



SG Holdings Co., Ltd.

Results Presentation for FY2023/3 Q2

October 28, 2022

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Highlights of FY 2023/3 Q2

In the Delivery Business, the number of packages handled in express package delivery service was steady, backed by factors such as the lifting of restrictions on economic activity and the expansion of the e-commerce market. Overseas in the Logistics Business, the volume of ocean and air freight decreased due to the impact of concerns about an economic recession against the backdrop of rising prices and monetary tightening. Meanwhile, performance of domestic logistics has been steady by factors such as receiving new orders due to comprehensive solution proposals by GOAL^{®(1)}.

● Industry

- High demand for express package delivery service centered on small packages 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 is abating, the outlook remains uncertain

● Overview of the Group's performance

- The total number of packages handled increased year-over-year due to factors such as the expansion of the e-commerce market and the lifting of restrictions on 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⁽²⁾ continued to perform steadily due to active proposal sales by GOAL[®]
- The volume of ocean and air freight decreased due to the impact of concerns about an economic recession against the backdrop of rising prices and monetary tightening in addition to the impact of excess inventory centered on consumer goods in the United States.

Notes (1) GOAL[®] is a registered trademark of SG Holdings Co., Ltd.

(2) TMS: Transportation Management System. A value-added transportation service other than express package delivery service utilizing the Group's logistics network.

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Summary of consolidated financial results

(Units: billion yen)	FY2022/3 H1	FY2023/3 H1	YoY change	Previous earnings forecast for FY 2023/3 H1 (Announced on July 1, 2022)	Comparison with previous forecast
Operating revenue	726.0	751.3	103.5%	810.0	92.8%
Operating income [Operating income margin]	58.8 [8.1%]	64.1 [8.5%]	109.0%	61.0 [7.5%]	105.2%
Ordinary income	58.8	66.5	113.1%	61.0	109.1%
Net income attributable to owners of the parent	39.8	51.9	130.4%	49.0	106.0%

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

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■ Results of the Group [YoY change]

- Operating revenue + 25.2 billion yen
- Operating income + 5.2 billion yen
- Ordinary income + 7.7 billion yen
- Net income attributable to owners of the parent: + 12.1 billion yen

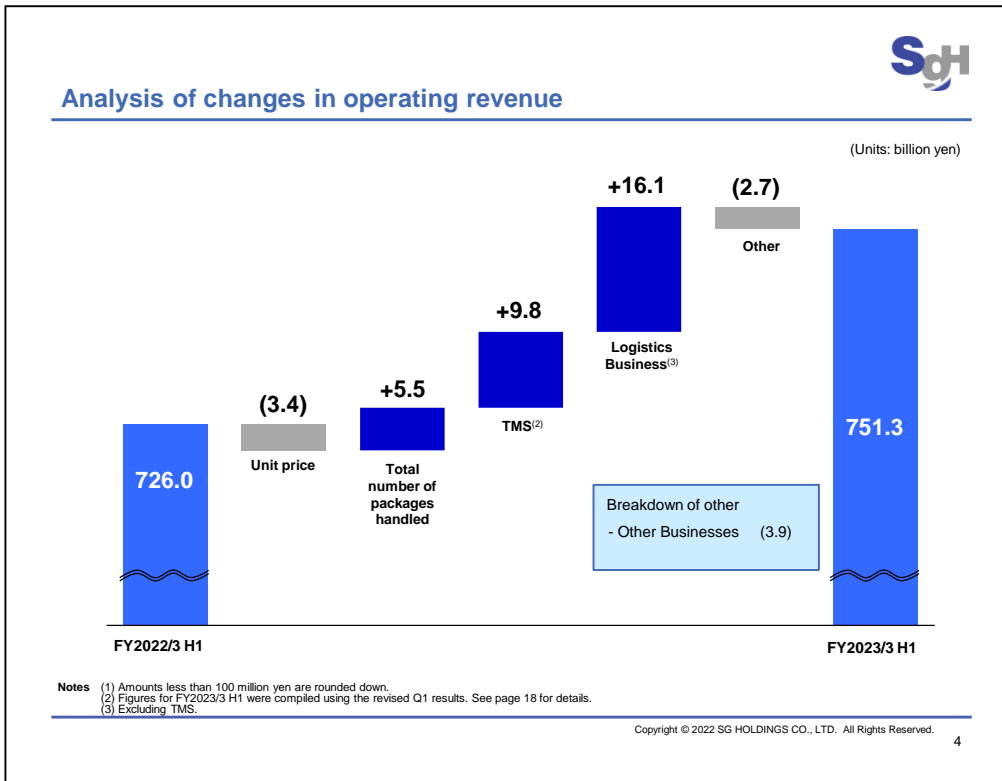
* Major extraordinary income: sales of investment securities (regarding the sale of portion of shares in Hitachi Transport System, Ltd.)

