

Summary of Small Meeting with Outside Directors

① **New Mid-term Management Plan "SGH Story 2027"**

Q1: What discussions were held by the Board of Directors in planning the new Mid-term Management Plan (hereafter "the Plan")? Please also compare the planning process with the previous Mid-term Management Plan.

Ms. Takaoka: We started working around June in last year, several months earlier than the previous time. We held a total of about seven meetings with internal directors, receiving explanations about the Plan and holding discussions. We began by confirming the major direction of our business. After reviewing recent trends in e-commerce platforms, social conditions, and the competitive environment, particularly in the domestic Delivery Business, we discussed where we should focus our efforts. Based on the direction to expand the Global Logistics Business, and with a focus on implementation of the portfolio management while confirming capital profitability and cash allocation, we advised SG Holdings about the content of disclosure. As a result of the discussions, we have refined our 2030 business targets and have been able to clearly demonstrate operating income, segment-level disclosures, our commitment to ROIC, and a three-year cumulative total return ratio. We recognize that the detailed presentation of our targets represents a positive change from the previous planning.

Mr. Sagisaka: During the planning of the previous Mid-term Management Plan covering the period of FY2022/3-FY2024/3, the business environment changed dramatically due to the outbreak of the COVID-19. I believe there were significant fluctuations in performance, particularly in international logistics. In light of this, we have changed our segments this time and now present the Global Logistics Business as an independent segment. I have said in the past at meetings that it would be better to present Global Logistics Business as a separate segment, and I think that this change has made it easier to understand each business. As outside directors, our role is basically to supervise the company, but we have made recommendations that contribute to the activities of the executive side in the formulation of the Plan.

Mr. Akiyama: In light of the current severe business and competitive environment for the express package delivery service, we first posed the question, "what kind of vision does the SG Holdings Group seek to realize?" This was because we believed that it was extremely important to know what the management team thought about this point. Based on this theme, while positioning the express package delivery service as very important, we had various discussions about the accompanying overseas business and our approach to expanding the scope of our domestic business. In addition, based on dialogue with

shareholders, investors, and others, we incorporated specifics of our management targets and revisions to our policy on returns to shareholders and resulted in the Plan we disclosed.

Q2: What were the key points of discussion among the board of directors in formulating the Plan?

Ms. Takaoka: Disclosure of ROIC by segment was one of the points we discussed the most. In the past, we have established a hurdle rate for investment and set a target ROIC by adding a risk premium for each project. However, in disclosing ROIC for each segment in the form of a business portfolio strategy, including the positioning of each segment in terms of its growth potential and profitability, there was an opinion that when the employees see this and the segment which they belong is not “Key business area,” their motivation may be lowered. In light of these issues, the allocation was discussed not only during the discussion of the Plan, but also at the weekly meetings attended by all Directors. In the end, we decided to clearly disclose that the Logistics and Global Logistics Businesses have not reached the hurdle rate at this time. The intention was that failure to achieve ROIC above the hurdle rate would lead to a sense of urgency that our business would be subject to withdrawal, and this would have the effect of motivating our employees to work with a higher level of motivation. The process of business withdrawal is conducted once a year to check whether ROIC targets for each segment have been achieved, and for those segments that have not been achieved, we examine them on an individual company or project basis to determine which businesses should be withdrawn.

② About the Nomination and Remuneration Advisory Committee

Q3: SG Holdings' executive remuneration consists of base salary and performance-linked remuneration, but the ratio of base salary is high. The base remuneration is determined based on a comprehensive consideration taking into account the individual's position, duties, performance and ability, and also the level at other companies, the performance of SG Holdings and the level of employee wages. I am not sure if the policy reflects the achievement of the Plan, and I don't think it includes criteria from an investor's perspective, such as Total Shareholder Return (TSR), which has been increasingly adopted by other companies in recent years. Could you tell us about the issues surrounding the executive remuneration system at the Company and the discussions about them?

Mr. Sagisaka: We are aware that there are various opinions on which indicators should be included in the performance-linked remuneration, and we are also discussing indicators related to share price and ESG, as you have pointed out. Although it is my personal view, I believe that these factors will ultimately be reflected in the performance of the company, and that is why we have adopted the current form.

Ms. Takaoka: As you mentioned, it will be necessary to increase the ratio of performance-linked remuneration in the future. Currently, the evaluation criteria for performance-linked remuneration are operating revenue and operating income. However, I think it is an issue to determine what indicators to use, with choices such as ROE, achievement level of the Plan, and TSR. As for base remuneration, the points you mentioned are not excluded from the current evaluation system, but the details have not been disclosed. We believe it is necessary to organize the information so that it can be disclosed.

Q4: In general, the Nomination and Remuneration Advisory Committee is chaired by an outside director, but why is Mr. Kuriwada, the Chairperson and CEO, who is an internal director, serving as the Chairperson of the Nomination and Remuneration Advisory Committee at the Company?

Mr. Sagisaka: The Nomination and Remuneration Advisory Committee is composed of three members: a Chairperson, who is an Inside Director, and two outside directors. Accordingly, a majority of the committee is constituted by outside directors. In the actual operation of the committee, each of us outside directors speaks from an independent standpoint, and we believe that the committee is operating properly.

