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

# SG Holdings Co., Ltd.

# Results Presentation for FY2025/3 Q2

November 8, 2024

1. **Summary of results for FY2025/3 Q2** **1–9**

2. Earnings forecast for FY2025/3 10–15

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# Financial Highlights

- Consolidated financial results in the first half 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
    Expolanka, which operates a forwarding business, performed well
  - Operating income : While income increased in Expolanka, the income decreased in the Delivery Business due to a decrease in the number of packages, etc.

- The full-year earnings forecast has been revised from the previous forecast, **with operating revenue revised upwards and operating income revised downwards.** Year on year, **revenue and income are forecast to increase**
  - Delivery Business : (↘) The forecast for the number of packages was lowered from 1.36 billion to 1.32 billion
  - Logistics Business : (↗) Upward revision of Expolanka forecast
    Forecast of Chilled & Frozen Logistics Holdings Co., Ltd. (C&F) is taken into account
  - Real Estate Business : (↗) Reflects the proceeds from the sale of real estate holdings carried out in the second quarter
  - Other Businesses : (↘) Considers the decrease in BPO transactions and the trend of decreasing new car sales, such as large trucks
- Topics
  - C&F's performance has been consolidated into the Logistics Business since October. For PMI systems and examples of synergies, see pages 16 to 19
  - For the Direction of the next Mid-term Management Plan, see pages 20 to 28

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# Overview of Results

## Delivery Business

- The total number of packages decreased in both BtoB and BtoC due to factors such as the stagnation in the improvement of consumer sentiment against the backdrop of rising prices, and the competitive environment is becoming more intense, even though overall demand for express package delivery services has not recovered
- 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-based sales by GOAL®(2), etc.
- There is an upward trend in costs related to securing resources for the sustained and stable provision of services, such as an increase in the unit price of consignment

## 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. In addition, the factors such as the advance of shipments of ocean transport caused by concerns about the difficulty of negotiations between labor and management at North American ports(3) has also affected both ocean and air tariffs. With this effect, the volume of ocean and air cargo has increased

## Real Estate Business

- Real estate holdings were sold in the second quarter. The real estate securitization scheduled for the second half of the year is expected to be implemented as planned

## Other Businesses

- BPO transactions decreased, 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. (3) The labor-management negotiations for North American ports concluded in October 2024. The impact on performance from the third quarter onwards is expected to be minimal.

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# Summary of Consolidated Financial Results

| (Units: billions of yen) | FY2024/3 H1 | FY2025/3 H1 | YoY change | YoY (%) | FY2025/3 H1 previous earnings forecast (Announced on April 30, 2024) | Comparison with previous forecast |
|---|---|---|---|---|---|---|
| Operating revenue | 643.3 | 708.0 | + 64.6 | 110.0% | 673.0 | 105.2% |
| Operating income [Operating margin] | 38.8 [ 6.0% ] | 39.1 [ 5.5% ] | + 0.2 | 100.7% | 39.5 [ 5.9% ] | 99.1% |
| Ordinary income | 39.4 | 38.7 | (0.6) | 98.2% | 40.0 | 96.9% |
| Net income attributable to owners of the parent | 25.4 | 25.4 | + 0.0 | 100.0% | 26.0 | 98.0% |

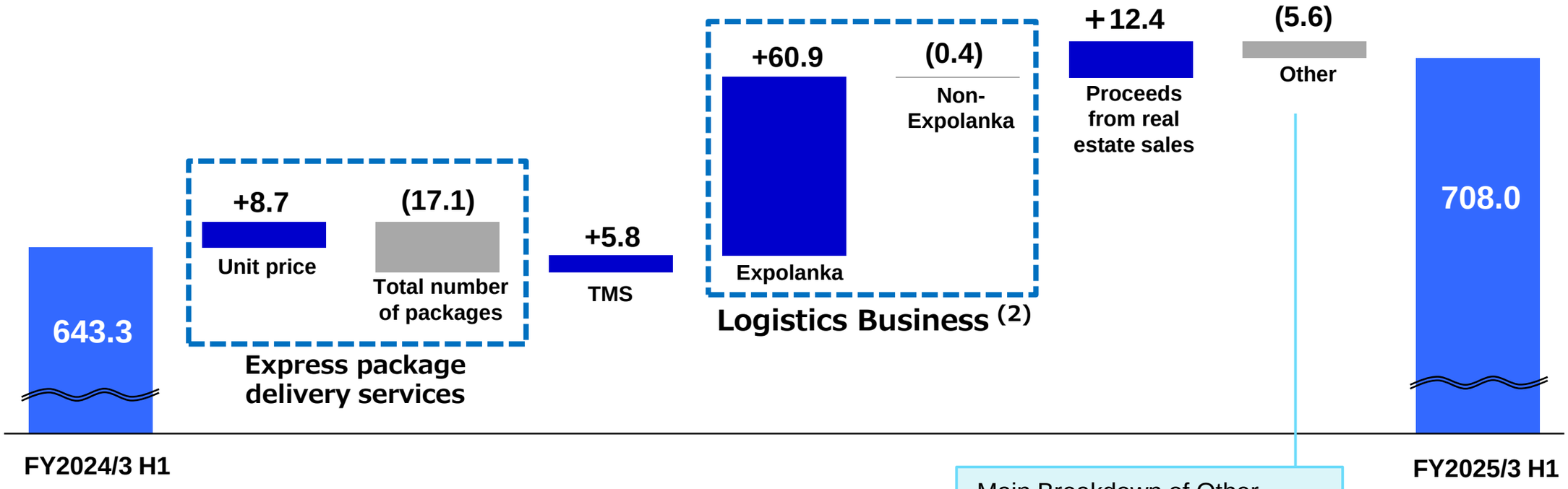
[Reference] ROE(2) FY2025/3 H1: 9.0% (same period of the previous year: 9.2%)

**Notes** (1) Amounts less than 100 million yen are rounded down. (2) ROE calculation method: Net income attributable to owners of the parent × 2 ÷ 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). (4) Only the balance sheet for C&F, which was acquired in the first half of this fiscal year, has been consolidated, and it is not included in consolidated financial results (and the same thereafter).

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# Analysis of Changes in Operating Revenue

(Units: billions of yen)




- Average unit price: 658 yen [+13 yen YoY]
- Total number of packages: 652 million packages [YoY 96.1%]
- TMS sales: 60.4 billion yen [YoY 110.8%]

Main Breakdown of Other
- Other Businesses (2.9)
- Delivery Business (2.6)

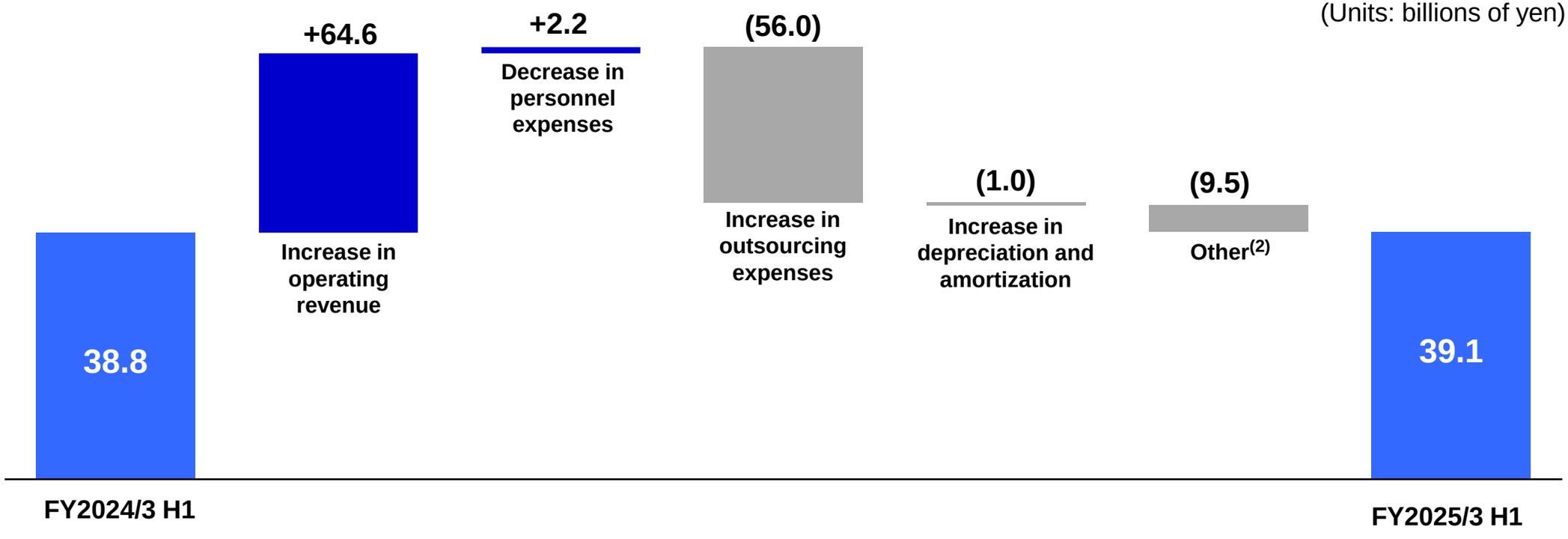
(excluding unit price, total number of packages and TMS)

