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

SG Holdings Co., Ltd.

Results Presentation for FY2025/3 Q1

July 26, 2024

SG Holdings Co., Ltd.

1. **Summary of results for FY2025/3 Q1** **1–9**

2. Earnings forecast for FY2025/3 10–14

3. About Chilled & Frozen Logistics Holdings Co., Ltd. 15–26

4. Appendix 27–35

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Financial Highlights

- Consolidated financial results in the first quarter saw **increases in revenue and income** year on year
  - Operating revenue : Efforts to receive appropriate freight tariffs progressed. However, the number of packages continue to follow a weak year on year trend
    Air cargo volume, ocean and air freight rates of Expolanka, a forwarding business, increased
  - Operating income : Expolanka's operating losses decreased

- Consolidated forecasts for the first half and full year remain **unchanged**

  Revised a part of assumptions for the first half forecast by segment (no change for the second half of the fiscal year)
  - Delivery Business : (↘) Downward revision of operating revenue as we lowered the forecast for the number of packages (initial forecast1.38 billion packages to 1.36 billion packages)
  - Logistics Business : (↗) Only operating revenue has been revised upward to reflect Expolanka's Q1 results
  - Real Estate Business : (↗) Upward revision of operating revenue due the change in plan for real estate sales

- Topics

  Acquired 84.83% of the shares of Chilled & Frozen Logistics Holdings Co., Ltd. (C&F) in July 2024 for the purpose of enhancing comprehensive logistics solutions. Synergies, etc. are explained in P15~26

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Overview of Results

Delivery Business

- The total number of packages decreased in both BtoB and BtoC due to a decline in real wages caused by inflation. Additionally, the competitive environment is partially intensifying as a result of continued weakening of express package delivery demand, along with other factors
- The average unit price rose due to a revision of reported fares in April 2024 and efforts to receive appropriate freight tariffs in each transaction
- TMS(1) sales saw an increase due to proposal sales by GOAL®(2) , etc.

Logistics Business

- Ocean and air freight rates rose due to disruptions in ocean transportation caused by the avoidance of passage through the Red Sea and Suez Canal and a shift to air transportation
- Air cargo increased due to the impact of the above geopolitical risks and acquisition of new customers, while ocean cargo decreased

Real Estate Business

- Business progressed as planned. There are plans for real estate securitization in the second half of the fiscal year

Other Businesses

- Sales of new vehicles such as large trucks decreased

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

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Summary of Consolidated Financial Results

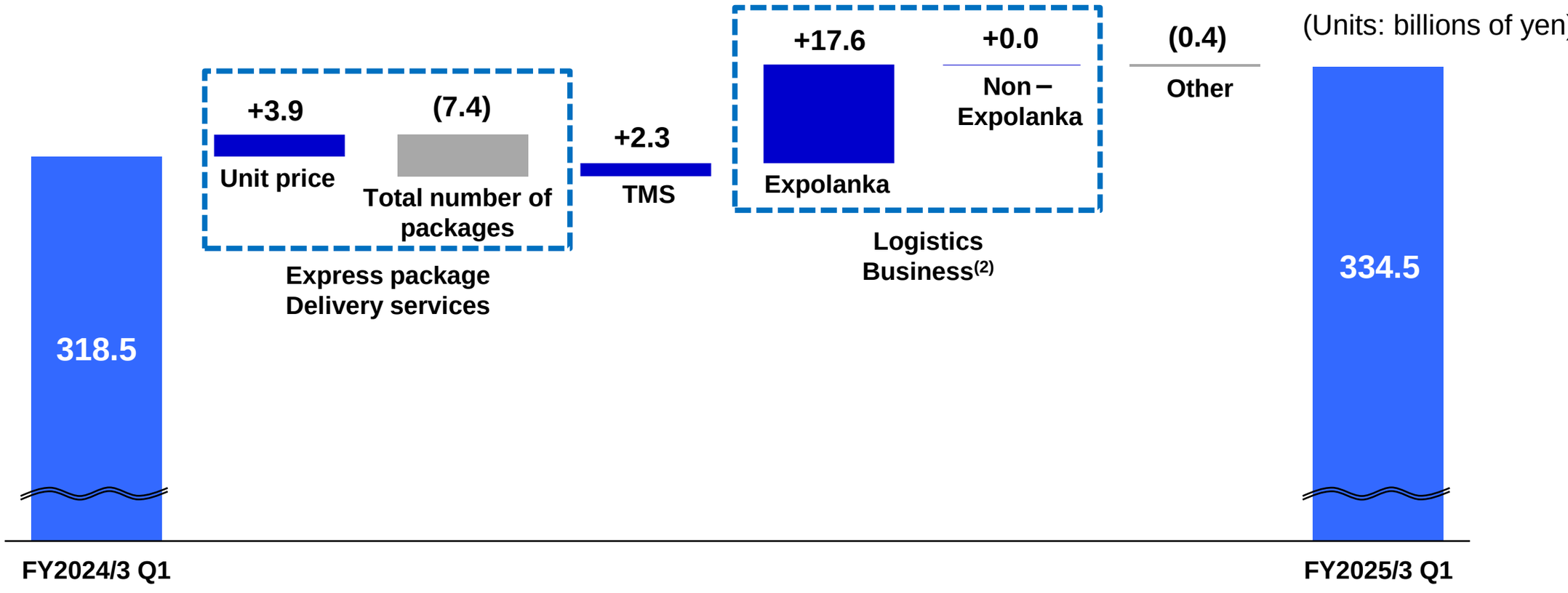
(Units: billions of yen)	FY2024/3 Q1	FY2025/3 Q1	YoY change	YoY (%)
Operating revenue	318.5	334.5	+ 16.0	105.0%
Operating income [Operating margin]	18.7 [5.9%]	19.5 [5.8%]	+ 0.7	104.1%
Ordinary income	18.6	19.4	+ 0.7	104.2%
Net income attributable to owners of the parent	11.8	12.4	+ 0.5	104.8%

[Reference] ROE(2) FY2025/3 Q1: 8.8% (same period of the previous year: 8.6%)

Notes (1) Amounts less than 100 million yen are rounded down. (2) ROE calculation method: Net income attributable to owners of the parent × 4 ÷ average equity capital during the period. (3) Results for the FY2024/3 are after the revision due to the finalization of the provisional accounting treatment for business combinations conducted in the third quarter of the previous fiscal year (and the same thereafter).

