



**SG Holdings Co., Ltd.**

**Results Presentation for FY2022/3 Q2**

**October 29, 2021**

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## Highlights of FY 2022/3 Q2

Overall numbers of packages handled increased slightly year-on-year due to the efforts of sales activities, even though the rapid increase of demand settled down from previous year. In the Logistics Business, we secured marine and air container space amid the global marine container shortage, and continued to perform well by capturing robust demand of existing and new customers. The Group's performance was steady primarily due to these factors.

### ● Industry

- As COVID-19 continued to spread, the recovery in corporate activity somewhat stalled, due to factors such as restriction of economic activity
- Mail order sales continued to perform well with new lifestyles utilizing e-commerce, etc. becoming well established
- Marine and air freight tariffs remained high due to the global tightening of marine container supply

### ● Overview of the Group's performance

- The total number of BtoB packages handled increased due to aggressive sales activities. Regarding BtoC, although there was a reactionary decline from the rapid increase that occurred in the same period of the previous year, volume remained steady due to factors such as mail order demand resulting from new lifestyles becoming well established
- TMS<sup>(1)</sup> increased as a result of proposal sales by GOAL<sup>®</sup>
- In freight forwarding, as marine container supply tightened globally, we captured robust demand of existing and new customers by continuing to secure marine and air container space

**Notes** (1) TMS: Transportation Management System. A value added transportation service other than home 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)	FY2021/3 Q2	FY2022/3 Q2	YoY change	Previous earnings forecast for FY2022/3 Q2 (Announced on July 30, 2021)	Comparison with previous forecast
Operating revenue	634.8	726.0	114.4%	680.0	106.8%
Operating income [Operating income margin]	52.4 [ 8.3% ]	58.8 [ 8.1% ]	112.1%	53.0 [ 7.8% ]	111.0%
Ordinary income	52.7	58.8	111.5%	53.5	110.0%
Net income attributable to owners of the parent	37.2	39.8	106.8%	37.0	107.6%
EBITDA	65.2	73.8	113.2%		

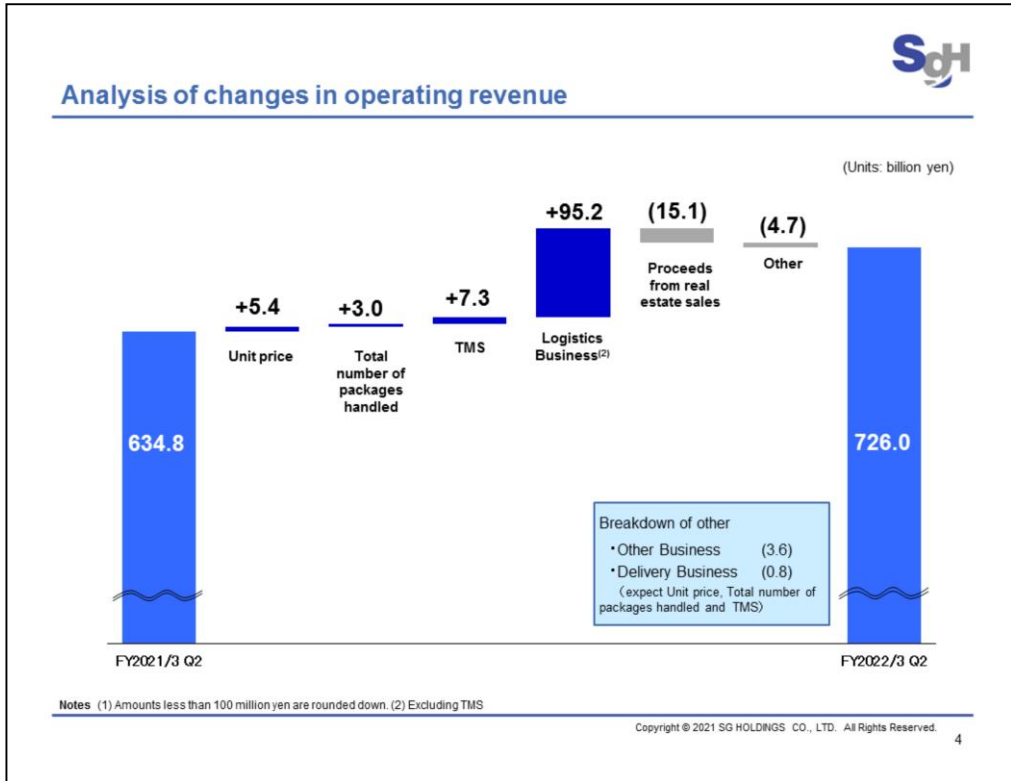
Note: Amounts less than 100 million yen are rounded down.

