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

SG Holdings Co., Ltd.

Results Presentation for FY2024/3 Q3

January 26, 2024

Highlights of FY2024/3 Q3

In the Delivery Business, number of packages remained weak due to factors such as the impact of a long-term decline in real wages. Meanwhile, the average unit price rose due to efforts to receive appropriate freight tariffs despite negative factors including increase in the percentage of small packages.
In the Logistics Business, although there were signs of a recovery in consumer sentiment in the United States, concerns about an economic recession remain against the backdrop of monetary tightening to control inflation. This led the volume of ocean and air cargo to decrease. Freight tariffs increased in some areas but remained at a low level overall.
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 fee 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(1)" and rapid acceleration of inflation
- The government announced the "Policy Package for Logistics Innovation" in June 2023 and the "Emergency Package for Logistics Innovation" in October as measures to address the "2024 problem." Boosting the realization of sustainable logistics for the establishment of an environment addressing the shortage of transportation capability
- International transportation demand remained low due to a slowdown in the global economy

Overview of the Group's performance

- The number of both BtoB and BtoC packages decreased due to the impact of weakening household consumption 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(2) sales decreased due to the impact of a drop off in business related to COVID-19 despite continued proposal sales by GOAL®(3)
- The volume of ocean and air cargo decreased due to concerns about an economic recession in the United States

Notes (1) 2024 Problem: Problems triggered by promotion 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.
(2) TMS: Transportation Management System. A value added transportation service other than express package delivery service utilizing the Group's logistics network.
(3) GOAL® is a registered trademark of SG Holdings Co., Ltd.

Summary of consolidated financial results

(Units: billion yen)	Nine months ended December 31, 2022	Nine months ended December 31, 2023	YoY (%)
Operating revenue	1,115.5	995.2	89.2%
Operating income [Operating margin]	106.5 [9.6%]	71.6 [7.2%]	67.2%
Ordinary income	110.1	73.8	67.0%
Net income attributable to owners of the parent	107.9	48.3	44.8%

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

Results of the Group [YoY change]

- Operating revenue: (120.3) billion yen
- Operating income: (34.9) billion yen
- Ordinary income: (36.3) billion yen
- Net income attributable to owners of the parent: (59.6) billion yen

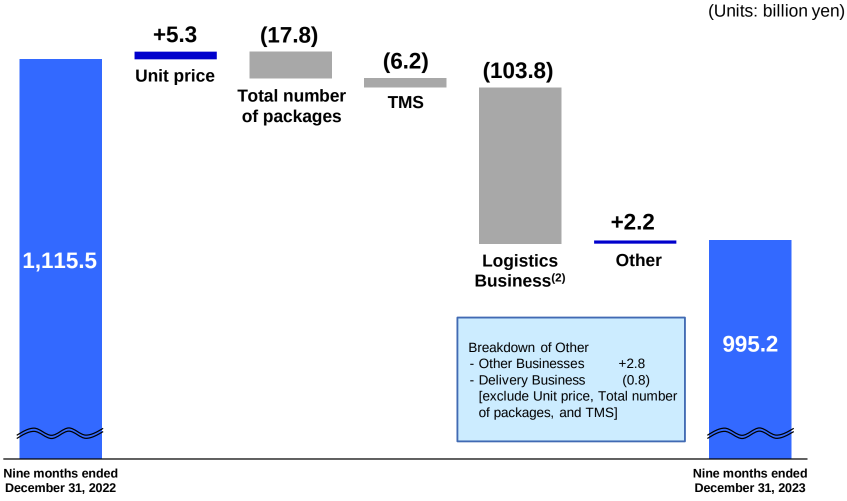
[Reference]

- Return on Equity : 11.5% [previous year same period: 27.8%(*)]

* ROE calculation method for nine months ended December 31, 2023:
Net income attributable to owners of the parent x 12/9 ÷ average equity capital during the period

(*) The previous fiscal year records extraordinary income associated with the sale of LOGISTEED, Ltd. shares