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Analysis of Changes in Operating Revenue



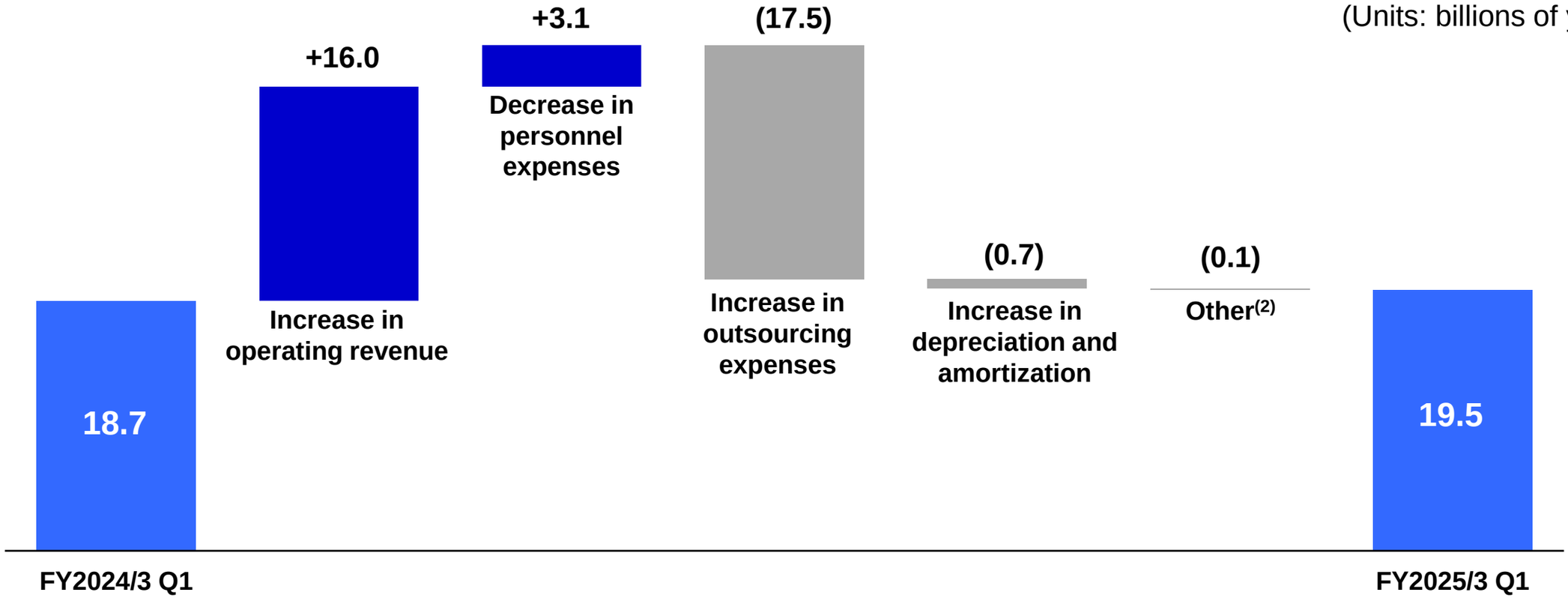
- Average unit price: 655 yen [+12 yen YoY]
- Total number of packages: 329 million packages [YoY 96.6%]
- TMS sales: 29.3 billion yen [YoY 108.9%]

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

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Analysis of Changes in Operating Income

(Units: billions of yen)



- Personnel expenses: Decrease in the number of packages, etc.
- Outsourcing expenses: Increase in Logistics Business revenue, Increase unit price of consignment for delivery business, etc.
- Depreciation and amortization: Acquisition of property, plant and equipment, etc.

Notes (1) Amounts less than 100 million yen are rounded down. (2) “Other” includes fuel expenses.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Results by Segment

(Units: billions of yen)

	FY2024/3 Q1	FY2025/3 Q1	YoY change	YoY (%)
Total operating revenue	318.5	334.5	+ 16.0	105.0%
Delivery Business	251.9	251.7	(0.1)	99.9%
Logistics Business	51.2	68.6	+ 17.3	133.9%
Real Estate Business	1.8	1.7	(0.0)	96.2%
Other Businesses	13.4	12.3	(1.1)	91.6%
Total operating income	18.7	19.5	+ 0.7	104.1%
Delivery Business	17.1	17.9	+ 0.8	104.8%
Logistics Business	(1.2)	0.0	+ 1.2	—
Real Estate Business	1.1	1.1	+ 0.0	103.0%
Other Businesses	1.1	0.3	(0.7)	32.6%
Adjustments	0.4	(0.0)	(0.5)	—

Breakdown of increase/decrease in operating income

- Delivery Business
  - Increase due to rise in average unit price and increase in TMS transactions, despite decrease in the number of packages and increase in subcontracting costs due to higher unit price of consignment, and other negative factors
- Logistics Business
  - Increased due to increase in air cargo volume and higher freight rates of Expolanka
- Other Businesses
  - Decrease due to sales decrease in new vehicles such as large trucks, etc.
- Adjustment
  - Advisory expenses for acquisition of C&F shares, etc.

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

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Consolidated Statement of Cash Flows

(Units: billions of yen)	FY2024/3 Q1	FY2025/3 Q1
Cash flows from operating activities	18.6	27.9
Cash flows from investing activities	(14.3)	(9.3)
Free cash flows[(2)]	4.2	18.5
Cash flows from financing activities	(28.4)	(21.1)
Net increase (decrease) in cash and cash equivalents	(21.0)	(0.5)
Cash and cash equivalents at the end of period	157.1	146.7

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.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Consolidated Balance Sheet

(Units: billions of yen)	FY2024/3	FY2025/3 Q1
Current assets	397.3	402.1
Cash and deposits	147.2	146.7
Accounts receivable and other receivables	189.9	189.3
Inventories	37.5	37.3
Other current assets	22.6	28.7
Non-current assets	499.6	503.7
Property, plant and equipment	387.9	391.1
Goodwill	8.3	8.4
Other non-current assets	103.3	104.1
Total assets	897.0	905.9

(Units: billions of yen)	FY2024/3	FY2025/3 Q1
Liabilities	306.7	348.7
Accounts payable	78.4	77.9
Interest-bearing debt	84.7	118.0
Other	143.5	152.7
Net assets	590.2	557.1
Portion attributable to owners of the parent	577.5	553.6
Non-controlling interests	12.7	3.5
Total liabilities and net assets	897.0	905.9
Equity ratio	64.4%	61.1%

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

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

1. Summary of results for FY2025/3 Q1 1–9

2. **Earnings forecast for FY2025/3** **10–14**

3. About Chilled & Frozen Logistics Holdings Co., Ltd. 15–26

4. Appendix 27–35

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Consolidated Earnings and Dividend Forecast

➢ No change from the previous forecast

(Units: billions of yen)

	FY2024/3 results	FY2025/3 earnings forecast (Announced on April 30, 2024)	YoY change	YoY (%)
Operating revenue	1,316.9	1,380.0	+ 63.0	105%
Operating income [Operating margin]	89.2 [6.8%]	96.0 [7.0%]	+ 6.7	108%
Ordinary income	90.8	97.0	+ 6.1	107%
Net income attributable to owners of the parent	58.2	64.5	+ 6.2	111%

(Units: yen)

Dividend per share	Interim	26	26	+ 1	—
	Year-end	25	26		
	Total	51	52		

Notes (1) Amounts less than 100 million yen are rounded down. (2) The impact of the acquisition of C&F shares in July 2024 on business performance is currently under scrutiny and is not included in the consolidated and segment forecasts (and the same thereafter).

