Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 10, 2023

Company name: AZ-COM MARUWA Holdings Inc.
Stock exchange listing: Tokyo
Stock code: 9090 URL https://www.az-com-maruwa-hd.co.jp/
Representative: President Masaru Wasami
Inquiries: Director and Executive Operating Officer Masanao Kuzuno (TEL) 048(991)1000
Scheduled date of ordinary general meeting of shareholders: June 27, 2023
Scheduled date to commence dividend payments: June 28, 2023
Scheduled date to file Securities Report: June 27, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	177,829	33.7	11,362	31.4	11,949	30.7	7,780	27.0
Year ended March 31, 2022	133,000	18.6	8,649	7.8	9,139	10.6	6,125	10.6

Note: Comprehensive income Fiscal year ended March 31, 2023 9,929 million yen (76.5%)
Fiscal year ended March 31, 2022 5,624 million yen [(10.3)%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/ net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	61.86	57.26	24.0	11.9	6.4
Year ended March 31, 2022	48.72	44.77	22.4	11.3	6.5

Reference: Share of profit/loss of entities accounted for using equity method
Fiscal year ended March 31, 2023 - million yen
Fiscal year ended March 31, 2022 - million yen

Note: In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the figures for the previous fiscal year reflect the details of the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	112,028	38,162	32.1	285.40
As of March 31, 2022	88,391	30,943	32.7	230.19

Reference: Equity Fiscal year ended March 31, 2023 35,917 million yen
Fiscal year ended March 31, 2022 28,944 million yen

Note: In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the figures for the previous fiscal year reflect the details of the finalization of the provisional accounting treatment.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	11,408	(14,018)	5,533	32,365
Year ended March 31, 2022	6,087	(5,240)	799	29,442

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	-	9.50	-	9.50	19.00	2,395	39.0	8.7
Year ended March 31, 2023	-	11.75	-	11.75	23.50	2,965	38.0	9.1
Year ending March 31, 2024 (Forecast)	-	14.00	-	14.00	28.00		40.3	

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages represent changes from the previous year for full year and from the same quarter of the previous year for each quarter

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	94,510	12.1	5,380	7.0	5,580	5.9	3,410	(1.1)	27.10
Full year	200,000	12.5	13,600	19.7	14,000	17.2	8,750	12.5	69.53

Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: 1 company (MARUWA UNYU KIKAN CO., LTD.) Excluded: – (–)

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: No

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	As of March 31, 2023	128,952,320 shares	As of March 31, 2022	128,848,320 shares
(ii) Number of treasury shares at the end of the period	As of March 31, 2023	3,102,779 shares	As of March 31, 2022	3,105,879 shares
(iii) Average number of shares during the period	Year ended March 31, 2023	125,778,583 shares	Fiscal year ended March 31, 2022	125,720,490 shares

Note: The number of treasury shares excluded from the calculation of the number of treasury shares at the end of the period and average number of shares includes 354,223 Company shares held as investment assets in a stock benefit trust for officers and a stock benefit ESOP.

(Reference) Non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

The Company decided to omit this information because this type of investment information will have little relevance to it considering that it made a transition to a pure holding company structure starting from October 1, 2022.

2. Forecasts of non-consolidated financial results for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

The Company decided to omit this information because this type of investment information will have little relevance to it considering that it made a transition to a pure holding company structure starting from October 1, 2022.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

● The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ substantially due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to "(1) Analysis of Operating Results (Future outlook) under 1. Overview of Operating Results" on page 3 of the attached materials.

(How to obtain supplementary material on financial results)

The Company is scheduled to hold a financial results briefing on Monday, May 15, 2023, inviting institutional investors and analysts to attend either in person or via livestream. After the conclusion of the briefing, an overview of the events that took place during the briefing as well as the proceedings of the briefing will be posted on the Company's website along with the supplementary materials on financial results distributed to the attendant on the day of the briefing.

Attached Material Index

1. Overview of Operating Results

(1) Analysis of Operating Results

(Overview of operating results for the fiscal year under review)

During the current fiscal year, the Japanese economy was affected by the spread of COVID-19, but the normalization of socioeconomic activities progressed and the economy showed a gradual recovery due to the relaxation of restrictions on activities and border measures. However, the outlook remains uncertain, as consumer prices continue to rise reflecting soaring raw material and energy prices. The logistics industry has strived in the challenging business environment including labor shortage as well as soaring costs such as fuel prices, although there was an increasing trend in the volume of domestic consumer-related cargo.

Even in such situation, under the new medium-term management plan, the Group has strived to address customer needs in each domain of the EC logistics business, the low-temperature food logistics business, medicine & medical logistics business as core businesses as well as growing shortage of human resources and vehicles in operation. In this way, the Group aims to achieve sustainable growth by focusing on securing and training human resources to support business expansion and improving productivity through the promotion and application of DX. Furthermore, the Group seeks to maximize economic value by appropriate allocation of management resources with concentrated investment in growth businesses and also by revitalizing/restructuring poorly performing businesses to streamline business operations. It also carries out ESG management as well as business operations to create social/environmental value. On top of this, the Group have been proactively building a logistics network as a social infrastructure through BCP logistics.

In the EC logistics business, the Group has promoted further business expansion by establishing a high-quality, high-efficiency logistics process that is based on the integrated supply chain (center operation, trunk transport service, last one mile) to serve both existing and new customers. In the low-temperature food logistics business, the Group has been working on creating a procurement network that builds on AZ-COM7PL (AZ-COM Seven Performances Logistics/3PL with the addition of seven management support functions) which is a service menu that puts together the logistics know-how for supermarkets, establishing a direct-from-the-farm platform capable of accommodating various transportation modes, and improving the quality of logistics to ensure compliance with HACCP (a food hygiene control system). In the medicine & medical logistics business, the Group has been optimizing its logistic network across the country with cutting-edge technologies and rebuilding its logistics centers in line with the client companies' business integration.

As a result, the Group's operating results for the current fiscal year saw an increase in both sales and profit, with net sales of 177,829 million yen (up 33.7% year on year (YoY)), operating profit of 11,362 million yen (up 31.4% YoY), ordinary profit of 11,949 million yen (up 30.7% YoY) and profit attributable to owners of parent of 7,780 million yen (up 27.0% YoY).

Performance by segment is as follows.

Note that net sales by segment is shown as the figures after consolidated eliminations and segment profits is shown as the figures before consolidated eliminations. The classification of business domains has been changed from the first quarter of the current fiscal year, and the following year-on-year comparisons are comparative analyses based on the figures reclassified into the business domain classification after the change.

(i) Logistics business

<Transportation business>

(Last one-mile business)

In the last one-mile business, net sales increased 18.2% YoY to 35,581 million yen as a result of contributions from new locations and an increase in the number of units in operation.

(EC ordinary-temperature transportation business)

In the EC ordinary-temperature transportation business, net sales increased 46.0% YoY to 56,974 million yen as a result of the contribution of strengthened nationwide trunk line transportation to meet the growing demand for online shopping.

<3PL business>

(EC ordinary-temperature 3PL business)

In the EC ordinary-temperature 3PL business, net sales increased 68.3% YoY to 42,742 million yen as a result of synergies from the consolidation of PHYZ Holdings Inc. and the opening of a new large-scale distribution center, among other factors.

(Low-temperature food 3PL business)

In the low-temperature food 3PL business, net sales increased 8.1% YoY to 19,773 million yen as a result of the full-year operation of a distribution center at a new food supermarket, driven by aggressive sales development.

(Medicine & medical 3PL business)

In the medicine & medical 3PL business, net sales increased 6.0% YoY to 20,361 million yen as a result of increased shipment volume due to sales recovery at existing customers, including drugstores, which are the main customers for the Group.

Consequently, net sales in the logistics business increased 32.9% YoY to 175,434 million yen.

In terms of profit, although costs have increased due to persistently high fuel and utility prices and upfront investment for further growth and expansion, the entire Group has made progress in business expansion through aggressive sales development and the shift to appropriate rates. The Group will continue to promote further productivity improvement through daily account management and synergy creation with newly consolidated subsidiaries throughout the Group. Consequently, profit in the logistics business increased 33.7% YoY to 11,177 million yen.

(ii) Other

In the Document storage business, net sales increased 145.4% YoY to 2,395 million yen and segment profit (operating income) increased 36.0% to 395 million yen as a result of aggressive sales activities aimed at undertaking projects related to business process outsourcing (BPO) for existing and new clients as well as the addition of the information system business of PHYZ Holdings Inc.

