

Summary of Q&A Discussion at Thematic Meeting for FY2026/3

<Global Business Strategy>

(1) Regarding Mid-to-Long-Term Strategy

Q1: Regarding the Global Business strategy, you mentioned strengthening 3PL and expanding into Europe. Could you clarify the current priority of the initiatives? Also, is M&A still being considered as an option?

A1: Currently, we have sufficient resources in Japan, including Sagawa Express. EFL primarily ships to the U.S. and has abundant resources in the region, including a large number of partner companies. Therefore, we will first focus on creating synergies and consolidating cargo in Japan and the U.S. over the next one to two years through collaboration with Morrison. We also have sufficient resources in Europe, but strengthening the entire network in a decentralized approach makes it difficult to achieve short-term results. Therefore, we plan to proceed in stages, with full-scale enhancement in Europe scheduled to begin in two years.

Regarding 3PL, we currently own warehouses in Japan, the US, and Europe (Amsterdam). While capacity is currently sufficient, existing resources may reach their limits within one to two years. Therefore, if opportunities arise to provide new value beyond two years, we will consider the expansion of 3PL business. At that time, M&A will be one of the options considered. Through these strategies, we aim to achieve operating revenue of 600.0 billion yen by 2030. As a supplement, while this is our current strategy, within EFL's existing lanes, "Nairobi-London" (ranked 3rd) and "Nairobi-Amsterdam" (ranked 5th) are experiencing rapid growth transporting goods such as fresh flowers. Depending on future growth rates, we may accelerate our expansion into Europe.

* EFL: A general term for the group companies that have forwarding functions and are under the ownership of Expolanka

Q2: I understand that efficiency gains through space sharing and base consolidation will eventually reach their limits, necessitating a phase focused on expanding sales through new customer acquisition. In this context, please explain the differentiating factors and competitive strengths held by EFL and Morrison. Also, to what extent are synergy effects factored into the Mid-Term Management Plan, including potential upside?

A2: You correctly understand that not only cost efficiency, but also sales expansion will become crucial going forward.

Regarding Morrison, semiconductor-related cargo volumes are expanding consistently. We anticipate organic growth accompanying the industry's overall expansion, projecting an annual growth rate of approximately 10%. Furthermore, utilizing EFL's resources will enable expansion into service areas previously unattainable, promising accelerated sales growth. In terms of competitiveness, Morrison has extensive experience in the semiconductor sector, maintaining relationships with its top three customers averaging over 15 years, with the longest spanning 30 years. In precision equipment logistics, proven track records form the basis of competitiveness, enabling us to acquire customers even in untapped areas. Specifically, for semiconductor-related logistics destined for Japan, we will utilize Sagawa Express and the Group's strengths to drive expansion.

EFL possesses exceptionally strong sales capabilities in the U.S., with its strengths lying in rapid decision-making and service delivery enabled by close customer relationships. In the European region, synergies can be created through collaboration with warehouses owned by Morrison.

While synergies are partially factored into the Mid-Term Management Plan, some areas are currently exceeding the plan targets. Although growth rates have partially slowed due to U.S. tariff impacts, synergies are steadily materializing. Further growth is anticipated as the market recovers from next fiscal year onward.

(2) Management Control

Q3: How timely is the information you receive regarding the business performance of EFL and Morrison? Also, similar to the number of packages in the Delivery Business, could you share whether monthly disclosure of both companies' handling cargo volumes will be possible in the future?

A3: For EFL, we aggregate air and ocean cargo volumes weekly and regularly distribute trade lane-specific information every Wednesday. We multiply this by actual unit prices to forecast gross profit margins and operating profit, enabling weekly tracking. On the other hand, Morrison possesses very strong IT capabilities and has established a system similar to Sagawa Express, allowing daily tracking of cargo volumes. Since both Morrison and EFL use the core system "CargoWise," we will utilize Morrison's IT capabilities to enable EFL to also track daily status going forward.

If requested, we will consider monthly disclosure of air and ocean cargo volumes, which are currently reported on a quarterly basis.

