Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2019 (Based on Japanese GAAP)

May 8, 2019

Company name: MARUWA UNYU KIKAN CO.,LTD.
Stock exchange listing: Tokyo
Stock code: 9090 URL http://www.momotaro.co.jp/
Representative: President Masaru Wasami
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Scheduled date of ordinary general meeting of shareholders: June 27, 2019
Scheduled date to file Securities Report: June 27, 2019
Scheduled date to commence dividend payments: June 28, 2019
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, 2019 (from April 1, 2018 to March 31, 2019)

(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, 2019	85,590	15.1	5,814	29.0	6,046	27.2	3,901	28.1
Year ended March 31, 2018	74,359	10.7	4,506	2.4	4,752	3.1	3,044	(1.1)

Note: Comprehensive income
Fiscal year ended March 31, 2019: 3,504 million yen [(5.1)%]
Fiscal year ended March 31, 2018: 3,692 million yen [15.7%]

	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, 2019	121.78	121.29	17.9	14.2	6.8
Year ended March 31, 2018	95.15	94.67	15.8	12.5	6.1

Reference: Share of profit / loss of entities accounted for using equity method
Fiscal year ended March 31, 2019: - million yen
Fiscal year ended March 31, 2018: - million yen

Note: The Company conducted a 2-for-1 share split on October 1, 2017. Accordingly, basic earnings per share and diluted earnings per share were calculated as though the stock split was conducted at the beginning of the previous fiscal year.

(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, 2019	45,545	23,033	50.6	718.73
As of March 31, 2018	39,454	20,617	52.3	643.83

Reference: Equity
Fiscal year ended March 31, 2019: 23,033 million yen
Fiscal year ended March 31, 2018: 20,617 million yen

Note: The Company conducted a 2-for-1 share split on October 1, 2017. Accordingly, net assets per share were calculated as though the stock split was conducted at the beginning of the previous fiscal year.

(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, 2019	5,533	(1,554)	(124)	8,431
Year ended March 31, 2018	3,567	(5,240)	(1,442)	4,577

Note: For more details of net cash provided by operating activities and net cash used in investing activities, please refer to "(ii) Cash Flows (2) Analysis of Financial Condition under 1. Overview of Operating Results" on page 4 of the attached material.

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, 2018	–	31.75	–	15.88	–	1,019	33.4	5.3
Year ended March 31, 2019	–	18.20	–	18.20	36.40	1,169	29.9	5.3
Year ending March 31, 2020 (Forecast)	–	21.90	–	21.90	43.80		30.1	

Note: The Company conducted a 2-for-1 share split on October 1, 2017. For the second quarter-end of the fiscal year ended March 31, 2018, actual dividend values before the stock split are shown. However, the dividend values presented for the year-end dividend for the fiscal year ended March 31, 2018, the fiscal year ended March 31, 2019 and the forecast dividend for the fiscal year ending March 31, 2020 reflect the share split.

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

Percentages indicate year-on-year changes

	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, 2019	47,940	17.3	3,230	23.1	3,300	18.9	2,290	18.0	71.46
Full year	100,000	16.8	7,170	23.3	7,300	20.7	4,670	19.7	145.72

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

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

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

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2019	32,138,080 shares	As of March 31, 2018	32,113,080 shares

Number of treasury shares at the end of the period

As of March 31, 2019	90,604 shares	As of March 31, 2018	90,534 shares

Average number of shares during the period

Year ended March 31, 2019	32,038,323 shares	Year ended March 31, 2018	32,002,807 shares

Notes: 1. The Company conducted a 2-for-1 share split on October 1, 2017. Accordingly, issued shares were calculated as though the stock split was conducted at the beginning of the previous fiscal year.

2. 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 90,400 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, 2019 (from April 1, 2018 to March 31, 2019)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	59,184	18.4	3,476	65.7	4,771	37.8	3,451	30.2
March 31, 2018	49,996	13.9	2,097	(10.2)	3,463	(6.1)	2,651	(6.7)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2019	107.74	107.31
March 31, 2018	82.84	82.42

Note: The Company conducted a 2-for-1 share split on October 1, 2017. Accordingly, basic earnings per share and diluted earnings per share were calculated as though the stock split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2019	36,455	18,682	51.2	582.97
March 31, 2018	31,183	16,686	53.5	521.07

Reference: Equity
As of March 31, 2019: 18,682 million yen As of March 31, 2018: 16,686 million yen

Note: The Company conducted a 2-for-1 share split on October 1, 2017. Accordingly, net assets per share were calculated as though the stock split was conducted at the beginning of the previous fiscal year.

