Value Creation Story for the "SGH Vision 2030"

Inheriting the principles established at our founding, the SG Holdings Group has consistently strived to provide logistics solutions optimally tailored to our customers' needs, while flexibly adapting to changing environmental conditions. Going forward, we will continue to create economic and social value through further advancements in our Total Logistics functions, and the provision of these solutions to stakeholders as we strive to achieve our vision.

VISION

Our vision for the "SGH Vision 2030"

Continue to be an indispensable presence (=infrastructure) for our customers and society

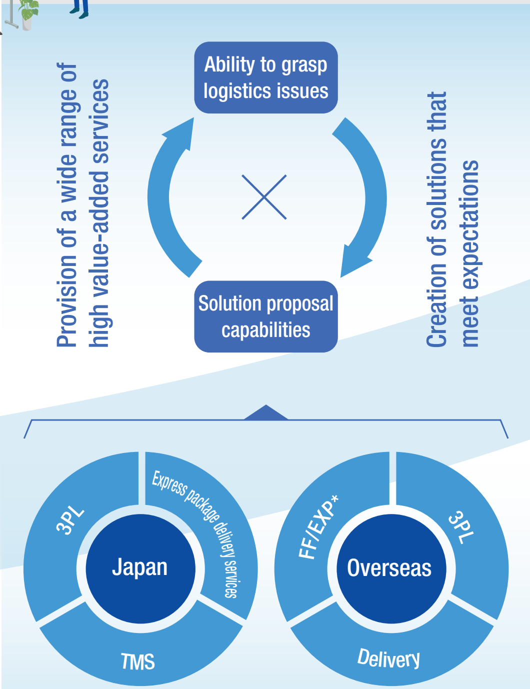
INPUT

Sources of our competitiveness

We consider intellectual capital to be a source of solution creation for the seven management resources possessed by the Group, and position it as a convergence point of each resource

BUSINESS MODEL

Providing Total Logistics functions



* FF: Freight forwarding, EXP: Express

Expansion of domestic and overseas solutions

Business foundation

Corporate governance

MATERIALITY

Initiatives to address key issues

Maintaining and expanding business growth and logistics infrastructure

- Enhancement of logistics solutions
- Strengthening of growth platform with personnel and partners
- Strengthening of response to environmental issues
- Improve safety and compliance
- Enhancement of governance

OUTCOME

Provision of social value to stakeholders

Customers
- Contribution to expansion of customers' business through the resolution of logistics issues
- Contribution to the reduction of Scope 3 CO_2

Partner Companies
- Contribution to business growth of partner companies through entrustment of highly productive operations
- Creation of new value through collaboration

Employees
- Employee friendly and fulfilling workplaces enabling diverse personnel to work
- Provision of growth opportunities leading to the formation of careers of each individual

Society
- Stable provision of logistics services
- Contribution to local communities as a lifeline

Shareholders and Investors
- Stable dividends through sustained growth
- Enhancement of corporate value through engagement

OUTPUT

Creation of economic value aimed at sustainable growth

	Management targets for FY2027	Management targets for FY2030
Operating revenue	1,830.0 billion yen	2,200.0 billion yen
Operating income	110.0 billion yen	140.0 billion yen
Net income attributable to owners of the parent	70.0 billion yen	98.0 billion yen
ROE	12%	15%
ROIC	8%	10%

SG Holdings' Management Resources

Management resources are the fundamental resources for creating value for stakeholders. We have organized the seven management resources possessed by the Group, including human capital and financial capital. In order to provide each customer with tailor-made, optimal logistics solutions, it is necessary to make full use of the management resources of the Group. Intellectual capital, including knowledge and know-how, is positioned at the center of our management resources, and intellectual capital is also expressed as the convergence point of each management resource in the value creation story. The advanced logistics project team "GOAL" embodies the role of this intellectual capital, and is at its core.

Intellectual Capital

Insight, know-how and IT infrastructure forming the source for proposal of optimal solutions

Intellectual capital such as insight and know-how accumulated within the Group as we have met the diverse requirements of customers since the Group was founded, and IT infrastructure supporting the promotion of DX are significant management resources that are essential for the Group's growth, leading to the resolution of fundamental issues faced in logistics. GOAL plays a central role in this, serving to provide advanced logistics solutions by connecting the Group's management resources.

Total logistics solutions	Common Group IT infrastructure (SGH platform)
Full digitalization of invoice information (Completed in April 2022)	Number of GOAL members: 500

Enhancement measures

Enhancement of logistics solutions by accumulating knowledge and know-how

- We combine the resources of the Group and partner companies to make tailor-made logistics proposals with GOAL playing a central role to resolve customers' logistics issues. At the same time, we accumulate knowledge and know-how to enhance our logistics solutions. We will also work to develop new services that meet changing needs and lifestyles.

Evolution of logistics solutions through DX

- Based on the Group's common IT infrastructure, we will further promote DX by collaborating with industry peers and companies in other industries, including startups, and by utilizing technologies such as IoT, AI, and robotics, to further evolve our logistics solutions.

Human Capital

Source of creation of added value

"Our employees" are one of the Group's most important management resources. We propose optimal solutions by understanding needs and discovering wants of customers through day-to-day communication. The Group's strength is GOAL playing a central role to resolve customers' logistics issues based on information gathered by approximately 20,000 SALES DRIVERs and sales staff of each business. Our ability to understand logistics issues and solution proposal capabilities is the source of creating added value. Furthermore, we will strive to create workplaces in which diverse personnel are able to work without prejudice based on gender, age, disability or nationality to realize the enhancement of corporate value.

Consolidated number of employees 104,595	Number of SALES DRIVERs Approx. 20,000

Enhancement measures

Development of solution personnel

- We will strengthen the layers of GOAL personnel, DX personnel, and global personnel who support the enhancement of our logistics solutions. We are taking measures to swiftly develop junior employees through job rotation across the Group and to hire mid-career personnel with specialist knowledge. For DX personnel in particular, we will focus on developing personnel who will be responsible for creating, planning, and proposing services.

Core business promotion personnel

- We are continuously working to retain personnel who will be responsible for on-site operations. At the same time, we are striving to improve productivity by reviewing operations using IT and cutting-edge technologies and optimizing personnel allocation.

Improvement of the workplace environment

- To develop and retain human resources, we need to improve the workplace environments of our employees. To this end, we will respect diversity (DE&I: Diversity, Equity and Inclusion) and continue to implement initiatives aimed at work-style and organizational culture reforms, with a focus on promoting the active participation of women.

Partner Companies

Partners supporting business growth

The Group actively coordinates with partner companies in line-haul transportation and the last mile. This enables dynamic responses according to the number of express delivery packages and the creation of a business model in which profitability is not affected by changes in the number of packages. Strategic alliances have been built not only with fellow transportation companies, but also by partnering with companies in different businesses such as IT companies. We believe it is necessary to rely on our own strength as well as build business partnerships with partners in a wide range of industries to meet the diverse needs of customers and also achieve sustained growth.