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Earnings Forecast by Segment

➢ Revised only forecast by segment in light of current trend

(Units: billions of yen)

	FY2024/3 results	FY2025/3 previous earnings forecast (Announced on April 30, 2024)	FY2025/3 earnings forecast	YoY (%)	Difference from previous forecast	Comparison with previous forecast
Total operating revenue	1,316.9	1,380.0	1,380.0	105%	—	100%
Delivery Business	1,028.5	1,062.0	1,046.0	102%	(16.0)	98%
Logistics Business	219.7	246.0	256.0	116%	+ 10.0	104%
Real Estate Business	12.6	12.0	18.0	143%	+ 6.0	150%
Other Businesses	56.0	60.0	60.0	107%	—	100%
Total operating income	89.2	96.0	96.0	108%	—	100%
Delivery Business	81.5	82.0	82.0	101%	—	100%
Logistics Business	(4.8)	3.0	3.0	—	—	100%
Real Estate Business	7.1	7.0	7.0	98%	—	100%
Other Businesses	3.4	3.5	3.5	102%	—	100%
Adjustments	2.0	0.5	0.5	25%	—	100%

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

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Assumptions for the Consolidated Earnings Forecast

Earnings Forecast for FY2025/3

● **Express package delivery services, TMS**	➢ Average unit price	:	662 yen	[+14 yen YoY]	[No change]
	➢ Total number of packages	:	1.36 billion packages	[YoY: 99%]	[Difference from previous forecast -20 million packages]
	➢ TMS	:	120.0 billion yen	[YoY: 106%]	[No change]
● **Expolanka**	➢ Operating revenue	:	146.0 billion yen	[YoY: 128%]	[Difference from previous forecast +10.0 billion yen]
	➢ Operating income	:	100 million yen	[YoY: -]	[No change]
	➢ Volume	:	Air 120 kt	[YoY: 119%]	[Difference from previous forecast +10 kt]
			Ocean 170k TEU	[YoY: 114%]	[No change]
● **Operating expenses**	➢ Personnel expenses	:	437.0 billion yen	[YoY: 101%]	[Difference from previous forecast -11.0 billion yen]
	➢ Outsourcing expenses	:	638.5 billion yen	[YoY: 108%]	[Difference from previous forecast + 5.0 billion yen]
	➢ Depreciation and amortization	:	35.5 billion yen	[YoY: 101%]	[No change]
	➢ Other(2)	:	173.0 billion yen	[YoY: 104%]	[Difference from previous forecast + 6.0 billion yen]
● **Exchange rate**	➢ 1$=146 yen (From Q2 onward)				[No change]

Notes (1) Expolanka's earnings are based on IFRS accounting standards. (2) "Other" includes fuel expenses.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Consolidated Earnings Forecast (FY2025/3 H1)

➢ No change from the previous forecast

(Units: billions of yen)	FY2024/3 H1 results	FY2025/3 H1 earnings forecast (Announced on April 30, 2024)	YoY change	YoY (%)
Operating revenue	643.3	673.0	+ 29.6	105%
Operating income [Operating margin]	38.8 [6.0%]	39.5 [5.9%]	+ 0.6	102%
Ordinary income	39.4	40.0	+ 0.5	101%
Net income attributable to owners of the parent	25.4	26.0	+ 0.5	102%

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

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

1. Summary of results for FY2025/3 Q1 1–9

2. Earnings forecast for FY2025/3 10–14

3. About Chilled & Frozen Logistics Holdings Co., Ltd. 15–26

4. Appendix 27–35

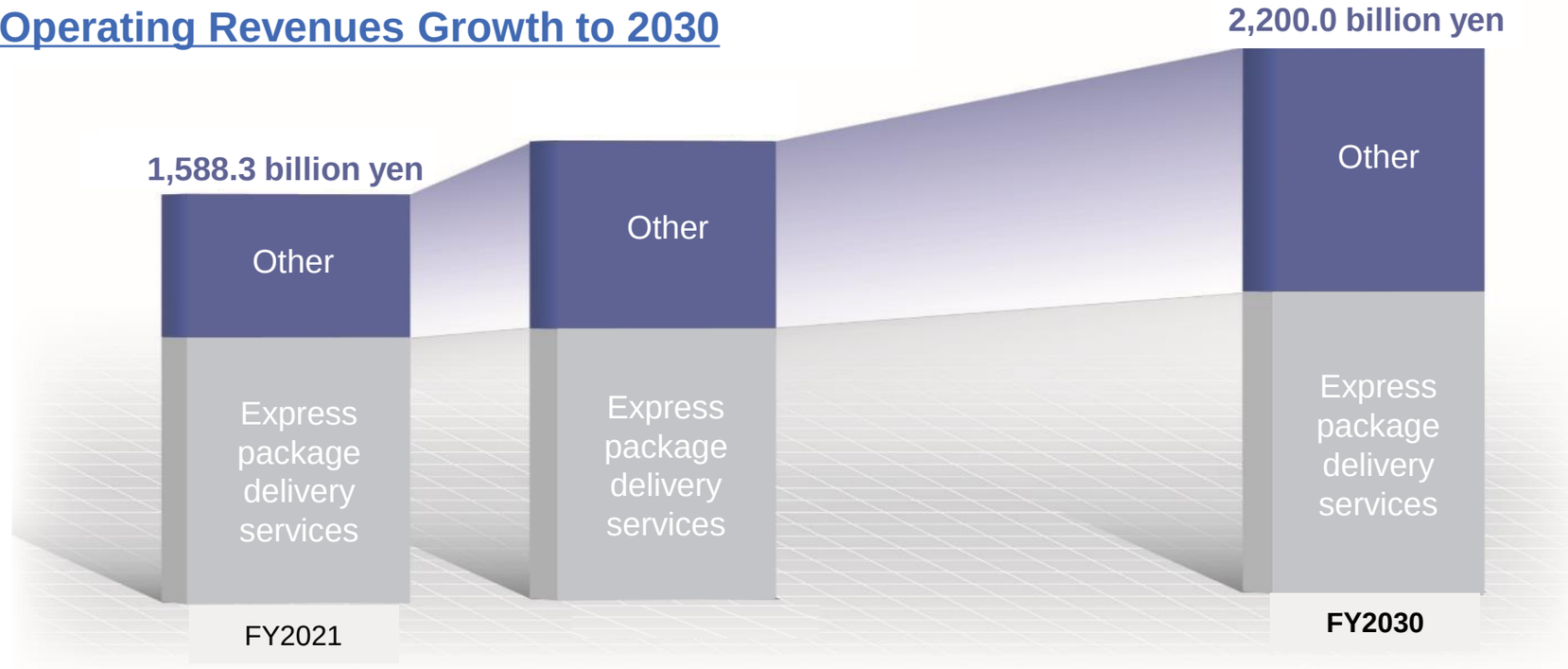
Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

