Corporate Governance Report

CORPORATE GOVERNANCE SG Holdings Co, Ltd.

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SG Holdings Co., Ltd.

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https://www.sg-hldgs.co.jp/en/

The corporate governance of SG Holdings Co., Ltd. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views【UPDATED】

The SG Holdings Group ("the Group") has presented "Stakeholder Management" as the basis for its view of management and is conducting business activities to meet the expectations of a variety of stakeholders through: sustained improvement of the level of service to customers;

stabilization and improvement of the foundation of living of employees and their families; contribution to the local community through safety, the environment and a variety of business activities and social activities; improvement of enterprise value for shareholders; and equal and fair transactions with business partners.

Furthermore, in order to realize such stakeholder management, the Group has established the necessary systems based on the recognition that building a management system to achieve sustainability, including consideration for the environment and society and the enhancement and strengthening of corporate governance, is one of the most important issues.

[Topics: Toward Strengthening the Global Governance Structure]

In line with the expansion of our global logistics business, we are promoting the establishment of a structure aimed at achieving both group-wide control, including overseas subsidiaries, and appropriate decision-making across the Group. Specifically, we have established a structure for decision-making and reporting in accordance with the relevant regulations by (1) clarifying the decision-making hierarchy in the Global Logistics segment through the introduction of group-wide regulations applicable throughout the Group, including overseas Group companies, (2) clarifying the authority and responsibilities at each decision-making level through the development of such regulations, and (3) having officers and General Managers of SG Holdings concurrently serve as officers of SG Holdings Global Pte. Ltd., the company overseeing the segment, and holding regular meetings of its Board of Directors. In addition, we have established an appropriate monitoring system from a risk management perspective, including identifying and sharing material risks and issues through various meetings and reporting lines. Furthermore, while commencing internal audit initiatives for overseas subsidiaries, we will also enhance the functions of SG Holdings Global Pte. Ltd., which oversees the segment, thereby strengthening the framework for integrated control of management resources, including business operations, know-how, and cash, and improving the effectiveness of governance across the segment as a whole.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company has implemented all principles of the current Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code 【UPDATED】

[Principle 1.4 Cross-Shareholdings]

In light of the intent of the Corporate Governance Code, the Company periodically verifies the significance and effectiveness of its cross-shareholdings from the perspective of whether such holdings contribute to the enhancement of corporate value over the medium to long term.

The cross-shareholdings held are specifically examined regarding the purpose of holding them, the existence of any synergies, and whether the benefits and risks from each holding cover the Company's cost of capital, and the Board of Directors annually assesses whether or not to continue holding them.

<Details of the assessment and the results thereof>

Contribution to enhancement of corporate value is assessed. Specifically, we conduct quantitative verification by comparing the dividend income and transaction synergies arising from shareholdings with the hurdle rate calculated annually by the Company based on cost of capital, while also taking qualitative factors into consideration. After thoroughly reviewing the results of the assessment, we will proceed to sell shares that are deemed unreasonable to continue holding, taking into consideration factors such as the impact on the market and other business aspects.

In fiscal 2025, the Board of Directors confirmed the necessity of the business relationship and the economic rationality of all shares. From the perspectives of management strategy and financial strategy, we are also working to reduce our cross-shareholdings. Through careful and repeated dialogue with the respective companies, we sold a portion of our holdings in four companies from which we obtained a certain level of understanding, thereby raising 3.8 billion yen.

<Criteria for exercising voting rights>

The approach to exercising voting rights of shares held by the Company is that voting rights will be exercised to contribute to the sustained growth and enhancement of corporate value of the relevant company in the mid- to long-term, on the premise that it will contribute to the enhancement of the Company's corporate growth.

We regularly communicate with the relevant companies to confirm the positioning of our shareholdings, but if there are any changes in the relevant company's performance or business relationships, we will endeavor to promptly establish a forum for discussion and use the results as a reference for deciding whether to approve or reject proposals.

[Principle 1.7 Related Party Transactions]

With regard to procedures related to ascertaining and constraining related party transactions, the "Related Party Transaction Management Regulations" (the "Regulations") have been established for the purpose of preventing inappropriate outflows of profit to related parties and contributing to the protection of the Company's shareholders.

When conducting transactions with related parties, the necessity of the transactions and the appropriateness of the terms of the transactions are carefully checked from the perspective of protecting the interests of general shareholders.

Further, legitimacy of transactions involving conflict of interest are also supervised based on the Regulations. Specifically, by a thorough operation stipulated under the Companies Act, the transactions are implemented by gaining prior approval from the Board of Directors and the results are reported to the Board of Directors after the transactions are implemented. Directors having a special interest in a resolution of the Board of Directors are not permitted to participate in such resolution.

(Business relationships with officers)

There are two affiliated organizations of the Group in which Eiichi Kuriwada, the Company's Chairperson and CEO, serves as Chairman: the SGH Culture and Sports Promotion Foundation, a Public Interest Incorporated Foundation, and the SGH Foundation, a Public Interest Incorporated Foundation. As part of the Group's sustainability activities, we endorse the activity policies of both foundations and intend to continue initiatives such as the gratuitous deposit of artworks and personnel support.

In addition, during FY2025/3, the Group established the SGH Disaster Prevention Support Foundation, a General Incorporated Foundation, and Eiichi Kuriwada assumed the position of Chairman. In December 2025, the foundation received certification from the Cabinet Office as a Public Interest Incorporated Foundation and transitioned to the SGH Disaster Prevention Support Foundation, a Public Interest Incorporated Foundation. To address the social issue of disaster prevention in Japan, where disasters occur frequently, the foundation will develop and operate logistics infrastructure related to the provision of relief supplies in times of disaster and, through public-private partnerships, establish a framework capable of responding not only to reconstruction support for affected areas and livelihood support for disaster victims, but also to emergency assistance immediately following a disaster, thereby working toward the realization of a disaster-resilient and sustainable society.

In addition, as of the end of the current fiscal year, the SGH Culture and Sports Promotion Foundation and the SGH Foundation collectively hold 58,636,362 shares of the Company's common share (representing 9.16% of the total number of issued shares). The articles of incorporation stipulate that, when either foundation exercises the voting rights attached to the Company's shares, approval by at least two-thirds of the Board of Directors is required. In addition, to ensure the independence of the exercise of voting rights by both foundations, the Group has determined that directors who concurrently serve as officers or employees of the Group shall not participate in the resolutions of the Board of Directors concerning the exercise of such voting rights. In addition, the SGH Disaster Prevention Support Foundation has a policy of not exercising voting rights at the Company's General Meeting of Shareholders. Furthermore, with respect to the election of directors of all these foundations, councilors who concurrently serve as officers or employees of the Group do not participate in the resolutions of the Board of Councilors concerning the election of directors who also concurrently serve as officers or employees of the Group.

[Supplementary Principle 2.4.1 Ensuring diversity in hiring key personnel]

(1) Approach towards ensuring diversity in hiring key personnel

The Group recognizes that it is essential to eliminate all forms of inequality, implement initiatives to respect human rights, and foster systems and a corporate culture that enable diverse employees around the world to thrive, in order to ensure the continued existence and growth of our businesses and companies. We contribute to the creation of a better society by promoting respect for human rights of not only employees but also a wide range of stakeholders throughout the value chain, promoting DE&I (diversity, equity, and inclusion), including active participation by women, building employment and labor systems, and promoting work-life balance through work style reforms.

◆Building an organization that respects individuality and diversity

<Policy on DE&I (diversity, equity, and inclusion) >

The Group has worked to promote DE&I as a way to grow as a company with a competitive edge that respects diverse values, with a flexible decision-making process and a variety of perspectives.

In order to create a work environment in which all diverse human resources regardless of the divisions by gender, age, disability or nationality can work with enthusiasm, DE&I is defined as follows, and we will work to realize this goal.

<Vision>

“Employee friendly and fulfilling workplaces enabling diverse personnel to work”

<DE&I systems>

The Group has established WakuWaku Diversity Committees to engage in Group-wide initiatives promoting DE&I. In each Group company, the President serves as the chairperson (DE&I Manager) and the Administration Department Manager serves as the vice chairperson, working with committee members within the company to draft and implement measures to promote DE&I according to the conditions in each company. We also accelerate the promotion of DE&I throughout the Group as a whole by promoting coordination such as the exchange of information between Group companies facing the same issues.

https://www.sg-hldgs.co.jp/en/csr/mission/organization/diversity/

◆Ensuring diversity in hiring key personnel: status update and objectives

<Women>

Indicators	Targets	FY2026/3	FY2025/3
Percentage of female employees	FY2028/3: 35%	32.2%	32.3%
Percentage of female managers	FY2028/3: 12%	12.2%	11.5%

<Foreign national employees>

Indicators	FY2026/3	FY2025/3
Number of employees	3,329 employees (including 23 managers)	2,957 employees (including 21 managers)

<Mid-career recruits>

Indicators	FY2026/3	FY2025/3
Number of mid-career recruits	3,033	2,550

As a result of our efforts to date, the percentage of managerial positions held by women has been steadily increasing every year. Meanwhile, as the percentage of manager level women remains comparatively low, we are implementing Women’s Career Support Training targeting female employees who are candidates for managerial positions, with the aim of helping them acquire the skills and mindset necessary for promotion to decision-making positions and to nurture their development.

<Foreign national employees>

In Japan, foreign national employees are actively engaged in roles suited to their respective abilities and aptitudes. Furthermore, in addition to developing global human resources, we are promoting the recruitment of foreign personnel who have specialized experience and knowledge.

<Mid-career recruits>

For mid-career hires, we recruit highly specialized personnel. In addition, by actively promoting them to decision-making positions (general managers and managers), we enable them to play active roles that leverage their previous experience.

(2) Human resources development policy, internal work environment policy, and status update on efforts to ensure diversity

<Human resources development policy>

The Group aims to be a corporate group in which all employees act autonomously and their respective abilities and individuality can be utilized by enhancing engagement (connection between the company and employees) through initiatives for creating a comfortable work environment and empowerment based on respect for human rights.

<Personnel Vision>

The Personnel Vision established in 2012 describes clearly an organizational culture aimed at developing human resources and diversity of work styles and emphasizes the importance of each employee working with autonomy.

We aim to create a workplace environment in which people from diverse backgrounds work enthusiastically, regardless of gender, age, disability, or nationality.

"Shining Individuality, A Connection Mentality, and the Widening World"

<Internal work environment policy>

We aim to create a work environment in which people from diverse backgrounds work enthusiastically, regardless of gender, age, disability, or nationality.

<DE&I initiatives>

- Holding DE&I seminars for executives and department managers

We hold seminars for executives and department managers across the entire Group with the aim of deepening understanding of DE&I and reflecting it in management strategy.