Line-haul transportation partner companies Approx. 310	Delivery supporter companies Approx. 3,740	TMS partner companies Approx. 2,270

Enhancement measures

Strengthening of coordination with partner companies

- We will bolster our transportation network by strengthening ties with the partner companies that support our transportation infrastructure. We will build sustainable, favorable relationships by sharing each other's challenges and requests through meetings to promote appropriate transactions, and other forums. We will also actively pursue alliances with a variety of partner companies, aiming to provide competitive services and expand and bolster our network.

Creation of new value through collaboration

- We will work with a variety of partners, including startups, industry peers, and local governments, to develop new services and help resolve social issues. We will expand our initiatives by collaborating with startups through our "HIKYAKU LABO" open innovation activities, and participating in demonstration experiments in collaboration with industry, government, and academia.

SG Holdings’ Management Resources

Financial Capital

Sound financial structure

The Group will strive to balance investment aimed at future growth, stable and continuous returns to shareholders and internal reserves for the future and further enhance medium- to long-term corporate value by increasing earning capacity and stabilizing our financial base.

Operating income margin	Equity ratio
5.9%	55.8%

ROE
10.0%

Enhancement measures

Cash allocation focused on balance

- Renewal investment and shareholder returns are carried out using operating cash flow. We also utilize fundraising to make growth investments, thereby creating a cycle to cultivate sources of operating cash flow.

Achieving stable returns

- To ensure that shareholders hold our shares over the Long-Term by providing stable returns, our shareholder return policy calls for progressive dividends, the flexible implementation of share buybacks, and a three-year cumulative total return ratio of 60% or more.

Logistics Facilities and Mobility

Nationwide network

The Group is a corporate group with locations throughout Japan and roughly 44 countries and regions worldwide. We constantly review our network and equipment to increase transportation efficiency and improve productivity. We also have a wide range of logistics infrastructure, including vehicles and warehouses, as well as warehouses with three temperature ranges capable of handling pharmaceuticals. This enables us to meet the various logistics needs of our customers. We also contribute to the realization of a sustainable society by introducing environmentally friendly technologies and equipment and reducing CO_2 emissions.

Number of locations (number of countries we operate in)	Number of vehicles	Total warehouse floor area
1,604 location (44 countries)	29,557	Approx. 161 million sqm

Enhancement measures

Enhancement of Logistics Infrastructure

- We anticipate a steady increase in demand for express package delivery services over the medium- to long-term, driven by factors such as the growth of the e-commerce market. Regardless of whether our cargo volume increases, we will actively invest in infrastructure related to our transportation networks to continue providing stable, high-quality services (we plan to start operation of transfer centers in Tokyo and the Kansai area by FY2027/3).

Optimization of transportation network

- The optimal network and format of logistics facilities are changing day to day, such as changes in lifestyles and demographics. The Group will engage in the reallocation of locations from a medium- to long-term perspective, and will also aim to create sustainable logistics infrastructure by promoting improvement of efficiency of operations utilizing advanced technology. Furthermore, we are actively proceeding to introduce environmentally friendly logistics facilities.

Combining various forms of mobility

- We will continue to invest in our vehicles, which form the basis of the Group’s transport capacity, in line with changes in the business environment, such as adopting environmentally friendly vehicles.
- We plan to increase our percentage of environmentally friendly vehicles from 92.1% in FY2025/3 to 98.0% by FY2031/3. We will also implement a modal shift to switch to transportation services with low environmental impact, such as ferry and rail.

Customer

Customer base spanning all industries and areas

The Group provides services to over one million companies, meeting the logistics needs of diverse industries and domains. Having a strong customer base that is not dependent on any particular customer contributes to the stability of the Group’s business, and information on issues and needs from various industries and fields is the starting point for development of the Group’s solutions. We will further strengthen our customer base by continuing to develop and provide products and services that respond to changes in society and our customers’ businesses.

Customer base
1 million companies

Enhancement measures

Expansion of our customer base through the enhancement of logistics solutions

- There has been an increase in the trend to outsource in-house transportation due to factors such as the “2024 problem” for logistics. As a result, new business opportunities are being created in a wide range of areas of the logistics market for specialized logistics companies such as our Group. By continuing to provide logistics solutions that meet these new needs, we aim to expand our customer base by enhancing our logistics solutions, with GOAL playing a central role.

Environmental capital

Promotion of environmental responses leading the industry

Promotion of decarbonization is recognized as a priority issue for a corporate group handling social infrastructure in the form of logistics. The Group has proceeded with initiatives to reduce environmental impact such as leading the industry in switching to environmentally friendly vehicles since the 1990s. We also implement preservation activities in the forests we own.

Number of EVs	Forest area	Renewable energy ratio
127	863m²	56.4%

* Figures cover domestic Group companies.

Enhancement measures

Achieving decarbonization by reducing our CO_2 emissions

- We aim to achieve carbon neutrality by 2050 by implementing the various measures set out in our Decarbonization Vision, centered on the adoption of environmentally friendly vehicles and electricity derived from renewable energy sources. We will carry out a wide range of measures, including the introduction of environmentally friendly logistics facilities, the selection of products with low environmental impact through “green purchasing,” and resource recycling efforts through eco-friendly uniforms.

Contributing to the reduction of customers’ Scope 3 CO_2 emissions

- By aiding our customers in the establishment of efficient supply chains through logistics, we will contribute to reducing their Scope 3 CO_2 emissions, such as reducing the number of vehicles required for transportation. We will also work to develop services necessary for realizing a decarbonized society, such as tracking the CO_2 emissions produced during transportation and low environmental impact services that combine various modes of transportation.

Forest conservation and carbon credit creation

- Through the forest conversation projects implemented by Sagawa Forestry, we are working to maintain the circulation of the forest cycle. We will also use carbon credits generated from these forests to offset the CO_2 emissions associated with the Group’s business activities.

Business Model and Competitive Advantage

We have updated our business model in line with the newly formulated Mid-Term Management Plan. Our strategy to realize our vision for 2030 is to provide Total Logistics, and we are further visualizing the breadth of solutions that the Group has and the strength of our sales force to provide them.

The Company's strengths are the ability to grasp logistics issues and the capability to propose solutions that broadly meet customer needs. These strengths are made possible by the role of our SALES DRIVERs and the coordination among Group companies that provide services covering diverse areas.

Solution Proposal Capabilities

Provision of Total Logistics Leveraging the Group's Functions

The Group's greatest strength is providing one-stop logistics by integrating the functions of Group companies. From our mainstay downstream logistics service of express package delivery to upstream logistics services such as warehousing, logistics processing, and global transportation, we provide logistics solutions not only in Japan but also around the world with our global network spanning approximately 44 countries and regions.

We provide high-value-added services for the customer's entire supply chain.