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

- Operating revenue: +91.2 billion yen
- Operating income : + 6.3 billion yen
- Ordinary income : + 6.0 billion yen
- Net income attributable to owners of the parent: + 2.5 billion yen
- EBITDA : + 8.6 billion yen

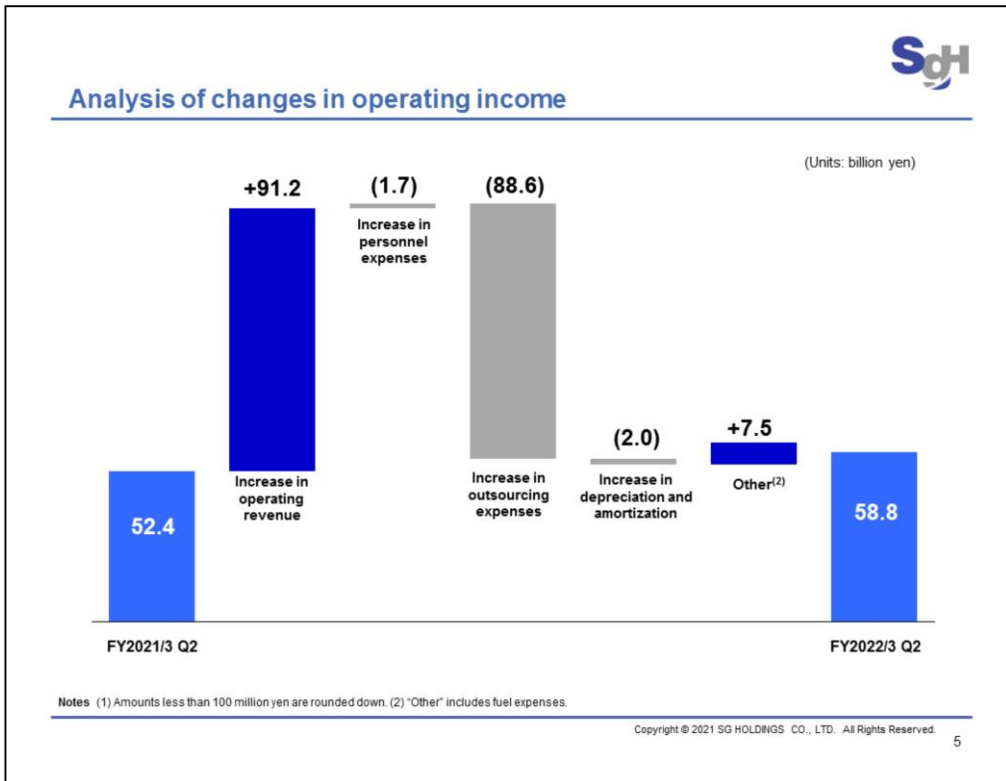


#### ■ Performance [YoY change]

- Average unit price: 646 yen [ +7yen ]
- Total number of packages handled: 691 million packages [ +4million packages ]
- TMS : 52.0 billion yen [ +7.3 billion yen ]

(Reference) Increase/decrease in operating days:

Weekdays ±0, Saturdays ±0, Sundays and holidays ±0



#### ■ Main operating expenses

- Personnel expenses :220.7 billion yen [100.8% YoY]
  - Increase associated with increased revenue in the Logistics Business
- Outsourcing expenses :356.6 billion yen [133.1% YoY]
  - Increase associated with increased revenue in the Delivery Business and Logistics Business
- Depreciation and amortization :14.7 billion yen [115.8% YoY]
  - Increase in depreciation and amortization of X FRONTIER
- Other (including fuel expenses):75.1 billion yen [90.9% YoY]
  - Decrease in cost of real estate sold

## Results by segment

(Units: billion yen)	FY2021/3 Q2	FY2022/3 Q2	YoY change
<b>Total operating revenue</b>	634.8	726.0	114.4%
Delivery Business	492.5	507.3	103.0%
Logistics Business	89.9	185.3	206.0%
Real Estate Business	19.0	3.7	19.9%
Other Businesses	33.2	29.5	88.9%
<b>Total operating income</b>	52.4	58.8	112.1%
Delivery Business	33.6	37.9	112.8%
Logistics Business	6.3	14.7	232.0%
Real Estate Business	9.5	2.4	26.3%
Other Businesses	1.9	2.4	128.4%
Adjustments	1.0	1.1	113.6%

Note: Amounts less than 100 million yen are rounded down.