SG Holdings Group Long-term Vision

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

Under the long-term vision, through not only utilizing the Company’s own strength, but also combining with the strengths of diverse partners not constrained by industry, we will jointly develop a new growth story enabling the creation of value linked to the future and the resolution of social issues.

Image of Operating Revenues Growth to 2030



Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Environmental Awareness and Growth Strategy

Awareness of the environment surrounding the Japanese logistics industry

- ✓ **Risk of being unable to transport**
- ✓ **Supply chain fragmentation risk**

■ Labor shortage, driver shortage
- Decreasing birthrate and aging population
- Regulations limiting overtime work (2024 problem(1))

■ Inflationary shift
- Rising personnel expenses
- Increasing energy costs
- Historically weak yen



- ✓ **Increasingly complex transportation needs**

- Diversification of products handled by customers
- Further global expansion of production sites and sales channels
- Need to respond to environmental issues

Strategy aimed at sustainable growth

Provision of total logistics

Coordinate the entire supply chain for our customers in order to respond to environmental changes and continue to meet their expectations

→Mainly provided by GOAL, SGH proposes a combination of logistics solutions that extend from upstream to downstream based on its customer base in the mainstay express package delivery business

Further enhancement of logistics solutions is required

Mid-term Management Plan Key Strategy:
Expansion of TMS/3PL networks and enhancement of ancillary solutions

July 2024
Acquired shares of Chilled & Frozen Logistics Holdings Co., Ltd. through tender offer

Note (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.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Overview of Chilled & Frozen Logistics Holdings Co., Ltd.

Company Overview

Established	October 2015
Head office location	Shinjuku-ku, Tokyo
Main operating companies	**Meito Transportation Co., Ltd.**: Mainly joint transportation of chilled beverages and food, logistics center management business **Hutech Norin Co., Ltd.**: Mainly storage and joint transportation of frozen foods
Consolidated operating revenue	116.028 billion yen(1)
Consolidated operating income	4.777 billion yen(1)
Consolidated employees	11,531 (including 4,103 drivers)(2)
Number of vehicles owned	2,872(1)
Sales offices in Japan and overseas	128(1)

Business Areas

Provision of attentive customer service and high-quality logistics services in the cold food logistics industry, centered on chilled and frozen logistics



TC business
(Transfer center business)

Business performing logistics center operations and transportation and delivery of low-temperature food **centered on chilled foods**



DC business
(Distribution center business)

Business integrating storage, loading and unloading, and transportation and delivery of **mainly frozen foods**

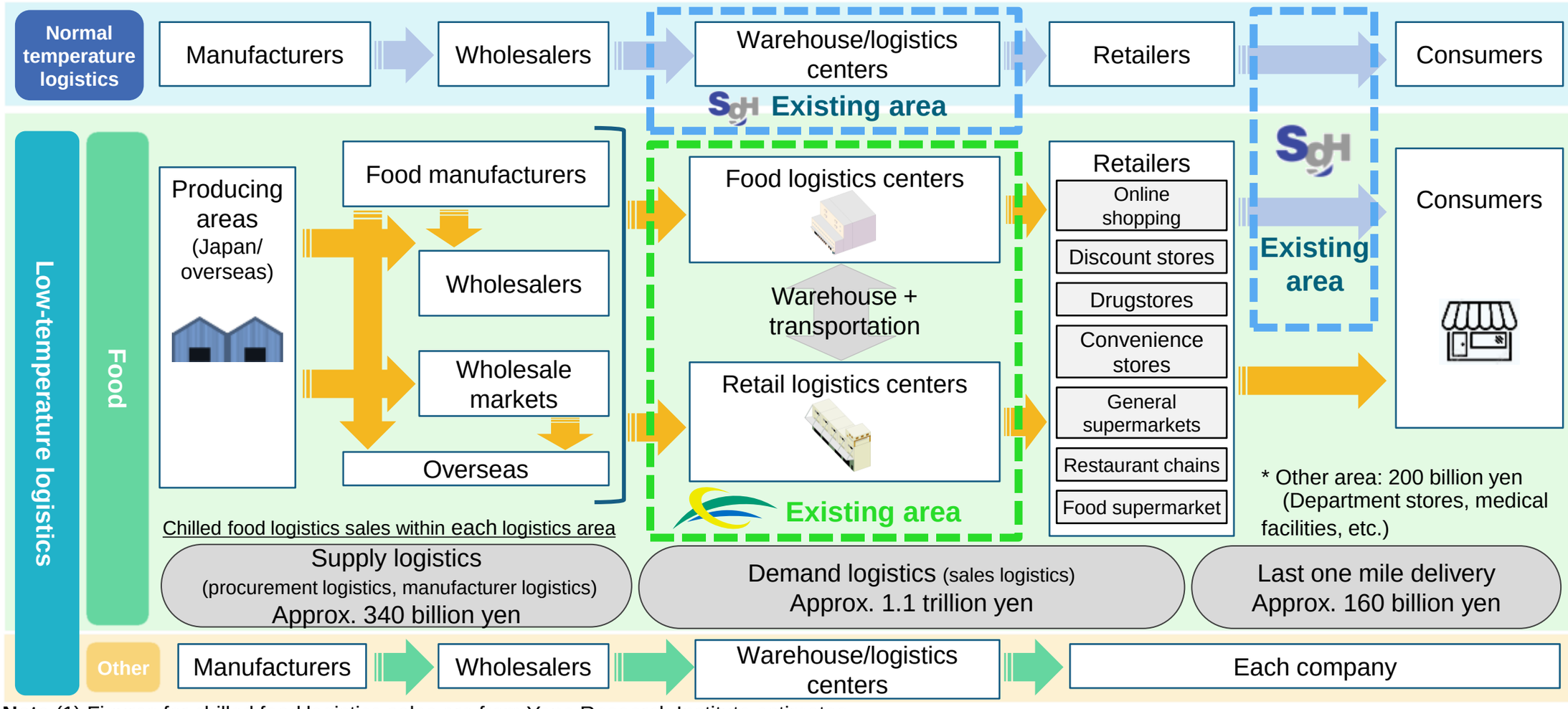
Notes (1) FY2024/3 results (2) Total of full-time employees, quasi-employees and others. As of March 31, 2024.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Business Areas of Both Companies

