vision

Working from its management principle and management vision as a foundation, the SBS Group expands its business activities with logistics at the core while working to enhance ESG across the broad aspects those activities entail.



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

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 LT and IT 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

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
- Ensuring safety
- Social engagement
- Sound management



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 technologies and 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



Aiming to achieve net sales of one trillion yen as a mega venture paving the way for the future of logistics

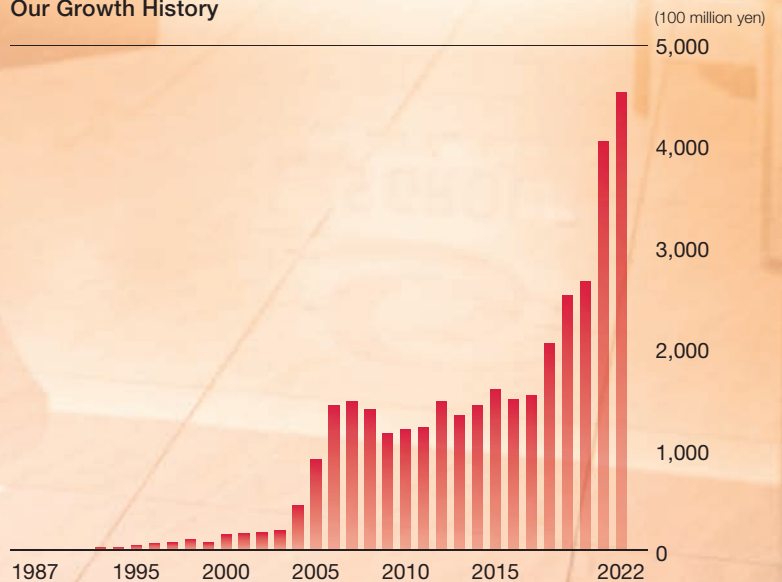


Masahiko Kamata, President, SBS Group

鎌田正彦



Our Growth History



Continuing to embrace an intrepid venture spirit

Since its founding in 1987, the SBS Group has tirelessly taken on challenges and achieved growth as a result. Our indomitable venture spirit has continued to be at the core of these endeavors. With a number of logistics handling the logistics functions of national brands joining the SBS Group, we have evolved into diverse and hybrid group of companies, but that DNA continues to thrive. In February 2023, we defined our purpose as “a mega venture growing on the strength of logistics technology (LT) × IT.” As a corporate group with a wide range of logistics functions spread globally, the ability to propose innovative solutions and an unrivaled sense of speed, we will shape the future of logistics.

Posting record business performance in five consecutive periods

In FY2022, we saw signs of a gradual recovery of economic activity in Japan and overseas, despite facing a resurgence in COVID-19 cases, sharply rising resource and fuel prices and fluctuating exchange rates, among other factors. Electronic devices and electronic commerce (EC) related logistics demand was solid. Meanwhile, there was a sharp rise in marine and air freight charges.

The SBS has focused on efforts to secure 3PL business in its core logistics business and capture logistics demand related to online sales while placing top priority on preventing infections and ensuring safety among customers, business partners and employees. Additionally, under our growth strategy in which M&A actions play a key part, we have demonstrated synergy between SBS Group companies to further enhance the Group's lineup of services and put systems in place to support the logistics needs of society in powerful terms.

As a result of this market environment and the Group's efforts, in the fiscal year ended December 31, 2022, the Group achieved record net sales and income for the fifth consecutive year. In the fiscal year ending December 31, 2023, we project moderate growth, with net sales of 457 billion yen and operating income of 22.8 billion yen. This is based on our plan to increase sales and secure income exceeding an expected decline in overseas transportation rates that will continue to be a factor in reducing revenues.

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 combine a strategy to achieve non-consecutive growth with 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, and to plan and implement its next steps from a medium- and long-term perspective.

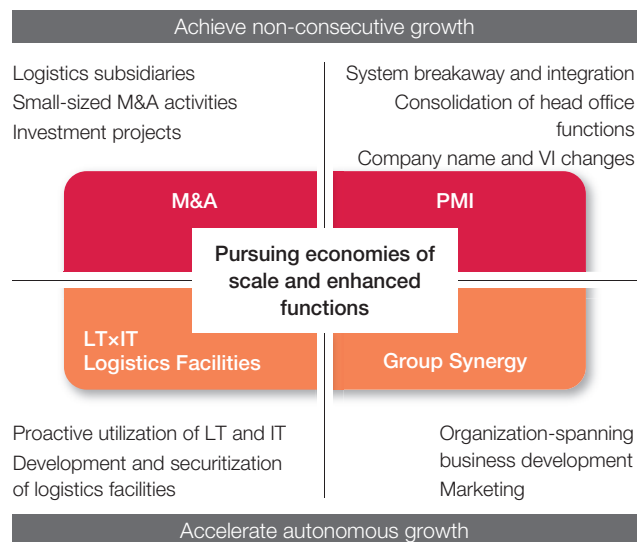
We have also promoted autonomous growth through the use of technology, development of logistics facilities and by pursuing Group synergy.

The SBS Group has promoted two approaches to growth in an integrated fashion, based on a unique business model that places 3PL at its core. For instance, by planning and implementing LT×IT initiatives in ways that span the entire Group, we ensure that PMI efforts following key M&A actions proceed naturally. We execute our growth strategies in an integrated manner and pursue sustainable growth.

Fiscal 2022 Results (Consolidated)

Net Sales	455.4 billion yen	(+12.9%)
Operating Income	21.8 billion yen	(+5.5%)
Ordinary Income	21.4 billion yen	(+4.5%)
Net Income Attributable to Owners of Parent	11.7 billion yen	(+8.7%)
EPS (earnings per share)	295.39 yen	(+8.7%)
ROE (return on equity)	17.9 %	(-1.5%)
ROA (return on assets)	7.5 %	(-0.2%)

SBS Group Growth Strategy



Non-consecutive growth through M&A and PMI activities

Since it was publicly listed in 2003, the SBS Group has implemented M&A activities as the core of its growth strategy in simple and honest fashion. Over the twenty years since, the amounts invested in M&As have reached a cumulative 83 billion yen, with net sales jumping by 24 times and operating income by 56 times over the same period.

Moreover we have among Japan's best track records with post-merger integration (PMI), which is a deciding factor in the success or failure of an M&A action. Embracing the philosophy of valuing people, we engage in dialogue with front-line staff and top management of the companies that join the SBS Group, working with them to thoroughly explore what issues they face and effect reforms. By consolidating head office functions, we increase the speed of operations while solving issues on a joint basis. It is also fundamental for us to maintain an extensive force of sales development personnel in order to encourage new customer acquisition. These approaches have been established by the SBS Group over the years, through the key M&A actions implemented relatively early on, and the various initiatives we have pursued in later years.

While the acquisition of SBS Ricoh Logistics in FY2018 was large in scale, we were able to quickly complete PMI and put the com-

pany on an autonomous growth track. Over this time, the company's net sales rose from 70 billion yen to 110 billion yen.

Meanwhile SBS Toshiba Logistics, which became a member of the SBS Group in FY2020, had completed the migration of its information systems by December 2022, entering a new stage to focus on sales development. We have used the relocation of the head office to Nishi-Shinjuku as an opportunity to tackle human resources and labor-related issues. And while these efforts are still underway, the company's net sales have already grown from 100 billion yen to 129.2 billion yen.

With SBS Furukawa Logistics, whose PMI began in FY2021, we have pursued the development of Group synergy, such as by coordinating with SBS Ricoh Logistics and SBS Toshiba Logistics for overseas sales.

Launching the EC1000 project in FY2023

The SBS Group will place a particular focus on electronic commerce (EC) logistics as a future area of business growth. With the products handled and participants growing in diversity and scale at an ever-evolving rate, EC requires efficient logistics.

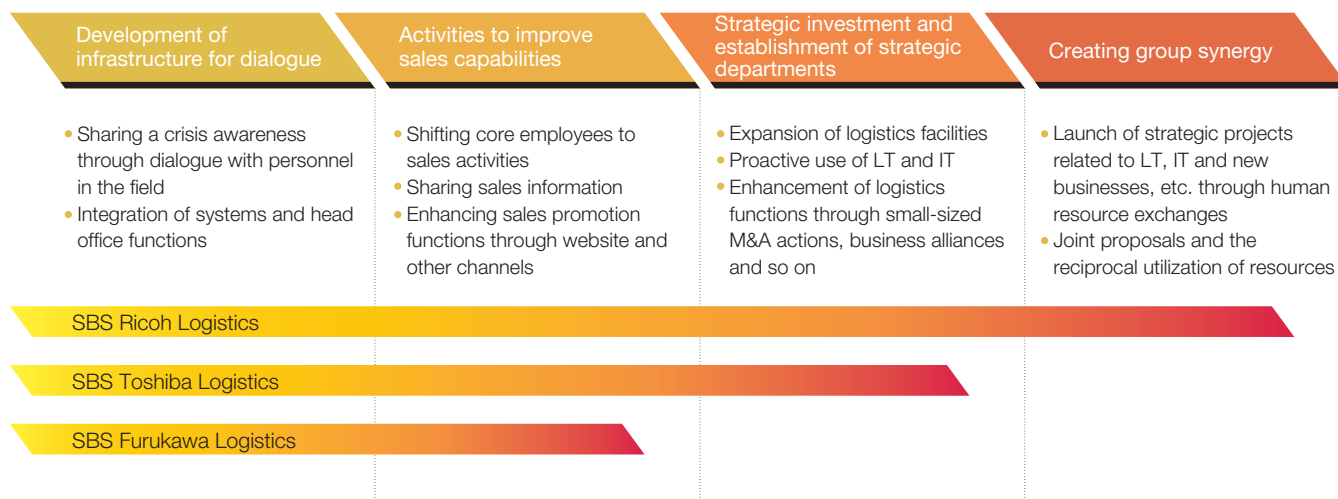
Starting FY2023, the SBS Group launched the EC1000 project. By the fiscal year ending December 31, 2030, our plan is to develop EC logistics into a business generating over 100 billion yen in net sales.

To this end, we will build EC Logistics Omakase-Kun, a one-stop service platform providing the optimal solutions for EC logistics, and also plan to develop dedicated EC logistics facilities equipped with robots and other cutting edge technologies spanning more than 200,000 tsubo (661,000 square meters) nationwide. We will also provide total support for EC operators, from center operation to final (last-mile) delivery. Overall, we are committed to providing robust and low-cost logistics services.

In the course of implementing strategic marketing, we have fielded a greater than expected number of inquiries. We will start by properly catering to small and mid-sized EC customers, and then work on acquiring the business of larger-scale clients as we build up a track record in site operation.

By the fiscal year ending December 31, 2030, our plan is to develop EC logistics into a business generating over 100 billion yen in net sales.

Steps in PMI



Developing logistics facilities spanning one million tsubo (3.3 million square meters)

Expanding the size of warehouse facilities is essential to the growth of the SBS Group as a logistics provider. The Group currently operates over 800,000 tsubo (2.64 million square meters) of warehouse floor area, roughly 20% of which was developed in-house. Since FY2022 the Group's planned expansion of floor area has topped 200,000 tsubo (661,000 square meters). When fulfilled, the Group's operating floor area will top one million tsubo (3.3 million square meters) in total. This will be treated as a transit point for further pursuing the development of logistics facilities.

It is vital for a warehouse to incorporate the quality, functionality and flexibility that meet the requirements of a shipper, while keeping rental charges low. That is why the SBS Group has refined its own logistics facility development model. We purchase land that features high price competitiveness, and engage in sales, planning and development in parallel. Once a facility achieves full occupancy, we transfer trust beneficiary interest in the value-added facility and enter into a leaseback agreement with favorable terms.

This approach improves the concreteness of 3PL services proposed to customers while reducing rent paid over the long term. It also allows us to provide the buyers of the facilities with excellent investment property. This unique model makes it possible to earn profits from securitization while preparing to develop subsequent logistics facilities without inflating balance sheets. Together with the increasing size of the logistics business, our ability to generate cash flow also expands.

As we grow in size, we will also work to develop greater added value through parallel approaches including the design of next-generation general-purpose warehouses and the combined installation of solar power generating facilities.

The evolution of logistics facilities through LT

LT and IT can be utilized in every aspect of the SBS Group's business activities, but are especially key in advancing logistics facilities.

SBS Toshiba Logistics, SBS Ricoh Logistics and SBS Logicom have traditionally played leading roles in the Group with the active employment of robot solutions at logistics sites. We have shared the knowledge accumulated by each Group company across the Group, and reached the stage of taking the utilization of LT to the next level.

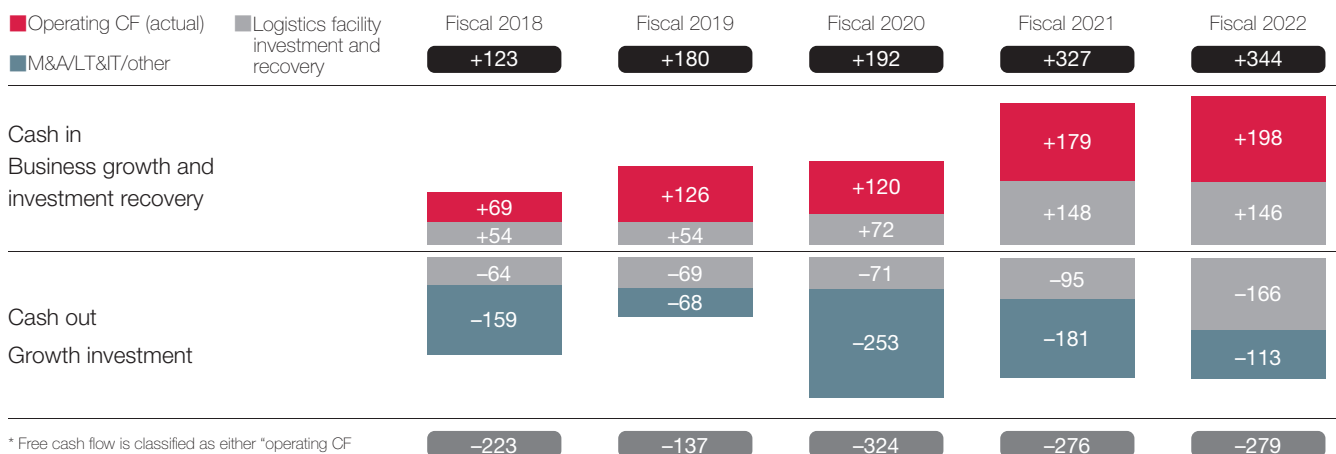
Driving the utilization of LT across the SBS Group is the LT Planning Department, which has been established within SBS Holdings. Nearly 200 engineers with expert knowledge work in the department, where we consider technical issues such as robot control and handle the development of proposals when accepting new 3PL contracts. The organizational capabilities of the LT Planning Department have improved significantly with the addition of members from SBS Toshiba Logistics and SBS Ricoh Logistics.

On December 1, 2022, we opened the LT Lab, a verification facility for the introduction and operation of advanced LT including robotics and AI inside the Saitama Logistics Center. Technologies refined in the lab are rolled out to logistics facilities in various locations operated or newly developed by the SBS Group. Cutting-edge LT will be introduced at the strategic center in Noda, Seto City, a strategically large center for EC logistics that is scheduled for completion in January 2024.

Going forward, the SBS Group will continue to promote the introduction of practical technologies as it pursues dynamic capital investment, rapidly giving shape to concrete models that incorporate LT and IT.

Change in the ability to generate cash flow

- The ability to generate cash flow is expanded through increased size from M&A activities and growth in net sales from extending logistics facilities
- Accelerate the fund recovery cycle of developed logistics facilities by actively liquidating them



* Free cash flow is classified as either "operating CF (actual)," "logistics facility investment and recovery" or "M&A/LT&IT/other."

Building the foundations of sustainability management

To balance efforts to create a sustainable society through solutions to social issues with sustainable enhancement to corporate value, the SBS Group is developing a sustainability management structure as a step up from conventional CSR-oriented management.

At its Board of Directors meeting held on January 18, 2023, SBS Holdings, which oversees the SBS Group, decided to establish a sustainability policy and put in place a Sustainability Promotion Committee. The sustainability policy expresses our desire to bring stability to people's lives and help realize a sustainable society from a global perspective based around the core pillars of people, society and the earth. I will personally serve as chairperson of the Sustainability Promotion Committee, a newly established advisory body to the Board of Directors of SBS Holdings, as an organization that will establish and strengthen our management structure in line with this policy. The committee will formulate sustainability strategies and action policies for the entire Group, and monitor KPIs and the status of coordination in activities within the Group.

Without pause, we have made progress in identifying the material issues facing the SBS Group, implementing disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and participating in the United Nations Global Compact.

Implementing sustainable finance

As one consequence of these initiatives, in March 2023, SBS Holdings entered into a loan contract for "Positive Impact Finance" (totaling 35 billion yen) with MUFG Bank and Mizuho Bank as arrangers. This is based on the Principle for Positive Impact Finance advocated by the United Nations Environment Programme - Finance Initiative (UNEP FI). This marks the first instance of syndicated loan-type positive impact finance in the logistics industry.

Going forward, in addition to securing human resources to achieve growth, we will also promote reskilling and exchanges of human resources within the Group.

* Positive Impact Finance utilizes an impact assessment framework developed by MUFG Bank, Ltd., Mitsubishi UFJ Research and Consulting co., Ltd., and Mizuho Research & Technologies, Ltd. based on the Principles for Positive Impact Finance advocated by the United Nations Environment Programme - Finance Initiative (UNEP FI), in order to comprehensively analyze and assess the impacts (positive and negative impacts) that corporate activities have on the environment, society and economy, and to provide loans continuously support initiatives recognized as intended for generating a positive impact.

SBS Next Stage 2025

In February 2023 the SBS Group announced SBS Next Stage 2025, the Group's new three-year management plan. The plan declares the Group's vision and priority measures up to FY2025, as well as numerical targets. We plan to update our management foundations, including the management philosophy, while clarifying our strategies to achieve net sales of 500 billion yen by FY2025 (excluding gains from new M&A activities).

The four priority measures declared in this management plan expand the growth strategies we have pursued to date with sharper focus, and add sustainability management as a new key pillar. We have incorporated 3PL, EC and overseas as growth drivers that will serve as guideposts for the Group's sustainable growth. 3PL is a unique business model combined with logistics facility development, and an area in which we will achieve outstanding competitiveness. We will strengthen our sales development structure, simultaneously expanding new 3PL contracts and deepening 3PL projects with existing customers. We will also focus on expanding orders for high value-added 3PL (4PL) by proposing logistics strategies and providing new schemes from a management perspective.

To expand international logistics, we will proceed to the next step, now that the consolidation and reorganization of the Group's overseas business around SBS Ricoh Logistics is complete. We will seek closer coordination with the overseas sites of SBS Toshiba Logistics and pursue economies of scale. Leverage the busi-

Three-year Management Plan (FY2023 to FY2025)

Enhance the overall strength of the Group

(group platform strategy
and unique strategies of each company)

Develop and expand logistics business infrastructure

Improve/differentiate operational productivity through LT×IT

Strengthen the foundations of sustainability management and human capital initiatives

ness networks we have built, we will expand contracts for manufacturers' production logistics in China and Southeast Asia, and the overseas businesses of our domestic 3PL customers. Additionally, in the United States and Europe, we will aim to secure new business through intra-Group coordination. Through collaboration with third-party forwarders, we will also tackle new business opportunities including intermodal transportation and cross-border EC.

Shareholder return

The SBS Group places an emphasis on the return of profits to shareholders while achieving value creation for a wide range of stakeholders, and even clearly states this in its new management philosophy. 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.

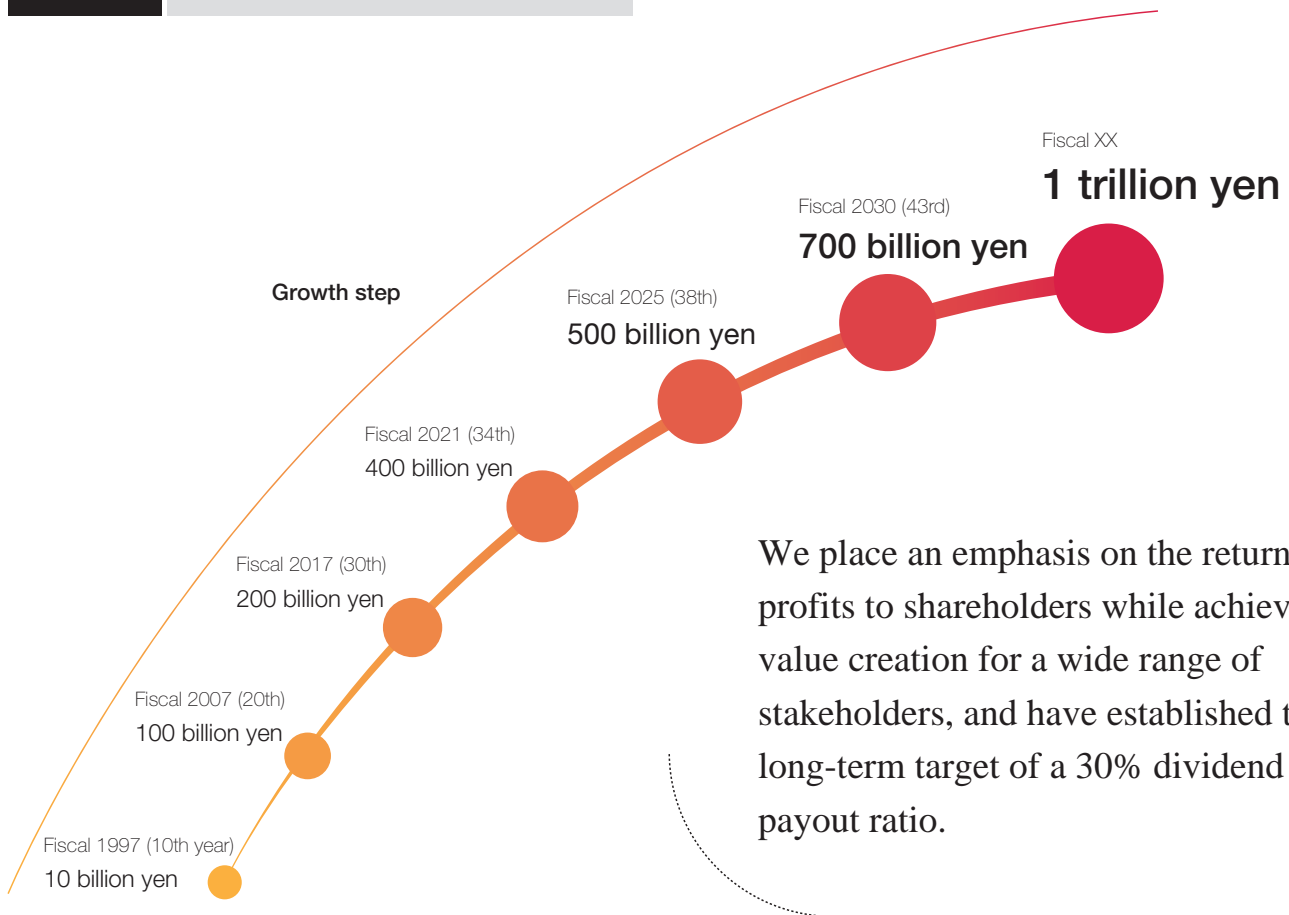
In the fiscal year ended December 31, 2022, we raised the dividend per share to 61 yen, reflecting the business results of the SBS Group. In the fiscal year ending December 2023, we plan to raise dividends another 4 yen to 65 yen per share.