- Women's Career Support Training

The Group is working to move away from a homogeneous corporate culture and to foster a culture that accepts and makes the most of diversity. As part of these efforts, the Group conducts Women's Career Support Training led by external instructors for female employees who are candidates for management positions. The goal of this training is to equip participants with the skills and mindset necessary for promotion to decision-making levels.

- Creating an environment for expanding occupational opportunities for women

We are striving to create an environment where women can work in the types of occupations that have been primarily the domain of men.

Sagawa Express is promoting the introduction of swap body vehicles as part of its efforts to create an environment in which diverse human resources, including women, can play active roles. In swap body vehicles, the cargo bed where the packages are loaded can be separated from the truck cab. The driver does not need to load or unload the freight from the vehicle. The cargo beds can simply be "swapped," enabling the driver to immediately set out for the next destination. As drivers can focus on driving, this creates a workplace environment in which women and others who may have concerns about physical strength can work with ease, thereby helping to provide employment opportunities based on the right person in the right job.

Female mechanics are working at SG Motors, which is in the business of vehicle maintenance and sales. We are striving to create a work environment that allows employees to work in a variety of areas, regardless of gender. In instances that require physical work, for example, to lift heavy items, special tools can be supplied that might allow women to perform these tasks without undue wear-and-tear on their bodies.

- LGBT seminar

Since FY2021/3, the Group has held internal workshops to promote understanding of LGBT matters. In FY2021/3, these workshops were held for management, general managers, and DE&I promotion, HR, and recruitment department supervisors, all of whom are core members of DE&I promotion, while in FY2022/3 the workshops were held for section managers. In FY2023/3, the workshops were expanded to include assistant managers. As part of these workshops, external experts and LGBT individuals were invited to provide basic knowledge and teach participants the importance of showing that the organization is an ally, as well as the importance of creating a culture that accepts diversity. In addition, participants furthered their understanding of LGBT matters through talks by LGBT individuals.

- Establishment of LGBT consultation desk

Since 2021, we have operated an LGBT consultation desk to provide a variety of advice relating to sexual identity and sexual orientation in the workplace. External experts with knowledge and understanding of LGBT issues provide advice for a variety of people such as LGBT individuals and allies.

- Aiming to create workplaces where people with disabilities can play active roles

SG Fielder, which provides human resources services, established a dedicated department in fiscal 2021 to promote DE&I and is focusing on creating an environment in which persons with disabilities can work with peace of mind.

Employees at each location take the initiative in building ongoing relationships with nearby Hello Work offices, special needs schools, and other organizations, and carry out recruitment activities that leverage ties with their local communities.

The entire Company is working to promote the creation of a workplace where employees can work comfortably, such as by providing opportunities for the exchange of opinions within the workplace. By establishing a comprehensive support system, we provide continuous support from recruitment through retention. As a result, the rate of employment of persons with disabilities, which was 2.62% in fiscal 2020, rose significantly to 4.35% in fiscal 2024, and more than 400 staff members with disabilities are currently playing active roles in package sorting operations and other duties.

- Developing an environment in which seniors can work comfortably

While labor shortages, which are a social issue, are becoming increasingly severe, demand for logistics operations continues to expand year by year. The logistics business is no exception. At Sagawa Global Logistics, which operates a logistics business, many senior workers are employed directly by the company, and experienced individuals aged 60 and over are also playing an active role as a valuable workforce through dispatch arrangements from Silver Human Resources Centers and outsourced operations.

At the operations center, senior workers are involved mainly in distribution process procedures such as picking, inspection, tagging, and packing. The average work history of the workers aged 60 and above is long, at about 10 years. Because they can be relied on to work in stable shifts, we think they will be an even more important component of our workforce going forward.

<Human resource development initiatives>

By defining “Core Business Promotion Personnel” as personnel responsible for maintaining profitability and improving productivity in express package delivery services, which serve as the foundation of our business, and for achieving sustainable growth, including Sales Drivers, “Solution Personnel” as personnel responsible for serving as growth engines for the expansion of TMS, 3PL, and global businesses (other than express package delivery services), and “Group Management Personnel” as personnel who support the Group’s businesses and play a key role in management, we are focusing on developing unique human personnel who are responsible for the Group’s competitive advantage.

<Our Approach to Developing Management Personnel>

We regard securing and developing “Group Management Personnel,” who are responsible for formulating and steering the Group’s management policy, as one of our key issues. To secure and develop diverse human resources with ability and motivation in the process leading to promotion to Group Manager (GMs)* and executive positions, we implement personnel initiatives such as the “Seminars for Newly Certified Group Managers” and the “Management Development Program.”

* Group Manager (GM): Refers to employees at the General Manager level who serve as Group management personnel.

Under the Management Development Program, we select candidates who are expected to be promoted to executive positions at SG Holdings in the future, have them acquire a management philosophy specialized in developing executives for the Group, and provide them with accumulated practical experience through strategic rotation as executives of Group companies and other assignments, in order to secure human resources who can be entrusted with management.

<Introduction of a share-based remuneration program for employees>

With the aim of sustainably increasing corporate value, we have introduced a share-based remuneration program (ESOP trust) as part of our human capital management initiatives in order to enhance employees’ sense of participation in management and further increase their motivation toward their work. This program is intended for employees at the manager level or above, including those of Group companies. As eligible employees are able to receive economic benefits from increases in the price of the Company’s shares, the program is expected to encourage employees to perform their duties with an awareness of the share price, while also increasing their motivation to work.

https://www.sg-hldgs.co.jp/en/csr/mission/organization/diversity/

https://www.sg-hldgs.co.jp/en/csr/mission/organization/labor-practices//

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

As we have introduced a corporate defined contribution pension plan, there is no opportunity to perform the function of asset owner. In the corporate defined contribution pension plan, SG Holdings Co., Ltd. acts as the administrative agency together with financial institutions, and is responsible for selecting and presenting investment instruments, providing ongoing investment education, etc. to participants.

[Principle 3.1 Full Disclosure]

The Group publishes information such as our corporate philosophy and management plans on our website, including our "Corporate Governance Policy" to enable stakeholders to easily access information about the Group. We also publish an Integrated Report every year.

(1) Corporate philosophy, management plan

The SG Holdings Group's Guiding Principles

"Trust, Create, Challenge"

SG Holdings Group will:

- Earn the trust of customers and society and grow together.
- Create new value, contributing to social development.
- Always take on the challenges presented to us, pursuing all possibilities.

<Management plan>

Since fiscal 2022, the Group has been promoting SGH Vision 2030, "Grow the New Story. New logistics, nurturing a new society together." This vision expresses our commitment to contributing to the realization of a sustainable society ("a new society") by resolving various logistics issues and creating new value through the advancement of the total logistics services provided by our Group ("new logistics"), and to achieving sustainable growth together with the businesses of our customers ("nurturing together").

In addition, in formulating the Mid-Term Management Plan "SGH Story 2027," we defined this vision, as the vision to which our Group aspires, in simpler terms as "continuing to be an indispensable presence (=infrastructure) for our customers and society."

These principles are closely aligned with "hikyaku no kokoro" (the spirit of express messenger), the founding spirit of the Group, and embody our commitment to always serving our customers with sincerity and dedication. Moving forward, with "hikyaku no kokoro" (the spirit of express messenger) in our hearts, we will continue to create logistics solutions tailored to increasingly diverse and complex needs, thereby ensuring that we continue to be an indispensable presence (= infrastructure) for our customers and society.

(Basic policy for SGH Story 2027)

- The management base was greatly strengthened through the previous Mid-Term Management Plan, "SGH Story 2024." We will work to create investment effects while making up for any deficiencies ahead of fiscal 2030.
- By expanding the scope of our services and adding value to our logistics solutions, we are enhancing Total Logistics
- In global logistics, as part of Total Logistics, we aim to build a business foundation that is less affected by market conditions and customer cargo movements by expanding customer industries and augmenting the areas covered and the logistics domain

（Key strategies for SGH Story 2027）

①Strengthening the revenue foundation by expanding the competitiveness and efficiency of express package delivery services

②Building one of the best cold chains in Japan by expanding low-temperature logistics solutions

③Increasing the added value of domestic logistics and expanding the TMS business area

④Expanding the customer base and improving profitability of global logistics

⑤Maintaining and strengthening the service infrastructure, including strengthening partnerships with partner companies

⑥Maximizing corporate value through investment in human capital

⑦Improving business competitiveness through investment in DX, R&D, and the latest technology

⑧Addressing social and environmental issues such as decarbonization

⑨Enhancing governance to increase corporate value

Based on the above, we have set the following management targets (announced on March 27, 2025).

(Management targets)

「SGH Vision 2030」

Operating revenue　2,200.0 billions of yen

Operating income　140.0 billions of yen

Net income attributable to owners of the parent　98.0 billions of yen

ROE　15%

ROIC　10%

「SGH Story 2027」

Operating revenue　1,830.0 billions of yen

Operating income　110.0 billions of yen

Net income attributable to owners of the parent　70.0 billions of yen

ROE　12%

ROIC　8%

(Capital cost management)

In addition to capital efficiency indicators such as ROE and ROIC, we promote management that achieves both improved capital efficiency and higher expected growth rates through optimization of our business portfolio and growth investments. In particular, we will seek to enhance corporate value over the medium to long term by reviewing resource allocation in a timely and appropriate manner based on the capital profitability and growth potential of each business.

(Shareholder returns)

We will implement the following policy for shareholder returns.

- Progressive dividends
- Flexible implementation of acquisition of treasury shares
- Total return ratio (3-year cumulative): 60% or more

Details of the management plan are published on the Company's website below.

https://www.sg-hldgs.co.jp/en/ir/management/plan/

(Financial results for the first year of the Mid-Term Management Plan)

FY2026/3

Operating revenue	1,644.7 billion yen
Operating income	90.2 billion yen
Net income attributable to owners of the parent	59.0 billion yen
ROE	10.5%
ROIC	7.0%

For FY2026/3, results concluded as expected, with increases in both revenue and income. Although challenges remain in the Global Logistics Business, we were able to achieve certain results in the first year of the Mid-Term Management Plan. In the Delivery Business, the number of packages handled increased due to factors such as the capture of cross-border e-commerce demand, and we also promoted initiatives to expand growth areas such as real commerce. In the Logistics Business, the steady growth of Meito Transportation and Hutech norin, which are responsible for low-temperature logistics, contributed to increased profits, while earnings in domestic 3PL also improved through measures such as receiving appropriate fees. In the Global Logistics Business, freight rates declined due to factors such as the impact of U.S. tariffs, and Expolanka's performance deteriorated. Meanwhile, Morrison was able to maintain solid results.