(Future outlook)

As for the future economic situation, the severe restrictions imposed by COVID-19 are expected to be revised and socioeconomic activities are expected to move toward normalization. On the other hand, the economy is expected to remain in a difficult situation due to further increases in energy and raw material prices and deteriorating consumer confidence due to rising prices, but demand for logistics as social infrastructure is expected to increase further in the future.

Under these circumstances, the Group has entered the second year of its medium-term management plan, which ends in the fiscal year ending March 2025. The Group has strived to address customer needs in each domain of the EC logistics business, the low-temperature food logistics business, medicine & medical logistics business as core businesses as well as growing shortage of human resources and vehicles in operation. In this way, the Group aims to achieve sustainable growth by focusing on securing and training human resources to support business expansion and improving productivity through the promotion and application of DX. Furthermore, the Group seeks to maximize economic value by appropriate allocation of management resources with concentrated investment in growth businesses and also by revitalizing/restructuring poorly performing businesses to streamline business operations. It also carries out ESG operations to create social value.

Based on these conditions, during the year ending March 31, 2024, the Group is expected to have net sales of 200,000 million yen (up 12.5% YoY), operating profit of 13,600 million yen (up 19.7% YoY), ordinary profit of 14,000 million yen (up 17.2% YoY) and profit attributable to owners of parent of 8,750 million yen (up 12.5% YoY).

(2) Analysis of Financial Condition

(i) Assets, liabilities and net assets

(Assets)

Current assets increased by 5,344 million yen to 54,563 million yen due to factors such as a 3,172 million yen increase in cash and deposits, a 1,278 million yen increase in notes and accounts receivable - trade and a 656 million yen increase in consumption taxes receivable.

Non-current assets increased by 18,291 million yen to 57,464 million yen due to factors such as a 7,982 million yen increase in land, a 4,814 million yen increase in investment securities, a 1,947 million yen increase in customer-related assets, and a 1,673 million yen increase in goodwill.

(Liabilities)

Current liabilities increased by 5,935 million yen to 29,907 million yen due to factors such as a 1,736 million yen increase in current portion of long-term borrowings, a 1,396 million yen increase in accounts payable - other, a 1,250 million yen increase in income taxes payable, and a 990 million yen increase in notes and accounts payable - trade.

Non-current liabilities increased by 10,482 million yen to 43,957 million yen due to factors such as an 8,410 million yen increase in long-term borrowings and a 1,639 million yen increase in deferred tax liabilities, etc.

(Net assets)

Net assets increased by 7,218 million yen to 38,162 million yen due to factors such as a 5,100 million yen increase in retained earnings and a 1,875 million yen increase in valuation difference on available-for-sale securities, and the equity ratio was 32.1%.

(ii) Cash flows

As of the end of the current fiscal year, cash and cash equivalents (hereinafter referred to as "cash") increased by 2,923 million yen from the end of the previous fiscal year to 32,365 million yen. The main factors resulting in changes in cash flows are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 11,408 million yen (6,087 million yen provided in the previous fiscal year). This was primarily attributable to an increase of 12,214 million yen in profit before income taxes, despite a decrease in cash due to 3,231 million yen in income taxes paid. An increase of 5,321 million yen compared to the previous fiscal year was primarily attributable to the increase in profit due to business expansion.

(Cash flows from investing activities)

Net cash used in investing activities was 14,018 million yen (5,240 million yen used in the previous fiscal year). This was primarily attributable to an 8,830 million yen decrease in cash due to purchase of property, plant and equipment and a 2,154 million yen decrease in cash due to purchase of shares of subsidiaries resulting in change in scope of consolidation. A decrease of 8,778 million yen compared to the previous fiscal year was primarily attributable to acquisition of land and buildings of logistics centers and shares of MK LOGI Co., Ltd. and other companies.

(Cash flows from financing activities)

Net cash provided by financing activities was 5,533 million yen (799 million yen provided in the previous fiscal year). This was primarily attributable to increases in cash due to 13,074 million yen in proceeds from long-term borrowings and 6,224 million yen in proceeds from short-term borrowings, despite decreases in cash due to 6,434 million yen in repayments of short-term borrowings and 4,369 million yen in repayments of long-term borrowings.

Reference: Trends in cash flow-related indicators

	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Equity ratio (%)	54.4	35.1	32.7	32.1
Equity ratio based on market value (%)	322.6	331.3	159.8	223.6
Ratio of interest-bearing debt to cash flow (%)	78.2	345.0	523.6	372.3
Interest coverage ratio (multiple)	367.0	384.8	415.2	228.4

Equity ratio: Equity / total assets

Equity ratio based on market value: Market capitalization / total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / cash flow

Interest coverage ratio: Cash flow / interest payments

Notes: 1. Indicators are calculated on the basis of consolidated figures.

2. Cash flows above refer to cash flows from operating activities.

3. Interest-bearing debt is the total of all liabilities on the consolidated balance sheet on which interest is paid.

4. In the fiscal year ended March 31, 2023, the Group finalized the provisional accounting treatment for the business combination, and the equity ratio and equity ratio based on market value for the fiscal year ended March 31, 2022 reflect the details of the finalization of the provisional accounting treatment.

(3) Basic Dividend Policy and Dividend Payments for Fiscal Year Under Review and Next Fiscal Year

The Company considers it one of the management top priorities to return profit to its shareholders and it maintains a basic policy to pay stable and continuous dividends. The Company will also inject its internal reserves into the strengthening of its financial structure, the establishment of internal infrastructure for responding to the expansion of business, the strengthening of existing business and the development of new business.

The Company intends to propose a year-end dividend of 11.75 yen per share at the 50th Ordinary General Meeting of Shareholders to be held on June 27, 2023. An interim dividend of 11.75 yen per share has been paid.

Dividends of surplus for which the record date is during the fiscal year under review are as follows.

Resolution date	Total amount of dividends (million yen)	Dividends per share (yen)
Resolution of the Board of Directors on October 31, 2022	1,482	11.75
Resolution of the Ordinary General Meeting of Shareholders on June 27, 2023	1,482	11.75

In addition, for the next fiscal year the Company plans to increase the annual dividend payment to 28.00 yen (interim dividend of 14.00 yen, year-end dividend of 14.00 yen), with a dividend payout ratio of 40.3%.

(4) Business Risks

Risks items in the Group's businesses, etc. which may have a material impact on the decisions of investors consider the importance and urgency of the risks, establish a priority ranking, and include the following risks in particular.

The Group is appropriately aware of these risks and has established a Risk Management Committee composed of full-time Directors and Executive Officers with the Director and Executive Vice President serving as the chairperson to rapidly respond to these risks. The Risk Management Committee decides the risk management policies within the Group, the current assessment of the extracted risks, and the measures to provide periodic reports to the Board of Directors.

With sufficient awareness of the occurrence of these risks centered on the Risk Management Committee, the Group will continue to strive to avoid their occurrence as much as possible and respond rapidly and appropriately in the event that they occur.

The matters related to the future mentioned in the document are as determined by the Group as of the end of the fiscal year under review and do not exhaustively cover all risks that may arise in the future.

(i) Compliance related risks

The Group is subject to regulation under various laws and regulations including the Motor Truck Transportation Business Act, and the main permits, etc. related to its various businesses are as follows. At the same time, the Companies Act, Financial Instruments and Exchange Act, and various other acts, regulations, ordinances, etc. are being applied.

The Group recognizes compliance-oriented management as the most important issue, established the "AZ-COM Maruwa Group Code of Conduct" and "Conduct Rules" as basic policies, promotes the legal compliance system across the entire Group, implements education and training for officers and employees, and strives to improve corporate ethics and strengthen the compliance system.

At the present time, no licenses have been revoked, but in the event of a violation of various laws and regulations in the future, the Group may be subject to punishments such as the suspension of vehicle operation by supervisory government agencies, suspension of business, revocation of permits, or fines. Moreover, in the event that a violation of the various laws and ordinances occurs in the future, it may adversely affect the Group's corporate image and result in expenses to pay compensation for damage, and the occurrence of such events may have an impact on the Group's performance and financial condition.

