



# **Results Presentation for FY2023/3 Q1**

**July 29, 2022  
SG Holdings Co., Ltd.**

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## Highlights of FY 2023/3 Q1

In the Delivery Business, the number of packages handled in express package delivery services was steady, backed by factors such as the resumption of economic activity and the expansion of the e-commerce market. In the Logistics Business, although the volume of air cargo decreased due to the impact of lockdowns in some parts of Asia, marine cargo remained stable. The Group's performance was strong primarily due to these factors.

- Industry

- High demand for express package delivery service continued as new lifestyles established due to the COVID-19 pandemic, and the e-commerce market has continued to grow since the stay-at-home demand occurred
- Although the disruption of global supply chains caused by the pandemic has begun to show signs of abating, the outlook remains uncertain

- Overview of the Group's performance

- The total number of packages handled exceeded those in the same period of the previous year due to factors such as the expansion of the e-commerce market and the resumption of economic activity
- The average unit price decreased slightly due to the impact of the decrease in the number of large packages handled despite continued efforts to receive appropriate freight tariffs
- TMS<sup>(1)</sup> continued to perform steadily due to active proposal sales by GOAL<sup>®(2)</sup>
- The volume of air cargo was soft partially due to the impact of lockdowns in some parts of Asia, but marine cargo remained solid

Notes (1) TMS: Transportation Management System. A value-added transportation service other than express package delivery utilizing the Group's logistics network. (2) GOAL<sup>®</sup> is a registered trademark of SG Holdings Co., Ltd.

## Summary of consolidated financial results

(Units: billion yen)	FY2022/3 Q1	FY2023/3 Q1	YoY change
Operating revenue	347.5	386.9	111.3%
Operating income [Operating margin]	28.9 [ 8.3% ]	33.2 [ 8.6% ]	115.1%
Ordinary income	29.6	35.7	120.8%
Net income attributable to owners of the parent	20.6	23.4	113.5%

**Note** (1) Amounts less than 100 million yen are rounded down.

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### ■ Results of the Group [YoY change]

- Operating revenue: +39.3 billion yen
- Operating income : + 4.3 billion yen
- Ordinary income : + 6.1 billion yen
- Net income attributable to owners of the parent: + 2.7 billion yen

### [Reference]

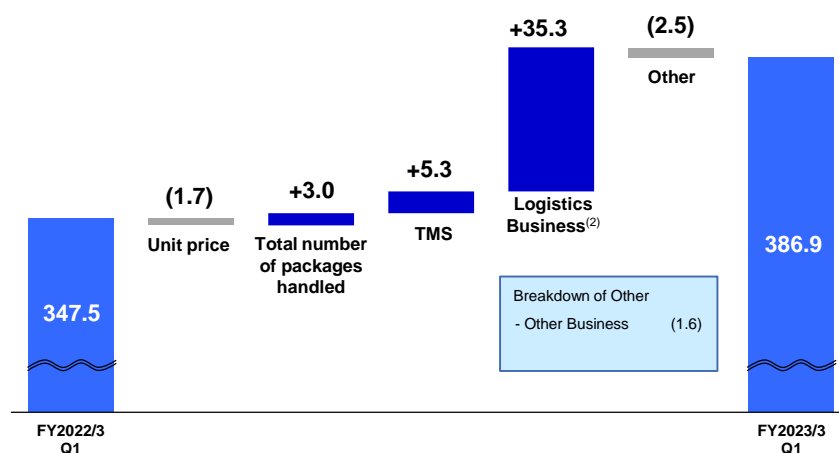
- Return on Equity (ROE) : 18.5% (figures for previous Q1:20.5%)

※ROE calculation method :

Net income attributable to owners of the parent × 4 / average equity capital during the period

## Analysis of changes in operating revenue

(Units: billion yen)



Notes (1) Amounts less than 100 million yen are rounded down. (2) Excluding TMS.