[Reference]

- ROE: 20.1% (previous fiscal year: 19.2%)

* ROE calculation method for FY2023/3 H1:

Net income attributable to owners of the parent x 2 / average equity capital during the period



■ Performance [YoY change]

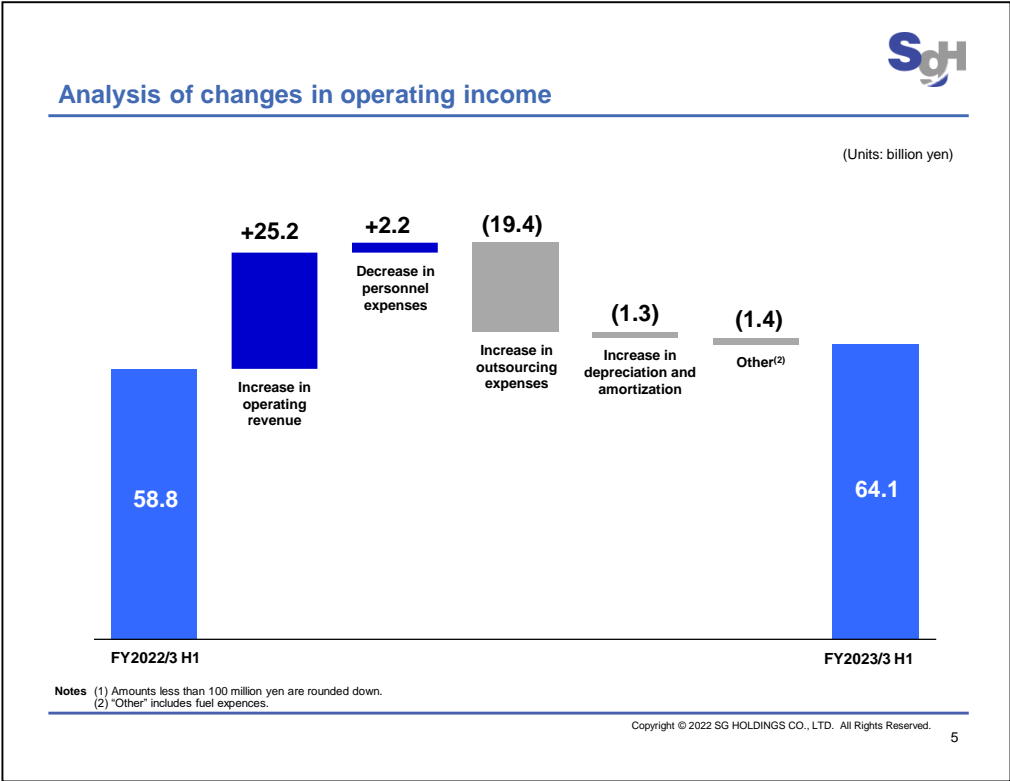
- Average unit price: 642 yen [(5 yen)]
- Total number of packages handled: 699 million packages [+ 8 million packages]
- TMS: 59.3 billion yen [+ 9.8 billion yen]

(Reference) Increase/decrease in operating days:

Weekdays +1, Saturdays ±0, Sundays and holidays -1

■ Expolanka (Logistics Business) Performance

- Operating revenue: 150.2 billion yen [YoY change: +13.2 billion yen, YoY: 109.7%]



