

# 1 Sagawa Express CO.,LTD.

## Companies' approach

### □ Background and purpose of accounting

- In the context of the growing need to account for and report GHG emissions across the entire supply chain as part of corporate social responsibility, our company has undertaken the task of supply chain emissions accounting in order to discuss and consider specific measures for reduction and also disclose information to our stakeholders through the calculation of our CO2 emissions from subcontracted transportation and a variety of internal business activities.

### □ Utilization of accounting results

- We will use the results to get a whole picture of the proportions of our supply chain emissions and then implement effective measures by focusing on high potential target areas for GHG emissions reduction.
- To disclose information to our stakeholders, the numerical data will be made publicly available in CSR reports and on our website.

### □ Benefits of accounting

- By providing information to subcontractors being part of our supply chain, we will be able to promote better understanding and cooperation between our company and these partners, thereby implementing emissions reduction more effectively.
- Disclosing carbon emissions information will lead to improved accountability to our stakeholders.

### □ Internal system for accounting

- The Environmental Section of the CSR Promotion Department organizes and uses those data collected and managed by the relevant departments and divisions at Headquarters to account for our supply chain emissions.

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**□ Efforts to reduce supply chain emissions**

- The accounting results have found that the proportion of Category 1 emissions, resulting mostly from subcontracted transportation, to our total supply chain emissions is very large. For this reason, as we promote further modal shift or more efficient transportation in the future, it will be possible for us to reduce carbon emissions across the entire supply chain.

**□ Issues in supply chain emissions accounting**

- The fact that our Category 1 emissions represent a large proportion may have resulted in less visible effects of measures taken to reduce emissions under other Categories.
- Even if and when a subcontractor adopts Environmentally - friendly Vehicles, we currently have no access to accurate data related to that. Therefore, such reduction efforts or measures will not be able to be incorporated into the numerical data.

**□ Other**

- To ensure the validity and transparency of the accounting, we received third party verification.

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Category	Accounting methods	
	Activity data	Emission factor
Category 1: Purchased goods and services	<ul style="list-style-type: none"> <li>Amount of goods and services purchased by our company itself</li> <li>Volume of subcontracted transportation (subcontracted mainline transportation and pickup/delivery services)</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor per amount of money of procurement</li> <li>Emission factor per energy used or amount of subcontract</li> </ul>
Category 2: Capital goods	<ul style="list-style-type: none"> <li>Amount of assets capitalized in the fixed asset register</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor per amount of money</li> </ul>
Category 3: Fuel and energy related activities not included in Scope 1 or 2	<ul style="list-style-type: none"> <li>Fuel and electricity usage (upstream)</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor per energy used, by type</li> </ul>
Category 4: Transportation and delivery (upstream)	<ul style="list-style-type: none"> <li>Excluded from accounting because those emissions under this Category represent only less than 1% of our total emissions and are included in Scope 1.</li> </ul>	
Category 5: Waste generated in operations	<ul style="list-style-type: none"> <li>Amount of waste discharged, by type</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor by waste type</li> </ul>
Category 6: Business travel	<ul style="list-style-type: none"> <li>Transportation expenses paid</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor by mode of transportation</li> </ul>
Category 7: Employee commuting	<ul style="list-style-type: none"> <li>Urban category of place of work, number of working days, and number of employees</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor by urban category of place of work</li> </ul>
Category 8: Leased assets (upstream)	<ul style="list-style-type: none"> <li>There are no relevant activities</li> </ul>	
Category 9: Transportation and delivery (downstream)	<ul style="list-style-type: none"> <li>There are no relevant activities</li> </ul>	
Category 10: Processing of sold products	<ul style="list-style-type: none"> <li>There are no relevant activities</li> </ul>	
Category 11: Use of sold products	<ul style="list-style-type: none"> <li>There are no relevant activities</li> </ul>	