While the dividend payout ratio for the fiscal year ended December 31, 2022 was 20.7%, we have set a long-term goal of 30% for this metric.

Sincerely pursuing growth as the infrastructure of hope

The SBS Group aims to achieve net sales of 700 billion yen by FY2030, and has its sights set on reaching the 1 trillion yen market beyond that. I see these goals as things we will achieve ourselves in the course of sincerely pursuing growth as the infrastructure of hope which delivers dreams to people around the world. With structural changes around the world picking up speed, the SBS Group will identify the true nature of those changes and position itself to assume a more important role in Japan and abroad by evolving itself. Thank you for taking an interest in the path the SBS Group is taking. We will continue to realize a better future with the guidance and help of many people.

Dividend per Share **61 yen (+6 yen)**



We place an emphasis on the return of profits to shareholders while achieving value creation for a wide range of stakeholders, and have established the long-term target of a 30% dividend payout ratio.

Key Elements of the Three-Year Management Plan (FY2023 to FY2025)

Enhance the overall strength of the Group (group platform strategy and unique strategies of each company)

- Continue to strengthen and deepen B-to-B businesses, particularly in 3PL
- Accelerate EC logistics (build hybrid EC platforms)
- Establish a Group-wide system of cooperation for international logistics businesses and tap into growth in global markets

Develop and expand logistics business infrastructure

- Strengthen the Group's logistics infrastructure, including in warehousing and distribution networks, EC logistics functions and the international logistics network
- Secure and develop human resources that will play an integral part in business activities
- Enhance and expand management resources through M&A activities

Improve/differentiate operational productivity through LT×IT

- Further rationalize logistics sites through the use of labor-saving technology and develop a robust operational structure to cope with labor shortages
- Establish a competitive advantage by developing more sophisticated logistics through the use of logistics data
- Pursue low costs in indirect operations by improving the operational efficiency of administrative departments

Strengthen the foundations of sustainability management and human capital initiatives

- Strengthen governance supporting sustainability management and tackle key issues
- Improve corporate value by strengthening human resource and organizational capabilities within the Group

Quantitative Plan

As FY2025 targets for the SBS Group, we plan to achieve consolidated net sales of 500 billion yen, operating income of 27.5 billion yen (with an operating income margin of 5.5%), and a shareholders' equity ratio of 30%. In FY2023, in which environmental changes to overseas markets are seen as having a major impact, we plan to make somewhat steady progress as a step toward those goals.

We will pursue a shift in the focus of management from an emphasis on quantitative metrics such as net sales and operating income to a balance between quantity and quality. We will revise our earnings structure by positioning operating income margin as a KPI. We will also position the property management business as a stable earnings base while achieving sustainable growth in the logistics business.

Also note that the target values in the plan exclude the impact of M&A activities. If new M&A actions are implemented in the future, the target values will also change accordingly.

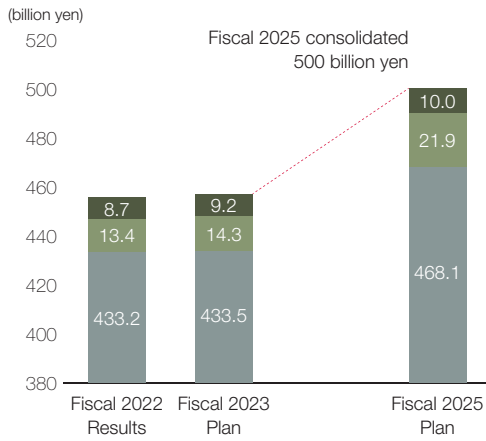
We will take solid steps towards achieving consolidated net sales of 500 billion yen.

Numerical Plan for FY2025

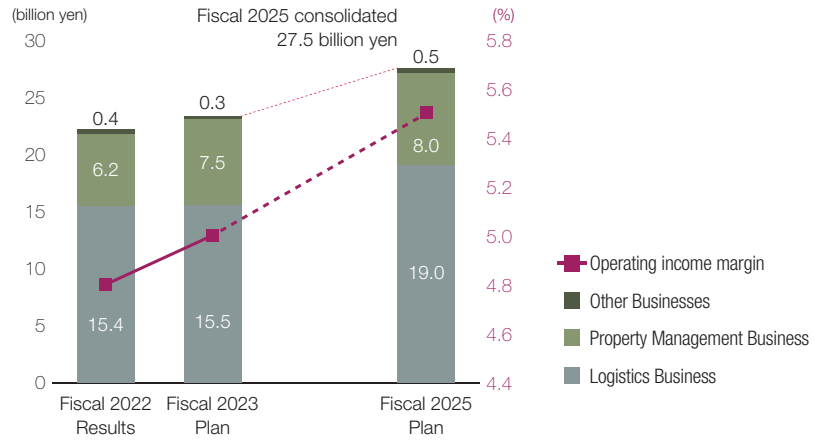
	Fiscal 2022 Results	Fiscal 2023 Plan	Fiscal 2025 Plan
Net Sales	4,554	4,570	5,000
(Year-on-year growth rate)	(12.9%)	(0.3%)	(CAGR 4.5%)
Logistics Business	4,332	4,335	4,681
Property Management Business	134	143	219
Other Businesses	87	92	100
Operating Income	218	228	275
(Operating income margin)	(4.8%)	(5.0%)	(5.5%)
Logistics Business	154	155	190
Property Management Business	62	75	80
Other Businesses	4	3	5
Shareholders' equity ratio	23.7%	25.5%	30.0%

Net sales and operating income

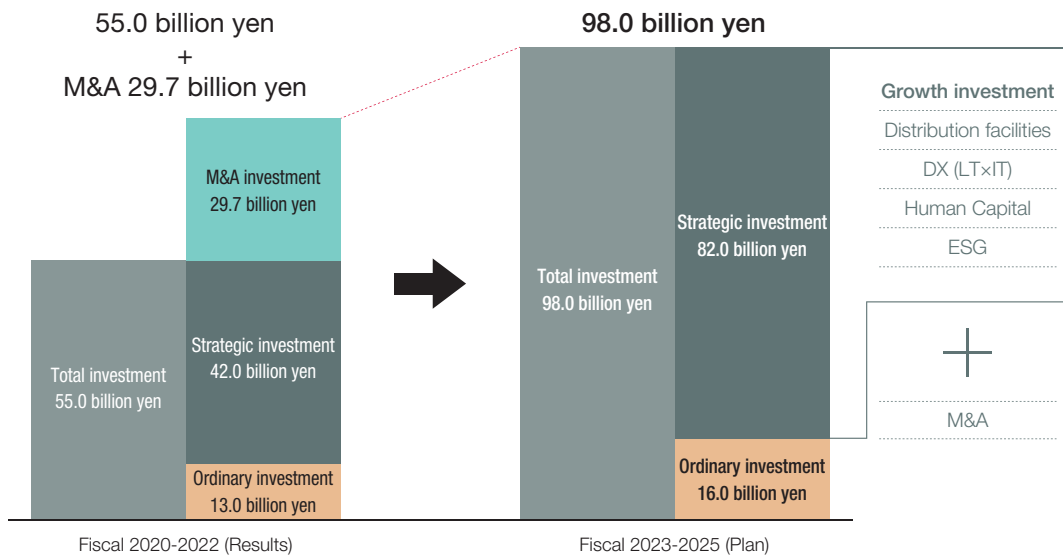
Net Sales



Operating Income

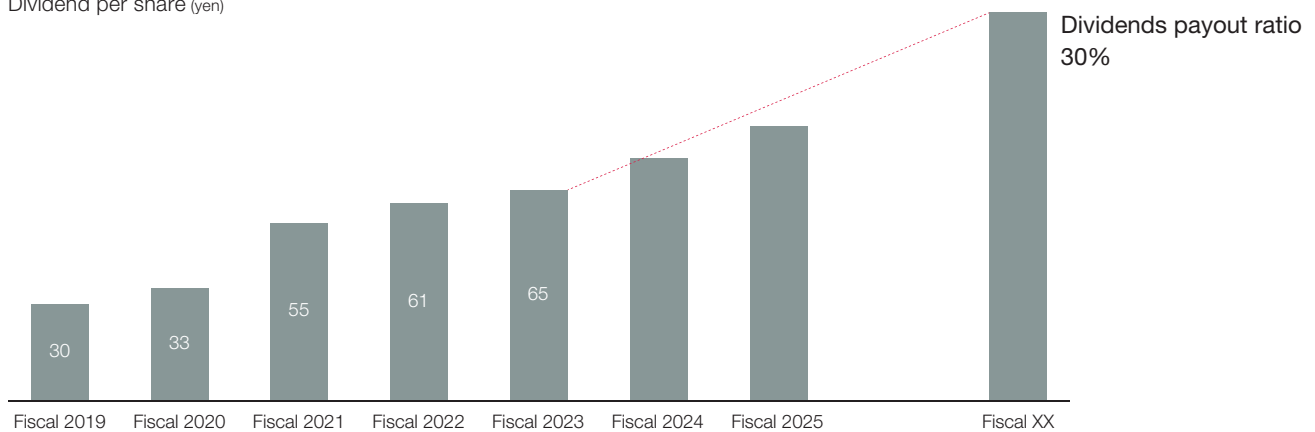


Investment



Shareholder-Related

Dividend per share (yen)



Sales and Profits

The SBS Group achieved recorded highs in consolidated net sales and each income level in FY2022.

Net sales were 455.481 billion yen, an increase of 51.996 billion yen from the previous fiscal year (a 12.9% increase compared with the previous fiscal year). The logistics business accounted for 95.1% of net sales by value, while the property management business and other businesses accounted for 2.9% and 1.9% respectively.

Operating income stood at 21.844 billion yen, rising 1.137 billion yen over the previous fiscal year (a 5.5% increase).

Additionally, net income attributable to owners of parent rose 0.942 billion yen year on year to end at 11.732 billion yen, a 8.7% jump.

Logistics Business

In the mainstay Logistics Business, in addition to expanding transactions with existing customers, we focused on acquiring new customers looking for advanced logistics functions. Given factors including a recovery in intercompany logistics that were hit hard by the spread of COVID-19, including overseas, and the capturing of e-commerce demand in the same-day delivery business, net sales in the logistics business for FY 2022 rose 54.959 billion yen (up 14.5%) year over year to 433.295 billion yen, while operating income declined 123 million yen (down 0.8%) over the same period to 15.423 billion yen, in part reflecting rising vehicle hire and fuel expenses, as well as the recording of expenses for the introduction of new uniforms.

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 the Group's 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 Yokohama Kanazawa Logistics Center (Yokohama) were partially transferred. Net sales in the Property Management Business for FY2022

declined 3.619 billion yen year over year (down 21.2%) to 13.423 billion yen, with operating income declining 50 million yen to 6.282 billion yen (down 0.8%) over the same period.

Other Businesses

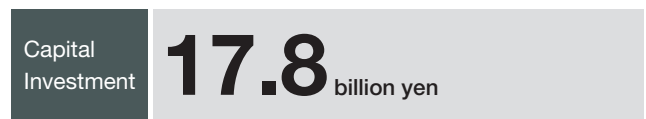
The main other businesses are a worker dispatch business, marketing business, solar power generation business and environmental business. Net sales in the Other Businesses rose slightly by 656 million yen (up 8.1%) year on year to 8.762 billion yen, with operating income declining by 32 million yen (down 7.5%) over the same period to 402 million yen.

Capital Investment

The SBS Group has actively pursued investments in logistics facility development and planned and increased the total floor area of facilities developed in-house by approximately 130,000 tsubo (approximately 430,000 square meters) (approximately 150,000 tsubo, 495,000 square meters when leasing is also included) over a six-year period from 2018 to 2023.

Capital investments made in fiscal 2022 totaled 17.859 billion yen. In the Logistics Business, we made investments of 15.183 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 913 million yen were made in areas such as acquisition for lease properties. In Other Businesses, 53 million yen was invested in routine vehicle upgrades and other things. In terms of company assets, investments totaling 1.709 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 addition, due to the fire that broke out at Ami Logistics Center 2 on June 30, 2022, equipment losses totaling 4.446 billion yen were incurred.



Impact of the logistics facility fire

Losses related to the fire that broke out on June 30, 2022 at a logistics facility (Ami Logistics Center 2) operated by the consolidated subsidiary SBS Flec were posted as extraordinary losses, but of the amounts paid out as insurance benefits for the fixed assets that were destroyed or damaged by the fire, the amount corresponding to the fire losses described above has been recorded as extraordinary income.

Net Sales

455.4 billion yen

+12.9%

Logistics Business **433.2** billion yen **+14.5%**

Property Management Business **13.4** billion yen **-21.2%**

Other Businesses **8.7** billion yen **+8.1%**

Operating Income

21.8 billion yen

+5.5%

Logistics Business **15.4** billion yen **-0.8%**

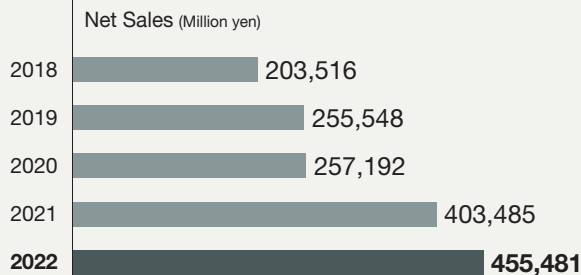
Property Management Business **6.2** billion yen **-0.8%**

Other Businesses **0.4** billion yen **-7.5%**

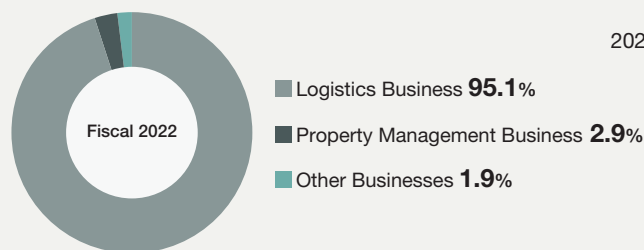
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT

11.7 billion yen

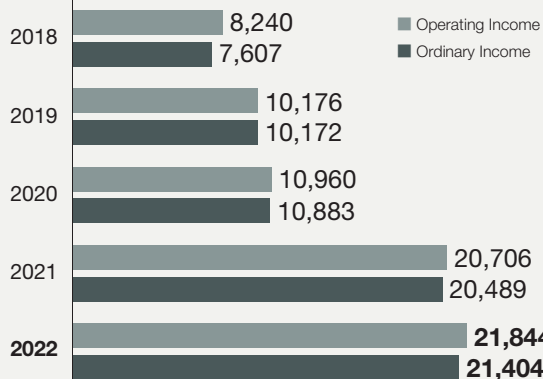
+8.7%



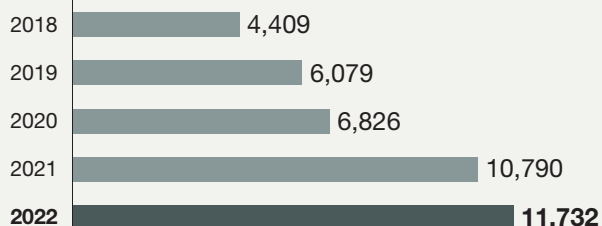
Composition of Net Sales by Business



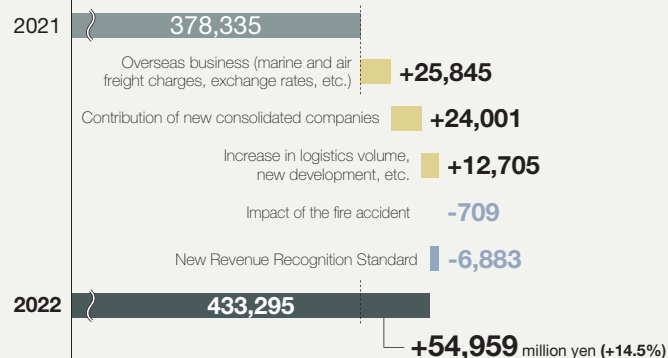
OPERATING INCOME AND ORDINARY INCOME (Million yen)



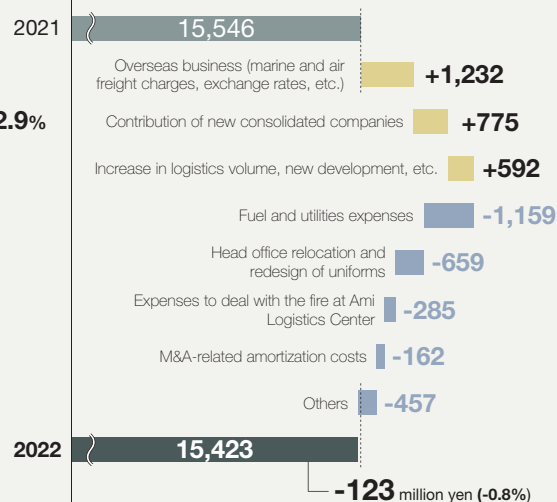
Net income attributable to owners of parent (Million yen)



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



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



Change in Capital Investment Amount (Million yen)

	2018	2019	2020	2021	2022
Total	11,607	11,710	11,507	14,501	17,859
Logistics Business	10,770	10,899	10,971	12,544	15,183
Property Management Business	502	153	75	145	913
Other Businesses	151	319	107	128	53
Company Assets	183	338	353	1,682	1,709

* 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 of the end of FY 2020 stood at 296.898 billion yen, an increase of 19.701 billion yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits, accounts receivable-trade and inventories.

Liabilities stood at 204.726 billion yen, an increase of 8.236 billion yen compared with the end of the previous fiscal year. This was mainly due to an increase in short-term loans payable.

Net assets stood at 92.172 billion yen, an increase of 11.464 billion yen compared with the end of the previous fiscal year. The increase was mainly due to higher retained earnings resulting from the recording of net income attributable to owners of parent and an increase in non-controlling interests.

Total
Assets

296.8 billion yen

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 2022 the shareholders' equity ratio was 23.7% (up 1.8% year on year).

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

23.7%

Cash Flow

As of December 31, 2022, cash and cash equivalents ("cash," hereafter) had increased by 8.873 billion yen from the end of the previous fiscal year, to 32.668 billion yen. The main reasons for the changes in each cash flow are as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities was 22.407 billion yen (inflow of 27.472 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 15.895 billion yen (outflow of 22.343 billion yen in previous fiscal year). This mainly reflected the acquisition of non-current assets such as vehicles and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was 0.489 billion yen (outflow of 9.278 billion yen in previous fiscal year). This was due to 15 billion yen in proceeds from long-term loans payable and a net increase of 5.519 billion yen from short-term loans payable, despite repayments of long-term loans payable of 15.294 billion yen, dividend payments of 2.184 billion yen, and other outlays.

Balance of Cash and
Cash Equivalents as
of December 31,
2022

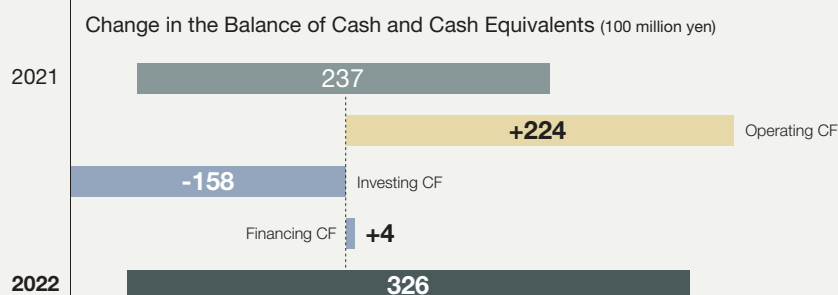
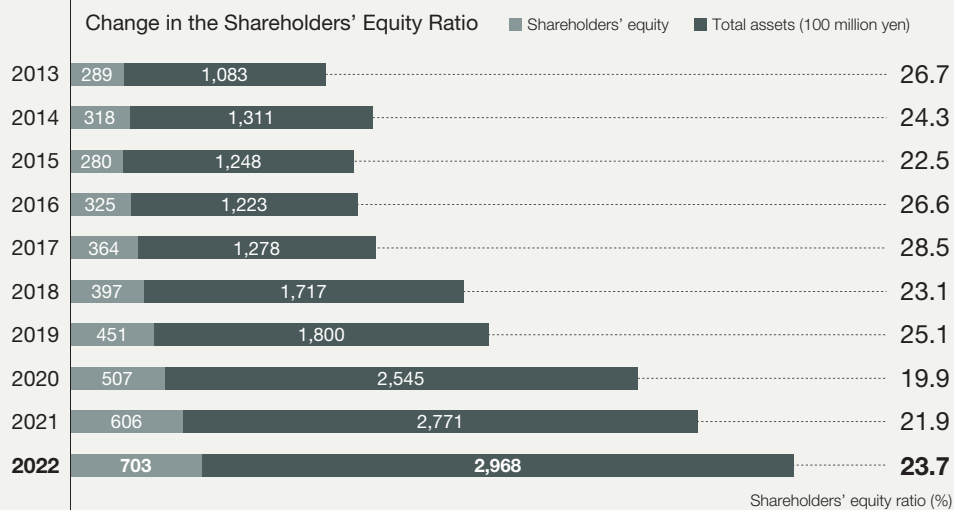
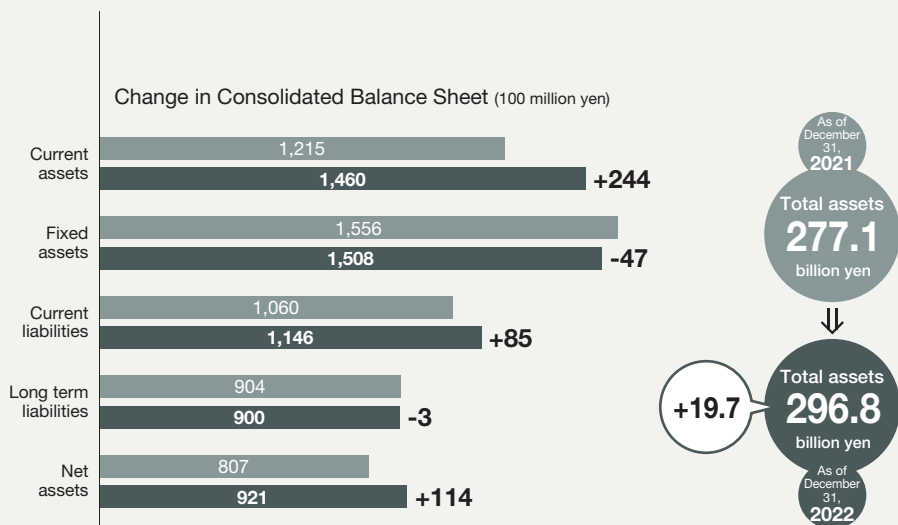
32.6 billion yen

Shareholder Return

The Company considers the return of profits to shareholders to be one of its most important management priorities. The Company's basic policy on the distribution of profits is, while retaining sufficient internal reserves for the establishment of a more robust management foundation, 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. Comprehensively taking into account the results in FY2022 under review and the Company's financial status, a year-end dividend of 61 yen per common share was issued. This was 2 yen higher than the 59 yen initially forecast, and represents an increase of 6 yen per share compared with the previous fiscal year. Going forward we will continue to promote the return of profits to shareholders together with sustainable growth.