Overview of permits, etc. for principal businesses

Name of permits, etc.	Name of law	Supervisory agency	Effective period	Grounds for revocation
General Motor Truck Transportation Business	Motor Truck Transportation Business Act	Ministry of Land, Infrastructure, Transport and Tourism	No period stipulated	Article 33 of the Act
First Class Consigned Freight Forwarding Business	Consigned Freight Forwarding Business Act	Ministry of Land, Infrastructure, Transport and Tourism	No period stipulated	Article 16 of the Act
Second Class Consigned Freight Forwarding Business	Consigned Freight Forwarding Business Act	Ministry of Land, Infrastructure, Transport and Tourism	No period stipulated	Article 33 of the Act
Warehousing Business	Warehousing Business Act	Ministry of Land, Infrastructure, Transport and Tourism	No period stipulated	Article 21 of the Act
Industrial Waste Disposal Collection and Transportation Business	Waste Management and Public Cleansing Act	Ministry of the Environment	Five years after permit is granted	Article 14-3-2 of the Act
Light Motor Truck Transportation Business	Motor Truck Transportation Business Act	Ministry of Land, Infrastructure, Transport and Tourism	No period stipulated	Article 36, paragraph 2 of the Act

(ii) Risk of fluctuations in major clients

The Group tends to have a high dependence on specific clients because its principal business is bulk consignment to logistics functions (3PL). The Group will aim for stable growth by striving to diversify buyers and build good relationships of trust with these clients.

The Group aims to differentiate itself by providing finely tuned responses to the different needs of each customer and is proceeding with a variety of initiatives aimed at maintaining and strengthening competitiveness in the future. At the present time, relations with major clients are good, but the occurrence of changes in transaction agreements or the dissolution of agreements due to unforeseen circumstances may have an impact on the Group's performance and financial condition.

(iii) Risk of rising oil prices

The Group operates a motor truck transportation business. An increase in transportation costs is unavoidable in the event diesel fuel prices rise due to rising global oil prices. Therefore, the Group is maintaining positive relationships with fuel suppliers and advancing rate negotiations with suppliers for the equivalent increase in transportation costs while simultaneously engaging in price negotiations to reduce the procurement costs of diesel fuel. However, if the price negotiations fail or an increase in transportation costs cannot be transferred to the freight charges, this may have an impact on the Group's performance and financial condition.

(iv) Risk of the occurrence of serious accidents

The Group owns many business vehicles for operating its motor truck transportation business, and transports a wide variety of products. In the logistics business, the Group has many employees working at the logistics centers. In either case, serious life-threatening accidents can not only undermine the trust of the Group's customers and its social credibility but also subject the Group to administrative or even criminal punishment if it is convicted of a violation of the Industrial Safety and Health Act. Therefore, the Safety Department plays a central role in actively engaging in the supervision of safe driving, etc., such as ensuring operation management through rotating instruction, hosting accident prevention study groups, and establishing a safety advice leader who is assigned and appointed in each business location. In addition, the Labor Department leads the Industrial Accidents Prevention Project, which is the company-wide efforts to proactively address the possible risks of industrial accidents. However, in the event that such events occur, they may have an impact on the Group's performance and financial condition.

(v) Risk of the occurrence of serious disasters

The Group operates many logistics centers and handles products of client enterprises and information related thereto. The situations such as transportation routes being cut off or logistics systems being stopped due to disasters such as fires, earthquakes and flooding, or the occurrence of power outages may lead to delays in operations. Therefore, as initiatives to prevent disasters in advance and to respond in the event that a disaster occurs, the Group is applying its experiences with past disasters to take action based on the Business Continuity Plans (BCP) formulated by each business location beginning with the head office (alternate functions for the Yoshikawa head office, changing of the logistics center shipment site, etc.) and implementing measures such as the rapid establishment of a "Disaster Risk Management Office" and a "Disaster Preparedness Office" in the event that a disaster occurs. However, in the event that such events occur, they may have an impact on the Group's performance and financial condition.

(vi) Risks pertaining to information system management

The Group handles confidential and personal information in the course of providing various logistics services and is implementing information management systems in its logistics centers. The Group is striving to strengthen the awareness of security issues and engage in thorough personal information management through internal education based on the "information security policies" centered around the IT Department while also creating security measures (including virus monitoring and firewall protection) and backup center features and implementing system outage measures such as installing emergency generators in the server rooms, etc. However, circumstances such as external leaks of information or loss of data or personal information may result not only in a decline in social confidence in the Group but also expose it to claims for compensation for damages. Moreover, in the event of an unavoidable and prolonged system outage due to a natural disaster, computer virus or hacking, such an incident may have an impact on the Group's performance and financial condition.

(vii) Risks pertaining to capital investment

Logistics centers are important facilities in the operation of the Group's logistics business, and capital investment such as the establishment and expansion of logistic centers according to the increase in clients and product turnover is necessary in order to sustain the expansion of business. However, if large-scale capital investment is carried out, there is a possibility of expenses arising in advance due to the need for a certain period until full-scale operation.

When investing in large-scale equipment, the Group establishes an investment committee as a verification body to conduct the necessary level of deliberation and examination while simultaneously striving to assess the situation by requiring periodic deliberation reports to the Board of Directors.

Currently, the Group is pre-purchasing the building sites for the logistics centers (some of which are agricultural land) including the expansion of the site at the Higashisaitama Technopolis in Yoshikawa City, Saitama Prefecture where the head office is located, and the site of a new logistic center in Matsubushi Town located in Kitakatsushika County. However, if the capital investment does not proceed as planned due to factors such as delays in the acquisition of permits or negotiations for the purchase of land or if the plan cannot be implemented according to schedule due to the loss of opportunities to receive orders and other factors, this may have an impact on the Group's performance and financial condition.

(viii) Financing risk

The Group has continued capital investment such as expansion of logistics centers, and has primarily allocated loans from financial institutions to this. Interest-bearing debt as of March 31, 2023 totaled 42,473 million yen. At the present time, there are no concerns about new financing required because relations with financial institutions are good, but in the event financing is impeded by a deterioration in relations with financial institutions in the future and so forth for some reason such as a sudden deterioration in business performance or a significant fluctuation in the social environment and financial conditions, these phenomena may have an impact on the Group's performance and financial condition. For this reason, the Group strives to reduce these risks by diversifying its financing methods.

(ix) Environmental regulatory risk

The Group is subject to a variety of environmental laws and regulations, including regulating air pollution, water contamination, soil and groundwater contamination, the handling and removal of toxic substances, and waste processing, etc. Therefore, because the Group owns many business vehicles, employees engaged in driving attend eco-driving training sessions so that they habitually drive in a manner to improve fuel economy daily, and the Group provides instructions mainly through the operation managers so that the employees try to drive while considering reducing carbon emissions. In addition, for waste processing, the Group entrusts work to highly reliable waste processors in the network of our Industrial Waste Disposal Collection and Transportation Business, and the Group conducts business activities by paying careful attention to laws and regulations. However, if environmental regulations become stricter in the future due to changes in laws and expenses increase or if the Group is subject to liability, etc. for damages in past, present and future business, this may have an impact on the Group's performance and financial condition.

(x) Risk of securing and developing human resources

The Group urgently needs to continue securing and developing personnel from both new graduates and mid-career hires to further expand its business in the future. Therefore, for new graduates, the Group is striving to secure talented human resources by conducting internships and through active recruitment based on a recruitment initiative by all employees while also implementing periodic interviews and job rotations and improving the internal training systems to promote the development of a fulfilling workplace environment and focus on the cultivation of future management personnel. However, in the event that it becomes difficult going forward to secure personnel as planned due to an increase in job offerings, etc., associated with the competition for highly-skilled human resources, or if there is an outflow of current employees, this may have an impact on the Group's performance and financial condition.

(xi) Risks of securing and developing management

Group officers play important roles in the business fields that they are in charge of. In the event that these officers become unable to execute their duties or the Group becomes unable in the future to secure the human resources capable of fulfilling the important roles, it may have an impact on the Group's performance and management structure. Therefore, the Group is implementing the "CEO Succession Program" to cultivate the next generation of managers while also selecting part-time officers for subsidiaries from among the candidates for executive positions and implementing measures to enable them to gain experience to cultivate successors.

(xii) Risk due to the spread of COVID-19 infections

The Group has taken various measures to prevent the spread of COVID-19, including establishing a COVID-19 Response Headquarters, conducting body temperature checks, and implementing mask wearing and hand sanitizing. The Group has also utilized Internet-based conferencing, limited participant numbers in training, refrained from business trips, banned lunch meetings with large groups, and introduced staggered shift times and working from home. Although the impact of the spread of infection is gradually easing due to the expansion of vaccinations and other measures, it remains unclear when the pandemic might end. In the event that a cluster infection was to be confirmed at the Group's logistics centers or head office facilities, it might be necessary to suspend distribution to customer companies and head office functions, which may have an impact on the Group's performance and financial condition. The Group will continue to take appropriate measures in accordance with government policies and other relevant regulations.

2. Overview of the Corporate Group

The Group is made up of a total of 26 companies, including the Company and its 20 consolidated subsidiaries and five non-consolidated subsidiaries (of which one is a dormant company). Its operations are focused on logistics businesses that encompass third-party logistics (3PL) and transportation services.