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<<Increase in revenue and income>>

Delivery Business, Logistics Business

<<Decrease in revenue, increase in income>>

Other Businesses

<<Decrease in revenue and income>>

Real Estate Business

## Overview of results by segment

### Delivery Business

- The number of BtoB packages handled increased year-on-year but did not reach the level prior to COVID-19
- The number of BtoC packages handled remained steady due to factors such as mail order demand becoming well established, but there was a reactionary decline from the same period of the previous year
- Average unit price increased due to the increase in the number of relatively large-sized packages and effort to receive appropriate freight tariffs
- TMS performed well as a result of proposal sales by GOAL<sup>®</sup>
- In addition to stable operation of X FRONTIER, we systematically implemented reinforcement of existing facilities and development of new facilities

### Logistics Business

- As marine container supply tightened and marine and air freight tariffs remained high, we captured robust demand of customers by continuing to secure marine and air container space
- We received contracts for new business such as 3PL through comprehensive solution proposals made by GOAL<sup>®</sup>

### Real Estate Business

- The sale of real estate that was implemented in FY 2021/3 Q1 is planned for the second half of FY 2022/3

### Other Businesses

- BPO business increased
- Vehicle sales and e-Collect<sup>®</sup> decreased

**Note** e-Collect<sup>®</sup> is a registered trademark of SG Holdings Co., Ltd.

## Consolidated Statement of Cash Flows

### Major cash flow items

(Units: billion yen)	FY2021/3 Q2	FY2022/3 Q2
Cash flows from operating activities	65.3	(3.0)
Cash flows from investing activities	38.8	(9.1)
Free cash flows <sup>(2)</sup>	104.2	(12.2)
Cash flows from financing activities	(92.0)	3.8
Net increase (decrease) in cash and cash equivalents	12.0	(8.2)
Cash and cash equivalents at end of period	80.7	60.9

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 (3.0) billion yen

##### Major components:

Income before income taxes	60.2 billion yen
Depreciation and amortization	14.6 billion yen
Net changes in accrued bonuses	0.7 billion yen
Loss (gain) on sale of investment securities	(1.7) billion yen
Net changes in trade notes and accounts receivable	(32.7) billion yen
Net changes in trade notes and accounts payable	(1.3) billion yen
Income taxes paid	(27.6) billion yen
Net changes in accrued expenses	(8.8) billion yen
Net changes in accrued consumption taxes	(7.8) billion yen

#### • Cash flows from investing activities (9.1) billion yen

##### Major components:

Purchases of property, plant and equipment	(19.3) billion yen
Purchases of intangible assets	(2.7) billion yen
Proceeds from sales of investment securities	14.2 billion yen

#### • Cash flows from financing activities 3.8 billion yen

##### Major components:

Net changes in short-term bank loans	14.5 billion yen
Proceeds from long-term bank loans	15.3 billion yen
Repayment of long-term bank loans	(11.6) billion yen
Cash dividends paid	(11.3) billion yen

## Consolidated Balance Sheet

(Units: billion yen)	FY2021/3	FY2022/3 Q2	(Units: billion yen)	FY2021/3	FY2022/3 Q2
<b>Current assets</b>	<b>303.6</b>	<b>329.8</b>	<b>Liabilities</b>	<b>385.4</b>	<b>384.0</b>
Cash and deposits	69.1	60.9	Accounts payable	79.7	77.3
Accounts receivable and other receivables	187.8	217.4	Interest-bearing debt	123.7	141.8
Inventories	30.7	30.4	Other	181.8	164.7
Other current assets	15.8	21.1			
<b>Non-current assets</b>	<b>486.6</b>	<b>493.9</b>	<b>Net assets</b>	<b>404.8</b>	<b>439.8</b>
Property, plant and equipment	352.8	363.2	Portion attributable to owners of the parent	398.3	431.2
Goodwill	4.0	4.3	Non-controlling interests	6.5	8.6
Other non-current assets	129.7	126.3			
<b>Total assets</b>	<b>790.2</b>	<b>823.8</b>	<b>Total liabilities and net assets</b>	<b>790.2</b>	<b>823.8</b>

Note: Amounts less than 100 million yen are rounded down.