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

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# Analysis of Changes in Operating Income

(Units: billions of yen)




- Personnel expenses: Cost decrease due to the decline 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.
- Other: Increase in costs of real estate sales, etc.

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

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# Results by Segment

(Units: billions of yen)

| | FY2024/3 H1 | FY2025/3 H1 | YoY change | YoY (%) | Breakdown of increase/decrease in operating income |
|---|---|---|---|---|---|
| **Total operating revenue** | 643.3 | 708.0 | + 64.6 | 110.0% | • Delivery Business<br>- While the average unit price rose and TMS sales increased, the number of packages decreased. In addition, income decreased due to factors such as an increase in outsourcing costs caused by an increase in the unit price of consignment<br><br>• Logistics Business<br>- Increase due to increase in cargo volume and higher freight rates of Expolanka<br><br>• Real Estate Business<br>- Increase due to the sale of real estate holdings<br><br>• Other Businesses<br>- Decrease due to a decrease in BPO transactions, a decrease in sales of new vehicles such as large trucks<br><br>• Adjustments<br>- Advisory expenses for acquisition of C&F shares, etc. |
| Delivery Business | 504.9 | 500.4 | (4.5) | 99.1% | |
| Logistics Business | 106.3 | 166.1 | + 59.8 | 156.3% | |
| Real Estate Business | 3.8 | 16.1 | + 12.3 | 422.7% | |
| Other Businesses | 28.3 | 25.3 | (2.9) | 89.4% | |
| **Total operating income** | 38.8 | 39.1 | + 0.2 | 100.7% | |
| Delivery Business | 34.5 | 29.4 | (5.0) | 85.4% | |
| Logistics Business | (1.4) | 3.4 | + 4.8 | — | |
| Real Estate Business | 2.3 | 5.3 | + 3.0 | 232.6% | |
| Other Businesses | 2.3 | 1.1 | (1.1) | 48.7% | |
| Adjustments | 1.1 | (0.3) | (1.4) | — | |

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

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# Consolidated Statement of Cash Flows

| (Units: billions of yen) | FY2024/3 H1 | FY2025/3 H1 |
|---|---|---|
| Cash flows from operating activities | 25.3 | 51.9 |
| Cash flows from investing activities | (25.5) | (109.2) |
| Free cash flows(2) | (0.2) | (57.2) |
| Cash flows from financing activities | (46.9) | 42.5 |
| Net increase (decrease) in cash and cash equivalents | (42.8) | (15.6) |
| Cash and cash equivalents at the end of period | 135.3 | 131.5 |

**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.
(3) Consolidated cash flows partially include the impact of newly consolidated C&F in the first half of the fiscal year.

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# Consolidated Balance Sheet

| (Units: billions of yen) | FY2024/3 | FY2025/3 Q2 |
|---|---|---|
| Current assets | 397.3 | 390.7 |
| Cash and deposits | 147.2 | 131.5 |
| Accounts receivable and other receivables | 189.9 | 207.7 |
| Inventories | 37.5 | 28.1 |
| Other current assets | 22.6 | 23.2 |
| Non-current assets | 499.6 | 640.1 |
| Property, plant and equipment | 387.9 | 454.1 |
| Goodwill | 8.3 | 72.0 |
| Other non-current assets | 103.3 | 114.0 |
| Total assets | 897.0 | 1,030.9 |

| (Units: billions of yen) | FY2024/3 | FY2025/3 Q2 |
|---|---|---|
| Liabilities | 306.7 | 459.7 |
| Accounts payable | 78.4 | 86.3 |
| Interest-bearing debt | 84.7 | 211.7 |
| Other | 143.5 | 161.6 |
| Net assets | 590.2 | 571.1 |
| Portion attributable to owners of the parent | 577.5 | 559.7 |
| Non-controlling interests | 12.7 | 11.4 |
| Total liabilities and net assets | 897.0 | 1,030.9 |
| Equity ratio | 64.4% | 54.3% |

**Notes** (1) Amounts less than 100 million yen are rounded down. (2) Assets and liabilities increased significantly due to the impact of newly consolidated C&F in the first half of the fiscal year. (3) As of the end of the second quarter, our company's voting rights ratio for C&F is 84.83%.

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# Consolidated Earnings and Dividend Forecast

- **We have revised the forecast for operating revenue upwards and operating income downwards in light of the current trend**
  **The dividend forecast is maintained with an increase of 1 yen**

(Units: billions of yen)

| | FY2024/3 results | FY2025/3 previous earnings forecast (Announced on April 30, 2024) | FY2025/3 earnings forecast | YoY change | YoY (%) | Difference from previous forecast | Comparison with previous forecast |
|---|---|---|---|---|---|---|---|
| Operating revenue | 1,316.9 | 1,380.0 | 1,470.0 | + 153.0 | 112% | + 90.0 | 107% |
| Operating income<br>[Operating margin] | 89.2<br>[ 6.8% ] | 96.0<br>[ 7.0% ] | 90.0<br>[ 6.1% ] | + 0.7 | 101% | (6.0) | 94% |
| Ordinary income | 90.8 | 97.0 | 91.0 | + 0.1 | 100% | (6.0) | 94% |
| Net income attributable to owners of the parent | 58.2 | 64.5 | 60.0 | + 1.7 | 103% | (4.5) | 93% |

(Units: yen)

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

**Notes** (1) Amounts less than 100 million yen are rounded down. (2) The consolidated results for the full year include the results forecast for C&F for the period from October 1, 2024 to March 31, 2025(and the same thereafter). (3) The amortization of goodwill is calculated based on the amount of goodwill that has been provisionally recorded because the allocation of acquisition costs in the amount of goodwill that arose on the acquisition of C&F's shares has not been completed as of the end of the current interim consolidated accounting period(and the same thereafter).