Year-End Dividend
Per Common Share

61 yen



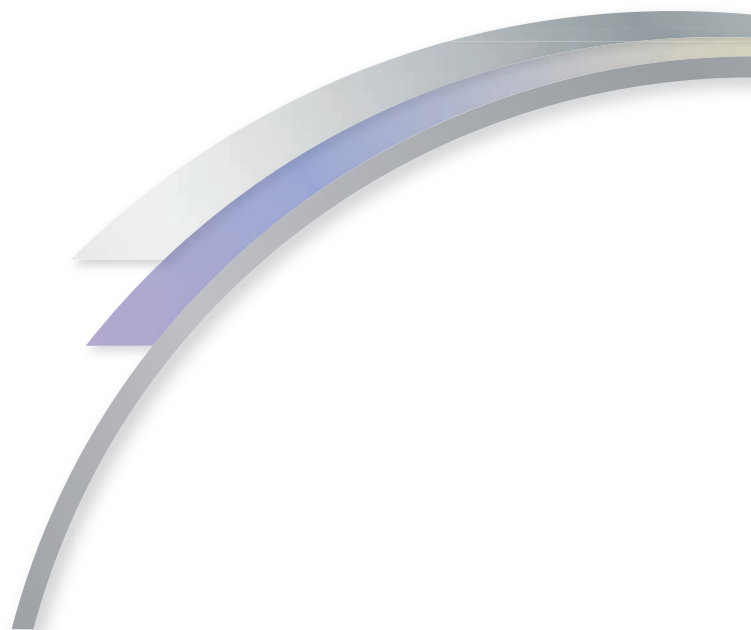
Change in Dividends

	For the year ended December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2020	For the year ended December 31, 2021	For the year ended December 31, 2022	For the year ending December 31, 2023 (forecast)
Dividend per share (yen)	22	30	35	55	61	65
Net income per share (yen)	111.01	153.06	171.88	271.67	295.39	302.13
Net assets per share (yen)	1,001.05	1,136.22	1,277.92	1,527.58	1,772.04	-
Payout ratio (%)	19.8	19.6	20.4	20.2	20.7	21.5
Ratio of dividends to net assets (%)	2.3	2.8	2.9	3.9	3.7	-

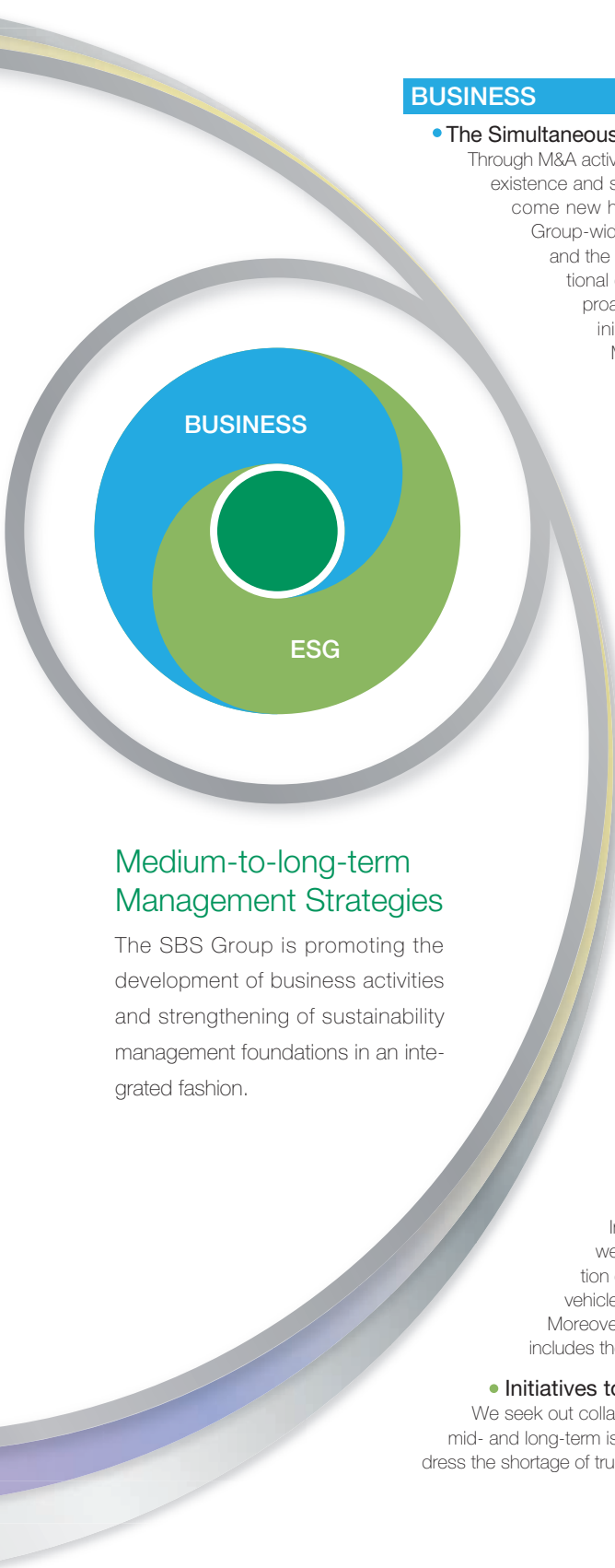
The SBS Group takes a broad view of external environmental changes in implementing its medium- and long-term management strategies. Based on the concepts of being a “group of 3PL companies possessing logistics functions in every direction” and a “mega venture,” we continue to strengthen our comprehensive 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	Market	Technology	Society
Changing consumer behavior due to the COVID-19 pandemic	Diversification of services	General logistics DX	Emergence of the COVID-19 pandemic
Slumping employment or income environment, inbound demand or capital investment sentiment	Smaller and more frequent lots	Supply chain management (SCM)/IoT and AI	Emerging effects of climate change
Stock market instability	Issues with last-mile delivery	Big data	Requirements for appropriate operational management of vehicles and stronger safety measures
Slowdown of global economic expansion due to the COVID-19 pandemic	Demands for stable and flexible transportation capabilities	Data warehouse	Worsening labor shortages
Uncertainty in international affairs	Increased competition due to e-commerce business operators developing in-house logistics systems	Automation and robotics	Work environments for truck drivers
Demands to disclose information on awareness of climate change and action to address it	Cooperation on logistics	AutoStore	Expected increase in foreign workers
Requests regarding ESG	Supplementary of logistics functions and services	Telematics	Long-term decline in the working age population
Expansion of sharing economy	Alliances with other companies including industry players	ETC2.0	Review of labor laws and regulations
	Fluctuating energy prices	EV	Demands for productivity improvements across Japan
		Autonomous driving	Human rights issues in Japan and overseas
		Drone	Requests regarding diversity and inclusion



Medium-to-long-term Management Strategies

The SBS Group is promoting the development of business activities and strengthening of sustainability management foundations in an integrated fashion.

BUSINESS

- **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 co-existence 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. The SBS Group has established these post-merger integration (PMI) approaches and expertise through the series of M&A actions taken in the past, and the initiatives pursued subsequently. To maximize the outcomes delivered by these M&A activities, they form a key pillar of our current growth strategies.

- **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. (See pages 33 to 36)

- **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.

ESG

- **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 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.

- **Safety, Environment and Governance**

In addition to taking measures to ensure work safety and 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.

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 promotion of human resource development, 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.

Strengths of the SBS Group's 3PL

Proposal Capabilities

- Proposals to transform logistics through overall optimization
- Proposals that emphasize data analysis
- Proposals that reflect familiarity with logistics in the field

Informational Capabilities

- Proposals covering everything from information system development to operation
- Unique development center management system

Development Capabilities

- Ability to develop and provide our own logistics centers
- Ability to maximize cost reductions with optimum facilities

Operational Capabilities

- Well refined low-cost operation
- Sites that advance efficiency and quality through improvement activities

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 2022, our logistics facilities including those currently being planned account for 1,040,000 tsubo (approx. 3.44 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, as part of a series of improvements connected with business growth and environmental changes.

Warehouse Floor Area under Operation
(existing + planned facilities)
As of February 2023

1,042,300 tsubo
(approx. 3.45 million square meters)

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.

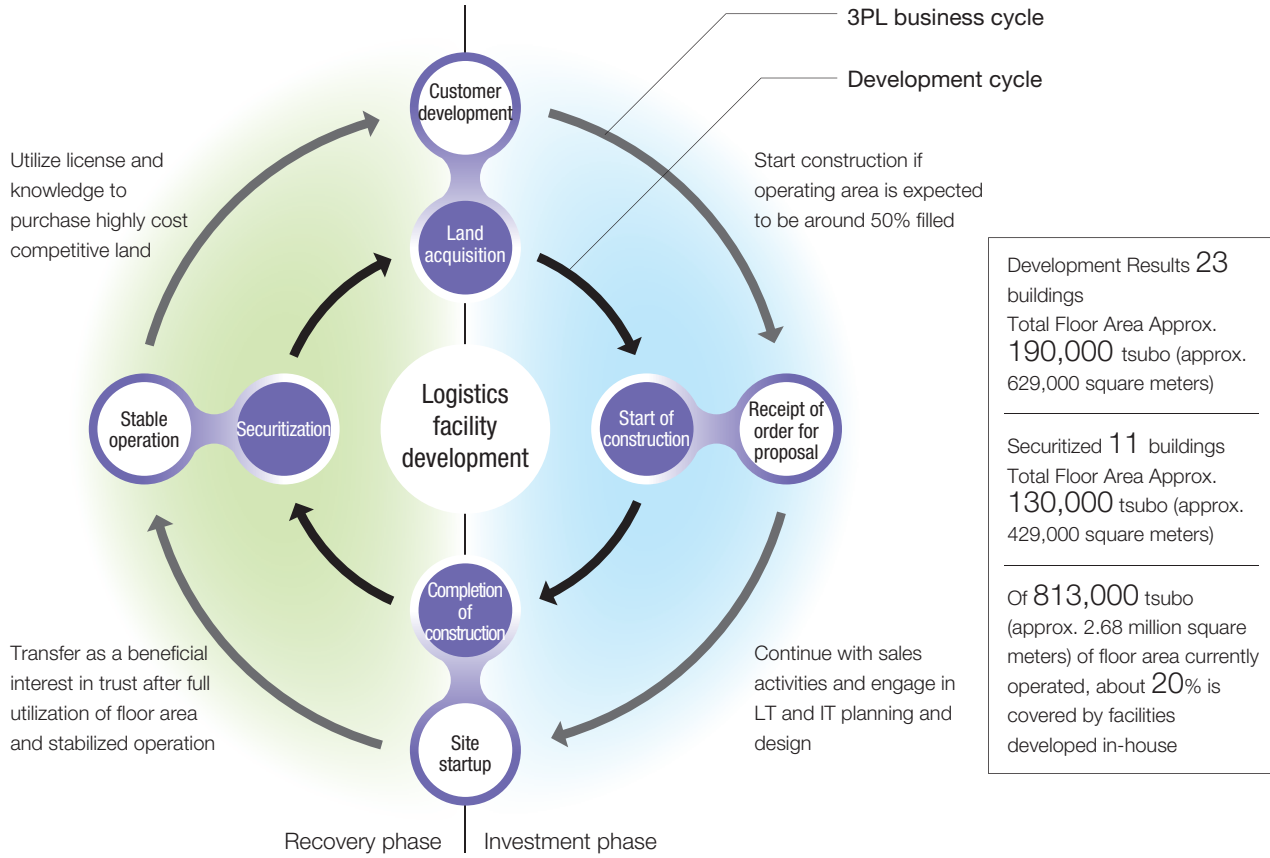
The SBS Group procures the funds required for the entire Group in a centralized fashion through its holding company. In addition to receiving lines of credit from multiple banks so that working capital can be secured flexibly, the SBS Group also procures long-term funding in a systematic fashion to address 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.

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	November 2021	In-house	16,200	SBS Ricoh Logistics
SBS Furukawa Logistics	Nationwide	January 2022	M&A	23,000	SBS Furukawa Logistics
Logistics Center Atsugi	Kanagawa	May 2022	Lease of entire building	17,400	SBS Ricoh Logistics
Osaka Ishikiri Branch Office	Osaka	June 2022	Lease of entire building	4,900	SBS Logicom
Cold Center Ichikawa	Chiba	October 2022	Lease	2,600	SBS Zentsu
Operational Area as of December 31, 2022				813,100	
Logistics Center Ichinomiya (provisional name)	Aichi	April 2023	In-house	17,400	SBS Ricoh Logistics
Osaka Suminoe Logistics Center (provisional name)	Osaka	April 2023	Lease of entire building	5,900	SBS Toshiba Logistics
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 Site	Chiba	Planned	In-house	28,400	SBS Asset Management
Tokorozawa Land A	Saitama	Planned	In-house	7,000	SBS Logicom
Tokorozawa Land B	Saitama	Planned	In-house	4,000	SBS Sokuhai Support
Kashiwazaki Warehouse	Niigata	Under construction	In-house	600	SBS Toshiba Logistics
Mie Warehouse	Mie	Under construction	In-house	600	SBS Toshiba Logistics
Yokoshibahikarimachi Land	Chiba	Planned	In-house	60,000	SBS Logicom
Kasumigaura-shi Land	Ibaraki	Planned	In-house	15,000	SBS Logicom
Plans for Increased Floor Area from January 2023 Onward				229,200	
Total Operational Area (existing + planned facilities)				1,042,300 tsubo (approx. 3.45 million square meters)	

* Rounded to the nearest 100 tsubo (approx. 330 square meters)

SBS' Unique Logistics Facility Development Model



Osaka Suminoe Logistics Center
SBS Toshiba Logistics opened the center at a location roughly 10 km from central Osaka in April 2023. The center aims to improve customer satisfaction across a wide range of applications including home appliances (manufacturer and mass merchandiser logistics), precision equipment, housing construction and e-commerce.

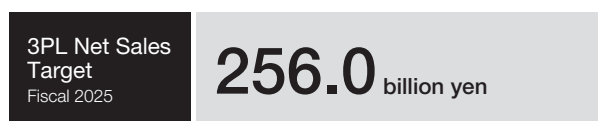
Rollout of 3PL in Each Region

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, 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, 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 and reducing the costs of logistics. SBS Ricoh Logistics System, 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

The SBS Group describes as 4PL logistics services that provide greater added value than are available with 3PL, and proposes and realizes 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.

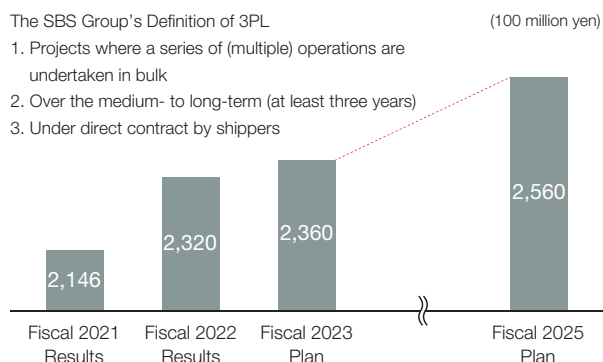
SBS Toshiba Logistics, which has built up experience in providing solutions from a management perspective as a subsidiary allotted logistics functions for an electric appliance manufacturer, is directly involved with 4PL-based operations while also being tasked with sharing its expertise with other SBS Group companies.

As a key activity of the Medium-term Management Plan

Under Next Stage 2025, the SBS Group's Three-Year Management Plan, 3PL is at the top of the list under Priority Measures 1 (Enhance the overall strength of the Group). The Group plans to further strengthen and deepen B-to-B businesses, particularly in 3PL. To secure new contracts, we will roll out sales activities targeting customers' entire supply chains, developing uncontracted areas with a broad perspective. The SBS Group's newly constructed logistics facilities are an important way to attract interest. For existing customers, we will work to spread contracted areas to peripheral domains utilizing our logistics platform in addition to proposing improvements based on their needs. We will also cultivate staff who will take in the lead in proposal activities to expand 4PL contracts. Net sales for FY2022 were 232 billion yen, and we plan to expand this figure to 256 billion yen by FY2025.

Having continually grown as a 3PL corporate group possessing omnidirectional logistics functions, the SBS Group is taking steps to transform into a new look.

Change in 3PL and 4PL Net Sales / Target



Uncertainty in the management environment for logistics business operators has increased due to a fluctuating international climate. The SBS Group takes a broad view in identifying risks to watch out for, analyzes the nature and impact of these risks and endeavors to manage them effectively.

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 should 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 Sustainability 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

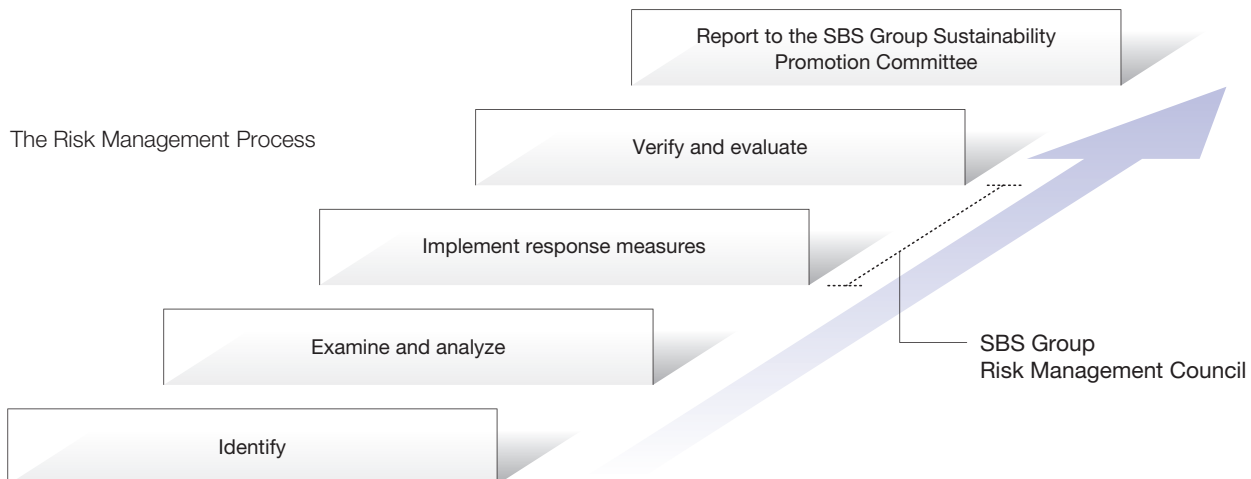
We have currently established 15 categories of risk events that have the potential to affect the SBS Group's short, medium and long-term management results, share price and financial condition. While the risks differ in terms of whether they are caused by external factors, internal factors or a combination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

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

Risk 	Overview 	Effect 	Response Status 
<p>Risks due to changes in economic conditions</p> <p>[Short-term]</p> <p>Likelihood of occurrence </p> <p>Degree of Impact </p> <p>Potential for control </p>	<p>The businesses operated by the SBS Group are affected by economic and business trends in Japan and overseas, and by fluctuations in transportation demand among enterprise customers.</p>	<p>In the event of sluggish consumption due to a domestic economic contraction, a fall in import/export volumes triggered by a sharp appreciation of the yen or a serious contraction in an overseas economy, a reduction in the number of orders received or downward pressure on transportation fees could occur.</p>	<ul style="list-style-type: none"> ■ Promotion of business diversification ■ Diversification of risks by expanding business partners ■ Promotion of an enhanced and optimized business portfolio in conjunction with the above measures
<p>Risks due to sharp rises in fuel prices</p> <p>[Short, Medium and Long-term]</p> <p>Likelihood of occurrence </p> <p>Degree of Impact </p> <p>Potential for control^{*1} </p>	<p>The use of fuels such as light oil and gasoline is essential in the logistics business. But when fuel prices increase due to steep rises in crude oil prices or fluctuating exchange rates, they represent a factor that increases costs.</p>	<p>It may not be possible to change transportation charges to reflect higher-than-expected fuel prices and equivalent increased costs due to sharp rises in global oil prices or the effects of currency exchange markets.</p>	<ul style="list-style-type: none"> ■ Creation of budgets that incorporate fuel price fluctuations (predictions) by keeping close watch on market trends ■ 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
<p>Risks associated with a worsening financial environment</p> <p>[Short and Medium-term]</p> <p>Likelihood of occurrence </p> <p>Degree of Impact </p> <p>Potential for control </p>	<p>In implementing M&A activities as an important growth strategy and developing logistics facilities to promote the 3PL business, we primarily procure funding through loans from financial institutions, and a worsening of the financial environment could be a factor in rising costs.</p>	<p>Difficulties in obtaining funding for strategic investments, or increased interest rates to finance loans could occur. In addition, depending on the degree to which the environment deteriorates, some of the financial covenants attached to loans could be violated.</p>	<ul style="list-style-type: none"> ■ Measures including paying down interest-bearing debt through the securitization of logistics facilities and operating cash flow, and securing fixed interest rates ■ Smarts arrangements in securing funds (fixing of interest rates, etc.) ■ Diversification of funding methods
<p>Risks due to M&A activities</p> <p>[Short and Medium-term]</p> <p>Likelihood of occurrence </p> <p>Degree of Impact </p> <p>Potential for control </p>	<p>When expanding its existing businesses and entering new fields of business, the SBS Group implements M&A activities, capital participation and capital tie-ups as part of its business strategy. There is a risk that these activities might not go as well as initially planned.</p>	<p>Due to unexpected circumstances, the progress of a business plan following an acquisition or tie-up could be significantly delayed compared with initial forecasts.</p>	<ul style="list-style-type: none"> ■ Thorough due diligence conducted in advance ■ Careful arrangements with the top management of the company to be acquired ■ Systematic implementation of post-merger integration (PMI) <p>* Even in the cases of capital participation or tie-ups, similar action is taken</p>
<p>Risks due to the real estate business</p> <p>[Short and Medium-term]</p> <p>Likelihood of occurrence </p> <p>Degree of Impact </p> <p>Potential for control </p>	<p>The 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 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.</p>	<p>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.</p>	<ul style="list-style-type: none"> ■ Development of logistics facilities predicted on securing customers <p>* We begin construction work on facilities after determining tenant consignors and sales destinations, as well as factors such as intended use, specifications, rent and rental period</p> <ul style="list-style-type: none"> ■ Detailed development schedule management ■ Preparation of schemes to securitize developed logistics facilities