Analytical Skills to Provide Appropriate Solutions

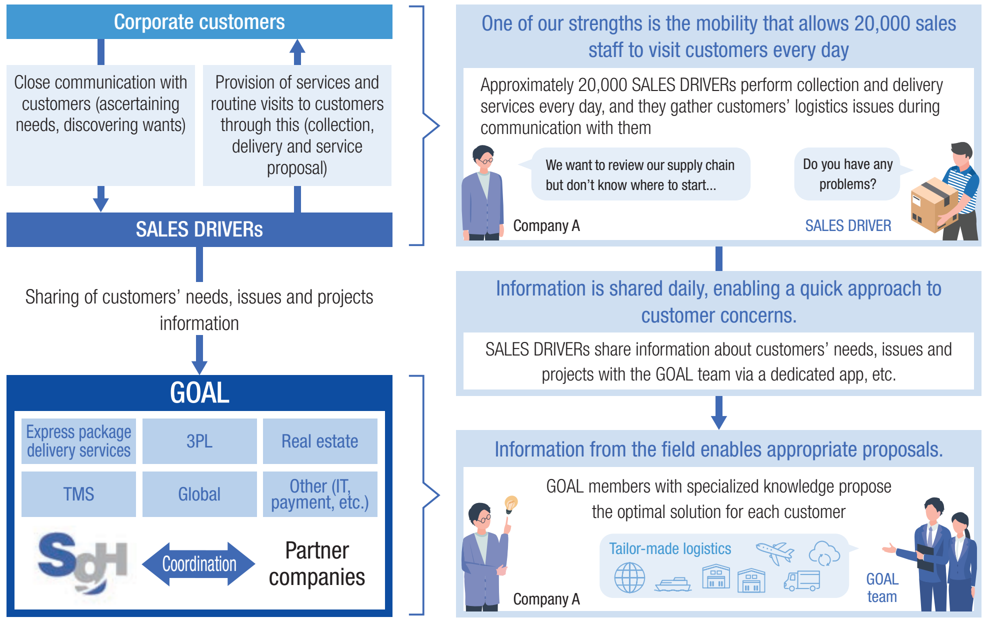
Logistics consulting service

We provide the "Logistics Chart" logistics consulting service for visualizing logistics expenses and logistics issues throughout customers' entire supply chains by utilizing the know-how and knowledge of the Group as logistics professionals. It not only enables analysis of issues that can be seen from diagnostic results, but also makes comparisons with the state of logistics in the customer's industry and proposals for the Group's comprehensive logistics solutions based on the results. We will support the resolution of customers' logistics issues through data analysis and the provision of solutions based on the know-how accumulated by the Group to date.

Ability to Grasp Logistics Issues

Strong Sales Structure for Information Gathering

In our mainstay Delivery Business, our SALES DRIVERs gather information about customers' problems and share the information with the GOAL team to propose more advanced solutions in order to provide the best solution for each customer.

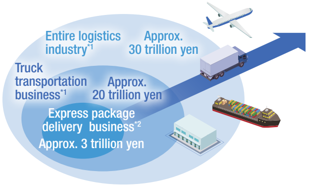


Training That Ensures Sales Quality

As shown in the diagram above, our SALES DRIVERs not only make deliveries but also engage in sales activities. They are aiming to quickly identify potential issues and needs through daily communication with customers and be the first person people can turn to when they have a problem. To achieve this, study sessions are held at each office in order to acquire the necessary skills.

The GOAL team utilizes the functions of Group companies to make more comprehensive and advanced proposals. Accordingly, knowledge of overall logistics, the solutions of each Group company, and company management are required. To acquire these skills, we conduct GOAL personnel development across the Group to increase the number of human resources capable of making high-quality proposals.

Business Model and Competitive Advantage



The logistics market in which the Group operates is worth approximately 30 trillion yen, with the mainstay express package delivery accounting for approximately 3 trillion yen of that total. Truck transportation under other Delivery Business account for approximately 20 trillion yen.

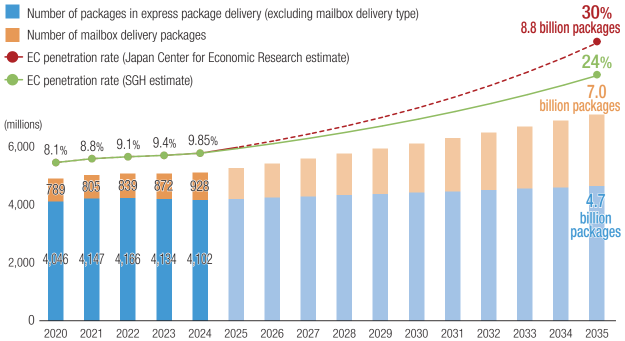
*1 Referred to Japan Trucking Association "The Current State and Issues of the Japanese Trucking Industry"
*2 According to Yano Research Institute "Last Mile Delivery Logistics Market 2023"

Delivery Business

Market

The market for mainstay express package delivery services, is a market worth approximately 3 trillion yen, and we rank second in the express package delivery industry, transporting approximately 1.3 billion parcels annually. The number of packages in express package delivery services is expected to increase moderately in the future in line with the increasing penetration of e-commerce in Japan. On the other hand, chronic labor shortages are also a challenge for the industry, and the shortage is expected to accelerate with population decline going forward.

Future outlook of the number of packages in express package delivery services and EC penetration rate



Sources:
EC penetration rate: The 2035 EC penetration rate is based on the assumptions in Japan Center for Economic Research "Express Package Delivery Services to Double by 2035 Due to the Advance of EC (E-commerce)"
Number of packages in express package delivery services: FY2020-FY2024 "Express Package Delivery and Mail Express Volume Handled" published by the Ministry of Land, Infrastructure, Transport and Tourism
Number of mailbox delivery packages: Sum of "Parcel Delivery Performance Results" by Yamato Transport Co., Ltd. and "Volume of Mail and Parcels Handled" by Japan Post Co., Ltd.

Strengths

Transportation network enabling the provision of tailor-made logistics that supports customers (transportation infrastructure specializing in from B)

- Provision of one-stop logistics by combining the functions of Group companies (logistics functions that cover everything from upstream to downstream)
- Logistics sites covering all of Japan

Thorough profit management seeking optimization

- Visualization of costs, operations and productivity using IT

Cost management for each package in express package delivery services

- Able to negotiate to receive appropriate freight tariffs with an awareness of the cost by implementing appropriate cost control
  → Improvement of profit margin

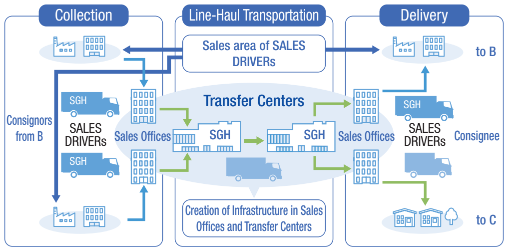
Visualization of collection and delivery operations

- Visualization of the number of items collected and delivered on each delivery route, and reviewing the delivery routes and optimizing staff allocation based on data
  → Improvement of productivity
- Automation of the task of creating collection and delivery routes using AI
  → Lower education costs and improved productivity

Building a flexible network through collaboration with partner companies

- Flexible responses according to the number of packages handled and realization of margins through variable costs

Transportation network optimized for from B



Logistics Business

Market

The Logistics Business is divided into the areas of domestic 3PL and low-temperature logistics. While both are expected to grow in the future, low-temperature logistics, in particular, is expected to grow in the medium- to long-term as the proportion of elderly people increase in Japan's super-aging society (SGH estimate).