C&F: Midstream supply chain cold food logistics
SG Holdings: Last one mile delivery and logistics business at normal temperature

Mutually complementary relationship



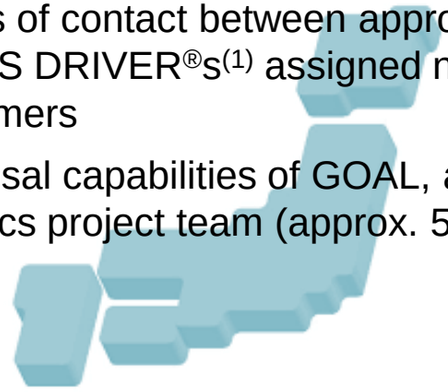
Note (1) Figures for chilled food logistics sales are from Yano Research Institute estimates.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Strengths of Both Companies and Creation of Synergies

Wide customer contact points and proposal capabilities

- Points of contact between approximately 25,000 SALES DRIVER®s(1) assigned nationwide and customers
- Proposal capabilities of GOAL, an advanced logistics project team (approx. 500 members)



×

Know-how, resources and assets for low-temperature logistics

- TC and DC center operation know-how for low-temperature food logistics
- Low-temperature logistics center construction know-how
- Resources and assets to support nationwide low-temperature logistics

[128 sales offices, approx. 2,800 vehicles, approx. 4,000 drivers]

Provision of low-temperature logistics solutions to SGH Group's customers by leveraging C&F's know-how and assets

+

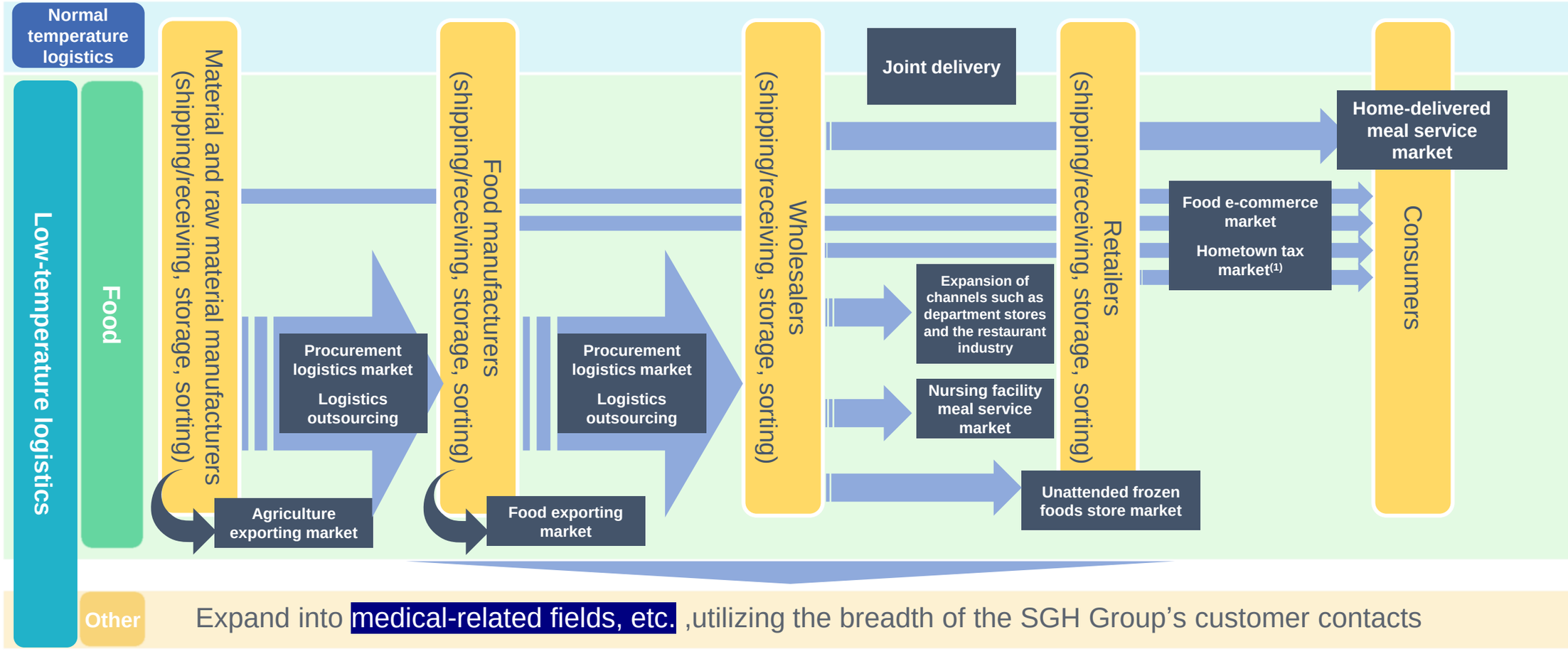
Development of new low-temperature logistics solutions, a new area for both companies

Note (1) SALES DRIVER is a registered trademarks of SG Holdings Co., Ltd.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Areas Where Synergies Can Be Achieved

Organically combining the strengths, knowledge, and assets of both companies to provide Japan's leading cold chain solutions to all players in the supply chain