Q4: Regarding efficiency improvements, cited as a major future synergy, please explain the timing of profit contribution and the pace of implementation.

A4: On page 16 of the meeting material, we used China as an example, while the integration areas are gradually becoming clearer among Morrison and EFL executives. Our policy is to gradually proceed with integration in phases, starting this fiscal year

and continuing into next, primarily in regions like China and the US, while preserving the distinct strengths of both brands. To minimize changes to employees' working environments during integration, we are exploring options such as shared facility usage. Furthermore, executives have agreed to maintain separate operations for the next two years. After that period, we plan to explore further efficiency improvements, including the potential for brand integration.

Q5: Given the possibility of various business conditions, including an economic downturn, how will you balance the delegation of authority with management oversight? Please also share your outlook on the role of SG Holdings as the holding company.

A5: Regarding strengthened management oversight, SG Holdings Global (SGG), the overseas management company under SG Holdings, will actively engage with EFL and Morrison. This will advance the standardization and reinforcement of various governance items, such as J-SOX compliance and transfer pricing management. On the other hand, both companies have strengths in sales information and customer relationships, and situations requiring swift decision-making and flexible service provision are frequent. Therefore, in terms of sales operations, authority will be delegated not to SGG, but to EFL and Morrison.

(3) Business Structure and Outlook

Q6: Regarding Morrison's trade lanes, I understand that intra-Asia accounts for about half. Does the final demand also remain entirely within the Asian region? If goods ultimately reach Europe or the U.S., could tariffs indirectly impact this? Please explain the current business structure.

A6: First, regarding Morrison's logistics structure, semiconductor chip manufacturing primarily occurs in Taiwan. These chips are then shipped to China, Vietnam, India, etc., for assembly. The finished products are transported to the U.S.. Consequently, logistics within Asia are relatively active. Moving forward, we aim to secure shipments of finished goods destined for Japan and Europe. Additionally, in the U.S., where numerous warehouse and trucking partners exist, we see potential to expand into 3PL services for finished goods and are advancing efforts in this area. Furthermore, since Morrison's primary customers are semiconductor-related companies, many of which also have investments in the U.S., we view the impact of tariffs as limited.

Q7: Regarding the Hanoi-Chicago case study on page 13 of the meeting material, the projected operating profit is approximately USD1.800 million. What percentage of the total does this represent? Also, please provide specific details on expected effects, such as the percentage of total lanes targeted for joint procurement within the next two to three years.

A7: The Hanoi-Chicago lane accounts for 2% of Morrison's air cargo volume, while its share within EFL is 5% as its top lane. Combined, these two companies are expected

to account for approximately 5-10% of the total of the two companies. For Morrison, following the Hanoi-Chicago lane, the Hanoi-Chicago and Hong Kong-Chicago lanes have significant consolidated cargo volumes. Together, these three lanes are projected to account for approximately 12-13% of the total. While market prices fluctuate annually, synergies averaging over USD 10 million per year are anticipated. For other lanes, we plan to prioritize and gradually implement joint procurement.

Q8: There was a mention on how to suppress volatility. Is current space procurement primarily spot-based? Or is there a policy to fix a certain portion to ensure stability? Please explain the strategic direction.

A8: Following Expolanka's loss in FY2023, our initial focus was stabilizing gross margins through controlling sales prices and procurement costs. We adopted a strategy prioritizing profit over revenue, ensuring a certain gross margin level regardless of whether transactions are spot or fixed-contract. Over the past one to two years, we have improved profitability by establishing sales pricing rules and enhancing internal sharing of cost management information.

Regarding the current block space ratio, Morrison holds approximately 50%, and EFL has recovered to around 30%, following a temporary drop to approximately 20% in FY2023. Going forward, the plan is to increase the proportion of block space, focusing on high-volume lanes. These initiatives contribute to reducing volatility and stabilizing operations. Rather than viewing the approximately 50% for Morrison and approximately 30% for EFL as separate figures, the policy is to manage them integrally and increase the overall proportion of fixed space.