	Domestic 3PL	Domestic low-temperature logistics
Market size	FY2021: About **5 trillion yen**	FY2022: About **1.7 trillion yen**

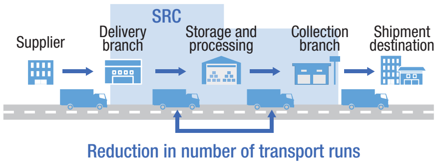
Source: Yano Research Institute

Strengths

Domestic 3PL business

We have offices mainly around Japan's major land, sea, and air routes, enabling provision of 3PL services in any location. We also have our own Sagawa Distribution Centers (SRC: Sagawa Ryutsu Centers), which leverage the Group's functions, and we are strong in site development. We excel at tailor-made logistics to meet the needs of each individual customer. We provide highly convenient solutions, including storage and processing of goods that require licenses, which are difficult for other companies to handle, and meticulous services designed with the recipient in mind.

SRC: At this complex, the distribution warehouse of Sagawa Global Logistics and the sales office of Sagawa Express are directly connected within a single building. Normally, trucks come to the warehouse to collect packages, but this is all done within the building, reducing transportation costs and also the environmental impact.



Low-temperature logistics

Meito Transportation and Hutech norin, which joined the Group in 2024, have accumulated many years of expertise in low-temperature logistics.

Low-temperature solutions for the food industry: In order to accommodate chilled food deliveries with extremely tight delivery times, Meito Transportation maintains sites close to the delivery location and manages inventory appropriately. In particular, the mechanism in which Meito Transportation orders production volume from manufacturers based on analysis of past customer data and weather conditions is a unique approach developed by Meito Transportation to ensure delivery with the shortest possible lead time.

High-quality low-temperature storage: Hutech norin is known as the "hotel of cargo" in the frozen warehousing industry, and high-quality warehousing is one of its strengths. It implements thorough temperature control unmatched by others, including areas inside the frozen warehouse where work is performed at sub-zero temperatures and temperature control at cargo receiving locations. To ensure that this high-quality management can be deployed uniformly throughout Japan, its operations are based on the implementation of integrated operations with its own employees, vehicles, and facilities.

Business Model and Competitive Advantage

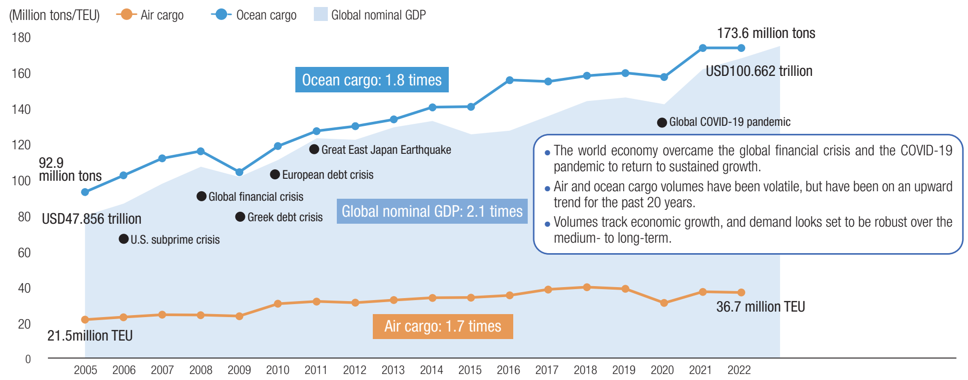
Global Logistics Business

Market

In global logistics, the Group operates a freight forwarding business, customs clearance and warehousing business, and express delivery (international courier service) business, with the forwarding business accounting for a large portion of our sales. We offer both air and ocean forwarding services, with air forwarding providing a bigger share of sales than ocean forwarding. Among freight forwarding operators worldwide, Group companies Morrison and Expolanka rank 19th and 29th, respectively, and the two combined have a scale equivalent to 10th place in the rankings.

(Source: Data prepared by the Company based on a June 2025 press release from WorldACD)

Global economy and trends in ocean container and air cargo



Strengths

Freight forwarding

Broad range of global lanes through collaboration between Expolanka and Morrison

- EFL has strengths in Asia to North America lanes, while Morrison has strengths in intra-Asia lanes
- Also within intra-Asia operations, EFL has strengths in South and Southeast Asia centered in India, while Morrison has strengths in East Asia and China, enabling efficient operations through the mutual leveraging of each company's procurement capabilities
- Expolanka is strong in apparel while Morrison is strong in semiconductor equipment and high-tech products, so the two companies have different areas of expertise in terms of merchandise handled, making it possible to meet diverse customer needs

Transportation to and from Japan

Provision of services that enhance customer convenience

- Expansion of cross-border e-commerce business leveraging the strengths of Sagawa Express's domestic transportation infrastructure
- Initiatives to expand capacity, reduce lead times, and improve transportation efficiency through the establishment of cross-border e-commerce centers

Real Estate Business

Strengths

We develop, lease, and manage logistics facilities, achieving optimal facility positioning within the Group while providing customers with proposals that match users' needs, in a way that is uniquely possible for real estate business within a logistics group.

We operate facilities that can be used for various purposes, and in recent years we have been expanding into environmentally friendly facility design and renewable energy businesses such as solar panels.

X FRONTIER

X FRONTIER, completed in January 2020 through a joint venture (joint ownership) with IHI Corporation, consolidates multiple transfer centers scattered throughout the Kanto area, delivering improved transportation efficiency and reduced lead times. The logistics functions of various Group companies are concentrated within the facility, which is the size of 3.6 Tokyo Dome stadiums, allowing the creation of added value that goes beyond what would typically be possible for a logistics facility.

Next-Generation Large-Scale Distribution Center: X FRONTIER

Environmentally friendly sites

SG Realty also develops environmentally friendly logistics facilities. To reduce CO_2 emissions, we began introducing CO_2-free power, including renewable energy, in FY2020, and have so far equipped four Group properties with it.

We have received recognition for our environmentally friendly and sustainable logistics facility development, including obtaining the ZEB certification, the highest rank in the Building-Housing Energy-efficiency Labeling System (BELS). We will continue to promote the introduction of environmentally friendly logistics facilities as one of our initiatives toward realizing a sustainable society.