(Planning for the second year of the Mid-Term Management Plan)

FY2027/3

Operating revenue	1.74 trillion yen
Operating income	97.0 billion yen
Net income attributable to owners of the parent	60.0 billion yen
ROE	11.0%
ROIC	6.8%

In our planning for FY2027/3, the Delivery Business will continue to improve profitability while maintaining a balance among volume, unit price, and costs. In the Logistics Business, we will continue to focus on enhancing profitability management while also continuing preparations aimed at maximizing synergies. In the Global Logistics Business, we will promote the creation of synergies between Expolanka and Morrison and, while working to improve Expolanka's business structure, which has been an issue, we expect improvement during FY2027/3.

As stated in the "Notice Regarding Administrative Disposition against the Company's Subsidiary" announced on June 1, 2026, SGH Global Japan Co., Ltd., a consolidated subsidiary of the Company, was subject to administrative disposition consisting of the revocation of its customs brokerage license and the revocation of its bonded warehouse permit. Going forward, we will focus on strengthening coordination with partners to ensure the continued provision of smooth international transportation services to and from Japan. We will continue to work together as a unified Group to strengthen compliance education and risk management systems.

(2) The SG Holdings Group ("the Group") has presented "Stakeholder Management" as the basis for its view of management and is conducting business activities to meet the expectations of a variety of stakeholders through: sustained improvement of the level of service to customers; stabilization and improvement of the foundation of living of employees and their families; contribution to the local community through safety, the environment and a variety of business activities and social activities; improvement of enterprise value for shareholders; and equal and fair transactions with business partners. Furthermore, in order to realize such stakeholder management, the Group has established the necessary systems based on the recognition that building a management system to achieve sustainability, including consideration for the environment and society and the enhancement and strengthening of corporate governance, is one of the most important issues.

Details of corporate governance

https://www.sg-hldgs.co.jp/en/csr/mission/responsibility/governance/

(3) The remuneration of Directors is determined based on a resolution of the Board of Directors and within the limit determined by the General Meeting of Shareholders, with consideration for factors such as the details of deliberations by the voluntary Nomination and Remuneration Advisory Committee, which is the advisory committee of the Board of Directors that is comprised of three Directors (including two Outside Directors), and the economic environment and performance. In addition, from FY2026/3, we will contribute a portion of the monthly remuneration of Directors to purchase shares of the Company through the executive share ownership association, with the aim of enhancing Directors' incentive to contribute to performance and increase the share price, and to contribute to the enhancement of corporate value. The remuneration of Audit & Supervisory Board Members is determined through deliberation by the Audit & Supervisory Board.

(4) When appointing Directors, comprehensive consideration is given not only superficial attributes such as gender, nationality, and age, but also factors such as abundant operational experience and expertise inside and outside the Company, qualifications as management. With regard to Outside Directors, candidates for Independent Outside Directors account for no less than one-third of all Directors, in order to strengthen management transparency and oversight functions.

Furthermore, in accordance with internal rules, the Board of Directors recommends the resignation of any Directors suspected to have performed an act such as fraud or breach of faith. For Audit & Supervisory Board Members, consideration is given to factors such as qualifications as Audit & Supervisory Board Members and specialized knowledge.

(5) The reasons for individual nominations of Directors and Audit & Supervisory Board Members, including the Skills Matrix, are disclosed in the notice of the General Meeting of Shareholders. Furthermore, the appointment and dismissal of senior management implemented annually are disclosed in a timely manner.

Notice of the 20th Ordinary General Meeting of Shareholders https://ssl4.eir-parts.net/doc/9143/ir_material25/278853/00.pdf

[Supplementary Principle 3.1.3 Sustainability initiatives]

<Sustainability>

The Group works with diverse partners to engage in the resolution of social issues typified by environmental issues, and also create new value that is useful for society and customers through the provision of comprehensive logistics solutions. In the Mid-Term Management Plan, “SGH Story 2027,” we have set forth as key strategies “addressing social and environmental issues such as decarbonization,” “maximizing corporate value through investment in human capital,” and “enhancing governance to increase corporate value.” Furthermore, we have also reviewed the material issues that must be addressed to realize our long-term vision and have identified “enhancement of logistics solutions,” “strengthening of growth platform with personnel and partners,” “strengthening of measures to address environmental issues,” “enhancement of safety and compliance,” and “advancement of governance.” As part of our decarbonization efforts, we steadily advanced GHG reduction measures such as the introduction of renewable energy, and, as part of our human capital initiatives, we promoted the development of unique human resources that underpin the Group’s competitive advantage. Furthermore, regarding the disclosure of sustainability-related information, in light of amendments by the Financial Services Agency to the “Cabinet Office Order on Disclosure of Corporate Affairs” and other regulations, as well as the “Sustainability Disclosure Standards” and other standards published by the Sustainability Standards Board of Japan (the “SSBJ Standards”), and with a view to including such information in the annual securities report for FY2028/3, we have established eight specialized subcommittees as organizations under the Sustainability Committee, through which the Group companies and relevant departments collaborate to advance initiatives such as revising materiality, reviewing the Decarbonization Vision, introducing new environmental systems (including the collection and analysis of environmental data), revising the GHG calculation manual, and addressing third-party assurance. In addition, we operate under a framework in which important sustainability-related matters are deliberated and monitored by the Sustainability Committee, and reported to and supervised by the Board of Directors as necessary.

<Response to climate change, etc.>

The Group’s Long-Term Vision sets forth an image for growth of operating revenue and mid- to long-term GHG emission reduction targets aimed at achieving carbon neutrality by 2050, targeting a 46% reduction in CO_2 emissions by 2030 (compared to fiscal 2013 levels). The Mid-Term Management Plan “SGH Story 2027” identifies “addressing social and environmental issues such as decarbonization” as a key strategy.

In fiscal 2025, while steadily advancing GHG reduction measures such as the introduction of renewable electricity, we also worked on revising the Decarbonization Vision. Based on the Japanese government’s new Strategic Energy Plan, and taking into account trends in environmental technologies as well as the performance and business growth of Meito Transportation, Hutech norin, and SD Transline (including its seven subsidiaries), which have joined the Group, we will formulate GHG reduction measures and a transition plan that balance environmental and economic considerations from short-, mid-, and long-term perspectives, and plan to disclose them in the Integrated Report to be issued in 2026.

Furthermore, we conduct scenario analysis in line with the TCFD (Task Force on Climate-related Financial Disclosures) framework regarding mid- to long-term climate change-related risks and opportunities, summarize the results in a TCFD report, and publish it on the Company’s website. In addition, with respect to TCFD, we have begun reviewing the content of our disclosures not only for domestic operations but also for overseas consolidated operations, with a view to strategically avoiding risks and creating opportunities.

*Please see the TCFD Report for details

TCFD Report 2022

https://www.sg-hldgs.co.jp/en/csr/tcfd/pdf/tcfdreport2022.pdf

TCFD Report 2023

https://www.sg-hldgs.co.jp/en/csr/tcfd/pdf/tcfdreport2023.pdf

<Investment in human capital and intellectual property, etc. >

(1) Human resources strategy

In the Group's Long-Term Vision, we aim to maintain the profitability of the express package delivery services business, strengthen our business foundation through improved productivity, and expand the scale of business through expansion of business other than express package delivery services such as TMS, 3PL and global business serving as growth drivers with the aim of achieving 2.2 trillion yen in operating revenue in fiscal 2030, and in the Group's human resources strategy, we aim to maximize human capital value by investing in human capital linked to our business strategy and by building a platform for active participation that enables personnel to fully leverage their potential.

In terms of investment in human capital, we define mainly three types of personnel. "Core Business Promotion Personnel" as those who are responsible for the sustained growth of the company, including Sales Drivers who are responsible for maintaining the profitability and improving the productivity of the express package delivery services business as the foundation of the business. "Solution Personnel" as those who are responsible for growth engines, such as the expansion of TMS, 3PL and global business (other than express package delivery services). "Group Management Personnel" who support the Group's business and play a key role in management. We invest in these unique personnel who are responsible for the Group's competitive advantage.

From the perspective of executing the Group's growth strategy, in developing personnel who will drive sustainable global growth, we need to further strengthen the layer of "Solution Personnel," who serve as growth engines for the expansion of TMS, 3PL, and global logistics businesses (other than express package delivery services). Solution Personnel include "GOAL Personnel," who support the advancement of comprehensive logistics solutions, "DX Personnel," who support the resolution of customer issues and the automation and labor-saving of logistics through the utilization of technology; and "Global Personnel," who promote global logistics business. With regard to "GOAL personnel," we are continuously working on systematic development of personnel through on-the-job training and off-the-job training based on knowledge accumulated through a decade of initiatives, personnel exchanges between Group companies to address comprehensive logistics issues, and the recruitment of external personnel to respond to increasingly sophisticated customer logistics issues. In addition, with regard to "DX personnel," we are promoting DX literacy education for all employees and developing personnel who can acquire advanced digital knowledge through DX training and create plans based on the skills and ideas they have learned.
With regard to "global personnel," we have systematized training programs with an eye toward overseas assignments, promoting the acquisition of a global mindset and global communication skills, while also working to cultivate an

understanding of the workplace and global adaptability through on-the-job training.

In addition, we consider the development and promotion of “Group Management Personnel” required for formulating and steering the Group’s management policy to be an important issue. In order to develop and promote diverse human resources with ability and motivation to become managers and officers, we are implementing human resource development initiatives such as the “Management Development Program” and “Seminars for Newly Certified Group Managers” aimed at developing successors for officers of the Group, and we have also introduced a “share-based remuneration program” as a remuneration system that contributes to the retention, development, and recruitment of outstanding management personnel.

Next, regarding the securing of “Core Business Promotion Personnel” who support our infrastructure and the improvement of operational efficiency, amid the declining birthrate and aging population, which is making it difficult to recruit and retain personnel, we will work to review operations through the use of DX (labor saving and workload reduction) and improve productivity at our logistics sites so that efficient operations can be maintained with limited personnel through continuous base pay increases based on the assumption of an inflationary environment and the strengthening of coordination with partner companies. In addition, we consider the partner companies that support our Group’s transportation infrastructure to be a form of our human capital in the broader sense, and we strive to build sustainable and positive relationships through initiatives such as meetings to promote appropriate transactions.

Regarding the development of a foundation that respects human rights and diversity and enables people to thrive, it is essential to have “friendly and fulfilling workplace environments enabling diverse personnel to work,” and we are continuously promoting DE&I (Diversity, Equity, and Inclusion) in order to respect diverse values, make flexible decisions from various perspectives, and develop into a highly competitive corporate group. In order to create a work environment in which all diverse human resources regardless of gender, age, disability or nationality can work with enthusiasm, we will foster a corporate culture characterized by high employee engagement and open communication to maximize the value of our talent, strengthen the bond between the organization and its employees, and strive to promote the growth, retention, and long-term commitment of our workforce, by implementing necessary human resources policies, including the introduction of a “Challenge System” that provides talented personnel with opportunities to take on roles two grades higher and gain early exposure to new challenges and growth opportunities as part of our efforts to move away from a seniority-based system that prioritizes years of experience, including promoting active participation by women.