2. Forecasts of non-consolidated financial results for the fiscal year ending 31st March, 2020 (from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months	32,690	16.0	1,850	7.9	1,350	8.1	42.13
Full year	68,200	15.2	5,090	6.7	3,710	7.5	115.77

* **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 (Outlook for the next fiscal year) under 1. Overview of Operating Results" on page 3 of the attached materials.

(How to obtain supplementary material on financial results)

The Company plans to hold a financial results conference for institutional investors and analysts on Wednesday, May 29, 2019 (Tokyo time).

The materials distributed at this financial results meeting shall be posted on the Company's website after the meeting has been held.

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1. Overview of Operating Results

(1) Analysis of Operating Results

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

During the fiscal year under review, the Japanese economy underwent a gradual recovery backed by an improvement in the employment environment and an increase in capital investment. However, attention must be given to the impact of trends in trade problems in the global economy and the outlook of the Chinese economy on the Japanese economy.

In the logistics industry, although society has a deepening understanding of application of appropriate pricing due to rising costs backed by the worsening shortage of human resources and rising fuel prices, the business environment remains difficult.

In such an environment, during the fiscal year under review, which was the final year of the medium-term management plan, the Group adopted the three growth strategies of "concentrating management resources on low-temperature food logistics," "responding to the continually growing e-commerce market" and "building a safe, secure and stable logistics foundation," and actively conducted activities to support the commencement of "MQA (Momotaro ・ Quick Ace)" businesses by individual proprietors to build a platform unique to the Company in the last one mile. Furthermore, in order to strengthen the foundation of the logistics business specializing in the retail industry, the Group further implemented sales activities in the low-temperature foods business leveraging our strength in grocery supermarket 3PL operations and also endeavored to strengthen our management base through reforms in on-site productivity and thorough management of daily accounts.

Additionally, to secure human resources in light of the aging population and shrinking workforce, the Group actively promoted to recruit new graduates and expanded membership through expansion of the service lineup of AZ-COM Maruwa Support Network to eliminate the shortage of operating vehicles caused by the labor shortage and build a safe, secure and stable logistics foundation with its transportation partners.

As a result, the Group's operating results for the fiscal year under review saw an increase in both sales and profit, with net sales of 85,590 million yen (up 15.1% year-on-year), operating profit of 5,814 million yen (up 29.0% year-on-year), ordinary profit of 6,046 million yen (up 27.2% year-on-year) and profit attributable to owners of parent of 3,901 million yen (up 28.1% year-on-year).

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.

(i) Logistics business

- Food logistics

Net sales in food logistics centered on low-temperature food were 36,158 million yen (up 8.9% year-on-year) as a result of the commencement of operation of a new logistics center acquired due to the proposal of logistics reform based on the AZ-COM7PL (AZ-COM Seven Performances Logistics/3PL with the addition of seven management support functions) in addition to the individual product delivery business transferred to the Group in the previous fiscal year contributing to the expansion of the food logistics business.

- Medicine & medical logistics

Net sales in medicine and medical logistics were 19,364 million yen (up 0.9% year-on year) due to such factors as increased catering to the opening of new stores and inbound consumption by foreign tourists to Japan, and handling e-commerce at existing clients such as drug stores that are the Group's main clients.

- Ordinary temperature logistics

Net sales in other ordinary temperature logistics centered on everyday goods were 29,166 million yen (up 38.2% year-on year) as a result of the expansion of the service area of the EC Last One Mile Same Day Delivery Service and the number of vehicles, in addition to the contribution by the expansion of turnover due to cultivation of existing clients.

In terms of profit, although there was an increase in costs associated with active recruitment to secure labor and securing transportation capacity, the emergence of effects of strengthening daily account management, negotiating price revisions and streamlining operations resulted in net sales in the logistics business totaling 84,689 million yen (up 15.2% year-on-year) and segment profit (operating profit) of 5,608 million yen (up 32.3% year-on-year).