Total Support Business

Strengths

Through business operations in peripheral areas that support logistics, such as system development, vehicle sales, staffing services, and insurance, we aim to strengthen overall Group functionality and diversify revenue streams. Each business possesses specialized know-how in logistics and supports the Group's operations and its provision of solutions. Moreover, by leveraging this know-how, we can provide high-quality solutions to customers outside the Group who are facing challenges.

Materiality

In conjunction with the launch of the new Mid-Term Management Plan, and as detailed below, the Group has revised Materiality, which are important management issues, for the realization of our Long-Term Vision of "Grow the new Story. New logistics, nurturing a new society together." aimed at 2030, as well as the enhancement of our corporate value over the medium- to long-term.

Background of Materiality Establishment

Since it was founded in 1957, the Group has constantly considered what it can do for customers, and has had the corporate philosophy of "Trust, Create, Challenge" with the "Hikyaku no Kokoro" (the spirit of Edo-era express messengers) to do its best in its heart. In addition, using the Material CSR Issues, etc. established in FY2017 as a guideline and to meet the expectations of stakeholders, we have worked to resolve a variety of social issues through business activities with the aim of creating new value. Meanwhile, the speed of changes in the environment surrounding companies has been accelerating, causing the issues that they must address to become more diverse and complex. In international society, for example, action on social issues, including measures to address climate change, are being increasingly demanded. Against this backdrop, and with the aim of fostering both a sustainable society and sustainable growth for the Group, we declared a Long-Term Vision of "Grow the new Story. New logistics, nurturing a new society together." aimed at 2030, and to realize this vision and enable the Group to increase its corporate value over the medium- to long-term, we established Materiality, which are important management issues, in FY2023. For FY2025, the first year of the Mid-Term Management Plan "SGH Story 2027," we have revised Materiality to reflect recent developments in the business environment and changes in our management resources and stakeholders due to the integration of the Meito Transportation, Hutech norin, and Morrison into the Group. With these revisions, we will be pursuing an even more sustainable approach to management.

Positioning of New Materiality

In the previous Mid-Term Management Plan "SGH Story 2024," we specified 10 key strategies as Materiality, but with the formulation of "SGH Story 2027," we conducted a review and established a new version of Materiality. We determined it by backcasting from our vision, positioning **Materiality as issues to be solved toward the realization of our Long-Term Vision.** Meanwhile, we have positioned the Mid-Term Management Plan as an activity plan for resolving the issues.

New Materiality Determination Process

Listing up of issues	• Listed issues to be resolved based on the Group's internal and external environment while referencing international reporting and action frameworks (ISO 26000, GRI Standards, etc.) • The Materiality Subcommittee* confirmed that no elements were missing and produced a draft version of Materiality * Established as a subordinate organization of the Sustainability Committee, and primarily composed of persons selected from the departments that interface with each type of stakeholder and departments involved in measures against major business risks
Ordering of priorities	• Confirmed elements for which stakeholders have high expectations and demands, and their priorities, through discussions with Outside Directors • Confirmed issues recognized by each Group company, and their priorities, by sending questionnaires to the management of each Group company • Based on the above, regrouped and reorganized the Materiality draft
Drafting of plan	• Determined specific initiatives, targets, and KPIs for each Materiality item
Approval/ disclosure	• Announced the new Materiality after approval by the Board of Directors

Materiality Management Method

For the KPIs set for each Materiality item, we will monitor progress alongside the key strategies of the Mid-Term Management Plan "SGH Story 2027," and when deviations have occurred in achievement levels, we will analyze the reasons and consider countermeasures. KPI monitoring is conducted by the Sustainability Committee, which will disclose its findings annually. If changes have occurred or are expected to occur in Group policies and measures due to changes in the internal or external environment, we will consider resetting Materiality initiatives, targets, and KPIs as appropriate.

Materiality

Our View of the External Environment

In recent years, the external environment surrounding the Group has become increasingly complex, with rapid changes occurring in our business environment. Domestically, labor shortages have become severe, and accelerating operational efficiency improvements on the assumption of wage increases and inflation going forward has become an urgent task for all companies.
Meanwhile, the global economy is expected to see medium- to long-term growth, necessitating proactive approaches toward overseas business expansion.

PEST Analysis

- Leadership changes in Japan and the U.S. (changes in global supply chains due to policy changes such as tariffs)
- Intensification of U.S.-China tensions
- Increased geopolitical risks due to ongoing wars and conflicts in various countries
- Upcoming implementation of the Act Against Delay in Payment of Fees, etc. to Small and Medium-sized Entrusted Business Operators in Manufacturing and Other Specified Fields
- Revision of the Act on the Protection of Personal Information

- **Medium- to long-term growth of the global economy**
- Rises in Japanese short- and Long-Term interest rates
- More extreme foreign exchange volatility
- **Wage increases and acceleration of inflation**
- Shift from experiential consumption to live-in-the-moment type consumption among younger generations
- Launch of emissions trading system

- **Serious labor shortages due to Japan's population decline, aging society, and the 2024 problem**
- Increased inbound demand due to relaxation of entry restrictions, diversification of consumer needs, and greater diffusion of e-commerce
- Growing demands for management with awareness of cost of capital
- Growing demands for disclosure of non-financial information including that related to ESG

- Full-scale proliferation of generative AI
- Evolution of communication standards such as 5G and 6G
- Increased EV adoption globally
- Development of environmentally friendly technologies
- Advancement of business transformation across various industries through DX
- Increased information security risks

Social issues we must particularly focus on

- Transformation of consumption activities (diversification, increased fluidity, globalization)
- Decline in Japan's working population ➡ Increased risk of inability due to fewer delivers
- Balancing job satisfaction and economic growth
- Addressing climate change (Emission reduction, etc.)
- Compliance, product (service) safety, and consumer protection
- Corporate transparency and accountability