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# Earnings Forecast by Segment

## ➢ C&F is classified into the Logistics Business

(Units: billions of yen)

| | FY2024/3 results | FY2025/3 previous earnings forecast (Announced on July 26, 2024) | FY2025/3 earnings forecast | YoY change | YoY (%) | Difference from previous forecast | Comparison with previous forecast |
|---|---|---|---|---|---|---|---|
| **Total operating revenue** | 1,316.9 | 1,380.0 | 1,470.0 | + 153.0 | 112% | + 90.0 | 107% |
| Delivery Business | 1,028.5 | 1,046.0 | 1,024.0 | (4.5) | 100% | (22.0) | 98% |
| Logistics Business | 219.7 | 256.0 | 370.0 | + 150.2 | 168% | + 114.0 | 145% |
| Real Estate Business | 12.6 | 18.0 | 24.0 | + 11.3 | 190% | + 6.0 | 133% |
| Other Businesses | 56.0 | 60.0 | 52.0 | (4.0) | 93% | (8.0) | 87% |
| **Total operating income** | 89.2 | 96.0 | 90.0 | + 0.7 | 101% | (6.0) | 94% |
| Delivery Business | 81.5 | 82.0 | 74.0 | (7.5) | 91% | (8.0) | 90% |
| Logistics Business | (4.8) | 3.0 | 5.0 | + 9.8 | — | + 2.0 | 167% |
| Real Estate Business | 7.1 | 7.0 | 10.0 | + 2.8 | 140% | + 3.0 | 143% |
| Other Businesses | 3.4 | 3.5 | 2.0 | (1.4) | 59% | (1.5) | 57% |
| Adjustments | 2.0 | 0.5 | (1.0) | (3.0) | — | (1.5) | — |

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

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# Assumptions for the Consolidated Earnings Forecast

| | | | | | |
|---|---|---|---|---|---|
| ● **Express package delivery services, TMS** | ➢ Average unit price | : | 662 yen | [+14 yen YoY] | [No change] |
| | ➢ Total number of packages | : | 1.32 billion packages | [YoY: 96%] | [Difference from previous forecast -40 million packages] |
| | ➢ TMS | : | 120.0 billion yen | [YoY: 106%] | [No change] |
| ● **Expolanka** | ➢ Operating revenue | : | 201.0 billion yen | [YoY: 176%] | [Difference from previous forecast +55.0 billion yen] |
| | ➢ Operating income | : | 2.0 billion yen | [YoY: - ] | [Difference from previous forecast +1.9 billion yen] |
| | ➢ Volume | : | Air 140 kt | [YoY: 139%] | [Difference from previous forecast +20 kt] |
| | | | Ocean 170k TEU | [YoY: 114%] | [No change] |
| ● **C&F**(2) | ➢ Operating revenue | : | 59.0 billion yen | [YoY: - ] | [New] |
| | ➢ Operating income | : | 2.3 billion yen | [YoY: - ] | [New] |
| ● **Operating expenses** | ➢ Personnel expenses | : | 453.0 billion yen | [YoY: 104%] | [Difference from previous forecast +16.0 billion yen] |
| | ➢ Outsourcing expenses | : | 710.0 billion yen | [YoY: 120%] | [Difference from previous forecast +71.5 billion yen] |
| | ➢ Depreciation and amortization | : | 40.0 billion yen | [YoY: 114%] | [Difference from previous forecast +4.5 billion yen] |
| | ➢ Other(3) | : | 177.0 billion yen | [YoY: 106%] | [Difference from previous forecast +4.0 billion yen] |
| ● **Exchange rate** | ➢ 1$=146 yen (FY2025/3 H2) | | | | [No change] |

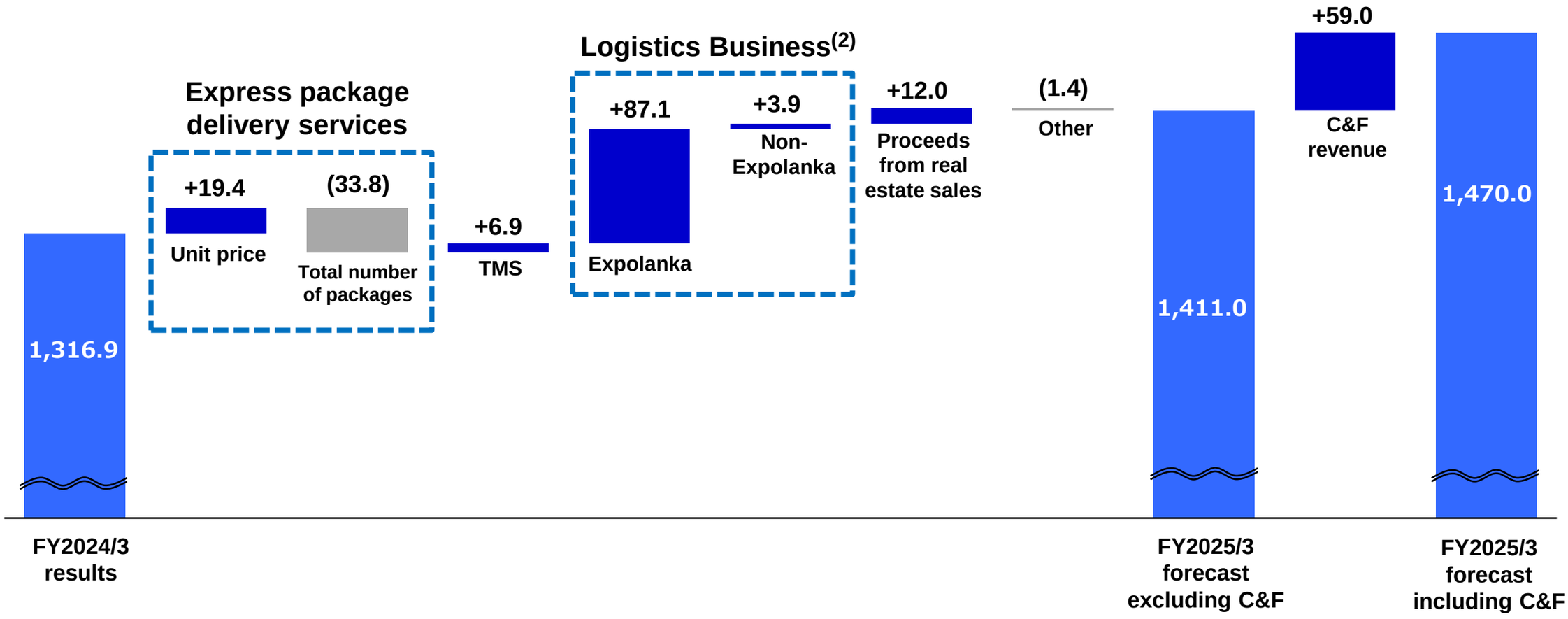
* Excluding amortization of goodwill

**Notes** (1) Expolanka's earnings are based on IFRS accounting standards. (2) C&F's earnings forecast is for the period from October 1, 2024 to March 31, 2025.
(3) "Other" includes fuel expenses.

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# Analysis of Changes in Operating Revenue Forecast

(Units: billions of yen)

