



SG Holdings Co., Ltd.

Results Presentation for the FY 2022/3 Q3

January 28, 2022

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Highlights of FY 2022/3 Q3

In the Delivery Business, the number of packages handled and the unit price were generally as planned due to solid demand in mail order sales. Furthermore, earning capacity increased due to the execution of operations with stable quality and high productivity during busy periods.

In the Logistics Business, strong performance was maintained by stably securing container space amid the shortage of marine containers. The Group's performance was steady primarily due to these factors.

● Industry

- Due to the establishment of new lifestyles, shipments of mail order sales such as e-commerce continued to be strong
- Ocean and air freight tariffs remained high due to the heavy shortage of container of marine container supply
- Strengthening of initiatives such as the reduction of greenhouse gases aimed at the realization of a sustainable society

● Overview of the Group's performance

- The number of packages and unit price in the express package delivery services were generally as planned due to the solid demand caused by the new normal
- GOAL_®'s⁽¹⁾ solution sales, represented by TMS⁽²⁾, maintained strong performance
- Amid heavy shortage of containers, Expolanka⁽³⁾ focused on securing marine and air container space, responding to robust demand from existing and new customers
- SG Holdings was selected by CDP, an international not-for-profit charity, for one of its "A List" companies as a global leading company in response to climate change. The "A List" is the highest assessment given by the organization, and SG Holdings is the first company in the Japanese land transportation industry to be chosen for the list

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.

(3) Expolanka Holdings PLC is a consolidated subsidiary of SG Holdings Co., Ltd. based in Sri Lanka.

Summary of consolidated financial results

(Units: billion yen)	FY2021/3 Q3	FY2022/3 Q3	YoY change
Operating revenue	982.0	1,166.6	118.8%
Operating income [Operating income margin]	88.5 [9.0%]	114.8 [9.8%]	129.7%
Ordinary income	89.9	116.6	129.6%
Net income attributable to owners of the parent	63.1	79.9	126.6%
EBITDA	107.7	137.6	127.8%

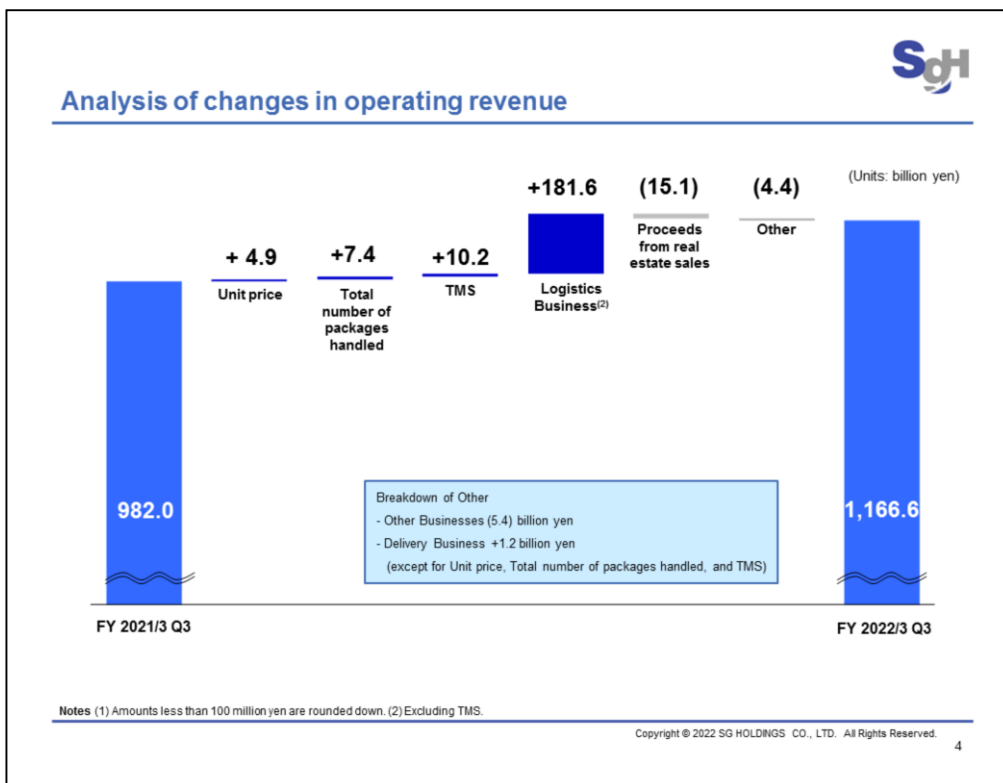
Note Amounts less than 100 million yen are rounded down.

