

3. Projection of Consolidated Performance for FY2011 (March 21, 2011 – March 20, 2012)

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

	Revenue		Operating Income		Ordinary Income		Net Income		Net income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal 2011 (Annual)	885,000	-1.0	30,500	0.5	27,000	0.4	12,600	-11.4	114.87

(Note) Revision to projection for operating results during the second quarter: Yes

4. Other (For details, refer to “Other Information” on page 5 of Appendix.)

(1) Changes in significant subsidiaries during the second quarter: None

Note: This item refers to changes in specified subsidiaries resulting in change in the scope of consolidation during the second quarter.

(2) Adoption of simplified accounting treatment and special accounting practices: Yes

Note: This item refers to adoption of simplified accounting treatment and special accounting practices for the preparation of quarterly consolidated financial statements.

(3) Changes in accounting principles, procedures and presentation methods etc.

① Changes associated with revision to accounting standards: Yes

② Changes other than ① above: None.

Note: This item refers to changes in accounting principles, procedures and presentation methods etc. relating to the preparation of quarterly consolidated financial statements as described in “Changes in important matters as the basis for preparation of quarterly consolidated financial statements.”

(4) Outstanding shares (common shares)

① Number of shares outstanding as of the end of term (including treasury stock):

As of September 20, 2011:	106,732,400	As of March 20, 2011:	106,732,400
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② Number of treasury stocks as of the end of term:

As of September 20, 2011:	100,000	As of March 20, 2011:	—
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③ Average number of shares outstanding during the term (1st six-month period):

Six-month period ended September 20, 2011:	106,727,509	Six-month period ended September 20, 2010:	106,732,400
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* Description Concerning the Appropriate Use of Business Forecast and Other Remarks

The descriptions concerning the business forecasts included in this document are based on certain information obtained by the Company and the assumptions that the Company has deemed reasonable as of the date of publication. Actual results may differ substantially from these forecasts due to a variety of important factors.

Dividend Status of Class Shares

Details of dividend per share on class shares that differ from the Company’s common shares in respect to shareholder’s rights are as follows:

Preferred shares	Dividend per Share				
	1Q-end	2Q-end	3Q-end	4Q-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 20, 2011	—	—	—	15.50	15.50
FY ending March 20, 2012	—	—			
FY ending March 20, 2012 (Forecast)					

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1. Qualitative Information on Consolidated Operating Results etc. for the Current Quarter

(1) Qualitative Information on Consolidated Business Performance

In the first six-month period of the current fiscal year ending March 20, 2012, production activities, which were temporarily halted by the Great East Japan Earthquake, gradually regained some footing along with the normalization of supply chain disruptions. However, the outlook for the Japanese economy remained uncertain because of several reasons: a bottleneck in the electricity supply, unclear impact of the government's reconstruction programs that would be implemented from now, the confluence of the rising yen, falling stock prices and concerns over a global economic recession caused by financial problems in Europe.

In the logistics industry, the business environment was still harsh because of fierce competition and the slowing economy, although demand from earthquake reconstruction was witnessed.

The Group initiated its medium-term management plan, *the Second Stage Plan*, in fiscal 2010 to further improve the earnings structure in the home delivery service and to establish the second, third and fourth pillar of its business in Other Businesses under the theme of *Broaden business areas and upgrade revenue sources*.

Under these circumstances, in the Delivery Business—the Group's core business—the Group saw the number of packages handled and distributed expand in the *to C market service*, but transaction volume decreased from a year earlier in some services, such as *Hikyaku Cool Express* and *Mail Express*. In addition, there were the negative effects of the Great East Japan Earthquake, etc. As a result, revenue decreased by 2.6% from a year earlier to 433,553 million yen in the first six-month period of the consolidated fiscal year ending March 20, 2012.

Concerning profits, although the Group strived to improve the infrastructure of its transportation and delivery systems and enhance operating efficiency, both operating income and ordinary income decreased, to 13,733 million yen (down 6.0% from a year earlier) and 11,640 million yen (down 4.9% from a year earlier), respectively. Quarterly net income declined by 56.9% from a year earlier to 2,772 million yen, because the Group recorded a loss on the adjustment for changes in the accounting standard for asset retirement obligations of 3,497 million yen as an extraordinary loss.

