



Interim Financial Report for First Half of Fiscal 2007 (Consolidated)

November 28, 2007

Company Name SG Holdings Co., Ltd. U R L <http://www.sg-hldgs.co.jp/>
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(Note: Amounts less than 1 million yen are rounded down to nearest million yen)

1. Interim Consolidated Performance (March 21, 2007 - September 20, 2007)

(1) Consolidated Operation Results (Note: Percentage figures in table below represent changes from same period of previous fiscal year.)

	Revenue		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1 st Half, Fiscal 2007	441,205	3.9	20,251	5.7	18,279	8.3	7,441	- 24.8
1 st Half, Fiscal 2006	424,848	6.6	19,165	3.8	16,871	5.5	9,893	15.4
Fiscal 2006 (Annual)	869,268	5.4	39,634	1.5	36,243	4.3	18,537	-

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Equity Ratio
	Million yen	Million yen	%
1 st Half, Fiscal 2007	611,294	185,542	29.9
1 st Half, Fiscal 2006	614,569	171,125	27.1
Fiscal 2006 (Annual)	620,390	179,839	28.3

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Outstanding Balance of Cash & Cash Equivalents at End of Fiscal Period
	Million yen	Million yen	Million yen	Million yen
1 st Half, Fiscal 2007	10,561	- 14,911	- 4,061	67,017
1 st Half, Fiscal 2006	-	-	-	-
Fiscal 2006(Annual)	53,544	- 25,186	- 27,408	75,257

(Note) For first half of Fiscal 2006, no Consolidated Cash Flow Statement was produced.

2. Projection of Consolidated Performance for FY2007 (March 21, 2007-March 20, 2008)

	Revenue	Operating Income	Ordinary Income	Net Income
	Million yen	Million yen	Million yen	Million yen
Fiscal 2007 (Annual)	910,000	40,000	37,000	19,000

(Note) SG Holdings Group is planning to reorganize real estate and other assets under Group ownership. Since the Group is presently in the process of valuating individual asset items and has yet to determine the total amount of any valuation loss or profit that may boost or decrease the net income of fiscal 2007, Group's actual annual performance may differ greatly from above projection.

3. Miscellaneous

- (1) Significant Transfer of Subsidiary During Fiscal Period (Transfer of Special Subsidiary causing any change in scope of consolidated accounting) None
- (2) Changes Implemented to Conventional Accounting Principles, Standard, Procedures, Method and Process in Relation to Production of Interim Consolidated Financial Statement (Any information to be included in "Notes of Significant Changes," providing basis for producing Interim Consolidated Financial Statement)
- ① Changes implemented in accordance with revision of conventional accounting standard and legal requirements: Yes
- ② Changes other than those described in Item① None

1. Status of Group Companies

SG Holdings Group (the Company and related companies) consists of the Company (SG Holdings Co., Ltd.), 33 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 Air transportation	Sagawa Express Co., Ltd. Sagawa Moving Center Co., Ltd. Galaxy Airlines Co., Ltd. (Total: 3 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 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: 22 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 Systems Co., Ltd. Plus 8 other companies (Total: 12 companies)

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

2. Business Performance

(1) Overview of Business Performance in First Half of Fiscal 2007

During the first half of Fiscal 2007, despite uncertainties, including a temporary drop in domestic production due to the Niigata Chuetsu Earthquake, and the subprime mortgage crisis and other changes in the US housing market, the Japanese economy in general continued gradually expanding. For instance, facility investment was on the rise and consumer spending, stemming from improved employment and income, continued increasing.

While Delivery Businesses, SG Holdings Group's core operations, steadily expanded owing to development of the mail order sales market, the market has already matured to a great extent and its growth now appears to be slackening. Coupled with soaring oil prices, implementation of the revised Road Traffic Law, and other operation-affecting factors, Japan Post Group is due to emerge and commence operations on October 1, 2007. These factors further intensified competition among delivery service providers and continued posing challenges to Group management.