Ms. Takaoka: Mr. Kuriwada is the Chairperson of the meeting, but there has never been any occasion for him to proceed at his own discretion. However, we have never had an opportunity to inform our external stakeholders about how the Nomination and Remuneration Advisory Committee is actually operated, and I think it is true that many of them may have questions. We will take your comments seriously and make recommendations internally.

③ About the Incentive Plan for Employees

Q5: The introduction of the incentive plan for employees is viewed positively as an effort to make employees aware of their ownership of the share price. In introducing this program, why did you choose to target only managers, while many other companies implement this program for all employees? In addition to the perspectives of securing drivers and maintaining and improving the motivation of employees, can you tell us about your overall approach to incentives?

Ms. Takaoka: We are a company with clear authority by job level, and we have determined that managers and above are at the appropriate level to have authority that could affect the company's performance and corporate value. In terms of securing drivers and maintaining and improving employee motivation, our policy is to raise the salary level of assistant managers and below through more stable base salary increases and a bonus system.

③ About Our Share Price

Q6: The Company's share price has been in a difficult situation over the past year. While social conditions surrounding the Delivery Business which is the mainstay of the business, have been a factor in pushing down the share price, I believe that the reduction of the dividend forecast for FY2024/3 and the two M&As have also had a significant impact on the share price. Was there any assumption within the company that the share price would fall as a result of these factors? Also, I would like to know if there are any positive factors for the share price that investors have not factored in, etc.

Ms. Takaoka: First, regarding the lowering of the dividend forecast, outside directors were quite insistent on increasing the dividend as stated in the dividend policy, and discussions were heated within the Company. Ultimately, given the unique circumstances surrounding the 2024 problem and the risk that an increase in driver retirements could lead to a decline in operating revenue, we decided to allocate generous funds to maintaining and securing drivers. However, we are reflecting within the Company that we should have disclosed the revision of the dividend forecast earlier.

Mr. Akiyama: In addition, in the Plan, based on internal discussions regarding dividends, as well as suggestions from external stakeholders, the dividend policy was changed from "aiming to increase dividends from the previous year" to "progressive dividends," making it clearer.

For the express package delivery service, the industry is in a highly competitive environment, but we have the industry's strongest capabilities for improving efficiency to secure profits. This is supported by the fact that although the number of packages has decreased, profits have not decreased as much as the top line. In addition, I believe that the measures we will take in the future, such as the increase in the number of inbound deliveries, as outlined in the Plan, will also have a positive effect.

We apologize for any concern regarding the M&As of the two companies, but we want to show you our track record in terms of synergies. Although C&F and Morrison are companies that can grow on their own, with our M&A, they can raise the growth potential, and it is important to generate solid synergies. We will start by accumulating synergies from smaller deals, and we believe that larger synergies can be generated in the future. C&F specializes in upstream logistics, while SG Holdings Group excels in midstream to downstream logistics, so I believe there will be synergies between the two companies. Morrison is in the same forwarding business as Expolanka, but the products and customers it handles are very different. However, we believe that coordination will be possible because we share many common areas, such as know-how. It will take some more time for our efforts to create synergies to be evaluated, but we are determined to show results.

Mr. Sagisaka: As outside directors, we consider the medium- to long-term development of the company to be an extremely important issue, and we seek explanations from the

executive side from this perspective when deliberating on matters. In response, the executive side presents various materials for decision-making, such as synergy effects, and we take the stance that we will proceed with a comprehensive judgment based on these materials. As Mr. Akiyama mentioned, I have high expectations for this project, as the two businesses complement each other and will contribute to medium- to long-term growth in the future.

Ms. Takaoka: I understand that your concerns about the M&As of Morrison and C&F are about the acquisition price, the progress of PMI, and the impact of U.S. tariffs, which is specific to the case of Morrison. First, we have calculated the acquisition price of C&F, which is 5,740 yen, by putting synergies on the stand-alone plan. We believe that the synergies can be generated as expected in the PMI process so far, and we evaluate that the acquisition price is appropriate for us.

Next, regarding Morrison, the acquisition of shares is still in the process of being completed. Since Morrison's main business is international forwarding, we are concerned about the U.S. tariff policy, but we have been briefed directly by the person in charge of the Global Logistics Business on this point and have received a response that there are no major problems at this time. Regarding the trade friction between the U.S. and China, I think the key point is how Morrison will respond to the China plus one movement. In terms of tariffs between the U.S. and other countries, Morrison's business has a certain degree of intra-Asia value chain, so one of the key points is whether the company can seize business opportunities in Asia and expand its business. In addition, Expolanka has a base on the East Coast and Morrison has a base on the West Coast, so another key point is how we can leverage these bases to win business in the U.S.

Mr. Akiyama: Also, as mentioned above, the current competitive environment for express package delivery service has been severe, and the number of packages has been declining, and I see this as another downward pressure on our share price. However, as shown by the fact that profits have not declined by the same amount as the decline in the top line, we believe that we are the best in the industry in terms of efficiency improvement efforts, and we will continue to produce such effects in the future. In addition, I believe that the measures we are implementing in the Plan, such as real commerce, will have the effect of increasing the number of packages by taking into account the transportation demands of tourists visiting Japan, and that stable growth in express package delivery service, which is our business base, will lead to an increase in our corporate value.