■ Breakdown of main operating expenses

(Units: billion yen)

Subjects	FY2023/3 H1	YoY Change	YoY	Main factors
Personnel expenses	218.4	(2.2)	99.0%	Compensations were paid in the previous fiscal year, etc.
Outsourcing expenses	376.0	+19.4	105.5%	Increase in Logistics Business revenue, etc.
Depreciation and amortization	16.1	+1.3	109.4%	Software, vehicles, etc.
Other (including fuel expenses)	76.5	+1.4	101.9%	Increases in fuel expenses and utilities expenses associated with rising crude oil prices, etc.
Total	687.1	+19.9	103.0%	

Results by segment

(Units: billion yen)	FY2022/3 H1	FY2023/3 H1	YoY change
Total operating revenue	726.0	751.3	103.5%
Delivery Business	507.3	517.4	102.0%
Logistics Business	185.3	204.5	110.3%
Real Estate Business	3.7	3.6	96.7%
Other Businesses	29.5	25.6	86.8%
Total operating income	58.8	64.1	109.0%
Delivery Business	37.9	43.8	115.5%
Logistics Business	14.7	14.5	98.4%
Real Estate Business	2.4	2.0	80.4%
Other Businesses	2.4	2.5	102.9%
Adjustments	1.1	1.2	104.7%

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

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■ Breakdown of major changes in operating income [YoY change]

- Delivery Business : + 5.8 billion yen
 - Increase in number of packages handled and TMS sales
 - Efforts to improve efficiency such as digitalization
 - Compensations were paid in the previous year
- Logistics Business : (0.2) billion yen
 - Expolanka : (0.9) billion yen
- Real Estate Business : (0.4) billion yen
 - Decrease in rent income and increase in tax and lump sum payment

Overview of results by segment

Delivery Business

- The number of packages handled in both BtoB and BtoC increased year-over-year due to factors such as the lifting of restrictions on 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

- The volume of ocean and air freight decreased due to the impact of concerns about an economic recession against the backdrop of rising prices and monetary tightening in addition to the impact of excess inventory centered on consumer goods in the United States
- Ocean and air freight tariffs are also normalizing as supply chain disruption subsides

Real Estate Business

- Although rent income decreased due to the impact of the sale of properties in the previous fiscal 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 H1	FY2023/3 H1
Cash flows from operating activities	(3.0)	65.1
Cash flows from investing activities	(9.1)	2.8
Free cash flows ⁽²⁾	(12.2)	67.9
Cash flows from financing activities	3.8	(65.5)
Net increase (decrease) in cash and cash equivalents	(8.2)	6.4
Cash and cash equivalents at end of period	60.9	93.8

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

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■ Consolidated cash flows

• Cash flows from operating activities 65.1 billion yen

Major components:

Income before income taxes	78.0 billion yen
Depreciation and amortization	16.0 billion yen
Net changes in trade notes and accounts receivable	33.8 billion yen
Net changes in trade notes and accounts payable	(16.9) billion yen
Net changes in deposits received	(3.5) billion yen
Loss (gain) on sales of investment securities	(11.6) billion yen
Net changes in advance payments	3.6 billion yen
Income taxes paid	(31.6) billion yen

• Cash flows from investing activities 2.8 billion yen

Major components:

Purchases of property, plant and equipment	(10.2) billion yen
Purchases of intangible assets	(3.5) billion yen
Proceeds from sales of investment securities	17.0 billion yen

• Cash flows from financing activities (65.5) billion yen

Major components:

Net changes in short-term bank loans	(22.3) billion yen
Repayment of long-term bank loans	(11.8) billion yen
Repayments of lease obligations	(3.7) billion yen
Additional purchase of Expolanka's shares	(6.9) billion yen
Cash dividends paid	(20.7) billion yen