Materiality

New Materiality and KPI list

Materiality	Social issues	Background to selection	Major initiatives	FY2028/3 Targets / KPIs	Related MTMP key strategies	Related SDGs
Enhancement of logistics solutions	Transformation of consumption activities (diversification, increased fluidity, globalization) Shrinking labor force in Japan, increased risk of inability to deliver due to shortages of drivers	**Opportunity** The transformation of consumption activities is a trend that the Group must closely monitor and respond to promptly in order to continue to be an indispensable presence (= infrastructure) for our customers and society. We recognize that providing diverse solutions to resolve social and customer issues from a global perspective represents an opportunity that the Company should seize for sustainable growth. While driver shortages pose a risk, the fact that the Group has secured sufficient resources provides us with a competitive advantage. We believe that this also gives as an opportunity to provide efficient and stable transportation solutions by utilizing resources both within and outside the Group.	• Provision of logistics solutions that meet diverse needs • Expansion of areas in which we offer proposals in global logistics • Enhancement of quality so that customers choose our services	Expansion in growth areas* for express package delivery services Number of packages handled: +44 million (compared to FY2024) * Real commerce, cross-border e-commerce, low-temperature logistics Sales of low-temperature logistics solutions: +50.0 billion yen (compared to FY2023) Freight forwarding • Air cargo volume: 370 thousand tons • Ocean cargo volume: 330 thousand TEU Customer service quality in express package delivery services: year-on-year improvement every fiscal year	Expansion of domestic service areas and our global logistics infrastructure (1) Strengthening our revenue base through expanding the service competitiveness and improving the efficiency of express package delivery services (2) Building one of the best cold chains in Japan through expansion of low-temperature logistics solutions (3) Enhancing added-value in domestic logistics and expanding the TMS business domain (4) Expanding the customer base and improving profitability of global logistics	8, 9, 11, 12, 17
Strengthening of growth platform with personnel and partners	Balancing job satisfaction and economic growth Shrinking workforce	**Opportunity** **Risk** Securing human resources in both quantitative and qualitative terms to maintain and expand our business is vital for the Group as we operate in a labor-intensive industry. Failure to secure adequate resources would make it difficult for us to maintain our logistics infrastructure, threatening business continuity and posing the risk of significant financial losses for the Group. On the other hand, we also recognize this as an opportunity. By securing resources for the Company and for partner companies, and securing and developing sufficient personnel with the knowledge necessary for growth, we can expect to see our business grow further. To continuously secure resources, it will be important to make the Company, and by extension the logistics industry, a place that offers appealing work. Aiming to create workplaces that provide job satisfaction by improving environments so that anyone can work comfortably, by evaluated fairly, and receive appropriate compensation will lead to the development of both the Company and the industry.	• Development of human resources who can drive sustainable growth globally • Securing of human resources and improvement of efficiency to support infrastructure • Establishment of a basis to leverage performance that respects human rights and diversity • Construction of sustainable infrastructure through co-creation with partner companies	Number of DX/global personnel developed: 70 persons/year Improvement of employee retention rate Percentage of female managers: Employee engagement Positive response rate: +1 pt. every fiscal year (compared to previous fiscal year) Performance of human rights due diligence, provision/expansion of human rights education Building of partnerships through proper consultation with and support for partner companies	Expansion of management resources to support growth (5) Maintaining and strengthening our service infrastructure, including strengthening of coordination with partner companies (6) Maximizing corporate value through investment in human capital (7) Enhancing business competitiveness through investment in DX, R&D, and the latest technologies	3, 4, 5, 8, 9, 10, 16

Materiality

Materiality	Social issues	Background to selection	Major initiatives	FY2028/3 Targets / KPIs	Related MTMP key strategies	Related SDGs
Strengthening of measures to address environmental issues	Impact of climate change (Emissions reduction, etc.)	Opportunity Risk Initiatives to address environmental issues have an important social role, but as we are a company that uses vehicles in its operations, they also have a significant impact on our business. If no measures are taken and global warming progresses, there is a possibility that our profits could be squeezed by increased costs associated with adapting to the changed environment. On the other hand, given the growing importance of environmental action in recent years, working on solutions to resolve environmental issues can help consignors reduce their Scope 3 emissions, so it offers the prospect of new business opportunities. In addition, as climate change progresses, we can contribute, as social infrastructure, to emissions reductions across the entire supply chain. For details, see Environment-related Opportunities and Risks (TCFD Report) Web	• Contribution to the establishment of a decarbonized society • Promotion of initiatives for circulation of resources • Construction of a resilient logistics network adapted to climate change	GHG emissions reduction rate (compared to FY2013) * To be disclosed in May 2026 Development and strengthening of recycling-oriented logistics solutions Strengthening of domestic BCM framework, and risk assessments and more powerful risk mitigation measures overseas Strengthening of disaster prevention and disaster support activities		
Enhancement of safety and compliance	Growing awareness of compliance Increased cyber security risks	Risk Legal compliance is a fundamental prerequisite for business operations. The Group, in particular, conducts numerous transactions with subcontractors and frequently handles important information such as the addresses of consumers as it conducts business. As a company with a declared goal of continuing to serve as infrastructure, the monitoring of compliance with laws and regulations, as well as a compliance structure for ensuring the safety of customers and consumers by mitigating risks such as information leakage, are critical tasks for us. Non-compliance could result in significant impacts such as business suspension risk and reputational risk.	• Fair business operations • Traffic safety and occupational safety • Protection of the privacy of customers and business partners	Implementation and expansion of compliance training for all employees Suppression of long working hours Number of serious personal injury accidents: Zero Provision of security education and updating of security measures	Initiatives for sustainable management (8) Responses aimed at solving social and environmental issues such as decarbonization (9) Enhancing governance to increase corporate value	
Advancement of governance	Focus on corporate transparency and accountability	Opportunity Risk Advancing governance and administering the Company in a highly transparent manner is essential for executing the strategies to which we have committed. As a listed company, we are also subject to increasing demands to enhance our governance, and we recognize that failure to respond to these demands would be viewed as risks for the Company's growth and damage our corporate value. However, by advancing our governance, transparency and confidence in our growth prospects will increase, resulting in us being perceived as a low-risk enterprise. This will lead to a reduction in our cost of shareholders' equity capital, so we also view it as an opportunity to increase our corporate value.	• Establishment of transparent governance structure and enhancement of its effectiveness • Enhancement of trust with stakeholders	Implementation of measures based on Board of Directors effectiveness evaluations and results of interviews with Officers Initiatives aimed at advancing corporate governance Expansion of dialogue with stakeholders in Japan and overseas • Small meetings with President and Outside Directors: One of each per year • Meetings with institutional investors and analysts: Approximately 300 times per year • Theme-based small meetings: Held on an ad hoc basis (at least three in FY2025) • Expansion of overseas IR		

