

Summary of Financial Results for Fiscal Year 2006 (March 21, 2006 – March 20, 2007)

(Note: Amounts less than 1 million yen are rounded down to the nearest million yen.)

1. Consolidated Annual Performance for FY2006

(1) Consolidated Results

(Percentage figures in the table below represent changes from the same period of the previous fiscal year.)

	FY2005 (March 21, 2005 – March 20, 2006) (million yen)	FY2006 (March 21, 2006 – March 20, 2007) (million yen)	Change from Previous FY (million yen)	Ratio
				(%)
Revenue	824,346	869,268	44,922	5.4
Operating Income	39,053	39,634	581	1.5
Ordinary Income	34,746	36,243	1,497	4.3
Net Income	-5,668	18,537	24,205	—

(2) Consolidated Financial Position

	FY2005 (million yen)	FY2006 (million yen)
Total Assets	593,776	620,390
Total Net Assets	157,324	179,839
Equity Ratio	26.5%	28.3%

2. Projection of Consolidated Annual Performance for FY 2007 (Fiscal year ending March 20, 2008)

(Percentage figures in the table below represent changes from the previous fiscal year.)

	FY2007 (March 21, 2007 – March 20, 2008)	
	(million yen)	(%)
Revenue	910,000	4.7
Operating Income	34,000	-14.2
Ordinary Income	29,000	-20.0
Net Income	13,500	-27.2

(Descriptive Information on Consolidated Accounting and Fiscal Year)

1. The Company (SG Holdings Col, Ltd.) was founded on March 21, 2006 to wholly own Sagawa Express Co., Ltd., as a result of solely assuming ownership of the transferred company's stocks.
2. The Company's consolidated accounting period is from March 21 of each calendar year until March 20 of the following calendar year. Sagawa Express Co., Ltd. and the Company implemented consolidated accounting respectively for FY2005 and FY2006.

3. Business Performance

(1) Overview of Business Performance during Consolidated Fiscal Year

During the consolidated fiscal year under review, the Japanese economy in general continued steady recovery. Facility investment by the private sector increased due to favorable corporate performance, and improved employment and income stimulated consumer spending.

While Delivery Businesses, Sagawa Group's core business, have steadily expanded due to the growth of the mail order sales market, the market has already matured to a great extent and its growth appears to now be slackening. Prior to the privatization of Japan Post, coupled with soaring oil prices and implementation of the revised Road Traffic Law, competition among delivery service providers has intensified, prolonging a difficult time for the Group management.

Under such circumstances, Sagawa Group established SG Holdings Co., Ltd. on March 21, 2006 as a pure holding company. This has enabled the Group to accelerate the management-related decision-making process and promptly respond to changes arising in customer needs and the market environment. It also provided a framework for formulating comprehensive strategies for overall Group development, organizing an optimal form of business portfolios in a timely manner, and enabling the Group to horizontally implement its strategies.

Because the fiscal year under review corresponds to the final year specified by the Three-Year True Value Creation Plan, Sagawa's medium-term business plan, Sagawa carried out activities with a view to establishing a solid basis for performing operations, encouraging compliance-oriented management, and developing Sagawa's corporate brand. Efforts were made not only to ensure the steady expansion of Delivery Businesses, but also to extend the scope and scale of Logistics and other businesses, so that they can form a firm foundation to build on the Group's continued growth.

As a result of the aforementioned efforts, the Group's revenue results were 869,268 million yen. With all the soaring fuel prices and rising strategic costs and expenses the Group incurred in relation to Galaxy Airlines' service commencement, the Group's operating income, ordinary income and net income were 39,634 million yen, 36,243 million yen and 18,537 million yen, respectively.

Below is an overview of individual business segments and their relevant performance.

① Delivery Businesses

During the fiscal year under review, Sagawa Group optimally used existing business resources, alongside working diligently to provide greater facility to customers. For example, Sagawa launched new products and services, including a Recipient Confirmation Delivery Service and Hikyaku Personal Computer Order Service, and commenced services of Galaxy Airlines, the Group's domestic air carrier, on October 31, 2006 as part of a system with which to realize and ensure the delivery of packages and mails the day following an order date. While doing so, Sagawa initiated activities aimed at improving

the efficiency of the transportation and delivery system along trunk lines.