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■ Results of the Group [YoY change]

- Operating revenue : +184.6 billion yen
- Operating income : + 26.2 billion yen
- Ordinary income : + 26.6 billion yen
- Net income attributable to owners of the parent: + 16.8 billion yen
- EBITDA : + 29.9 billion yen



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

- Average unit price : 647 yen [+ 4 yen]
- Total number of packages handled: 1,074 million packages [+ 11 million packages]
- TMS : 79.6 billion yen [+ 10.2 billion yen]

(Reference) Increase/decrease in operating days:

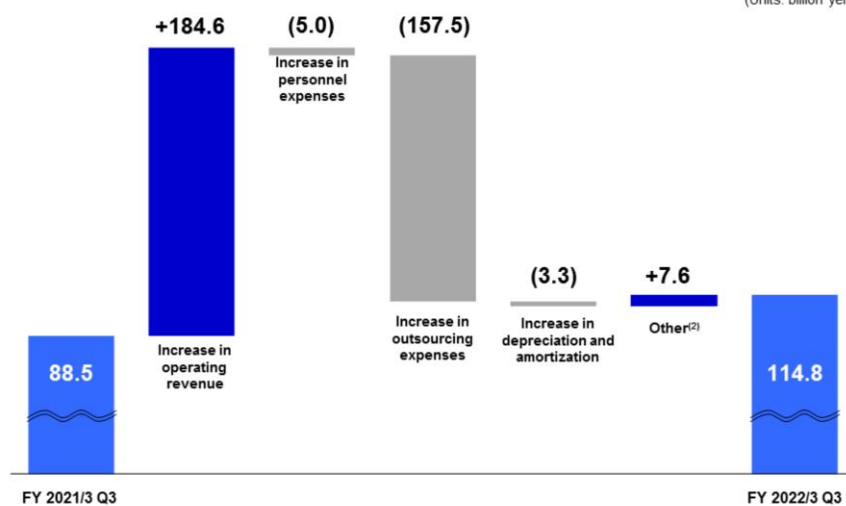
Weekdays ±0, Saturdays ±0, Sundays and holidays ±0

■ Logistics Business (Expolanka) Performance

- Weight of air cargo : +60.5% YoY
- TEU of marine cargo : +64.2% YoY

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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■ Main operating expenses

- Personnel expenses : 334.5 billion yen [101.5% YoY]
 - Increase associated with increased revenue in the Logistics Business
- Outsourcing expenses : 581.0 billion yen [137.2% YoY]
 - Increase associated with increased revenue in the Delivery Business and Logistics Business
- Depreciation and amortization : 22.4 billion yen [117.3% YoY]
 - Increase in depreciation and amortization of X FRONTIER etc.
- Other (including fuel expenses) : 113.7 billion yen [93.7% YoY]
 - Decrease in cost of real estate sold

Results by segment

(Units: billion yen)	FY2021/3 Q3	FY2022/3 Q3	YoY change
Total operating revenue	982.0	1,166.6	118.8%
Delivery Business	766.7	790.4	103.1%
Logistics Business	144.8	326.6	225.5%
Real Estate Business	21.0	5.6	26.8%
Other Businesses	49.3	43.8	88.9%
Total operating income	88.5	114.8	129.7%
Delivery Business	63.2	74.6	118.1%
Logistics Business	10.0	31.1	309.3%
Real Estate Business	10.7	3.4	32.4%
Other Businesses	2.8	3.5	123.1%
Adjustments	1.6	2.0	122.9%

Note Amounts less than 100 million yen are rounded down.

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

- Delivery Business : +11.4 billion yen
 - Increase in unit price of express package delivery, TMS sales and decrease in compensations
- Logistics Business : +21.0 billion yen
 - Expolanka: +20.4 billion yen
- Real Estate Business : (7.2) billion yen
 - In the current fiscal year, we plan to sell real estate in Q4
- Other Businesses : + 0.6 billion yen

Overview of results by segment

Delivery Business

- The number of BtoB packages handled was almost the same as the previous year
- The number of BtoC packages handled was steady due to the increase in users of mail order sales
- The average unit price increased slightly due to the continuation of efforts to receive appropriate freight tariffs as the number of relatively small packages increased
- TMS performed well as a result of proposal sales by GOAL[®]
- The provision of new services began in certain regions from Q3 in the collaboration between Sagawa Express Co., Ltd. and Japan Post Co., Ltd.