* Group Manager: Refers to employees at the General Manager level.

(2) Metrics and targets

<Solution Personnel>

Indicators	Three-Year Goals	FY2026/3
Number of personnel	210 (70 per year)	90

<Employee Engagement Assessment>

Indicators	FY2026/3	FY2025/3
Employee engagement	54.0%	55.0%
An environment that enables employees to thrive	52.0%	53.0%

In order to realize the human resource strategy described above, it is necessary to improve and develop the internal environment surrounding human capital as a whole, including employee development, employee engagement, an environment that makes the most of employees, and diversity including the active participation of women.

With the aim of developing and strengthening our “Solution Personnel,” we have set a KPI of creating 210 new “DX Personnel” and “Global Personnel” over three years (70 per year), and the number created in fiscal 2025 was 90. We will continue to engage in systematic human resource development.

In the employee engagement survey conducted in fiscal 2025, employee engagement was 54.0% and an environment that enables employees to thrive was 52.0% (the percentage of positive responses for both indicators). As our KPI for employee engagement is a one-point year-on-year increase each fiscal year, our targets for fiscal 2026 are 55.0% for employee engagement and 53.0% for an environment that enables employees to thrive. We will analyze the results of the employee engagement survey from the perspectives of strengths and issues requiring improvement by each Group company and organization, provide feedback to employees through the presidents of each Group company and the heads of each organization, and promote initiatives to formulate action plans for each company and link them to organizational improvement activities.

In addition, in fiscal 2025, the percentage of female employees was 32.2% and the percentage of female managers was 12.2%. We aim to increase the percentage of female employees to 35% over the next three years. As the KPI target of 12% for the percentage of female managers was achieved in fiscal 2025, we will continue our efforts to maintain and further improve this percentage at 12% or above.

These initiatives related to sustainability and human capital are also disclosed in documents such as the Annual Securities Report, the Integrated Report, etc.

Annual Securities Report (Only in Japanese)
https://www.sg-hldgs.co.jp/ir/library/securities/

Integrated Report
https://www.sg-hldgs.co.jp/en/ir/library/annual/

ESG Book
https://www.sg-hldgs.co.jp/en/ir/library/esg-book/

[Supplementary Principle 4.1.1 Matters Determined by the Board of Directors]

The Board of Directors makes decisions on matters specified by laws, regulations and the Articles of Incorporation, in addition to basic management policies such as business plans specified in the Board of Directors’ Regulations and other important matters in management. Authority over other business decisions and the execution thereof is clarified in internal rules such as Duty and Authority Regulations, which clearly specify the scope of delegation to management.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The Company has established criteria for determining the independence of outside officers which can be referred to in

[Independent Officers] under section II.1. of this report.

[Supplementary Principle 4.10.1 Appropriate involvement and advice from independent outside directors through establishment of an independent nomination committee and remuneration committee]

The Board of Directors is currently comprised of eight directors, three of whom are independent Outside Directors. The voluntary Nomination and Remuneration Advisory Committee has been established as an advisory body to the Board of Directors. This committee deliberates the selection of director candidates, including the CEO, as well as director remuneration, and submits its reports to the Board of Directors. As a committee that is comprised of one Internal Director and two Outside Directors (including female representation) and chaired by an Outside Director, its fairness, independence, and objectivity are ensured, and it is able to provide appropriate advice from multiple perspectives.

[Supplementary Principle 4.11.1 Balance and Diversity of the Board of Directors as a Whole]

The Board of Directors selects director candidates not only based on superficial attributes such as gender, nationality, and age, but also taking into consideration the main skills, career path, and professional qualifications of each director, as well as the combination and balance of these individuals, in terms of their numbers and areas of expertise, as they relate to the organizational structure of the company.

In selecting director candidates, based on the deliberations of the voluntary Nomination and Remuneration Advisory Committee (an advisory body to the Board of Directors), a system is in place to ensure that the Board of Directors as a whole maintains a balanced and diverse composition in terms of knowledge, experience, and capabilities that contributes to the enhancement of the Company's medium- to long-term corporate value, by selecting directors from within the Group who have expertise and skills in our areas of business for the realization of the Company's management strategy, as well as independent Outside Directors with expertise and management experience in areas such as corporate management, finance and accounting, risk management, and sustainability, and ensuring that at least one-third of all Directors are independent Outside Directors.

For a skills matrix listing the areas of professional experience needed within the Board of Directors, especially those areas where members are expected to contribute, please refer to the Skills Matrix under "V. Other."

[Supplementary Principle 4.11.2 Concurrent Positions of Directors and Audit & Supervisory Board Members]

We believe that the positions concurrently held by Directors and Audit & Supervisory Board Members as officers of other listed companies are reasonable and within an extent that does not impede duties as Directors and Audit & Supervisory Board Members of the Company, including attendance at meetings of the Board of Directors and Audit & Supervisory Board. The status of positions concurrently held by Directors and Audit & Supervisory Board Members as officers of other listed companies is disclosed in notices of the General Meeting of Shareholders and the Annual Securities Reports.

[Supplementary Principle 4.11.3 Analysis and Evaluation of the Overall Effectiveness of the Board of Directors]

The Company endeavors to ensure the effectiveness of the Board of Directors as a whole by conducting surveys of all Directors and Audit & Supervisory Board Members every fiscal year on the state of implementation of corporate philosophy and management vision, and of the composition, operation and supervisory functions, etc. of the Board of Directors, and by sharing and discussing the results thereof in the Board of Directors for the purpose of verifying the effectiveness of the Board of Directors.

An external organization was employed to conduct a survey and compile the results for the following items, and it was confirmed that the effectiveness of the Board of Directors as a whole was ensured.
(Survey items: (1) Composition and operation of the Board of Directors, (2) Management strategy and business strategy, (3) Corporate ethics and risk management, (4) Performance monitoring and evaluation and remuneration of management, (5) Dialogue with shareholders, etc. *A free comment section is provided for each item.)

The issues identified through the survey conducted as part of the fiscal 2024 effectiveness evaluation are as follows.
(1) Further advances regarding dialogue with shareholders and other stakeholders, as well as the content of disclosure and explanations.
(2) The need to determine how to utilize key management indicators such as ROE and ROIC in management policies and decisions, and for the Board of Directors to continuously monitor these.
(3) Discussion of not only the pros and cons of individual M&A deals, but also the overall perspective, including future policies.
(4) Regular reports to the Board of Directors on the progress of long-term training plans for director candidates, including the CEO.

We have implemented the following improvements in fiscal 2024 to address each issue and enhance the effectiveness of the Board of Directors.
(1) We will formulate plans that include numerical targets for enhancing disclosure, dialogue by management (both internal and external), holding theme-based briefings, and holding small meetings by Outside Directors, in an effort to provide more proactive communication.
(2) We will conduct performance indicator analysis by segment and analyze the causes of each segment’s performance, report to the Board of Directors, and take other measures that will contribute to improvement of future management strategies and the Group’s portfolio.
(3) We will organize our strategy going forward as a Group, taking into account the external environment, and take measures such as providing opportunities for explanations and discussions with management including outside officers.
(4) We will expand opportunities for providing information, including systems and mechanisms, to enable the provision of necessary information on the progress of the long-term training plan for director candidates and currently available information to the Nomination and Remuneration Advisory Committee.

In April 2026, we conducted a survey to evaluate the effectiveness in FY2026/3, and the points that were evaluated as particularly highly effective include the following.
(1) To improve the quality of discussions at meetings of the Board of Directors, we have developed an environment for providing information to outside officers, such as by enabling them to attend meetings on the execution side, including management meetings, and to review minutes and materials (Provision of Information to Outside Officers).
(2) The Board of Directors confirms that individual Directors engage in discussions and make management decisions from the

perspective of overall optimization for the Group as a whole, rather than from the perspective of partial optimization for each business division (Management Decisions from the Perspective of Overall Optimization).
(3) Each officer clearly demonstrates that he or she acts with the high level of ethics expected of him or her, thereby remaining constantly mindful of and embodying the ideal way an officer should conduct himself or herself (Officers' Ethical Standards).

In addition, the issues identified through the survey include the following.
(1) To make visible the status of consideration of medium- to long-term measures to address human capital and labor shortages
(2) To conduct audits using a risk-based approach in response to the expansion and diversification of the organization, and to change risk management methods
(3) To clarify the development process for CEO and other director candidates

We will implement the following improvements to address these issues, and work to enhance the effectiveness of the Board of Directors and strengthen its supervisory functions.
(1) Share with officers, including Outside Directors, the status of progress of initiatives aimed at recruiting and retaining personnel to drive core business operations, as well as measures to improve treatment and working conditions, including remuneration, holidays, and working hours, strengthen PR capabilities, and recruit foreign nationals.
(2) Share information with the Board of Directors regarding risks selected in accordance with the Group's business activities and the corresponding countermeasures
(3) Share with officers, including Outside Directors, a succession plan appropriate for the Group, and report on its progress

We will continue to discuss further improvements to ensure greater effectiveness of the Board of Directors.

[Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members]
The Company conducts workshops and seminars by external instructors as appropriate, in line with the times, on topics such as compliance, risk management, and the latest economic conditions, for the purpose of providing the knowledge required of Directors and Audit & Supervisory Board Members of a listed company. When a new outside officer is appointed, the Company provides a corporate overview and conducts site visits and other programs, and after their appointment, the Company also strives to establish an environment enabling them to fulfill their roles and responsibilities by providing opportunities to participate in various events, tour facilities, and exchange views with the Directors in charge. Furthermore, in order to ensure that issues identified from their independent perspective permeate frontline operations and lead to daily improvements, the Company holds the "Opinion Exchange Meetings between Outside Officers" four times a year with Head Office Executive Officers and other senior managers.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]
The Company sets a basic policy to disclose information in a fair, timely and appropriate manner, aiming to achieve highly transparent management to maintain and develop relationships of trust with our various stakeholders, including our shareholders, investors, customers, business partners, employees and local communities based on our corporate philosophy of "Trust, Create, and Challenge." Furthermore, it is our basic policy to actively engage in a constructive dialogue with market participants including our shareholders and investors, etc., to achieve sustained growth and enhance the mid- to long-term

value of the Company. Led primarily by the management team centered on the President and the IR department, the Company actively engages in dialogue through results briefings, small meetings, and individual meetings, while striving to enhance disclosures, including non-financial information. Furthermore, the opinions and evaluations obtained through dialogue are appropriately fed back to management and the Board of Directors and utilized to enhance management strategy and improve disclosures.