Analysis of changes in operating revenue



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

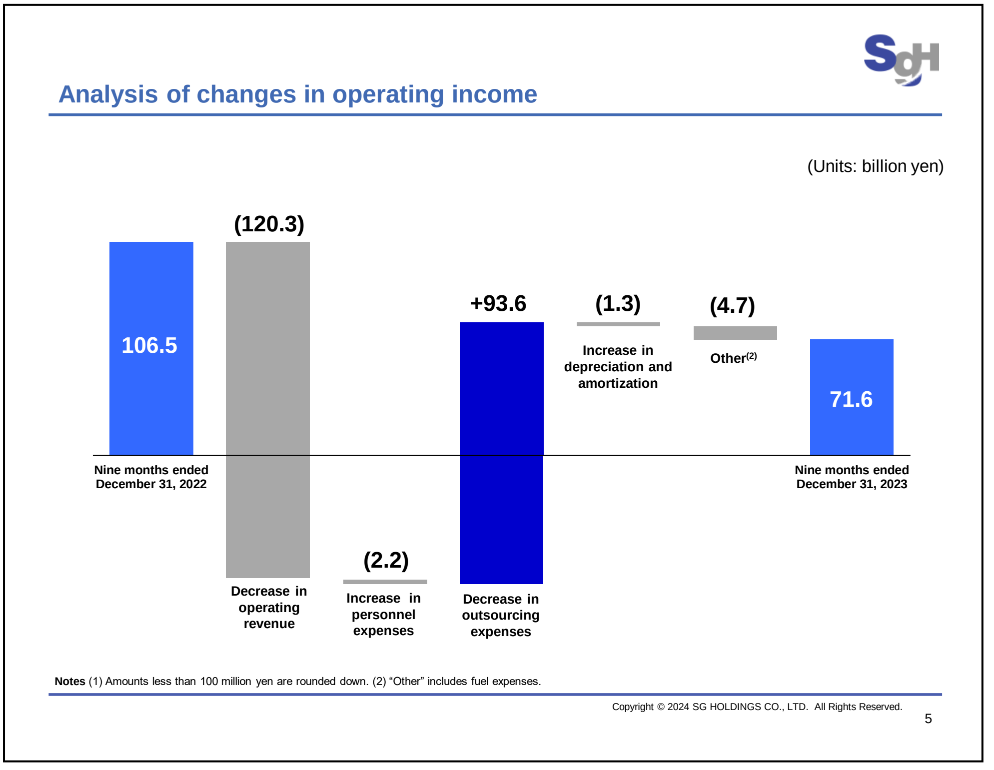
■ Performance [YoY change]

- Average unit price: 649 yen [+6 yen]
- Total number of packages:1,049 million packages [(27) million packages]
- TMS : 85.0 billion yen[(6.2) billion yen]

[Reference] Increase/decrease in operating days:
Weekdays +1, Saturdays -2, Sundays and holidays +1

■ Expolanka Performance [Logistics Business]

- Operating revenue:
  82.3 billion yen [YoY change: (104.4) billion yen, YoY: 44.1%]



■ Breakdown of main operating expenses

(Units: billion yen)

Subjects	Nine months ended December 31, 2023	YoY Change	YoY (%)	Main factors
Personnel expenses	330.3	＋2.2	100.7%	Raised wage of employees, Decrease in the number of packages, etc.
Outsourcing expenses	445.8	(93.6)	82.6%	Decrease in Logistics Business revenue, etc.
Depreciation and amortization	25.7	＋1.3	105.7%	Increased intangible assets, etc.
Other [including fuel expenses]	121.5	＋4.7	104.0%	Increased purchasing vehicles for sale, etc.
Total	923.5	(85.4)	91.5%	

Results by segment

(Units: billion yen)		Nine months ended December 31, 2022	Nine months ended December 31, 2023	YoY (%)
Total operating revenue		1,115.5	995.2	89.2%
	Delivery Business	802.3	784.4	97.8%
	Logistics Business	268.9	163.4	60.8%
	Real Estate Business	5.4	5.5	102.2%
	Other Businesses	38.8	41.7	107.4%
Total operating income		106.5	71.6	67.2%
	Delivery Business	80.7	66.1	81.9%
	Logistics Business	17.9	(2.7)	–
	Real Estate Business	3.0	3.4	111.5%
	Other Businesses	3.4	2.9	87.1%
	Adjustments	1.4	1.8	133.4%

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

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

- Delivery Business (14.6) billion yen
  - Raised wage of employees
  - Revision of outsourcing fee
  - Decrease in the number of packages
  - Decrease in TMS sales
    [the impact of a drop off in business related to COVID-19]

- Logistics Business (20.6) 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 household consumption 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 sales decreased due to the impact of a drop off in business related to COVID-19 despite continued proposal sales by GOAL®
- Efforts to improve productivity and customer convenience through the promotion of digitalization have continued, such as launching a joint project in December 2023 with Sumitomo Corporation and US startup developer of AI robotics software Dexterity, Inc. We conducted a demonstration experiment of the logistics industry’s first “AI-equipped loading robot” as part of efforts to address the shortage of transportation capability in future