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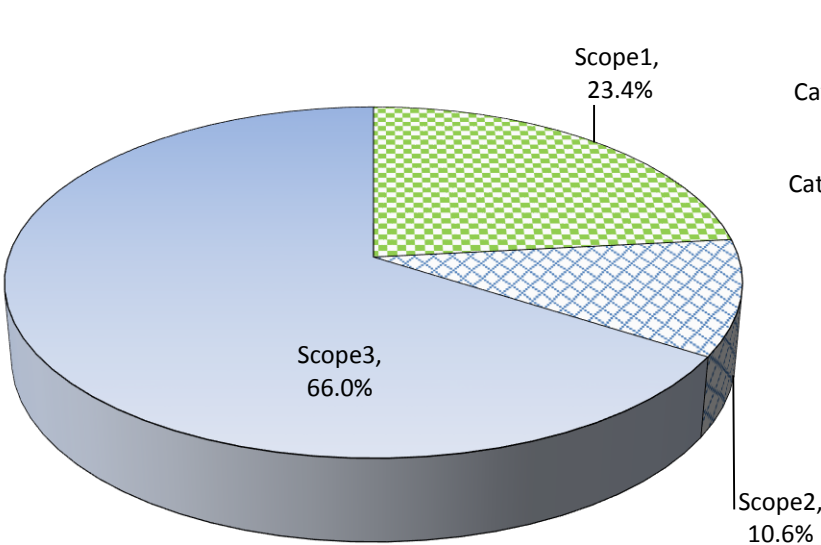
Category	Accounting methods	
	Activity data	Emission factor
Category 12: End-of-life treatment of sold products	<ul style="list-style-type: none"> <li>Volume of packaging materials, of our own design, that we handled</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor per waste disposed of, by material (incineration*)</li> </ul> <p>* A disposal method is unknown, and therefore whichever has more factors is used for conservative estimation.</p>
Category 13: Leased assets (downstream)	<ul style="list-style-type: none"> <li>There are no relevant activities</li> </ul>	
Category 14: Franchises	<ul style="list-style-type: none"> <li>There are no relevant activities</li> </ul>	
Category 15: Investments	<ul style="list-style-type: none"> <li>Not calculated because we are not an investment company, a financial service providing company, and the applied enterprise provided</li> </ul>	
Other	<ul style="list-style-type: none"> <li>Not calculated because it is an option category</li> </ul>	

(\*) By reference to Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (ver. 2.2)" and CFP Communications Program Basic Database, ver. 1.01

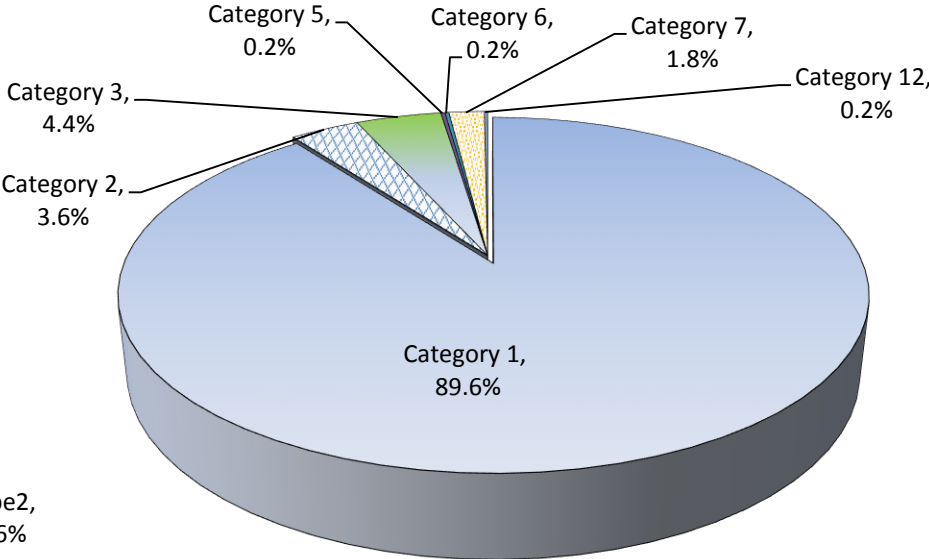
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## Accounting results

- Supply chain emissions (FY2016)



Emissions throughout the supply chain



Scope 3 emissions by Category