



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

# **SG Holdings Co., Ltd.**

## **Results Presentation for FY2024/3 Q2**

**October 27, 2023**

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## Highlights of FY2024/3 Q2

In the Delivery Business, the number of packages in express package delivery services continued to be stagnant from the end of the previous year against a backdrop of weakening household consumption and other factors. 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, volume of ocean and air cargo increased from Q1 but decreased year on year due to sluggish consumer sentiment in the United States. Also, freight tariffs remained at a low level.

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"<sup>(3)</sup> 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 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<sup>(1)</sup> sales decreased due to the impact of a drop off in business related to COVID-19 despite continued proposal sales by GOAL<sup>®(2)</sup>
- The volume of ocean and air cargo decreased year on year due to concerns about a global economic recession and sluggish consumer sentiment in the United States

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

<sup>(2)</sup> GOAL<sup>®</sup> is a registered trademark of SG Holdings Co., Ltd.

<sup>(3)</sup> 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.

## Summary of consolidated financial results

(Units: billion yen)	FY2023/3 H1	FY2024/3 H1	YoY (%)	FY 2024/3 H1 Previous earnings forecast (Announced on July 28, 2023)	Comparison with previous forecast
Operating revenue	751.3	643.3	85.6%	667.0	96.5%
Operating income [Operating income margin]	64.1 [ 8.5% ]	38.6 [ 6.0% ]	60.3%	38.5 [ 5.8% ]	100.4%
Ordinary income	66.5	39.2	59.0%	38.5	101.9%
Net income attributable to owners of the parent	51.9	25.2	48.7%	25.5	99.1%

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

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

- Operating revenue : (107.9) billion yen
- Operating income : (25.4) billion yen
- Ordinary income : (27.3) billion yen
- Net income attributable to owners of the parent : (26.6) billion yen

### [Reference]

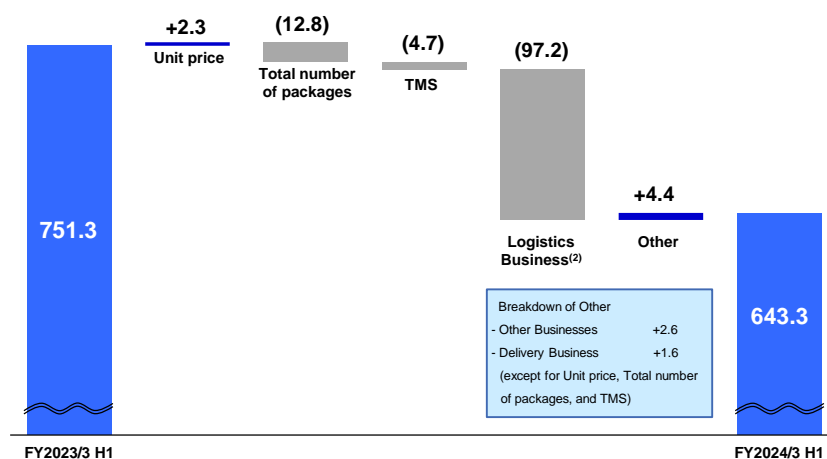
- Return on Equity (ROE): 9.1% (previous year same period: 20.1%)

\* ROE calculation method for FY2024/3 H1:

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

## Analysis of changes in operating revenue

(Units: billion yen)



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

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### ■ Performance [YoY change]

- Average unit price: 645 yen [+3 yen]
- Total number of packages: 679 million packages [(19) million packages]
- TMS: 54.5 billion yen [(4.7) billion yen]

(Reference) Increase/decrease in operating days:

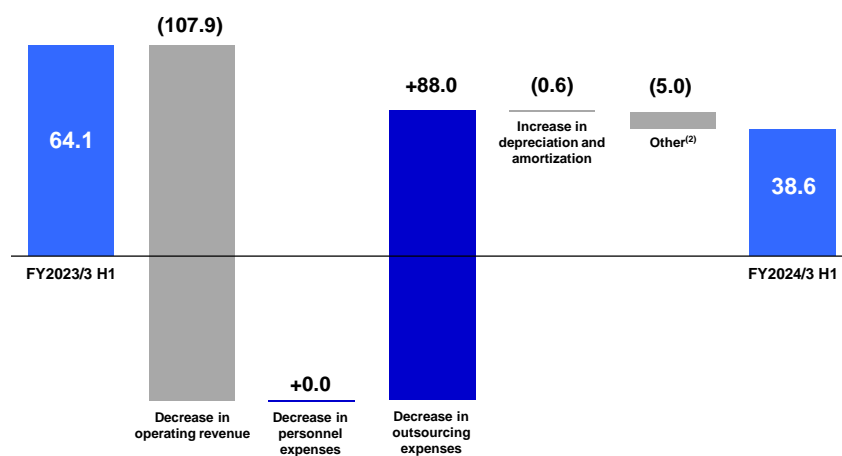
Weekdays +1, Saturdays -1, Sundays and holidays ±0

### ■ Expolanka Performance (Logistics Business)

- Operating revenue: 52.0 billion yen [YoY change: (98.1) billion yen, YoY: 34.7%]

## Analysis of changes in operating income

(Units: billion yen)



Notes<sup>(1)</sup> Amounts less than 100 million yen are rounded down. <sup>(2)</sup> "Other" includes fuel expenses.

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## ■ Breakdown of main operating expenses

(Units: billion yen)

Subjects	FY 2024/3 H1	YoY Change	YoY (%)	Main factors
Personnel expenses	218.3	(0.0)	100.0%	Decrease in the number of packages, Raised wage of employees, etc.
Outsourcing expenses	288.0	(88.0)	76.6%	Decrease in Logistics Business revenue, etc.
Depreciation and amortization	16.7	+0.6	104.2%	Amortization of intangibles, etc.
Other (including fuel expenses)	81.5	+5.0	106.5%	Increased purchasing vehicles, Amortization of goodwill, etc.
Total	604.7	(82.4)	88.0%	

## Results by segment

(Units: billion yen)	FY2023/3 H1	FY2024/3 H1	YoY (%)
<b>Total operating revenue</b>	751.3	643.3	85.6%
Delivery Business	517.4	504.9	97.6%
Logistics Business	204.5	106.3	52.0%
Real Estate Business	3.6	3.8	103.9%
Other Businesses	25.6	28.3	110.5%
<b>Total operating income</b>	64.1	38.6	60.3%
Delivery Business	43.8	34.5	78.7%
Logistics Business	14.5	(1.6)	–
Real Estate Business	2.0	2.3	115.0%
Other Businesses	2.5	2.3	91.8%
Adjustments	1.2	1.1	93.3%

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 (9.3) billion yen
  - Increase in wages of employees
  - Review of outsourcing expenses
  - Decrease in the number of packages
  - Decrease in TMS sales

(the impact of a drop off in business related to COVID-19)
- Logistics Business (16.1) billion yen
  - Decrease in volume of ocean and air cargo and drop in freight tariffs

## Overview of results by segment

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### 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 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 various forms of digitalization continued

### Logistics Business

- The volume of ocean and air cargo decreased due to factors such as sluggish consumer sentiment in the United States
- Ocean and air freight tariffs remained at a low level
- 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 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 semiconductor shortage and other factors
- BPO transactions decreased



## Consolidated Statement of Cash Flows

### Major cash flow items

(Units: billion yen)

	FY2023/3 H1	FY2024/3 H1
Cash flows from operating activities	65.1	25.3
Cash flows from investing activities	2.8	(25.5)
Free cash flows <sup>(2)</sup>	67.9	(0.2)
Cash flows from financing activities	(65.5)	(46.9)
Net increase (decrease) in cash and cash equivalents	6.4	(42.8)
Cash and cash equivalents at end of period	93.8	135.3