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### ■ Equity ratio

- Equity ratio: 52.3% [+1.9 points from end of previous fiscal year]

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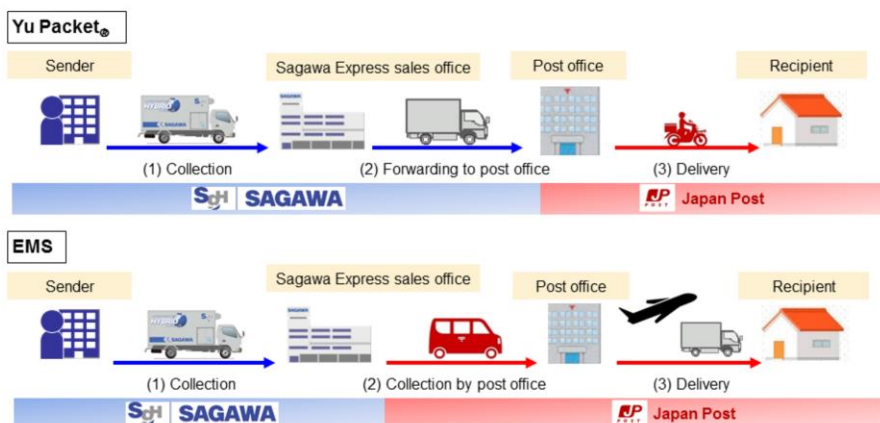
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## Collaboration with Japan Post Co., Ltd

- Sagawa Express Co., Ltd. announced its collaboration with Japan Post Co., Ltd. on September 10, 2021

### Operating image of collaboration



Note: Yu Packet is a pending trademark of Japan Post Co., Ltd.

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## ■ Overview of the collaboration with Japan Post Co., Ltd

Sagawa Express will begin new services in small package delivery and international freight to fully leverage the synergies with Japan Post from November, 2021.

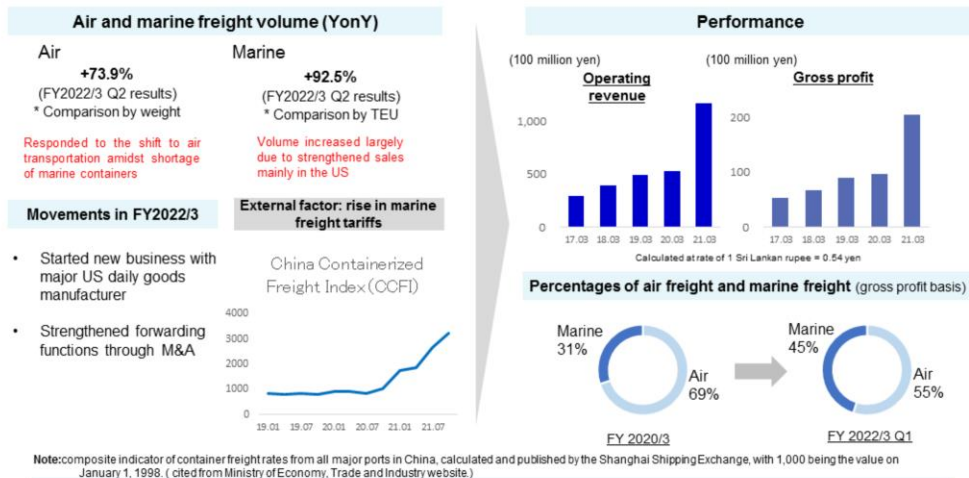
- Express package delivery services delivered to mail boxes
- International package freight service

Sagawa Express will begin handling some refrigerated delivery services handled by Japan Post from January 2022.