Consolidated Balance Sheet

(Units: billion yen)	FY2022/3	As of September 30, 2022	(Units: billion yen)	FY2022/3	As of September 30, 2022
Current assets	389.6	371.1	Liabilities	409.8	348.1
Cash and deposits	87.3	93.8	Accounts payable	93.7	80.3
Accounts receivable and other receivables	247.8	226.8	Interest-bearing debt	135.2	105.3
Inventories	29.7	28.7	Other	180.8	162.4
Other current assets	24.7	21.7			
Non-current assets	532.1	529.5	Net assets	511.9	552.6
Property, plant and equipment	387.2	392.4	Portion attributable to owners of the parent	496.3	536.3
Goodwill	2.3	2.3	Non-controlling interests	15.5	16.3
Other non-current assets	142.4	134.7			
Total assets	921.7	900.7	Total liabilities and net assets	921.7	900.7

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

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■ Equity ratio

- Equity ratio: 59.5% [+5.7 points from end of previous fiscal year]

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Establishment of New Transfer Center in Kansai area

- There are plans for Sagawa Express to establish a new transfer center in Amagasaki, Hyogo-prefecture (Scheduled operation: July 2026)
- Background: Response to the shortage of drivers, improvement of work environment and future increase in demand for express package delivery service

Effects

Improving and stabilizing transportation quality

Handling capacity available per day : +5%

Improvement of efficiency by consolidating transfer centers (12 locations)

ex) Down effects for long-haul transportation
•200 vehicles per day (approx. 1.6 billion yen per year)

Improving working environment

Reducing medium- and long-haul transportations



Completion image of "GLP ALFA LINK AMAGASAKI"

	New Kansai area Transfer Center	(Reference) X FRONTIER
Property	Leased	Owned
Use	Transfer center	Transfer center + warehouse
Total floorspace	Dedicated area: Approx. 43,000 m ²	171,000 m ²
Processing capacity	100,000 packages per hour	100,000 packages per hour
Number of berths	290 berths	296 berths
Investment on facilities	Approx. 20.0 billion yen	Approx. 100.0 billion yen

Approach to Returns to Shareholders

- In addition to conventional dividends, returns to shareholders were strengthened this fiscal year through the purchase of treasury shares

Dividends



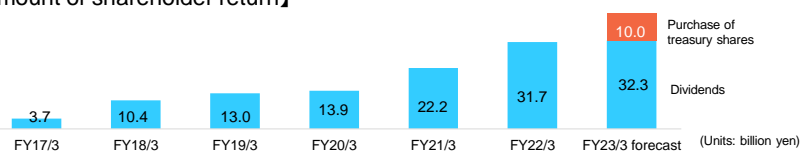
Purchase of treasury shares

- Increase from previous year
- Consolidated dividend payout ratio of 30% or more

*Excluding the gain on the sale of shares in Hitachi Transport System, Ltd. in July and October, 2022 from the dividend resources

- Total of 10 billion yen (maximum)
- Using capital of gain on shares of Hitachi transport System, Ltd. in July, 2022

【Total amount of shareholder return】



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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 July 1, 2022)	FY2023/3 earnings forecast	YoY change	Comparison with previous forecast
Operating revenue		1,588.3	1,650.0	1,600.0	100.7%	97.0%
Operating income [Operating income margin]		155.7 [9.8%]	142.0 [8.6%]	142.0 [8.9%]	91.2%	100.0%
Ordinary income		160.2	143.0	143.0	89.2%	100.0%
Net income attributable to owners of the parent		106.7	104.0	108.0	101.2%	103.8%
Dividend per share	Interim	20 yen	25 yen	25 yen	+1 yen	±0 yen
	Year-end	30 yen	26 yen	26 yen		
	Total	50 yen	51 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 Delivery Business.

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■ Full-year earnings forecast [change from previous forecast]

Forecasts for FY 2023/3 were revised based on the results for FY 2023/3 H1 and the current situation.

