



Grow the new **Story**.
New logistics, nurturing a new society together.

SG Holdings Co., Ltd.

Results Presentation for FY2024/3 Q1

July 28, 2023

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Highlights of FY2024/3 Q1

In the Delivery Business, the number of packages in express package delivery services has continued to be stagnant since the end of the previous year because of the weakening household consumption. In the meantime, the average unit price increased due to efforts to receive appropriate freight tariffs despite a trend of decreasing large packages.

In the Logistics Business, a global economic recession is still a concern. Although the volume of ocean and air cargo had increased from the previous quarter, freight tariffs did not stop decreasing.

In order to "strengthen internal and external resources for sustained growth," which is the strengthening point for this fiscal year, the Group has raised wages of employees and implemented measures to strengthen relationships with partner companies such as revising outsourcing expenses from the beginning of the fiscal year as planned.

● Industry

- Lifestyles have changed due to the COVID-19 pandemic and demand for delivery services have diversified accordingly
- Major land transportation companies including SG Holdings Group have made price revisions in response to limiting overtime in the "2024 problem⁽³⁾" and rapid acceleration of inflation
- As a response to the "2024 problem", the government formulated the "Policy Package for Logistics Innovation" in June 2023, and intends to proceed with a review of commercial practices, etc. to establish an environment for responding to the shortage of transportation capability
- International transportation demand continued to decrease as the global economy slowed, and freight tariffs were also low

● Overview of the Group's performance

- The number of both BtoB and BtoC packages decreased due to the impact of weakening consumer spending after adjustment of prices
- The average unit price rose due to a revision of reported fares in April 2023 and efforts to receive appropriate freight tariffs in each transaction
- TMS⁽¹⁾ decreased slightly due to the impact of a drop off in business related to COVID-19 despite continued proposal sales by GOAL^{®(2)}
- The volume of ocean and air cargo decreased significantly year on year due to concerns about a global economic recession and sluggish consumer sentiment in the United States

Notes (1) TMS: Transportation Management System. A value added transportation service other than express package delivery service utilizing the Group's logistics network.

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

(3) 2024 Problem: Problems triggered by promulgation of workplace reform relevant laws. The limit for overtime work of 960 hours per year is applied to vehicle drivers starting from April 1, 2024, leading to decrease in number of packages that can be transported.

Summary of consolidated financial results

(Units: billion yen)	FY2023/3 Q1	FY2024/3 Q1	YoY (%)
Operating revenue	386.9	318.5	82.3%
Operating income [Operating margin]	33.2 [8.6%]	18.8 [5.9%]	56.6%
Ordinary income	35.7	18.7	52.6%
Net income attributable to owners of the parent	23.4	11.8	50.8%

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

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■ Results of the Group [YoY change]

- Operating revenue : (68.4) billion yen
- Operating income : (14.4) billion yen
- Ordinary income : (16.9) billion yen
- Net income attributable to owners of the parent : (11.5) billion yen

[Reference]

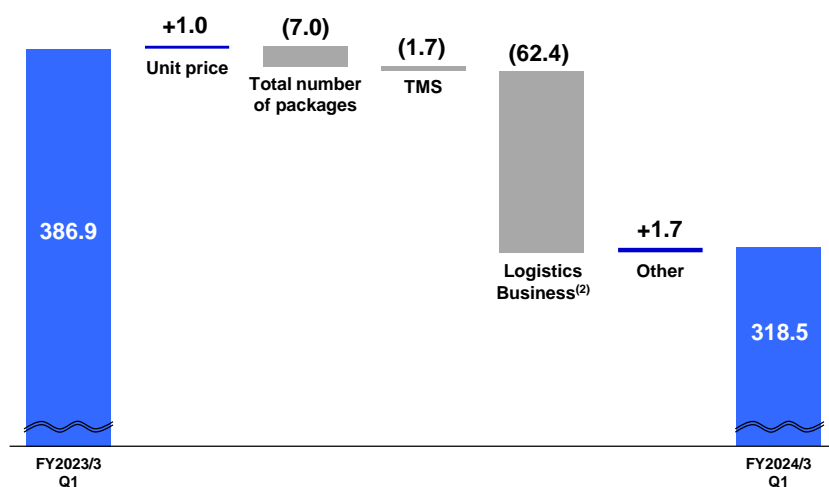
- Return on Equity (ROE): 8.6% (figures for previous Q1:18.5%)

*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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■ Performance [YoY change]

- Average unit price: 643 yen [+3 yen]
- Total number of packages: 341 million packages [(11) million packages]
- TMS: 26.9 billion yen [(1.7) billion yen]