Disclosure policy
https://www.sg-hldgs.co.jp/en/ir/disclosure/

<IR activity plan>

We will expand the disclosure of information, including non-financial information, provide feedback to management on opinions obtained through dialogue, and reflect this in future management strategies.

- Financial results briefings: 4 times/year (quarterly)
- Regular small meetings on financial results: 4 times/year (quarterly)
- Small meetings by the President: 4 times/year (twice each for the sell-side and buy-side)
- Small meetings by Outside Directors: 2 times/year (once each for the sell-side and buy-side)
- Theme-based small meetings: Held as needed (approximately three times a year planned)
- Meetings with analysts and investors: Approx. 300/year

<Dialogue with shareholders and investors, etc.>

(1) Spokesperson in dialogue with shareholders and investors, etc.

The President and COO is the person responsible as spokesperson in dialogue with shareholders and investors, etc., and the management centered on the Director in charge of Finance and Corporate Planning (including Corporate Communication), and other Directors nominated by the President and COO serves in this role to a reasonable extent as required, and the Corporate Communication Department, which is a dedicated department, also handles this task.

Furthermore, the Corporate Communication Department coordinates with relevant departments within the company and Group companies through regular sharing of information, etc., and supports constructive dialogue by management with shareholders and investors, etc.

(2) Means of dialogue

The main means of dialogue with shareholders and investors, etc. include individual meetings by management with domestic and overseas shareholders and investors, etc., financial results briefings, briefings on management plans and small meetings, conducting dialogue to deepen mutual understanding such as providing explanations on the Company's management strategy, business model and initiatives to enhance mid- to long-term corporate value.

Moreover, in addition to the above, the personnel in charge in the Corporate Communication Department provide updates on business conditions and explanations of financial information through individual meetings and small meetings with shareholders and investors, etc., in an effort to promote understanding of the Company.

(3) Feedback on dialogue

The key issues identified through dialogue (the profitability and risks of global operations, capital efficiency, governance practices, etc.) are regularly organized by management, including executive management, and relevant departments, and are utilized to improve disclosure materials, set themes for explanations, and report to the Board of Directors.

[Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans]

In its Mid-Term Management Plan, “SGH Story 2027,” the Group discloses its current assessment and targets regarding return on capital, as well as the Group’s business portfolio strategy. With regard to return on capital, we have set an ROE target of 15% for fiscal 2030, and to achieve this, we will work to improve business profitability and advance returns to shareholders. In addition, with regard to the allocation of management resources, we disclose the cash allocation for the three-year period of the Mid-Term Management Plan.

Mid-term Management Plan “SGH Story 2027”

https://www.sg-hldgs.co.jp/en/ir/management/plan/

[Update on Initiatives to Promote Management Conscious of Cost of Capital and Share Price]

Contents	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Update Date 【UPDATED】	Jun 24,2026

＜Explanation of the Relevant Item＞【UPDATED】

The Company positions the realization of management that is conscious of the cost of capital and share price as an important issue, and promotes management control using capital efficiency indicators such as ROE and ROIC. Specifically, we are working to improve capital efficiency by strengthening the business portfolio, clarifying the cost of capital in investment decisions, and optimizing our policy on returns to shareholders, while also working to raise the expected growth rate by strengthening dialogue with the capital markets and enhancing disclosure. The main points are as follows:

(1) Current Status and Challenges for Enhancing Corporate Value

- ROE: Since listing, we have consistently achieved ROE exceeding the cost of equity. While a certain increase in the cost of equity is anticipated due to changes in the business portfolio and other factors, we will strive to maintain and improve ROE to continuously exceed the cost of equity.
- PBR: Since listing, we have consistently achieved a PBR of at least 1x, supported by a high level of ROE even within the transportation sector. However, it is necessary to sustain the continuous achievement of a PBR exceeding 1x by improving our ability to explain the advancement of total logistics and enhancing dialogue with the capital markets.
- PER: While our recent PER is approximately 15x, which is broadly in line with the industry average of approximately 13-16x (Prime Market, Land Transportation Sector), we recognize that this level does not fully reflect future growth expectations and that efforts are needed to improve this metric.

(2) Target KPIs

We have set a target of achieving ROE of 15% in fiscal 2030 through measures such as improving capital profitability in each business and expanding returns to shareholders.

Medium-term target: FY2027 ROE 12%, ROIC 8%

Long-term target: FY2030 ROE 15%, ROIC 10%

(3) Specific Initiatives

Our strategic direction focuses on improving ROE, reducing the cost of equity, and enhancing the expected growth rate. In order to implement capital efficiency targets such as ROE and ROIC in management decision-making, the Board of Directors will regularly review (i) progress against segment-specific indicators and the factors behind year-on-year variances and variances against planning, (ii) initial assumptions and progress regarding major investments and M&A, including PMI, and (iii) the policy and results of capital allocation (investment, returns to shareholders, and financial soundness), and will provide any necessary reviews, improvements, and instructions.

(Improvement in ROE)

- Improving profitability through the execution of growth strategies based on the business portfolio (ROIC management)
- The company-wide hurdle rate is set at 5.5% based on WACC, etc. ROIC by segment has remained at a high level in the Delivery Business. While the Logistics and Global Logistics businesses temporarily declined due to the impact of increased goodwill associated with M&A, profit contributions from acquired businesses have become evident.
- Utilization of financial leverage: For FY2026/3, through balance sheet control, including the use of financial leverage for growth investments, actual ROE came in at 10.5%, exceeding the initial forecast.
- To strengthen returns to shareholders, the Company targets a cumulative total return ratio of 60% or more over the three-year period, progressive dividends, and the flexible implementation of share buybacks (with respect to share buybacks, 45 billion yen has already been acquired out of the 60 billion yen acquisition limit set under the current Mid-Term Management Plan).
- With respect to financial leverage, the Company exercises control with a target equity ratio of approximately 40%. Bank borrowings are utilized in the execution of growth investments. Through capital reduction and improved capital efficiency, the equity ratio landed at 44.4% (for FY2026/3).

(Improvement in PER)

- To reduce the cost of equity and improve the expected growth rate, the Company is implementing various initiatives to enhance governance through dialogue with shareholders and investors.

0.- Enhancing dialogue with and disclosure to the capital market: The following IR activities were carried out during FY2026/3. Enhancing opportunities for dialogue with investors

(2 small meetings by the President, 1 small meeting by Outside Directors, 2 theme-based briefings, and 271 meetings with investors and analysts)

- Review of the officer remuneration system: The method for determining the base remuneration for officers was changed. The degree of achievement of ROE and TSR is incorporated into evaluations as KPIs, directly reflecting the level of contribution to corporate value.
- Changes to the structure of the Nomination and Remuneration Advisory Committee: To establish a more transparent governance structure, the Chairman was changed to an independent Outside Director.
- Introduction of an executive share ownership association: An executive share ownership plan was introduced to establish a scheme that allows officers to hold the Company’s shares. A portion of monthly remuneration is contributed and used, in principle, to purchase the Company’s shares from the market each month.

[Action to implement management that is conscious of cost of capital and share price] [With disclosure in English]

https://www.sg-hldgs.co.jp/en/ir/management/value-based/

2. Capital Structure

Foreign Shareholding Ratio	10% or more and less than 20%

Status of Major Shareholders【UPDATED】

Name or Company Name	Number of Shares Owned	Percentage (%)
Shinsei Holdings Co., Ltd.	107,771,600	17.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	52,422,400	9.12
SGH Culture and Sports Promotion Foundation	48,400,362	8.05
Sumitomo Life Insurance Company	25,200,000	4.62
Mitsui Sumitomo Insurance Company, Limited	25,200,000	4.19
Sagawa Printing Co., Ltd.	22,816,400	3.81
Custody Bank of Japan, Ltd. (Trust Account)	22,005,200	3.45
MUFG Bank, Ltd.	20,750,000	3.45
Sumitomo Mitsui Banking Corporation	20,750,000	3.36
Tanaka Industry Co., Ltd.	20,220,500	3.32

Name of Controlling Shareholder, if applicable (excluding Parent Company)	—
Name of Parent Company, if applicable	None

Supplementary Explanation【UPDATED】

The percentages of shares held in relation to the total number of shares issued (excluding treasury share) are rounded down to two decimal places. (As of March 31, 2026)

3. Corporate Attributes

Listed Share Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Land Transportation
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more

Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more and fewer than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

—

5. Other Special Circumstances which May have Material Impact on Corporate Governance

—

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board*

*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

Directors

Number of Directors Stipulated in Articles of Incorporation	12
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	8
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors’ Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Mika Takaoka	Academic											
Osami Sagisaka	Other											
Masato Akiyama	From another company											

*Categories for “Relationship with the Company”.

(Use “○” when the director presently falls or has recently fallen under the category; “△” when the director fell under the category in the past; “●” when a close relative of the director presently falls or has recently fallen under the category; and “▲” when a close relative of the director fell under the category in the past.)

a. Person who executes business of the Company or a subsidiary

b. Person who executes business or a non-executive director of a parent company

c. Person who executes business of a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for such person/entity
e. Major client of the Company or a person who executes business for such client
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
i. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
j. Person who executes business for an entity receiving contributions from the Company (applies to self only)
k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Mika Takaoka	○	—	She has expert knowledge and insight into business administration, etc. as a university professor, and it was determined that her broad knowledge developed through her background could be utilized in the Company's management in general.
Osami Sagisaka	○	—	He has broad insight developed as a national government employee and through activities related to environmental law, fire and emergency services after retiring, and it was determined that this insight could be utilized in the Company's sustainability initiatives and BCM.
Masato Akiyama	○	—	He has been involved in the logistics industry for many years and has extensive knowledge of logistics and experience in corporate management, such as serving as the representative director of multiple companies in the same industry. It was determined that his broad knowledge developed through his background can contribute to the Company's management in general.

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Ourside Diretor
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Ourside Diretor

Supplementary Explanation【UPDATED】

The voluntary Nomination and Remuneration Advisory Committee has been established as an advisory body to the Board of Directors with respect to important matters such as the nomination and remuneration of officers. An Outside Director serves as Chairman, and the committee consists of three members: two Outside Directors and one Inside Director. The Committee takes on the functions of both a nomination committee and a remuneration committee. It primarily deliberates on matters such as the election of Director candidates, personnel matters of Directors, and remuneration systems, and makes recommendations to the Board of Directors based on its resolutions. In fiscal 2025, the Committee was convened twice.