(ii) Other

In the document storage business, although efforts were made to expand business with existing clients and accept new business related to business process outsourcing (BPO) from new clients, the impact of increased repair expenses in the real estate leasing business etc. resulted in net sales totaling 901 million yen (up 3.5% year-on-year) and segment profit (operating profit) of 206 million yen (down 23.0% year-on-year).

(Outlook for the next fiscal year)

With regard to economic conditions looking forward, although corporate performance and the employment environment are expected to continue to improve, the business environment in terms of consumer spending is expected to continue to be harsh due to the impact of the increase in consumption tax and uncertainty surrounding the global economy. In the logistics industry, there will be greater demand for the ability to respond to structural changes in the social environment and the business environment such as rising costs caused by a shortage of operating vehicles and personnel such as drivers due to the aging population and shrinking workforce, in addition to work style reform.

Under such conditions, the Group will launch a new medium-term management plan in 2019 with the aim of expanding into new business areas as a "3PL & Platform Company" by focusing on "securing and developing human resources," "researching and utilizing the latest technologies" and "developing new markets" to achieve sustained growth.

Furthermore, in order to overcome the increasingly serious shortage of human resources and operating vehicles, the Group will endeavor to further strengthen ties with transportation partners that are members of the AZ-COM Maruwa Support Network, develop a service lineup to match market and customer needs, and strive to build a logistics platform as social infrastructure such as a business continuity plan (BCP) network in coordination with local governments and enterprises.

Based on these conditions, during the year ending March 31, 2020, the Group is expected to have net sales of 100,000 million yen (up 16.8% year-on-year), operating profit of 7,170 million yen (up 23.3% year-on-year), ordinary profit of 7,300 million yen (up 20.7% year-on-year) and profit attributable to owners of parent of 4,670 million yen (up 19.7% year-on-year).

(2) Analysis of Financial Condition

(i) Assets, liabilities and net assets

(Assets)

Current assets increased by 2,781 million yen to 19,550 million yen due to factors such as a 2,178 million yen decrease in accounts receivable - other, a 3,854 million yen increase in cash and deposits, and a 995 million yen increase in notes and accounts receivable - trade.

Non-current assets increased by 3,309 million yen to 25,994 million yen due to factors such as a 1,704 million yen increase in machinery, equipment and vehicles, and a 962 million yen increase in buildings.

(Liabilities)

Current liabilities increased by 2,680 million yen to 15,605 million yen due to factors such as a 1,082 million yen increase in accounts payable - other, and a 843 million yen increase in notes and accounts payable - trade.

Non-current liabilities increased by 994 million yen to 6,906 million yen due to factors such as a 991 million yen increase in long-term loans payable.

(Net assets)

Net assets increased by 2,416 million yen to 23,033 million yen due to factors such as a 2,806 million yen increase in retained earnings, and the equity ratio was 50.6%.

The Group has applied the "Partial Amendments to Accounting Standard for Tax-Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year under review. Accordingly, the analysis of the financial condition for the fiscal year under review have been retrospectively adjusted in order to conduct comparison against the previous fiscal year using figures that reflect the application of the aforementioned standard, etc.

(ii) Cash Flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter referred to as "cash") increased by 3,854 million yen (84.2%) from the end of the previous fiscal year to 8,431 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 5,533 million yen (3,567 million yen provided in the previous fiscal year). This was primarily attributable to a decrease in cash due to 1,762 million yen in income taxes paid and 1,000 million yen in notes and accounts receivable - trade, and increase in cash due to 6,039 million yen in profit before income taxes, 1,102 million yen in depreciation and an 843 million yen increase in notes and accounts payable - trade. The main cause of the 1,965 million yen increase year on year was the increase in net sales and profit associated with the expansion of business.

(Cash flows from investing activities)

Net cash used in investing activities was 1,554 million yen (5,240 million yen used in the previous fiscal year). This was primarily attributable to a 2,343 million yen decrease in cash due to the purchase of property, plant and equipment. The main cause of the 3,685 million yen increase year on year was the increase in funds associated with the sale of logistics center equipment due to a change in the logistics vision with cargo owners.