Logistics Business

- Ocean and air cargo decreased due to concerns about an economic recession
- Although there were increases in ocean and air freight tariffs in some areas, they remained at a low level overall
- In Japan, revenue and income decreased due to the impact of a drop off in business related to COVID-19 despite continued proposal sales by GOAL®

Real Estate Business

- Business progressed as planned. There are plans to sell real estate holdings in the fourth quarter

Other Businesses

- There was a recovery in sales of new vehicles that were stagnated in the previous fiscal year due to the impact of semiconductor shortage and other factors
- BPO transactions decreased

Consolidated Statement of Cash Flows

Major cash flow items

(Units: billion yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities	105.1	39.2
Cash flows from investing activities	47.8	(32.2)
Free cash flows[(2)]	153.0	7.0
Cash flows from financing activities	(100.1)	(69.5)
Net increase (decrease) in cash and cash equivalents	54.0	(59.0)
Cash and cash equivalents at end of period	141.4	119.2

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.

Consolidated cash flows

(Units: billion yen)

• Cash flows from operating activities	39.2
Major components:	
Income before income taxes	73.8
Depreciation and amortization	25.5
Net changes in accrued bonuses	(6.8)
Foreign exchange losses (gains)	1.6
Net changes in trade notes and accounts receivable	(14.2)
Net changes in trade notes and accounts payable	(0.9)
Net changes in deposits received	16.7
Net changes in accrued expenses	6.1
Net changes in advances paid	(3.1)
Net changes in accrued consumption taxes	1.6
Income taxes paid	(61.2)
• Cash flows from investing activities	(32.2)
Major components:	
Purchases of property, plant and equipment	(26.4)
Purchases of intangible assets	(5.5)
• Cash flows from financing activities	(69.5)
Major components:	
Net changes in short-term bank loans	(6.7)
Proceeds from long-term loans payable	3.4
Repayment of long-term bank loans	(16.1)
Repayments of lease obligations	(6.7)
Purchase of treasury shares	(9.9)
Cash dividends paid	(33.4)

Consolidated Balance Sheet

(Units: billion yen)	FY2023/3	FY2024/3 Q3
Current assets	406.5	370.5
Cash and deposits	178.2	119.2
Accounts receivable and other receivables	185.3	200.9
Inventories	21.9	21.2
Other current assets	21.0	29.0
Non-current assets	498.4	514.2
Property, plant and equipment	392.2	405.2
Goodwill(2)	7.1	6.7
Other non-current assets(2)	98.9	102.2
Total assets	904.9	884.7

(Units: billion yen)	FY2023/3	FY2024/3 Q3
Liabilities	337.5	306.9
Accounts payable	76.5	76.2
Interest-bearing debt	97.2	82.2
Other	163.7	148.3
Net assets	567.4	577.8
Portion attributable to owners of the parent	553.8	564.9
Non-controlling interests	13.5	12.8
Total liabilities and net assets	904.9	884.7

Notes (1) Amounts less than 100 million yen are rounded down. (2) Revised the results for end of FY2023/3 due to finalization of accounting process of business combinations with Trans American and Locher Evers International that were carried out in the previous fiscal year.

Equity ratio

- Equity ratio: 63.9% [+2.7 points from end of previous fiscal year]

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 results	FY2024/3 previous earnings forecast (Announced on October 27, 2023)	FY2024/3 earnings forecast	YoY (%)	Comparison with previous forecast
Operating revenue		1,434.6	1,340.0	1,300.0	91%	97%
Operating income [Operating margin]		135.2 [9.4%]	91.5 [6.8%]	88.5 [6.8%]	65%	97%
Ordinary income		137.9	92.5	89.5	65%	97%
Net income attributable to owners of the parent		126.5	61.5	60.0	47%	98%

(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 1.36 billion packages in Delivery Business.

■ Full-year earnings forecast [comparison with previous forecast]
Revised based on the results for FY 2024/3 Q3 and the current situation.