Logistics Business

- With no end to the global shortage of marine containers in sight, and both ocean and air freight tariffs continuing to rise, we stably secured container space and responded to customers' robust demand
- We received contracts for new business such as 3PL through comprehensive solution proposals made by GOAL[®]

Real Estate Business

- Real estate sales are planned for Q4 in the current fiscal year

Other Businesses

- BPO transactions increased
- e-Collect[®] transactions decreased

Note e-Collect[®] is a registered trademark of SG Holdings Co., Ltd.

Consolidated Statement of Cash Flows

Major cash flow items

(Units: billion yen)	FY2021/3 Q3	FY2022/3 Q3
Cash flows from operating activities	90.3	17.1
Cash flows from investing activities	26.5	(36.5)
Free cash flows ⁽²⁾	116.9	(19.3)
Cash flows from financing activities	(115.1)	24.7
Net increase (decrease) in cash and cash equivalents	1.5	6.0
Cash and cash equivalents at end of period	70.2	75.2

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 17.1 billion yen

Major components:

Income before income taxes	119.1 billion yen
Depreciation and amortization	22.4 billion yen
Net changes in accrued bonuses	(10.4) billion yen
Loss (gain) on sale of investment securities	(2.4) billion yen
Net changes in trade notes and accounts receivable	(90.6) billion yen
Net changes in trade notes and accounts payable	12.8 billion yen
Decrease(increase) in advance payments	(3.7) billion yen
Net changes in deposits received	16.6 billion yen
Income taxes paid	(38.9) billion yen
Net changes in accrued expenses	(2.0) billion yen
Net changes in accrued consumption taxes	(2.0) billion yen

• Cash flows from investing activities (36.5) billion yen

Major components:

Purchases of property, plant and equipment	(47.0) billion yen
Purchases of intangible assets	(4.1) billion yen
Proceeds from sales of investment securities	15.1 billion yen

• Cash flows from financing activities 24.7 billion yen

Major components:

Net changes in short-term bank loans	55.3 billion yen
Proceeds from long-term bank loans	15.3 billion yen
Repayment of long-term bank loans	(17.2) billion yen
Cash dividends paid	(24.0) billion yen

Consolidated Balance Sheet

(Units: billion yen)	FY2021/3	FY2022/3 Q3	(Units: billion yen)	FY2021/3	FY2022/3 Q3
Current assets	303.6	404.5	Liabilities	385.4	450.9
Cash and deposits	69.1	75.2	Accounts payable	79.7	92.4
Accounts receivable and other receivables	187.8	278.2	Interest-bearing debt	123.7	178.0
Inventories	30.7	28.5	Other	181.8	180.5
Other current assets	15.8	22.6			
Non-current assets	486.6	521.9	Net assets	404.8	475.5
Property, plant and equipment	352.8	386.7	Portion attributable to owners of the parent	398.3	463.3
Goodwill	4.0	4.4	Non-controlling interests	6.5	12.2
Other non-current assets	129.7	130.7			
Total assets	790.2	926.5	Total liabilities and net assets	790.2	926.5

Note Amounts less than 100 million yen are rounded down.

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■ Equity ratio

- Equity ratio : 50.0 % [(0.4) points from end of previous fiscal year]

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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_{sg}
- Continued efforts to receive appropriate freight tariffs
- Expansion of business area through strengthening alliances
- Thorough implementation of measures to address COVID-19 and promotion of remote work
- Improvement of productivity through implementation of IT and promotion of work style reforms

Logistics Business

- Enhancement and expansion of entire supply chain including overseas 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

Note GOAL_{sg} is a registered trademark of SG Holdings Co., Ltd.