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	25.3
Major components:	
Income before income taxes	39.3
Depreciation and amortization	16.6
Net changes in accrued bonuses	4.8
Foreign exchange losses (gains)	1.8
Net changes in trade notes and accounts receivable	0.8
Net changes in trade notes and accounts payable	(4.3)
Net changes in deposits received	3.5
Increase (decrease) in accrued expenses	3.8
Increase (decrease) in accrued consumption taxes	(2.7)
Income taxes paid	(38.3)
• Cash flows from investing activities	(25.5)
Major components:	
Purchases of property, plant and equipment	(21.5)
Purchases of intangible assets	(3.9)
• Cash flows from financing activities	(46.9)
Major components:	
Net changes in short-term bank loans	(8.6)
Proceeds from long-term loans payable	3.4
Repayment of long-term bank loans	(11.0)
Repayments of lease obligations	(3.5)
Purchase of treasury shares	(9.9)
Cash dividends paid	(17.1)

## Consolidated Balance Sheet

(Units: billion yen)	FY2023/3	FY2024/3 Q2	(Units: billion yen)	FY2023/3	FY2024/3 Q2
<b>Current assets</b>	<b>406.5</b>	<b>367.0</b>	<b>Liabilities</b>	<b>337.5</b>	<b>309.1</b>
Cash and deposits	178.2	135.3	Accounts payable	76.5	73.6
Accounts receivable and other receivables	185.3	187.3	Interest-bearing debt	97.2	86.1
Inventories	21.9	21.5	Other	163.7	149.3
Other current assets	21.0	22.8			
<b>Non-current assets</b>	<b>498.4</b>	<b>515.3</b>	<b>Net assets</b>	<b>567.4</b>	<b>573.2</b>
Property, plant and equipment	392.2	407.1	Portion attributable to owners of the parent	553.8	559.6
Goodwill	12.0	12.3	Non-controlling interests	13.5	13.6
Other non-current assets	94.1	95.8			
<b>Total assets</b>	<b>904.9</b>	<b>882.4</b>	<b>Total liabilities and net assets</b>	<b>904.9</b>	<b>882.4</b>

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

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### ■ Equity ratio

- Equity ratio 63.4% [+2.2 points from end of previous fiscal year]

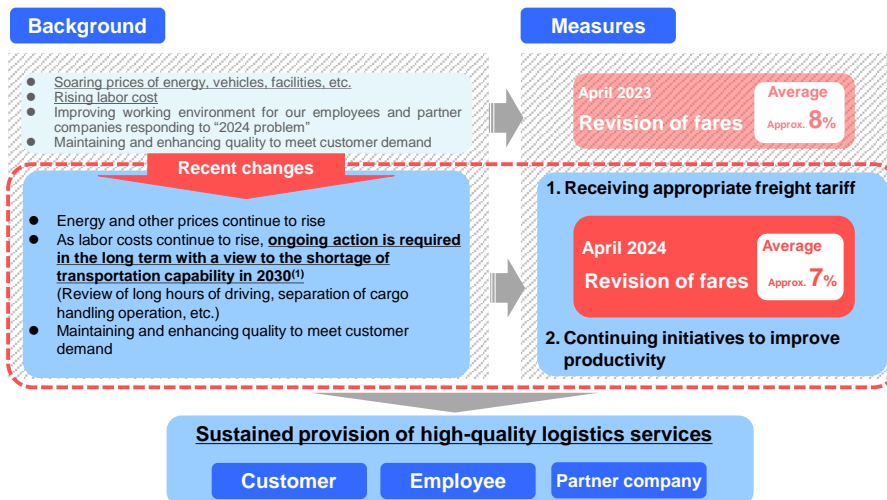
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## Revision of reported fares in Sagawa Express

- Reported fares for express package delivery services will be revised from April 1, 2024



Note<sup>(1)</sup> Policy Package for Logistics Innovation: Formulated in June 2023 by the government's Council of Ministers as a response to the "2024 problem." The policy was to review business practices, improve logistics efficiency, and promote behavioral changes among consignors and consumers in order to create an environment in which consignor companies, logistics providers, and consumers can cooperate to cope with transportation capacity shortages.