- Operating revenue: (50.0) billion yen
- Operating income: ± 0 billion yen
- Ordinary income ± 0 billion yen
- Net income attributable to owners of the parent + 4.0 billion yen

Recorded amount equivalent to the gain on sale of shares of Hitachi Transport System, Ltd. (announced on October 13, 2022)

[Reference] Breakdown of operating expenses

- Personnel expenses: 436.0 billion yen [YoY: 98.2%]
Difference from previous forecast +5.0 billion yen
- Outsourcing expenses: 829.0 billion yen [YoY: 103.0%]
Difference from previous forecast (55.0) billion yen
- Depreciation and amortization: 31.0 billion yen [YoY: 101.8%]
Difference from previous forecast ±0.0 billion yen

Overview of forecasts by segment

(Units: billion yen)	FY2022/3 actual results	FY2023/3 Previous earnings forecast (Announced on April 28, 2022)	FY2023/3 earnings forecast	YoY change	Comparison with previous forecast
Total operating revenue	1,588.3	1,650.0	1,600.0	100.7%	97.0%
Delivery Business	1,043.1	1,067.0	1,067.0	102.3%	100.0%
Logistics Business	477.0	510.0	460.0	96.4%	90.2%
Real Estate Business	11.2	23.0	23.0	203.7%	100.0%
Other Businesses	56.8	50.0	50.0	87.9%	100.0%
Total operating income	155.7	142.0	142.0	91.2%	100.0%
Delivery Business	93.2	99.0	99.0	106.2%	100.0%
Logistics Business	48.4	27.0	27.0	55.7%	100.0%
Real Estate Business	6.6	9.0	9.0	136.1%	100.0%
Other Businesses	4.6	4.0	4.0	85.9%	100.0%
Adjustments	2.7	3.0	3.0	108.3%	100.0%

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

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■ Overview of forecasts by segment [comparison with previous forecast]

- Operating revenue (50.0) billion yen

Delivery Business	± 0 billion yen
Logistics Business	(50.0) billion yen
Real Estate Business	± 0 billion yen
Other Businesses	± 0 billion yen

- Operating income ± 0 billion yen

Delivery Business	± 0 billion yen
Logistics Business	± 0 billion yen
Real Estate Business	± 0 billion yen
Other Businesses	± 0 billion yen
Adjustments	± 0 billion yen

• Logistics Business: Assumptions for the earnings forecast

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

Operating revenue: 350.0 billion yen [YoY 93%]

Operating income: 22.0 billion yen [YoY 50%]

Volume of freight to handle: Air 164 kt [YoY 83%]

Ocean 271 k TEU [YoY 97%]

The exchange rate for FY2023/3 H2 is assumed to be 1\$ = 145 yen

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Correction of TMS Sales

- Net sales of TMS will be corrected as follows since some intra-Group transactions were included in the figures disclosed in the past. There is no impact on consolidated performance.

Before correction

(Billion Yen)	Q1			Q2			Q3			Q4			Full Year		
		YoY change	YoY change (%)		YoY change	YoY change (%)		YoY change	YoY change (%)		YoY change	YoY change (%)		YoY change	YoY change (%)
FY2020/3	20.7			22.9			23.5			21.4			88.7		114.5%
FY2021/3	21.2	+0.4	102.2%	23.4	+0.4	102.1%	24.7	+1.1	105.1%	23.8	+2.3	110.8%	93.2	+4.4	105.0%
FY2022/3	24.9	+3.7	117.6%	27.0	+3.6	115.5%	27.6	+2.8	111.7%	27.9	+4.1	117.4%	107.6	+14.3	115.4%
FY2023/3	30.3	+5.3	121.5%												

After correction

(Billion Yen)	Q1			Q2			Q3			Q4			Full Year		
	YoY change	YoY change (%)		YoY change	YoY change (%)		YoY change	YoY change (%)		YoY change	YoY change (%)		YoY change	YoY change (%)	
FY2020/3	20.1			22.3			22.8			20.8			86.2		114.6%
FY2021/3	20.7	+0.5	102.9%	22.8	+0.5	102.2%	23.9	+1.1	105.1%	23.1	+2.2	110.7%	90.7	+4.4	105.2%
FY2022/3	23.7	+2.9	114.4%	25.7	+2.8	112.6%	26.5	+2.5	110.7%	26.4	+3.3	114.4%	102.4	+11.7	113.0%
FY2023/3	28.6	+4.9	120.7%												