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Consolidated earnings and dividend forecast

(Units: billion yen)		FY2021/3 actual results	FY2022/3 previous earnings forecast (Announced on October 29, 2021)	FY2022/3 earnings forecast	YoY change	Comparison with previous forecast
Operating revenue		1,312.0	1,450.0	1,520.0	115.8%	104.8%
Operating income [Operating income margin]		101.7 [7.8%]	125.0 [8.6%]	139.0 [9.1%]	136.6%	111.2%
Ordinary income		103.6	127.0	141.0	136.0%	111.0%
Net income attributable to owners of the parent		74.3	85.0	96.0	129.1%	112.9%
EBITDA		128.1	155.0	169.0	131.9%	109.0%
Dividend per share ⁽²⁾	Interim	18 yen	20 yen	20 yen	+11yen	+5yen
	Year-end	17 yen	21 yen	26 yen		
	Total	35 yen	41 yen	46 yen		

Notes (1) Amounts less than 100 million yen are rounded down. (2) A common stock split on a 2 for 1 basis was carried out on November 1, 2020. The dividend per share for the FY 2021/3 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 Q3, and the current situation.

- Operating revenue : +70.0 billion yen
- Operating income : +14.0 billion yen
- Ordinary income : +14.0 billion yen
- Net income attributable to owners of the parent: +11.0 billion yen
- EBITDA : +14.0 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 billion packages

[Reference] Breakdown of year-on-year change in operating expenses

[differences from previous forecast]

- Personnel expenses : (2.3) billion yen [+ 2.0 billion yen]
- Outsourcing expenses : +176.6 billion yen [+54.0 billion yen]
- Depreciation and amortization : + 3.9 billion yen [± 0 billion yen]
- Other (including fuel expenses) : (7.6) billion yen [± 0 billion yen]

Overview of forecasts by segment

(Units: billion yen)	FY2021/3 actual results	FY2022/3 previous earnings forecast (Announced on October 29, 2021)	FY2022/3 earnings forecast	YoY change	Comparison with previous forecast
Total operating revenue	1,312.0	1,450.0	1,520.0	115.8%	104.8%
Delivery Business	1,014.9	1,040.5	1,040.5	102.5%	100.0%
Logistics Business	207.8	337.5	407.5	196.1%	120.7%
Real Estate Business	22.8	13.5	13.5	59.1%	100.0%
Other Businesses	66.4	58.5	58.5	88.0%	100.0%
Total operating income	101.7	125.0	139.0	136.6%	111.2%
Delivery Business	71.4	88.0	89.0	124.5%	101.1%
Logistics Business	12.7	24.0	37.0	290.3%	154.2%
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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■ Previous forecast by segment

- Operating revenue \pm 70.0 billion yen
 - Delivery Business \pm 0 billion yen
 - Logistics Business + 70.0 billion yen
 - Real Estate Business \pm 0 billion yen
 - Other Businesses \pm 0 billion yen

- Operating income \pm 14.0 billion yen
 - Delivery Business + 1.0 billion yen
 - Logistics Business + 13.0 billion yen
 - Real Estate Business \pm 0 billion yen
 - Other Businesses \pm 0 billion yen

- Delivery Business
Reflected the rise in Q3 actual results from the earnings forecast

- Logistics Business
We expect ocean and air freight tariffs to remain high for the rest of the fiscal year due to the continued marine container shortage.

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Summary of consolidated financial results (single quarter)

(Units: billion yen)	Q1		Q2		Q3	
	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change
Operating revenue	347.5	109.4%	378.5	119.3%	440.5	126.9%
Operating income [Operating income margin]	28.9 [8.3%]	104.4%	29.9 [7.9%]	120.8%	55.9 [12.7%]	155.3%
Ordinary income	29.6	102.9%	29.2	121.8%	57.7	155.3%
Net income attributable to owners of the parent	20.6	119.9%	19.1	95.5%	40.1	155.2%
EBITDA	36.1	106.3%	37.6	120.7%	63.8	150.1%

Note Amounts less than 100 million yen are rounded down.