Under such circumstances, SG Holdings Group began implementing its SgH First Stage Plan in fiscal 2007. This is the Group's first medium-term corporate management plan devised since introduction of the holding-company system. On the basis of this plan, Sagawa concentrated its efforts on further strengthening Delivery Businesses, the Group's pillar business, developing Logistics Businesses as a second pillar and establishing a third and fourth pillar, in order to form a firm foundation to enable and ensure the Group's sustainable development.

As a result of these efforts, the Group's revenue results were 441,205 million yen, an increase of 3.9% from the same period of the previous fiscal year. With soaring fuel prices and other cost-increasing factors, the Group recorded operating income of 20,251 million yen and ordinary income of 18,279 million yen, representing increases of 5.7% and 8.3%, respectively, from the same period of the previous fiscal year. The Group's net income for the first half of fiscal 2007 turned out to be 7,441 million yen, a 24.8% decrease from the same period of the previous fiscal year.

Below is an overview of individual business segments and their respective performances.

• Delivery Businesses

With a view to satisfying customer needs, SG Holdings Group continued working very hard to enhance product quality and broaden its product portfolio. Existing products, including e-Collect Service, were improved in terms of ease and convenience, while Large Furniture and Domestic Electronic Device Transportation and Installation Service and other new products were introduced. For the purposes of reinforcing and extending the scope of the Group's distribution system, Galaxy Airlines commenced services in October 2006 and achieved remarkable growth in the Group's air transportation businesses.

As a result of these efforts, the number of packages handled and distributed by the Group rose by 2.5% to 636 million items, thus increasing the corresponding freight by 3.0% to 373,979 million yen from the previous fiscal year. Since the total settlement

amount of e-Collect Service transactions handled by the Group, together with the number of envelopes dealt with through Hikyaku Mail Service, continued steady growth, this business segment generated revenue of 379,684 million yen.

• Logistics Businesses

By consolidating Group functions relating to logistics, including Third Party Logistics and air and international freight transportation services, SG Holdings Group endeavored to establish a system capable of providing consistent distribution services both within Japan and overseas. While doing so, Sagawa also sought to introduce overseas moving transportation services and other new products, as well as to renew existing products, so that the Group can offer quality services with content that satisfies customer needs. In addition, Sagawa worked diligently to develop new customers, review transactions with existing customers in terms of profitability and in other aspects, and implemented other action, for the purpose of reinforcing the Group's basis for profit-making enterprise.

As a result, revenue from this business segment was 36,282 million yen.

• Other Businesses

In Financing Businesses, SG Holdings Group enhanced the existing account settlement functions, thereby enabling service recipients to use any of the five major international credit card services for their payments. As a result of efforts to attract account settlement businesses, which expanded along with growth of the mail-order sales market, SG Holdings Group recorded stable revenue increase.

In the Automobile Sales Businesses, the Group established a nation-wide sales network and system that contributed to revenue increase from the same period of the previous fiscal year. Facility Maintenance and Management, Temporary Staffing Services and other businesses belonging to this business segment produced favorable results.

Furthermore, SG Mobile Support Co., Ltd. was established for full-scale startup of mobile communication base stations installation business, one example of Group efforts aimed at developing a solid basis for extensive business operations.

As a result, this business segment generated revenue of 25,238 million yen.

SG Holdings Group established SG Realty Co., Ltd., which is presently preparing to commence operations, with the main purpose of owning and managing real estate and other properties relating to the Group's distribution businesses.

(2) Future Challenges

The delivery service market, which relates to Delivery Businesses, SG Holdings Group's core operations, appears to be continuing steady expansion owing to increasing

demand from mail-order services. On the other hand, since the market has already matured to a great extent, its growth is expected to slacken. Given the fact that Japan Post Group is due to emerge and commence services on October 1, 2007, together with other factors further intensifying competition among delivery service providers, the business environment surrounding SG Holdings Group is likely to become more demanding. Moreover, the Group's extremely heavy reliance on Delivery Businesses as a source of revenue remains undeniable.