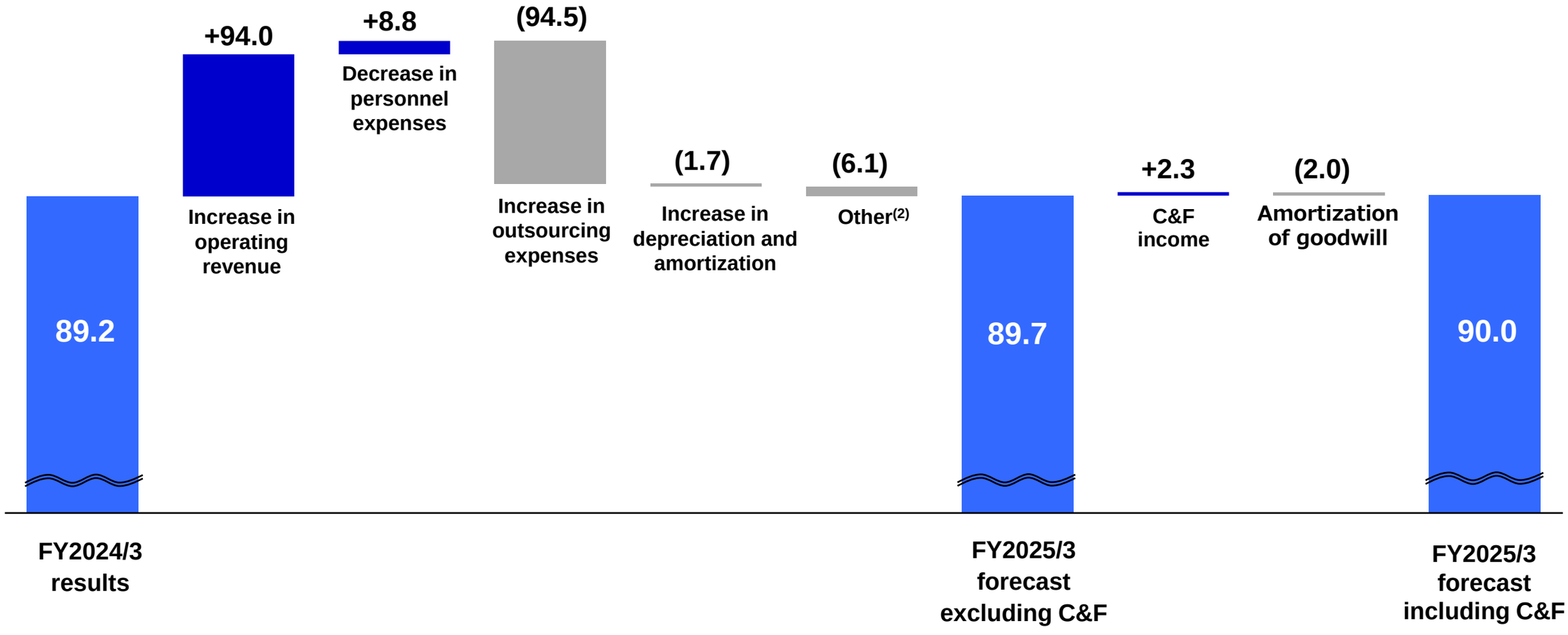



**Notes** (1) Amounts less than 100 million yen are rounded down. (2) Excluding TMS.

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# Analysis of changes in operating income forecast

(Units: billions of yen)




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

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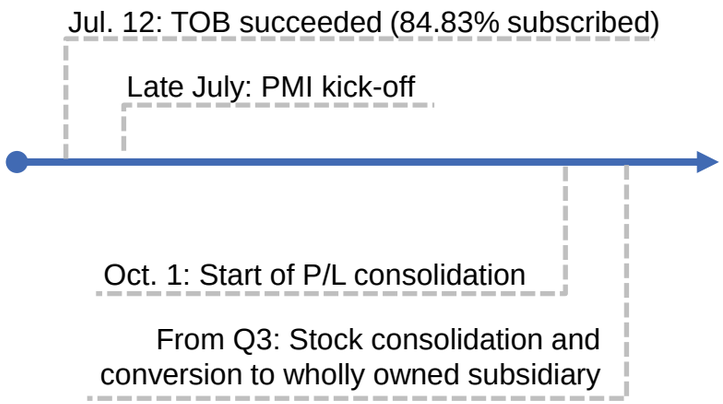
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# About C&F Joining the SGH Group

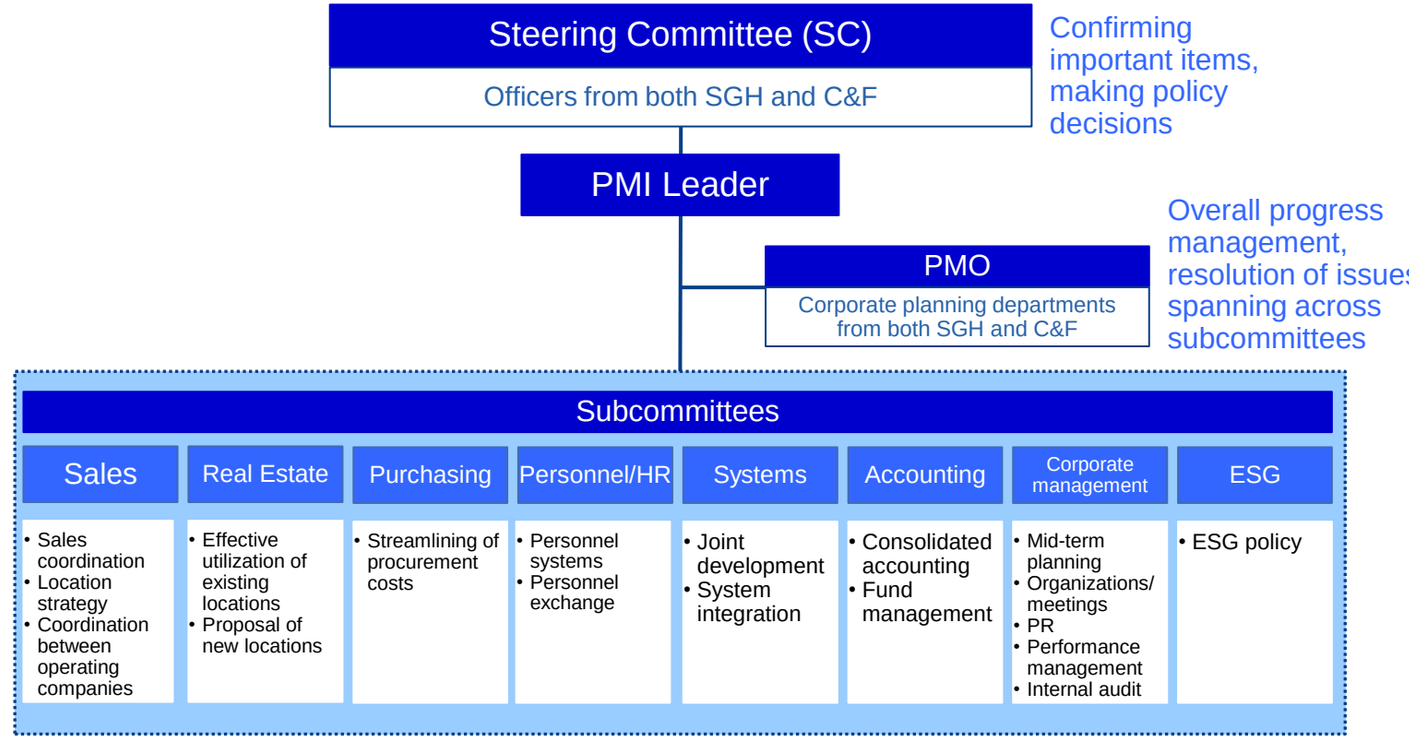
- The TOB for C&F succeeded in July. It will become a wholly owned subsidiary from the third quarter.
- The Post Merger Integration (PMI) system has been established, and is running since late July.

## Process of Joining the Group

- P/L was consolidated from October 1, and C&F's results are included from the second half of FY2024.




## Post Merger Integration (PMI) System




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# Creation of Synergies with C&F①

## To Day1

### Completed items

- ✓ Preparation for consolidated accounting
- ✓ Formulation of a joint logo for the two companies
- ✓ Mutual inspection of locations
- ✓ Organization of decision-making flow

### Major items

- ✓ Planning of services provided
- ✓ Consideration of synergy within the SGH Group (procurement functions for vehicles, fuel, etc., real estate, systems, human resources and temporary staffing, etc.)

## Short term (FY2025-)

### Expansion of revenue

- ✓ Initiatives for GOAL projects
- ✓ Referring customers to vacant warehouse space
- ✓ Increase in the number of packages in express package delivery

### Effect on costs and management

- ✓ Human resource exchange, injection of human resources
- ✓ Reduction of listing maintenance costs
- ✓ Improving the efficiency of fund management
- ✓ Joint recruitment of new graduates, etc.