- Operating revenue: (40.0) billion yen
- Operating income: (3.0) billion yen
- Ordinary income: (3.0) billion yen
- Net income attributable to owners of the parent: (1.5) billion yen

- Average unit price: 648 yen [YoY change: +5 yen] [Not revised]
- Total number of packages: 1.36 billion packages [YoY: 96%] [(0.04) billion packages]
- TMS: 110.0 billion yen [YoY: 92%] [(7.0) billion yen]

[Reference] Breakdown of operating expenses

- Personnel expenses: 432.0 billion yen [YoY: 100%][(15.0) billion yen]
- Outsourcing expenses: 580.5 billion yen [YoY: 86%] [(22.0) billion yen]
- Depreciation and amortization: 32.5 billion yen [YoY: 99%][Not revised]

Earnings forecast by segment

(Units: billion yen)

	FY2023/3 results	FY2024/3 previous earnings forecast (Announced on October 27, 2023)	FY2024/3 earnings forecast	YoY (%)	Comparison with previous forecast
Total operating revenue	1,434.6	1,340.0	1,300.0	91%	97%
Delivery Business	1,047.3	1,054.0	1,014.0	97%	96%
Logistics Business	314.8	214.5	214.5	68%	100%
Real Estate Business	19.5	12.5	12.5	64%	100%
Other Businesses	52.8	59.0	59.0	112%	100%
Total operating income	135.2	91.5	88.5	65%	97%
Delivery Business	99.7	83.0	80.0	80%	96%
Logistics Business	19.2	(4.5)	(4.5)	–	100%
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.

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

- Operating revenue (40.0) billion yen
  - Delivery Business (40.0) billion yen
  - Logistics Business -
  - Real Estate Business -
  - Other Businesses -

- Operating income (3.0) billion yen
  - Delivery Business (3.0) billion yen
  - Logistics Business -
  - Real Estate Business -
  - Other Businesses -
  - Adjustments -

- Logistics Business: Assumptions for the earnings forecast

Forecast of Expolanka’s earnings and volume [Not revised]

Earnings: Operating revenue: 109.5 billion yen [YoY: 53%]
Operating income: (7.0) billion yen [YoY: -]

Volume: Air: 90kt [YoY: 86%]
Ocean: 180k TEU [YoY: 89%]

The exchange rate for FY2024/3 Q4 is assumed to be 1$ = 148 yen

*Expolanka’s earnings are based on IFRS accounting standards

Summary of consolidated financial results (single quarters)

(Units: billion yen)	Q1		Q2		Q3	
	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)
Operating revenue	318.5	82.3%	324.8	89.2%	351.8	96.6%
Operating income [Operating margin]	18.8 [5.9%]	56.6%	19.8 [6.1%]	64.3%	33.0 [9.4%]	77.8%
Ordinary income	18.7	52.6%	20.4	66.4%	34.5	79.3%
Net income attributable to owners of the parent	11.8	50.8%	13.3	46.9%	23.0	41.2%

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

Results by segment (single quarters)

(Units: billion yen)	Q1		Q2		Q3	
	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)
Total operating revenue	318.5	82.3%	324.8	89.2%	351.8	96.6%
Delivery Business	251.9	97.5%	252.9	97.7%	279.5	98.1%
Logistics Business	51.2	44.9%	55.0	60.9%	57.1	88.8%
Real Estate Business	1.8	97.6%	1.9	110.6%	1.7	98.9%
Other Businesses	13.4	108.3%	14.8	112.6%	13.4	101.6%
Total operating income	18.8	56.6%	19.8	64.3%	33.0	77.8%
Delivery Business	17.1	78.2%	17.3	79.2%	31.5	85.6%
Logistics Business	(1.1)	–	(0.5)	–	(1.0)	–
Real Estate Business	1.1	110.9%	1.1	119.4%	1.1	104.8%
Other Businesses	1.1	92.1%	1.1	91.4%	0.6	73.8%
Adjustments	0.4	68.8%	0.6	125.4%	0.7	402.7%

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

Results of Expolanka

(Units: billion yen)	Q1		Q2		Q3		Nine months ended December 31, 2023	
	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)
Operating Revenue	24.4	27.8%	27.6	44.3%	30.3	82.8%	82.3	44.1%
Operating income	(2.0)	–	(1.0)	–	(2.2)	–	(5.3)	–
Air Volume (kt)(2)	21	65.2%	25	85.3%	25	103.8%	72	83.0%
Ocean Volume (kTEU)(2)	40	51.8%	46	91.5%	29	78.6%	116	69.9%

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)	Q1		Q2		Q3		Nine months ended December 31, 2023	
	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)
Total number of packages	341	96.9%	338	97.4%	369	98.0%	1,049	97.4%
Hikyaku Express[(2)(4)]	329	97.1%	326	97.6%	356	98.1%	1,012	97.6%
Other[(3)]	11	91.5%	11	92.1%	12	95.0%	36	92.9%
Average unit price	643	100.5%	647	100.6%	655	101.2%	649	100.8%

e-collect [(4)]: Status of number of packages and value of payments settled

(Millions of packages, billion yen)	Q1		Q2		Q3		Nine months ended December 31, 2023	
	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)
Number of packages	14	87.8%	14	88.4%	15	89.4%	45	88.6%
Value of payments settled	179.8	90.3%	173.5	89.3%	201.8	91.7%	555.2	90.5%

