

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.



Analytical Skills to Provide Appropriate Solutions

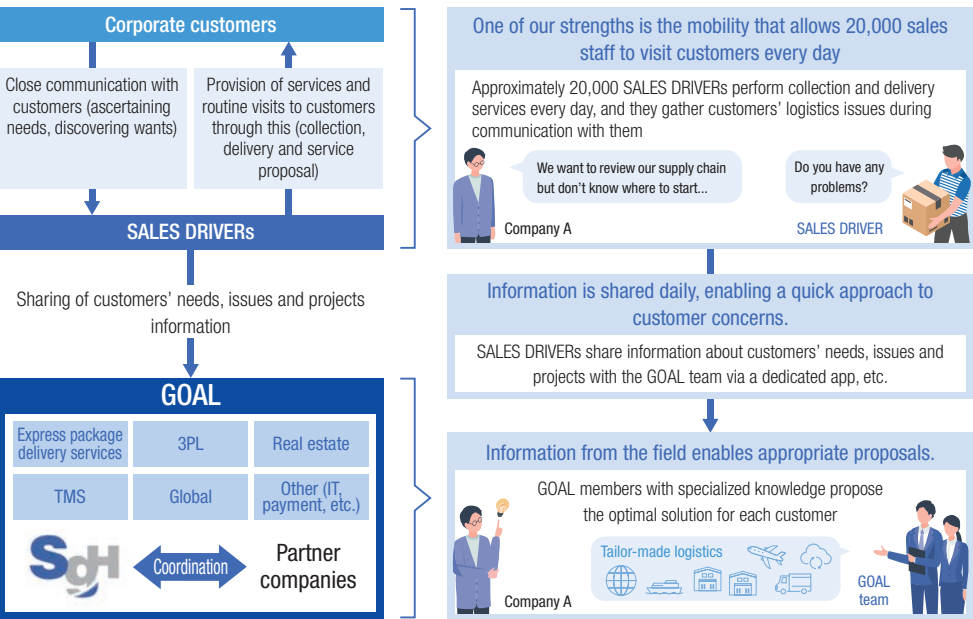
Logistics consulting service

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

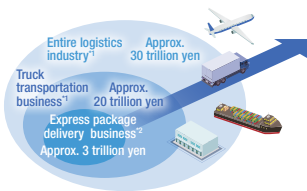
In our mainstay Delivery Business, our SALES DRIVERS gather information about customers' problems and share the information with the GOAL team to propose more advanced solutions in order to provide the best solution for each customer.



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



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.

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

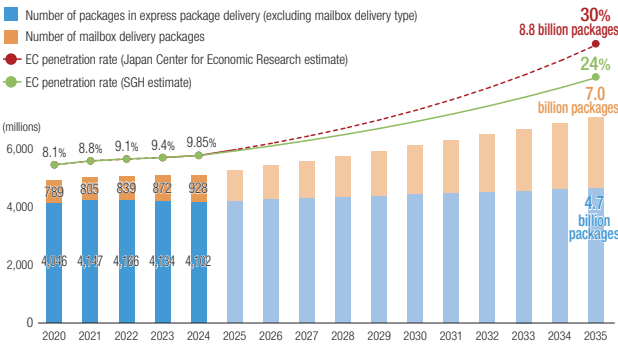
Visualization of collection and delivery operations

- 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

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"

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

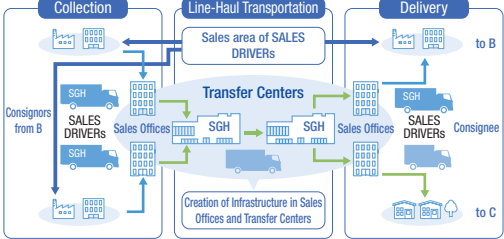


Sources:
EC penetration rate: The 2035 EC penetration rate is based on the assumptions in Japan Center for Economic Research "Express Package Delivery Services to Double by 2035 Due to the Advance of EC (E-commerce)"
Number of packages in express package delivery services: FY2020-FY2024 "Express Package 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.

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

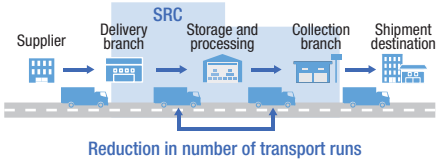
Source: Yano Research Institute

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.

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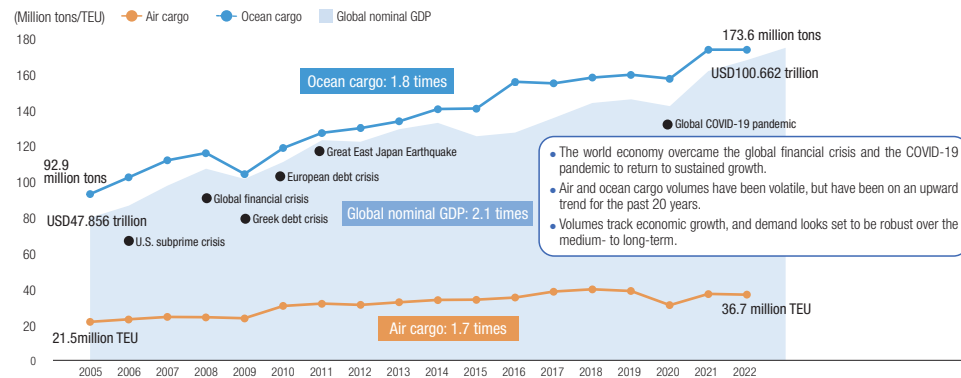
Global Logistics Business

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 CO₂ emissions, we began introducing CO₂-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.