(Cash flows from financing activities)

Net cash used in financing activities was 124 million yen (1,442 million yen used in the previous fiscal year). This was primarily attributable to an increase in cash due to 3,600 million yen in proceeds from long-term loans payable and a 1,500 million yen increase in short-term loans payable, and decrease in cash due to 2,078 million yen in repayments of long-term loans payable, a 1,700 million yen decrease in short-term loans payable, and 1,093 million yen in cash dividends paid.

Reference: Trends in cash flow-related indicators

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019
Equity ratio (%)	46.9	48.9	52.3	50.6
Equity ratio based on market value (%)	122.5	111.6	256.9	266.7
Ratio of interest-bearing debt to cash flow (%)	226.3	137.0	162.7	127.6
Interest coverage ratio (multiple)	36.3	89.7	117.1	257.5

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.

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

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 18.2 yen per share at the 46th Ordinary General Meeting of Shareholders to be held on June 27, 2019. An interim dividend of 18.2 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 (thousand yen)	Dividends per share (yen)
Resolution of the Board of Directors on October 31, 2018	584,786	18.2
Resolution of the Ordinary General Meeting of Shareholders on June 27, 2019	584,909	18.2

In addition, for the next fiscal year the Company plans to increase annual dividend payment of 43.8 yen (interim dividend of 21.9 yen, year-end dividend of 21.9 yen), with a dividend payout ratio of 30.1%.

(4) Business Risks

Risks in the Group's businesses, etc. that may have a material impact on the decisions of investors are as follows. Furthermore, matters that may not necessarily fall under such risk factors but are considered to be material matters in the investment decisions of investors are also shown from the perspective of providing active disclosure to investors.

With sufficient awareness of the occurrence of these risks, the Group will continue to endeavor to avoid their occurrence and appropriately respond in the event 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) Regulatory 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.

The Group recognizes compliance-oriented management to be the most important issue it faces, and the entire Group is working as one to implement the legal and regulatory 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 suspension of operation of vehicles, suspension of business or revocation of permits. Furthermore, expenses may arise in the event laws and regulations are established or revised in the future. In the event such phenomena occur, they 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 Law	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.

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 oil prices. If the corresponding portion of transportation costs cannot be transferred to 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. The Safety Measures and Vehicles Department plays a central role in actively engaging in safety activities such as ensuring operation management and supervising safe driving. However, in the unlikely event of a serious vehicular accident or transportation accident, this may lower the level of confidence of customers and social credibility, in addition to exposing the Group to the risk of administrative disposition such as suspension of business of a place of business or revocation of its business permit. In the event such phenomena 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. For this reason, the Group is engaged in preventing disasters and the creation of response methods and backup system in case of the occurrence of disasters. However, 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. In the event such phenomena occur, they may have an impact on the Group's performance and financial condition.

(vi) Risk of customer information management

The Group handles customer information, etc. when providing logistics services. We will endeavor to manage information such as strengthening security and ensuring the management of personal information through internal education. However, circumstances such as the external leaks of information or the loss of data may result not only in a decline in social confidence in the Group, but also expose it to claims for compensation for damages. In the event such phenomena occur, they may have an impact on the Group's performance and financial condition.

(vii) Risk of system outages

The Group is implementing information management systems in its logistics centers. Steps are being taken such as antivirus measures and the creation of backup center functions, but in the unlikely event of a prolonged forced stoppages due to natural disasters, computer viruses or hacking, etc., they may have an impact on the Group's performance and financial condition.

(viii) 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 capital investment does not proceed as planned due to factors such as delays in the acquisition of permits or negotiation for the purchase of land, this may have an impact on the Group's performance and financial condition due to the loss of opportunities to receive orders, etc. Meanwhile, 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.

At present, the Group's largest logistics centers are located in Higashisaitama Technopolis where the head office is located, and the Group wishes to expand in the future. Yoshikawa City in Saitama, which is the local government governing the site, has announced a plan to expand Higashisaitama Technopolis through a rezoning project, and the Group has acquired certain land (farmland) in advance to implement the plan. However, if the expansion plan cannot be implemented due to a change in the government's policy on the plan, this may have an impact on the Group's performance and financial condition.