<Chairman>
Mika Takaoka (Independent Outside Director)

<Committee Members>
Osami Sagisaka (Independent Outside Director)
Hidekazu Matsumoto (President)

Audit and Supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as "*kansayaku*"

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit and Supervisory Board Members	4

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members endeavor to implement efficient audits by closely working with the internal audit divisions of the Company and its subsidiaries, along with the Audit & Supervisory Board Members of subsidiaries when conducting audit duties. Furthermore, in the relationship with the Accounting Auditors, points for discussion concerning accounting audits are shared through regular meetings.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	3
Number of Independent Audit and Supervisory Board Members	3

Outside Audit and Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Satoshi Tajima	CPA													
Yoshitaka Ooshima	Lawyer													
Tomoko Tada	Other													

*Categories for "Relationship with the Company".
(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. Person who executes business of the Company or a subsidiary
b. A non-executive director or an accounting advisor of the Company or its subsidiaries
c. Person who executes business or a non-executive director of a parent company
d. An Audit and Supervisory Board Member of a parent company of the Company
e. Person who executes business of a fellow subsidiary
f. Person/entity for which the Company is a major client or a person who executes business for such person/entity
g. Major client of the Company or a person who executes business for such client
h. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
i. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
j. Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
k. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
l. Person who executes business for an entity receiving contributions from the Company (applies to self only)
m. Other

Outside Audit and Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Satoshi Tajima	○	—	He has extensive experience and knowledge as a certified public

			accountant, U.S. certified public accountant and a certified tax accountant, and it was determined that he could conduct audits from an expert position and fulfill the role of ensuring the validity and appropriateness of the Company's management.
Yoshitaka Ooshima	○	—	He has extensive knowledge and experience as an attorney at law, and it was determined that he could conduct audits from an expert position and fulfill the role of ensuring the validity and appropriateness of the Company's management.
Tomoko Tada	○	—	She has extensive knowledge and experience as a Specified Labor and Social Security Attorney, and it was determined that she could conduct audits from an expert position and fulfill the role of ensuring the validity and appropriateness of the Company's management.

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members	6

Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

The Company has nominated all outside officers who qualify as independent officers to be independent officers.

[Criteria for Determining the Independence of Outside Officers]

The Company determines the independence of Outside Directors and Outside Audit & Supervisory Board Members stipulated under the Companies Act by checking whether any of the following items apply based on the determination criteria set by Tokyo Share Exchange, Inc., and deems them to be independent if none of the items apply.

1. A Major shareholder (a person directly or indirectly holding 10% or more of voting rights) of the Company, or a business executive thereof

2. A person whose major business partner is the Company and its subsidiaries (hereinafter referred to as "the Group"), or a business executive thereof

3. A major client of the Group, or a business executive thereof

4. A person providing professional services such as a consultant, attorney or certified public accountant who obtains a large sum of money or other financial gain from the Group other than officer remuneration

5. A person who has received the donation of a large sum of money or other financial gain from the Group, or a business executive thereof

6. A Director (excluding Outside Directors), Audit & Supervisory Board Member (other than Outside Audit & Supervisory Board Members), Executive Officer or employee of the Group

7. A person to whom any of the items in 1 through 6 above have applied during the past three years

8. If a person to whom any of the items in 1 through 7 above applies is in an important position, the spouse and relatives within the second degree of kinship thereof

9. In addition to the preceding items, a person for whom there may be special circumstances preventing the fulfillment of duties as an independent outside officer, such as the possibility of a conflict of interest

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme

Supplementary Explanation for Applicable Items

On July 1, 2018, the Company introduced a company performance-linked share-based remuneration program for the purpose of clarifying the link between compensation for Directors and the Company's share value and increasing motivation to contribute to improving mid- to long-term business performance and enhancing corporate value.

(1) Overview of the Program

The Program is a scheme paying remuneration for delivering the Company's common shares, etc. to the Company's Directors, etc. when Directors, etc. leave office according to the level of achievement of company performance indicators, etc. The calculation period of the Scheme is the three continuous fiscal years corresponding to the Company's mid-term management plan.

(2) Method of calculation and upper limit of the number of the Company's common shares to be granted

The Directors, etc. subject to the Scheme are granted points calculated by multiplying the number of base points calculated using the base monthly remuneration of each Director by the performance-linked multiplier (varying within the range of 0 to 200%) according to the level of achievement of the Company's performance indicators (indicators specified by the Board of Directors such as consolidated operating income) at the prescribed time every year.

Furthermore, the maximum number shall be125,000 shares per fiscal year, and 375,000 shares per calculation period (three fiscal years).

When a Director, etc. leaves office, the number of the Company's common shares, etc. are delivered according to the cumulative number of points granted and a number of the Company's common shares equivalent to 70% of this is delivered, while an equivalent amount of money is paid in lieu of the Company's common shares for the remainder.

Please note that if a Director, etc. is found to have performed an illegal act after the vesting date or found to have been employed

by a rival company without the Company's permission, the Company may claim compensation for the monetary remuneration claim granted and the total amount of money paid.
*The Company implemented a two for one share split of its common shares with the effective date of November 1, 2020, and the upper limit of the above common share is the number of shares after considering the share split.
For other details, please see the latest Annual Securities Report.

Persons Eligible for Share Options	—

Supplementary Explanation for Applicable Items

—

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration	Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

The total amount of remuneration is disclosed for Directors, Audit & Supervisory Board Members and outside officers, respectively. Furthermore, persons who receive a total amount exceeding 100 million yen are disclosed individually on the Annual Securities Report and the Company's website.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof	Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

(i) Policy on determining the content of the remuneration, etc. of individual Directors
The policy on determination of the content of remuneration, etc. of individual Directors was resolved in the regular meeting of the Board of Directors held on February 26, 2021 to create a remuneration system that adequately functions as an incentive for sustained enhancement of corporate value, is linked to the interests of shareholders and is based on the Medium-term Management Plan.

(ii) Overview of the content of the determination policy
Remuneration of the Company's Directors shall be determined with consideration for the economic environment and business performance, etc. to ensure it functions adequately as an incentive for the sustained enhancement of corporate value, and the basic policy when determining the remuneration of individual Directors is that it shall be at an appropriate level based on their respective duties, etc. Specifically, the remuneration of Directors who execute business is made up of base remuneration as monetary remuneration and performance-linked share-based remuneration as non-monetary remuneration, and the remuneration of Outside Directors who serve in a supervisory capacity is only made up of base remuneration in light of their duties.
Regarding the base remuneration of Directors who execute business, we revised the evaluation criteria to directly reflect their

contributions to sustained corporate growth and enhancement of corporate value, effective from June 2025. The policy is that the amount of remuneration shall be based on a basic remuneration table specified according to position and duties, and ultimately determined by making adjustments based on the level of achievement of the previous fiscal year's consolidated operating revenue, consolidated operating income, return on equity (ROE), total shareholder return (TSR), and other factors.

The overview of the content and the calculation method of performance-linked remuneration, etc. and performance-linked share-based remuneration as non-monetary remuneration, etc. are described in the aforementioned "[Incentives] State of implementation of measures concerning granting incentives to Directors"

Furthermore, the remuneration of Directors of the Company is made up of base remuneration and performance-linked share-based remuneration (only base remuneration for Outside Directors), and is provided for results and performance based on the expected duties. With regard to specific distribution, the percentage linked to performance, etc. is higher for higher positions in a system that requires higher accountability for results and performance according to the position.

The specific details of the remuneration, etc. of individuals (amount of base remuneration and the number of shares granted under performance-linked share-based remuneration) are determined at the sole discretion of the Nomination and Remuneration Advisory Committee, which is a voluntary advisory body to the Board of Directors, pursuant to a resolution of the Board of Directors, based on the content of deliberation in the Committee.

(iii) Acquisition of the Company's shares through the executive share ownership association

From FY 2026/3, we will contribute a portion of the monthly remuneration of Directors to purchase shares of the Company through the executive share ownership association, with the aim of enhancing Directors' incentive to contribute to performance and increase the share price, and to contribute to the enhancement of corporate value. The acquisition of the Company's shares will be limited to Directors, Audit & Supervisory Board Members, and Executive Officers of the Company and its subsidiaries, and will be conducted through an executive share ownership association, with shares purchased from the market every month in principle (shares acquired by the executive share ownership association will be held in the name of the chairperson of the executive share ownership association). Dividends will be received in full by the chairperson of the executive share ownership association, distributed to each member in proportion to their shareholding as of the record date, and reinvested.

Support System for Outside Directors and/or Outside Audit and Supervisory Board Members

We provide support to Outside Directors and Outside Audit & Supervisory Board Members as necessary, such as providing information and individual explanations from each department depending on the matter at hand. In addition, we report on the progress of proposals submitted to the Board of Directors once every three months at meetings of the Board of Directors, and have established a system whereby Outside Directors and Outside Audit & Supervisory Board Members can confirm the status of proposals resolved by the Board of Directors.

Statuses of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku*, *Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term

Hideo Araki	Honorary Advisor	Advice on the Group's business	Part-time/ paid	June 25, 2021	One year

Number of Persons Holding Advisory Positions (*Sodanyaku*, *Komon*, etc.) After Retiring as Representative Director and President, etc.	1

Other Related Matters

- The Company has not provided for the position of honorary advisor in the Articles of Incorporation or internal rules, but it may appoint an honorary advisor, etc. as needed.
- An honorary advisor has no authority extending an impact on management decisions of the Company or the Group, and is not involved in any decision making in management.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) 【UPDATED】

(i) Board of Directors

The Company's Board of Directors consists of eight Directors (including three Outside Directors), and Shuichi Matsumoto, President, serves as Chairman. In addition to the regular meetings of the Board of Directors held each month, the Board of Directors convenes extraordinary meetings as necessary, such as when urgent matters requiring resolution arise, and reports are made on decisions on the general business execution of the Group and the state of Directors' execution of management in accordance with internal rules such as the Board of Directors' Regulations and the Duty and Authority Regulations. In addition, all Audit & Supervisory Board Members attend meetings of the Board of Directors, thereby establishing a framework under which they can monitor the state of the Directors' business execution.

(ii) Audit & Supervisory Board

The Company's Audit & Supervisory Board consists of four Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members), and Satoshi Tajima, an Outside Audit & Supervisory Board Member, serves as Chairman. In addition to the regular monthly meetings of the Audit & Supervisory Board, extraordinary meetings of the Audit & Supervisory Board are convened as necessary, at which the full-time Audit & Supervisory Board Member reports on the auditing of operations and prior consultation is conducted on agenda items for the Board of Directors.

(iii) Other Meetings

A The voluntary Nomination and Remuneration Advisory Committee is comprised of three Directors (including two Outside Directors), and Mika Takaoka, an Outside Director, serves as Chairman. The Committee confirms the appropriateness of the nomination of candidates for Directors and the remuneration received by Directors.

Further, the Group has established meetings and committees such as "SGH Group Management Strategy Meetings" and "SGH Group Risk Management Meetings" as organs for prior deliberation of matters to be resolved by the Board of Directors and specialized examination of important matters in accordance with the internal rules of Group companies.

The Directors, Executive Officers, full-time Audit & Supervisory Board Members responsible attend each meeting in an effort to achieve more efficient business operations.

An overview of each body is as follows.