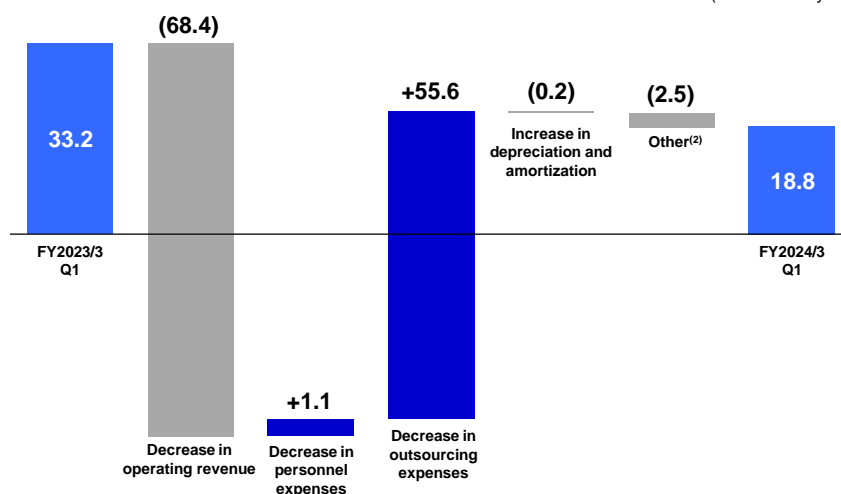
(Reference) Increase/decrease in operating days:
Weekdays +1, Saturdays -1, Sundays and holidays ±0

■ Expolanka Performance (Logistics Business)

- Operating revenue:
24.4 billion yen [YoY change: (63.3) billion yen, YoY: 27.8%]

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 2024/3 Q1	YoY Change	YoY (%)	Main factors
Personnel expenses	109.5	(1.1)	99.0%	Decrease in the number of packages, Raised wage of employees, etc.
Outsourcing expenses	142.2	(55.6)	71.9%	Decrease in Logistics Business revenue, etc.
Depreciation and amortization	8.3	+0.2	103.7%	Amortization of intangibles, etc.
Other (including fuel expenses)	39.5	+2.5	106.6%	Increased purchasing vehicles, Amortization of goodwill, Increase in utility costs, etc.
Total	299.6	(53.9)	84.7%	

Results by segment

(Units: billion yen)	FY2023/3 Q1	FY2024/3 Q1	YoY (%)
Total operating revenue	386.9	318.5	82.3%
Delivery Business	258.4	251.9	97.5%
Logistics Business	114.0	51.2	44.9%
Real Estate Business	1.9	1.8	97.6%
Other Businesses	12.4	13.4	108.3%
Total operating income	33.2	18.8	56.6%
Delivery Business	21.9	17.1	78.2%
Logistics Business	8.3	(1.1)	–
Real Estate Business	1.0	1.1	110.9%
Other Businesses	1.2	1.1	92.1%
Adjustments	0.6	0.4	68.8%

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 (4.7) billion yen
 - Increase in wages of employees
 - Review of outsourcing expenses
 - Decrease in the number of packages
 - Decrease in TMS sales
 (special factor in previous fiscal year: demand related to COVID-19)
- Logistics Business (9.4) billion yen
 - Decrease in volume of ocean and air cargo and drop in freight tariffs

Overview of results by segment

Delivery Business

- The number of both BtoB and BtoC packages decreased due to the impact of weakening consumer spending after adjustment of prices
- The average unit price rose due to a revision of reported fares in April 2023 and efforts to receive appropriate freight tariffs in each transaction
- TMS decreased slightly due to the impact of a drop off in business related to COVID-19 despite continued proposal sales by GOAL®
- Efforts continued to enhance productivity and convenience for consumers by promotion of digitalization. For example, through communication app "LINE", the service such as "delivery schedule notification" and "package inquiry service" has been commenced since April 2023

Logistics Business

- The volume of ocean and air cargo decreased significantly due to concerns about a global economic recession and sluggish consumer sentiment in the United States
- Ocean and air freight tariffs continued to decrease, falling further than the level at the end of the previous fiscal year
- In the domestic logistics sector, sales through comprehensive solution proposals by GOAL® continued

Real Estate Business

- Business progressed as planned. There are plans to sell real estate holdings in the second half of the fiscal year

Other Businesses

- There was a recovery in sales of new vehicles that were stagnated in the previous fiscal year due to the impact of factors such as the semiconductor shortage

Consolidated Statement of Cash Flows

Major cash flow items

(Units: billion yen)

	FY2023/3 Q1	FY2024/3 Q1
Cash flows from operating activities	49.4	18.6
Cash flows from investing activities	(7.6)	(14.3)
Free cash flows ⁽²⁾	41.8	4.2
Cash flows from financing activities	(34.5)	(28.4)
Net increase (decrease) in cash and cash equivalents	9.4	(21.0)
Cash and cash equivalents at end of period	96.8	157.1