(ix) Financing risk

The Group has continued capital investment such as expansion of logistics centers, and has primarily allocated loans from financial institutions to this. As a result, interest-bearing debt totaled 7,061 million yen as of March 31, 2019. 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 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.

(x) Risk of competition with peer companies

The Group provides services centered on the 3PL business, and competes with a variety of companies. 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, but it may not be possible to maintain this advantage in the future. In the event such phenomena occur, they may have an impact on the Group's performance and financial condition.

(xi) 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. The Group conducts business activities by paying careful attention to these laws and regulations, but there is a possibility of increased expenses or liability for damages in past, present and future business activities, and they may have an impact on the Group's performance and financial condition.

(xii) Risk of annually renewed logistics agreements

The Group's customers are centered on the retail industry, and it is not believed that there will be significant changes in net sales during a short period. However, agreements with many customers are agreements spanning multiple years, and in principle these are automatically renewed annually after the initial term of the agreement expires. If an agreement cannot be renewed due to fluctuations in the economy or a transition to another company, this may have an impact on the Group's performance and financial condition.

(xiii) Risk of securing and developing human resources

The Group urgently needs to secure and develop talented personnel with a high level of management capabilities in order to expand its business in the future. The Group is striving to secure talented human resources through active recruitment, and is also focusing on the development of management personnel by improving its internal training systems. However, if it becomes difficult to recruit personnel as

planned due to an increase in job offerings associated with an economic recovery, this may have an impact on the Group's performance and financial condition.

2. Overview of the Corporate Group

The Group is made up of a total of 12 companies including the Company, nine consolidated subsidiaries and three non-consolidated subsidiaries (one is a dormant company), and mainly performs third-party logistics (3PL) operations with logistics center operations at their core. Of these, it is specialized in medicine & medical logistics, low-temperature food logistics, and ordinary temperature logistics centered on the retail industry as it conducts its business.

The positions of the main companies related to 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

The logistics business includes third-party logistics, transportation services and moving services, and the main details of the services are as follows.

(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 medicine & medical logistics, low-temperature food logistics, and ordinary temperature logistics in an effort to expand its business.

The companies involved in this business are the Company, HOKKAIDO MARUWA LOGISTICS, CO., LTD., TOHOKU MARUWA LOGISTICS CO., LTD., KANSAI MARUWA LOGISTICS CO., LTD., CHUSHIKOKU MARUWA LOGISTICS CO., LTD., and KYUSHU MARUWA LOGISTICS CO., LTD.

(ii) Transportation services

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

The companies involved in this business are the Company, 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., and AZ-COM Data Security Co., Ltd.

(2) Other

Other business includes the document storage business and the real estate leasing business, and the main details of the services are as follows.

(i) Document storage business

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.