Meanwhile, the corporate tendency to outsource logistics businesses to service providers is likely to increase further. As the corporate practice of subcontracting logistics businesses (Third-Party Logistics or 3PL) increases every year and export and import businesses steadily expand, demand for logistics services is expected to widen further, consequently boosting the Group's income from Logistics Businesses.

Based on this understanding, the SgH First Stage Plan - a new medium-term management plan - was formulated, incorporating the Group's management vision "Encouraging Individual Group Companies to Establish Necessary Bases for Performing Operations and Create Value-Added Businesses," and put into action in fiscal 2007. With a view to "laying the foundation for businesses that ensure the Group's sustainable development," efforts will be made not only to further strengthen Delivery Businesses, the main pillar business bolstering the entire Group, but also to develop Logistics Businesses as a second pillar. Furthermore, Sagawa will encourage individual Group companies' continued development and expansion, and implement mergers and acquisitions and other necessary corporate actions, with the aim of establishing third and fourth pillar businesses. Through these efforts, SG Holdings Group is endeavoring to develop a well-balanced profit-making base, instead of one heavily reliant on Delivery Businesses alone.

3. Interim Consolidated Financial Statement

(1) Interim Consolidated Balance Sheet

Account Category	End of 1st Half, Fiscal 2006 (as of September 20, 2006)		End of 1st Half, Fiscal 2007 (as of September 20, 2007)		End of Fiscal 2006 (as of March 20, 2007)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Assets)				%		%
Current Assets						
1. Cash and Cash Equivalents	85,660		67,885		76,515	
2. Trade Notes and Accounts Receivable	118,793		121,089		118,916	
3. Inventory	1,504		2,001		2,416	
4. Deferred Tax Assets	3,245		3,645		4,053	
5. Other	13,753		12,440		14,434	
6. Provision for Bad Debt	-818		-882		-929	
Total Current Assets	222,138	36.2	206,180	33.7	215,407	34.8
Fixed Assets						
(1) Tangible Assets						
1. Buildings and Structures	83,443		82,101		82,665	
2. Vehicles and Transportation Equipment	19,286		18,615		18,467	
3. Aircraft	-		10,537		10,909	
4. Land	205,751		205,108		205,067	
5. Construction in Progress	3,691		6,128		5,803	
6. Other	10,606		12,150		11,314	
Total Tangible Assets	322,779	52.5	334,641	54.8	334,227	53.9
(2) Intangible Assets						
1. Computer Software	5,640		9,542		9,888	
2. Other	6,371		4,501		2,773	
Total Intangible Assets	12,011	2.0	14,044	2.3	12,661	2.0
(3) Investments and Other Assets						
1. Investment Securities	4,250		3,011		3,722	
2. Deferred Tax Assets	15,457		16,417		16,990	
3. Guarantee Money Paid	33,570		32,843		32,814	
4. Other	6,744		6,736		6,928	
5. Provision for Bad Debt	-3,648		-3,831		-3,802	
Total Investments and Other Assets	56,373	9.2	55,177	9.0	56,652	9.1
Total Fixed Assets	391,164	63.7	403,862	66.1	403,541	65.0
Deferred Assets	1,266	0.1	1,251	0.2	1,440	0.2
Total Assets	614,569	100.0	611,294	100.0	620,390	100.0