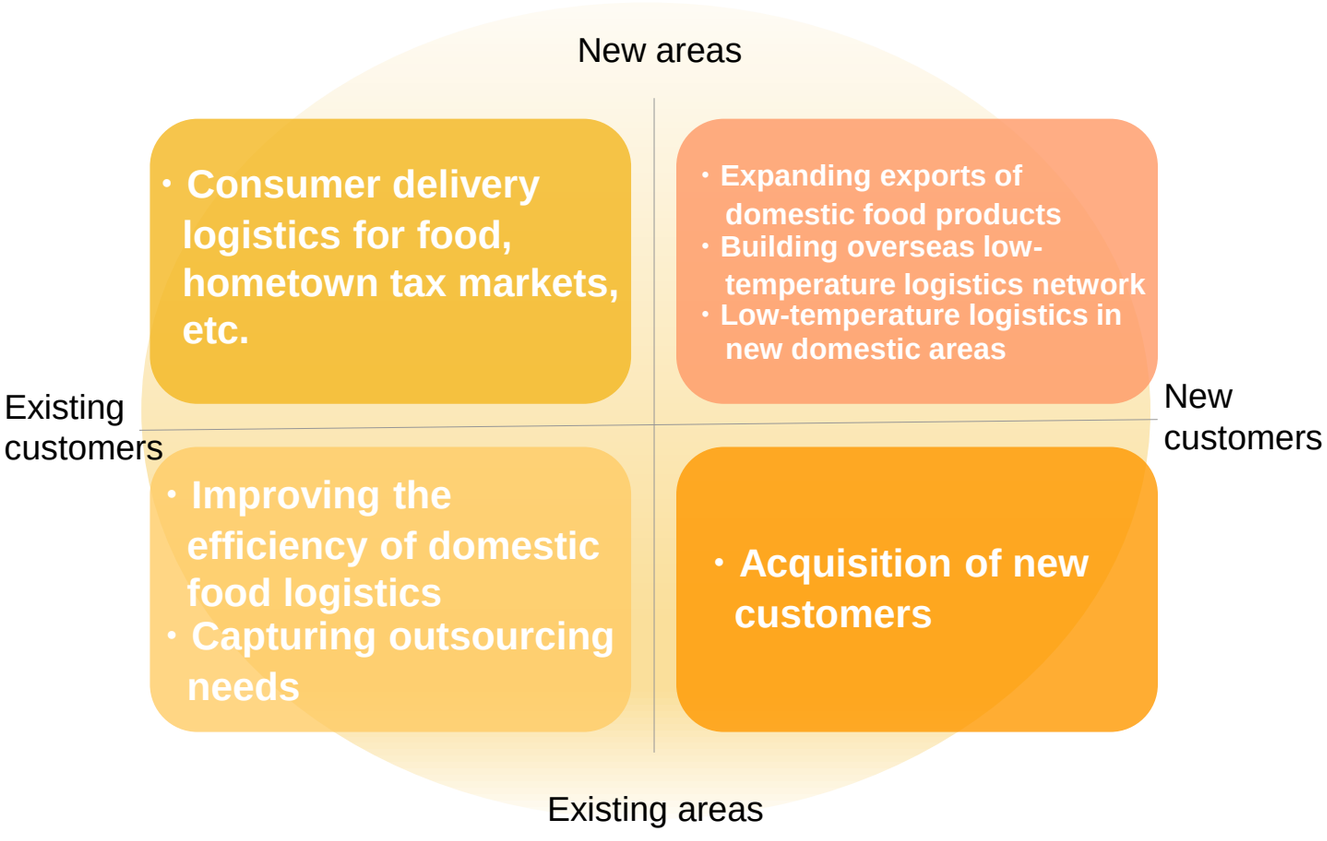


Note (1) Hometown tax donation program ("Furusato nozei" in Japanese) allows taxpayers to donate a portion of their taxes to local municipalities. In return, contributors receive local products and specialties.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Detail of Envisioned Synergies

(1) Sales Contribution to C&F



(2) Cost Contribution to C&F

- ✓ Optimization of organization through integration of duplicated functions
- ✓ Cost benefits from sharing vehicles, fuel, insurance, facility management, etc.
- ✓ Reduction of listing maintenance costs

(3) Sales Contribution to existing SGH companies

- ✓ Increase in the number of packages handled by Hikyaku Cool Express(1) delivery packages, which extends from handling frozen and refrigerated warehousing and transportation
- ✓ Sharing and enhancement of warehouse operation know-how
- ✓ Expansion of business opportunities for Group companies providing ancillary functions

Note (1) Hikyaku Cool Express is a registered trademarks of SG Holdings Co., Ltd. in Japanese.

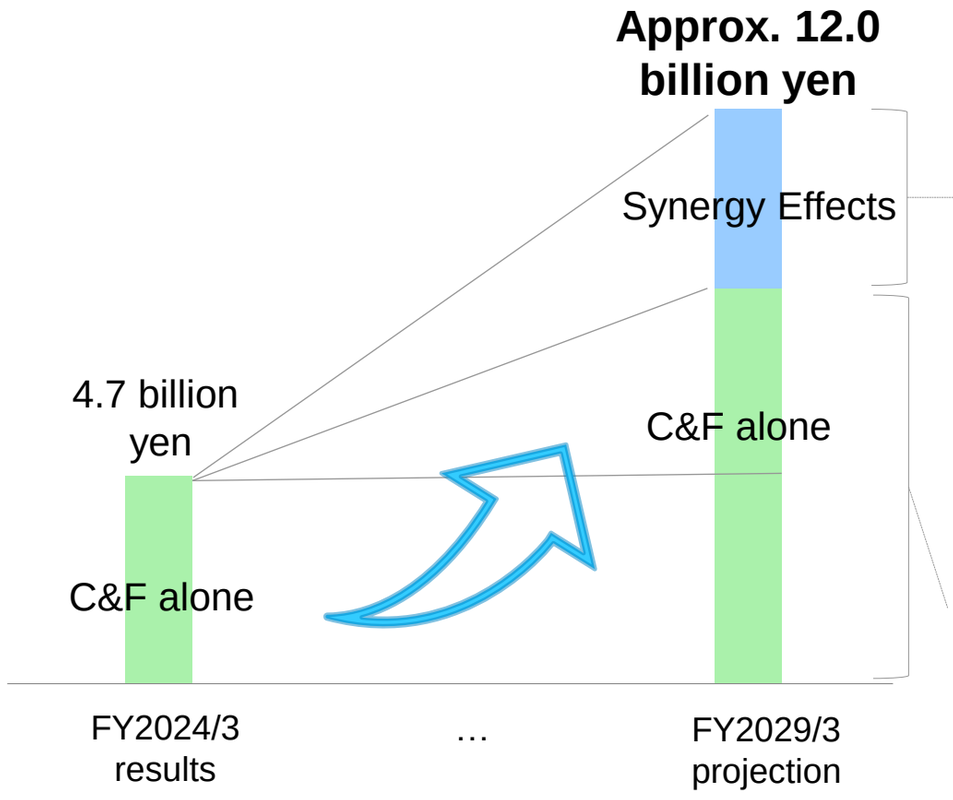
Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Synergies and C&F's Growth Potential

■ Image of C&F's Profit Growth Over the Next Five Years

C&F stand-alone business growth + synergy effects

(Image of C&F's operating income)



Synergy Effects

Category	Examples of Initiatives	FY2029/3 Profit Contribution
Existing customers x Existing areas	Outsourcing of manufacturers' in-house logistics Mutual referral of customers in Vietnam	+ 4.0 billion yen
Existing customers x New areas	Efforts to address the last one mile delivery of the food and hometown tax markets	
New customers x Existing areas	Start of provision of services to SGH Group's customers	
New customers x New areas	Expansion into the medical (pharmaceutical) logistics area Initiatives for exports of domestic foods	
Cost effect	Elimination of duplicated functions, reduction of listing maintenance costs, cost optimization through joint purchasing, etc.	