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

Results of Expolanka

(Units: billion yen)	Q1			Q2			H1		
	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change
Operating Revenue	53.3	87.7	164.5%	83.6	62.5	74.8%	136.9	150.2	109.7%
Operating income	4.3	7.1	164.5%	8.1	4.3	53.7%	12.5	11.5	92.2%
Air Volume (kt) ⁽²⁾	42	32	76.7%	60	29	49.0%	103	62	60.5%
Ocean Volume (kTEU) ⁽²⁾	72	78	109.2%	73	50	69.8%	145	129	89.4%

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

Status of the products and service

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

(Millions of packages, yen)	Q1			Q2			H1		
	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change
Total number of packages handled ⁽¹⁾	347	352	101.3%	343	347	101.1%	691	699	101.2%
Hikyaku Express ⁽²⁾⁽⁴⁾	333	339	101.6%	330	334	101.4%	663	673	101.5%
Other ⁽³⁾	13	13	94.9%	13	12	94.3%	27	25	94.6%
Average unit price	645	640	99.2%	648	643	99.3%	646	642	99.2%

e-Collect⁽⁴⁾: Status of number of packages and value of payments settled

(Millions of packages, billion yen)	Q1			Q2			H1		
	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change
Number of packages	19	17	86.2%	17	16	91.8%	37	33	88.8%
Value of payments settled	227.4	199.1	87.5%	208.4	194.3	93.3%	435.8	393.4	90.3%

Status of TMS

(Billion yen)	Q1			Q2			H1		
	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change
Sales	23.7	28.6	120.7%	25.7	30.6	119.1%	49.4	59.3	119.9%

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⁽⁴⁾ 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)	Q1			Q2			H1		
	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change
Total operating expenses	318.6	353.6	111.0%	348.5	333.5	95.7%	667.1	687.1	103.0%
Personnel expenses	109.3	110.6	101.3%	111.4	107.7	96.7%	220.7	218.4	99.0%
Outsourcing expenses	165.6	197.9	119.4%	190.9	178.1	93.3%	356.6	376.0	105.5%
Fuel expenses	2.6	3.2	119.7%	3.1	3.4	110.5%	5.8	6.6	114.7%
Depreciation and amortization	7.2	8.0	110.7%	7.4	8.0	108.1%	14.7	16.1	109.4%
Other expenses	33.7	33.8	100.4%	35.5	36.0	101.2%	69.2	69.8	100.8%

Major expense items in Delivery Business

(Units: billion yen)	Q1			Q2			H1		
	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change	FY2022/3	FY2023/3	YoY change
Total operating expenses	245.3	248.5	101.3%	246.7	249.1	101.0%	492.0	497.7	101.2%
Personnel expenses	93.9	92.6	98.6%	95.5	89.4	93.7%	189.4	182.1	96.1%
Outsourcing expenses	117.8	121.5	103.2%	116.9	124.1	106.1%	234.7	245.6	104.7%
Fuel expenses	2.6	3.1	118.7%	3.1	3.4	110.2%	5.7	6.5	114.1%
Depreciation and amortization	5.1	5.4	105.7%	5.3	5.3	101.7%	10.4	10.8	103.7%
Other expenses	25.7	25.7	99.9%	25.8	26.7	103.6%	51.5	52.4	101.8%

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

Status of employees, vehicles and locations

(Employees, vehicles, locations)		FY2022/3	FY2023/3 H1
Total number of employees [Number of partner employees ⁽¹⁾ within]	Total	96,536 [44,211]	94,428 [41,845]
	Delivery Business	78,073 [34,862]	75,791 [32,593]
	Logistics Business	13,466 [6,992]	13,667 [6,940]
	Real Estate Business	72 [-]	86 [-]
	Other Businesses	4,179 [2,148]	4,169 [2,131]
	Corporate (common)	746 [209]	715 [181]
Sagawa Express	Number of vehicles	26,742	26,447
	Number of major locations	873	864
	Transfer centers	23	22
	Sales offices	429	429
	Small stores ⁽²⁾	421	413

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

Disclaimer

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