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### ■ Express package delivery services and TMS results [YoY change]

- Average unit price :640 yen [ (5 yen)]
- Total number of packages handled:  
352 million packages [+4 million packages]
- TMS : 30.3 billion yen [+ 5.3 billion yen]

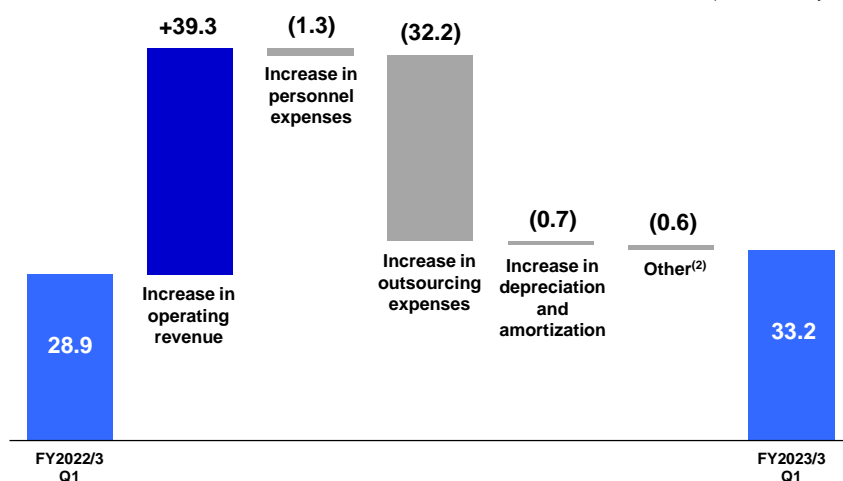
(Reference) Increase/decrease in operating days: Weekdays  $\pm 0$ , Saturdays  $\pm 0$ , Sundays and holidays  $\pm 0$

### ■ Expolanka (Logistics Business) Performance

- Operating revenue: 87.7 billion yen [YoY change: +34.3 billion yen, YoY: 164.5%]

## Analysis of changes in operating income

(Units: billion yen)



Notes (1) Amounts less than 100 million yen are rounded down. (2) "Other" includes fuel expenses.

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## ■ Breakdown of main operating expenses

(Units: billion yen)

Subjects	FY 2023/3 Q1	YoY Change	YoY	Main factors
Personnel expenses	110.6	+1.3	101.3%	Increase associated with expansion of Logistics Business
Outsourcing expenses	197.9	+32.2	119.4%	Increase in Logistics Business revenue
Depreciation and amortization	8.0	+0.7	110.7%	Software, vehicles, etc.
Other(including fuel expenses)	37.0	+0.6	101.8%	Increases in fuel expenses, utilities expenses associated with rising crude oil prices, etc.
Total	353.6	+35.0	111.0%	

## Results by segment

(Units: billion yen)	FY2022/3 Q1	FY2023/3 Q1	YoY change
<b>Total operating revenue</b>	347.5	386.9	111.3%
Delivery Business	254.3	258.4	101.6%
Logistics Business	77.0	114.0	148.0%
Real Estate Business	1.9	1.9	95.6%
Other Businesses	14.0	12.4	88.4%
<b>Total operating income</b>	28.9	33.2	115.1%
Delivery Business	20.2	21.9	108.5%
Logistics Business	5.7	8.3	145.5%
Real Estate Business	1.4	1.0	74.9%
Other Businesses	0.9	1.2	133.0%
Adjustments	0.6	0.6	114.2%

**Note** (1) Amounts less than 100 million yen are rounded down.

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### ■ Breakdown of main changes in operating income [YoY change]

- Delivery Business : +1.7 billion yen
  - Increase in number of packages handled and TMS sales
  - Efforts to improve efficiency such as digitalization
- Logistics Business : +2.6 billion yen
  - Expolanka : +2.8 billion yen
- Real Estate Business : (0.3) billion yen
  - Decrease in rent income and increase in tax and lump sum payment
- Other Businesses : + 0.3 billion yen
  - Increase in GOAL<sup>®</sup> related logistics IT projects

## Overview of results by segment

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### Delivery Business

- The number of packages handled in both BtoB and BtoC exceeded the same period of the previous year due to factors such as the resumption of economic activity and expansion of e-commerce market
- The average unit price decreased slightly due to the impact of the decrease in the number of large packages handled despite continued efforts to receive appropriate freight tariffs
- TMS continued to be steady due to the active proposal sales activities of GOAL®
- Efforts to improve quality and productivity such as the promotion of various digitalization continued

### Logistics Business

- Although the volume of air cargo decreased due to the impact of lockdowns in some parts of Asia, the volume of marine cargo remained solid
- While ocean and air freight tariffs remained firm even during a downturn, purchasing costs rose due to the continued tight supply and demand caused by the shortage of containers and other factors

### Real Estate Business

- Although rent income decreased due to the impact of the sale of properties in the same period of the previous year, it progressed as planned

### Other Businesses

- Transactions for logistics IT projects increased in total logistics proposals by GOAL®
- Sales of new vehicles decreased due to the shortage of semiconductors, etc.



