SG Holdings Co., Ltd.

Results Presentation for the Three Months Ended June 30, 2020

July 31, 2020

1. ***Summary of results for the three months ended June 30, 2020*** **1– 9**

2. *Earnings forecasts for the fiscal year ending March 31, 2021* 10–14

3. *Appendix* 15–18

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Highlights of the three months ended June 30, 2020

In addition to BtoC packages increasing due to the impact of stay-at-home consumption due to COVID-19, efforts to improve efficiency and increase in rate of recipients being at home also contributed to steady performance.

- (Industry)
  - Rapid increase in BtoC packages centered on e-commerce due to stay-at-home consumption, and increase in rate of recipients being at home
  - Decrease in BtoB shipments due to the decline of production activities and the impact of voluntary suspension of sales in stores
  - Changes in delivery methods such as non-contact delivery to prevent infection

- (Overview of the three months ended June 30, 2020)
  - Sales mix changed significantly due to the spread of COVID-19
    - BtoB decreased due to the impact of voluntary suspension of sales in stores
    - BtoC increased due to heightened e-commerce demand (increase in rate of recipients being at home had a positive impact)

    The average unit price underperformed the Company's internal forecast due to the increase in relatively compact BtoC packages
  - Reassigned drivers to cater for increase in BtoC packages in order to stabilize productivity
  - Continued productivity improvement measures such as increasing the loading ratio of line-haul transportation
  - Thoroughly implemented infection prevention measures in the workplace, such as frequent alcohol sterilization and non-contact temperature measurements when arriving at work

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Summary of consolidated financial results

(Units: billion yen)	Three months ended June 30, 2019	Three months ended June 30, 2020	YoY change
Operating revenue	291.0	317.6	109.1%
Operating income [Operating income margin]	18.7 [6.4%]	27.7 [8.7%]	147.7%
Ordinary income	19.2	28.8	149.7%
Net income attributable to owners of the parent	10.1	17.2	170.3%
EBITDA	24.5	34.0	138.4%

Note Amounts less than 100 million yen are rounded down.

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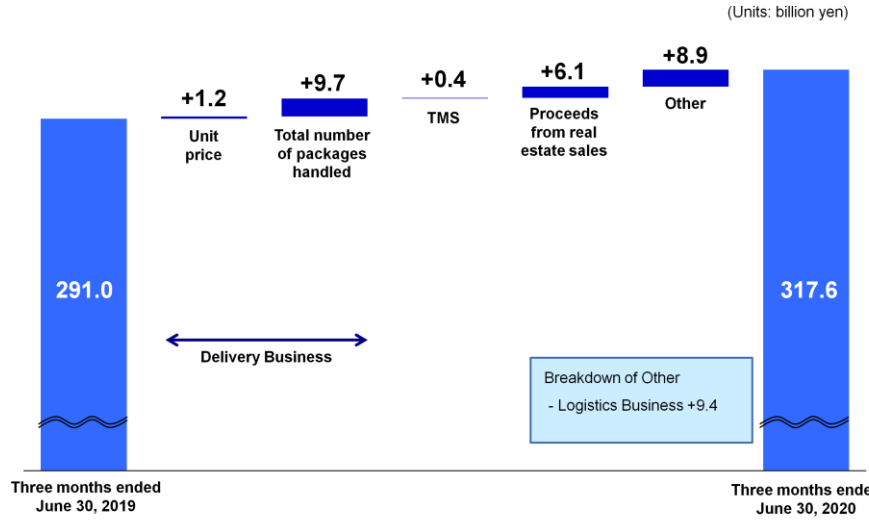
■ Results of the Group [YoY change]

- Operating revenue: +26.5 billion yen [109.1%]
- Operating income: + 8.9 billion yen [147.7%]
- Ordinary income: + 9.5 billion yen [149.7%]
- Net income attributable to owners of the parent: + 7.1 billion yen [170.3%]
- EBITDA: + 9.4 billion yen [138.4%]

Analysis of changes in operating revenue



Note Amounts less than 100 million yen are rounded down.