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

- Delivery Businesses

The number of packages handled and delivered by the Group through its main services was as follows:

Business segment	The fifth term First six-month period (March 21, 2010 to September 20, 2010)	The sixth term First six-month period (March 21, 2011 to September 20, 2011)	Year-on-year change	Year-on-year change (%)
Hikyaku Express (in millions)	579	635	56	9.7
Hikyaku Air Express (in millions)	6	5	-0	-12.2
Hikyaku Cool Express (in millions)	18	16	-2	-11.4
Mail Express (in millions)	336	256	-79	-23.7
Hikyaku Mail Express	80	63	-16	-21.1
Hikyaku Yu Mail Express	256	193	-63	-24.6
e-Collect Service (in millions)	66	69	2	3.5

In the Delivery Business, transaction volume grew in the *to C market service*. In addition, the Group was able to cultivate new markets by both introducing new products that aim at improving customers' convenience and providing a variety of services through the *Web service* by exploiting IT. However, the number of packages handled and delivered through products such as *Hikyaku Cool Express* and *Mail Express* decreased from a year earlier, due to the effects of the March 11th Earthquake, etc. The Group continued to implement measures to improve the infrastructure of transportation and delivery suitable for the *to C market service* and to enhance operating efficiency and product quality, such as development of a small-office network and introduction of pick-up and delivery with the route cargo service.

As a result, revenue from this business segment during the six-month period under review reached 378,424 million yen, a decrease of 2.5% from a year earlier.

- Logistics Business

In the Logistics Business, the Group strived to expand its business by offering total logistics solutions, such as Japan-overseas unified logistics. In addition, it created an infrastructure to expand its business as follows: completely changing the menu for its *sgx* service (international home delivery service); launching a needle and product inspection service for clothes and miscellaneous goods in Vietnam by Sagawa Express Vietnam Co., Ltd., which acquired a license from the Vietnamese government for needle detection and product inspection services. There were also negative effects due to the appreciate of the yen.

As a result, revenues from the Logistics Business during the six-month period under review amounted to 24,482 million yen, a decrease of 1.1% from a year earlier.

- Other Businesses

In the automobile sales business, revenues from automobile services steadily grew thanks to the Group's sales activities, which focused on the cultivation of new customers in broad areas or the acquisition of orders for the maintenance of specially-equipped vehicles. In addition, it acquired the business of Toshiba Butsuryu Jidosha Service K.K., a subsidiary of Toshiba Logistics Corporation, and formed an alliance with Kurume Marukyu Seibi K.K. in the truck maintenance business with the aim to expand revenues of external sales and improve the quality and efficiency of maintenance services in the future. In the real estate business, the Group purchased the following two large-scale logistics facilities in June 2011 to expand its external business revenue opportunities: *SG Realty Katsushima* in Shinagawa ward, Tokyo and *SG Realty Kuki II* in Kuki City, Saitama.

In the IT business, the Group established Wuxi FeiSu Logistics Information Technology Co., Ltd. in Yixing City, Jiangsu Province, China, a company that develops logistics systems for internet mail-order companies, creates delivery and inventory control systems and provides operations services for such systems. The new company commenced business in July 2011.

In addition, the Group established SG Expert Co., Ltd., a company that provides shared services to group companies, and SG Fielder Co., Ltd, a company that provides human resource outsourcing services. The former started operations in June 2011, and the latter in July 2011.

Finally, revenues from Other Businesses during the six-month period under review totaled 30,646 million yen, a decrease of 4.0% from a year earlier, because of a sharp decline in sales of new cars in the automobile sales business due to a substantial delay in automobile production caused by the March 11th earthquake.

Revenue breakdown for the first six-month period of the two most recent consolidated fiscal years

Business segment	The fifth term First six-month period		The sixth term First six-month period	
	March 21, 2010 to September 20, 2010		March 21, 2011 to September 20, 2011	
	Revenue (million yen)	Component rate (%)	Revenue (million yen)	Component rate (%)
Delivery Business	388,282	87.3	378,424	87.3
Logistics Business	24,759	5.6	24,482	5.6
Other Businesses	31,908	7.1	30,646	7.1

(Note) The Group specified the main business of group companies and calculated revenues by business segments in the above table by adding the revenues of group companies according to the specified main business.

(2) Qualitative Information on Consolidated Financial Position

Total assets as of the end of the first six-month period of the current consolidated fiscal year decreased by 222 million yen from the end of the previous consolidated fiscal year to 554,038 million yen. The principal factors contributing to this result were a decrease of 23,396 million yen in current assets due to a decline in cash and deposits, notes receivable-trade and operating accounts receivable and an increase of 25,814 million yen in property, plant and equipment due to purchase of buildings, structures and land. Total liabilities amounted to 413,700 million yen, a decrease of 934 million yen from the end of the previous consolidated fiscal year. This was attributable to an increase of 4,814 million yen in deposits payable under “e-Collect,” a cash-on-delivery service, a decrease of 8,975 million yen in long-term loans payable, and asset retirement obligations of 3,767 million yen recorded due to the implementation of the new accounting standard for asset retirement obligations from the first six-month period of the current consolidated fiscal year.