## Consolidated Statement of Cash Flows

Major cash flow items (Units: billion yen)	FY2022/3 Q1	FY2023/3 Q1
Cash flows from operating activities	4.4	49.4
Cash flows from investing activities	5.5	(7.6)
Free cash flows <sup>(2)</sup>	9.9	41.8
Cash flows from financing activities	(19.9)	(34.5)
Net increase (decrease) in cash and cash equivalents	(9.8)	9.4
Cash and cash equivalents at end of period	59.3	96.8

Notes (1) Amounts less than 100 million yen are rounded down. (2) Free cash flow = Cash flows from operating activities + Cash flows from investing activities.

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### ■ Consolidated cash flows

#### • Cash flows from operating activities 49.4 billion yen

Major components:

Income before income taxes	35.6 billion yen
Depreciation and amortization	7.9 billion yen
Net changes in accrued bonuses	13.6 billion yen
Foreign exchange losses (gains)	(2.1) billion yen
Net changes in trade notes and accounts receivable	21.7 billion yen
Net changes in trade notes and accounts payable	(11.5) billion yen
Increase (decrease) in accrued expenses	2.4 billion yen
Increase (decrease) in accrued consumption taxes	2.9 billion yen
Income taxes paid	(22.0) billion yen

#### • Cash flows from investing activities (7.6) billion yen

Major components:

Purchases of property, plant and equipment	(5.9) billion yen
Purchases of intangible assets	(1.7) billion yen

#### • Cash flows from financing activities (34.5) billion yen

Major components:

Net changes in short-term bank loans	(8.2) billion yen
Repayment of long-term bank loans	(5.2) billion yen
Cash dividends paid	(19.2) billion yen

## Consolidated Balance Sheet

(Units: billion yen)	FY2022/3	FY2023/3 Q1	(Units: billion yen)	FY2022/3	FY2023/3 Q1
<b>Current assets</b>	<b>389.6</b>	<b>386.0</b>	<b>Liabilities</b>	<b>409.8</b>	<b>391.7</b>
Cash and deposits	87.3	96.8	Accounts payable	93.7	84.8
Accounts receivable and other receivables	247.8	234.3	Interest-bearing debt	135.2	125.3
Inventories	29.7	29.3	Other	180.8	181.6
Other current assets	24.7	25.5			
<b>Non-current assets</b>	<b>532.1</b>	<b>538.7</b>	<b>Net assets</b>	<b>511.9</b>	<b>533.0</b>
Property, plant and equipment	387.2	389.1	Portion attributable to owners of the parent	496.3	516.1
Goodwill	2.3	2.3	Non-controlling interests	15.5	16.8
Other non-current assets	142.4	147.2			
<b>Total assets</b>	<b>921.7</b>	<b>924.8</b>	<b>Total liabilities and net assets</b>	<b>921.7</b>	<b>924.8</b>

**Note** (1) Amounts less than 100 million yen are rounded down.

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### ■ Equity ratio

- Equity ratio: 55.8% [+2.0 points from end of previous fiscal year]

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2. **Earnings forecast for FY2023/3** 10 – 14

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## Mid-term Management Plan “SGH Story 2024”

### FY2023/3-FY2025/3 Mid-term Management Plan SGH Story 2024

#### <Basic Policy>

Creation of next-generation competitive advantages to realize sustainable growth

#### <Key Strategies>

- (1) Enhancement of comprehensive logistics solutions (GOAL®)
- (2) Expansion of management resources leading to the creation of competitive advantages
- (3) Further advancement of governance

### Management strategy

#### (1) Enhancement of comprehensive logistics solutions (GOAL®)

- Promotion of services aimed at solving social and environmental issues such as decarbonization
- Expansion of TMS/3PL networks and enhancement of ancillary solutions
- Strengthening of international and overseas services
- Improvement of profitability through enhancement of service and improvement of efficiency in express package delivery service

#### (2) Expansion of management resources leading to the creation of competitive advantages

- Strengthening domestic and overseas transportation network including alliances
- Investment in human capital and improvement of employee engagement
- Creation of competitive advantages through investment in DX
- Creation of new value through open innovation