Nomination and Remuneration Advisory Committee

Confirmation of the appropriateness of the nomination of candidates for the Company's Directors and the remuneration received by Directors, etc.

Group Management Strategy Meetings

Monthly reports on the Group's budget and its progress and outlook, deliberation of important issues concerning the Group, and other necessary reports

Group Risk Management Meetings

Information sharing and other measures for effective and efficient risk management within the Group

Group Administration Department Managers' Meetings

Reports, communications, and other matters concerning the management and guidance of the Group's overall operations

Sustainability Committee

Deliberation on important policies and initiatives relating to the Group's sustainability, and matters concerning their promotion, etc.

Investment Committee

Deliberation on whether to implement the Group's investment plans and verification of their effectiveness after implementation

Group Budget Committee

Deliberation and reporting on important matters concerning the Group's management plan

3. Reasons for Adoption of Current Corporate Governance System【UPDATED】

The Company has adopted a company with an Audit & Supervisory Board as its corporate governance structure. The Company's Board of Directors consists of eight members, three of whom are Outside Directors. Furthermore, Outside Directors also attend important internal meetings other than meetings of the Board of Directors as appropriate, to supervise the Company's management decisions and decision-making processes from an objective and independent standpoint, and provide opinions and advice as needed based on their own experience and knowledge.

In addition, the Audit & Supervisory Board Members attend meetings of the Board of Directors and constantly audit the state of business execution by Directors, such as stating their opinions as required from their position. Furthermore, the full-time Audit & Supervisory Board Member participates as an observer in various meetings other than meetings of the Board of Directors in order to gain a deeper understanding of the internal situation and management, actively endeavors to establish the audit environment and collect information within the Company, routinely monitors the development and state of operation of the Internal Control

System, and provides objective opinions and advice. In addition, the Company has established a voluntary Nomination and Remuneration Advisory Committee and other bodies centered on Outside Directors to confirm the appropriateness of the nomination of candidates for Directors and the remuneration received by Directors. Based on the above, we believe that the Company's corporate governance is functioning appropriately.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	Sent no later than 14 days prior to the General Meeting of Shareholders.
Electronic Exercise of Voting Rights	Shareholders unable to attend the General Meeting of Shareholders may vote by electromagnetic means.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company is participating in the platform for electronic voting operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Notice of the General Meeting of Shareholders (Summary) is prepared and published on the Company's website.
Other	—

2. Status of IR-related Activities【UPDATED】

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company has prepared a disclosure policy and published it on its website.	
Regular Investor Briefings held for Analysts and Institutional Investors	The Company believes that engaging in continuous and proactive dialogue with shareholders and various other stakeholders, thereby fostering their understanding of the Company's management policy and management strategy, while also receiving various opinions and other feedback through such dialogue and reflecting them in management, will lead to the Company's sustainable growth and the enhancement of corporate value. To this end, briefings for analysts and institutional investors are held quarterly, at which the President, the	Held

	Director in charge, and others provide an overview of performance and explain the Company’s management policies, etc. In addition to the above, small meetings and theme-based small meetings attended by the President, the Director in charge, and Outside Directors are also held.	
Regular Investor Briefings held for Overseas Investors	The President and the Director in charge periodically conduct roadshows for overseas investors to provide an overview of performance and explain the Company’s management policies, etc.	Held
Online Disclosure of IR Information	We post quarterly earnings reports, mid-term management plans, Shareholders' Meeting Related Materials, Integrated Reports, ESG Book and news releases, etc. on the Company’s website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Corporate Communication Department is responsible for IR activities. The President and COO is the person responsible as spokesperson in dialogue with shareholders and investors, etc., and the management centered on the Director in charge of Finance and Corporate Planning (including Investor Relations), and other Directors nominated by the President and COO serves in this role to a reasonable extent as required, and the Corporate Communication Department, which is a dedicated department, also handles this task. Furthermore, the Corporate Communication Department coordinates with relevant departments within the company and Group companies through regular sharing of information, etc., and supports constructive dialogue by management with shareholders and investors, etc.	

	<IR structure> President and COO Director in charge of Finance and Corporate Planning (including Investor Relations) General Manager of Corporate Communication Department Corporate Communication Department ＜Contact information＞ sgh_ir@sg-hldgs.co.jp

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Group has established the “Charter of Corporate Conduct of the SG Holdings Group” and “Code of Ethics and Conduct of the SG Holdings Group” based on our corporate philosophy to ensure a common policy of conduct is observed.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Group conducts a variety of activities aimed at the creation of a sustainable society while fulfilling our corporate social responsibility. The Group’s efforts such as activities to protect the environment and sustainability activities are summarized and published on the Company’s website.
Formulation of Policies, etc. on Provision of Information to Stakeholders	We are aware that it is our social responsibility as a company to ensure transparency of management by providing stakeholders with corporate information appropriately and in a timely manner, and information is actively provided by means such as publication on the Company’s website to enable stakeholders to easily and fairly access information.
Other	The Company has appointed one female officer as an Outside Director and one female officer as an Outside Audit & Supervisory Board Member (two in total). The "WakuWaku Diversity Committee" has been established in order to promote diversity management that evolves along with the changing times, based on securing a workforce and creating new business opportunities through diverse perspectives and values.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The Company's basic policy on internal control and the progress status of internal control system development is as follows.

(1) Systems related to ensuring that Directors and employees execute their duties in compliance with laws, regulations and the Articles of Incorporation

(i) The Company shall prescribe the "SGH Group Charter of Corporate Conduct" and "SGH Group Code of Ethics and Conduct" in order to establish a corporate culture in which Directors' and employees' business activities are conducted in compliance with laws, regulations and the Articles of Incorporation. It is the President and COO's responsibility to consistently communicate the spirit of "SGH Group Charter of Corporate Conduct" and "SGH Group Code of Ethics and Conduct" to Directors and employees to instill these and educate them to place the utmost priority on compliance in every aspect of business operations.

(ii) The Company shall prescribe rules and procedures, etc. in accordance with related laws and regulations, and regularly review the basic policy, rules, procedures, etc. to ensure that they are workable by addressing the changes, etc. in the management environment.

(iii) The Company shall appoint Outside Directors to enhance the monitoring function over Directors' execution of duties.

(iv) The Company shall implement compliance promotion activities that support lawful and fair corporate activities through the "SGH Group Anti-Bribery Policy" and the "SGH Group Human Rights Policy."

(v) The Company shall prescribe "Internal Whistleblowing Regulations" in order to prevent or facilitate early detection of fraud, misconduct, etc., within the SGH Group and establish the "SGH Group Compliance Hotline" – a global internal whistleblowing system. Furthermore, in order to make the system effective, the Company shall place contacts inside and outside the Company to encourage the use of the system. The Company shall take prompt and appropriate measures in response to reports made to these contacts according to the "Internal Whistleblowing Regulations."

(vi) In order to exclude anti-social forces that threaten the order and security of civil society, the Company shall prescribe the "Exclusion of Anti-Social Forces Regulations" and be fully committed to halting the development of any relationships with anti-social forces by rejecting acknowledgment of undue claims, secret deals, provision of funding, etc. Additionally, in cooperation with outside expert institutions, the Company shall address anti-social forces in an organized and legally-compliant manner and prioritize the security of Directors and employees.

(vii) The company shall establish the "Sustainability Committee" which examines and verifies strategies related to sustainability management with emphasis on the resolution of social issues and social responsibility, aiming for sustainable growth and enhancement of corporate value.

(2) Systems related to retention and management of information related to the execution of duties by Directors

(i) The Company shall prescribe an "Information Security Basic Policy" and establish an information security management system in order to appropriately retain and manage information assets.

(ii) The Company shall appropriately retain and manage significant information and decisions, etc. related to the execution of duties by Directors in compliance with laws, regulations and related rules.

(iii) The information described in (ii) above shall be kept accessible for timely use when needed.

(iv) The Company shall appropriately manage personal information according to laws and regulations and the "Personal Information Protection Regulations."

(3) Policies and other systems related to management of the risk of loss

(i) In order to manage risks appropriately and efficiently, the Company shall prescribe "Risk Management Regulations" and establish a risk management system for the SGH Group, as well as responding appropriately to events that may harm corporate management, business operations or corporate image, or that may have a significant impact on society as a whole.

(ii) The Company shall hold "SGH Group Risk Management Meetings" on a regular basis and enhance the risk management system to minimize and prevent realization of risks, and mitigate losses from the realization of the risks.

(iii) The Company shall set forth a Business Continuity Plan (BCP) to minimize business outages and fulfill its role in society even in emergency situations, and establish/operate a Business Continuity Management (BCM) system.

(4) Systems for ensuring that Directors' duties are efficiently executed

(i) Directors shall execute their duties based on the organizational structure and duties and authorities authorized by the Board of Directors, and the Board of Directors shall supervise the state of execution of the Directors' duties to ensure they are executed appropriately and efficiently.

(ii) The Company shall discuss management issues among its Directors and hold meetings of its Directors and Audit & Supervisory Board Members to share significant management information on a timely basis to make efficient management decisions in the Board of Directors meetings.

(iii) In order to improve management efficiency, the Company shall prescribe "Management Plan Administration Regulations" and "Group Management Plan Administration Regulations," and authorize a mid-term business plan and a single-year budget in meetings of the Board of Directors, and Directors shall execute their duties efficiently based on these.

(5) Systems for ensuring appropriateness of operations within the SGH Group

(i) The Company shall prescribe "SGH Group Charter of Corporate Conduct" and "SGH Group Code of Ethics and Conduct" and be fully committed to complying with common conduct guidelines.

(ii) The Company shall prescribe "Business Corporations' Management and Operation Regulations" and "Overseas Corporations' Management and Operation Regulations" to support business management in every business corporation, paying due regard to their autonomy and independence.

(iii) The Company shall hold "SGH Group Management Strategy Meetings" and "SGH Group Administration Department Managers' Meetings" on a regular basis and share the SGH Group's management policies, significant decisions/reports, etc. to enhance the effectiveness of guidance and control over each corporation's management in general.

(iv) The company shall prescribe "Duty and Authority Regulations" as the SGH Group's unified standard, and manage each business corporation's significant decisions in their management activities to ensure they are made with all the necessary prior discussions and reporting to/approvals by the Board of Directors of the Company.

(v) In order to ensure reliability of financial reporting, the Company shall prescribe "Accounting Regulations" and related procedures, manuals, etc. as standard versions for the SGH Group. At the same time, the Company shall consult external experts for their opinions as necessary and establish a monitoring and auditing system.

(vi) In cooperation with the internal audit departments etc. of business corporations, the Internal Audit Department shall conduct internal audits on a regular basis and report the internal audit results to the Company's Board of Directors. When remedial actions are necessary, the Internal Audit Department shall instruct the business corporations to take actions and conduct subsequent monitoring to check the progress.