Account Category	End of 1st Half, Fiscal 2006 (as of September 20, 2006)		End of 1st Half, Fiscal 2007 (as of September 20, 2007)		End of Fiscal 2006 (as of March 20, 2007)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
(Liabilities)		%		%		%
Current Liabilities						
1. Trade Notes Payable and Accounts Due	47,733		48,082		46,513	
2. Corporate Bonds with Redemption Scheduled within One Year	26,600		12,900		21,600	
3. Short-term Debt	24,447		14,541		3,061	
4. Long-term Debt with Repayment Scheduled within One Year	43,552		36,875		37,506	
5. Accrued Income Taxes and Other	7,869		8,037		15,900	
6. Provision for Bonuses	3,572		4,053		3,182	
7. Other	48,613		52,355		57,788	
Total Current Liabilities	202,389	32.9	176,844	28.9	185,553	29.9
Long-term Liabilities						
1. Corporate Bonds	71,800		53,900		58,000	
2. Long-term Debts	128,486		143,226		144,374	
3. Provision for Retirement Benefits	36,725		36,008		36,953	
4. Other	4,042		15,772		15,668	
Total Long-term Liabilities	241,053	39.3	248,907	40.7	254,996	41.1
Total Liabilities	443,443	72.2	425,752	69.6	440,550	71.0
(Net Assets)						
Stockholders' Equity						
1. Capital Stock	11,275		11,383		11,275	
2. Capital Reserve	275		383		275	
3. Retained Earnings	153,260		168,693		161,905	
Total Stockholders' Equity	164,810	26.8	180,459	29.6	173,455	28.0
Differences in Valuations and Foreign Exchange Translations, and Other						
1. Differences in Valuations of Other Securities	1,474		929		1,346	
2. Deferred Loss/Gain from Hedging Instruments	-59		7		-7	
3. Provision for Adjustment of Foreign Exchange Translations	331		991		720	
Total of Differences in	1,746	0.3	1,928	0.3	2,060	0.3

Valuations and Foreign Exchange Translations, and Other						
Minority Interest	4,568	0.7	3,155	0.5	4,323	0.7
Total Net Assets	171,125	27.8	185,542	30.4	179,839	29.0
Total Liabilities and Net Assets	614,569	100.0	611,294	100.0	620,390	100.0

(2) Interim Consolidated Profit & Loss Statement

Account Category	1st Half, Fiscal 2006 〔 March 22, 2006- September 20, 2006 〕		1st Half, Fiscal 2007 〔 March 21, 2007- September 20, 2007 〕		Fiscal 2006 (Annual) 〔 March 22, 2006- March 20, 2007 〕	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(million yen)	%	(million yen)	%	(million yen)	%
Revenue	424,848	100.0	441,205	100.0	869,268	100.0
Cost of Sales	389,449	91.7	404,760	91.7	796,921	91.7
Total Revenue	35,398	8.3	36,445	8.3	72,347	8.3
Selling, General and Administrative Expenses	16,232	3.9	16,193	3.7	32,713	3.8
Operating Income	19,165	4.4	20,251	4.6	39,634	4.5
Other Income	1,150	0.3	974	0.2	2,892	0.3
1. Interest and Dividends Received	60		113		179	
2. Other	1,089		861		2,712	
Other Expenses	3,445	0.8	2,946	0.7	6,282	0.7
1. Interest Paid	2,123		2,197		4,157	
2. Other	1,322		749		2,125	
Ordinary Income	16,871	3.9	18,279	4.1	36,243	4.1
Extraordinary Income	363	0.1	140	0.1	1,259	0.1
1. Profit from Sale of Fixed Assets	314		134		436	
2. Other	48		5		822	
Extraordinary Loss	626	0.1	3,176	0.7	5,880	0.6
1. Loss from Disposal of Fixed Assets	535		331		1,064	
2. Loss Due to Impairment	—		—		738	
3. Payment for Use of Land Owned by Other Parties	—		—		1,316	
4. Other	90		2,845		2,761	
Net Income Before Income Taxes and Other Adjustments	16,608	3.9	15,243	3.5	31,622	3.6
Corporate, Residential and Business Taxes	7,260	1.7	7,434	1.7	16,687	1.9
Adjustment of Corporate Tax and Other	-520	-0.1	1,127	0.2	-2,960	-0.3
Loss Owed to Minority Owners	24	0.0	759	0.1	642	0.1
Net Income (Interim or Annual)	9,893	2.3	7,441	1.7	18,537	2.1