*1 Controllability has improved due to the advancement of initiatives to enhance fuel efficiency

Management Status of Major Risks

Risk 	Overview 	Effect 	Response Status 
<p>Risks due to legislative changes</p> <p>[Short and Medium-term]</p> <p>Likelihood of occurrence ●●</p> <p>Degree of Impact ●●</p> <p>Potential for control ●●●●</p>	<p>The SBS Group's operation is affected by various laws and regulations, and changes to these laws and regulations in response to changing social conditions. In our core logistics business, for example, various business laws related to logistics apply to cargo vehicle transportation operations, warehousing services and customs brokerage. In the property management business, the Building Standards Act and Financial Instruments and Exchange Act play a part, and in personnel support, the Worker Dispatch Act must be followed.</p>	<p>New 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.</p>	<ul style="list-style-type: none"> Collecting information through industry groups and other organizations Preparations and actions in anticipation of legislative changes
<p>Risks related to natural disasters, anthropogenic disasters and other incidents</p> <p>[Short, Medium and Long-term]</p> <p>Likelihood of occurrence ●●●●●●</p> <p>Degree of Impact ●●●●</p> <p>Potential for control ●●</p>	<p>The business activities of the SBS Group revolve around truck-based transportation and the operation of logistics centers, and these operations are susceptible to natural disasters, anthropogenic disasters, and other incidents. In particular, the SBS Group has situated many logistics sites in the Tokyo metropolitan area to cater to robust logistics demand in that region, and if the Tokyo metropolitan area was affected by such a disaster, it would have a significant impact on the SBS Group.</p>	<p>When an event such as a major disaster occurs, SBS Group operations could be cut off and the Group may be unable to provide some or all of its logistics services, due to damage to consignor companies or Company facilities, disruption or cutting off of transportation networks, and the shutdown of lifelines.</p>	<ul style="list-style-type: none"> Anticipating the state of damage through the formulation of business continuity plans (BCP), and preparing of response measures Periodic implementation of training to prepare for major disasters and other incidents Ensuring the earthquake resistance of the main buildings used for projects Decentralization of major business sites to the extent possible
<p>Risks associated with pandemics</p> <p>[Short and Medium-term]</p> <p>Likelihood of occurrence ●●●●</p> <p>Degree of Impact ●●●●</p> <p>Potential for control ●●●</p>	<p>When an outbreak of a serious infectious disease occurs, the SBS Group businesses would be forced to take measures not usually implemented to prevent the spread of infections, and if the situation worsened, it could even threaten continued operations.</p>	<p>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.</p>	<ul style="list-style-type: none"> Thorough hygiene management for business sites and vehicles Thoroughly ensuring that employees take steps to prevent and stop the spread of infection based on national government guidelines
<p>Risks due to serious incidents</p> <p>[Short-term]</p> <p>Likelihood of occurrence ●●●</p> <p>Degree of Impact ●●●●</p> <p>Potential for control ●●●●</p>	<p>As the SBS Group uses public roads to transport customers' products and goods by truck and other vehicles, there is always a risk of traffic accidents.</p>	<p>If a major accident in which many people's lives are lost occurred, the Company could be sued by the victims, suffer a decline in credibility among customers and society, or be subjected to action imposed by authorities, such as being suspended from operating vehicles or conducting business.</p>	<ul style="list-style-type: none"> Continued operation of SBS Groupwide transportation safety management under the SBS Group Transportation Safety Promotion Meeting Promotion of transportation safety based on the three pillars of education and awareness-raising, accident prevent, and safe driving/operation management
<p>Risks due to system shutdowns</p> <p>[Short and Medium-term]</p> <p>Likelihood of occurrence ●●●●</p> <p>Degree of Impact ●●●●●●</p> <p>Potential for control ●●●●</p>	<p>The SBS Group utilizes computers and networks for a range of applications from business systems to manage customers' cargo information, warehouse 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.</p>	<p>If any of these systems were to fail 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.</p>	<ul style="list-style-type: none"> Promotion of Group-wide security measures, training and awareness-raising under the SBS Group 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



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.

- 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.

- 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 ●●●●

Degree of Impact ●●●

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 a lack of understanding of the local culture or international standards, and matters in conflict with international norms, standards or guidelines.

- 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.

- Proactively hiring talented human resources without drawing distinctions between graduate or mid-career hires
- By conducting various training for all employees of Group companies based on the basic policy on human resource development, supporting skill improvement and career development
- Promotion of diversity and the development of a comfortable workplace

Risks associated with climate change

[Medium-term, Long-term]

Likelihood of occurrence ●●●●●●

Degree of Impact ●●●●●●

Potential for control ●●●

* See page 41-42 for details.

Because of climate change, stepped up restrictions on CO₂ emissions will be pursued based on international agreements, and carbon pricing may be introduced. Other incidents may also occur, including flooding damage to business sites in coastal areas due to rising sea levels, disruption or interruption of transportation networks due to wind damage, water damage or heavy snowfall, impacts due to supply outages for lifelines such as electricity and water, and health hazards to employees due to abnormal weather (heat stroke, etc.).

Changes in the environment surrounding the markets or systems will produce factors that increase business expenditures, such as higher prices for CO₂ emissions and costs to transition to low-emission technologies. In addition, physical impacts may cause damage to business assets or reduce operational capacity.

- Promoting systematic business strategies and environmental strategies based on a low-carbon approach
- Strengthening environmental management systems
- Stockpiling for emergencies
- Enhanced disaster response management



Responding to global climate change is one of the Sustainable Development Goals (SDGs), and since the Paris Agreement took effect on November 2016, efforts have been underway around the world. Japan is no exception. In October 2020, the government declared that Japan would achieve carbon neutrality by the year 2050, making action on climate change even more important. Based on the recognition that action on the issue of climate change is an important challenge both for corporate value and the development of a sustainable society, the SBS Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2022, and has been promoting its climate response actions in accordance with the recommendations, as detailed below.

Sustainability Promotion Structure



Governance Structure for Climate-related Issues

The SBS Group has established the Sustainability Promotion Committee as its axis of sustainability management. The committee, which is also an advisory body to the Board of Directors, convenes once a month, engages in the drafting of sustainability strategies and action policies, monitors KPIs and the status of coordination in activities within the Group, and refers matters requiring a decision to the Board of Directors.

The representative director of SBS Holdings chairs the committee, whose members comprise SBS Holdings directors and executive officer, as well as the representative directors of SBS Group companies. In addition, the Sustainability Promotion Department serves as the administrative body for the committee. We have established five meeting bodies as subordinate bodies under the committee, namely the Risk Management Meeting, Compliance Meeting, Environmental Management Promotion Meeting, Transportation Safety Promotion Meeting and Information Security Promotion Meeting. These meeting bodies draft and implement measures in their respective areas of responsibility based on the action policy set by the committee. The Sustainability Promotion Department performs administrative duties for the Risk Management Meeting, Compliance Meeting and Environmental Management Promotion Meeting, while the Logistics Quality Control Department and IT Planning Department do the same for the Transportation Safety Promotion Meeting and Information Security Promotion Meeting, respectively.

Under this structure, the SBS Group plans, determines and implements its response to ESG issues, including the issue of climate change.

Risk Assessment and Strategy

[Risk assessment] The Sustainability Promotion Committee checks and assesses the implementation status of environmental activities within the SBS Group. On environmental matters, the committee checks and assesses the status of target achievement for things such as CO₂ emission reduction status and violations of environmental laws. In addition, the Environmental Management Promotion Meeting assesses risks and opportunities related to climate change, deliberates and assesses the need for changes or improvements to important matters concerning the promotion of environmental management such as the formulation and monitoring of major environmental KPIs and medium- to long-term targets, and undergoes review for approval by the representative director of SBS Holdings, who chairs the Sustainability Promotion Committee.

[Strategy] The SBS Group handles management risks in a comprehensive manner (see page 37). We have currently established 15 categories of risk events that have the potential to affect the SBS Group's short, medium and long-term manage-

ment results, share price and financial condition. We view climate change risks as the most important of these risks, and as detailed in "Climate Change Scenario Analysis" below, we perform analyses of climate change scenarios to ascertain the impact of climate change-related risks and opportunities. In addition, we have made it a condition that directors put in charge of sustainability matters including climate-related issues have made work experience in the field of sustainability including climate change issues, and possess the ability to develop proposals and provide briefings at SBS Group Sustainability Promotion Committee meetings and Board of Directors meetings.

Scenario Analysis

Based on the recognition that risks and opportunities associated with climate change have a significant bearing on the business strategy of the SBS Group, under a promotion structure led by the Sustainability Promotion Committee we undertook the identification and materiality analysis of climate-related risks and opportunities through the following process using 1.5°C and 4°C scenarios.

[1.5°C scenario] This scenario envisages rising costs due to strengthened regulations including the introduction of carbon tax, and the risk of rising prices for energy sources. To achieve "Sincere Challenge 2030," the Group is working on a number of initiatives as priority challenges, including the introduction of next-generation vehicles, the procurement of electricity from renewable energy sources, the increased installation of solar power generating equipment, and improvements to the in-house utilization rate for renewable energy.

[4°C scenario] In anticipation of even higher physical risks due to the increasing severity of natural disasters, we will consider the promotion of disaster preparedness-related investments, including BCP measures that include climate disasters (management of hazard information for each site, risk information analysis and detection, etc.). In addition, since the logistics business involves manual work performed outdoors and in warehouses, lost productivity and employee health hazards due to rising air temperatures are a concern. We will pursue efforts to improve workplace environments and introduce DX for labor saving and efficiency improvements.

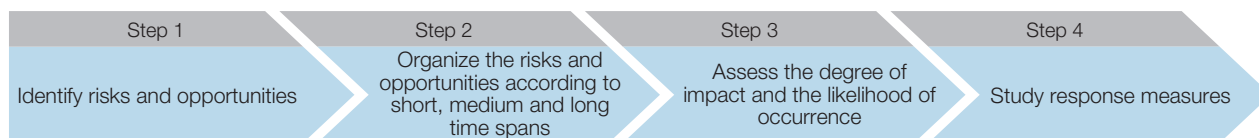
Metrics and Targets

Since FY2018 the SBS Group has been working on Sincere Challenge 2030, its mid-to-long-term environmental plan. The plan comprises a slogan, medium-to-long-term priority issues and a medium-term action plan (Environmental Action 2023), and is being pursued in a sincere and proactive manner.

[Reference scenarios]

- 1.5°C scenario: SSP1-1.9 and RCP2.6
- 4°C scenario: SSP5-8.5 and RCP8.5
- Other reference: IEA "Net Zero Emissions by 2050 Scenario"

Process for Identifying Risks and Opportunities Associated with Climate Change



Climate Change Risk Structure and Initiatives

Results of scenario analysis

Category	Category	Expected risks and opportunities
Transition risks	Policy and regulations	Risk of increased business expenditures due to taxation proportional to energy consumption (greenhouse gas emissions) through the full-scale introduction of carbon taxing in connection with strengthened domestic environmental regulations
	Technology market risks	Risk that the costs of carbon reduction measures will rise
		Risk that funding will be procured on less competitive terms than other companies due to an inability to utilize green financing, etc.
Reputational risks	Risk that corporate reputation will deteriorate (leading to reduced access to capital and deterioration of corporate competitiveness) due to delays in disclosing environmental information and implementing environmental activities, including in relation to climate change	
Physical risks	Acute	Risks of employee harm, delayed business recovery, stoppage of business activities or shutdown of services due to climate disasters such as torrential rain, flooding and typhoons, and possibility of an impact on earnings
		Risk of rising costs associated with damage to company assets due to climate disasters
	Chronic	Risk of adverse impact on employee health and reduced productivity due to rise in average temperatures
Opportunities	Energy sources	Opportunity to reduce CO ₂ emissions and decrease fuel costs with the introduction of next-generation vehicles
		Opportunity to reduce CO ₂ emissions by using renewable energy
	Market	Opportunity to reduce funding costs by utilizing green finance as a result of ensuring environmental advantages
	Resilience	Opportunity to reduce electric power procurement costs and secure a power supply for emergencies with the in-house use of solar power generation

Defining Major Financial or Strategic Impacts When Identifying and Assessing Climate-related Risks

With regard to major financial or strategic impacts when identifying and assessing climate-related risks and opportunities, members of the SBS Group Sustainability Promotion Committee, chaired by the Representative Director, comprehensively deliberate over financial matters that could have some degree of impact on sales, including perspectives such as funding resources, human resources, the size of financial statements and the business plans of each operating division. After determining which risks and opportunity could have a significant financial impact, approval is finally sought from the Board of Directors. Note that the size of a major financial or strategic impact on business is defined based on a risk or opportunity having a certain degree of impact on sales or costs, etc., and the likelihood of the risk or opportunity materializing.

Major financial impacts (expectations based on hypotheticals as of 2030)

	Risks and opportunities	Type	Period	Likelihood of occurrence
Risk 1	Risk of increased business expenditures due to taxation proportional to energy consumption (greenhouse gas emissions) through the full-scale introduction of carbon taxing in connection with strengthened domestic environmental regulations	Policy and regulations	Long-term	High
Risk 2	Risk that corporate reputation will deteriorate due to delays in disclosing environmental information and implementing environmental activities, including in relation to climate change	Reputation	Mid-term	High
Risk 3	Risk of adverse impact on employee health and reduced productivity due to rise in average temperatures	Chronic physical risks	Mid-term	High
Opportunity 1	Opportunity to reduce CO ₂ emissions and decrease fuel costs with the introduction of next-generation vehicles	Decrease in expenses	Mid-term	Almost certain
Opportunity 2	Opportunity to reduce CO ₂ emissions by using renewable energy	Low-emission energy	Long-term	Very high

Measures Addressing the Expected Risks and Opportunities	Time of occurrence			1.5°C scenario		Overall evaluation	4°C scenario		Overall evaluation
	Short term to 2025	Medium-term from 2026 to 2030	Long term from 2031 and beyond	Degree of Impact	Likelihood of occurrence	15 > ●	Degree of Impact	Likelihood of occurrence	15 > ●
<ul style="list-style-type: none"> Set CO₂ emission reduction targets, and promote initiatives to reduce emissions (introduction of next-generation vehicles, procurement of green electric power, creation and improved in-house use of renewable energy) Visualize financial impact through the introduction of internal carbon pricing (ICP) 		●		5	5	●	2	2	
Utilize subsidies when introduction next-generation vehicles, reduce costs of introduction by cooperating with alliances, and introduce vehicles systematically in light of market trends and other factors		●		4	5	●	1	2	
Strengthen the continuity of sustainability (develop systems that take the environment, society and corporate governance into account)		●		5	4	●	2	2	
Strengthen appropriate disclosure systems for climate change issues and sustainability information	●			5	5	●	2	2	
Strengthen BCP measures against natural disasters (1. dispersal of sites, 2. installation of solar power generation and storage battery equipment, 3. relocation to low-risk regions, etc.)	●			4	4	●	5	5	●
Strengthen and reinforce facilities based on hazard information	●			4	4	●	5	5	●
<ul style="list-style-type: none"> Take measures to keep workers cool such as upgrading air conditioning equipment, using tools that provide cooling during outdoor work, or wearing fan-equipped attire Promote logistics operations (1. promoting automation, labor saving or unattended operations, 2. providing a comfortable work environment) 	●			2	2		4	4	●
Introduce next-generation vehicles (EVs, hydrogen-powered vehicles, etc.)	●			4	5	●	2	3	
Procure renewable energy-derived electric power and promote the in-house use of solar power generation		●		4	4	●	2	3	
Accelerate funding related to green projects such as green bonds		●		5	4	●	2	2	
Reduce electricity procurement costs and secure a power supply during emergencies with the introduction of renewable energy		●		4	4	●	3	2	

Financial impact (on an annual monetary basis)	Countermeasures	Details of Risks (Basis for Calculation of Financial Impact)
Relatively high 1.5°C scenario Increase of approximately 1.9 billion yen 4°C scenario Increase of approximately 1.2 billion yen * Provisional calculation based on FY2022 emissions	Responding to priority issues based on the Mid-to-Long-Term Environmental Plan <ul style="list-style-type: none"> Introduction of next-generation vehicles Introduction of electric power derived from renewable energy Ongoing upgrades to solar power generating equipment and improved in-house utilization rate 	<ul style="list-style-type: none"> Forecast carbon tax prices (2030) <ul style="list-style-type: none"> 1.5°C scenario: 140 dollars/t-CO₂ = 18,578 yen/t-CO₂ 4°C scenario: 90 dollars/t-CO₂ = 11,943 yen/t-CO₂ * Prices of 2030 carbon taxes according to each scenario for developed countries including Japan are quoted from "World Energy Outlook 2022" (based on an exchange rate of 1 USD = 132.70 JPY; see mid price from December 30, 2022) ★ Tax burden = CO₂ emissions × tax price × years of impact
High Reduction of 15.4 billion yen * Provisional calculation based on market capitalization as of the end of FY2022	Setting of appropriately metrics and targets for climate change issues and sustainability information, and improvements to timely disclosure systems	<ul style="list-style-type: none"> Stock investment reduction rate: approx. 14% <ul style="list-style-type: none"> (1) 61.9% (sustainable investments as a percentage of total assets under management) (2) 22.2% (stock investments as a percentage of the sustainable investment percentage) (3) Sustainable stock investments as a percentage of total assets under management ①×②=13.7%⇒14% * The investment ratios of (1) and (2) quote data from "Whitepaper on Sustainable Investment in Japan 2022" ★ Market capitalization × (3) = decrease in stock value
High Reduction of 4.7 billion yen * Provisional calculation based on FY2022 net sales	Improvements (air conditioning, nature of tasks) to the work environments of field personnel (drivers, on-premises workers)	<ul style="list-style-type: none"> Rate of decline in labor productivity: 1.10% (on-premises workers, drivers) Under the RCP8.5 scenario which assumes a severe temperature rise, average temperatures are expected to rise by 1.5°C by 2030, which indicates a 1.10% decline in productivity. * Citing Climate Impact Explorer productivity projects based on the RCP8.5 standard ★ Net sales in the transportation segment (logistics segment) × rate of labor productivity decline
Relatively high <ul style="list-style-type: none"> Cost reduction of approximately 66% Reduction of CO₂ emissions by between one- and two-thirds 	Introduction of next-generation vehicles	<ul style="list-style-type: none"> Reduction rate in fuel costs: 66% Based on the mileage performance and unit prices of fuel for EVs and light oil, the amount needed to drive 1 km is determined to calculate the percentage difference. *1. Based on mileage performance figures for small- and medium-sized vehicles published by manufacturers and fuel unit prices published by the industry and government *2. Costs and CO₂ emission reduction impact vary depending on daytime and nighttime charging
Relatively high The cost impact varies depending on the method of electricity procurement	Procure renewable energy-derived electric power and promote the in-house use of solar power generation	<ul style="list-style-type: none"> Reduce Scope 2 emissions <ul style="list-style-type: none"> Strengthening of renewable energy creation and impacted in-house utilization rate Procurement of electric power derived from renewable energy (including PPA introduction)

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

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 visions and are pursuing efforts aimed at its realization.

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.

Maximize opportunities for social activities to be helpful

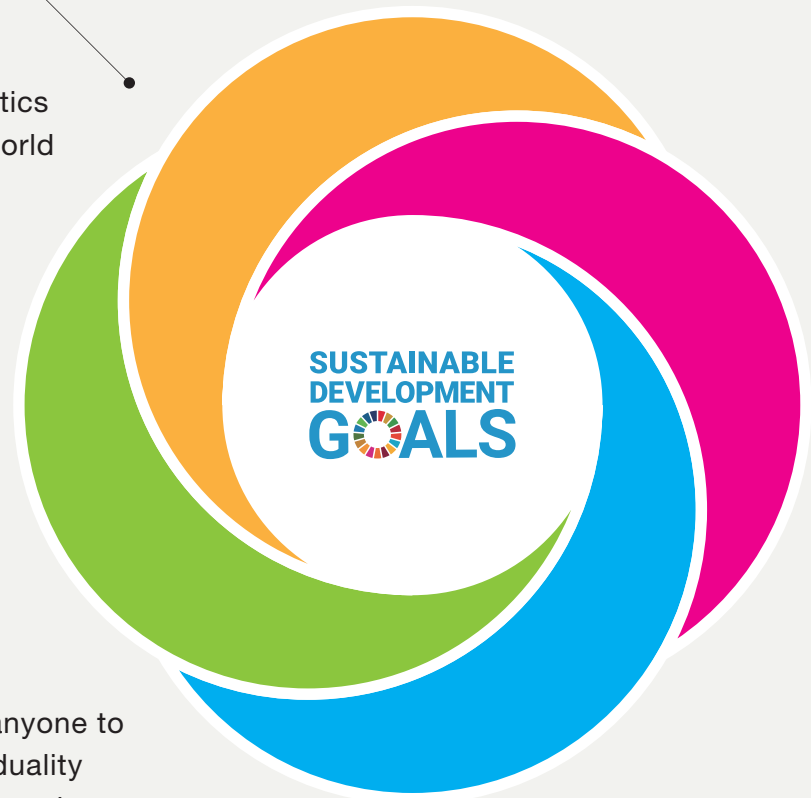
To the extent that is reasonably possible, we will maximize opportunities for logistics systems to contribute to social activities across a wide range of actions, from the transportation of relief supplies to the promotion of resource recycling .

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 individuality and pursue their true potential.