## New Tokyo transfer center establishment plan

- A new transfer center for Sagawa Express is planned to be established in the logistics facility to be built by SG Realty in Koto-ku, Tokyo

### Background

Strengthening of transfer functions in the Kanto area where volume is expected to increase due to growth in the e-commerce market  
Promotion of further improvement of efficiency of the express package delivery services network

### Effects

**Strengthening transportation functions, improving and stabilizing quality**  
Handling capacity available per day: +5%

**Improvement of efficiency by consolidating transfer centers (7 locations)**  
e.g. Reduction of long-haul transportation: 83 trips/day (reduces approx. 1.3 billion yen/ year)

**Improving working environment**  
Reducing medium- and long-haul transportations

(Scheduled operation: February 2026)



Rendering image

	New logistics facility (Koto-ku)	(Reference) Kansai Transfer Center	(Reference) X FRONTIER® <sup>(1)</sup>
Property	Owned	Leased	Owned
Total floorspace	Approx. 86,000 m <sup>2</sup>	Dedicated area: Approx. 43,000 m <sup>2</sup>	Approx. 171,000 m <sup>2</sup>
Processing capacity (Transfer center)	50,000 packages per hour	100,000 packages per hour	100,000 packages per hour
Number of berths (Transfer center)	164	290	296
Investment on facilities	Approx. 46.0 billion yen	Approx. 20.0 billion yen	Approx. 100.0 billion yen

Note<sup>(1)</sup> X FRONTIER® is a registered trademark of SG Holdings Co., Ltd.

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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<sup>®</sup>)
- (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<sup>®</sup>)

- 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 July 28, 2023)	FY2024/3 earnings forecast	YoY (%)	Comparison with previous forecast
Operating revenue	1,434.6	1,380.0	1,340.0	93%	97%
Operating income [Operating income margin]	135.2 [ 9.4% ]	100.0 [ 7.2% ]	91.5 [ 6.8% ]	68%	92%
Ordinary income	137.9	101.0	92.5	67%	92%
Net income attributable to owners of the parent	126.5	68.0	61.5	49%	90%

(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 FY2024/3 H1 and the current situation.

- Operating revenue : (40.0) billion yen
  - Operating income : (8.5) billion yen
  - Ordinary income : (8.5) billion yen
  - Net income attributable to owners of the parent : (6.5) 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 : 117.0 billion yen [YoY: 98%] [(11.0) billion yen]

### [Reference] Breakdown of operating expenses

- Personnel expenses : 447.0 billion yen [YoY: 104%] [Not revised]
- Outsourcing expenses : 602.5 billion yen [YoY: 90%] [(31.5) billion yen]
- Depreciation and amortization : 32.5 billion yen [YoY: 99%] [Not revised]



## Overview of forecasts by segment

(Units: billion yen)	FY2023/3 results	FY2024/3 Previous earnings forecast (Announced on July 28, 2023)	FY2024/3 earnings forecast	YoY (%)	Comparison with previous forecast
<b>Total operating revenue</b>	1,434.6	1,380.0	1,340.0	93%	97%
Delivery Business	1,047.3	1,062.0	1,054.0	101%	99%
Logistics Business	314.8	245.0	214.5	68%	88%
Real Estate Business	19.5	12.5	12.5	64%	100%
Other Businesses	52.8	60.5	59.0	112%	98%
<b>Total operating income</b>	135.2	100.0	91.5	68%	92%
Delivery Business	99.7	83.0	83.0	83%	100%
Logistics Business	19.2	4.0	(4.5)	–	–
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 (40.0) billion yen
  - Delivery Business (8.0) billion yen
  - Logistics Business (30.5) billion yen
  - Real Estate Business -
  - Other Businesses (1.5) billion yen
- Operating income (8.5) billion yen
  - Delivery Business -
  - Logistics Business (8.5) 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: 109.5 billion yen (YoY 53%) [(27.5) billion yen]
    - Operating income: (7.0) billion yen (YoY -) [(7.5) billion yen]
    - Volume: Air: 90 kt (YoY 86%) [Not revised]
    - Ocean: 180k TEU (YoY 89%) [Not revised]