Status of TMS

(Billion yen)	Q1		Q2		Q3		Nine months ended December 31, 2023	
	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)
Sales	26.9	94.0%	27.6	90.1%	30.4	95.5%	85.0	93.2%

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)	Q1		Q2		Q3		Nine months ended December 31, 2023	
	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)
Total operating expenses	299.6	84.7%	305.0	91.5%	318.8	99.1%	923.5	91.5%
Personnel expenses	109.5	99.0%	108.7	100.9%	111.9	102.1%	330.3	100.7%
Outsourcing expenses	142.2	71.9%	145.7	81.8%	157.8	96.5%	445.8	82.6%
Fuel expenses	3.0	95.3%	3.7	107.0%	3.2	98.8%	10.0	100.5%
Depreciation and amortization	8.3	103.7%	8.4	104.7%	8.9	108.5%	25.7	105.7%
Other expenses	36.4	107.7%	38.3	106.4%	36.7	99.2%	111.5	104.3%

Major expense items in Delivery Business

(Units: billion yen)	Q1		Q2		Q3		Nine months ended December 31, 2023	
	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)	FY2024/3	YoY (%)
Total operating expenses	246.6	99.3%	247.5	99.4%	259.9	99.7%	754.2	99.5%
Personnel expenses	91.3	98.6%	90.4	101.1%	92.8	101.6%	274.6	100.4%
Outsourcing expenses	120.7	99.4%	121.7	98.1%	131.3	98.6%	373.8	98.7%
Fuel expenses	3.0	96.1%	3.6	106.8%	3.1	99.3%	9.8	100.9%
Depreciation and amortization	5.3	98.9%	5.5	102.9%	5.6	101.9%	16.5	101.3%
Other expenses	26.1	101.7%	26.2	98.0%	26.9	98.5%	79.3	99.4%

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

Status of employees, vehicles and locations

(Employees, vehicles, locations)		FY2023/3	Nine months ended December 31, 2023
Total number of employees [number of partner employees[1] within]	Total	94,087 [41,819]	93,658 [41,072]
	Delivery Business	75,105 [32,321]	73,845 [31,397]
	Logistics Business	13,891 [7,104]	14,827 [7,378]
	Real Estate Business	98 [–]	93 [2]
	Other Businesses	4,223 [2,206]	4,176 [2,104]
	Corporate (common)	770 [188]	717 [191]
Sagawa Express	Number of vehicles	26,270	26,374
	Number of major locations	852	851
	Transfer centers	22	22
	Sales offices	427	427
	Small stores[2]	403	402

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

Disclaimer

This document has been prepared to provide corporate information, etc. on SG Holdings Co., Ltd. (hereinafter referred to as "the Company") and SG Holdings Group companies (hereinafter referred to as "the Group"), and is not intended for solicitation for the shares or other securities issued by the Company in Japan or overseas. Furthermore, this document may not be published or communicated to a third party in whole or in part without the Company's permission.

This document contains forward looking statements such as the forecasts, plans and targets related to the Company. These statements include but are not limited to those containing the terms "forecast", "prediction", "expectation", "intent", "plan", "possibility", and synonyms thereof. These statements are based on information available to the Company and forecasts, etc. as of the date the document was prepared. Furthermore, these statements were made under certain assumptions (suppositions). These statements or assumptions (suppositions) may be objectively inaccurate or not be realized in the future.

Uncertainties and risks that may cause such a situation include but are not limited to: interest rate fluctuations; decline of share prices; fluctuation of exchange rates; fluctuation of the value of assets held; decline of credit standing; slowing of corporate production activities or personal consumption in Japan or abroad; rise of oil prices; rise of labor costs; low growth of the e-commerce market; risk of system, administrative, personnel or legal violation risks; occurrence of fraud or scandal; ruin of image or loss of trust due to rumors or gossip; risk of business strategies or management plans not succeeding; new risks associated with the expansion of business, etc.; changes in the economic and financial environment; changes in competitive conditions; occurrence of large-scale disasters, etc.; risks associated with business alliance and outsourcing; decrease of deferred tax assets; and various other factors.

The statements made are current as of the date of this document (or date otherwise specified), and the Company has no obligation or intent to keep this information updated. The future outlook may not necessarily match actual results as a result of these factors.

Furthermore, information on companies, etc. other than the Group shown in this document cites publicly available information, etc. and the Company has neither verified nor does it warrant the accuracy, appropriateness, etc. of such information.