Materiality

Progress in FY2025/3

Large category	Sub category	Reason for selection, purpose	Major initiatives	KPI	Results for FY2025/3
Enhancement of comprehensive logistics solutions (GOAL)	(1) Promotion of services aimed at solving social and environmental issues such as decarbonization	The Company recognizes that there is an increasing need for the Company to respond to various social issues, such as climate change, the increasing severity of disasters, and the declining birthrate and aging population. Through the logistics solutions provided by the Group, we aim to reduce the burden on society and the environment by helping our customers build supply chains that are more sustainable and also give more consideration to the global environment.	• Reduction of GHG emissions of the Company and customers (senders)	Reduction rate of Scope 1+2 emissions (vs. FY2013) * FY2024 target: 15% reduction	• Reduction of Scope 1+2 emissions: 22.0% reduction vs. FY2013 • 3.4% reduction compared to the previous year due to an increase in the renewable energy implementation rate, etc.
				Renewable energy percentage in electric power used * FY2030 target: 40%	• 56.4% renewable energy percentage (+8.7 points year on year) (preliminary value) (FY2030 target will be reset in accordance with the revision of the decarbonization vision)
				Percentage of environmentally friendly vehicles (total of EVs, FCVs, HVs, CNG and clean diesel vehicles) * FY2030 target: 98%	• 92.1% environmentally friendly vehicles (+15.1 points year on year)
			• Consideration of new services and businesses aimed at the resolution of social and environmental issues	Promotion of initiatives aimed at the creation and expansion of new services and businesses	• Expanded cooperating local governments for large appliance collection service(156 local governments, +45 year on year, as of April 1, 2025) • Expanded partnerships with local governments, including comprehensive partnership agreements, disaster agreements, and monitoring agreements (cumulative total of 719 agreements as of April 30, 2025) • Started providing disaster prevention solutions in cooperation with Mitsui Sumitomo Insurance Company, Limited
	(2) Expansion of TMS/3PL networks and enhancement of ancillary solutions	Customers are demanding more advanced logistics solutions due to a declining workforce, evolving technology, and the diversification of their services. By strengthening functions and proposal capabilities in “areas other than express package delivery services,” we will expand our proposal areas and services to the entire supply chain of our customers.	• Expansion of TMS projects • Increased TMS usage rate by existing customers	TMS net sales * FY2024 target: 120.0 billion yen	• TMS net sales: 124.9 billion yen (110.5% year on year) • Steady increase through proposal-based sales using GOAL®, etc.
	(3) Strengthening international and overseas services	We will respond to the expansion of international cargo volumes against the backdrop of medium- to long-term growth of the global economy, by strengthening global and overseas services, including cargo to and from Japan. We will contribute to the expansion of our customers’ international business and increase the Group’s volume of goods in the last mile.	• Expansion of share of existing customers • New lanes, expansion of industries	Operating revenue of Expolanka * FY2024 target: 136.0 billion yen	• Operating revenue of Expolanka: 216.2 billion yen (189.9% year on year) • Both unit price and handling volume exceeded the plan due to the impact of the avoidance of the Red Sea passage and other factors, as well as favorable price negotiations and new acquisitions
	(4) Improvement of profitability through enhancement of service and improvement of efficiency in express package delivery service	In the express package delivery services business, which is an important operating base for the Group, we will maintain the operating base and achieve sustainable business growth by improving services and profitability through the implementation of investments aimed at improving capacity in anticipation of market growth and improving the efficiency of our operations.	• Development of new services, strengthening of services peripheral to express package delivery services • Expansion of sales in new areas	Packages handled * FY2024 target: 1.38 billion	• Number of packages: 1.32 billion (95.9% year on year, the figure before the change in the scope of data collection) • Fell below target due to weaker consumer sentiment and an increasingly competitive environment
			• Initiatives to receive appropriate freight tariffs	Average unit price * FY2024 target: 662 yen	• Average unit price: 662 yen (+14 yen year on year, the figure before the change in the scope of data collection) • Increased due to revisions to reported tariffs from April 2024 and efforts to receive appropriate freight tariffs for each transaction
			• Improvement of efficiency of express package delivery services	Operating margin of Delivery Business * FY2024 target: 7.7% (Expected to decrease from the previous year due to the accumulation of expenses related to the 2024 problem including those in partner companies)	• Operating margin of Delivery Business: 6.8% (-1.1 points year on year) • Decreased due to higher unit prices for outsourcing and additional expenses to maintain employee salary levels • Started a “doorstep delivery” service for leaving packages on the doorstep and nationwide expansion of pickup at post offices to improve customer convenience and reduce redelivery of packages

As of March 31, 2025

Materiality

Progress in FY2025/3

Large category	Sub category	Reason for selection, purpose	Major initiatives	KPI	Results for FY2025/3
Expansion of management resources leading to the creation of competitive advantages	(5) Strengthening domestic and overseas transportation network including alliances	In an environment of a shrinking workforce and aging drivers, we will maintain and expand our domestic transportation and delivery network by strengthening alliances with diverse partners. Overseas, we plan to expand revenues by leveraging alliances with leading local partners.	[Japan] Strengthening of relationships with partner companies and expansion of support system	• Expansion of SAGAWA Partner Program • Holding meetings to promote appropriate transactions	• SAGAWA Partner Program enhanced communication with partner companies and improved convenience by adding services and functions on the dedicated website • Continuously held meetings to promote appropriate transactions and set up regular communication opportunities with partner companies
			[Overseas] Expansion of alliance partners associated with sales strategy	• Expansion of alliance partners	• Decided to integrate Morrison into the Group to expand our business areas and customer base (completion of share acquisition on May 20, 2025)
	(6) Investment in human capital and improvement of employee engagement	In order to expand businesses other than express package delivery services (such as TMS, 3PL and global businesses), which are growth drivers in the 2030 Vision, it is necessary to acquire and train solution personnel such as global personnel and DX personnel. We will expand the human resource base to “create a competitive advantage for the next generation” by fostering a corporate culture that allows for new challenges.	• Development of management personnel and personnel able to propose solutions • Realization of diverse work styles, flexible promotion of personnel	• Implementation of training, etc. aimed at the development of management personnel and solution personnel • Promotion of work style reform measures	• Implementation of management development program, Seminars for Newly Certified GMs, Women’s Career Support Training, training to develop solution personnel (GOAL, global, and DX personnel), etc. • Ongoing implementation of internal committees, seminars, etc. to promote DE&I
			• Periodic monitoring of employee engagement indicators • Planning and promoting initiatives based on monitoring results	• Affirmative response rate for questions regarding “employee engagement” * FY2024 target: 57% • Affirmative response rate for questions regarding “creating an environment that makes good use of employees” * FY2024 target: 55%	• “Employee engagement”: 55% (-1 point year on year) • “Creating an environment that makes good use of employees”: 53% (±0 points year on year) • Although the above Group-wide results have not yet improved, about 80% of operating companies received higher evaluations than the previous year for actions taken after the last survey. Planned actions for improvement in FY2025 after analyzing the results for each operating company
	(7) Creation of competitive advantages through investment in DX	In addition to a shrinking workforce and evolving technology, express package delivery services are likely to face a different competitive environment than in the past against the backdrop of factors such as the diversification of customer services. By combining technology with the Group’s resources, we will realize DX and expand services that can solve various issues faced by society and our customers.	• Promotion of measures through three aspects (strengthening of services, improvement of efficiency of operations, evolution of digital infrastructure) • Development of personnel handling DX planning	• Promotion of services and measures through DX strategy • Promotion of DX planning personnel development activities	• Promoted joint demonstration experiment of an AI-equipped cargo loading robot with Sumitomo Corporation and Dexterity • Signed a strategic partnership agreement with Google Cloud Japan to enhance integrated logistics functions through the use of DX • Conducted basic and applied training to develop DX personnel
	(8) Creation of new value through open innovation	We will create new value by combining the unique services of start-ups and companies in different industries with the Company’s resources, without being constrained by the knowledge and values within the Group.	• Hosting accelerator program and strengthening of systems aimed at the creation of new businesses	• Promotion of activities aimed at the creation of new businesses and services	• In the open innovation programs, seven partner companies presented co-creation ideas, two of which were selected as collaboration ideas to proceed to the demonstration experiment phase
Further advancement of governance	(9) Creation of governance structure that meets global standards (10) Ongoing advancement of compliance	As a publicly listed corporate group, all Group companies, both domestic and international, will strive to enhance their governance and compliance, which is the fundamental foundation for achieving transparency and credibility of their activities to their stakeholders.	• Strengthening of international legal functions, strengthening of governance of overseas subsidiaries • Establishment of systems and promotion of education aimed at strengthening of preventative legal work and compliance	• Strengthening of governance meeting global standards, promotion of initiatives aimed at advancement of compliance	• Continued activities to strengthen internal control systems of overseas Group companies • Established and developed domestic and international preventive legal systems (personal information protection, compliance with the Subcontract Act, etc.) • Ongoing implementation of security education, harassment education, etc.