#### (3) Further advancement of governance

- Creation of governance structure that meet global standards
- Ongoing advancement of compliance

## Consolidated earnings and dividend forecast

(Units: billion yen)		FY2022/3 actual results	FY2023/3 Previous earnings forecast (Announced on April 28, 2022)	YoY change
Operating revenue		1,588.3	1,650.0	103.9%
Operating income [Operating margin]		155.7 [ 9.8% ]	142.0 [ 8.6% ]	91.2%
Ordinary income		160.2	143.0	89.2%
Net income attributable to owners of the parent		106.7	104.0	97.4%
Dividend per share	Interim	20 yen	25 yen	
	Year-end	30 yen	26 yen	
	Total	50 yen	51 yen	

Notes (1) Amounts less than 100 million yen are rounded down. (2) Assumptions for the earnings forecast for FY 2023/3: Average unit price of 647 yen and 1.43 billion packages to handle in the Delivery Business.

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### ■ Full-year earnings forecast [YoY change]

No change from figures announced on July 1, 2022

- Operating revenue : +61.6 billion yen
- Operating income : (13.7) billion yen
- Ordinary income : (17.2) billion yen
- Net income attributable to owners of the parent: (2.7) billion yen

Recorded 8.0 billion yen gain on sale of shares of Hitachi Transport System, Ltd.  
(announced on July 1, 2022)

- Average unit price :647 yen [YoY: 100.2%]
- Total number of packages to handle :1.43 billion packages [YoY: 101.0%]
- TMS :126.0 billion yen [YoY: 117.1%]

### [Reference] Breakdown of YoY change in operating expenses

- Personnel expenses : 431.0 billion yen [(2.9)%]
- Outsourcing expenses : 884.0 billion yen [+9.9%]
- Depreciation and amortization : 31.0 billion yen [+1.8%]

## Consolidated earnings forecast (FY2023/3 1H)

(Units: billion yen)	FY2022/3 1H results	FY2023/3 1H earnings forecast (Announced on July 1, 2022)	YoY change
Operating revenue	726.0	810.0	111.6%
Operating income [Operating margin]	58.8 [ 8.1% ]	61.0 [ 7.5% ]	103.6%
Ordinary income	58.8	61.0	103.7%
Net income attributable to owners of the parent	39.8	49.0	123.0%

**Note** (1) Amounts less than 100 million yen are rounded down.

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### ■ First half earnings forecast [YoY change]

No change from figures announced on July 1, 2022

- Operating revenue : + 83.9 billion yen
- Operating income : + 2.1 billion yen
- Ordinary income : + 2.1 billion yen
- Net income attributable to owners of the parent: + 9.1 billion yen

Recorded 8.0 billion yen gain on sale of shares of Hitachi Transport System, Ltd. (announced on July 1, 2022)

## Overview of forecasts by segment

(Units: billion yen)	FY2022/3 actual results	FY2023/3 Previous earnings forecast (Announced on April 28, 2022)	YoY change
<b>Total operating revenue</b>	1,588.3	1,650.0	103.9%
Delivery Business	1,043.1	1,067.0	102.3%
Logistics Business	477.0	510.0	106.9%
Real Estate Business	11.2	23.0	203.7%
Other Businesses	56.8	50.0	87.9%
<b>Total operating income</b>	155.7	142.0	91.2%
Delivery Business	93.2	99.0	106.2%
Logistics Business	48.4	27.0	55.7%
Real Estate Business	6.6	9.0	136.1%
Other Businesses	4.6	4.0	85.9%
Adjustments	2.7	3.0	108.3%

Note (1) Amounts less than 100 million yen are rounded down.