Delivery Businesses continued to steadily grow, with the number of packages delivered and handled by Sagawa through Hikyaku Express during the year under review reaching 1,028 million packages, an increase of 3.6% from the previous fiscal year. As a result, this business segment generated a revenue of 753.9 billion yen.

② Logistics Businesses

Following the trend of corporate logistics requirements such as improved efficiency and reduced costs, efforts were made to promote lump-sum acceptance of orders for logistics services and offer customers satisfactory services and product quality. Sagawa endeavored to achieve more efficient and speedy logistics, by consolidating the Group's various related functions, including the outsourcing of logistics businesses to other service providers ("Third-Party Logistics"), and provision of air and international freight transportation services. Moreover, the Group worked diligently to develop an effective system for performing consistent logistics services both within and outside Japan, while preparing to establish an overseas business presence, particularly in other Asian countries and regions. As such, Sagawa strove toward establishment of the basis for its Logistics Businesses.

As a result, revenue from this business segment was 70,463 million yen.

③ Other Businesses

In Financing Businesses, efforts were made to meet rising settlement demands from the growing mail-order sales market. To this end, Sagawa enhanced the functions of its e-Collect Service and provided customers more convenient services, thus leading the Group to steadily increased revenue.

In Automobile Sales Businesses, the Group catered to temporarily increasing customer demands for alternative vehicles as required by the government regulations and thus enjoyed favorable business performance. This enabled the Group to record a sharp rise in sales from the previous fiscal year.

Other individual businesses, including automobile services, facility maintenance and management, and personnel development businesses, experienced steady revenue increases compared with the previous fiscal period.

Consequently, revenue from this business segment was 44,905 million yen.

(2) Future Challenges and Outlook of Business Performance for Next Fiscal Year

The delivery service market, which relates to Delivery Businesses, Sagawa Group's core operations, appears to continue steadily expanding, spurred by growth of the mail order service market. On the other hand, since the mail order service market has matured to a great extent, its growth is expected to slacken. Considering further intensified competition among delivery service providers, the business environment surrounding the Company is likely to become further demanding. Moreover, the Group's heavy reliance on Delivery Businesses as a source of revenue is undeniably true.

Meanwhile, the corporate tendency to outsource logistics businesses to service providers is expected to further increase. As the corporate practice of subcontracting logistics businesses ("Third-Party Logistics") increases year by year, and export and import businesses steadily grow, it is only natural that demands for logistics services widen, leading Sagawa's Logistics Businesses to increase profitability.

Based on this understanding, Sagawa Group formulated its SgH First Stage Plan, a new middle-term management plan incorporating the Company vision, “Encouraging Individual Group Companies to Establish Necessary Bases for Performing Operations and Create New Value-added Businesses.” With a view to “laying the foundation for businesses ensuring the Group’s sustainable development,” Sagawa will strive not only to further enhance the strength of Delivery Businesses, the main pillar business bolstering Sagawa Group, but also to develop Logistics Businesses as a second pillar. Furthermore, Sagawa plans to encourage individual Group companies to grow, expand and implement mergers & acquisitions toward development of the third and fourth pillars. Through such efforts, Sagawa Group endeavors to develop a well-balanced profit-making base, instead of one heavily reliant on Delivery Businesses alone.

With regard to the next fiscal period, Sagawa Group projects revenue of 910 billion yen; operating income of 34 billion yen due to rising costs and expenses the Group will incur from strategic investments; ordinary income of 29 billion yen; and net income of 13.5 billion yen.

4. Status of Group Companies

SG Holdings Group (the Company and related companies) consists of the Company (SG Holdings Co., Ltd.), 35 subsidiaries and three affiliate companies, all engaged in Delivery Businesses, Logistics Businesses, and other associated businesses.