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

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



Main issues

	<p>Ensuring safety The SBS Group will pursue improvements to safety and contribute to the reduction of traffic accidents in society.</p>	 
<p>Build efficient and sustainable logistics systems in Japan and around the world</p>	<p>Consideration of the environment The SBS Group will promote the improved efficiency and introduction of clean sources in its energy uses, contributing to reduced carbon utilization.</p>	 
	<p>Providing new value through total logistics solutions The SBS Group pursues improved efficiency in logistics as a part of social infrastructure, helping to make cities and towns more livable by contributing to improved lifestyle convenience, reduced environmental impact and other advancements.</p>	    
<p>Maximize opportunities for social activities to be helpful</p>	<p>Contributing to local communities The SBS Group contributes to local communities in various ways primarily through its business activities.</p>	    
<p>Make opportunities for anyone to demonstrate their individuality and succeed the new normal</p>	<p>Respect for human rights and diversity The SBS Group respects human rights and diversity in every aspect of its business activities. In addition, we do not tolerate harassment or discriminatory behavior in any form.</p>	  
<p>Expand partnerships with a diverse range of entities to every corner of society</p>	<p>Partnerships aimed at co-creation The SBS Group will create value in its cooperative relationships with stakeholders.</p>	
<p>Building governance that supports sustainability management The SBS Group will aim to develop responsible governance that contributes to sustainability management.</p>	     	



Support for food banks



Transportation safety management
Driver contests
KAIZEN activities
Advancement of 5S

Promotion of various initiatives to ensure safety

- 1 Implementation of a safety training curriculum
- 2 Improved accident rate

Reduction of air pollution due to exhaust gases

The SBS Group's Initiatives to Address the SDGs



Scholarship Program (SBS Kamata Foundation) for students receiving social care



Career advancement training for women
Eruboshi corporate certification

Developing an environment enabling employees to flexibly balance live events with work

- 1 Strengthen activities that promote the active participation of women and develop environments that champion the success of women
- 2 Promote women's career advancement
- 3 Promote the appointment of women to managerial positions



General Workplace Consultation Office
Certification System for Pleasant Workplace Development
Certified as a Kurumin company
Various commendation systems

Support for employee skills and career development

- 1 Job class-specific training
- 2 Specialized theme-specific training
- 3 Division-specific training

Improve employees' work-life balance

- 1 Ratio of childcare leave taken by male employees
- 2 Annual paid leave acquisition rate

Achieving productive employment and fulfilling, dignified work (decent work)



Introduction of power derived from renewable energy
Promoting the introduction of energy-saving lights
Eco and safe driving training

Improved energy efficiency and the expansion of renewable energy

- 1 Improved vehicle fuel efficiency
- 2 Promotion of renewable energy creation



Fostering logistics research (SBS Kamata Foundation)

Expanding and strengthening logistics functions as social infrastructure

- 1 Promotion of improved logistics efficiency through a strengthened 3PL business
- 2 Development of last-mile transportation systems (providing access to sustainable transportation systems)
- 3 Promotion of logistics DX (promoting improved efficiency through the utilization of LT×IT)



Human Rights Policy
Diversity Policy
Diversity Promotion Seminar
Declaration on Respect for Human Rights and Elimination of Harassment



Business continuity plan
Detection of risk information
Network of sustainable logistics sites



Recycling waste

Promotion of the Sincere Challenge 2030 medium-to-long-term environmental plan
 ① **Reduction of water consumption**



Introduction of power derived from renewable energy
Eco and safe driving training
Promoting the introduction of energy-saving lights
Modal shift

Promotion of the Sincere Challenge 2030 medium-to-long-term environmental plan

- ① **Reduction of CO₂ emissions**
- Promoting the introduction of next-generation vehicles**



Corporate forest activities
Supporting groups engaged in forest preservation activities



Compliance training for management personnel
Audit & Supervisory Committee Member Hotline
Attorney Hotline



Partnerships associated with business activities and sustainability management
Support for the social sector

SBS Toshiba Logistics



Achieving energy and labor-saving operations with renewable energy and automation equipment

In addition to introducing shelf carrying robots and saving labor in picking operations, we have also achieved energy savings by operating on renewable energy from solar power generation. We have also achieved further energy savings by covering the electricity for in-facility lighting with renewable energy.



The work performed by staff has been greatly reduced to just picking

Group Companies



Employment of foreign technical interns

Technical interns have been learning everything from basic logistics knowledge and skills at our business sites to Japanese language, Japanese culture and workplace safety with great enthusiasm and surprising speed. The acceptance of technical interns has allowed us to directly experience different approaches from our own and been a valuable opportunity to deepen our understanding of diversity and acceptance.



Technical interns from Vietnam

SBS Ricoh Logistics



Corporate forest activities

Based on the concept of "forest development and human development," we have continued to engage in corporate forest activities (the forest cycle) since 2011. These activities have three aims, to preserve the greenhouse gas absorption capabilities of forests, to conserve biodiversity, and to cultivate people who understand the importance of environmental conservation, including the forest cycle. Going forward, we will continue with activities focused on the forest cycle and human development with the aim of contributing to the SDGs.



Corporate forest managed by the SBS Ricoh Logistics Group (Mount Ontake)

The SBS Group has been working to achieve sustainable growth and solve social issues, but the environment surrounding companies has changed significantly, making it increasingly important for companies to strike a balance between achieving a sustainable society by solving social issues and continually improving corporate value. In light of this, we have developed systems related to sustainability as detailed below.

SBS Group Sustainability Policy

In January 2023, the SBS Group established the following sustainability policy. The aim is to demonstrate the values and goals that employees emphasize in implementing sustainability management while appropriately disclosing our policy to stakeholders.

Befitting a company that makes its living from logistics, “connections” are a central theme of the policy. The theme of three “connections,” with people, society, and the earth, is common among key challenges. The details are also consistent with the United Nations Global Compact, which the SBS Group supports.

Basic Principles

In the spirit of our management philosophy of “respecting people and fulfilling its social responsibility,” the SBS Group aims to contribute to the stability of people’s lives and the realization of a sustainable society through logistics, which is social infrastructure. To achieve this, under the following policy, we will actively promote sustainable initiatives by having all employees of our group recognize themselves as members of the international community.

Basic Policies

(1) We value people’s connections and people’s thoughts

- We protect and respect human rights and diverse sets of values in all of our corporate activities.
- We foster a corporate culture in which a diverse range of human resources can accept and cooperate with one another, and provide an environment that allows employees to work safely and in good health.
- We provide timely and appropriate training and cultivate human resources who can contribute to society through value creation.

(2) We connect with society and meet society’s expectations

- We observe laws, regulations and international rules, conduct business with fairness and integrity, and work to thoroughly prevent corruption.
- We respect social rules, develop mutual trust with local communities and contribute to society through our business activities.
- We engage in appropriate information disclosures and dialogue with stakeholders, making earnest efforts to meet the requirements and expectations of all stakeholders.

(3) We connect with the earth and consider its future

- We consider thorough environmental management to be a key challenge, pursue a reduced environmental impact in all of our business activities, and do our best to preserve the global environment.
- We are continually aware of the risks of climate change, and drive efforts to reduce greenhouse gas emissions to create a decarbonized society.



Participation in the United Nations Global Compact

In January 2023, the SBS Group expressed its support for the United Nations Global Compact. The United Nations Global Compact sets out ten principles concerning human rights, labor, the environment and anti-corruption. The SBS Group respects these principles in all of its entire corporate activities. Details of the ten principles are listed on the SBS Holdings website.

<The Ten Principles in Four Areas of the United Nations Global Compact>

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labor

Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: Support the elimination of all forms of forced and compulsory labour;

Principle 5: Support the effective abolition of child labour; and

Principle 6: Support the elimination of discrimination in respect to employment and occupation.

Environment

Principle 7: Support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility;

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Corruption prevention

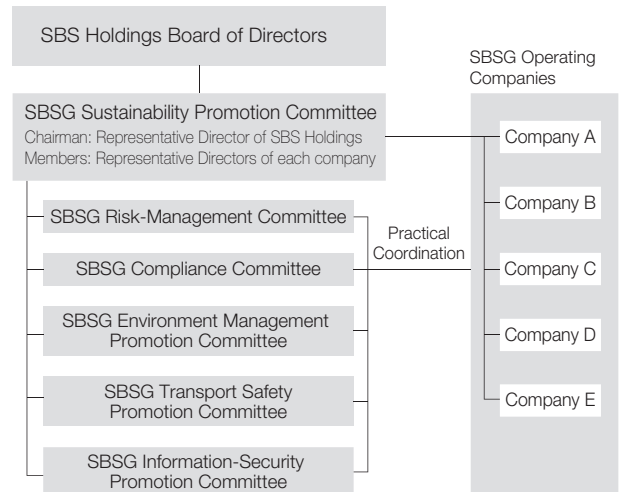
Principle 10: Work against corruption in all its forms, including extortion and bribery.

SBS Group Sustainability Promotion Committee

In January 2023, the SBS Group established the Sustainability Promotion Committee to develop and strengthen a management system consistent with its sustainability policy, to put sustainability management into practice on a Groupwide basis, and to balance the achievement of a sustainable society with the ongoing enhancement of corporate value.

The committee is positioned as an advisory body to the Board of Directors and will formulate sustainability strategies and action policies for the entire Group, while monitoring KPIs and the status of coordination in activities within the Group. The committee is chaired by the representative director of SBS Holdings, and its members comprise SBS Holdings directors and executive officers, as well as the representative directors of SBS Group companies.

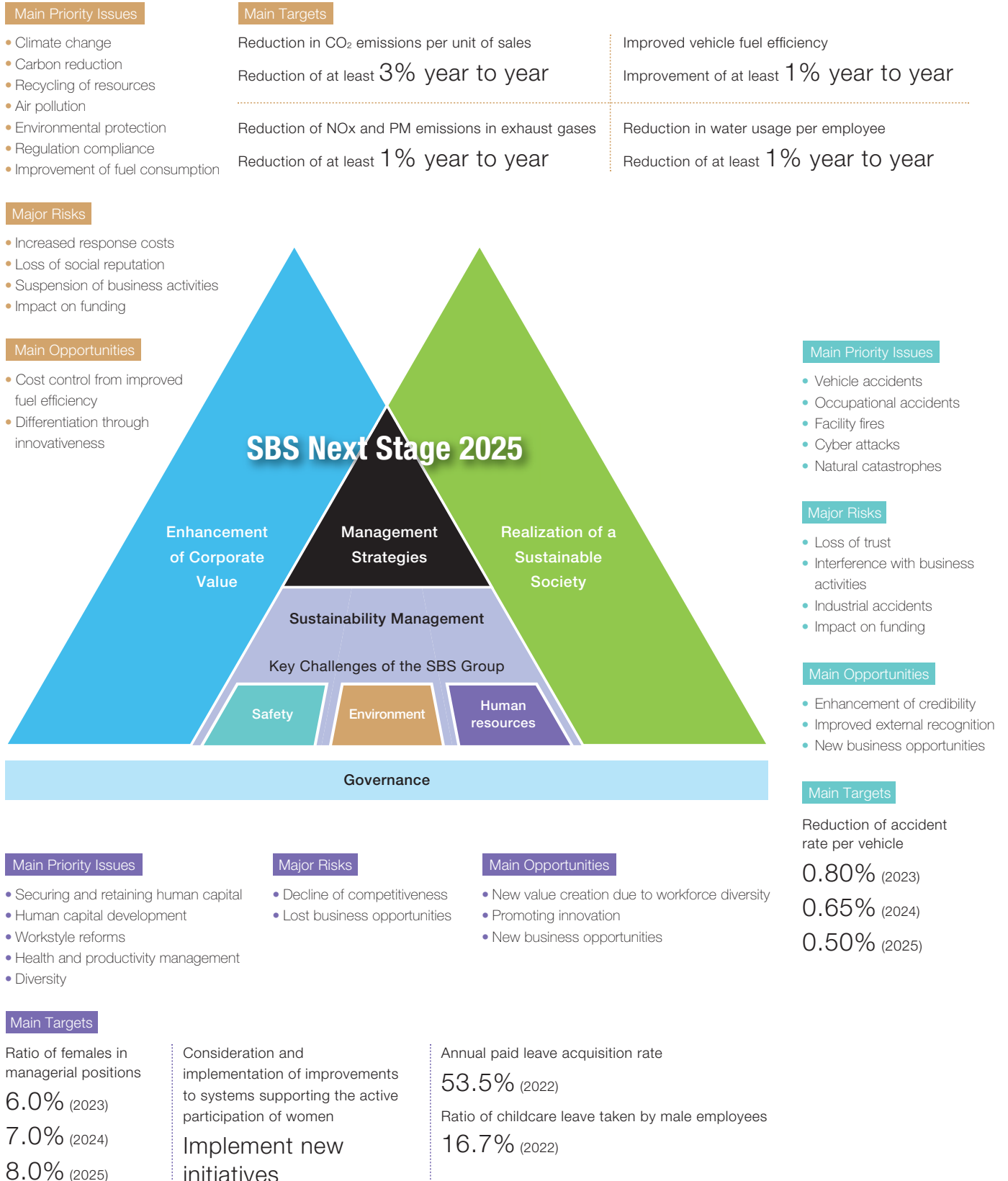
■ SBS Group (SBSG) Sustainability Promotion Structure



* The members of the above meetings are composed of the general managers of administrative divisions, related divisions, and persons in charge

Concrete Action on Key Challenges

For the key challenges of safety, the environment and human capital (see pages 13-14), we have identified priority issues for each and set key performance indicators (KPIs) to monitor the results of our efforts.





Integration of Management Plan and Sustainability Plan

We have incorporated “strengthening the foundations of sustainability management” and “human capital initiatives” as priority measures in our three-year medium-term management plan and have also set them as areas of focus based on materiality (safety, the environment, human capital).

Building a system aimed at balancing the creation of a sustainable society with the enhancement of corporate value

Enhancing governance that supports sustainability management

Initiatives tackling material issues (materiality) in the three areas of safety, the environment and human capital

Safety

Provision of safety and secure logistics services with the aim of zero serious accidents

- Promotion of transportation safety management
- Steady implementation of a safety education curriculum

Environment

Development of environmentally friendly logistics facilities, transportation and delivery systems

- Introduction of next-generation vehicles, initiatives to improve fuel efficiency
- Provision of streamlined logistics facilities utilizing LT and IT
- Reduction of greenhouse gas emissions

Human resources

Improving human resource and organizational capabilities to enhance the overall strength of the Group

Relationship between the Medium-Term Management Plan and Medium-to-Long-Term Environmental Plan

The Medium-to-Long-Term Environmental Plan is coordinated as an indicator of priority items in the Medium-Term Management Plan.

The SBS Group's Three-Year Management Plan

SBS Next Stage 2025



SINCERE CHALLENGE 2030

ENVIRONMENT

Review of Initiatives

In fiscal 2022, total CO₂ emissions increased 3.6% year on year, in part due to the addition of environmental data from SBS Furukawa 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 6.8% year on year, enabling the Group to achieve positive results to a certain degree. In terms of measures implemented, while still at the verification stages two 1-ton EVs were added for last mile delivery services. In addition, we have begun steps toward the full-scale implementation of priority challenges for 2030 in reducing vehicle greenhouse gas emissions and utilizing renewable energy-derived power sources. For example, the full-scale on-site utilization of installed solar power generation was launched at one large logistics facility.

Major Indicators (Fiscal 2022 Results)

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

1,662

Modal shift transportation volume

306,048 t

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

121 business sites

Total CO₂ emissions (compared with the previous year)

3.6% increase

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

6.8% decrease

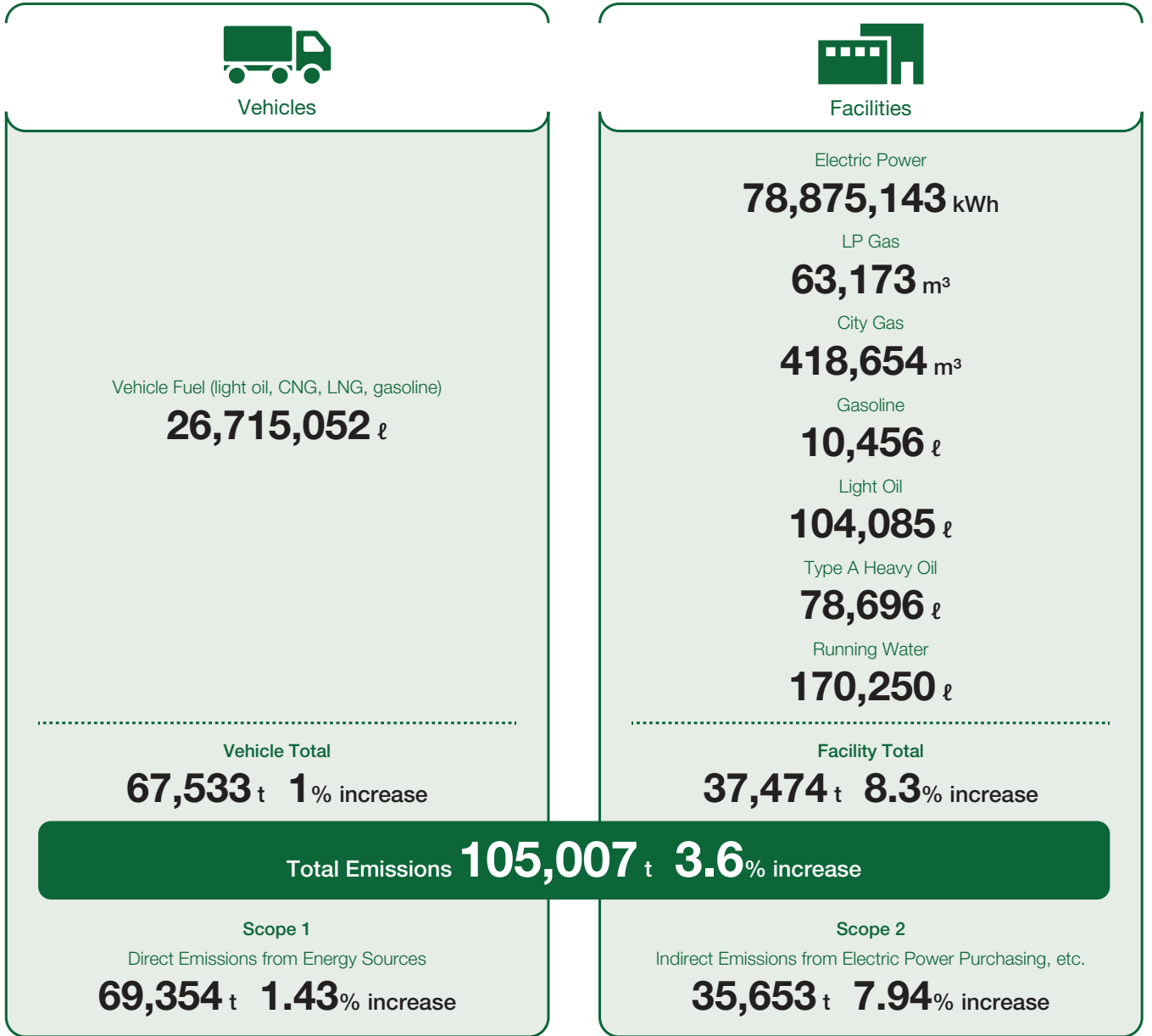
For details about our basic policy on the environment and the structure for promoting environmental initiatives, please check our website.

TOP → Sustainability

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

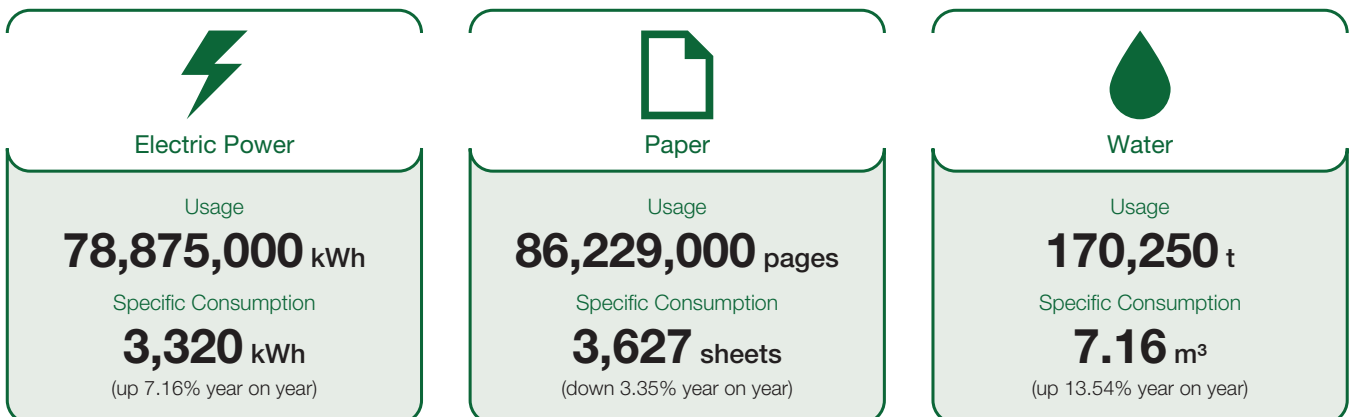


Energy Usage and CO₂ Emissions (Scope 1, Scope 2)



* Increase or decrease is in comparison to the previous year

Usage of Electric Power, Paper and Water (fiscal 2022)



* Specific consumption is per employee (fiscal 2022: 23,773 employees)

Mid-to-Long-Term Environmental Plan

The SBS Group started its third mid-to-long-term environmental plan from fiscal 2018. Dubbed "Sincere Challenge 2030," the plan comprises a slogan, medium-to-long-term priority issues and a medium-term action plan (Environmental Action 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	Curtailment of CO₂ emissions (reduction of carbon emissions from vehicles and facilities) Promotion of resource recycling (effective use and recycling of waste) Conservation of natural resources (reduction of use of copying paper and water)
	Long-term	Strengthening reduction of CO₂ emissions from vehicles (formulation and implementation of plan for introduction of next-generation vehicles)

Towards 2030

In anticipation of achieving carbon neutrality by 2050, the SBS Group will aim to drastically reduce Scope 1 and 2 emissions with the year 2030 as a target, focusing on the following two points.

- Vehicles** Reduction of greenhouse gas (GHG) emissions ^{*1}
(introduction of EVs and other next-generation vehicles, introduction of other technologies, eco driving)
- Facilities** Promotion of renewable energy-derived power sources ^{*2}
(Promotion of measures including the procurement of green electricity, increased creation of renewable energy through solar power generation and higher on-site utilization rates, and introduction of energy-saving lighting)







^{*1} According to manufacturer development trends
^{*2} According to energy mix in the Sixth Basic Energy Plan

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 nine 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 2022, 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	2021	2022	
 Preventing global warming	Reduction in CO ₂ emissions per unit of sales	At least 3% year-to-year			28.23 tons/100 million yen	26.31 tons/100 million yen	○ 6.80% decrease
	Reduction in CO ₂ emissions per distance traveled in vehicles	At least 1% year-to-year			0.48 kg/km	0.51 kg/km	× 5.14% increase
 Resource conservation [water and forests]	Reduction in water usage per employee	At least 1% year-to-year			6.31 m ³	7.16 m ³	× 13.54% increase
	Reduction in PPC paper usage per employee	At least 1% year-to-year			3,753 sheets	3,627 sheets	○ 3.35% decrease
 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			5.03 km/ℓ	5.05 km/ℓ	△ 0.4% decrease
	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 4 business sites	Commendations awarded to 6 business sites	○
		Year-to-year increase in EMS introduction rate			Completed introduction of cargo vehicles		○
 Education	Awareness-raising of environmental action (posters, etc.)	Active promotion			Sincere Challenge 2030 posters and "Environmental Actions Taken Within a 5-Meter Radius" posters were displayed.		○
 Social contribution	Support for environmental groups	Providing support to at least one group			One environmental group was supported and provided assistance with its activities.		○

Toward the Decarbonization of Logistics

Increasing the Efficiency of Logistics

The 3PL-based logistics reforms the SBS Group is proposing for a wide range of situations will not only drive improved efficiency in customer operations and the business overall but also have significant potential to reduce CO₂ emissions. The SBS Group has made concerted efforts to design and operate logistics as part of social infrastructure that is also outstanding from a sustainability perspective. As the foundation of those efforts, we are continually working to reduce the environmental impact of the resources under our control, both in physical and operational terms.