The Group's business are as follows.

The business categories are the same as the categories in the segment information shown in "(5) Notes to Consolidated Financial Statements (Segment Information)."

(1) Logistics business

(i) Third-party logistics (3PL)

The Group conducts business centered on comprehensive third-party logistics (3PL) in which it provides logistics consulting to customers to ascertain their logistics needs and wants, draft logistics strategies and build logistics systems.

Specifically, it selects logistics center candidates based on customers sales locations and transportation routes, and proposes aspects such as the design of centers and the establishment of management procedures for tasks within centers (from product sourcing, supply and storage to distribution processing, picking, packaging, sorting and shipment inspections) and diagrams of transportation, and reverse logistics (logistics for returns).

Of these, it continually proposes logistics reforms to customers in the key 3PL categories of e-commerce and ordinary-temperature logistics, food logistics, and medicine & medical logistics in an effort to expand its business.

(ii) Transportation services

The Group provides transportation services according to the application such as general freight transportation, light freight transportation (same-day delivery, Internet supermarkets, etc.), special mixed freight transportation, transportation using rail, and collection and transportation of industrial waste.

(2) Other

(i) Document storage

This provides an optimal comprehensive management service for documents by offering comprehensive support from the occurrence of documents to their destruction, including thorough management of originals such as storage and transportation of the originals of important documents such as application forms and agreements, real-time document searching and viewing of electronic data using Web applications, and conversion of documents into electronic data using information technology.

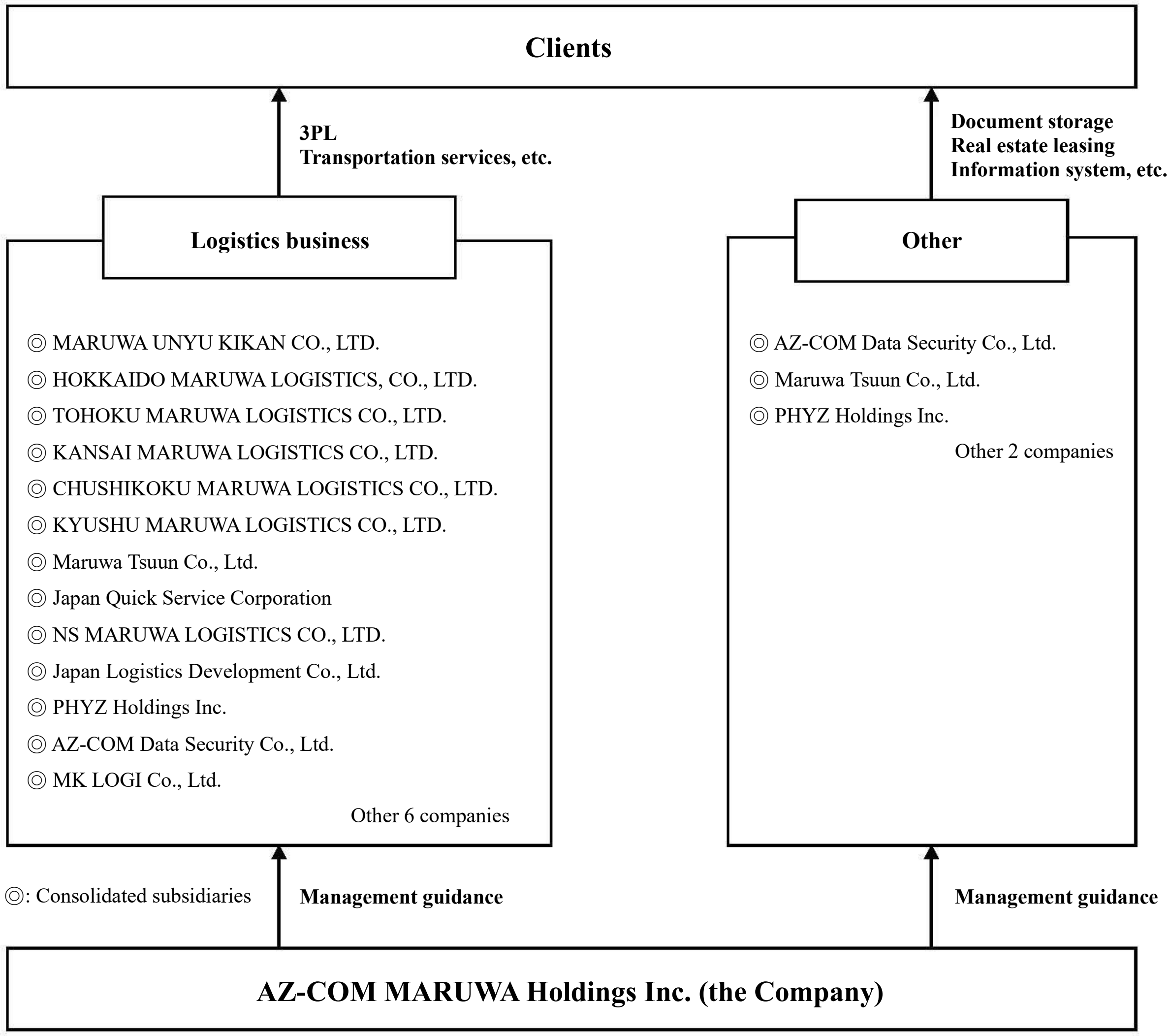
(ii) Real estate leasing

Leasing management operations of buildings and parking areas, etc. are carried out mainly in the Tokyo metropolitan area.

(iii) Information system

The Group provides system consulting services such as dispatching IT engineers, developing various information systems, and creating websites.

A chart of the Group’s businesses is shown below.



Notes: 1. The companies shown in business segments are the Group’s consolidated subsidiaries.
2. The “Other” category contains business segments that are not included in reportable segments.

3. Management Policies

(1) The Group's Basic Management Policies

Following its management philosophy to "become a leader in the third-party logistics (3PL) industry, always putting customers' interests first and contributing to the wellbeing of all the allies and to the creation of a prosperous society," the Group undertakes 3PL operations that mainly takes place at logistic centers, focusing exclusively on EC logistics (mainly for the retail industry), low-temperature food logistics, and medicine & medical logistics. As a group of logistics professionals capable of providing a comprehensive solution to its customers' operational needs by enhancing human resources development, acquiring the latest knowledge and skills, designing original logistics solutions that enable the optimization of logistics, and investing in research and development, the Group is committed to contributing to the "development of the community" and to the "creation of a prosperous society."

(2) Target Management Indicators

The Group will aim to stably maintain the following indicators as indicators for ongoing improvement of financial strength and earning capacity serving as the foundation for management and for providing returns of profits commensurate with improvements in profits.

(i) Equity ratio: 45% or higher

(ii) Ordinary profit to net sales ratio: 8% or higher

(iii) ROE: 15% or higher

(3) The Company's Medium- to Long-term Management Strategy

In order for the Group to achieve sustained growth, it needs to address the increasing freight volume in each of its core logistics domain (i.e., EC logistics, low-temperature food logistics, and medicine & medical logistics), secure and develop human resources capable of driving business expansion in the face of an increasing shortage of human resources and operating vehicles, and promote and implement DX to promote labor-saving and manpower-saving and improve productivity. Furthermore, the Group seeks to further promote business expansion through appropriate allocation of limited management resources, streamlining business operations by means of concentrated investment in growth businesses and revitalization/restructuring of poorly performing businesses. It is also committed to promoting ESG operations in its attempt to not only maximize economic value but also create social value. The medium-term priority measures are as follows.

(i) Expansion and development of core businesses to respond to increasing logistics demand in growing markets

EC logistics business

The Group has been working on further business expansion by establishing a high-quality, high-efficiency logistics process that is based on the integrated supply chain (center operation, trunk transport service, last one mile) to serve both existing and new customers.

Low-temperature food logistics business

The Group has been working on creating a procurement network that builds on AZ-COM7PL (AZ-COM Seven Performances Logistics/3PL with the addition of seven management support functions) which is a service menu that puts together the logistics know-how for supermarkets, establishing a direct-from-the-farm platform capable of accommodating various transportation modes, and improving the quality of logistics to ensure compliance with HACCP (a food hygiene control system).

Medicine & medical logistics business

The Group has been optimizing its logistics network across the country and rebuilding its logistics centers in line with the client companies' business integration.

(ii) Securing a more diverse pool of talent as the Group grows larger in scale, and ensuring the optimum allocation and training of human resources

To secure and train the human resources necessary to drive future business expansion, the Group is committed to diversifying its employment channels to enable mid-career hiring of industry-ready recruits instead of relying heavily on the conventional practice of hiring new graduates, to promoting strategic human resources development that takes into consideration the skills and manpower required to drive business expansion, and to ensuring the proper allocation of human resources and the prevention of employee turnover by using the Talent Management scheme that is aimed at making the best use of human resources.