(6) Items related to the employees to assist the duties of Audit & Supervisory Board Members and their independence, etc. from Directors, etc.

The Company shall organize the Corporate Audit & Supervisory Board Members' Office and assign dedicated employees to assist the execution of duties of Audit & Supervisory Board Members. The number, qualifications, etc. of those employees shall be determined based on the discussions with the Audit & Supervisory Board. Additionally, in order to ensure independence from Directors, etc. and the effectiveness of instructions from Audit & Supervisory Board Members, personnel transfers, performance appraisals, disciplinary actions, etc. for those employees shall require consent of the Audit & Supervisory Board.

(7) Systems for Directors and employees to report to Audit & Supervisory Board Members and other systems related to the reporting to Audit & Supervisory Board Members

(i) In addition to the items required by laws and regulations, directors, auditors, and employees of the SGH Group shall report following items to the Company's Audit & Supervisory Board Members without delay:

a. Facts that may cause significant losses to the Company;

b. Results of internal audits;

c. The status of reports made through the internal whistleblowing system; and

d. Other items related to the execution of operations that are requested to be reported on by Audit & Supervisory Board Members.

(ii) The Company shall treat Directors and employees appropriately so that they are not treated unfavorably for the reason that they have made reports through the internal whistleblowing system or to Audit & Supervisory Board Members.

(8) Other systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively

(i) Audit & Supervisory Board Members shall execute their authority prescribed in laws and regulations, etc. and perform audits on the legality, validity and efficiency of the execution of duties by Directors, in cooperation with Accounting Auditors, the Internal Audit Department and other organizations within the Company.

(ii) Audit & Supervisory Board Members shall appoint external professionals such as lawyers, Certified Public Accountants and consultants when such professionals are found to be necessary for the execution of their duties.

(iii) Audit & Supervisory Board Members shall attend meetings of the Board of Directors, as well as other significant meetings deemed to be necessary.

(iv) Audit & Supervisory Board Members shall hold regular meetings with the President and COO and Accounting Auditors to exchange information and opinions.

(v) Upon request from Audit & Supervisory Board Members, the Company shall bear the expenses incurred for the execution of duties by the Audit & Supervisory Board Members, unless it is regarded as not required for their duties.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Group's "Charter of Corporate Conduct of the SG Holdings Group" states in "Chapter 4 Shareholders' & Business Partners' Expectations 5. Response to Anti-social Forces" that "we shall adopt a resolute stance against anti-social groups and individuals such as organized crime groups, and never establish relationships with anti-social organizations. If any undue requests are made, we shall absolutely refuse them and they shall be promptly reported to our superiors or the person in charge of prevention of undue requests, for the Company to respond in a legal and organizational manner. If appropriate steps are not taken, a report shall be made to the consultation desk for undue requests." Furthermore, it stipulates that "The Company shall prioritize the security of employees, and respond in an organized and legally-compliant manner in cooperation with outside expert institutions such as the police and legal counsel," providing instruction not to act based on individual decisions.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation for Applicable Items

The Company has not introduced any takeover defense measures.

2. Other Matters Concerning the Corporate Governance System

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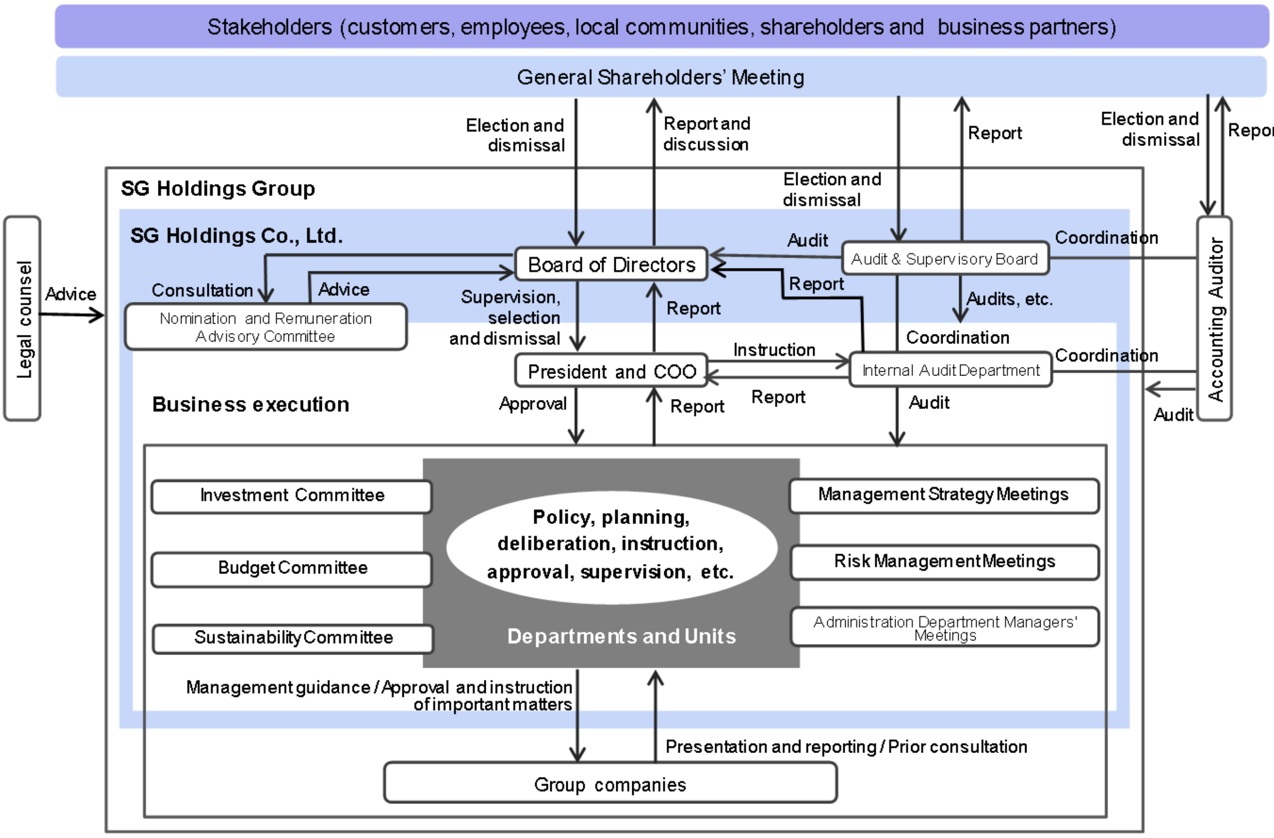
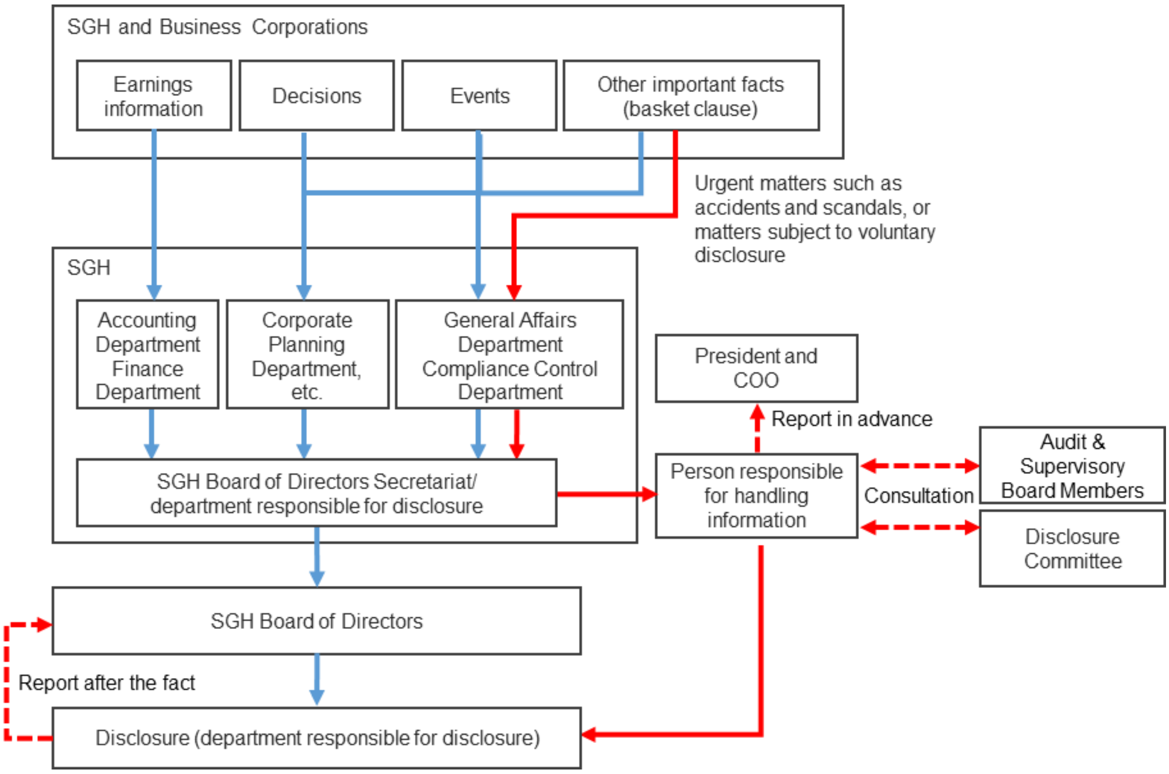
[Model diagram (Reference material)]



[Basic Flow until Timely Disclosure]



[Skills Matrix]

In light of the Company's mid- to long-term management direction and business strategy, such as the Mid-term Management Plan "SGH Story 2027," the Board of Directors has reviewed the skills (knowledge, experience, and abilities) that are necessary to properly exercise its decision-making and management oversight functions, and partially revised and identified them as a result.

The composition of the Board of Directors as of the date of the filing of this report and the skills of each director and auditor are presented below.

	Name	Independent outside	Corporate management	Business strategy	Finance/ accounting	Legal/ risk management	Sustainability	DX	Global	HR/ labor
Directors	Eiichi Kuriwada		○	○			○			
	Hidekazu Matsumoto		○	○		○	○		○	○
	Masahide Motomura		○	○			○	○	○	
	Koji Takagaki		○	○	○			○	○	
	Kimiaki Sasamori		○	○		○	○	○		○
	Mika Takaoka	○	○		○		○			
	Osami Sagisaka	○				○	○			
	Masato Akiyama	○	○	○					○	
Auditors	Satoshi Tajima	○	○		○				○	
	Tomonari Niimoto		○		○	○			○	
	Yoshitaka Ooshima	○	○			○				
	Tomoko Tada	○	○			○			○	○

*In the table above the ○ symbol indicates areas in which an individual has professional skills, in light of factors including their experience, but this table does not show all skills.

END