Initiatives Related to Vehicles

Vehicles are the basic units of logistics systems, and to operate them with a low environmental impact, we have pursued phased updates while ensuring that appropriate driving attitudes and technologies take root among drivers.

■ Eco-driving

The SBS Group is striving to foster a deeper culture of eco-driving (fuel-efficient driving) through eco-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.

■ Introduction of next-generation vehicles

We are implementing a plan to replace roughly 1,000 vehicles with EV equivalents by 2030, focusing on light and medium-sized vehicles. In FY2022 we introduced two light commercial vehicles of this kind and have been continuing with demonstration testing. While operations for electric cargo vehicles are extremely limited at the moment, we will continue to monitor manufacturer trends and plan to steadily increase the number of electric vehicles introduced.



Initiatives Related to Facilities

To achieve low carbon operations at warehouses and other logistics facilities, we will pursue the dual initiatives of energy savings and energy creation.

Solar power generating equipment

17 locations

(in-house utilization at three locations)

Total power generating capacity

Approx. 20 megawatts

* Including operation planned for January 2024

Number of employees taking eco-driving and safe-driving training

1,662

(as of December 31, 2022)

Number of business sites where energy-saving lighting has been introduced

121

business sites

(cumulative total including sites with partial introduction)

Modal shift transportation volume

306,048 t

Railway cargo:

278,183 t

Ship cargo: **27,865 t**

(FY2022)





Companies targeted for modal shift

- SBS Toshiba Logistics
- SBS Ricoh Logistics
- SBS Logicom

■ Introduction of power-saving lighting

The SBS Group is promoting reduced power usage at its facilities through various electricity-saving measures. The introduction of energy saving lighting (LEDs, etc.) has been actively rolled out as a central part of these efforts, and as of the end of 2022 the lighting had been installed at 121 locations (SBS Group-operated business locations). This has led to electricity savings of more than 50% (based on SBS Group research), and has had the effect of reducing CO₂ emissions by more than 3,000 tons (compared with the use of conventional fluorescent and high ceiling-mounted lighting).

■ Creation of Renewable Energy

The SBS Group maintains solar power generating equipment (total generating capacity of approx. 20 megawatts, including facilities scheduled to come online in the future) at 17 locations (facility rooftops and dedicated installations), contributing to the creation of renewable energy. Although on-site use still only accounts for a small amount of total generation, we plan to shift to the use of renewable energy-derived power as we head to 2030.

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 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.

Assessment of CO₂ Reductions

SBS Logicom provides a service where dedicated staff diagnose CO₂ reduction effects based on customer choices. In addition to supply chain stabilization, we conduct assessments from a carbon footprint perspective, proposing a role of logistics that is optimum for each customer.

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	2022
Nox (unit: kg)	141,085	138,977	104,815	63,044
Year-on-year decline (%)	-10.93%	-1.49%	-24.58%	-39.85%
PM (unit: kg)	-11.72%	-7.27%	-25.19%	-38.15%
Year-on-year decline (%)	3,729	3,458	2,587	1,600

* What is Modal Shift?

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.

SBS Toshiba Logistics concurrently wins Sustainable Activity Award and Special Awards

In the 23rd Logistics Environment Award^{*1} held in July 2022, SBS Toshiba Logistics received one Sustainable Activity Award, which is given for examples of outstanding improvements that contribute to sustainable society, and four Special Awards given to business operators contributing to the sound development of logistics for environmental conservation.

[Sustainable Activity Award]

Product packaging design as revised to achieve CO₂ reductions through improved container loading efficiency. Product design, sales and packaging design departments collaborated with the shipper Toshiba Corporation to optimize product sizes to fit marine container and pallet sizes. In addition, as a result of proposing and negotiating changes to end customer manufacturing processes to adapt to these improvements, significant increases in transportation container loading capacity were enabled, reducing transportation CO₂ emissions.

[Special Prizes]

1. Reducing the number of vehicle used by streamlining joint delivery transportation
By building single database consolidating the different commercial distribution information of each shipper into automated vehicle dispatch plans previously covered by the experience of delivery personnel, the automated vehicle dispatch system was optimized, resulting in improved loading efficiency.
2. Reduced transportation CO₂ emissions due to modal shift in transportation from Shanghai to Hong Kong
For the transportation of transistors and IC products from Shanghai to Hong Kong, a shift was made from truck transportation to rail transportation, reducing transportation CO₂ emissions.
3. Improving cargo handling productivity and saving energy with the introduction of shelf-carrying robot systems and solar power generating equipment
Twenty shelf-carrying robots (AGVs), five working stations and solar power generating equipment were installed at company sites, resulting in a reduced environmental impact and lighter workloads.
4. Activities to apply the 3Rs to packaging from an SDGs perspective for medium- and heavy-weight electrical products
At the Mie Logistics Center and Fuchu Logistics Center, improvements were made to the form of packaging used during transportation, and efforts were made to reduce, reuse and recycling packaging materials.

*The Logistics Environment Award is a commendation system that has been implemented by the Japan Association for Logistics and Transport since 2000 with the aim of promoting environmental conservation and raising environmental awareness in the logistics industry.

SAFETY

Review of Initiatives

FY2022 saw improved management results, reflecting a post-pandemic recovery in economic activity and progress tapping into demand in the e-commerce business. However, the per-vehicle accident rate increased. Looking ahead, we will aim to achieve our targets in this regard by continuing to tackle transportation safety management.

Major Indicators (Fiscal 2022 Results)

Group-Average Fuel Efficiency

5.05 km/ℓ

Number of Group Safety Training Sessions Conducted

38

Number of Transportation Safety Promotion Meetings Held

4 times

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

177 business sites (89.4%)

Serious Accident

1

Accident Rate (accident rate per vehicle)

0.98%

* In January 2023, the SBS Group officially identified material issues as part of efforts to strengthen sustainability. One of these material issues we identified was safety. Safety has long been a focus, and has again been cast as our top priority. To coincide with this, a KPI related to safety (accident rate per vehicle) was newly set.

For details about our basic policy and promotion system regarding safety, please check our website.

TOP → Sustainability

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



Accident Rate per Vehicle

2020	2021	2022
0.84%	0.85%	0.98%



2025 target
0.50%

Operating Policy

Steady promotion of transportation safety management

Priority Issues

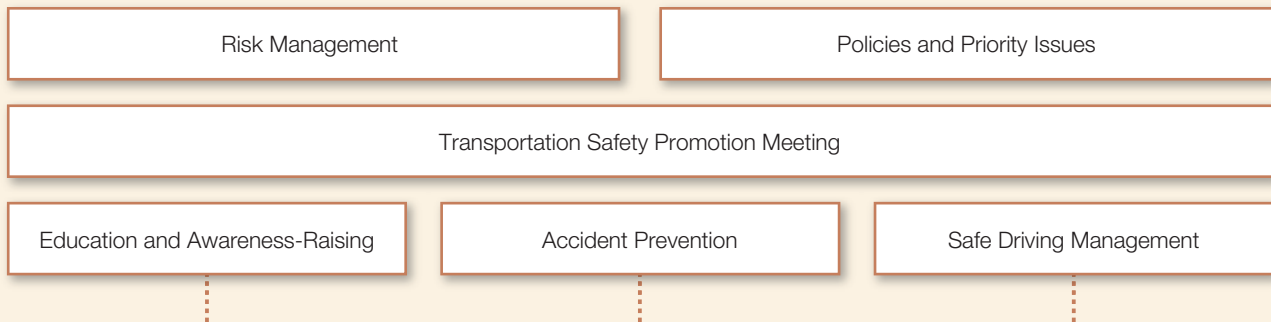
Reducing accidents (vehicle accidents, occupational accidents)

Strengthening of fire prevention measures at logistics facilities

Strengthening of employee health management

Improvement of fuel consumption

SBS Group Transportation Safety Management



- Group Safety Education
- Operation manager examination preparatory seminars
- Operational manager basic classes
- Operational manager general classes
- Health officer examination preparatory seminars
- First-aid classes
- Eco-driving courses
- Eco and safe-driving training
- Truck safe driving training
- Forklift safe operation training
- Forklift operator contests
- Truck driver contests
- Call for proposed safety slogans
- Affixing of eco and safe driving vehicle stickers

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

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

Education and Awareness-Raising, Accident Prevention

Transportation Safety Promotion Meeting

The SBS Group convenes quarterly transportation safety promotion meetings involving its nine transportation-oriented Group companies. The meetings are mainly designed to share various information and initiatives related to transportation safety, including operational management tasks, the rollout of various operational measures aimed at business optimization, detailed analysis of vehicle and occupational accidents, and specific operations to prevent health-related accidents.

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



SBS Group Safety Education Curriculum Implementation Status for 2022

Curriculum	Number of Sessions Held	Number of Trainees
Operation manager examination preparatory seminars	7	121
General and basic classes for operation managers	18	234
officer examination preparatory seminars	2	19
First-aid classes	2	41
Eco and safe driving training	3	45
Truck safe driving training	2	30
Forklift safe operation training	4	46
Truck driver contests	1	153
Forklift operator contests	-	-

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.

focuses on cultivating and improving the skills of operation managers and strives to raise the level of transportation safety management capabilities across the Group.

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 2023, one entry each was selected for the traffic safety slogan and business site safety slogan.

Fiscal 2023 Traffic Safety Slogan

If we load and drive with care, there will be no accidents

Kiyohisa Hiraishi, Tsuchiura Branch, SBS Logicom

Fiscal 2023 Business Site Safety Slogan

A casual approach to ignoring rules leads to serious accidents

Takumi Karashima, Sakura Logistics Center, SBS Logicom

Number of training curriculum sessions held

39

Number of employees attending training under the curriculum

689

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.

Safe Driving Management

Expanding 5S Activities

The SBS Group began the expansion of 5S activities as part of health and safety management. By creating safe environments, pursuing improvement and standardization, and fostering a better workplace culture, we aim to further improve safety and the human resource development environment.



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.



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 wide 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 FY2022

- Production Logistics Section, Fukui Branch, Chubu Tokai Division, SBS Ricoh Logistics
- SBS Logicom Tokorozawa Logistics Center Branch
- SBS Freight Service Aomori Office
- SBS Flecnet Toda Office
- Kuki Sales Office, Saitama Delivery Section, No. 2 Delivery Department, SBS Zentsu
- SBS Sokuhai Support Jyonan Office

SOCIAL

Review of Initiatives

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, 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.

Major Indicators (Fiscal 2022 Results)

Promoting the appointment of women to managerial positions (percentage of women in all managerial positions)

4.6% (Six major companies)

Percentage of eligible male employees taking childcare leave

16.7%

Annual paid leave acquisition rate

53.5%

Food bank support results

2,924 thousand yen

SBS Kamata Foundation

Logistics Research Grants **7**

Scholarship assistance **86** students

For details about our basic policy and promotion system regarding society, please check our website.

TOP → Sustainability

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



Engagement with Society and Stakeholders

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 ESG data on page 83 for more information on certification status.

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.

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

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

Communication with Employees

Publication of the SBS Express Group magazine

4 printed publications, **50** online publications

Communication with Shareholders and Investors (FY2022 1Q-4Q)

Total Financial Results Briefing Attendees

Interim: **75** attendees, year-end: **73** attendees, total: **148** attendees **132** / year

Responses to
Investors
and Analysts

Media Communication

Press Releases Issued

78 press releases (28 of which were IR news releases)

Web Information

23

Website Communication

Number of Visitors

2,090,025 (246,418)

Page Views

12,423,652 PV (989,837PV)

* Figures in parentheses are for SBS Holdings

The SBS Groups Human Resources Strategy

Based on its philosophy that “long-term prosperity is rooted in paying the necessary attention to people,” the SBS Group regards human capital as its most important resource in corporate value creation. In keeping with this approach, we will promote understanding towards diversity, initiatives to eradicate harassment and workstyle innovation in an integrated fashion with respect for human rights as the basis, striving to cultivate human resources and maximize their ability to create value.



Materiality: Human Capital

We have identified human capital as a material issue and positioned it at the core of our sustainability management strategy. We will focus on securing and cultivating talented human capital and improving productivity in an effort to enhance corporate competitiveness.

Initiatives on Respect for Human Rights

In the SBS Group Human Rights Policy, the SBS Group has set forth initiatives regarding respect for human rights in its business activities. We have also laid out a Declaration on Respect for Human Rights and Elimination of Harassment, and promote understanding and thorough compliance on the part of employees with regard to respect for human rights and harassment prevention.

Diversity and Inclusion

The SBS Group has established the SBS Group Diversity Policy, positioning diversity and inclusion as an important management strategy. Through three action plans, we are driving the development of an environment in which anyone can work with enthusiasm and demonstrate their capabilities.

[Action Plans]

- Respect the individuality of a diverse range of employees
- Help employees let their individuality shine brighter
- Endeavor to foster an organizational culture that utilizes the diversity of employees

Support for women’s participation and advancement (target: 6 main companies)

(1) Promoting the appointment of women to managerial positions (percentage of women in all managerial positions)

2022 Result	2023 Target	2024 Target	2025 Target
4.6%	6.0%	7.0%	8.0%

(2) Promoting women’s career advancement (training attendees)

	2022 Result	2023 Target	2024 Target	2025 Target
Empowerment seminars	140	150	150	150
Career design training	56	100	100	100

(3) Enhancement of systems supporting the success of women (promoting the development of a comfortable workplace environment)

	2023 (systems at each company)	2024 (systems at each company)	2025 (Group systems)
Consideration of telecommuting systems		Introduction of telecommuting	New system
Consideration of flextime systems		Introduction of flextime system	
Consideration of half day-off systems		Introduction of half day-off system	
Consideration of hourly time-off systems		Introduction of hourly time-off system	

* The aim of the new system is to develop an environment that enables women to choose how they work at each life stage.

Promoting Diversity

Promotion of diversity awareness-raising (training attendees)

2022 Result	2023 Target	2024 Target	2025 Target
150	500	500	500



Creating Comfortable Workplace Environment

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. As a part of these efforts, measures addressing the COVID-19 pandemic provided the opportunity to develop telework and work-from-home systems for the administrative divisions. Going forward we will continue to help employees balance work and home life so that we can provide diverse and flexible working styles based on changing circumstances.

Education and awareness raising for human resource development

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

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

Human Capital Management

In its three-year medium-term plan (next stage 2025), the SBS Group aims to enhance corporate value and competitiveness by bolstering human resource and organizational capabilities within the Group, and as shown on the right, has established a basic strategy regarding human capital management. We will invest in the human resources of the future and develop the infrastructure for disclosing related information based on this basic strategy.

Certifications

The SBS Group is committed to developing a comfortable workplace in which anyone can work with peace of mind.

* See the ESG data on pages 84 for a breakdown of the curricula.

Developing a Pleasant Workplace (target: 6 main companies)

(1) Percentage of eligible male employees taking childcare leave

2022 Result	2023 Target	2024 Target	2025 Target
16.7%	Increase year on year	Increase year on year	Increase year on year

(2) Ratio of taking annual paid leave

2022 Result	2023 Target	2024 Target	2025 Target
53.5%	Increase year on year	Increase year on year	Increase year on year

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 capital
3. We will assist employees in achieving their self-actualization goals through life-long education

Basic Strategy on Human Capital Management

- 1: Support employee skills and career development
Formulate a flexible human capital portfolio based on business strategy and secure the appropriate talent
Develop various personnel systems that will become the Group standard (framework)
Conduct various training (tiered, specialized themes, departmental) and run a next-generation leader development program
- 2: Improve employees' work-life balance
Develop welfare systems that will become the Group standard (framework)
Improve figures with statutory disclosure requirements, namely eligible male employee childcare leave usage and annual paid leave usage rates
- 3: Develop an environment enabling employees to flexibly balance life events with work
Strengthen activities that promote the active participation of women and develop environments that champion the success of women
- 4: Achieve productive employment and fulfilling, dignified work (decent work)
Improve employee engagement and ensure that the statutory employment rate for people with disabilities is met
- 5: Reorganize and build human resource contracting operations toward Group-wide optimization and improve the level of services
Develop mechanisms to improve operational quality and productivity (KPI setting) and achieve stable operation



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

Social Contribution Activities

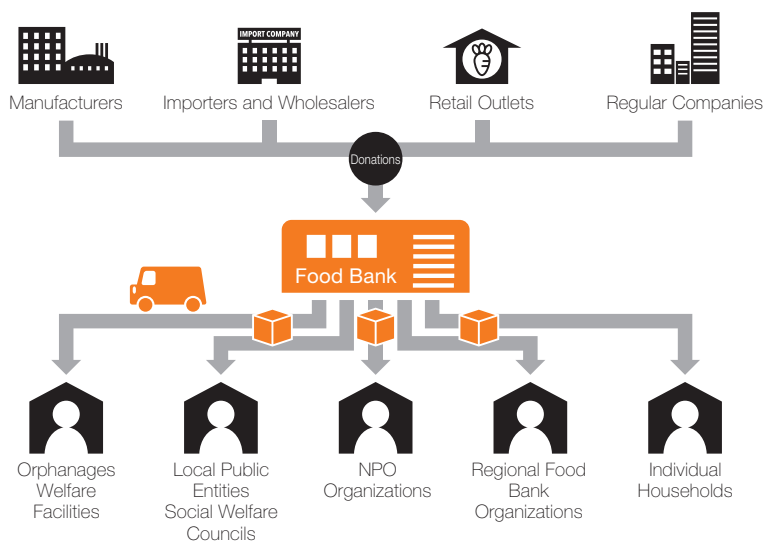
Food Bank Support Through the Provision of SBS Group Resources

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

We support Certified NPO Organization Second Harvest Japan (2HJ), the largest food bank in Japan which is based in Asakusabashi, Taito-ku, 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 food-stuffs (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)

Thousand yen					
2018	2019	2020	2021	2022	Total
470	540	2,220	2,412	2,924	8,566

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
	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 flowerpots. The program aims to reduce plastic waste and promote the use of recycled resources.	Accepted at any time
Others (Collection of used items, etc.)	Collection of school backpacks <Randoseru for Life Collection> (NPO, International Consulting Association)	An initiative to send "randoseru" school backpacks to children in Afghanistan who still lack educational opportunities due to the civil war and other factors. This is recognized as supporting the empowerment of girls in their schooling, especially because of the lack of cultural understanding female education. (As the support has spread, the "randoseru" backpacks have become a symbol of education in Afghanistan.)	Accepted at any time

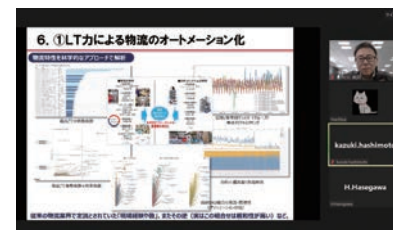
* In addition to the activities listed above, individual SBS Group companies also undertake various social contribution activities.

SBS Holdings LT Planning Department
General Manager Magaribuchi delivering
a remote lecture



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. In April 2020, we began offering courses designed to cultivate human resources who can use advanced science and technology to transform logistics, with the aim of solving issues faced by logistics companies and contributing to the development of the Japanese economy.



Amount of Donations Thousand yen

2019	10,000
2020	10,000
2021	10,000
2022	10,000
Total	40,000

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.



Grants Issued in Fiscal 2022

7

Logistics Research Grants

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

Applicable Research

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

* Examples of the themes addressed: improving logistics efficiency, improving safety in cargo transportation and reducing the impact on the global environment (reducing CO₂ emissions) through better logistics systems

Number of Scholarship Recipients in Fiscal 2022

86

Scholarships for Students Receiving Social Care

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

Application Requirements

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

Scholarship Amounts

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

Results of Issued Grants and Awarded Scholarships

		2015	2016	2017	2018	2019	2020	2021	2022	Total
Logistics research grants	Number of projects	6	7	7	9	6	6	4	7	52
	Grant amount	2,994	3,374	3,300	4,499	2,995	2,600	2,000	3,434	25,196
Number of scholarships granted	Number of participants	-	-	30	34	57	74	76	86	357
	Grant amount	-	-	9,000	10,200	16,800	21,000	22,800	25,800	105,600

* Amounts are units of a thousand yen

Results of Logistics Research Adopted in Fiscal 2022

Name of Affiliate Organization	Position	Name	Research Subject	Grant Amount (thousand yen)
Institute for Future Initiatives, The University of Tokyo	Project researcher	Yuki Sano	Development of environmental impact assessment methods to achieve sustainable food logistics systems	500
Graduate Department of Aerospace Engineering, Nagoya University	Professor	Susumu Hara	Development of a social acceptability simulator for the air industrial revolution - effects of learning about benefits -	500
Department of Information Systems and Multimedia Design, School of Science and Technology for Future Life, Tokyo Denki University	Professor	Masayuki Iwai	Study of smart signage and wearable systems to achieve safety and security for field workers	499
Department of Informatics, School of Multidisciplinary Sciences, The Graduate University for Advanced Studies, SOKENDAI	Graduate school student	Kanta Kasahara	Airspace reliability determination under network connection interference conditions during UAV logistics transportation	470
Faculty of Business Department of Business, Kokushikan University	Associate professor	Tetsuro Saisho	Study of the dynamic structure of the supply chain businesses of Japanese companies in the ASEAN region	500
Department of Distribution Information, Faculty of Distribution and Logistics Systems, Ryutsu Keizai University	Professor	Yuki Misui	Study of the externalization of logistics activities that social changes have caused for food logistics, its impacts, and countermeasures	500
Graduate School of Economics, Kyoto University	Doctoral section of the integrated course	Katsushin Cho	Historical dynamism of the international and intra-industry division of labor in the modern shipping industry —Worldwide shipping and Japanese shipping from the 1970s	465

GOVERNANCE

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.

Major Indicators (Fiscal 2022 Results)

Outside Directors

5 (out of 11 directors)

Board of Directors meeting attendance rate by outside directors

All Directors: **96.8%**

Outside Directors: **94.8%**

Audit & Supervisory Committee meeting attendance rate

93%

Assessment of Internal Control Related to Financial Reporting for Fiscal 2022

Valid

Number of Board of Directors Meetings and Status of Attendance (FY2022)

Meetings		14
Attendance Rate (%)	All Directors (11 members)	96.8%
	Outside Directors (5)	94.8%

Number of Audit & Supervisory Committee Meetings and Status of Attendance (FY2022)

Meetings	14
Attendance Rate (%)	93%

* The most recent officers and organizational names (as of July 2023) are listed.