The exchange rate for FY2024/3 H2 is assumed to be 1\$ = 148 yen

\*Expolanka's earnings are based on IFRS accounting standards

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## Results of Expolanka

(Units: billion yen)	Q1			Q2			H1		
	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)
Operating Revenue	87.7	24.4	27.8%	62.5	27.6	44.3%	150.2	52.0	34.7%
Operating income	7.1	(2.0)	—	4.3	(1.0)	—	11.5	(3.0)	—
Air Volume (kt) <sup>(2)</sup>	32	21	65.2%	29	25	85.3%	62	46	74.7%
Ocean Volume (kTEU) <sup>(2)</sup>	78	40	51.8%	50	46	91.5%	129	87	67.4%

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

## Status of the products and services

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

(Millions of packages, yen)	Q1			Q2			H1		
	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)
Total number of packages	352	341	96.9%	347	338	97.4%	699	679	97.1%
Hikyaku Express <sup>(2)(4)</sup>	339	329	97.1%	334	326	97.6%	673	655	97.3%
Other <sup>(3)</sup>	13	11	91.5%	12	11	92.1%	25	23	91.8%
Average unit price	640	643	100.5%	643	647	100.6%	642	645	100.5%

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

(Millions of packages, billion yen)	Q1			Q2			H1		
	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)
Number of packages	17	14	87.8%	16	14	88.4%	33	29	88.1%
Value of payments settled	199.1	179.8	90.3%	194.3	173.5	89.3%	393.4	353.4	89.8%

### Status of TMS

(Billion yen)	Q1			Q2			H1		
	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)
Sales	28.6	26.9	94.0%	30.6	27.6	90.1%	59.3	54.5	92.0%

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<sup>(4)</sup> 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			H1		
	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)
<b>Total operating expenses</b>	353.6	299.6	84.7%	333.5	305.0	91.5%	687.1	604.7	88.0%
Personnel expenses	110.6	109.5	99.0%	107.7	108.7	100.9%	218.4	218.3	100.0%
Outsourcing expenses	197.9	142.2	71.9%	178.1	145.7	81.8%	376.0	288.0	76.6%
Fuel expenses	3.2	3.0	95.3%	3.4	3.7	107.0%	6.6	6.7	101.4%
Depreciation and amortization	8.0	8.3	103.7%	8.0	8.4	104.7%	16.1	16.7	104.2%
Other expenses	33.8	36.4	107.7%	36.0	38.3	106.4%	69.8	74.7	107.0%

### Major expense items in Delivery Business

(Units: billion yen)	Q1			Q2			H1		
	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)	FY2023/3	FY2024/3	YoY (%)
<b>Total operating expenses</b>	248.5	246.6	99.3%	249.1	247.5	99.4%	497.7	494.2	99.3%
Personnel expenses	92.6	91.3	98.6%	89.4	90.4	101.1%	182.1	181.7	99.8%
Outsourcing expenses	121.5	120.7	99.4%	124.1	121.7	98.1%	245.6	242.5	98.7%
Fuel expenses	3.1	3.0	96.1%	3.4	3.6	106.8%	6.5	6.6	101.7%
Depreciation and amortization	5.4	5.3	98.9%	5.3	5.5	102.9%	10.8	10.9	100.9%
Other expenses	25.7	26.1	101.7%	26.7	26.2	98.0%	52.4	52.3	99.8%

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

## Status of employees, vehicles and locations

(Employees, vehicles, locations)		FY2023/3	FY2024/3 H1
Total number of employees (Number of partner employees <sup>(1)</sup> within]	Total	94,087 [ 41,819 ]	93,638 [ 40,837 ]
Sagawa Express	Delivery Business	75,105 [ 32,321 ]	73,695 [ 31,048 ]
	Logistics Business	13,891 [ 7,104 ]	14,735 [ 7,276 ]
	Real Estate Business	98 [ - ]	92 [ 1 ]
	Other Businesses	4,223 [ 2,206 ]	4,379 [ 2,319 ]
	Corporate (common)	770 [ 188 ]	737 [ 193 ]
Sagawa Express	Number of vehicles	26,270	26,006
	Number of major locations	852	853
	Transfer centers	22	22
	Sales offices	427	427
	Small stores <sup>(2)</sup>	403	404

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

## Disclaimer

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