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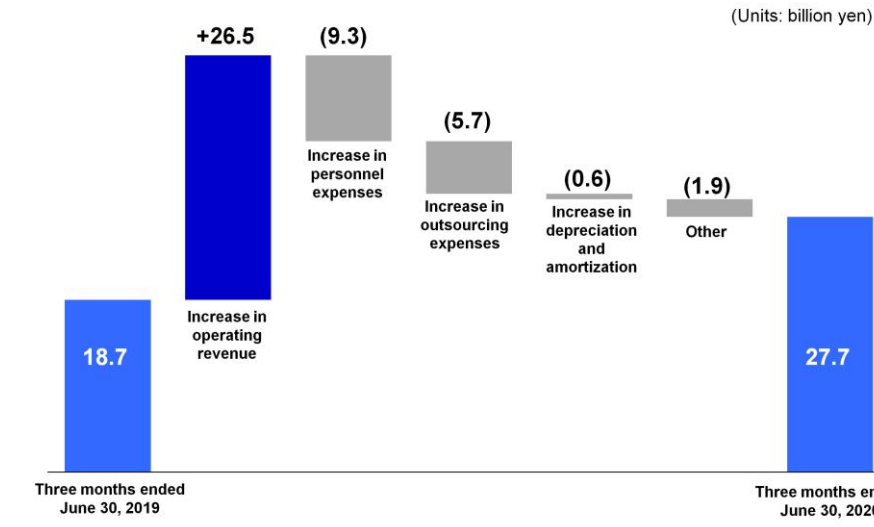
■ Actual result

- Average unit price : 634 yen [100.6% YoY]
- Number of packages handled : 342 million packages [104.7% YoY]

  (Reference) Increase/decrease in days :

  Weekdays +2, Saturdays +1, Sundays and holidays (3)
- TMS : 21.2 billion yen [102.2% YoY]

Analysis of changes in operating income



Note Amounts less than 100 million yen are rounded down.

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■ Actual result

- Operating revenue : 317.6 billion yen [109.1% YoY]
- Personnel expenses : 109.6 billion yen [109.3% YoY]
  - Increase in number of packages handled and performance-based bonus
- Outsourcing expenses : 130.0 billion yen [104.6% YoY]
  - Increase in the Logistics Business's outsourcing expenses

Results by segment

(Units: billion yen)	Three months ended June 30, 2019	Three months ended June 30, 2020	YoY change
Total operating revenue	291.0	317.6	109.1%
Delivery Business	233.0	243.2	104.4%
Logistics Business	31.6	40.7	129.0%
Real Estate Business	10.8	17.2	159.4%
Other Businesses	15.5	16.3	105.0%
Total operating income	18.7	27.7	147.7%
Delivery Business	12.3	15.6	126.8%
Logistics Business	0.5	2.0	399.3%
Real Estate Business	4.6	8.4	180.8%
Other Businesses	1.0	0.9	92.5%
Adjustments	0.2	0.6	257.7%

Notes (1) Amounts less than 100 million yen are rounded down. (2) Due to part of the "Other Businesses" being changed to "Delivery Business" from the fiscal year ending March 31, 2021, the comparison was made by reclassifying the figures for the previous year according to the change.

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<<Increase in revenue and income>>

Delivery Business, Logistics Business, Real Estate Business

<<Increase in revenue and decrease in income>>

Other Businesses

(Changes in measurement method for business segment profit and loss)

The Company has changed the allocation method of the Delivery Business and Other Businesses. This is based on actual business activities and management methods.

As a result, the performance for previous fiscal year has changed as follows:

	Three months ended June 30,2019 operating income (billion yen)			Number of employees as of March 31, 2020 (within, number of partner employees)		
	Before change	After change	YoY	Before change	After change	YoY
Delivery Business	12.1	12.3	+0.1	58,732 [18,145]	78,017 [36,208]	19,285 [18,063]
Other Businesses	1.1	1.0	(0.1)	22,762 [19,551]	3,477 [1,488]	(19,285) [(18,063)]