## Medium term (FY2026-28)

### Expansion of revenue

- ✓ **Expansion of warehouse space through additional investment**
- ✓ **Expansion of EC and express package delivery domains**
- ✓ **Increase of international import and export projects**
- ✓ **An operating income of over 12.0 billion yen for the entire C&F Group**

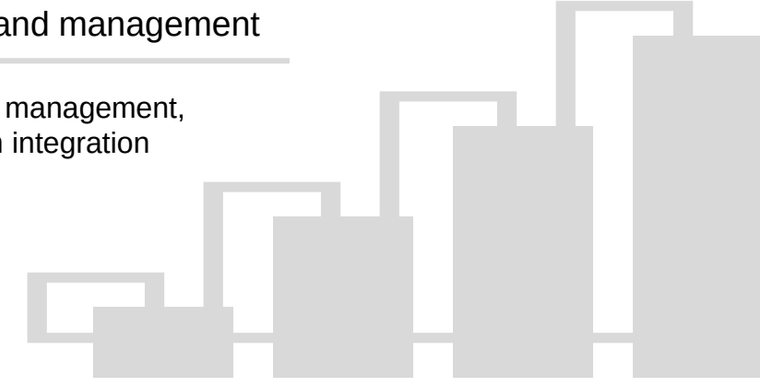
### Effect on costs and management

- ✓ Streamlining of management, such as system integration

## Long term (FY2030-)

### Expansion of revenue

- ✓ Building one of Japan’s best efficient cold chains that extends from upstream to downstream



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# Creation of Synergies with C&F②

## ● Expansion of revenue

➢ Synergy effects solved the opportunity loss that had occurred due to a lack of know-how in low-temperature logistics, and the number of inquiries has increased. C&F will also utilize SGH's sales resources to strengthen its approach to new areas

### Issues Faced by Both Companies

<Details of consultations with SGH>
- Requirement to increase delivery capacity to cope with the expansion of shipping volume
- Requirement to review the supply chain, including low-temperature logistics

Lack of capacity and know-how in low-temperature logistics
**⇒Opportunity loss occurs**

Limitations to customer contact points and sales resources
**⇒Exploring approaches to new customers**

### Synergy Effects

Utilization of C&F's assets and know-how
**⇒Eliminating opportunity losses, proposing comprehensive low-temperature logistics supply chains**

Utilization of SGH's customer base and sales resources
**⇒New customer contact points, approaches to new areas**

### Examples of consultations and proposals

- Sorting and delivery for food manufacturers
- Improving efficiency of retail store delivery
- Supply chain improvement for sale of fishery products
- Building logistics for factory construction
- Review of logistics sites for the food service industry
- EC logistics for frozen food ingredients

### Specific examples

**Before:** A company had been handling manufacturing to shipping internally, but the lack of capacity with delivery company led to restrictions in shipping volume.

**After:** Using the nationwide centers of Meito Transport, the company ships using joint delivery and express package delivery services depending on the volume

## ● Effect on costs and management

➢ SGH will **inject human resources** to expand sales resources
➢ **Reduction of listing maintenance costs**
➢ Started **collaborative efforts to secure human resources**, such as joint recruitment of new graduates

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# Awareness of External Environment

- **The labor shortage is becoming more serious throughout the entire domestic economy**, and competition to acquire human resources is becoming more intense
- **We are accelerating our response to business efficiency improvement such as DX and investment in facilities** based on the premise of rising wage and inflation

## Politics

- Change in political representatives in Japan and the US (policy impact)
- Concern over intensifying US-China rivalry
- Increase in geopolitical risk due to the continuation of wars and conflicts in various countries

## Economy

- Medium- to long-term growth in the global economy
- Rising long- and short-term interest rates in Japan
- Intensification of exchange rate fluctuations
- Rising wages and continued inflation

## Society

- Domestic population decline, aging population, and worsening labor shortage due to the 2024 problem(1)
- Increase in inbound demand due to the relaxation of immigration regulations
- Diversification of consumer needs and the advancement of e-commerce
- Growing demand for management that is conscious of the cost of capital
- Growing demand for disclosure of non-financial information, including ESG
- Acceleration of review of strategic shareholdings

## Technology

- Full-scale spread of generative AI
- Evolution of communication standards such as 5G and 6G
- Global shift to EVs
- Advance of environmentally friendly technologies
- Progress in business transformation in various industries through DX

**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 since April 1, 2024, leading to decrease in number of packages that can be transported.

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# The Positioning of the Next Mid-term Management Plan Within the Long-term Vision

Long-term Vision

## Grow the new Story.

**New logistics, nurturing a new society together.**

**Further expansion of services as an indispensable presence (infrastructure) for customers and society**
- **Expansion of the "Total Logistics" service area provided by the SGH Group**
- **Realization of sustained growth by establishing a competitive advantage**




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# Direction of Improving the Competitiveness of Express Package Delivery Services

- **Expansion of services to meet customer needs** and continuing efforts **to receive appropriate freight tariffs**
- Gaining the trust of our customers by **further improving the quality of our services**
- **Strengthening the transportation and delivery network** through DX and investment in facilities

## Strengthening of the revenue base

- Expansion of services and improvement of quality through DX
- Receiving appropriate freight tariffs

## Improvement of productivity and strengthening of the transportation and delivery network

- DX・R&D (Improvement of efficiency and labor saving)
- Investment in facilities (Automation and labor saving)

**R&D of AI-based automatic loading robots**



**Automation and labor saving in delivery operations**



**Utilization of AI solutions**

- **Optimization of collection and delivery areas**
- **Collection and delivery forecasts**
- **Optimization of personnel resources**

**Establishment of new Kansai Transfer Center (to commence operation in 2026)**



**Establishment of new Tokyo Transfer Center (to commence operation in 2026)**



**Other initiatives**

- **Consolidation and elimination of existing facilities to address future issues (shrinking workforce, shortage of drivers, etc.)**

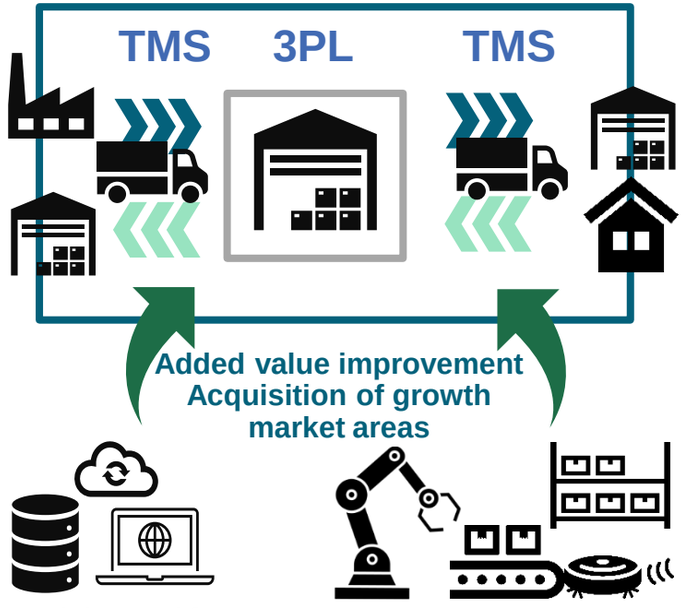
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# Direction of Advancement and Expansion of Logistics, Low-temperature Logistics and TMS

- **Advancement of 3PL services** through the use of DX, the introduction of material handling equipment, and the acquisition of growth market areas
- **Further expansion of TMS** through the use of DX to improve matching between cargo and vehicle
- **Expansion of low-temperature logistics solutions** through the use of C&F and SGH resources
- **Expansion of reverse logistics (recycling, resource recovery, etc.)** that contributes to solving social and environmental issues

**Expansion of "Total Logistics"**

## ■ 3PL sophistication and TMS expansion




Supply and demand forecasts, appropriate inventory levels, etc.

Automation, labor saving, etc.