## About Expolanka Holdings PLC

### ● Expolanka's Performance (Logistics Business)

- International multimodal transport is under confusion due to the "shift from air to marine transportation" that started with the significant decrease in cargo capacity of passenger flights because of COVID-19, and the large increase in marine cargo due to stay home demands in US.
- Expolanka largely increased marine cargo volume by securing marine cargo space enhancing sales activities in the US.



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### ■ Overview of Expolanka

- Established: 1978
- Head office: Sri Lanka
- Acquisition of shares by SG Holdings: June 2014
- Percentage held by SG Holdings: 75.6% (consolidated subsidiary)

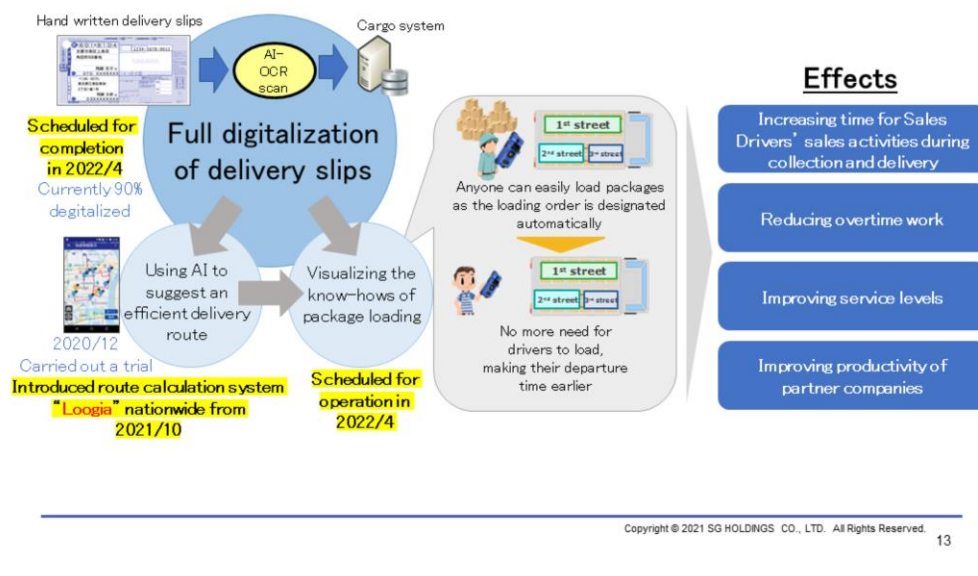
Based in South Asia where globally operating apparel manufacturers have factories, Expolanka has been growing in freight business to Europe and America. Marine transportation is also a core business now.

### ■ Future business expansion

- Steadily strengthen business foundation by gaining new customers, expanding business with existing customers and expanding business area
- Aim for sustained growth by strengthening global lanes such as Europe, USA, South America and Africa.

## Progress in digitalization

- Focusing on initiatives such as full digitalization of delivery slips.



## Topics for digitalization

Sagawa Express Co., Ltd introduced OPTIMIND Inc.'s "Loogia," a route operation service specializing in last-mile route services, nationwide from October 5, 2021, to improve operational efficiency of collection and delivery operations.

## Future developments

Full digitization of delivery slips, which is now 90% completed, is scheduled for completion around April 2022.

We expect higher productivity, as well as full digitalization allows automation of remaining manual labor and enables high-time package loading to trucks.

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## Initiatives for FY 2022/3

### Fiscal 2019-2021 Mid-term Management Plan Second Stage 2021

#### <Management strategy>

- (1) Evolution of logistics solutions
- (2) Optimal performance of management resources
- (3) Promotion of digitalization and latest technologies
- (4) Expansion of global business
- (5) Competitive advantages from inclusive corporate culture
- (6) Higher governance standard

### Initiatives for FY 2022/3

#### Delivery Business

- Strengthening of solutions such as TMS centered on GOAL®
- Continued efforts to receive appropriate freight tariffs
- Increased capacity and strengthened transportation network through X FRONTIER
- Improvement of productivity through implementation of digitalization and promotion of work style reforms

#### Logistics Business

- Enhancement and expansion of entire supply chain including oversea 3PL
- Expansion of global freight forwarding network
- Expansion of services to and from Japan, such as cross border e-commerce

#### Real Estate Business

- Development of facilities for strengthening logistics functions
- Continued sales of real estate