Overview of results by segment

Delivery Business

- With regard to the number of packages handled, the number of BtoC packages increased due to at-home consumption, and while efforts to receive appropriate freight tariffs continued, the increase of the average unit price was slightly due to an increase in relatively compact BtoC packages
- Promoted cost control through improvement of loading ratio of line-haul transportation, reassignment of drivers, etc.
- Delivery efficiency increased due to the increase in rate of recipients being at home as a result of stay-at-home efforts
- Continued work style reform efforts such as promotion of remote work and online sales of GOAL® as part of measures to address COVID-19

Logistics Business

- Revenue increased due to Shanghai Runbow Logistics & Technology becoming a consolidated subsidiary
- Although the volume of freight forwarding decreased across a wide area due to the impact of lockdowns, there was an increase in the volume of emergency shipments of personal protective equipment

Real Estate Business

- Planned sales of real estate sales (inclusion in private REITs)

Other Businesses

- Sales of new vehicles increased while BPO transactions decreased

Note GOAL is a registered trademark of SG Holdings Co., Ltd.

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Consolidated statement of cash flows

Major cash flow items

(Units: billion yen)	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities	7.6	50.5
Cash flows from investing activities	(17.0)	(21.8)
Free cash flows	(9.3)	28.6
Cash flows from financing activities	(19.2)	(12.6)
Net increase (decrease) in cash and cash equivalents	(29.0)	16.0
Cash and cash equivalents at end of period	72.7	84.7

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 50.5 billion yen

Major components:

Net income before income taxes	28.5 billion yen
Depreciation and amortization	6.2 billion yen
Increase (decrease) in accrued bonuses (parenthesis indicates decrease)	13.4 billion yen
Decrease (increase) in trade notes and accounts receivable (parenthesis indicates increase)	(8.2) billion yen
Decrease (increase) in inventories (parenthesis indicates increase)	7.6 billion yen
Increase (decrease) in accrued consumption taxes (parenthesis indicates decrease)	5.0 billion yen
Income taxes paid	(9.4) billion yen

・ Cash flows from investing activities (21.8) billion yen

Major components:

Purchases of property, plant and equipment	(17.4) billion yen

・ Cash flows from financing activities (12.6) billion yen

Major components:

Increase (decrease) in short-term bank loans (parenthesis indicates decrease)	(16.3) billion yen
Proceeds from long-term bank loans:	20.0 billion yen
Cash dividends paid	(9.7) billion yen

Consolidated balance sheet

(Units: billion yen)	As of March 31, 2020	As of June 30, 2020
Current assets	270.8	284.7
Cash and deposits	68.7	84.7
Accounts receivable and other receivables	155.9	164.1
Inventories	28.8	21.0
Other current assets	17.4	14.7
Non-current assets	501.3	514.0
Property, plant and equipment	321.6	332.8
Goodwill	5.4	5.3
Other non-current assets	174.1	175.8
Total assets	772.2	798.8

(Units: billion yen)	As of March 31, 2020	As of June 30, 2020
Liabilities	349.1	365.3
Accounts payable	62.7	61.3
Interest-bearing debt	131.7	130.8
Other	154.6	173.1
Net assets	423.0	433.4
Portion attributable to owners of the parent	383.9	395.6
Non-controlling interests	39.1	37.8
Total liabilities and net assets	772.2	798.8

Note Amounts less than 100 million yen are rounded down.

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Equity ratio

- Equity ratio: 49.5% [(0.2) points YoY]

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Initiatives for the fiscal year ending March 31, 2021

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

<Management strategy>

(1) Advance in 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 the fiscal year ending March 31, 2021

Delivery Business

- Strengthening of solutions such as TMS(1) centered on GOAL® (2)
- 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 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

Notes (1) TMS: Transportation Management System. A value-added transportation service other than home delivery utilizing the Group's logistics network.
(2) GOAL is a registered trademark of SG Holdings Co., Ltd.