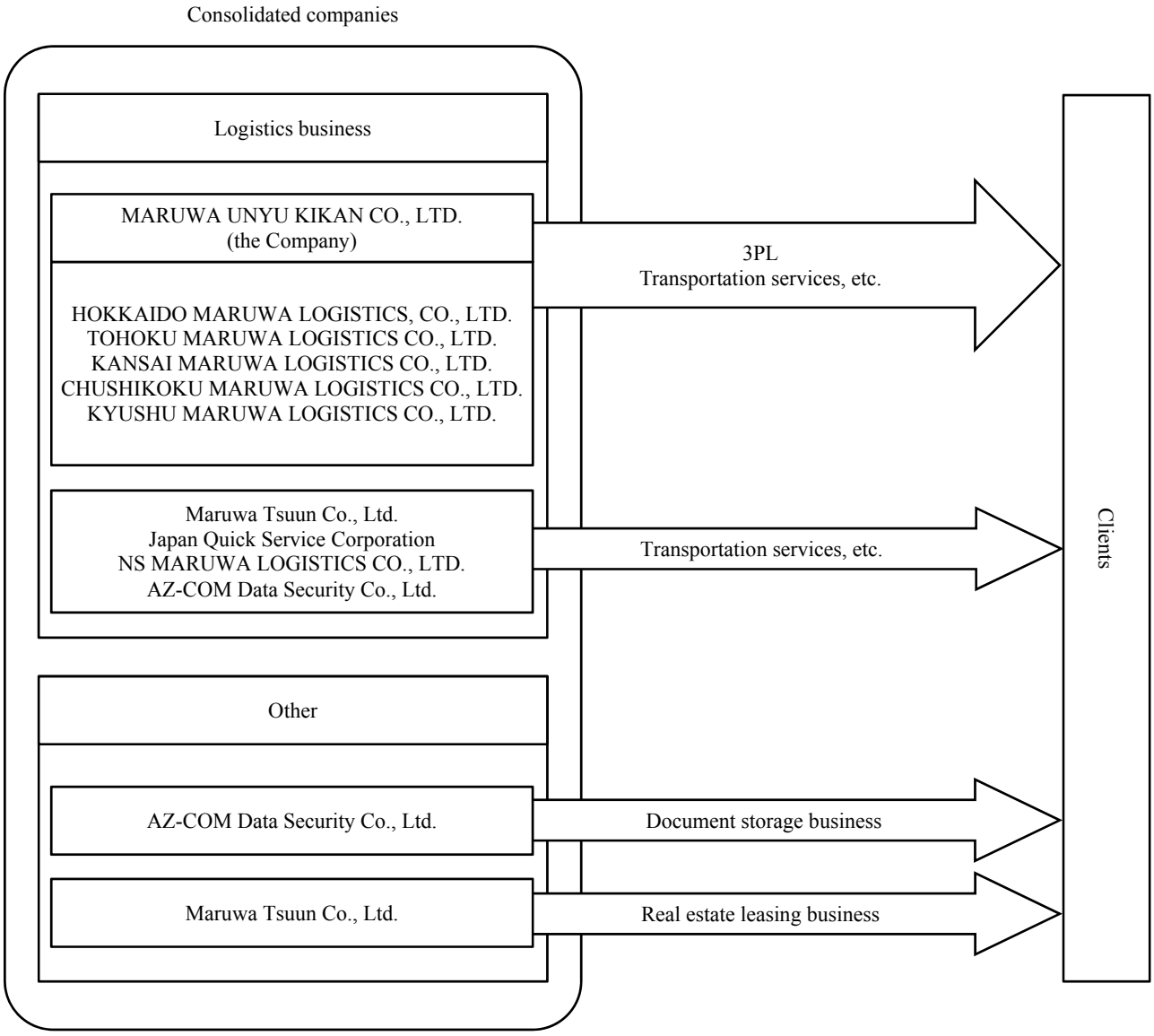
The company involved in this business is AZ-COM Data Security Co., Ltd.

(ii) Real estate leasing business

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

The company involved in this business is Maruwa Tsuun Co., Ltd.

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



Notes: 1. The companies shown in business segments are the Company's consolidated subsidiaries.
2. The "Other" category contains business segments that are not included in reportable segments.

3. Management Policies

(1) The Company's Basic Management Policies

Domestic logistics demand is in a declining trend due to factors such as the progression of the declining birthrate and aging of society and the relocation of production facilities overseas due to global competition. Meanwhile, the logistics industry is displaying signs of excessive competition as approximately 60,000 companies, which rapidly increased in number due to deregulation, compete for survival through quality improvements and cost reductions.

In such a difficult environment, the Company believe that in order to survive this competition and maintain growth, it is important to expand by specializing in the 3PL business and secure human resources and build a vehicle network with a view to the future decline of the working population. In order to achieve this, the Group aims to concentrate management resources on low-temperature food logistics, medicine & medical logistics, and EC Last One Mile Same Day Delivery Service, and establish group management infrastructure to support these to become a 3PL corporate group that cannot be imitated.

(i) Concentration of management resources on expansion of 3PL business and creation of infrastructure for the "EC Last One Mile Same Day Delivery Service"

The Group will focus of all of its energy to expand the 3PL business for comprehensively undertaking the logistics functions of enterprises and the creation of infrastructure for providing the EC Last One Mile Same Day Delivery Service. In the 3PL business, we will endeavor to become more competitive by establishing logistics functions by industry, business category and product, developing logistics facilities and establishing a low-cost operation system. The Group will also engage in business development concentrating management resources on low-temperature food logistics and medicine & medical logistics, which are its strengths. In the EC Last One Mile Same Day Delivery Service, the Company will build business infrastructure in response to the continually growing e-commerce market in a short period, and also endeavor to create mechanisms enabling us to provide same day delivery services as new social infrastructure.