## ■ Expansion of low-temperature logistics solutions

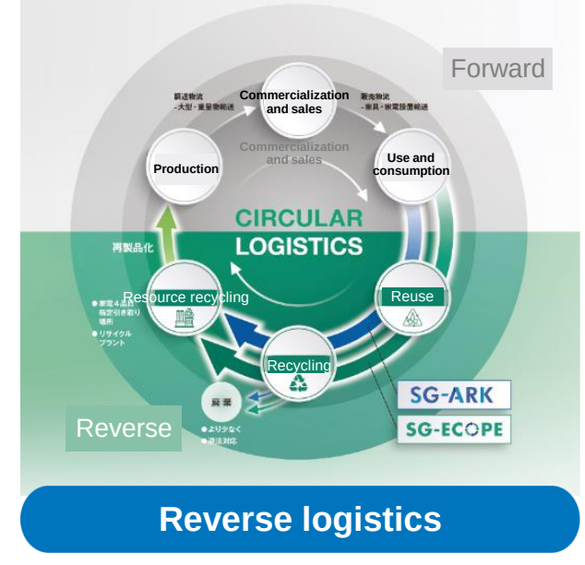
**Expansion of revenue**

- Expanding proposals for comprehensive low-temperature logistics supply chains for food manufacturers and retailers
- Expanding approaches to new areas by utilizing SGH's customer base and sales resources
- Investment in sites in response to market needs

**Improvement of cost efficiency and strengthening of management**

- Reduction of listing maintenance costs (C&F)
- Economies of scale for various procurement costs
- Injection of human resources (mutual)
- Jointly securing human resources and partners

## ■ Expansion of reverse logistics

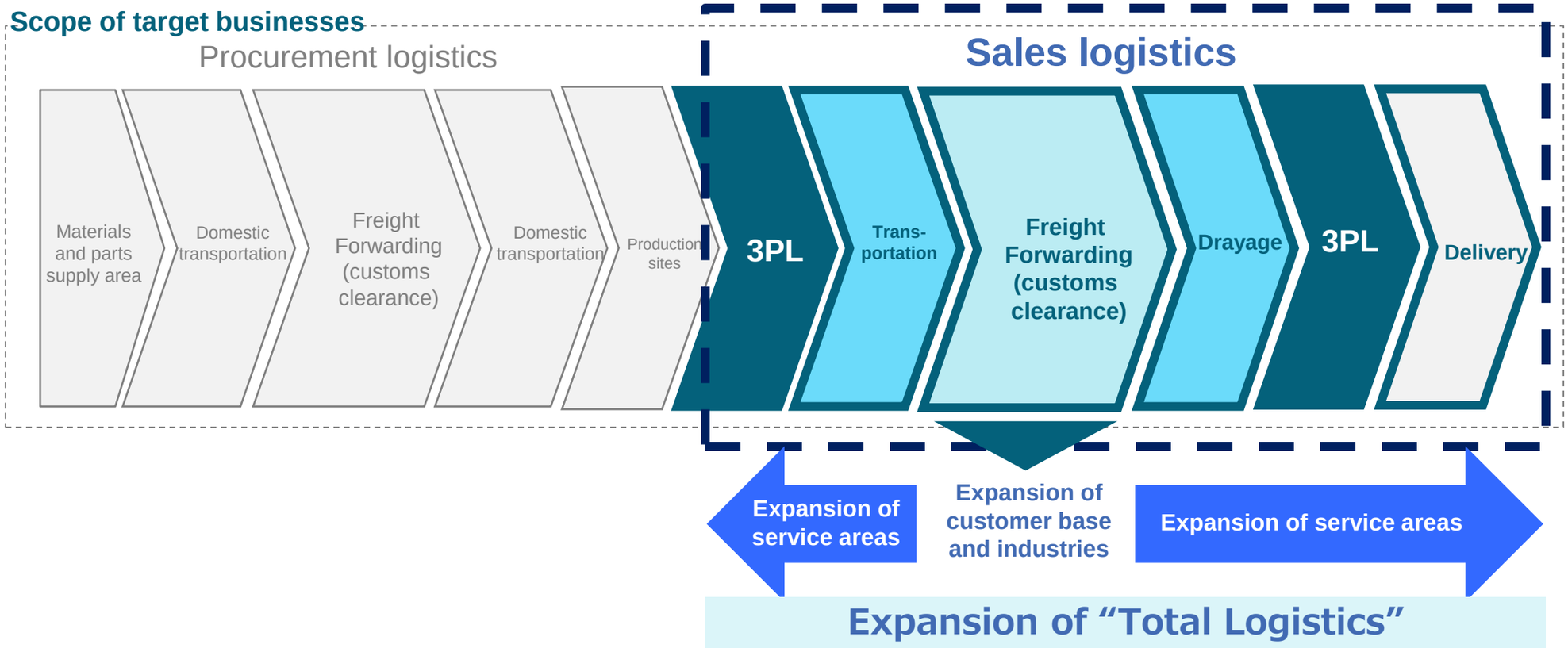



**Reverse logistics**

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# Direction of Expansion of Global Logistics Business

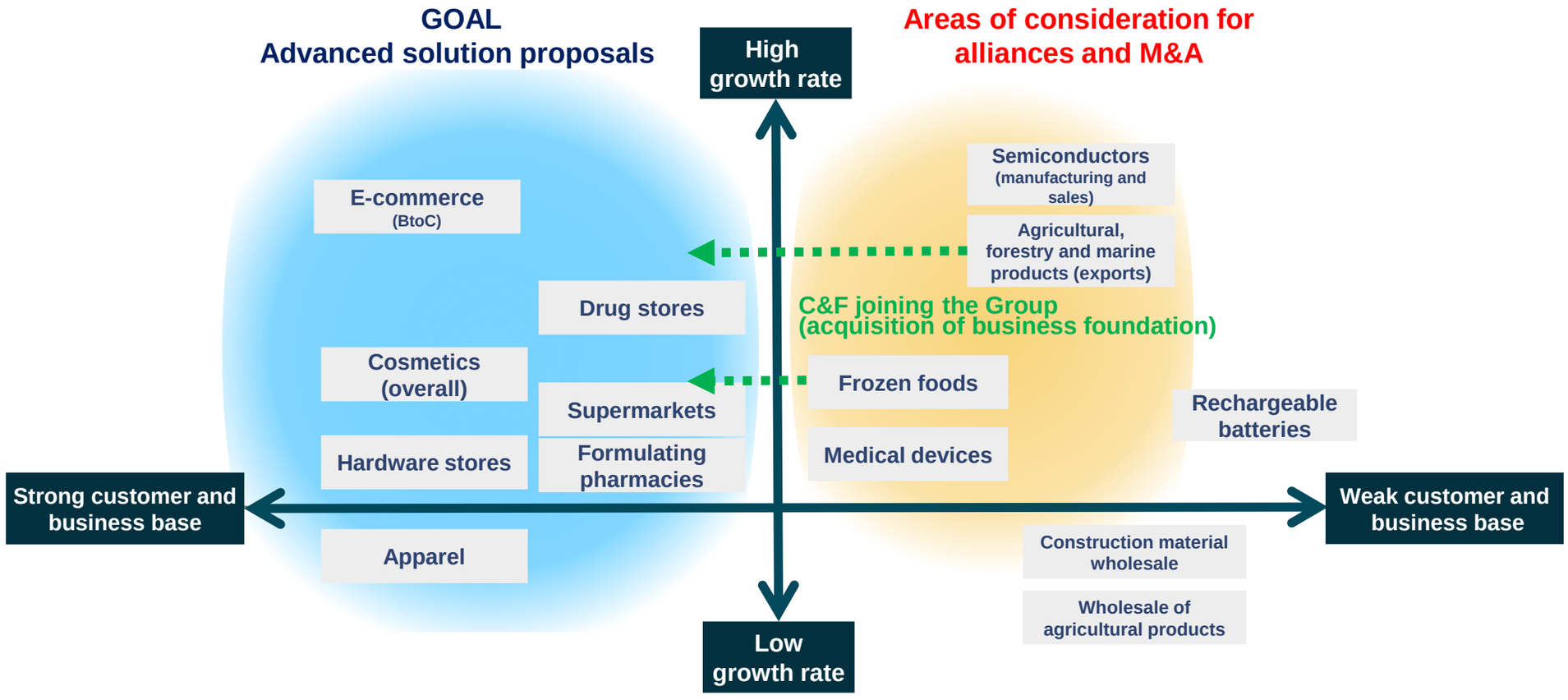
- Acquiring a customer base by targeting the **sales logistics (origin 3PL to destination)** area of customers' supply chains
- Expansion of business scale and profitability through **expansion of industries, service domains, and areas covered, including non-organic strategies**
- Establishing **quality improvement and improved operational efficiency in a wide area of the supply chain**, including cross-border e-commerce, etc.




