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	ROE
5.9%	55.8%	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. 161million 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.