(iii) Active efforts to introduce DX to enhance operational productivity in each business domain and the back office

Based on the findings from the proof-of-concept phase that was initiated through the previous medium-term management plan and is still continuing now, the Group makes active efforts to introduce DX to enhance operational productivity, including the enhancement of transportation operations by introducing the AI-based technologies such as the automated vehicle dispatch service and the freight/vehicle request system, the establishment of an e-commerce platform, the optimization of the back office operations through system integration, the introduction of robotics in the center operations, and the optimization of the supply chain through smart logistics enabled by the Cross-ministerial Strategic Innovation Promotion Program (SIP) initiated by the Cabinet Office.

(iv) Concentrated investment of management resources in businesses that have growth potential and high capital efficiency, and revitalization/restructuring of businesses

For optimum reinvestment of management resources acquired through businesses, the Group measures the growth potential and capital efficiency of each business and concentrates management resources in core businesses, thereby accelerating business growth. Furthermore, it uses the return on invested capital (ROIC) tree to identify business-specific improvement drivers that can help revitalize poorly performing businesses and restructure unprofitable businesses.

(v) Creating shared value with the society through business activities and implementing corporate governance reform

To fulfill its responsibility as a logistics company listed on the Prime Market, the Group is committed to not only reducing its greenhouse gas (GHG) emissions but also improving environmental/social value through its business activities. It also promotes the “AZ-COM Maruwa Support Network,” through which it collaborates with its partners on the basis of relationships of mutual support, and utilizes the “AZ-COM BCP Network” to provide safe, secure, and stable logistics even in times of emergencies and to create a robust logistics network. These efforts signify the Group’s determination to carry out its duties as a public instrument that serves the society.

Looking ahead to the next generation, the Group is also implementing corporate governance reform to achieve enduring success.

(4) Issues to be Addressed by the Company

In the business environment surrounding the Group, the economy is showing signs of a gradual recovery as restrictions on activities due to COVID-19 have been eased, economic activities have normalized, and inbound demand has recovered. On the other hand, the outlook remains uncertain due to the Russia/Ukraine conflict, rising prices of raw materials against a background of yen depreciation and concerns about a global economic recession, etc. Structural changes in society, such as a decrease in the working population, are also a major challenge.

Under such conditions, the Group made a transition to a pure holding company structure starting from October 1, 2022 considering the urgent need to create a management structure that can respond to business environment changes. The Group will aim to optimize the entire management resources to enable the sustainable growth as a pure holding company and engage in business reforms and the transformation of awareness and behavior of every employee in order to be able to meet all of the needs of customers. In addition, the Group will strive to respond to changes in the labor environment, including the “2024 logistics crisis,” and to resolve issues such as the shortage of human resources and vehicles in operation, while strengthening its recruitment activities and building a structure that can handle the business expansion. The main measures are as follows.

(i) Promotion of group management in accordance with the transition to a pure holding company structure

In order to respond to all kinds of changes in the business environment, the Group made a shift to a pure holding company structure. The Group will strive to achieve sustainable growth by strengthening the function of promoting group management strategy, clarifying responsibility and authority and accelerating decision-making, and strengthening group governance.

(ii) Strengthening of sales

In order to acquire new customers, the Group will focus the sights of our sales team, continue to conduct concentrated sales activities closely associated with customers, and endeavor to develop new customers and expand our share of business of existing customers by quickly gathering information on customers’ needs and making proposals to improve logistics to meet continuously changing social environment and customer needs.

(iii) Strengthening of operations

By fully implementing company-wide “daily account management” aimed at control of details expenses and improvement of business efficiency such as assignment of personnel and efficient allocation of vehicles by focusing on the day-to-day changes in customers’ freight volume, the Group will endeavor to create a stable earnings base able to immediately respond to all changes in the environment.

In order to overcome various problems such as the emerging shortage of human resources and operating vehicles, the Group will strive to expand membership of the AZ-COM Maruwa Support Network, and continue to engage in the creation of a stable transportation system and securing of human resources through strengthened coordination with partner companies.

(iv) Business expansion through M&A

The Group has promoted M&A as a management strategy to further expand its business as well as to satisfy customer needs. Before executing M&A, the Group will take into account a comprehensive range of factors, including the calculation of investment effects, verification of synergies, and the possibility of integrating with its corporate culture. The Group will also implement appropriate PMI (Post Merger Integration) to create synergies and strengthen governance.

(v) Strengthening of recruitment activities

Amid all types of changes in the business environment, securing various human resources in each business area is essential for future business expansion. To achieve this goal, the Group will secure talented personnel by enhancing benefit packages, strengthening our recruiting system such as promoting a company-wide all-recruiting system in which everyone from top management to new employees is involved in recruiting activities, and recruiting talented new graduates and skilled experienced workers.

(vi) Strengthening of management

In order to build a company that has the confidence and trust of society, the Group will endeavor to ensure not only compliance with laws and regulations, but also to strengthen the internal control system and risk management system, and conduct sound corporate management by endeavoring to ensure behavior in accordance with corporate ethics.

In addition, with regard to the “2024 logistics crisis” arising from the application of the “maximum overtime work hours for automobile driving operations” from April 1, 2024, in accordance with Act on the Arrangement of Related Acts to Promote Work Style Reform, the Group will work to create a workplace where all employees can play a meaningful and active role by securing human resources, reviewing personnel-related systems, and further improving the working environment.

(vii) Strengthening of safety measures

In order to fulfill our social responsibility as a logistics company, the Group will set a goal of zero accidents and are committed to further safety enhancement measures to eliminate accidents through regular safety inspection by the Safety Department and driver safety education using the latest digital tachograph and drive recorder information. Furthermore, the Group will also actively engage in conservation of the environment such as the promotion of eco-driving and the reduction of the environmental impact of vehicles and facilities.

(viii) Enhancing governance

In order to make our governance system even more effective, the Group has established a “Nomination and Compensation Committee” mainly comprised of independent outside directors. Its role is to provide advice and issue reports on the processes for selecting director candidates and determining director compensation. By also conducting evaluations of Board of Director effectiveness to further improve its function, the Group is working to ensure management transparency and objectivity with an awareness of diversity while further enhancing corporate governance.

(ix) Promoting Digital Transformation

In order to address the rapidly changing business environment and succeed in a fiercely competitive market, the Group has promoted Digital Transformation (DX). The aim is to further accelerate the transformation of our logistics business as a new social infrastructure. DX will improve the efficiency of operations and the quality of our logistics services using advanced technology. This includes automation of operations through centralization, as well as development and adoption of AI technology for vehicle allocation and freight volume forecasting.

(x) Promoting sustainability

The Group will identify materiality (key issues) and work to achieve CSV (Creating Shared Value: value shared with society) in order to enhance corporate value and achieve sustainable growth over the medium to long term, thereby fulfilling our social responsibility through our business activities by realizing sustainability management.

(5) Other Matters Material to the Management of the Company

Not applicable.

4. Basic Approach to Selection of Accounting Standards

The Group currently utilizes Japanese standards because foreign investors only account for a small percentage of investors. However, the Group intends to consider the adoption of International Financial Reporting Standards (IFRS) depending on its future business developments or how its circumstances (including the percentage of foreign investors, the needs of investors, etc.) may change in the future.

5. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	29,679	32,851
Notes and accounts receivable - trade	18,196	19,474
Supplies	93	115
Prepaid expenses	1,030	1,115
Other	234	1,011
Allowance for doubtful accounts	(14)	(4)
Total current assets	49,219	54,563
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,183	20,071
Accumulated depreciation	(11,497)	(11,849)
Buildings and structures, net	8,686	8,221
Machinery, equipment and vehicles	5,224	4,994
Accumulated depreciation	(2,857)	(2,708)
Machinery, equipment and vehicles, net	2,366	2,285
Tools, furniture and fixtures	2,122	2,394
Accumulated depreciation	(1,146)	(1,359)
Tools, furniture and fixtures, net	976	1,034
Land	7,022	15,004
Leased assets	1,074	2,017
Accumulated depreciation	(293)	(805)
Leased assets, net	781	1,212
Construction in progress	2,560	2,930
Other	44	44
Total property, plant and equipment	22,438	30,734
Intangible assets		
Goodwill	1,983	3,656
Leased assets	0	-
Software	757	610
Customer-related assets	4,425	6,373
Other	331	361
Total intangible assets	7,498	11,002
Investments and other assets		
Investment securities	5,624	10,439
Long-term loans receivable	114	214
Deferred tax assets	437	663
Retirement benefit asset	405	502
Leasehold and guarantee deposits	1,995	3,178
Other	695	769
Allowance for doubtful accounts	(36)	(41)
Total investments and other assets	9,235	15,727
Total non-current assets	39,172	57,464
Total assets	88,391	112,028

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,287	12,278
Short-term borrowings	145	315
Current portion of long-term borrowings	3,134	4,870
Lease liabilities	172	295
Income taxes payable	1,652	2,902
Provision for bonuses	835	922
Provision for loss on litigation	1	-
Accounts payable - other	4,789	6,185
Accrued expenses	1,160	1,191
Other	793	945
Total current liabilities	23,972	29,907
Non-current liabilities		
Bonds payable	5	30
Convertible bonds	20,806	20,586
Long-term borrowings	6,960	15,370
Lease liabilities	642	989
Deferred tax liabilities	1,883	3,523
Retirement benefit liability	955	1,077
Asset retirement obligations	786	798
Provision for share awards for directors	31	39
Provision for share-based remuneration for employees	39	53
Provision for retirement benefits for directors (and other officers)	55	54
Other	1,308	1,432
Total non-current liabilities	33,475	43,957
Total liabilities	57,447	73,865
Net assets		
Shareholders' equity		
Share capital	2,667	2,670
Capital surplus	2,343	2,348
Retained earnings	28,681	33,781
Treasury shares	(5,758)	(5,757)
Total shareholders' equity	27,933	33,044
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,207	3,082
Remeasurements of defined benefit plans	(196)	(208)
Total accumulated other comprehensive income	1,010	2,873
Non-controlling interests	1,999	2,244
Total net assets	30,943	38,162
Total liabilities and net assets	88,391	112,028

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	133,000	177,829
Cost of sales	118,590	158,131
Gross profit	14,410	19,698
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	487	714
Salary allowance	1,640	2,152
Outsourcing expenses	636	695
Retirement benefit expenses	31	36
Provision for bonuses	96	106
Provision for share awards for directors	10	8
Provision for share-based remuneration for employees	14	14
Other	2,844	4,608
Total selling, general and administrative expenses	5,761	8,335
Operating profit	8,649	11,362
Non-operating income		
Interest income	221	221
Dividend income	122	112
Gain on sales of non-current assets	21	81
Subsidy income	27	80
Other	136	213
Total non-operating income	529	710
Non-operating expenses		
Interest expenses	14	49
Loss on retirement of non-current assets	16	21
Commission for syndicated loans	-	23
Loss on cancellation of leases	4	-
Other	3	30
Total non-operating expenses	39	123
Ordinary profit	9,139	11,949
Extraordinary income		
Gain on bargain purchase	-	349
Total extraordinary income	-	349
Extraordinary losses		
Impairment loss	-	3
Loss on valuation of investments in capital	-	80
Total extraordinary losses	-	84
Profit before income taxes	9,139	12,214
Income taxes - current	2,990	4,296
Income taxes - deferred	24	(148)
Total income taxes	3,014	4,148
Profit	6,125	8,066
Profit attributable to non-controlling interests	-	285
Profit attributable to owners of parent	6,125	7,780

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	6,125	8,066
Other comprehensive income		
Valuation difference on available-for-sale securities	(495)	1,875
Remeasurements of defined benefit plans, net of tax	(5)	(12)
Total other comprehensive income	(500)	1,863
Comprehensive income	5,624	9,929
(Breakdown)		
Comprehensive income attributable to owners of parent	5,624	9,642
Comprehensive income attributable to non-controlling interests	-	286

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,665	2,341	24,948	(5,758)	24,197
Changes during period					
Issuance of new shares - exercise of share acquisition rights	1	1			3
Dividends of surplus			(2,392)		(2,392)
Profit attributable to owners of parent			6,125		6,125
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				0	0
Changes in consolidated subsidiaries - non-controlling interests					
Net changes in items other than shareholders' equity					
Total changes during period	1	1	3,732	0	3,736
Balance at end of period	2,667	2,343	28,681	(5,758)	27,933

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,702	(191)	1,511	-	25,708
Changes during period					
Issuance of new shares - exercise of share acquisition rights					3
Dividends of surplus					(2,392)
Profit attributable to owners of parent					6,125
Purchase of treasury shares					(0)
Disposal of treasury shares					0
Changes in consolidated subsidiaries - non-controlling interests				1,999	1,999
Net changes in items other than shareholders' equity	(495)	(5)	(500)	-	(500)
Total changes during period	(495)	(5)	(500)	1,999	5,235
Balance at end of period	1,207	(196)	1,010	1,999	30,943

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,667	2,343	28,681	(5,758)	27,933
Changes during period					
Issuance of new shares - exercise of share acquisition rights	3	3			7
Purchase of shares of consolidated subsidiaries		3			3
Dividends of surplus			(2,680)		(2,680)
Profit attributable to owners of parent			7,780		7,780
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				0	0
Purchase of shares of consolidated subsidiaries		(1)			(1)
Net changes in items other than shareholders' equity					
Total changes during period	3	5	5,100	0	5,110
Balance at end of period	2,670	2,348	33,781	(5,757)	33,044

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,207	(196)	1,010	1,999	30,943
Changes during period					
Issuance of new shares - exercise of share acquisition rights					7
Purchase of shares of consolidated subsidiaries					3
Dividends of surplus					(2,680)
Profit attributable to owners of parent					7,780
Purchase of treasury shares					(0)
Disposal of treasury shares					0
Purchase of shares of consolidated subsidiaries					(1)
Net changes in items other than shareholders' equity	1,875	(12)	1,863	245	2,108
Total changes during period	1,875	(12)	1,863	245	7,218
Balance at end of period	3,082	(208)	2,873	2,244	38,162

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	9,139	12,214
Depreciation	1,597	2,211
Amortization of goodwill	125	299
Increase (decrease) in allowance for doubtful accounts	(11)	(8)
Increase (decrease) in provision for bonuses	(174)	65
Increase (decrease) in allowance for other	9	20
Increase (decrease) in retirement benefit liability	87	106
Interest and dividend income	(343)	(334)
Interest expenses	14	49
Loss (gain) on sale and retirement of property, plant and equipment	(5)	(58)
Gain on bargain purchase	-	(349)
Impairment loss	-	3
Loss on valuation of investments in capital	-	80
Decrease (increase) in trade receivables	(3,197)	(406)
Increase (decrease) in trade payables	2,354	221
Increase (decrease) in accounts payable - other	(346)	(22)
Increase (decrease) in accrued consumption taxes	(276)	276
Other, net	109	207
Subtotal	9,084	14,576
Interest and dividends received	124	114
Interest paid	(14)	(49)
Income taxes paid	(3,106)	(3,231)
Net cash provided by (used in) operating activities	6,087	11,408
Cash flows from investing activities		
Purchase of property, plant and equipment	(834)	(8,830)
Proceeds from sale of property, plant and equipment	22	119
Purchase of intangible assets	(193)	(187)
Purchase of investment securities	(47)	(2,136)
Loan advances	(30)	(138)
Proceeds from collection of loans receivable	28	36
Payments of leasehold and guarantee deposits	(105)	(898)
Proceeds from collection of leasehold and guarantee deposits	158	112
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,197)	(2,154)
Other, net	(40)	59
Net cash provided by (used in) investing activities	(5,240)	(14,018)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Proceeds from short-term borrowings	3,300	6,224
Repayments of short-term borrowings	(3,300)	(6,434)
Repayments of lease liabilities	(111)	(243)
Proceeds from long-term borrowings	5,500	13,074
Repayments of long-term borrowings	(2,199)	(4,369)
Dividends paid	(2,393)	(2,679)
Proceeds from exercise of employee share options	3	7
Other, net	(0)	(45)
Net cash provided by (used in) financing activities	799	5,533
Net increase (decrease) in cash and cash equivalents	1,647	2,923
Cash and cash equivalents at beginning of period	26,482	29,442
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	1,312	-
Cash and cash equivalents at end of period	29,442	32,365

(5) Notes to Consolidated Financial Statements

(Notes related to the going concern assumption)

Not applicable.