#### Other Businesses

- Improvement of service quality as services ancillary to logistics
- Development of new functions and services in coordination with logistics

## Consolidated earnings forecast

		FY2021/3 actual results	FY2022/3 previous earnings forecast (Announced on July 30, 2021)	FY2022/3 earnings forecast	YoY change	Comparison with previous forecast
(Units: billion yen)						
Operating revenue		1,312.0	1,345.0	1,450.0	110.5%	107.8%
Operating income [Operating income margin]		101.7 [ 7.8% ]	114.0 [ 8.5% ]	125.0 [ 8.6% ]	122.9%	109.6%
Ordinary income		103.6	115.5	127.0	122.5%	110.0%
Net income attributable to owners of the parent		74.3	79.0	85.0	114.3%	107.6%
EBITDA		128.1	144.0	155.0	121.0%	107.6%
Dividend per share <sup>(3)</sup>	Interim	18 yen	19 yen	20 yen	+6yen	+3yen
	Year-end	17 yen	19 yen	21 yen		
	Total	35 yen	38 yen	41 yen		

Notes: (1) Amounts less than 100 million yen are rounded down. (2) Assumptions for the earnings forecast for FY 2022/3: Average unit price of 648 yen and 1.41 billion packages to handle in Delivery Business. (3) A common stock split on a 2 for 1 basis was carried out on November 1, 2020. The dividend per share for the fiscal year ended March 31, 2021 assumes the split had been carried out at the beginning of the fiscal year.

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

Forecasts for FY 2022/3 were revised upward based on the results for FY 2022/3 Q2 and the current situation.

- Operating revenue : +105.0 billion yen
- Operating income : + 11.0 billion yen
- Ordinary income : + 11.5 billion yen
- Net income attributable to owners of the parent: + 6.0 billion yen
- EBITDA : + 11.0 billion yen

- Expected average unit price 648 yen
- Difference from previous forecast ±0 yen
- Expected total number of packages handled 1.41 billion packages
- Difference from previous forecast ±0.0 billion package

[Reference] Breakdown of year-on-year change in operating expenses  
[differences from previous forecast]

- Personnel expenses : (4.3) billion yen [+ 9.5 billion yen]
- Outsourcing expenses : + 122.6 billion yen [+ 84.5 billion yen]
- Depreciation and amortization : + 3.9 billion yen [± 0.0 billion yen]
- Other(including fuel expenses): (7.6) billion yen [± 0.0 billion yen]

## Overview of forecasts by segment

(Units: billion yen)	FY2021/3 actual results	FY2022/3 previous earnings forecast (Announced on July 30, 2021)	FY2022/3 earnings forecast	YoY change	Comparison with previous forecast
<b>Total operating revenue</b>	1,312.0	1,345.0	1,450.0	110.5%	107.8%
Delivery Business	1,014.9	1,038.0	1,040.5	102.5%	100.2%
Logistics Business	207.8	236.5	337.5	162.4%	142.7%
Real Estate Business	22.8	13.5	13.5	59.1%	100.0%
Other Businesses	66.4	57.0	58.5	88.0%	102.6%
<b>Total operating income</b>	101.7	114.0	125.0	122.9%	109.6%
Delivery Business	71.4	88.5	88.0	123.1%	99.4%
Logistics Business	12.7	12.5	24.0	188.3%	192.0%
Real Estate Business	11.3	7.0	7.0	61.9%	100.0%
Other Businesses	4.2	4.0	4.0	95.0%	100.0%
Adjustments	1.9	2.0	2.0	102.1%	100.0%

Note: Amounts less than 100 million yen are rounded down.

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### ■ Overview of forecasts by segment (comparison with previous forecast)

- Operating revenue + 105.0 billion yen

- Delivery Business + 2.5 billion yen
- Logistics Business + 101.0 billion yen
- Real Estate Business ± 0.0 billion yen
- Other Businesses + 1.5 billion yen

- Operating income + 11.0 billion yen

- Delivery Business (0.5) billion yen
- Logistics Business + 11.5 billion yen
- Real Estate Business ± 0.0 billion yen
- Other Businesses ± 0.0 billion yen
- Adjustments ± 0.0 billion yen

#### • Delivery Business

As COVID-19 continued to spread during the first half of the fiscal year, we implemented compensations for employees of Sagawa Express who worked as essential workers

#### • Logistics Business

The rise in marine freight tariffs due to the container shortage will remain high during the second half of the fiscal year.