See the SBS Group website for details about corporate governance. Systematic disclosure information including the following materials is posted on the website.

- The SBS Holdings Corporate Governance Guidelines, which summarize the basic framework and approaches concerning corporate governance at SBS Holdings
- The Corporate Governance Report submitted to Tokyo Stock Exchange, Inc.
- Internal Control Reports on the effectiveness of internal controls with regard to financial reporting

TOP → Sustainability → Corporate governance
<https://www.sbs-group.co.jp/sbshlds/csr/governance/>



Corporate Governance System

SBS Holdings is a company with an Audit & Supervisory Committee and has established a General Meeting of Shareholders, Board of Directors, Audit & Supervisory Committee and Accounting Auditor as corporate bodies.

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.

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 11 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 Takashi Endo, also attend Board of Directors meetings and other key internal meetings where they provide advice as necessary.

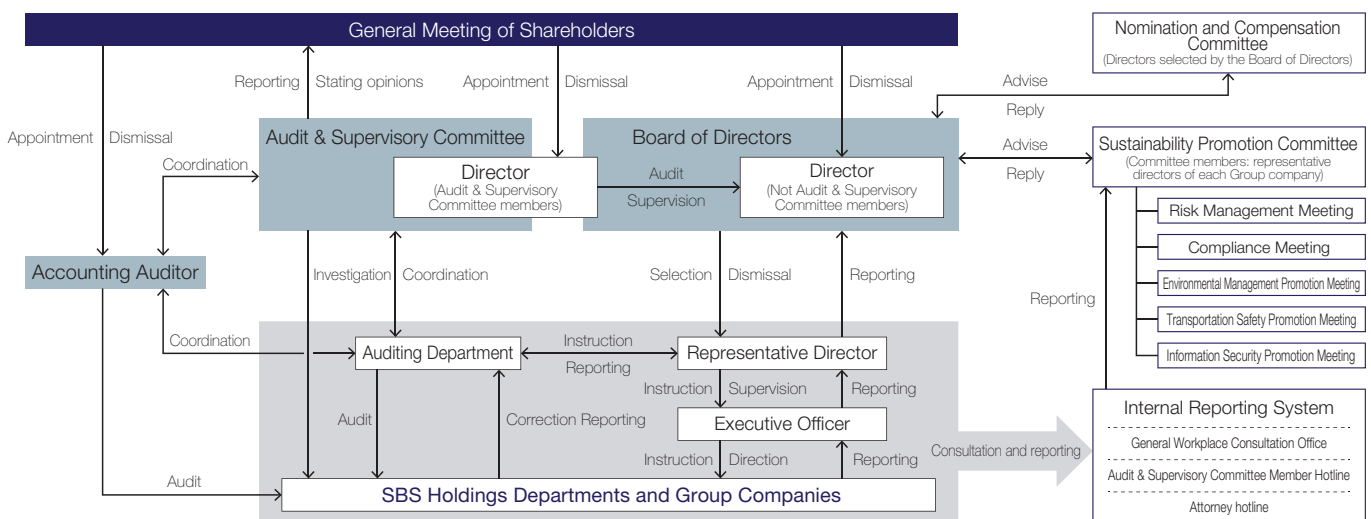
Nomination and Compensation Committee

The Nomination and Compensation Committee is made up of three directors, two of whom are independent outside directors. The committee meets at least once a year and on an ad-hoc basis whenever necessary, and works to strengthen the fairness, transparency and objectivity of procedures concerning the nomination and compensation, etc. of directors and Audit & Supervisory Committee members. Outside director Jiro Iwasaki services as chairperson of the committee.

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.

Organizational Chart of Corporate Governance



List of Directors, Executive Officers

Board of Directors



Masahiko Kamata

President, Representative Director and CEO

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., SBS Sokuhai Support Co., Ltd., and SBS Toshiba Logistics Co., Ltd., and as a director of SBS Flec Co., Ltd., SBS Zentsu Co., Ltd., and SBS Ricoh Logistics System Co., Ltd. Since July 2013, he has also served as director of the SBS Kamata Foundation.



Yasuhito Tanaka

Director, Executive Officer

(Corporate planning, business oversight)

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 Co., Ltd. and SBS Toshiba Logistics Co., Ltd.



Shuichi Hoshi

Director, Senior Managing Executive Officer
(In charge of the President's Office and Audit Department)

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.



Natsuki Gomi * Newly appointed

Director, Executive Officer

(Financial supervisor, IT/LT supervisor)

After working at the Long-Term Credit Bank of Japan (now SBI Shinsei Bank, Limited), Rakuten Group, Inc. and the Nomura Trust and Banking co., Ltd., in July 2021 he took on the post as advisor to SBS Holdings and served as an Executive Officer of the Company starting in October 2021. In March 2023 he assumed the post as a Director of SBS Holdings, and concurrently serves as a director of SBS Asset Management and L-MAX Co., Ltd.



Masato Taiji

Director, Managing Executive Officer
(Personnel and general affairs supervisor)

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. He has also served as Managing Executive Officer (in charge of human resources and general affairs) since March 2019, and as a director of SBS Logicom Co., Ltd. since March 2022.



Katsuhisa Wakamatsu

Director, Executive Officer

(In charge of Group Business Strategy Department and E-Commerce Business Promotion Department)

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.) and became Representative Director, President and Chief Executive Officer in October 2013. He has served as a Director of SBS Holdings since March 2019, and as an Executive Officer (in charge of the Business Strategy Division) since March 2023. He also holds a concurrent post as a director of SBS Toshiba Logistics Corporation.



Jiro Iwasaki

Outside Directors

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.



Yoshinobu Kosugi * Newly appointed

Outside Directors

After holding important posts at Nippon Television Network Corporation (now Nippon Television Holdings, Inc.), he assumed the post of representative director. Since June 2022 he has served as an advisor to Nippon Television Network Corporation. He accepted the position of an Outside Director of SBS Holdings in March 2023.

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

Audit & Supervisory Committee



Takashi Endo

Director (Full-time Audit & Supervisory Committee Member)

After working at the Long-Term Credit Bank of Japan (now SBI 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 Fund (now Japan Logistics Future Investment). From March 2022, he has served as a Director (Audit & Supervisory Committee member) of the Company. He also holds concurrent positions as an Audit & Supervisory Board member of SBS Holdings and five Group companies.



Masato Matsumoto

Outside Director (Audit & Supervisory Committee Member)

Mr. Matsumoto has been engaged in management at KOKUSAI Securities Co., Ltd., Mitsubishi Securities Co., Ltd. (now Mitsubishi UFJ Securities Holdings Co., Ltd.), Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Mitsubishi UFJ Financial Group, Inc. and MUS Business Service Co., Ltd. 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. He also serves as an outside director of Sundrug Co., Ltd.



Sachie Tsuji

Outside Director (Audit & Supervisory Committee Member)

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. From March 2021, she has served as an Outside Director (Audit & Supervisory Committee member) of the Company. She also serves as an outside Audit & Supervisory Board member at C' BON COSMETICS Co., Ltd., Shindengen Electric Manufacturing Co., Ltd. and Otsuka Holdings Co., Ltd.

Male / Female
Ratio of Directors

Male: **10** Female: **1** (Male: 91%, Female: 9%)

Other Executive
Officers

Hajime Kato Executive Officer (Representative Director and Executive Officer of SBS Flec Co., Ltd.)

Yasushi Kanazawa Executive Officer (Representative Director and Executive Officer of SBS Toshiba Logistics Corporation)

Yasuhiko Ueda Executive Officer (Representative Director of SBS Asset Management Co., Ltd.)

Ensuring Effectiveness

Appointment of Directors

Giving due regard to a report from the Nomination and Compensation Committee in response to a consultation from the Board of Directors, 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, as directors of SBS Holdings. The draft nominations are then submitted to the Board of Directors for approval 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.

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

To bolster management supervisory functions, SBS Holdings has appointed five outside officers. 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 committee 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.

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 of Renesas Electronics Corporation
Yoshinobu Kosugi		○	He has been involved with management as a corporate officer for many years and was appointed on the expectation that the use of his experience and management skills as a director will contribute to decision making in the Board of Directors.	Outside auditor of The Yomiuri Shimbun Holdings Advisor at Nippon Television Holdings Inc.
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. Outside auditor of Otsuka Holdings Co., Ltd.

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.

Officer Remuneration

To coincide with the shift to a company with an Audit & Supervisory Committee, the Company resolved a policy at the 35th General Meeting of Shareholders held on March 25, 2021, 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 14,960 million yen, and the Company posted 15,647 million yen, achieving this target.

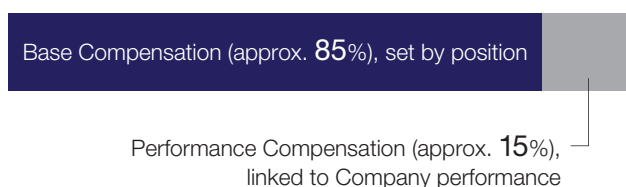
To enhance the fairness, transparency and objectivity of procedures for director nomination and compensation, SBS Holdings established the Nomination and Compensation Committee by resolution of the Board of Directors meeting held on December 14, 2022. As a result, from fiscal 2023 the compensation of each director (except for directors who are Audit & Supervisory Committee members) will be determined by the President with the discretion of the Board of Directors, having given due regard to the details of a report from the Nomination and Compensation Committee in response to consultation from the Board of Directors. In addition, the compensation of directors who are Audit & Supervisory Committee members will be determined by discussion between all such directors, giving due regard to the details of a report from the Nomination and Compensation Committee in response to consultation from the Board of Directors. If all directors who are Audit & Supervisory Committee members reach an agreement, the compensation will be determined by a meeting of the Audit & Supervisory Committee.

Upper limits on the total remuneration of the directors of SBS Holdings were approved by the 35th General Meeting of Shareholders. 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.

Number of independent officers among outside directors

5 (out of 5)

Composition of Director Remuneration



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

Target: **14,960** million yen

Results: **15,647** million yen

* Excluding gains from the sale of real estate

Remuneration for Each Officer Category (Fiscal 2022 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)	117 (20)	104 (20)	13 (-)	10 (3)
Directors who are Audit & Supervisory Committee members (of which, those who are outside directors)	28 (12)	28 (12)	- (-)	4 (2)

* Directors (excluding outside directors) include three directors fulfilling concurrent roles as the representative directors of subsidiaries, and as the performance evaluations of those three directors are carried out by the subsidiaries in question, they are only paid base compensation as remuneration from SBS Holdings.

Ensuring Effectiveness

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.

The questionnaires, which are filled out anonymously by all directors (11 in total) including Audit & Supervisory Committee members, have a format where directors answer 22 questions in the following four sections on a five-point scale, and are also able to provide supplementary explanations and feedback in comment fields for each question and in a free text field at the end of the questionnaire.

With the aim of enabling comparative verification through fixed point observation, including gauging the impact that changes to directors and Audit & Supervisory Committee members have on the evaluation, the same questions were used from 2017 when the questionnaires were first introduced until 2021. In 2022, in light of SBS Holdings' transition to a company with an Audit & Supervisory Committee and the market segment change in the Tokyo Stock Exchange, the questionnaire was revised, including the addition of questions and adjustments to expressions. However, since the revisions were minor in nature, as with previous years comparative verification through evaluation points continued to be used as the method of evaluation.

The average evaluation score across all questions was 4.05 (marking a slight increase of 0.10 points from the previous year's result of 3.95). These evaluation results suggest that the Board of Directors is largely functioning with adequate effectiveness.

The Board of Directors exchanged opinions regarding the questionnaire results and feedback submitted, shared issues for the future and discussed the roles of various initiatives.

In order to further enhance the effectiveness of the Board of Directors in light of the latest evaluation results, the SBS Holdings Board of Directors will carry out the initiatives deemed necessary following extensive discussions and strive to make continual improvements.

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

4.05 points (5-point scale)

Operation of the Audit & Supervisory Committee

The Audit & Supervisory Committee of SBS Holdings is made up of one full time member and two part-time members. In addition to convening regular meetings of the Audit & Supervisory Committee at least once a month, ad hoc meetings are also convened as needed. Through consultation and exchanges of opinions

between members, the committee ascertains directors' status of compliance with laws, regulations and internal rules, and endeavors to develop an environment in which operational and accounting audits are conducted effectively.

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 Activities (FY2022)

Name	Meetings	Attendances	Attendance rate
Yasuhiro Yamashita	4	4	100%
Takashi Endo	10	10	100%
Masato Matsumoto	14	11	70%
Sachie Tsuji	14	14	100%

*Yasuhiro Yamashita retired at the conclusion of the 36th Ordinary General Meeting of Shareholders (held on March 25, 2022). In addition, Takashi Endo was elected at the same meeting.

Status of Accounting Audits

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 22 years.

Two certified public accountants carried out the auditing work for fiscal 2022, designated limited liability partners and managing partners Yoichi Tsukimoto and Katsuya Ishida. They were assisted by seven certified public accountings and 21 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.

Internal Control

SBS Holdings has established and operates internal control over financial reporting in compliance with the basic framework set forth in On the Setting of the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions), and issues annual reports. The most recent assessment of internal control over financial reporting was conducted with a reference date of December 31, 2022. The scope of assessment is determined based on the

The Internal Control Report, including past editions, is available on the SBS Holdings website.

TOP → Sustainability → Corporate governance

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

Maintaining Constructive Ties with Shareholders and takeholders

importance of the impact on the reliability of financial reporting, and covers SBS Holdings, 20 consolidated subsidiaries, and one equity method affiliate.

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 at 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 percentage of voting rights held by overseas investors to total voting rights reaches 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 subjected 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 37th Ordinary General Meeting of Shareholders

Date and Time

Tuesday, March 28, 2023 at 10 a.m.

Location

The Company's meeting room, 37F, Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo

Matters Reported

1. The Business Report and Consolidated Financial Statements for the Company's 37th Fiscal Year (January 1, 2022 - December 31, 2022) and results of audits by the Accounting Auditor and the Audit & Supervisory Committee of the Consolidated Financial Statements
2. Reports on the Financial Statements for the 37th Fiscal Year (from January 1, 2022 to December 31, 2022)

Proposals for Resolution and the Results

Proposal 1: Election of Eight (8) Directors who are not Audit & Supervisory Committee Members

Masahiko Kamata, Masato Taiji, Yasuhito Tanaka, Natsuki Gomi, Katsuhisa Wakamatsu, Jiro Iwasaki, Shuichi Hoshi and Yoshinobu Kosugi will be elected as directors not serving as Audit & Supervisory Committee members.

Proposal 2: Election of Three (3) Directors who are Audit & Supervisory Committee Members

Takashi Endo, Masato Matsumoto and Sachie Tsuji will be elected as Directors serving as Audit & Supervisory Committee Members.

Proposal 3: Election of One (1) Substitute Director who is an Audit & Supervisory Committee Member

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

Proposals 1, 2 and 3 were all approved.

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/Investor Information → General meeting of shareholders
<https://www.sbs-group.co.jp/sbshlds/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 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

23.7%

Dividend per share (FY2022)

61 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 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

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.

The Company has established the SBS Group Sustainability 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.

(See "For a Sustainable World" on page 49)

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)

Note that while action on ensuring diversity in the promotion of core human resources (Supplementary Principle 2-4-1) and initiatives on sustainability (Supplementary Principle 3-1-3) are still underway, we have ascertained the issues and are pursuing initiatives.

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

TOP → Sustainability → Corporate governance

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

Compliance

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.

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.

Compliance Awareness Survey

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

Number of times the Compliance Meeting was convened

2

Number of Compliance-Related Training Sessions

16

* Tiered training + specialist training (harassment)

Number of Consultations Fielded by Compliance Consultation Hotlines

265

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.

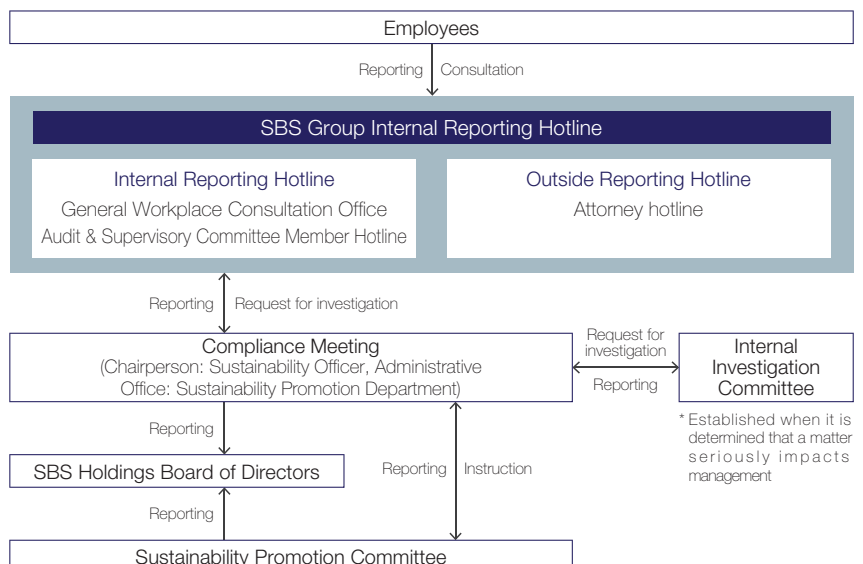
The consultations and reports received by each hotline are reported to the Board of Directors by the administrative officer of the SBS Group Sustainability Promotion Committee. After conducting an objective investigation and verifying the facts of a case, the response is discussed with the relevant departments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

Emergency Response System

A system to take appropriate action when a matter of concern has been ascertained or reported has been put into place. This includes the establishment of an Internal Investigation Committee chaired by the chairperson of the SBS Group Compliance Meeting, which investigates the facts, makes recommendations, and proposes to the Audit & Supervisory Committee that an extraordinary meeting of the Board of Directors be convened.

Reporting and Consultation Flow



* Established when it is determined that a matter seriously impacts management

Risk Management

Crisis Management Framework

With the SBS Group Risk Management Meeting playing a central role, information is shared on crisis management matters under the jurisdiction of each meeting body, 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
<ul style="list-style-type: none"> • 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 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.



Report on the Outbreak and Response to a Fire at a Distribution Facility

At around 6:40 p.m. on June 30, 2022, a fire broke out at Ami Logistics Center 2 (6-1 Hoshinosato, Ami-machi, Inashiki-gun, Ibaraki Prefecture), which is operated by SBS Flec. The fire department was immediately notified and the site was evacuated. We have confirmed that all employees of SBS Holdings were unharmed. One individual involved with construction was transported to hospital complaining of throat soreness, but was soon released and began to recover. At 4:54 p.m. on July 5, 2022, a report on extinguishment of the fire was received from the fire department. An area of 6,683.3 m² was burned. On July 7, 2022, an on-the-spot investigation was carried out by the fire department and police. SBS Flec has been fully cooperating with efforts to identify the cause of the fire. Although the fire did not spread noticeably to the adjacent Ami Logistics Center 1, some damage was observed. The fire caused considerable inconvenience and concern to many people involved, including those in the vicinity of the site. We once again extend our deepest apologies. We will work harder to prevent fire and strive to improve systems to respond to emergencies.

Background

- June 30 at around 6:40 pm Outbreak of fire
- July 2 at around 6:40 am Flashover occurred
- July 5 at 4:54 pm Extinguishment report received from the fire department
- July 7 On-the-spot investigation conducted by the fire department and police

Information Security

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

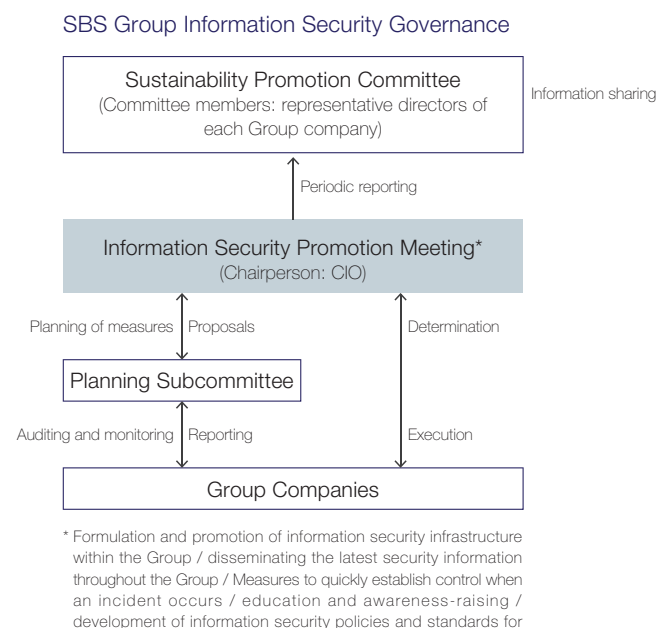
By introducing a security operation center (SOC) service, we have enhanced monitoring and checking functions. We also perform inspections of public server vulnerabilities and perform vulnerability tests on the necessary servers in an effort to maintain safety.

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.



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.

Employees Undergoing Training in Fiscal 2022

Seminars **474** e-Learning **7,484**

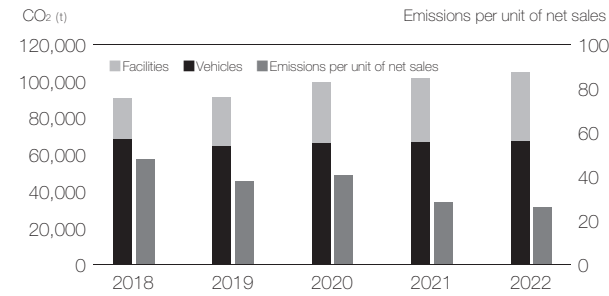
Period		28th fiscal period	29th fiscal period	30th fiscal period	31st fiscal period
Year of Financial Results		FY2013	FY2014	FY2015	FY2016
Net Sales	Million yen	132,205	141,535	157,996	149,054
Ordinary Income	Million yen	3,779	3,648	5,772	7,832
Net income attributable to owners of parent	Million yen	1,549	2,725	-3,815	5,111
Comprehensive income	Million yen	1,817	3,702	-4,693	5,346
Net assets	Million yen	29,218	35,091	29,947	34,533
Total assets	Million yen	108,354	131,120	124,817	122,330
Net assets per share	Yen	742.68	811.23	706.32	818.55
Net income per share	Yen	40.26	69.77	-96.84	128.69
Shareholders' equity ratio	%	26.7	24.3	22.5	26.6
Return on equity (ROE)	%	5.5	9.0	-12.7	16.9
Stock price to earnings ratio (PER)	Times	13.0	14.4	-9.8	6.3
Cash Flows from Operating Activities	Million yen	6,257	6,603	7,728	12,201
Cash Flows from Investing Activities	Million yen	-6,214	-15,101	-7,081	-10,043
Cash Flows from Financing Activities	Million yen	80	8,893	-2,685	-1,733
Balance of cash and cash equivalents	Million yen	10,306	11,037	8,984	9,383
Number of employees (additionally, average number of temporary employees)		4,662 (7,906)	5,572 (8,512)	5,555 (8,636)	5,189 (8,652)
Consolidated subsidiaries		23	27	23	17
Capital Investment	Million yen	8,478	15,988	11,142	10,455

Notes

1. Net sales do not include consumption taxes.
2. For the 32nd 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.
3. "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.
4. Diluted net income per share is not listed as there are no potential shares that have a dilutive effect.
5. The number of employees indicates the number of full-time employees.