(Important items for the preparation of the consolidated financial statements)

1. Matters Related to the Scope of Consolidation

(1) Number of consolidated subsidiaries: 20

Names of principal consolidated subsidiaries

MARUWA UNYU KIKAN CO., LTD.
HOKKAIDO MARUWA LOGISTICS, CO., LTD.
TOHOKU MARUWA LOGISTICS CO., LTD.
KANSAI MARUWA LOGISTICS CO., LTD.
CHUSHIKOKU MARUWA LOGISTICS CO., LTD.
KYUSHU MARUWA LOGISTICS CO., LTD.
Maruwa Tsuun Co., Ltd.
Japan Quick Service Corporation
NS MARUWA LOGISTICS CO., LTD.
Japan Logistics Development Co., Ltd.
PHYZ Holdings Inc.
MK LOGI Co., Ltd.
AZ-COM Data Security Co., Ltd.

Significant Changes in Scope of Consolidation

MARUWA UNYU KIKAN CO., LTD. is included in the scope of consolidation from the current fiscal year. MK LOGI Co., Ltd. is included in the scope of consolidation due to the acquisition of shares of MK LOGI Co., Ltd.

(2) Principal non-consolidated subsidiaries

Japan Logistics Institute Co., Ltd.
Japan Taro’s Co., Ltd.
AZ-COM Business Support, Inc.
Noumu Co., Ltd.
COMSUP Inc.

Reasons for exclusion from the scope of consolidation

The five non-consolidated subsidiaries are all small companies, and their combined total assets, net sales, profit (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding), etc. do not have a significant impact on the consolidated financial statements.

2. Matters Related to Application of the Equity Method

Name of non-consolidated subsidiaries to which equity method does not apply

Japan Logistics Institute Co., Ltd.
Japan Taro’s Co., Ltd.
AZ-COM Business Support, Inc.
Noumu Co., Ltd.
COMSUP Inc.

Reasons for not applying the equity method

The companies to which the equity method does not apply are excluded from the scope of application of the equity method because the impact of their profit (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding), etc. is minor and they are not significant overall.

3. Matters Related to the Business Years of Consolidated Subsidiaries

The end of the fiscal year of consolidated subsidiaries is the same as the end of the consolidated fiscal year.

4. Matters Related to Accounting Policies

(1) Valuation standards and valuation methods for material assets

Securities

Other securities

Securities other than shares, etc., for which no market price is available

Market value method

(Valuation differences are directly charged or credited to net assets, and cost of securities sold is calculated by the moving average method)

Shares, etc., for which no market price is available

Stated at cost using the moving average method

(2) Methods of depreciation of material depreciable assets

(i) Property, plant and equipment (excluding leased assets)

The straight-line method is applied. However, the declining-balance method is applied to buildings acquired on or before March 31, 1998 (excluding facilities attached to buildings), to facilities attached to buildings and structures acquired on or before March 31, 2016, and to vehicles, tools, furniture and fixtures belonging to some of the consolidated subsidiaries.

The main useful lives are as follows.

Buildings and structures: 2 to 65 years

Machinery, equipment and vehicles: 2 to 17 years

Tools, furniture and fixtures: 2 to 20 years

(ii) Intangible assets (excluding leased assets)

The straight-line method is applied.

The straight-line method is applied to software (used within the Company) over the period for which it can be used within the Company (five years) and to customer-related assets over their useful lives (5 to 17 years).

(iii) Leased assets

Leased assets pertaining to finance lease transactions transferring ownership

The same method as the method of depreciation applicable to non-current assets owned by the Company is used.

Leased assets pertaining to finance lease transactions not transferring ownership

The straight-line method is applied with the lease period as the useful life and zero residual value.

(3) Accounting standards for significant provisions

(i) Allowance for doubtful accounts

To protect against potential losses from uncollectable notes and accounts receivable, a provision is made on general receivables based on historical rates, and an amount anticipated to be unrecoverable is recorded after individually considering the recoverability of specific cases such as doubtful receivables.

(ii) Provision for bonuses

To appropriate funds for the payment of bonuses to employees (including the portion for employees who concurrently serve as employees and officers), a provision is made for the expected amount of the payment for employees for the fiscal year under review.

(iii) Provision for loss on litigation

To protect against potential losses pertaining to litigation of claims for compensation of damages, a provision is made for the expected amount of losses based on conditions such as the proceedings.

(iv) Provision for share awards for directors

To appropriate funds for the benefits of the Company’s stocks to the directors under the Rules on Stock Benefit for Directors, the provision is made for the expected amount of stock benefit obligations at the end of the fiscal year under review.

(v) Provision for share awards for employees

To appropriate funds for the benefits of the Company’s stocks to employees under the Rules on the ESOP Stock Benefit Trust, the provision is made for the expected amount of stock benefit obligations at the end of the fiscal year under review.

(vi) Provision for retirement benefits for directors (and other officers)

To appropriate funds for payment of retirement benefits to directors, some of the consolidated subsidiaries post the amount of payment required at the year-end as mandated by the Rules on Retirement Benefits for Directors.

(4) Methods of accounting for retirement benefits

(i) Method of attribution of period of expected amount of retirement benefits

When calculating retirement benefit obligations, a benefit calculation formula standard is used as the method of attribution of the expected amount of retirement benefits until the end of the fiscal year under review.

(ii) Method of accounting for the expense of actuarial differences and past service expenses

The entire amount of past service expenses is accounted for in the year of occurrence thereof.

Actuarial differences are amortized using the straight-line method over the average remaining number of years of service from the period following their occurrence.

(iii) Adoption of simplified method in small companies

Certain consolidated subsidiaries of the Company adopt a simplified method using the amount required at the year-end for voluntary retirement as the retirement benefit obligations in the calculation of retirement benefit liability and retirement benefit expenses.

(5) Accounting standards for significant revenues and expenses

Details about the main obligations that need to be fulfilled with regard to revenues arising from contracts signed with the customers of either the Company or its consolidated subsidiaries and the usual time points at which those obligations are to be fulfilled (or those revenues are to be recognized) are provided in the following paragraphs.

The Company and its consolidated subsidiaries mainly engage in two logistics businesses: (1) third-party logistics (3PL) whereby they undertake a series of operations ranging from receipt, storage, shipment, and delivery of goods to provide logistics services to their customers, and (2) transportation services whereby they collect and deliver products to their customers.

A series of services they promise to deliver to their customers as per the service agreement are recognized as a single obligation to be fulfilled. In principle, this obligation is fulfilled over a certain period of time, which is usually short in duration, and revenue is recognized when the obligation is deemed fulfilled (when goods are shipped in the case of 3PL and when products are delivered to the customers in the case of transportation services).

(6) Method and amortization period of amortization of goodwill

Goodwill is amortized over a 6- to 17-year period on a straight-line basis.

(7) Scope of cash in consolidated statement of cash flows

Cash on hand, demand deposits and short-term investments that have high liquidity due to being redeemable within three months after acquisition, are easily convertible to cash and are risk averse to value fluctuations.

(Segment information)

1. Overview of reportable segments

(1) Method for determining reportable segments

The Company’s reportable segments are those units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about allocation of resources and assessing performance.

In addition to the “Logistics Business” centered on logistics center operation and freight transportation, the Company provides services such as a document storage warehouse leasing business and a real estate leasing business, and conducts business activities by drafting comprehensive strategies for each service. Furthermore, actual services are provided through sales offices and subsidiaries, and the economic characteristics of the sales offices and subsidiaries providing the same services are generally similar.

Therefore, the Company is made up of segments which aggregate centers and subsidiaries by service, and the “Logistics Business” is a reportable segment.

(2) Types of products and services in each reportable segment

The “Logistics Business” primarily conducts center operation, general freight transportation and warehousing business.

2. Methods of calculation of the amounts of net sales, profit or loss, assets, liabilities and other items in each segment

The accounting methods for the business segments reported are generally same as those shown in “Important items for the preparation of the consolidated financial statements.”

Profit of reportable segments are figures based on operating profit. Internal sales and transfers between segments are based on actual market prices.

3. Information on the amounts of net sales, profit or loss, assets, liabilities and other items in each segment

Previous Fiscal Year (April 1, 2021 to March 31, 2022)

(Units: millions of yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations	Amount recorded on consolidated financial statements (Note) 2
	Logistics business				
Net sales					
(1) Net sales to external customers	132,024	976	133,000	-	133,000
(2) Internal sales and transfers between segments	181	385	567	(567)	-
Total	132,206	1,362	133,568	(567)	133,000
Segment profit	8,358	290	8,649	-	8,649
Other items					
Depreciation	1,460	136	1,597	-	1,597

Notes: 1. The “Other” category contains business segments that are not included in reportable segments, and includes the document storage warehouse leasing business and the real estate leasing business.
2. Segment profit has been adjusted with operating profit from the consolidated statement of income.
3. The amounts of segment assets and liabilities are not shown because they are not subject to regular review for the purpose of making decisions about allocation of resources and assessing performance.