Operations performed by SG Holdings Group, together with the individual positions taken by the Company and related companies for performance of these operations, are as follows:

Business Segment	Major Products and Services	Major Companies
Delivery Businesses	Hikyaku Express Hikyaku Cool Express Hikyaku Mail Express, etc. Moving transportation Charter transportation Art transportation	Sagawa Express Co., Ltd. Sagawa Moving Center Co., Ltd. Galaxy Airlines Co., Ltd. Sagawa Galaxy Highways Co., Ltd. (Total: 4 companies)
Logistics Businesses	Lump-sum acceptance of orders for logistics services Development of logistics systems Control and management of inventory and orders placed and received Management of distribution centers Warehousing Transportation using public transport Hikyaku Air Transportation Sagawa Global Transportation Service (sgx) International air and marine transportation services	Sagawa Global Logistics Co., Ltd. Sagawa Global Express Co., Ltd. Sagawa Express (H.K.) Co., Ltd. Poly-Sagawa Logistics Co., Ltd. Sagawa Express Vietnam Sagawa Express Philippines, Inc. Sagawa Express Singapore, Pte. Ltd. P.T. Sagawa Express Indonesia Plus 15 other companies (Total: 23 companies)
Other Businesses	e-Collect Service Automobile sale and services, and manufacture of auto bodies Facility maintenance and management Temporary staffing services Product sales Representation of insurance and travel companies System sales and maintenance Support for introduction of shipping systems	Sagawa Financial Co., Ltd. Sagawa Galaxy Motors Co., Ltd. Sagawa Advance Co., Ltd. Sagawa Computer System Co., Ltd. Plus 8 other companies (Total: 12 companies)

* Major Companies of Other Business include SG Holdings Co., Ltd., a pure holding company.

5. Consolidated Financial Statement

① Consolidated Balance Sheet

Account Category	FY2005 (As of March 20, 2006)		FY2006 (As of March 20, 2007)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Assets)				
I Current Assets				
1. Cash and Cash Equivalents	75,666		76,515	
2. Trade Notes and Accounts Receivable	116,117		118,916	
3. Inventory	1,388		2,416	
4. Deferred Tax Assets	3,163		4,053	
5. Other:	9,831		14,434	
Provision for Bad Debt	-928		-929	
Total Current Assets	205,238	34.5	215,407	34.8
II Fixed Assets				
1. Tangible Assets				
(1) Buildings and Structures	84,780		82,665	
(2) Vehicles and Transportation Equipment	18,225		18,467	
(3) Aircraft	—		10,909	
(4) Land	205,911		205,067	
(5) Construction in Progress	1,679		5,803	
(6) Other	10,519		11,314	
Total Tangible Assets	321,116	54.1	334,227	53.9
2. Intangible Assets				
(1) Computer Software	6,319		9,888	
(2) Other	4,381		2,773	
Total Intangible Assets	10,701	1.8	12,661	2.0
3. Investments and Other Assets				
(1) Investment Securities	4,462		3,722	
(2) Deferred Tax Assets	15,156		16,990	
(3) Guarantee Monies Paid	33,232		32,814	
(4) Other:	7,051		6,928	
Provision for Bad Debt	-3,564		-3,802	
Total Investments and Other Assets	56,339	9.5	56,652	9.1
Total Fixed Assets	388,156	65.4	403,541	65.0
III Deferred Assets	380	0.1	1,440	0.2
Total Assets	593,776	100.0	620,390	100.0

Account Category	FY2005 (As of March 20, 2006)		FY2006 (As of March 20, 2007)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Liabilities)				
I Current Liabilities				
1. Trade Notes Payable and Accounts Due	42,129		46,513	
2. Corporate Bonds with Redemption Scheduled within One Year	21,600		21,600	
3. Short-term Debt	1,845		3,061	
4. Long-term Debt with Repayment Scheduled within One Year	36,418		37,506	
5. Accrued Income Taxes and Other	2,255		15,900	
6. Provision for Bonuses	2,594		3,182	
7. Other	52,113		57,788	
Total Current Liabilities	158,957	26.8	185,553	29.9
II Fixed Liabilities				
1. Corporate Bonds	79,600		58,000	
2. Long-term Debts	152,177		144,374	
3. Provision for Retirement Benefits	36,777		36,953	
4. Other	4,316		15,668	
Total Fixed Liabilities	272,872	45.9	254,996	41.1
Total Liabilities	431,830	72.7	440,550	71.0
(Minority Interest)				
Minority Interest	4,621	0.8	—	—
(Stockholders' Equity)				
I Capital Stock	11,275	1.9	—	—
II Capital Reserve	275	0.0	—	—
III Retained Earnings	143,652	24.2	—	—
IV Differences in Valuation of Other Securities	1,601	0.3	—	—
V Provision for Adjustment of Foreign Exchange Translations	520	0.1	—	—
Total Capital	157,324	26.5	—	—
Total Liabilities, Minority Interest and Stockholders' Equity	593,776	100.0	—	—