32nd fiscal period	33rd fiscal period	34th fiscal period	35th fiscal period	36th fiscal period	37th fiscal period
FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
152,870	203,516	255,548	257,192	403,485	455,481
6,475	7,607	10,172	10,883	20,489	21,404
4,446	4,409	6,079	6,826	10,790	11,732
4,702	4,494	6,923	7,181	13,936	14,189
38,510	48,173	54,077	68,146	80,707	92,172
127,802	171,796	180,047	254,550	277,197	296,898
916.50	1,001.05	1,136.22	1,277.92	1,527.58	1,772.04
111.94	111.01	153.06	171.88	271.67	295.39
28.5	23.1	25.1	19.9	21.9	23.7
12.9	11.6	14.3	14.2	19.4	17.9
10.1	12.8	12.4	15.2	12.0	9.4
11,671	12,398	16,872	17,262	27,472	22,407
-8,127	-22,433	-12,579	-30,480	-22,343	-15,895
-1,420	14,815	-2,084	22,726	-9,278	489
11,534	16,303	18,495	27,537	23,795	32,668
5,515 (8,911)	6,979 (10,575)	7,124 (10,674)	9,742 (12,098)	10,689 (12,805)	10,859 (11,970)
16	25	24	28	33	41
9,576	11,607	11,710	11,507	14,501	17,859

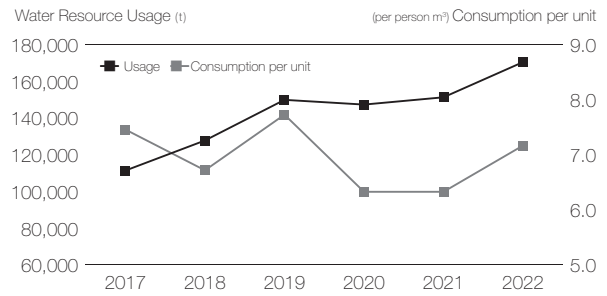
CO₂ Emissions



	2018	2019	2020	2021	2022
Facilities	22,223	26,090	32,782	34,595	37,444
Vehicles	68,572	65,157	66,088	66,820	67,533
Total	90,795	91,247	98,869	101,405	105,007
Emissions per unit of net sales	47.77	38.095	40.77	28.23	26.31

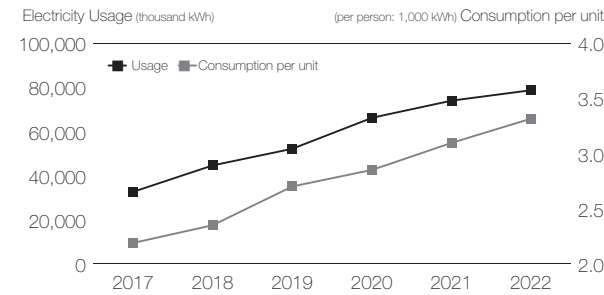
* Emissions per unit of net sales are figures for every 100 million yen in sales

Water Usage



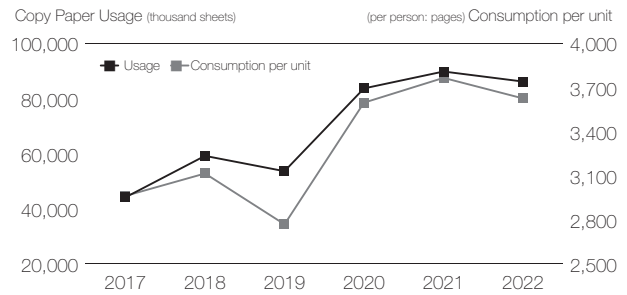
	2017	2018	2019	2020	2021	2022
Usage	111,175	127,524	149,681	147,097	151,070	170,250
Consumption per unit	7.45	6.71	7.72	6.32	6.31	7.16

Power Consumption



	2017	2018	2019	2020	2021	2022
Usage	32,754	44,740	52,264	66,386	74,149	78,875
Consumption per unit	2.19	2.35	2.70	2.85	3.10	3.32

Copy Paper Usage



	2017	2018	2019	2020	2021	2022
Usage	44,205	59,251	53,685	83,747	89,880	86,229
Consumption per unit	2,964	3,116	2,770	3,598	3,753	3,627

* 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 2022)

Certification	Company Name
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

Status of Quality-Related Certifications Acquired (as of the end of fiscal 2022)

Certification	Company Name
ISO9001 (Quality Management Systems)	SBS Toshiba Logistics, SBS Flec, SBS Flecnet, SBS Freight Service, SBS Zentsu, SBS San-ai Logistics, SBS Furukawa Logistics
ISO27001 (Information Security 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 Electrotechnical Commission (IEC)

Number of Consultations Fielded by Compliance Consultation Hotlines (FY2022)*

Details of Consultations	Number of Projects
Consultations regarding labor and business operations	133
Consultations regarding interpersonal relationships in the workplace	97
Others	35
Total	265

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

Renewable Energy Generating Capacity (as of the end of fiscal 2022)

Facility Name	Generating Capacity (kW)	Facility Name	Generating Capacity (kW)
Noda Yoshiharu Logistics Center	514	Toyohashi Logistics Center	221
Shibayama No. 1 Power Plant	2,826	Shin-Sugita Logistics Center	1,109
Kawagoe Logistics Center	830	Tokorozawa Logistics Center	973
Nishinon Logistics Center (Kyotanabe)	617	Nanko Logistics Center	1,488
Shibayama No. 2 Power Plant	710	Yokohama Kanazawa Logistics Center	1,523
Odawara Sales Branch	210	Daito Warehouse	129
Takasaki Sales Office	161	Logistics Center Ichinomiya	1,601
Kimitsu Branch	268	Noda Seto Logistics Center*	5,676
Yoshikawa Branch	223	Total	19,987.37
Nagatsuta Logistics Center	935		

* Planned completion in 2024

SBS Sokuhai Support waste processing volume

Item Name	Amount Handled (t)
Waste plastics	6,089.502
Recycled plastics	0
Scrap metal	888.736
Waste wood	1,042.411
Paper and other waste	1,174.312
Total	9,194.961

G-Mark Certification Status (as of the end of fiscal 2022)

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	1	25	26	27	96.30%
SBS Logicom	1	35	36	36	100.00%
SBS Freight Service	0	14	14	14	100.00%
SBS Flecnet	0	23	23	26	88.50%
SBS Zentsu	5	66	71	86	82.60%
SBS Sokuhai Support	0	7	7	9	77.80%
SBS Group Total	7	170	177	198	89.40%

*1 Certification rate of nationwide truck transportation business sites: 33% (figure as of December 15, 2022 *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 2022)

Category	Details	Number of Courses	Number of Trainees
Tiered Training	•Training for new employees •Training for mid-level employees •Training for managerial employees	21	942
Management Training	•Diversity promotion seminar for directors •Program to promote the success of female managers •Next generation leader development program, etc.	6	256
Specialist Theme Training	•Eco and safe-driving training •Operation manager training •Information security training, etc.	11	8,647
Theme-Specific Training	•Site manager development training •Sales skills improvement training •Business skills training, etc.	5	120
Support for Self-Improvement	•Correspondence courses •e-Learning •Business Career Certification, etc.	2	693
Total		45	10,658

Investment in the Environment

(Unit: million yen)

Investment	Details	2017	2018	2019	2020	2021	2022
Vehicle-related investments	CNG vehicles, LPG vehicles, hybrid vehicles, vehicles that meet heavy vehicle fuel efficiency standards, etc.	3,616	3,791	3,055	4,379	3,514	1,880
	Improved fuel efficiency (eco and safe-driving training, etc.)	1	3	1	19	8	0
Investments related to improved energy savings at facilities	Demand monitoring and energy-efficient lighting, etc.	35	45	131	26	14	39
Investments in global environmental conservation	Solar power generation, etc.	13	6	6	6	29	34
Environmental management	Environmental management registration and management activities, etc.	6	3	3	4	8	9
Environmental communication	Internal and external awareness-raising, creation of reporting materials, etc.	6	6	6	10	8	10
Total		3,677	3,854	3,202	4,444	3,580	1,972

* 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.

SBS Group Code of Behavior

1. Fair and Transparent Corporate Activities

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

2. Promotion of Corporate Governance

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

3. Ensuring Safety

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

4. Social Contribution and Consideration of the Environment

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

5. Customer-First Principle

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

6. Compliance with Laws and Regulations

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

7. Development of a Fulfilling Workplace

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

SBS Group Environmental Policy

[Basic Principles]

The SBS Group regards consideration for the environment to be an important management issue. The Group promotes initiatives to reduce the environmental impact associated with its business and improve the environment through its business activities, and endeavors to preserve the environment as a good corporate citizen.

[Basic Policies]

In carrying out various business activities in Japan and overseas, the SBS Group works with Group companies and strives to realize its basic principles in accordance with the follow policy.

1. We will observe environmental laws and regulations in Japan and overseas.
2. We will give due consideration to the maintenance and preservation of the natural environment.
3. We recognize the finite nature of resources and energy and will endeavor to utilize them effectively.
4. We will put in place systems to promote environmental conservation and actively pursue education and awareness-raising activities.
5. We will disseminate these basic principles and basic policies among everyone working in the SBS Group and broadly disclose the outcomes of related initiatives.

SBS Group Human Rights Policy

[Basic Policies]

Based on the principles set forth in its Management Philosophy and the SBS Group Sustainability Policy, the SBS Group has established the SBS Group Human Rights Policy as its highest level policy regarding human rights, and will drive human rights initiatives in keeping with the policy.

[Basic Approach]

The SBS Group upholds the United Nations Guiding Principles on Business and Human Rights as a basic principle, supports and respects international norms on human rights including the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Children's Rights and Business Principles and the UN Global Compact, and advances business operations in accordance with these principles.

[Scope of Application]

The Human Rights Policy applies to all officers and employees of the SBS Group. We also expect our business partners and other related parties to understand and support the policy.

[Human Rights Due Diligence]

The SBS Group strives to practice appropriate human rights due diligence to identify, assess, prevent and mitigate negative impacts on human rights related to its business activities.

If it is found that the business activities of the SBS Group have caused or contributed to a negative impact on human rights, the Group will take measures to correct and remedy the situation through appropriate means.

[Remedial, Corrective and Preventive Action]

When the SBS Group determines that various standards regarding human rights have not been appropriately adhered to, it will take appropriate remedial action with regard to the people who have been impacted in accordance with the UN Guiding Principles, identify the cause of the issue, and implement effective improvement measures.

In addition, as services to deal with consultation regarding human rights and other matters, the Group will put in place systems to field consultations from customers and other stakeholders by telephone or the website, etc. and from employees through internal and external reporting hotlines, ensuring that human rights issues are dealt with in a responsible manner.

In addition, the Group will take adequate precautions to safeguard anonymity and confidentiality to ensure that those who seek consultation through these services do not suffer disadvantageous treatment.

[Education and Awareness-Raising]

The SBS Group provides appropriate education and awareness-raising to officers and employees to ensure that this policy is well understood and effectively implemented.

[Person in Charge]

The SBS Group will specify an officer responsible for the implementation of this policy and supervise its implementation.

[Dialogue and Consultation with Stakeholders]

The SBS Group will engage in sincere dialogue and consultation with related stakeholders regarding measures to deal with negative impacts on human rights, and endeavor to make improvements.

[Information Disclosure]

The SBS Group will disclose information on the progress and results of initiatives on respect for human rights through its website and reports, and endeavor to gain the understanding of stakeholders.

[Revisions to the Human Rights Policy]

The SBS Group understands that respect for human rights will be increasingly important in the future and that the issues to be addressed will change depending on societal changes, business trends and other factors. Accordingly, the Group will periodically consider the need to review the policy and make revisions as needed.

SBS Group Diversity Policy

[Basic Policies]

The SBS Group regards a workplace in which each employee can utilize their individuality and take on the challenge of creating new value with passion and enthusiasm as ideal, and recognizes its corporate responsibility to build such an environment. Given that employees utilizing their diversity and demonstrating their individual capabilities is a source of new value creation, the Group regards Diversity & Inclusion as one of its key management strategies. The Group has established the SBS Group Diversity Policy and will aim to sustainably increase corporate value.

[Action Plans]

(1) The SBS Group respects the individuality of a diverse range of employees.

- The SBS Group respects employee diversity (in terms of gender, age, disabilities, nationality, academic history, type of employment, values, sexual orientation, gender identity, and so on).
- The SBS Group hires, develops and promotes a diverse range of human resources irrespective of race, religion, nationality, gender, sexual orientation, disability or other attributes.

(2) The SBS Group helps employees let their individuality shine brighter.

- The SBS Group provides employee training to ensure that all employees understand the importance of diversity, and can respect and accept one another's individuality.

(3) The SBS Group endeavors to foster an organizational culture that utilizes the diversity of employees.

- The SBS Group is committed to developing a workplace in which people accept one another's individuality and differences, respect others as equals, and in which anyone can share their opinions and act with peace of mind.
- The SBS Group promotes the establishment of flexible and diverse working styles so that all employees can enjoy a healthy work-life balance.

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.

The SBS Group does not tolerate any form of harassment or discrimination on the basis of differences between people including gender, age, nationality, race, ethnicity, religion, social status, disability, SOGI (sexual orientation or gender identity), values or lifestyle.

Major Group Companies

Number of Business Sites

678

Number of Vehicles Owned

* Excluding driving schools

5,080

(Trucks and other road vehicles)

2,154

(Forklifts)

Number of Employees

23,773

* 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: 2,633

Number of Business Sites: 80

Number of Vehicles: Trucks and other road vehicles: 142, Forklifts: 573

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

Main Business

4PL/3PL

Truck Transportation

International Logistics

Modal Shift

Logistics and Delivery for E-commerce

Logistics Center Operation

Processing in Logistics

Support for LT Planning and Introduction

Facility Relocation

Packaging Design and Development

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: 4,438

Number of Business Sites: 128

Number of Vehicles: Trucks and other road vehicles: 484, Forklifts: 583

Certifications: SO14001, ISO9001, ISO27001, AEO

Consolidated Subsidiaries: SBS San-ai Logistics Co., Ltd./ SBS Global Network 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.

Main Business

4PL/3PL

Truck Transportation

International Logistics

Modal Shift

Logistics and Delivery for E-commerce

Logistics Center Operation

Processing in Logistics

Support for LT Planning and Introduction

Facility Relocation

Packaging Design and Development

Environmental Business

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: 6,670

Number of Business Sites: 137

Number of Vehicles: Trucks and other road vehicles: 1,130, Forklifts: 608

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./ K.U.K. LINE Co., Ltd.

Main Business

4PL/3PL

Truck Transportation

Low Temperature Logistics

International Logistics

Modal Shift

Logistics and Delivery for E-commerce

Logistics Center Operation

Processing in Logistics

Support for LT Planning and Introduction

Logistics facility development

Facility Relocation

On-site Logistics

Packaging Design and Development

Property Management Business

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 in Japan, 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: 3,893

Number of Business Sites: 97

Number of Vehicles: Trucks and other road vehicles: 874, Forklifts: 253

Certifications: G-Mark, ISO14001, ISO9001

Consolidated Subsidiaries: SBS Flecnet Co., Ltd./ Hinomaru Kyuso Co., Ltd.

Main Business

3PL

Truck Transportation

Low Temperature Logistics

Modal Shift

Logistics and Delivery for E-commerce

Logistics Center Operation

Processing in Logistics

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 various logistics functions to play a part in recycling-oriented logistics.

Number of Employees: 567

Number of Business Sites: 32

Number of Vehicles: Trucks and other road vehicles: 276, Forklifts: 48

Certifications: G-Mark, ISO14001, ISO27001

Main Business

3PL

Truck Transportation

Logistics and Delivery for E-commerce

Same-Day Delivery for Corporate Customers

Logistics Center Operation

Processing in Logistics

Environmental Business

Major Group Companies

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: 4,091

Number of Business Sites: 112

Number of Vehicles: Trucks and other road vehicles: 1,788, Forklifts: 42

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

Main Business

3PL

Truck Transportation

Low Temperature Logistics

Logistics and Delivery for E-commerce

Logistics Center Operation

Processing in Logistics

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: 187

Number of Business Sites: 28

Number of Vehicles: Trucks and other road vehicles: 24, Forklifts: 94

Certifications: ISO14001, ISO9001

Main Business

3PL

Truck Transportation

International Logistics

Logistics Center Operation

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: 362

Number of Business Sites: 21

Number of Vehicles: Trucks and other road vehicles: 216, Forklifts: 62

Renewable Energy Generating Capacity: 212 kW

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

Main Business

Truck Transportation

Low Temperature Logistics

Logistics Center Operation

Processing in Logistics

On-site Logistics

Company Relocation

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: 158

Number of Business Sites: 9

Number of Vehicles: 5

Certifications: AEO (planned)

Main Business

International Air Freight Transportation

International Marine Freight Transportation

Customs Clearance Agency Services

Warehouse and Storage

Domestic Transportation

Toyo Warehouse & Transportation Co., Ltd.

Based on large warehouses in Wakasu and 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: 193

Number of Business Sites: 7

Number of Vehicles: Trucks and other road vehicles: 9, Forklifts: 44

Main Business

3PL

International Logistics

Logistics Center Operation

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 to 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: 10

Number of Business Sites: 1

Renewable Energy Generating Capacity: 1,500 kW

Consolidated Subsidiaries: L-MAX Co., Ltd.

Main Business

Logistics Facility Development

Property Management Business

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: 154

Number of Business Sites: 18

Number of Vehicles: 18

Certifications: Privacy Mark

Main Business

Worker Dispatching Business

Paid Employment Placement Business

BPO Business

Business Contracting

Comprehensive Human Resource Services Business

Human Resources Portal Website Operation

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: 23

Number of Business Sites: 1

Main Business

Vehicle and Office Equipment Leasing Business

Fuel and Tire Sales Business

Life and Non-life Insurance

Agency Business

Major Group Companies

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: 74
Number of Business Sites: 1
Certifications: Privacy Mark

Main Business

E-commerce Support

Marketing Services

Pet Wellness Business

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: 56
Number of Business Sites: 3
Number of Vehicles: 87 (training vehicles (cars and motorcycles, shuttle cars, etc.), Forklifts: 2

Main Business

Driving Instruction

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.
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)

SBS Holdings, Inc.

Number of Employees: 325
Number of Business Sites: 1
Renewable Energy Generating Capacity: 2,826 kW

Main Business

Company-Wide Strategy
(Group strategy functions,
corporate governance functions)

Management Control

Others

Corporate Profile

* As of July 1, 2023

Company Name	SBS Holdings, Inc.
Representative Director	Masahiko Kamata
Established	December 16, 1987
Paid-in Capital	3,920.75 million yen
Net Sales	455.481 billion yen (consolidated) * For the year ended December 31, 2022
Location	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.
Fiscal Year	January 1 to December 31

Officers

* Only directors listed, as of July 1, 2023

Masahiko Kamata, Representative Director
Shuichi Hoshi, Director
Masato Taiji, Director
Yasuhito Tanaka, Director
Natsuki Gomi, Director
Katsuhisa Wakamatsu, Director
Jiro Iwasaki, Outside Director
Nobuyoshi Kosugi, Outside Director
Takashi Endo, Full-time Audit & Supervisory Committee Member
Masato Matsumoto, Audit & Supervisory Committee Member
Sachie Tsuji, Audit & Supervisory Committee Member

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)
Securities code	2384
Listed exchange	Tokyo Stock Exchange Prime Market

Major Shareholders

* As of December 31, 2022

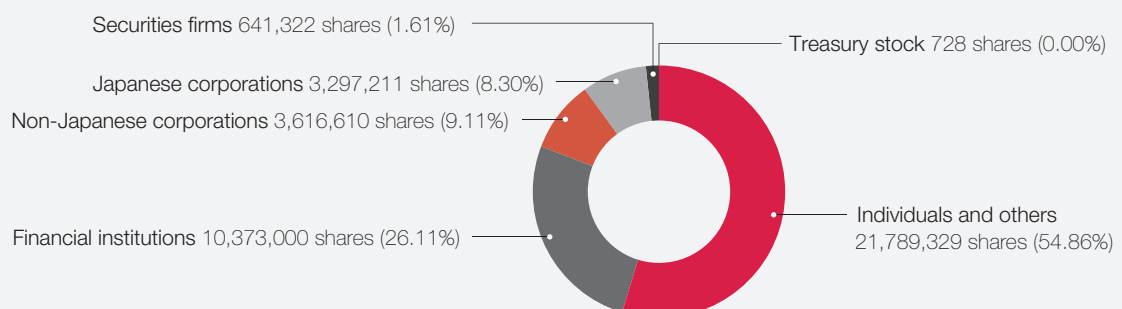
Shareholder Name	Number of Shares Held	Shareholding Ratio (%)
Masahiko Kamata	14,388,400	36.22%
Custody Bank of Japan, Ltd. (trust account)	5,057,200	12.73%
The Master Trust Bank of Japan, Ltd. (trust account)	2,458,700	6.19%
SBS Holdings Employee Share Ownership Association	1,224,500	3.08%
Sumitomo Mitsui Trust Bank, Limited (trust account Ko-18)	1,200,000	3.02%
Masaru Wasami	1,078,600	2.71%
TOBU Properties Co., Ltd.	1,001,000	2.52%
Sumitomo Mitsui Trust Bank, Limited (trust account Ko-13)	1,000,000	2.51%
Junichi Ouchi	601,400	1.51%
Ueda Yagi Tanshi Co., Ltd.	500,600	1.26%

*The indicated figures are rounded off.

*In addition to the shareholding shown on the right, SBS Holdings possesses 728 shares of treasury stock (calculated based on the number of treasury shares held as of December 13, 2022).

*Of the number of shares held as shown on the right, 9,715,900 shares relate to trust businesses.

Distribution of shares by shareholder type (number of shares issued: 39,718,200 shares)



Contact for Inquiries

SBS Holdings Co., Ltd. Sustainability Promotion Department
Sumitomo Fudosan Shinjuku Grand Tower 25F, 8-17-1,
Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160-6125, Japan
Tel: 03-6772-8200