Results by segment (single quarter)

(Units: billion yen)	Q1		Q2		Q3	
	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change
Total operating revenue	347.5	109.4%	378.5	119.3%	440.5	126.9%
Delivery Business	254.3	104.6%	252.9	101.5%	283.0	103.2%
Logistics Business	77.0	189.1%	108.2	219.9%	141.3	257.7%
Real Estate Business	1.9	11.5%	1.8	99.1%	1.8	94.4%
Other Businesses	14.0	86.3%	15.4	91.3%	14.3	88.9%
Total operating income	28.9	104.4%	29.9	120.8%	55.9	155.3%
Delivery Business	20.2	129.4%	17.7	98.4%	36.6	124.1%
Logistics Business	5.7	280.1%	9.0	209.3%	16.3	441.6%
Real Estate Business	1.4	16.7%	1.0	99.2%	0.9	81.5%
Other Businesses	0.9	101.5%	1.5	154.1%	1.0	112.5%
Adjustments	0.6	88.8%	0.5	163.0%	0.9	137.4%

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

Status of the products and services

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

(Millions of packages, yen)	Q1		Q2		Q3		First Nine months	
	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change
Total number of packages handled ⁽¹⁾	347	101.5%	343	99.9%	383	101.8%	1,074	101.1%
Hikyu Express ⁽²⁾⁽⁴⁾	333	101.4%	330	100.0%	369	102.0%	1,032	101.2%
Other ⁽³⁾	13	105.9%	13	96.0%	14	95.8%	41	99.0%
Average unit price	645	101.8%	648	100.7%	649	99.8%	647	100.7%

e-Collect[®]: Status of number of packages and value of payments settled

(Millions of packages, billion yen)	Q1		Q2		Q3		First Nine months	
	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change
Number of packages	19	87.4%	17	78.9%	18	81.9%	56	82.7%
Value of payments settled	227.4	92.2%	208.4	82.1%	230.6	84.4%	666.4	86.1%

Status of TMS

(Billion yen)	Q1		Q2		Q3		First Nine months	
	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change
Sales	24.9	117.6%	27.0	115.5%	27.6	111.7%	79.6	114.8%

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

(2) Hikyu 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 Hikyu Large Size Express[®] and other companies.

(4) Hikyu Express[®] and Hikyu Large Size Express[®] are a registered trademarks of SG Holdings Co., Ltd.

Breakdown of operating expenses

Major expense items in consolidated accounts

(Units: billion yen)	Q1		Q2		Q3		First Nine months	
	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change
Total operating expenses	318.6	109.9%	348.5	119.2%	384.6	123.6%	1,051.8	117.7%
Personnel expenses	109.3	99.7%	111.4	101.9%	113.7	103.0%	334.5	101.5%
Outsourcing expenses (including subcontracted vehicle expenses)	165.6	127.4%	190.9	138.4%	224.4	144.3%	581.0	137.2%
Fuel expenses	2.6	129.2%	3.1	123.5%	3.2	133.9%	9.0	128.7%
Depreciation and amortization	7.2	115.2%	7.4	116.3%	7.7	120.4%	22.4	117.3%
Other expenses	33.7	80.5%	35.5	98.5%	35.3	97.5%	104.6	91.6%

Major expense items in Delivery Business

(Units: billion yen)	Q1		Q2		Q3		First Nine months	
	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change	FY2022/3	YoY change
Total operating expenses	245.3	103.0%	246.7	102.1%	258.0	100.8%	750.0	101.9%
Personnel expenses	93.9	97.4%	95.5	99.9%	95.5	99.9%	285.0	99.1%
Outsourcing expenses (including subcontracted vehicle expenses)	117.8	107.3%	116.9	103.6%	127.2	101.2%	362.0	103.9%
Fuel expenses	2.6	129.2%	3.1	124.0%	3.1	134.0%	8.9	128.9%
Depreciation and amortization	5.1	116.5%	5.3	119.0%	5.3	120.1%	15.8	118.5%
Other expenses	25.7	101.6%	25.8	98.3%	26.6	96.0%	78.2	98.5%

Note Amounts less than 100 million yen are rounded down.

Status of employees, vehicles and locations

(Employees, vehicles, locations)		As of March 31, 2020	As of December 31, 2021
Total number of employees (Within, number of partner employees ⁽¹⁾)	Total	97,774 (45,753)	97,148 (44,612)
	Delivery Business ⁽²⁾	79,902 (36,839)	78,660 (35,238)
	Logistics Business	13,172 (6,886)	13,461 (6,998)
	Real Estate Business	63 (-)	70 (-)
	Other Businesses ⁽²⁾	3,888 (1,801)	4,207 (2,163)
	Corporate (common)	749 (227)	750 (213)
Sagawa Express	Number of vehicles	26,673	27,392
	Number of major locations	864	875
	Transfer centers	23	23
	Sales offices	428	429
	Small stores ⁽³⁾	413	423

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

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