Account Category	FY2005 (As of March 20, 2006)		FY2006 (As of March 20, 2007)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Net Assets)				
I Stockholders' Equity				
1. Capital Stock	—	—	11,275	1.8
2. Capital Reserve	—	—	275	0.0
3. Retained Earnings	—	—	161,905	26.1
Total Stockholders' Equity	—	—	173,455	28.0
II Differences in Valuations and Foreign Exchange Translations, and Other				
1. Differences in Valuation of Other Securities	—	—	1,346	0.2
2. Deferred Losses/Gains from Hedging Instruments	—	—	-7	-0.0
3. Provision for Adjustment of Foreign Exchange Translations	—	—	720	0.1
Total Differences in Valuations and Foreign Exchange Translations and Other	—	—	2,060	0.3
III Minority Interest	—	—	4,323	0.7
Total Net Assets	—	—	179,839	29.0
Total Liabilities and Net Assets	—	—	620,390	100.0

Account Category	FY2005 (March 21, 2005 – March 20, 2006)			FY2006 (March 21, 2006 – March 20, 2007)		
	Amount (million yen)		Ratio (%)	Amount (million yen)		Ratio (%)
I Revenue		824,346	100.0		869,268	100.0
II Cost of Sales		741,480	89.9		796,921	91.7
Total Revenue		82,865	10.1		72,347	8.3
III Selling, General and Administrative Expenses		43,812	5.3		32,713	3.8
Operating Income		39,053	4.8		39,634	4.5
IV Other Income						
1. Interest and Dividends Received	82			179		
2. Depreciation of Negative Goodwill	17			272		
3. Other	2,166	2,266	0.3	2,439	2,892	0.3
V Other Expenses						
1. Interest Paid	4,947			4,157		
2. Loss from Investment Based on Equity Method	141			112		
3. Other	1,485	6,574	0.8	2,012	6,282	0.7
Ordinary Income		34,746	4.3		36,243	4.1
VI Extraordinary Income						
1. Profit from Sale of Fixed Assets	309			436		
2. Reversed Entry to Provision for Bad Debt	193			—		
3. Receipt of Unpaid Compensation for Past Employment	1,087			—		
4. Other	170	1,760	0.2	822	1,259	0.1
VII Extraordinary Loss						
1. Loss from Disposal of Fixed Assets	30,639			1,064		
2. Loss due to Impairment	7,664			738		
3. Entry to Provision for Bad Debt	—			115		
4. Payment for Use of Land Owned by Other Parties	—			1,316		
5. Other	1,025	39,329	4.8	2,645	5,880	0.6
Income before Taxes and Other Adjustments		-2,822	-0.3		31,622	3.6
Corporate, Residential and Business Taxes	3,123			16,687		
Adjustment of Corporate Tax and Other	-284	2,839	0.4	-2,960	13,726	1.5
Minority Interest		6	0.0		-642	-0.0
Net Income		-5,668	-0.7		18,537	2.1

6. Segment Information by Business Type

FY2006 (March 21, 2006 – March 20, 2007)

	Delivery Businesses (million yen)	Logistics Businesses (million yen)	Other Businesses (million yen)	Total (million yen)	Balance of Offsetting or Entire Group Account (million yen)	On Consolidated Basis (million yen)
I Revenue / Operating Income						
Revenue						
(1) Revenue from Customers Outside Group	753,900	70,463	44,905	869,268	—	869,268
(2) Revenue from Internal Transactions between Different Segments / Transfer of Balances Between Different Segments	36,160	13,343	27,510	77,014	(77,014)	—
Total	790,060	83,806	72,416	946,282	(77,014)	869,268
Operating Expenses	756,955	80,900	68,426	906,282	(76,647)	829,634
Operating Income	33,104	2,905	3,990	40,000	(366)	39,634

(Notes) 1. Business Type Categorization Method

The Company has categorized the Group's business types by considering the content of products and services provided in individual operations and similarities of the individual related markets.

2. With regard to the unallocated portion of Operating Expenses, an amount of 667 million yen is posted to the "Offsetting or Entire Group" Account. Major items included in the aforementioned amount are related to administrative divisions of the Company.