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Consolidated earnings and dividend forecast

(Units: billion yen)		Year ended March 31, 2020 actual results	Fiscal year ending March 31, 2021 initial earnings forecast (Announced on April 30, 2020)	Fiscal year ending March 31, 2021 earnings forecast	YoY change	Change from initial forecast
Operating revenue		1173.4	1200.0	1220.0	104.0%	101.7%
Operating income [Operating income margin]		75.4 [6.4%]	78.5 [6.5%]	87.0 [7.1%]	115.3%	110.8%
Ordinary income		80.5	82.5	91.0	113.0%	110.3%
Net income attributable to owners of the parent		47.2	48.5	52.5	111.0%	108.2%
EBITDA		98.8	105.0	113.5	114.8%	108.1%
Dividend per share	2Q-end	22 yen	22 yen	24 yen	-	-
	Year-end	22 yen	23 yen	25 yen		
	Total	44 yen	45 yen	49 yen		

Notes (1) Amounts less than 100 million yen are rounded down.
(2) Assumptions for the earnings forecast for the fiscal year ending March 31, 2021: Average unit price of 643 yen and 1.332 billion packages handled in Delivery Business

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- Forecast for the year ending March 31, 2021 [difference from previous forecast]

  The forecast for the year ending March 31, 2021 has been revised upward based on the results for the three months ended June 30, 2020 and the current situation.

  - Operating revenue: +20.0 billion yen [101.7%]
  - Operating income: + 8.5 billion yen [110.8%]
  - Ordinary income: + 8.5 billion yen [110.3%]
  - Net income attributable to owners of the parent: + 4.0 billion yen [108.2%]
  - EBITDA: + 8.5 billion yen [108.1%]

  - Anticipated average unit price: 643 yen
    Previous forecast: 645 yen [(2) yen]
  - Anticipated total number of packages handled: 1.332 billion packages
    Previous forecast: 1.308 billion packages [+ 24 million packages]

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

  - Personnel expenses: + 16.4 billion yen [+ 7.5 billion yen]
  - Outsourcing expenses: + 10.9 billion yen [+ 4.0 billion yen]
  - Depreciation and amortization: + 3.4 billion yen [± 0 billion yen]
  - Other: + 15.0 billion yen [± 0 billion yen]

Overview of forecast by segment

(Units: billion yen)	Year ended March 31, 2020 actual results	Fiscal year ending March 31, 2021 initial earnings forecast (Announced on April 30, 2020)	Fiscal year ending March 31, 2021 earnings forecast	YoY change	Change from initial forecast
Total operating revenue	1,173.4	1,200.0	1,220.0	104.0%	101.7%
Delivery Business	955.4	963.5	976.5	102.2%	101.3%
Logistics Business	135.8	149.0	156.0	114.9%	104.7%
Real Estate Business	16.2	22.5	22.5	138.6%	100.0%
Other Businesses	66.0	65.0	65.0	98.5%	100.0%
Total operating income	75.4	78.5	87.0	115.3%	110.8%
Delivery Business	59.8	58.8	66.0	110.3%	112.2%
Logistics Business	2.0	2.9	4.5	218.1%	155.2%
Real Estate Business	7.8	10.8	11.0	139.3%	101.9%
Other Businesses	4.2	4.6	4.0	93.8%	87.0%
Adjustments	1.3	1.4	1.5	110.8%	107.1%

Notes (1) Amounts less than 100 million yen are rounded down. (2) Due to part of the "Other Businesses" being changed to "Delivery Business" from the fiscal year ending March 31, 2021, the comparison was made by reclassifying the figures for the previous year according to the change.

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(Changes in measurement method for business segment profit and loss)

The Company has changed the allocation method of the Delivery Business and Other Businesses. This is based on actual business activities and management methods.

As a result, the performance for previous fiscal year has changed as follows:

	Fiscal year ended March 31,2020 operating income (billion yen)		
	Before change	After change	YoY
Delivery Business	58.7	59.8	+1.1
Other Businesses	5.4	4.2	(1.1)

Consolidated earnings forecast (six months ending September 30, 2020)

(Units: billion yen)	Six months ended September 30, 2019 actual results	Six months ending September 30, 2020 initial earnings forecast (Announced on April 30, 2020)	Six months ending September 30, 2020 earnings forecast	YoY change	Change from initial forecast
Operating revenue	587.7	587.0	607.0	103.3%	103.4%
Operating income [Operating income margin]	37.1 [6.3%]	34.5 [5.9%]	43.0 [7.1%]	115.6%	124.6%
Ordinary income	38.9	35.5	44.0	113.1%	123.9%
Net income attributable to owners of the parent	21.9	21.0	25.0	113.9%	119.0%

Note Amounts less than 100 million yen are rounded down.