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## Status of the products and services

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

(Millions of packages, yen)	Q1			Q2			1H		
	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change
Total number of packages handled <sup>(1)</sup>	342	347	101.5%	344	343	99.9%	686	691	100.7%
Hikyakku Express <sup>(2)(4)</sup>	329	333	101.4%	329	330	100.0%	659	663	100.7%
Other <sup>(3)</sup>	12	13	105.9%	14	13	96.0%	27	27	100.8%
Average unit price	634	645	101.8%	643	648	100.7%	639	646	101.2%

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

(Millions of packages, billion yen)	Q1			Q2			1H		
	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change
Number of packages	22	19	87.4%	22	17	78.9%	44	37	83.2%
Value of payments settled	246.7	227.4	92.2%	253.8	208.4	82.1%	500.6	435.8	87.1%

### Status of TMS

(Billion yen)	Q1			Q2			1H		
	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change
Sales	21.2	24.9	117.6%	23.4	27.0	115.5%	44.6	52.0	116.5%

Notes (1) Amounts less than 100 million yen are rounded down. (2) Hikyakku 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 Hikyakku Large Size Express<sup>®</sup> and other companies. (4) Hikyakku Express<sup>®</sup> and Hikyakku Large Size Express<sup>®</sup> are a registered trademarks of SG Holdings Co., Ltd.

## Breakdown of operating expenses

### Major expense items in consolidated accounts

(Units: billion yen)	Q1			Q2			First six months		
	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change
Total operating expenses	289.9	318.6	109.9%	292.4	348.5	119.2%	582.3	667.1	114.6%
Personnel expenses	109.6	109.3	99.7%	109.4	111.4	101.9%	219.0	220.7	100.8%
Outsourcing expenses (including subcontracted vehicle expenses)	130.0	165.6	127.4%	137.9	190.9	138.4%	267.9	356.6	133.1%
Fuel expenses	2.0	2.6	129.2%	2.5	3.1	123.5%	4.6	5.8	126.0%
Depreciation and amortization	6.2	7.2	115.2%	6.4	7.4	116.3%	12.7	14.7	115.8%
Other expenses	41.9	33.7	80.5%	36.1	35.5	98.5%	78.0	69.2	88.8%

### Major expense items in Delivery Business

(Units: billion yen)	Q1			Q2			First six months		
	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change	FY2021/3	FY2022/3	YoY change
Total operating expenses	238.0	245.1	103.0%	241.6	246.7	102.1%	479.7	492.0	102.6%
Personnel expenses	96.4	93.9	97.4%	95.6	95.5	99.9%	192.0	189.4	98.7%
Outsourcing expenses (including subcontracted vehicle expenses)	109.7	117.8	107.3%	112.8	116.9	103.6%	222.6	234.7	105.4%
Fuel expenses	2.0	2.6	129.2%	2.5	3.1	124.0%	4.5	5.7	126.3%
Depreciation and amortization	4.4	5.1	116.5%	4.4	5.3	119.0%	8.8	10.4	117.8%
Other expenses	25.3	25.6	101.1%	26.2	25.8	98.3%	51.6	51.5	99.9%

Note: Amounts less than 100 million yen are rounded down.

## Status of employees, vehicles and locations

(Employees, vehicles, locations)		FY2021/3	FY2022/3 Q2
	Total number of employees [Number of partner employees <sup>(1)</sup> included]	97,774 [ 45,753 ]	97,513 [ 44,740 ]
	Delivery Business	79,902 [ 36,839 ]	78,918 [ 35,323 ]
	Logistics Business	13,172 [ 6,886 ]	13,466 [ 7,017 ]
	Real Estate Business	63 [-]	65 [-]
	Other Businesses	3,888 [ 1,801 ]	4,288 [ 2,184 ]
	Corporate (common)	749 [ 227 ]	776 [ 216 ]
Sagawa Express	Number of vehicles	26,673	26,637
	Number of major locations	864	870
	Transfer centers	23	23
	Sales offices	428	428
	Small stores <sup>(2)</sup>	413	419

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

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