(ii) Establishment of Group management infrastructure

The Company will increase the level of management of human resources and vehicles, engage in the creation of low-cost operations system to meet customers' needs to reduce costs, and fundamentally review unprofitable businesses. Additionally, to secure human resources in light of the aging population and shrinking workforce and resolve the shortage of operating vehicles, we will promote the active recruitment of new graduates, establish the AZ-COM Maruwa Support Network, create a stable transportation system through coordination with partner companies, and endeavor to create group management infrastructure able to respond to difficult changes in the environment.

(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 to realize sustained growth of the Group, it is essential to strengthen coordination between logistics companies and build a logistics network as social infrastructure. The Group will aim to create a high-quality logistics system by continuing to raise the level of service provided to customers, and develop its logistics platform business to expand into additional business areas as a "3PL & Platform Company" by focusing on "securing and developing human resources," "researching and utilizing the latest technologies" and "developing new markets" to achieve sustained growth. The medium-term priority measures are as follows.

(i) Securing human resources through recruitment by all employees and development of a talented workforce

From the perspective of revitalizing the company and avoiding a shortage of human resources, we will promote the recruitment system by all employees, promote the active recruitment of diverse human resources including newly graduated employees, and also engage in efforts to improve retention by improving workplace productivity and encouraging motivation to work through the optimal utilization of human resources via talent management. The Company will also review its unique education system to further strengthen the development of workforces.

(ii) Creation of a unique last one mile delivery network in the e-commerce market and implementation of an entrepreneur model

In order to expand the scale of last one mile logistics and generate profits in the rapidly growing e-commerce market, we will focus on opening new delivery facilities and the creation of a unique last one mile delivery network operated by the Company's employees. Moreover, we will strive to renew the image of the light freight transportation industry by further developing mechanisms for supporting the commencement of "MQA (Momotaro ・ Quick Ace)" businesses by individual proprietors and guaranteeing sales to actively secure vehicles and human resources.

(iii) Expansion of the functions of the AZ-COM7PL in the low-temperature food logistics business

We will further strengthen the functions of the AZ-COM7PL (AZ-COM Seven Performances Logistics/3PL with the addition of seven management support functions) lineup of seven services consolidating know-how in low-temperature food logistics through standardization of logistics quality and vertical integration of the supply chain area.

We will also develop overseas markets by utilizing the high-quality cold chain that is the Company's strength.

(iv) Creation of an innovative logistics model center utilizing the latest technologies

We will engage in active research and development with the aim of logistics innovation utilizing ICT (information and communications technology), and create an innovative logistics model center realizing functions requiring fewer or no personnel, standardization within the supply chain area (connected logistics) and sharing of data resources between logistics companies (sharing logistics).

(v) Development of logistics platform using the AZ-COM Maruwa Support Network

In order to respond to the increasingly serious shortage of human resources and vehicles and to new customer needs, we will further develop the AZ-COM Maruwa Support Network, and endeavor to build a logistics platform as social infrastructure such as a BCP network to secure and share human resources and vehicles through coordination based on mutual assistance with partner companies and to provide safe, secure and stable logistics not only under normal circumstances but also in times of emergency.

(4) Issues to be Addressed by the Company

Concerns about changes in the political and economic conditions in Japan and abroad cannot be dispelled, and the business environment surrounding the Group remains uncertain. The decline of the workforce due to the declining birthrate and aging of society is also a significant issue.

Under such conditions, the Company will seek to improve efficiency and further reduction of costs through the concentration of management resources, 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. Additionally, we will endeavor to overcome problems such as the shortage of human resources and operating vehicles, and continue to strengthen recruitment activities of the Group to secure personnel able to handle the expansion of our business. The main measures are as follows.

(i) Strengthening of sales

In order to acquire new customers, we will focus the sights of our sales team on the area of low-temperature food logistics, 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 their needs.

(ii) 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, we will endeavor to create a stable earnings base able to immediately respond to all changes in the environment. We will also

contribute to the expansion of customers' sales by delivering products to customers' stores in a timely manner.

In order to overcome various problems such as the emerging shortage of human resources and operating vehicles, we 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.