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

(Units: billion yen)

• Cash flows from operating activities 18.6

Major components:

Income before income taxes	18.8
Depreciation and amortization	8.2
Net changes in accrued bonuses	11.8
Net changes in trade notes and accounts receivable	11.7
Net changes in trade notes and accounts payable	(5.7)
Net changes in accrued expenses	2.6
Net changes in accrued consumption taxes	2.6
Income taxes paid	(29.4)

• Cash flows from investing activities (14.3)

Major components:

Purchases of property, plant and equipment	(12.4)
Purchases of intangible assets	(1.8)

• Cash flows from financing activities (28.4)

Major components:

Net changes in short-term bank loans	(4.5)
Proceeds from long-term bank loans payable	3.4
Repayments of long-term bank loans	(4.9)
Repayments of lease obligations	(1.7)
Purchase of treasury shares	(3.9)
Cash dividends paid	(16.5)

Consolidated Balance Sheet

(Units: billion yen)	FY2023/3	FY2024/3 Q1	(Units: billion yen)	FY2023/3	FY2024/3 Q1
Current assets	406.5	378.1	Liabilities	337.5	323.6
Cash and deposits	178.2	157.1	Accounts payable	76.5	71.9
Accounts receivable and other receivables	185.3	176.1	Interest-bearing debt	97.2	94.8
Inventories	21.9	21.7	Other	163.7	156.8
Other current assets	21.0	23.0			
Non-current assets	498.4	510.7	Net assets	567.4	565.2
Property, plant and equipment	392.2	402.3	Portion attributable to owners of the parent	553.8	551.1
Goodwill	12.0	12.6	Non-controlling interests	13.5	14.0
Other non-current assets	94.1	95.7			
Total assets	904.9	888.8	Total liabilities and net assets	904.9	888.8

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

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■ Equity ratio

- Equity ratio 62.0% [+0.8 points from end of previous fiscal year]

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Mid-term Management Plan “SGH Story 2024”

Fiscal 2022-2024 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)		FY2023/3 actual results	FY2024/3 previous earnings forecast (Announced on April 28, 2023)	FY2024/3 earnings forecast	YoY (%)	Comparison with previous forecast
Operating revenue		1,434.6	1,380.0	1,380.0	96%	100%
Operating income [Operating income margin]		135.2 [9.4%]	105.5 [7.6%]	100.0 [7.2%]	74%	95%
Ordinary income		137.9	106.5	101.0	73%	95%
Net income attributable to owners of the parent		126.5	71.5	68.0	54%	95%
(Units: yen)						
Dividend per share	Interim	25	26	26	+1	±0
	Year-end	26	26	26		
	Total	51	52	52		

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

(2) Assumptions for the earnings forecast for FY2024/3 : Average unit price of 648 yen and 1.40 billion packages in Delivery Business.

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■ Full-year earnings forecast (comparison with previous forecast)

Revised based on the results for FY 2024/3 Q1 and the current situation.

- Operating revenue : [Not revised]
 - Operating income : (5.5) billion yen
 - Ordinary income : (5.5) billion yen
 - Net income attributable to owners of the parent (3.5) billion yen
-
- Average unit price : 648 yen [YoY change: +5 yen] [Not revised]
 - Total number of packages : 1.40 billion packages [YoY: 99%] [Not revised]
 - TMS : 128.0 billion yen [YoY: 107%] [Not revised]

[Reference] Breakdown of operating expenses

- Personnel expenses: 447.0 billion yen [YoY: 104%] [Not revised]
- Outsourcing expenses: 634.0 billion yen [YoY: 94%] [+5.5 billion yen]
- Depreciation and amortization: 32.5 billion yen [YoY: 99%] [Not revised]

Consolidated earnings forecast (FY2024/3 1H)

(Units: billion yen)	FY2023/3 1H results	FY2024/3 1H previous earnings forecast (Announced on April 28, 2023)	FY2024/3 1H earnings forecast	YoY (%)	Comparison with previous forecast
Operating revenue	751.3	667.0	667.0	89%	100%
Operating income [Operating margin]	64.1 [8.5%]	43.0 [6.4%]	38.5 [5.8%]	60%	90%
Ordinary income	66.5	43.0	38.5	58%	90%
Net income attributable to owners of the parent	51.9	28.5	25.5	49%	89%

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

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■ Forecast for FY2024/3 1H [comparison with previous forecast]

- Operating revenue : [Not revised]
- Operating income : (4.5) billion yen
- Ordinary income : (4.5) billion yen
- Net income attributable to owners of the parent : (3.0) billion yen