Net assets increased by 712 million yen from the end of the previous consolidated fiscal year to 140,338 million yen, as a result of net income totaling 2,772 million yen for the period under review and 1,941 million yen in dividends paid from the surplus.

As a result, the capital rate rose to 25.2% on September 20, 2011 from 25.0% as of the end of the previous consolidated fiscal year.

Net cash generated from operating activities was 29,156 million yen, up 5,045 million yen from a year earlier. This was because of an increase of 2,130 million yen in net revenue from deposits received and an increase of 1,553 million yen in net revenue from notes and accounts receivable-trade.

Net cash used in investment activities was 33,711 million yen, up 15,335 million yen from a year earlier, due to an increase of 15,870 million yen in purchase of property, plant and equipment, including large-scale logistics facilities, etc., such as *SG Realty Katsushima* in Shinagawa ward, Tokyo and *SG Realty Kuki II* in Kuki City, Saitama.

Net cash used in financing activities was 13,529 million yen, up 8,628 million yen from a year earlier, mainly due to a decrease of 8,378 million yen in net revenue from loans payable.

As a result, the balance of cash and cash equivalents as of the end of the first six-month period of the current consolidated fiscal year was 62,132 million yen, a decrease of 18,082 million yen from the end of the previous consolidated fiscal year.

(3) Qualitative Information on the Projections for the Consolidated Operating Results

It is anticipated that the future economic environment will remain uncertain because of several reasons: a bottleneck in the electricity supply, unclear impact of the government’s reconstruction programs that would be implemented from now, the confluence of the rising yen and falling stock prices and concerns over a global economic recession caused by financial problems in Europe. The Group recognizes that the management environment in the logistics industry will also become increasingly more severe, due to fierce competition among competitors.

Under these circumstances, the Group has been striving to achieve the target under *the Second Stage Plan*, its medium-term management plan with the theme of *Broaden business areas and upgrade revenue sources* that was initiated in fiscal 2010, in line with the five basic policies listed below:

- ① Further enhance revenue sources in the home delivery business;
- ② Accelerate fosterage of the second, third and fourth pillars of business by concentrating management resources in priority businesses;
- ③ Develop businesses by responding quickly to changes in society and customer needs;
- ④ Enrich and foster human capital while nurturing an environment in which diverse human resources can exert their abilities; and
- ⑤ Implement activities to improve trust and increase company reputation and affinity in society.

Taking into account the recent business performance, the Group has revised its projection for consolidated operating results for the current fiscal year, which was announced on May 25, 2011.

2. Other Information

(1) Outline of Changes in Significant Subsidiaries

Not applicable.

(2) Outline of Adoption of Simplified Accounting Treatment and Special Accounting Practices

Method of calculating deferred tax assets and deferred tax liabilities:

In judging the likelihood of recovering deferred tax assets, the Company affirmed that no significant changes had been found in the occurrence of temporary differences. The Company therefore used the same results forecasts and tax planning measures that had been used at the end of the previous consolidated fiscal year.

(3) Outline of Changes in Accounting Principles, Procedures and Presentation Methods etc.

Changes in accounting standards

Effective from the first six-month period of the current consolidated fiscal year, the Group has adopted *the Accounting Standards for Asset Retirement Obligations* (ASBJ Statement No. 18 issued on March 31, 2008) and *Guidance on Accounting Standards for Asset Retirement Obligations* (ASBJ Guidance No. 21 issued on March 31, 2008). Due to the adoption of these standards, operating expenses increased by 79 million yen in the quarterly consolidated statement of income, resulting in a decline in operating income and ordinary income by 79 million yen. In addition, net income before income taxes decreased by 3,577 million yen, because the Group recorded an extraordinary loss of 3,497 million yen.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Unit: million yen)