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### ■ Earnings forecast by segment [YoY change]

No change from figures announced on April 28, 2022

- <u>Operating revenue</u>	+61.6 billion yen
Delivery Business	+23.8 billion yen
Logistics Business	+32.9 billion yen
Real Estate Business	+11.7 billion yen
Other Businesses	(6.8) billion yen

- <u>Operating income</u>	(13.7) billion yen
Delivery Business	+ 5.7 billion yen
Logistics Business	(21.4) billion yen
Real Estate Business	+ 2.3 billion yen
Other Businesses	(0.6) billion yen
Adjustments	+ 0.2 billion yen

### • Logistics Business: Assumptions for the earnings forecast

Forecast of Expolanka's earnings and volume of freight to handle

Operating revenue : 400.0 billion yen [YoY 106%]

Operating income : 22.0 billion yen [YoY 50%]

Volume for freight to handle : Air 198 kt [YoY 100%]

Ocean 283 kTEU [YoY 101%]

The exchange rate is assumed to be 1\$ = 125 yen

1. *Summary of results for FY 2023/3 Q1* 1 – 9

2. *Earnings forecast for FY2023/3* 10 – 14

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## Results of Expolanka

(Units: billion yen)	FY2022/3 Q1	FY2023/3 Q1	YoY change
Operating Revenue	53.3	87.7	164.5%
Operating income	4.3	7.1	164.5%
Air Volume (kt) <sup>(2)</sup>	42	32	76.7%
Ocean Volume(kTEU) <sup>(2)</sup>	72	78	109.2%

**Notes** (1) Amounts less than 100 million yen are rounded down. (2) Rounded down to the nearest whole number.

## Status of the products and services

### Delivery Business: Status of number of packages handled and unit price

(Millions of packages, yen)	FY2022/3 Q1	FY2023/3 Q1	YoY change
Total number of packages handled	347	352	101.3%
Hikyaku Express <sup>(2)(4)</sup>	333	339	101.6%
Other <sup>(3)</sup>	13	13	94.9%
Average unit price	645	640	99.2%

### e-Collect<sup>(4)</sup>: Status of number of packages and value of payments settled

(Millions of packages, billion yen)	FY2022/3 Q1	FY2023/3 Q1	YoY change
Number of packages	19	17	86.2%
Value of payments settled	227.4	199.1	87.5%

### Status of TMS

(Billion yen)	FY2022/3 Q1	FY2023/3 Q1	YoY change
Sales	24.9	30.3	121.5%

**Notes** (1) Amounts less than 100 million yen are rounded down. (2) Hikyaku Express shows the number of packages Sagawa Express Co., Ltd. notified to the Ministry of Land, Infrastructure, Transport and Tourism. (3) Other shows the number of packages handled by Hikyaku Large Size Express<sup>(4)</sup> and other companies. (4) Hikyaku Express, e-Collect and Hikyaku Large Size Express are registered trademark of SG Holdings Co., Ltd in Japanese

## Breakdown of operating expenses

### Major expense items in consolidated accounts

(Units: billion yen)	FY2022/3 Q1	FY2023/3 Q1	YoY change
Total operating expenses	318.6	353.6	111.0%
Personnel expenses	109.3	110.6	101.3%
Outsourcing expenses	165.6	197.9	119.4%
Fuel expenses	2.6	3.2	119.7%
Depreciation and amortization	7.2	8.0	110.7%
Other expenses	33.7	33.8	100.4%

### Major expense items in Delivery Business

(Units: billion yen)	FY2022/3 Q1	FY2023/3 Q1	YoY change
Total operating expenses	245.3	248.5	101.3%
Personnel expenses	93.9	92.6	98.6%
Outsourcing expenses	117.8	121.5	103.2%
Fuel expenses	2.6	3.1	118.7%
Depreciation and amortization	5.1	5.4	105.7%
Other expenses	25.7	25.7	99.9%

**Note** (1) Amounts less than 100 million yen are rounded down.

## Status of employees, vehicles and locations

(Employees, vehicles, locations)		FY2022/3	FY2023/3 Q1
Total number of employees [Number of partner employees <sup>(1)</sup> included]	Total	96,536 [ 44,211 ]	94,743 [ 41,967 ]
	Delivery Business	78,073 [ 34,862 ]	76,250 [ 32,785 ]
	Logistics Business	13,466 [ 6,992 ]	13,514 [ 6,888 ]
	Real Estate Business	72 [-]	82 [-]
	Other Businesses	4,179 [ 2,148 ]	4,187 [ 2,113 ]
	Corporate (common)	746 [ 209 ]	710 [ 181 ]
Sagawa Express	Number of vehicles	26,742	26,582
	Number of major locations	873	865
	Transfer centers	23	23
	Sales offices	429	429
	Small stores <sup>(2)</sup>	421	413

**Notes** (1) Average number of persons during the period. (2) Total number of service centers and delivery centers.

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