Current Fiscal Year (April 1, 2022 to March 31, 2023)

(Units: millions of yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations (Note) 2	Amount recorded on consolidated financial statements (Note) 3
	Logistics business				
Net sales					
(1) Net sales to external customers	175,434	2,395	177,829	-	177,829
(2) Internal sales and transfers between segments	180	407	587	(587)	-
Total	175,614	2,802	178,417	(587)	177,829
Segment profit	11,177	395	11,572	(209)	11,362
Other items					
Depreciation	1,934	155	2,090	120	2,211
Amortization of goodwill	299	-	299	-	299
Gain on bargain purchase	349	-	349	-	349

Notes: 1. The “Other” category contains business segments that are not included in reportable segments, and includes the document storage warehouse leasing business, the real estate leasing business and the information system business.
2. Adjustments to segment profit and depreciation represent income (loss) and expenses related to the holding company that do not belong to any segment.
3. Segment profit has been adjusted with operating profit from the consolidated statement of income.
4. The amounts of segment assets and liabilities are not shown because they are not subject to regular review for the purpose of making decisions about allocation of resources and assessing performance.

(Per share information)

	Previous Fiscal Year (April 1, 2021 to March 31, 2022)	Current Fiscal Year (April 1, 2022 to March 31, 2023)
Net assets per share	230.19 yen	285.40 yen
Earnings per share	48.72 yen	61.86 yen
Diluted earnings per share	44.77 yen	57.26 yen

Note 1: The basis for the calculation of earnings per share and diluted earnings per share is shown below.

Item	Previous Fiscal Year (April 1, 2021 to March 31, 2022)	Current Fiscal Year (April 1, 2022 to March 31, 2023)
Earnings per share		
Profit attributable to owners of parent (millions of yen)	6,125	7,780
Amount not attributable to common shareholders (millions of yen)	-	-
Profit attributable to owners of parent pertaining to common shares (millions of yen)	6,125	7,780
Average number of common shares during the period (shares)	125,720,490	125,778,583
Diluted earnings per share		
Adjusted profit attributable to owners of parent (millions of yen)	(154)	(154)
[After-tax interest income included therein] (millions of yen)	[(154)]	[(154)]
Increase in common shares (shares)	7,639,257	7,407,407
[Convertible bonds with share acquisition rights included therein] (shares)	(7,407,407)	(7,407,407)
[Share acquisition rights included therein] (shares)	(231,850)	(-)
Overview of dilutive shares not included in the calculation of diluted earnings per share because they have no dilutive effect	-	-

2. The basis for the calculation of net assets per share is shown below.

Item	End of Previous Fiscal Year (March 31, 2022)	End of Current Fiscal Year (March 31, 2023)
Total amount of net assets (millions of yen)	30,943	38,162
Amount deducted from total amount of net assets (millions of yen)	1,999	2,244
[Share acquisition rights included therein]	(-)	(-)
[Non-controlling interests included therein]	(1,999)	(2,244)
Net assets at end of period pertaining to common shares (millions of yen)	28,944	35,917
Number of common shares at end of period used in calculation of net assets per share (shares)	125,742,441	125,849,541

3. The Company’s shares that remain in a trust recorded as treasury shares under shareholders’ equity are included in the treasury shares deducted in the calculation of the average number of shares when calculating earnings per share and diluted earnings per share (358 thousand shares in the previous fiscal year, 355 thousand shares in the current fiscal year). Furthermore, they are included in the treasury shares deduced from the total number of shares issued and outstanding at year-end in the calculation of net assets per share (357 thousand shares in the previous fiscal year, 354 thousand shares in the current fiscal year).
4. In the current fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the figures for the previous fiscal year reflect the details of the finalization of the provisional accounting treatment.

(Significant subsequent events)

(Significant capital investments and borrowings)

The Company resolved at the Board of Directors meeting held on April 21, 2023 to construct a new food distribution center and conclude an agreement for a syndicated term loan with a commitment period, which was announced in the "Notice of Acquisition of a Site for the Construction of a New Food Distribution Center" dated March 10, 2020.

1. Reasons and objectives of capital investment

Under its medium-term management plan, the Group is actively working to realize sustainable growth by responding to increases in volume handled in the core EC logistics, low-temperature food logistics, and medicine & medical logistics businesses, while pushing forward with the construction of a logistics network as a social infrastructure through BCP logistics. As part of its efforts to achieve these goals, the Company will construct a new food distribution center equipped with state-of-the-art facilities in the Matsubushi Tajima Industrial Park.

The new food distribution center outlined below takes advantage of the excellent location within 25 kilometers from central Tokyo, is equipped with large cold storage facilities (frozen and refrigerated), and adopts a seismic isolation structure. The construction of the new food distribution center is part of a plan to construct a comprehensive food logistics platform that can also play the role of a BCP logistics base, as a supply base for food and other goods, at the time of a large-scale disaster in the Greater Tokyo Area.

In particular, against the backdrop of an increased consciousness regarding SDGs, we will work to resolve the food loss issue as a base of a direct-from-the-farm network that connects cold chains from various locations all over Japan by using diverse transportation modes (rail, air and marine transportation). In addition, we will also aim to resolve various other issues in food distribution through this project.

(i) Responding to the "year 2024 problem": Pursuing freshness maintenance through more efficient logistics

By improving logistics efficiency with the effective use of low-temperature truck transportation, the use of reefer containers in rail transportation, air transportation and marine transportation, we will address the concerns regarding delays in delivery due to the shortage of drivers to realize sustainable logistics.

(ii) Protecting food supply chain: Responding to natural disasters

We will realize sustainable food distribution by realizing appropriate distribution inventory control through centralized management of inventories arising from multiple origins and manufacturers, while avoiding any supply chain disruption in the event of an emergency.

(iii) Implementing SIP smart logistics: Responding to productivity improvement and environmental problems with proprietary technologies

Through the early implementation of smart logistics services proposed in the Strategic Innovation Promotion Program (SIP) promoted by the national government, we will realize sustainable and low environmental load logistics ahead of other companies in the industry.

2. Description of facilities

Name:	AZ-COM Matsubushi Building A (provisional name)
Location:	1-1 Tajima-minami, Matsubushi-machi, Kita-Katsushika-gun, Saitama
Site area:	116,379.45 m^2 (Acquired in July 2022)
Floor area:	83,041.01 m^2
Structure, etc.:	5 floors above ground, seismic isolated structure Refrigerated warehouse on 1st floor, frozen/refrigerated warehouse on 2nd floor, dry warehouse on 3rd to 5th floors, and BCP warehouse and cafeteria on 5th floor
Total investment amount:	Approx. 23,000 million yen

3. Date of equipment installation

Construction period:	Start of construction in June 2023, completion in January 2025 (scheduled)
Start of operation:	April 2025 (scheduled)

4. Reasons and objectives of borrowing

For the purpose of funding part of the construction costs of a new food distribution center, the Company will enter into an agreement for a syndicated term loan with a commitment period to maintain flexible and agile financing and a stable financial base.

5. Description of borrowing

Borrowing limit:	10,000 million yen
Agreement execution date:	April 21, 2023
Commitment period:	June 1, 2023 to July 30, 2025
Term loan repayment method:	Equal repayment of principal every three months (after the expiration of commitment period)
Term loan repayment due date:	July 31, 2045 (term of 20 years)
Collateral:	Yes
Arrangers:	Saitama Resona Bank, Ltd., Resona Bank, Ltd.
Agent:	Resona Bank, Ltd.
Participating financial institutions:	Saitama Resona Bank, Ltd., Resona Bank, Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation

6. Significant impact of the facility on operating activities

As the construction of the distribution center is scheduled to be completed in January 2025 and the start of operation sometime around April 2025, its impact on the consolidated financial results of the Group for the fiscal year ending March 2024 is expected to be insignificant. However, it is expected to contribute significantly to the financial results for the fiscal year ending March 2026. If any matters that need to be disclosed arise in the future, we will promptly disclose them.

7. Other

- Construction of the distribution center is planned to be divided into phase 1 and phase 2. The relevant investment is an overview of phase 1, and we will carefully consider the construction of phase 2, taking into account the impact of soaring construction costs, while keeping an eye on the investment environment.
- As the site is adjacent to the East Saitama Road, which is scheduled for completion of construction in spring 2025, the access to the expressway (Gaikan Expressway) is expected to improve greatly after the opening of the road. In addition, the creation of a network that circumvents the anticipated inundation area at the time of a river flood, following the opening of the dedicated section (elevated lanes), is highly expected to facilitate support activities and the transportation of goods during a disaster.