Business Growth of C&F Alone

Category	Examples of Initiatives	FY2029/3 Profit Contribution
Existing growth	Deepening needs of existing customers Growth of domestic and overseas customers	+ 3.5 billion yen
Receipt of appropriate tariffs	Cost management and unit price negotiation	

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Post Merger Integration(PMI) System

A PMI system is already in place. Key person for each theme have started working together to create synergies



Formation of PMI Promotion Team

- Establishment of a framework to consider accelerating synergies in sales and marketing
- Confirmation of both companies' business sites and selection of target customers
- Developing plans for new investments, location concepts, and integration of existing facilities in accordance with client needs
- Examination of proposals to create synergies in logistics ancillary services
- Consideration of integration policy for human resources, accounting, systems, etc.
- Cost reductions and streamlining of administrative costs through joint purchasing

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Background and Process

Aug. 2022	Started transactions between Sagawa Express and Meito Transportation One year after transactions began, volume grew 2.5 times. High affinity was recognized
Mar. 2024	Started dialogue on personnel exchange between the two companies AZ-COM MARUWA Holdings Inc. commenced tender offer for shares of C&F Logistics Holdings
Apr. - May	SG Holdings began considering tender offer for shares of C&F Logistics Holdings
May 31	Announced tender offer
Jun.	Tender offer period (June 3 - July 12)
Jul.	Tender offer succeeded **PMI kick-off**

C&F is planned to be reflected in consolidated financial results from October

[Reference] Approval flow up to execution of M&A (investment projects)

- Review and discussion by practical personnel
  ↓
- Discussion in Investment Committee
  (Directors including Outside Directors, Full-time Audit & Supervisory Board Members)
  ... Discussion of strategic significance, quantitative and qualitative effects, financial impact, etc. in light of capital investment guidelines (including hurdle rates)
  ↓
- Approval by the Board of Directors

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Purchase Price and Funding for Execution of the Transaction

Purchase Price and Funding

- Purchase price: Approx. 120.0 billion yen
- Funding: Loan
  → Impact on equity ratio after execution: approx. -7 pp(2)
- Dividends: No revision of dividend forecast
  (full year: 52 yen per share)

[Reference] Major investments in FY2025/3 (outlook)

Real estate and facility investment	: 33.0 billion yen
Vehicle investment	: 19.0 billion yen
IT investment	: 7.0 billion yen
Capital investment <New>	:120.0 billion yen

[Reference] Overview of the Tender Offer

Purchaser	SG Holdings Co., Ltd.
Target company	Chilled & Frozen Logistics Holdings Co., Ltd.
Target shares	Common shares
Number acquired	18,287,006 shares (84.83% ownership after acquisition)(3)
Purchase price	5,740 yen per share
Purchase period	Monday, June 3, 2024 to Friday, July 12, 2024 (start of settlement on July 22, 2024)

Notes (1) Amounts less than 100 million yen are rounded down. (2) Estimated considering loan associated with the purchase on the balance sheet as of June 30, 2024.
(3) The Company plans to increase its ownership to 100% by around October, 2024 through the implementation of a squeeze-out procedure.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

1. Summary of results for FY2025/3 Q1 1–9

2. Earnings forecast for FY2025/3 10–14

3. About Chilled & Frozen Logistics Holdings Co., Ltd. 15–26

4. **Appendix** **27–35**

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

External Environment

Domestic Logistics Market

- The number of packages are expected to recover as wage hikes become established and consumer spending supported by the effects of the government’s comprehensive economic stimulus measures taking hold. However, real consumption continues to be weak with the current negative trend in real wages
- Against the backdrop of the above, demand for express package delivery services continues to be weak and the competitive environment is partially intensifying
- Ongoing cost increases are expected in response to the 2024 problem, rising prices and labor costs, etc.

International Logistics Market

- Disruption in ocean transportation by avoiding the Red Sea and Suez Canal, and a shift to air transportation, as well as higher ocean and air freight rates due to these factors

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Summary of Consolidated Financial Results

(Units: billions of yen)

	FY2024/3 Q1	FY2025/3 Q1	YoY change	YoY (%)
Operating revenue	318.5	334.5	+ 16.0	105.0%
Operating expenses	299.7	315.0	+ 15.2	105.1%
Personnel expenses	109.5	106.4	(3.1)	97.1%
Outsourcing expenses	142.2	159.8	+ 17.5	112.4%
Fuel expenses	3.0	3.1	+ 0.0	102.6%
Depreciation and amortization	8.3	9.0	+ 0.7	108.5%
Other expenses	36.5	36.5	(0.0)	100.0%
Operating income [Operating margin]	18.7 [5.9%]	19.5 [5.8%]	+ 0.7	104.1%
Ordinary income	18.6	19.4	+ 0.7	104.2%
Net income attributable to owners of the parent	11.8	12.4	+ 0.5	104.8%

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

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Delivery Business - Summary of Financial Results

(Units: billions of yen)

	FY2024/3 Q1	FY2025/3 Q1	YoY change	YoY (%)
Operating revenue	251.9	251.7	(0.1)	99.9%
Operating expenses	246.6	244.4	(2.2)	99.1%
Personnel expenses	91.3	86.9	(4.3)	95.2%
Outsourcing expenses	120.7	123.1	+ 2.3	102.0%
Fuel expenses	3.0	3.0	+ 0.0	102.0%
Depreciation and amortization	5.3	5.8	+ 0.4	108.5%
Other expenses	26.1	25.3	(0.8)	96.8%
Operating income [Operating margin]	17.1 [6.8%]	17.9 [7.1%]	+ 0.8	104.8%

Notes (1) Amounts less than 100 million yen are rounded down. (2) Operating revenue is presented as "operating revenue from external customers". Operating expenses show operating expenses to total segment operating revenue, including “intersegment operating revenue and transfers”.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Results of Expolanka