	As of end of current six-month period (September 20, 2011)	As of end of previous consolidated fiscal year (March 20, 2011)
(Assets)		
Current Assets		
Cash and Cash Equivalents	62,425	80,494
Trade Notes and Accounts Receivable	118,413	120,860
Merchandise and Finished Goods	482	429
Work in Process	265	508
Raw Materials and Supplies	1,354	1,224
Deferred Tax Assets	13,176	15,730
Other	9,039	9,342
Provision for Bad Debt	-618	-654
Total Current Assets	204,539	227,935
Fixed Assets		
Tangible Assets		
Buildings and Structures (net)	77,409	64,004
Vehicles and Transportation Equipment (net)	6,175	5,585
Land	156,209	149,330
Lease Assets (net)	4,874	4,710
Construction in Progress	6,788	2,370
Other, net	11,570	11,212
Total Tangible Assets	263,028	237,214
Intangible Assets		
Computer Software	13,397	11,939
Lease Assets	244	277
Other	11,452	12,071
Total Intangible Assets	25,094	24,287
Investments and Other Assets		
Investment Securities	3,623	3,616
Deferred Tax Assets	25,173	27,126
Guarantee Money Paid	30,774	32,271
Other	4,890	5,060
Provision for Bad Debt	-3,085	-3,252
Total Investments and Other Assets	61,376	64,823
Total Fixed Assets	349,499	326,325
Total Assets	554,038	554,261

(Unit: million yen)

	As of end of current six-month period (September 20, 2011)	As of end of previous consolidated fiscal year (March 20, 2011)
(Liabilities)		
Current Liabilities		
Trade Notes Payable and Accounts Due	43,499	42,262
Short-term Debt	7	8
Long-term Debt with Repayment Scheduled within One Year	22,700	24,459
Lease Liabilities	1,410	1,632
Accrued Income Taxes and Other	1,435	2,594
Deposit Received	33,582	28,768
Provision for Bonuses	3,085	2,908
Provision for Directors' Bonuses	-	37
Other	34,408	35,566
Total Current Liabilities	140,130	138,237
Long-term Liabilities		
Long-term Debts	210,522	219,498
Lease Liabilities	2,730	2,512
Provision for Retirement Benefits	50,596	49,082
Provision for Directors' Retirement Benefits	352	379
Asset retirement obligations	3,767	-
Other	5,600	4,923
Total Long-term Liabilities	273,569	276,397
Total Liabilities	413,700	414,634
(Net Assets)		
Stockholders' Equity		
Capital Stock	11,383	11,383
Capital Reserve	383	383
Retained Earnings	128,807	127,976
Treasury stock	-110	-
Total Stockholders' Equity	140,463	139,742
Differences in Valuations and Foreign Exchange Translations, and Other		
Differences in Valuations of Other Securities	-34	-24
Provision for Adjustment of Foreign Exchange Translations	-874	-876
Total of Differences in Valuations and Foreign Exchange Translations, and Other	-909	-900
Minority Interest	784	784
Total Net Assets	140,338	139,626
Total Liabilities and Net Assets	554,038	554,261

(2) Consolidated Quarterly Statement of Income
For 1st six-month ended September 20.

(Unit: million yen)

	For 1st six-month period of previous consolidated fiscal year (March 21, 2010 to September 20, 2010)	For 1st six-month period of current consolidated fiscal year (March 21, 2011 to September 20, 2011)
Revenue	444,950	433,553
Cost of Sales	415,279	405,687
Total Revenue	29,670	27,865
Selling, General and Administrative Expenses	15,060	14,131
Operating Income	14,610	13,733
Other Income		
Interest Received	46	42
Dividends Received	61	85
Equity in Earnings of Affiliates	19	-
Amortization of Negative Goodwill	30	-
Other	682	438
Total Non-Operating Income	839	566
Other Expenses		
Interest Paid	2,483	2,335
Other	723	324
Total Non-operating Expenses	3,207	2,659
Ordinary Income	12,242	11,640
Extraordinary Income		
Profit from Sale of Fixed Assets	48	15
Other	52	54
Total Extraordinary Income	101	69
Extraordinary Loss		
Loss on Sales of Fixed Assets	35	34
Loss on Retirement of Fixed Assets	238	89
Impairment loss	101	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	3,497
Other	679	119
Total Extraordinary Losses	1,055	3,741
Income before Income Taxes	11,288	7,968
Corporate, Residential and Business Taxes	2,170	662
Adjustment of Corporate Tax and Other	2,671	4,526
Total Income Taxes Paid	4,841	5,188
Income before minority interests	-	2,780
Loss Owed to Minority Owners	12	7
Net Income	6,435	2,772

(3) Consolidated Quarterly Statement of Cash Flows

(Unit: million yen)