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- Forecast for the six months ending September 30, 2020 [difference from previous forecast]

  The forecast for the six months ending September 30, 2020 has been revised upward based on the results for the three months ended June 30, 2020.

  - Operating revenue: +20.0 billion yen [103.4%]
  - Operating income: + 8.5 billion yen [124.6%]
  - Ordinary income: + 8.5 billion yen [123.9%]
  - Net income attributable to owners of the parent: + 4.0 billion yen [119.0%]

1. *Summary of results for the three months ended June 30, 2020* 1– 9

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3. ***Appendix*** **15–18**

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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)	Three months ended June 30, 2019	Three months ended June 30, 2020	YoY change
Total number of packages handled[1]	326	342	104.7%
Hikyaku Express[2]	312	329	105.5%
Other[3]	14	12	89.0%
Average unit price	630	634	100.6%

e-Collect® [4]: Status of number of packages and value of payments settled

(Millions of packages, billion yen)	Three months ended June 30, 2019	Three months ended June 30, 2020	YoY change
Number of packages	22	22	101.6%
Value of payments settled	242.6	246.7	101.7%

Status of TMS

(Billion yen)	Three months ended June 30, 2019	Three months ended June 30, 2020	YoY change
Sales	207.0	212.0	102.2%

Notes (1) The total number of packages handled is the number of packages handled through the Group's major services.
(2) Hikyaku Express shows the number of packages Sagawa Express Co., Ltd. notified the Ministry of Land, Infrastructure, Transport and Tourism.
(3) Other shows the number of packages handled by Hikyaku Large Size Express and other companies.
(4) e-Collect is a registered trademark of SG Holdings Co., Ltd.

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Breakdown of operating expenses

Major expense items in consolidated accounts

(Units: billion yen)	Three months ended June 30, 2019	Three months ended June 30, 2020	YoY change
Total operating expenses	272.2	289.9	106.5%
Personnel expenses	100.3	109.6	109.3%
Outsourcing expenses (including subcontracted vehicle expenses)	124.2	130.0	104.6%
Fuel expenses	2.7	2.0	74.9%
Depreciation and amortization	5.6	6.2	111.3%
Other expenses	39.2	41.9	106.7%

Major expense items in Delivery Business(2)

(Units: billion yen)	Three months ended June 30, 2019	Three months ended June 30, 2020	YoY change
Total operating expenses	230.0	238.0	103.5%
Personnel expenses	87.1	96.4	110.7%
Outsourcing expenses (including subcontracted vehicle expenses)	110.9	109.7	99.0%
Fuel expenses	2.6	2.0	76.3%
Depreciation and amortization	3.7	4.4	117.5%
Other expenses	25.5	25.3	99.3%

Note (1) Amounts less than 100 million yen are rounded down. (2) Due to part of the "Other Businesses" being changed to "Delivery Business" from the fiscal year ending March 31, 2021, the comparison was made by reclassifying the figures for the previous year according to the change.

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Status of employees, vehicles and locations

(Employees, vehicles, locations)		As of March 31, 2020	As of June 30, 2020
Total number of employees [Within, number of partner employees[1]]	Total	95,291 [43,928]	95,085 [43,053]
	Delivery Business[2]	78,017 [36,208]	77,550 [34,866]
	Logistics Business	12,954 [5,995]	13,234 [6,598]
	Real Estate Business	69 [-]	61 [-]
	Other Businesses[2]	3,477 [1,488]	3,439 [1,358]
	Corporate (common)	774 [237]	801 [231]
Sagawa Express	Number of vehicles	26,661	26,619
	Number of major locations	857	859
	Transfer centers	24	24
	Sales offices	427	427
	Small stores[3]	406	408

Notes (1) Average number of persons during the period. (2) Due to part of the "Other Businesses" being changed to "Delivery Business" from the fiscal year ending March 31, 2021, the comparison was made by reclassifying the figures for the previous year according to the change. (3) Total number of service centers and delivery centers.

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