(3) Interim Consolidated Cash Flow Statement

Account Category	1st Half, Fiscal 2007	Fiscal 2006
	March 21, 2007- September 20, 2007	March 22, 2006- March 20, 2007
	Amount (million yen)	Amount (million yen)
Cash Flows from Operating Activities		
Net Income (Interim) Before Income Taxes and Other Adjustments	15,243	31,622
Depreciation and Amortization	9,999	19,861
Increase/Decrease in Provision for Retirement Benefits (In case of decrease, corresponding figure is indicated by “-”)	-975	205
Increase in Provision for Bonuses	870	587
Interest and Dividends Received	-113	-179
Interest Paid	2,197	4,157
Profit/Loss from Disposal/ Sale of Fixed Assets	196	627
Increase in Trade Notes and Accounts Receivable	-1,967	-6,118
Increase in Trade Notes Payable and Accounts Due	1,461	4,410
Other	-3,886	8,904
Sub-Total	23,025	64,079
Interest and Dividends Received	93	140
Interest Paid	-1,985	-3,941
Payment of Corporate and Other Taxes	-10,571	-6,733
Total Cash Flows from Operating Activities	10,561	53,544
Cash Flows from Investing Activities		
Expenditure for Purchase/Acquisition of Tangible Assets	-12,445	-20,178
Receipts from Sale of Tangible Assets	344	1,091
Expenditure for Purchase/Acquisition of Intangible Assets	-3,255	-5,502
Other	444	-598
Total Cash Flows from Investing Activities	-14,911	-25,186
Cash Flows from Financing Activities		
Net Increase/ Decrease in Short- Term Debt	11,498	195
Proceeds from Issuing Long-Term Debt	19,869	36,003
Repayment of Long-Term Debt	-21,647	-41,723

Payments for Redemption of Corporate Bonds	-12,800	-21,600
Dividend Payments made by Parent Company	-653	-282
Dividend Payments to Minority Interest	-327	0
Total Cash Flows from Financing Activities	-4,061	-27,408
Differences in Cash and Cash Equivalents as result of foreign exchange translation	171	120
Increase/ Decrease in Cash and Cash Equivalents	-8,239	1,069
Outstanding Balance of Cash and Cash Equivalents, Beginning of Fiscal Period/Year	75,257	74,187
Outstanding Balance of Cash and Cash Equivalents, End of Fiscal Period/Year	67,017	75,257

Segment Information

1 . Segment Information by Business Type

First Half of Fiscal 2007 (March 21, 2007-September 20, 2007)

(million yen)

	Delivery Businesses	Logistics Businesses	Other Businesses	Total	Balance of Offsetting or Entire Group Account	On Consolidated Basis
Revenue						
(1) Revenue from Customers Outside Group	379,684	36,282	25,238	441,205	-	441,205
(2) Revenue from Internal Transactions Between Different Segments/ Transfer of Balances Between Different Segments	21,072	9,516	16,431	47,020	(47,020)	-
Total	400,756	45,798	41,670	488,226	(47,020)	441,205
Operating Expenses	385,263	43,460	39,441	468,166	(47,212)	420,954
Operating Income	15,493	2,337	2,228	20,059	192	20,251

(Notes) 1. Business Type Categorization Method

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

2. With regard to the unallocated portion of Operating Expenses, the amount of 589 million yen is posted to the "Offsetting or Entire Group" Account. Major items included in this amount are related to administrative divisions of the Company.

Previous Fiscal Year (March 22, 2006-March 20, 2007)

(million yen)

	Delivery Businesses	Logistics Businesses	Other Businesses	Total	Balance of Offsetting or Entire Group Account	On Consolidated Basis
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 categorized the Group's business types by considering the content of products and services provided as part of individual operations, and similarities of related markets.

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