Earnings forecast by segment

(Units: billion yen)	FY2023/3 actual results	FY2024/3 previous earnings forecast (Announced on April 28, 2023)	FY2024/3 earnings forecast	YoY (%)	Comparison with previous forecast
Total operating revenue	1,434.6	1,380.0	1,380.0	96%	100%
Delivery Business	1,047.3	1,062.0	1,062.0	101%	100%
Logistics Business	314.8	245.0	245.0	78%	100%
Real Estate Business	19.5	12.5	12.5	64%	100%
Other Businesses	52.8	60.5	60.5	115%	100%
Total operating income	135.2	105.5	100.0	74%	95%
Delivery Business	99.7	83.0	83.0	83%	100%
Logistics Business	19.2	9.5	4.0	21%	42%
Real Estate Business	9.9	7.5	7.5	75%	100%
Other Businesses	4.2	4.5	4.5	105%	100%
Adjustments	2.0	1.0	1.0	49%	100%

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 (All segments) [Not revised]

Operating income (5.5) billion yen

Delivery Business	-
Logistics Business	(5.5) billion yen
Real Estate Business	-
Other Businesses	-
Adjustments	-

• Logistics Business: Assumptions for the earnings forecast

Forecast of Expolanka's earnings and volume

Earnings: Operating revenue: 137.0 billion yen (YoY 66%) [Not revised]

Operating income: 0.5 billion yen (YoY 4%) [(5.5) billion yen]

Volume: Air 90 kt (YoY 86%) [+10 kt]

Ocean 180k TEU (YoY 89%) [+20 k TEU]

The exchange rate from FY2024/3 Q2 is assumed to be 1\$ = 140 yen (previous forecast: 1\$ = 130 yen)

*Expolanka's earnings are based on IFRS accounting standards

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Results of Expolanka

(Units: billion yen)	FY2023/3 Q1	FY2024/3 Q1	YoY (%)
Operating revenue	87.7	24.4	27.8%
Operating income	7.1	(2.0)	—
Air volume (kt) ⁽²⁾	32	21	65.2%
Ocean volume(kTEU) ⁽²⁾	78	40	51.8%

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 and unit price

(Millions of packages, yen)	FY2023/3 Q1	FY2024/3 Q1	YoY (%)
Total number of packages	352	341	96.9%
Hikyaku Express ⁽²⁾⁽⁴⁾	339	329	97.1%
Other ⁽³⁾	13	11	91.5%
Average unit price	640	643	100.5%

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

(Millions of packages, billion yen)	FY2023/3 Q1	FY2024/3 Q1	YoY (%)
Number of packages	17	14	87.8%
Value of payments	199.1	179.8	90.3%

Status of TMS

(Billion yen)	FY2023/3 Q1	FY2024/3 Q1	YoY (%)
Sales	28.6	26.9	94.0%

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 by Hikyaku Large Size Express⁽⁴⁾ and other companies.
 (4) Hikyaku Express, Hikyaku Large Size Express and e-Collect are registered trademarks of SG Holdings Co., Ltd. in Japanese.

Breakdown of operating expenses

Major expense items in consolidated accounts

(Units: billion yen)	FY2023/3 Q1	FY2024/3 Q1	YoY (%)
Total operating expenses	353.6	299.6	84.7%
Personnel expenses	110.6	109.5	99.0%
Outsourcing expenses	197.9	142.2	71.9%
Fuel expenses	3.2	3.0	95.3%
Depreciation and amortization	8.0	8.3	103.7%
Other expenses	33.8	36.4	107.7%

Major expense items in Delivery Business

(Units: billion yen)	FY2023/3 Q1	FY2024/3 Q1	YoY (%)
Total operating expenses	248.5	246.6	99.3%
Personnel expenses	92.6	91.3	98.6%
Outsourcing expenses	121.5	120.7	99.4%
Fuel expenses	3.1	3.0	96.1%
Depreciation and amortization	5.4	5.3	98.9%
Other expenses	25.7	26.1	101.7%

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

Status of employees, vehicles and locations

(Employees, vehicles, locations)		FY2023/3	FY2024/3 Q1
Total number of employees [Within, number of partner employees ⁽¹⁾]	Total	94,087 [41,819]	93,953 [40,911]
	Delivery Business	75,105 [32,321]	74,162 [31,248]
	Logistics Business	13,891 [7,104]	14,568 [7,170]
	Real Estate Business	98 [-]	98 [1]
	Other Businesses	4,223 [2,206]	4,379 [2,299]
	Corporate (common)	770 [188]	746 [193]
Sagawa Express	Number of vehicles	26,270	26,102
	Number of major locations	852	852
	Transfer centers	22	22
	Sales offices	427	427
	Small stores ⁽²⁾	403	403

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

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