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# Capturing the Industries to Expand “Total Logistics”

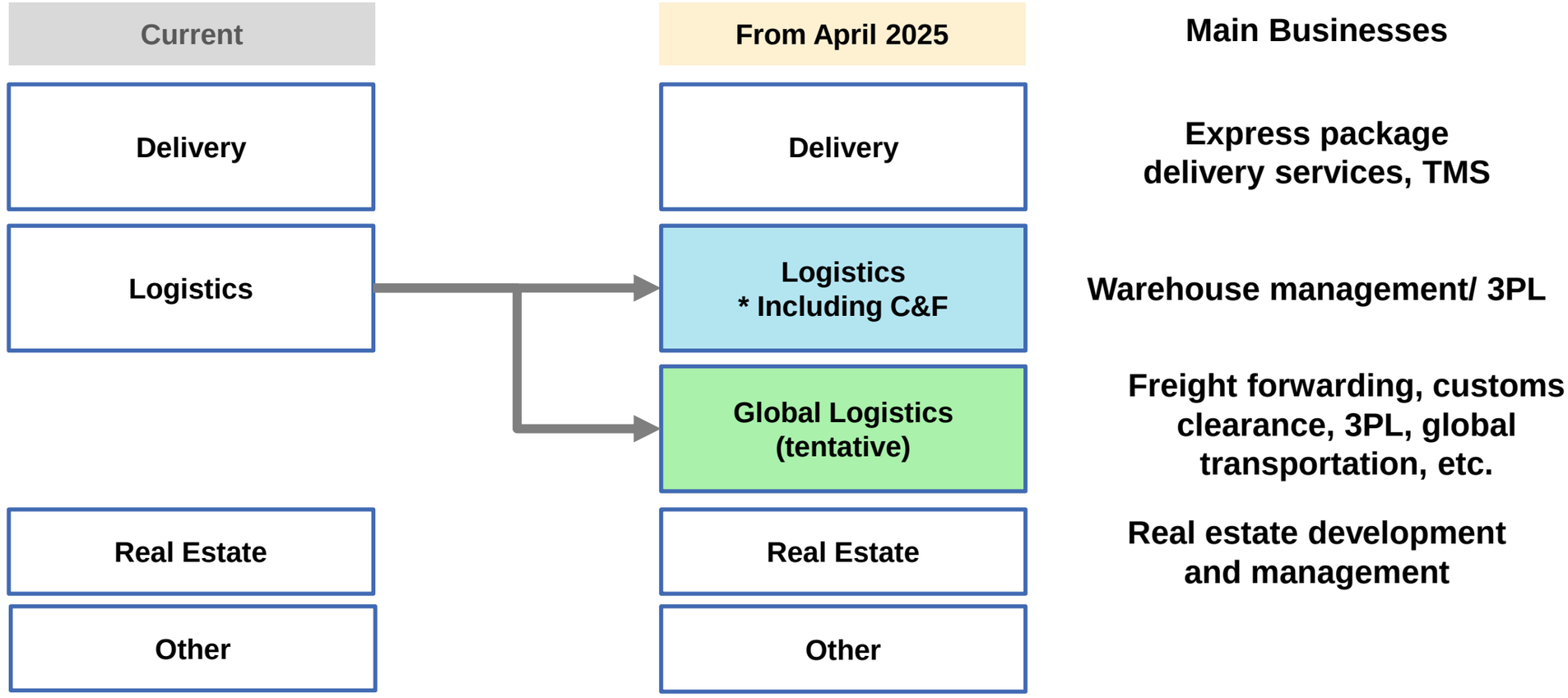
- Formulate strategies for expanding business areas and customer bases, including alliances and M&A
- The existing business base area is expanding through the provision of advanced solutions
- In order to maintain a sustainable service infrastructure, we will consider acquisition and other measures as necessary




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## Segment Review to Achieve Long-term Vision (Draft)

- Planning to split the current Logistics Segment into **“Logistics”** and **“Global Logistics (tentative)”** in line with the direction of the business strategy for achieving the Long-term Vision. Divided from the perspective of the management approach, taking into account differences in investment risk and profitability




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# Status of each management indicator and future direction

- **Present**

➢ Although the various management indicators fluctuated during the current Mid-term Management Plan due to changes in the external environment, such as the COVID-19 pandemic, the company maintained relatively high standard within the industry

- **Towards next Mid-term Management Plan**

➢ Our policy is to **prioritize growth investments** in order to achieve our Long-term Vision. We will respond while also leveraging debt

➢ Aim to **improve corporate value and stock price through "Total Logistics" expansion** by implementing a strategy that is conscious of capital costs

- The Delivery Business aims to improve the competitiveness of express package delivery services and expand TMS
- The Logistics Business is expanding its 3PL services and low-temperature logistics solutions
- The Global Logistics Business (tentative) includes non-organic strategies for expansion of industries, service domains, and areas covered

➢ Consideration of disclosing targets for capital profitability, etc.

(Reference) Status of management indicators

| (%) | FY2024/3 | FY2025/3 forecast |
|---|---|---|
| Operating margin | 6.8 | 6.1 |
| ROE | 10.3 | 10.4 |
| ROIC | 8.9 | 8.3 |

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1. Summary of results for FY2025/3 Q2 1–9

2. Earnings forecast for FY2025/3 10–15

3. About Chilled & Frozen Logistics Holdings Co., Ltd 16–19

4. Direction of next Mid-term Management Plan 20–28

**5. Appendix 29–37**

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# 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, the positive trend in real wages has not become well established and there has been a pause in the improvement of consumer sentiment during the first half of the fiscal year
- Against the backdrop of the above, demand for express package delivery services has not yet recovered overall, and the competitive environment is also intensifying
- Ongoing cost increases are expected in response to the 2024 problem, rising prices and labor costs, etc.

## International Logistics Market

- There were some effects such as the advance of  shipments by ocean transportation due to concerns about the difficulty of labor-management negotiation at North American ports in the second quarter. However, the impact from the third quarter onward is expected to be minimal, since the labor-management negotiations concluded in early October.
- There is a growing uncertainty about demand and freight rates for both ocean and air cargo associated with disruption in ocean transportation by avoiding the Red Sea and Suez Canal and a shift to air transportation.

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# Summary of Consolidated Financial Results (Single Quarters)

| (Units: billions of yen) | Q1 | | | Q2 | | | H1 | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) |
| **Operating revenue** | 318.5 | 334.5 | 105.0% | 324.8 | 373.5 | 115.0% | 643.3 | 708.0 | 110.0% |
| **Operating expenses** | 299.7 | 315.0 | 105.1% | 304.7 | 353.8 | 116.1% | 604.5 | 668.9 | 110.7% |
| Personnel expenses | 109.5 | 106.4 | 97.1% | 108.7 | 109.6 | 100.8% | 218.3 | 216.1 | 99.0% |
| Outsourcing expenses | 142.2 | 159.8 | 112.4% | 145.7 | 184.1 | 126.4% | 288.0 | 344.0 | 119.5% |
| Fuel expenses | 3.0 | 3.1 | 102.6% | 3.7 | 3.5 | 95.3% | 6.7 | 6.6 | 98.6% |
| Depreciation and amortization | 8.3 | 9.0 | 108.5% | 8.6 | 9.0 | 104.5% | 16.9 | 18.0 | 106.4% |
| Other expenses | 36.5 | 36.5 | 100.0% | 37.8 | 47.4 | 125.4% | 74.4 | 84.0 | 112.9% |
| **Operating income [Operating margin]** | 18.7 [ 5.9% ] | 19.5 [ 5.8% ] | 104.1% | 20.1 [ 6.2% ] | 19.6 [ 5.3% ] | 97.4% | 38.8 [ 6.0% ] | 39.1 [ 5.5% ] | 100.7% |
| **Ordinary income** | 18.6 | 19.4 | 104.2% | 20.7 | 19.2 | 92.8% | 39.4 | 38.7 | 98.2% |
| **Net income attributable to owners of the parent** | 11.8 | 12.4 | 104.8% | 13.6 | 13.0 | 95.9% | 25.4 | 25.4 | 100.0% |