As of March 31, 2025

Value Provision

We have organized the values that the Group creates through business activities according to each stakeholder.

Stakeholder	Value	Initiatives	Description
Customers	Contribution to expansion of customers' business through the resolution of logistics issues	• Provision of comprehensive logistics solutions not limited to "transportation" • Resolution of logistics issues according to customers' needs • Expansion of customers' business	The Group, centered on GOAL, provides services that go beyond the core express package delivery services. We contribute to the expansion of our customers' businesses by solving their logistics issues, such as developing tailor-made solutions that meet the needs of our customers and services that can solve problems that many customers have in common.
	Contribution to the reduction of Scope 3 CO_2	• Promotion of decarbonization of the Company's service • Proposal of solutions leading to decarbonization	The Group is working to achieve carbon neutrality under our "Decarbonization Vision," which sets a target of carbon neutrality by 2050. In addition, as decarbonization of the entire supply chain becomes an issue for companies, we also provide transportation services with low environmental impact.
Partner Companies	Contribution to business growth of partner companies through entrustment of highly productive operations	• Improvement of productivity and working environment • Building good relationships with partner companies • Business growth support	The Group is supported by many partner companies, but in the logistics industry there are issues that need to be addressed, such as a shortage of drivers and overtime work. In order to maintain our network, we work with partner companies to improve productivity and create better working environments, and provide support to partner companies to achieve mutual growth.
	Creation of new value through collaboration	• Creation of new logistics solutions with start-ups • Research and development of the latest technology with outside companies and local governments	We are engaged in expanding our potential through initiatives such as collaboration with companies beyond the logistics industry and research and development using cutting-edge technology.
Employees	Friendly and fulfilling workplaces enabling diverse personnel to work	• Promotion of Diversity, Equity and Inclusion • Continuous improvement of work-life balance	The Group has formulated a human capital strategy linked to our growth strategy toward 2030, and we have put in place systems that allow each and every employee to fully demonstrate their abilities. We also provide an environment where employees can find satisfaction in their work by building a foundation for active participation and maximizing the value of our human resources.
	Provision of growth opportunities leading to the formation of careers of each individual	• Development of personnel • Fostering corporate culture	
Society	Stable provision of logistics services Contribution to local communities as a lifeline	• Handling social infrastructure essential for people's lives • Provision of express package delivery services matching the times • Responding to emergencies such as disasters and epidemics • Fulfilling the role as a designated public corporation and providing total support including transportation, storage and management of relief supplies	The Group contributes to the realization of a society in which goods desired by people from countries around the world are delivered to their homes as social infrastructure that enriches people's lives. In particular, we have a significant mission as a comprehensive logistics group providing express package delivery services business that have become increasingly important in recent years. We are focusing on the development, stability and affluence of society as an essential presence for realizing enriched lives.
Shareholders and Investors	Stable dividends through sustained growth Enhancement of corporate value through engagement		We will continue to provide stable dividends to our shareholders through sustained business growth and increased profits from efficient business operations. Furthermore, we aim to communicate the appeal of the Company through engagement with the stock market, and further improve our corporate value.

“SGH Vision 2030”: Desired state of the SG Holdings Group in 2030

The Group has reinterpreted the “SGH Vision 2030” “Grow the new Story. New logistics, nurturing a new society together.” and defined our vision in the simpler terms of “continuing to be an indispensable presence (= infrastructure) for our customers and society.” To realize this vision, in addition to the existing operating revenue target of 2.2 trillion yen, we have established new, more specific management targets, including profit indicators and breakdown by business segment. Furthermore, we have introduced targets for capital efficiency such as ROE and ROIC to more clearly show the path for growth toward 2030.

Grow the new Story.

New logistics, nurturing a new society together.

New logistics

Expand the Total Logistics domain by providing services centered on reliable delivery, creating solutions that address diverse and complex needs, and broadening services in Japan and overseas

New society

Contribute to the realization of a sustainable society by solving increasingly diverse and complex logistics issues and creating new value amid the increasing pace of changes in the environment in Japan and overseas

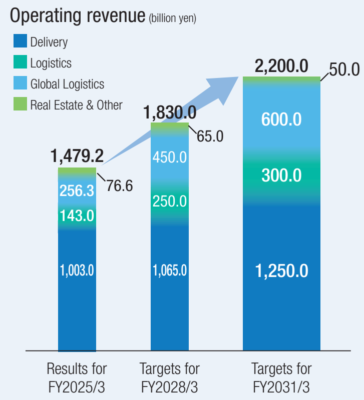
Nurturing together

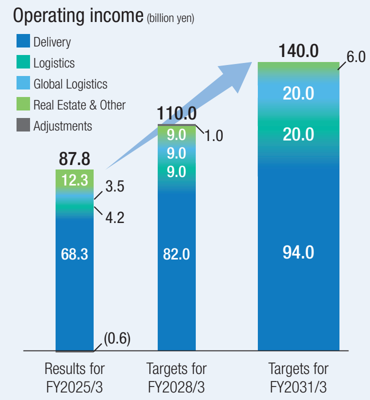
Achieve sustainable growth alongside customers’ businesses by living up to the trust of customers and society and establishing competitive advantages

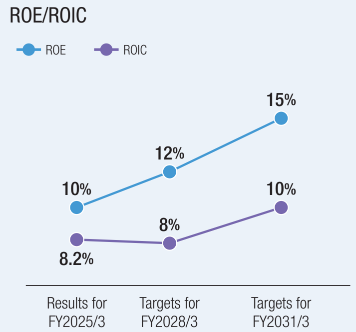
Our Vision

Continue to be an indispensable presence (= infrastructure) for our customers and society

Management targets for FY2031/3







Toward carbon neutrality in 2050