	For 1st six-month period of previous consolidated fiscal year (March 21, 2010 to September 20, 2010)	For 1st six-month period of current consolidated fiscal year (March 21, 2011 to September 20, 2011)
Cash Flows from Operating Activities		
Income before Income Taxes	11,288	7,968
Depreciation and Amortization	8,831	8,539
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	3,497
Increase/Decrease in Provision for Retirement Benefits (In case of decrease, corresponding figure is indicated by “-”)	1,253	1,516
Increase/Decrease in Provision for Bonuses (In case of decrease, corresponding figure is indicated by “-”)	-497	177
Interest and Dividends Received	-107	-128
Interest Paid	2,483	2,335
Loss/Gain on sales and retirement of noncurrent assets (In case of gain, corresponding figure is indicated by “-”)	224	108
Decrease/Increase in Notes and Accounts Receivable-Trade (In case of increase, corresponding figure is indicated by “-”)	873	2,427
Increase/Decrease in Notes and Accounts Payable-Trade (In case of decrease, corresponding figure is indicated by “-”)	506	1,197
Increase/Decrease in deposits received (In case of decrease, corresponding figure is indicated by “-”)	2,682	4,813
Other	385	467
Sub-Total	27,926	32,921
Interest and Dividends Received	115	106
Interest Paid	-2,387	-2,317
Payment of Corporate and Other Taxes	-1,543	-1,553
Total Cash Flows from Operating Activities	24,111	29,156
Cash Flows from Investing Activities		
Expenditure for Purchase/Acquisition of Tangible Assets	-14,660	-30,531
Receipts from Sale of Tangible Assets	2	52
Expenditure for Purchase/Acquisition of Intangible Assets	-3,565	-3,577
Purchase of Investment Securities	-131	-35
Proceeds from Sales of Investment Securities	25	-
Purchase of Additional Investments in Consolidated Subsidiaries	-1	-
Other	-46	379
Total Cash Flows from Investing Activities	-18,376	-33,711
Total Cash Flows from Financing Activities		
Net Increase/ Decrease in Short-Term Debt (In case of decrease, corresponding figure is indicated by “-”)	-14	-
Proceeds from Issuing Long-term Debt	35,200	-
Repayment of Long-term Debt	-37,541	-10,733
Repayments of Lease Liabilities	-1,237	-743
Cash Dividends Paid	-1,298	-1,941
Dividend Payments to Minority Interest	-2	-0
Purchase of treasury stock	-	-110
Other	-7	-
Total Cash Flows from Financing Activities	-4,901	-13,529
Differences in Cash and Cash Equivalents as Result of Foreign Exchange translation	-82	2
Increase/ Decrease in Cash and Cash Equivalents (In case of decrease, corresponding figure is indicated by “-”)	749	-18,082
Outstanding Balance of Cash and Cash Equivalents, Beginning of Fiscal Period/Year	82,512	80,214
Cash and Cash Equivalents at End of Period	83,262	62,132

(4) Segment Information

(Segment Information by Business Type)

For 1st six-month period of previous consolidated fiscal year (March 21, 2010 to September 20, 2010)

(Unit: 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	388,282	24,759	31,908	444,950	—	444,950
(2) Revenue from Internal Transactions between Different Segments / Transfer of Balances between Different Segments	28,522	4,296	28,835	61,654	(61,654)	—
Total	416,805	29,055	60,743	506,604	(61,654)	444,950
Operating Expenses	405,103	28,127	58,676	491,906	(61,566)	430,340
Operating Income	11,702	928	2,067	14,697	(87)	14,610

For 1st six-month period of current consolidated fiscal year (March 21, 2011 to September 20, 2011)

(Unit: 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	378,424	24,482	30,646	433,553	—	433,553
(2) Revenue from Internal Transactions between Different Segments/ Transfer of Balances between Different Segments	29,373	3,969	31,377	64,720	(64,720)	—
Total	407,797	28,451	62,024	498,273	(64,720)	433,553
Operating Expenses	396,305	27,750	60,617	484,672	(64,852)	419,819
Operating Income	11,491	701	1,407	13,600	132	13,733

(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. Major Products by Business Type

Business Segment	Major Products
Delivery Businesses	Hikyaku Express, Hikyaku Cool Express, Hikyaku Mail Express, Hikyaku Air Express, etc., Moving transportation, Route delivery service, Charter transportation, Installation transportation, Art transportation Collective delivery services, Food delivery service
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, etc., International air and marine transportation services
Other Businesses	Product sales, Insurance agent, Travel agent, Facility management, Automobile services, Automobile sales, Manufacture of auto bodies, System sales and maintenance, e-Collect Service, Real estate leasing and management, Temporary staffing service and providing staffing services under contract