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

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# Delivery Business - Summary of Financial Results (Single Quarters)

| (Units: billions of yen) | Q1 | | | Q2 | | | H1 | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) |
| **Operating revenue** | 251.9 | 251.7 | 99.9% | 252.9 | 248.6 | 98.3% | 504.9 | 500.4 | 99.1% |
| **Operating expenses** | 246.6 | 244.4 | 99.1% | 247.5 | 247.5 | 100.0% | 494.2 | 491.9 | 99.5% |
| Personnel expenses | 91.3 | 86.9 | 95.2% | 90.4 | 90.1 | 99.7% | 181.7 | 177.1 | 97.5% |
| Outsourcing expenses | 120.7 | 123.1 | 102.0% | 121.7 | 121.8 | 100.1% | 242.5 | 245.0 | 101.0% |
| Fuel expenses | 3.0 | 3.0 | 102.0% | 3.6 | 3.4 | 95.1% | 6.6 | 6.5 | 98.2% |
| Depreciation and amortization | 5.3 | 5.8 | 108.5% | 5.5 | 5.9 | 107.2% | 10.9 | 11.7 | 107.8% |
| Other expenses | 26.1 | 25.3 | 96.8% | 26.2 | 26.0 | 99.3% | 52.3 | 51.3 | 98.1% |
| **Operating income [Operating margin]** | 17.1 [ 6.8% ] | 17.9 [ 7.1% ] | 104.8% | 17.3 [ 6.9% ] | 11.4 [ 4.6% ] | 66.1% | 34.5 [ 6.8% ] | 29.4 [ 5.9% ] | 85.4% |

**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.”

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# Results of Expolanka

| (Units: billions of yen) | Q1 | | | Q2 | | | H1 | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) |
| Operating revenue | 24.4 | 42.1 | 172.5% | 27.6 | 70.8 | 256.1% | 52.0 | 112.9 | 216.9% |
| Operating costs | 19.4 | 35.3 | 181.8% | 22.2 | 60.7 | 272.5% | 41.7 | 96.0 | 230.2% |
| Operating gross profit | 4.9 | 6.7 | 136.4% | 5.4 | 10.2 | 188.0% | 10.3 | 16.9 | 163.4% |
| Selling, general and administrative expenses | 6.9 | 7.4 | 106.6% | 6.4 | 7.5 | 116.3% | 13.4 | 14.9 | 111.3% |
| Operating income | (2.0) | (0.6) | — | (1.0) | 2.6 | — | (3.0) | 2.0 | — |
| Air volume (kt)[2] | 21 | 33 | 153.9% | 25 | 41 | 164.2% | 46 | 74 | 159.5% |
| Ocean volume(kTEU)[2] | 40 | 33 | 81.5% | 46 | 58 | 125.8% | 87 | 91 | 105.2% |
| [Reference] Exchange rate (1$/yen)[3] | 137.37 | 155.88 | 113.5% | 144.62 | 149.38 | 103.3% | 141.00 | 152.63 | 108.3% |

**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.”

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# [Reference] C&F Results

| (Units: billions of yen) | Q1 | | | Q2 | | | H1 | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) |
| Operating revenue | 28.7 | 29.8 | 103.6% | 29.6 | 30.5 | 103.2% | 58.3 | 60.3 | 103.4% |
| Operating costs | 26.2 | 27.2 | 103.7% | 27.0 | 27.7 | 102.6% | 53.3 | 55.0 | 103.2% |
| Operating gross profit | 2.4 | 2.5 | 101.9% | 2.5 | 2.7 | 109.4% | 5.0 | 5.2 | 105.7% |
| Selling, general and administrative expenses | 1.0 | 1.0 | 95.3% | 1.0 | 1.0 | 108.4% | 2.0 | 2.1 | 101.8% |
| Operating income | 1.4 | 1.5 | 106.7% | 1.5 | 1.6 | 110.1% | 2.9 | 3.1 | 108.4% |

**Notes** (1) Amounts less than 100 million yen are rounded down. (2) The results of C&F shown in the above table are not included in the consolidated financial results for the first half of this fiscal year.

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# Consolidated Statement of Cash Flows - General Breakdown

**FY2025/3 H1**

(Units: billions of yen)

| | |
|---|---|
| • Cash flows from operating activities | 51.9 |
| Major components: | |
| Income before income taxes | 39.0 |
| Depreciation and amortization | 17.8 |
| Amortization of goodwill | 0.9 |
| Foreign exchange losses (gains) | 1.4 |
| Net changes in trade notes and accounts receivable | (8.5) |
| Net changes in inventories | 9.3 |
| Net changes in trade notes and accounts payable | 3.8 |
| Net changes in deposits received | (8.0) |
| Net changes in accrued expenses | (3.2) |
| Net changes in prepaid expenses | (1.5) |
| Income taxes refund (paid) | 0.2 |

| | |
|---|---|
| • Cash flows from investing activities | (109.2) |
| Major components: | |
| Purchases of property, plant and equipment | (14.1) |
| Purchases of intangible assets | (2.8) |
| Purchase of shares of Chilled & Frozen Logistics Holdings | (92.5) |
| • Cash flows from financing activities | 42.5 |
| Major components: | |
| Net changes in short-term bank loans | 111.3 |
| Repayments of long-term bank loans | (15.4) |
| Repayments of lease obligations | (3.8) |
| Additional purchase of shares of Expolanka | (33.4) |
| Cash dividends paid | (15.9) |

**Notes** (1) Amounts less than 100 million yen are rounded down. (2) Consolidated cash flows partially include the impact of newly consolidated C&F in the first half of the fiscal year.

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# Status of Products and Services

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

| (Units: millions of packages, yen) | Q1 | | | Q2 | | | H1 | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) |
| **Total number of packages** | 341 | 329 | 96.6% | 338 | 323 | 95.5% | 679 | 652 | 96.1% |
| Hikyaku Express[2][4] | 329 | 318 | 96.6% | 326 | 312 | 95.5% | 655 | 630 | 96.1% |
| Other[3] | 11 | 11 | 96.8% | 11 | 11 | 96.0% | 23 | 22 | 96.4% |
| **Average unit price** | 643 | 655 | 101.8% | 647 | 662 | 102.3% | 645 | 658 | 102.1% |

[Reference] FY2025/3 H1 YoY change in weekdays: Weekdays ±0, Saturdays ±0, Sundays and holidays ±0

## Status of TMS

| (Units: billions of yen) | Q1 | | | Q2 | | | H1 | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) | FY2024/3 | FY2025/3 | YoY (%) |
| **Sales** | 26.9 | 29.3 | 108.9% | 27.6 | 31.1 | 112.7% | 54.5 | 60.4 | 110.8% |

**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.

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# Status of Employees, Vehicles and Locations

| (Units: employees, vehicles, locations) | | FY2024/3 | FY2025/3 H1 | Change from the end of the previous year |
|---|---|---|---|---|
| **Total number of employees [number of partner employees(1) within]** | | 93,403 [ 41,094 ] | 93,882 [ 41,235 ] | + 479 [ + 141 ] |
| | Delivery Business | 73,751 [ 31,549 ] | 74,489 [ 32,207 ] | + 738 [ + 658 ] |
| | Logistics Business | 14,805 [ 7,368 ] | 14,818 [ 7,167 ] | + 13 [ (201) ] |
| | Real Estate Business | 97 [ 2 ] | 96 [ 2 ] | (1) [ — ] |
| | Other Businesses | 4,049 [ 1,983 ] | 3,772 [ 1,667 ] | (277) [ (316) ] |
| | Corporate (common) | 701 [ 192 ] | 707 [ 192 ] | + 6 [ — ] |
| Sagawa Express | **Number of vehicles** | 25,992 | 25,765 | (227) |
| | **Number of major locations** | 847 | 835 | (12) |
| | Transfer centers | 22 | 22 | — |
| | Sales offices | 427 | 427 | — |
| | Small stores(2) | 398 | 386 | (12) |

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

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