(Units: billions of yen)	FY2024/3 Q1	FY2025/3 Q1	YoY change	YoY (%)
Operating revenue	24.4	42.1	+ 17.6	172.5%
Operating costs	19.4	35.3	+ 15.9	181.8%
Operating gross profit	4.9	6.7	+ 1.8	136.4%
Selling, general and administrative expenses	6.9	7.4	+ 0.4	106.6%
Operating income	(2.0)	(0.6)	+ 1.3	—
Air volume (kt)(2)	21	33	+ 11	153.9%
Ocean volume (kTEU)(2)	40	33	(7)	81.5%
[Reference] Exchange rate (1$/yen)(3)	137.37	155.88	—	113.5%

Notes (1) Amounts less than 100 million yen are rounded down. (2) Rounded down to the nearest whole number. (3) Average rate for the quarter (Cumulative AR)
(4) Operating revenue is presented as "operating revenue from external customers". Operating expenses show operating expenses to total segment operating revenues, including “group internal operating revenue”.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Consolidated Statement of Cash Flows - General Breakdown

FY2025/3 Q1

(Units: billions of yen)

• Cash flows from operating activities	27.9
Major components:	
Income before income taxes	19.4
Depreciation and amortization	8.9
Amortization of goodwill	0.5
Net changes in accrued bonuses	8.1
Foreign exchange losses (gains)	1.1
Net changes in trade notes and accounts receivable	3.1
Net changes in trade notes and accounts payable	(1.8)
Net changes in deposits received	(3.0)
Net changes in accrued expenses	1.6
Net changes in accrued consumption taxes	5.3
Income taxes paid	(12.2)

• Cash flows from investing activities	(9.3)
Major components:	
Purchases of property, plant and equipment	(7.1)
Purchases of intangible assets	(1.4)
• Cash flows from financing activities	(21.1)
Major components:	
Net changes in short-term bank loans	34.2
Repayment of long-term bank loans	(4.5)
Repayments of lease obligations	(2.2)
Additional purchase of shares of Expolanka	(33.4)
Cash dividends paid	(15.8)

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

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Status of Products and Services

Delivery Business: Status of number of packages and unit price

(Units: millions of packages, yen)

	FY2024/3 Q1	FY2025/3 Q1	YoY change	YoY (%)
Total number of packages	341	329	(11)	96.6%
Hikyaku Express[2][4]	329	318	(11)	96.6%
Other[3]	11	11	(0)	96.8%
Average unit price	643	655	+ 12	101.8%

[Reference] FY2025/3 Q1 YoY change in weekdays: Weekdays ±0, Saturdays ±0, Sundays and holidays ±0

Status of TMS

(Units: billions of yen)

	FY2024/3 Q1	FY2025/3 Q1	YoY change	YoY (%)
Sales	26.9	29.3	+ 2.3	108.9%

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 and Hikyaku Large Size Express are registered trademarks of SG Holdings Co., Ltd. in Japanese.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Status of Employees, Vehicles and Locations

(Units: employees, vehicles, locations)		FY2024/3	FY2025/3 Q1	Change from the end of the previous year
Total number of employees [number of partner employees(1) within]		93,403 [41,094]	94,187 [41,376]	+ 784 [+ 282]
	Delivery Business	73,751 [31,549]	74,879 [32,373]	+ 1,128 [+ 824]
	Logistics Business	14,805 [7,368]	14,678 [7,123]	(127) [(245)]
	Real Estate Business	97 [2]	98 [2]	+ 1 [−]
	Other Businesses	4,049 [1,983]	3,823 [1,686]	(226) [(297)]
	Corporate (common)	701 [192]	709 [192]	+ 8 [−]
Sagawa Express	**Number of vehicles**	25,992	25,866	(126)
	Number of major locations	847	838	(9)
	Transfer centers	22	22	−
	Sales offices	427	427	−
	Small stores(2)	398	389	(9)

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

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

Growth Potential of Markets Where Synergies with C&F Are Anticipated

Food E-commerce/Last one mile delivery

■ **Food e-commerce: CAGR/11.3%** (2016-2022)
- Market size: **2,750.6 billion yen** (as of 2022)
- Growing to approx. 5 trillion yen market in 5 years

Source: Ministry of Economy, Trade and Industry “Survey on Current State of E-Commerce” (Market size in 5 years is estimated by SGH)

▶**Hometown tax payment: CAGR/22.6%** (2016-2022)
- Tax payment scale: **965.4 billion yen** (as of 2022)
- Growing to approx. 2 trillion yen market in 5 years

Source: An estimate by SGH based on Ministry of Internal Affairs and Communications “FY2023 Survey on the Current Status of Hometown Tax”

▶**Home-delivery meal services: CAGR/9.5%**
- Market size: **178.0 billion yen** (as of 2023)
- Growing to approx. 230.0 billion yen market in 5 years

Source: Yano Research Institute (Market size in 5 years is estimated by SGH)

Corporate Logistics Market

■ **Nursing facility meals: CAGR/3.2%** (2018-2022)
- Market size: **752.7 billion yen** (as of 2023)
- Growing to approx. 900 billion yen market in 5 years

Source: Estimated by SGH based on Yano Research Institute

■ **Department stores: CAGR/2.3%** (2022-2028)
- Market size: **4,981.2 billion yen** (as of 2022)
- Growing to approx. 5.7 trillion yen market in 5 years

Source: Yano Research Institute

■ **Specialty drug market**
- Market size: **3,818.1 billion yen** (as of 2023)

Specialty drug have grown to account for more than 35% of the total domestic ethical drug market

Source: Estimated by SGH based on “Nihon Chouzai Group Integrated Report 2023”

Japanese Food Exports

■ **Agricultural and fishery products markets: CAGR/19%** (2023-2030)
- Market size: **1,040.3 billion yen** (as of 2023)
- Growing to approx. 5 trillion yen market by 2030

Source: Ministry of Agriculture, Forestry and Fisheries (MAFF) “Overview of Agricultural, Forestry, and Fishery Products Imports and Exports”. Market size in 2030 is the target value published by MAFF

Outsourcing of Domestic Food Logistics

■ **Low temperature food processing market: CAGR/0.8%** (2016-2022)
- Market size: **14.1 trillion yen** (as of 2022)
- Growing to approx. 16.2 trillion yen market by 2028
- In the manufacturing industry, the ratio of in-house logistics outsourced to specialized logistics providers is forecast to increase by **6%** over the next five years from **78.3%**

Source: Yano Research Institute, Japan Institute of Logistics Systems (Market size in 2028 is estimated by SGH)

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.

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.

Copyright © 2024 SG HOLDINGS CO., LTD. All Rights Reserved.