(iii) Strengthening of recruitment activities

As the working population declines, securing human resources in each business area is essential for future business expansion. To achieve this, we will secure talented personnel by strengthening communication with career advisors at universities and high schools nationwide, and increasing the number of employees responsible for recruitment.

(iv) Strengthening of management

In order to build a company that has the confidence and trust of society, we 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.

Furthermore, we will form a "Work Style Reform Promotion Committee" against the backdrop of the "work style reforms" being promoted by the government, and engage in the creation of a vibrant workplace that is fulfilling for all employees by making improvements to the working environment such as limiting long working hours, correcting employment disparity and improving labor productivity.

(v) Strengthening of safety measures

In order to fulfill our social responsibility as a logistics company, we will promote the introduction of safety improvement measures including digital tachographs and dashboard cameras, and engage in additional safety improvement measures such as ensuring work safety and preventing traffic accidents. Furthermore, we 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.

(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, but intends to consider the adoption of International Financial Reporting Standards (IFRS) in light of changing conditions such as future business developments, the percentage of foreign investors and investors' needs.

5. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	4,582,429	8,436,518
Notes and accounts receivable - trade	9,343,803	10,339,124
Supplies	28,787	34,311
Other	2,818,026	746,056
Allowance for doubtful accounts	(3,388)	(5,052)
Total current assets	16,769,658	19,550,958
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,676,782	16,954,626
Accumulated depreciation	(9,139,469)	(9,455,233)
Buildings and structures, net	6,537,313	7,499,393
Machinery, equipment and vehicles	3,602,086	5,103,699
Accumulated depreciation	(2,737,991)	(2,534,939)
Machinery, equipment and vehicles, net	864,094	2,568,760
Tools, furniture and fixtures	796,100	1,221,283
Accumulated depreciation	(509,591)	(577,611)
Tools, furniture and fixtures, net	286,509	643,671
Land	6,917,694	6,917,694
Leased assets	1,635,826	1,424,102
Accumulated depreciation	(1,060,441)	(849,327)
Leased assets, net	575,385	574,774
Construction in progress	1,423,462	944,317
Other	38,671	38,671
Total property, plant and equipment	16,643,130	19,187,283
Intangible assets		
Goodwill	230,392	201,119
Leased assets	65,232	22,857
Software	199,501	469,116
Software in progress	147,543	509,194
Other	314,471	314,404
Total intangible assets	957,140	1,516,691
Investments and other assets		
Investment securities	3,397,393	3,326,137
Long-term loans receivable	200,349	243,376
Deferred tax assets	221,934	270,171
Retirement benefit asset	26,272	137,401
Leasehold and guarantee deposits	1,023,418	1,133,563
Other	267,549	217,343
Allowance for doubtful accounts	(52,511)	(37,529)
Total investments and other assets	5,084,406	5,290,463
Total non-current assets	22,684,677	25,994,438
Total assets	39,454,336	45,545,397

(Thousands of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,380,350	6,224,275
Short-term loans payable	400,000	200,000
Current portion of long-term loans payable	1,687,736	2,217,144
Lease obligations	307,774	255,333
Income taxes payable	914,422	1,317,131
Provision for bonuses	324,774	457,538
Provision for loss on litigation	1,752	2,000
Accounts payable - other	3,175,292	4,257,560
Other	732,713	674,161
Total current liabilities	12,924,816	15,605,144
Non-current liabilities		
Long-term loans payable	3,012,388	4,004,212
Lease obligations	396,345	384,755
Deferred tax liabilities	577,065	425,494
Retirement benefit liability	609,775	677,977
Asset retirement obligations	403,095	493,541
Other	913,626	920,702
Total non-current liabilities	5,912,296	6,906,683
Total liabilities	18,837,113	22,511,828
Net assets		
Shareholders' equity		
Capital stock	2,653,980	2,657,368
Capital surplus	2,168,402	2,171,790
Retained earnings	14,991,531	17,798,513
Treasury shares	(103,478)	(103,747)
Total shareholders' equity	19,710,436	22,523,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,056,622	687,236
Remeasurements of defined benefit plans	(149,835)	(177,591)
Total accumulated other comprehensive income	906,787	509,644
Total net assets	20,617,223	23,033,569
Total liabilities and net assets	39,454,336	45,545,397

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	74,359,861	85,590,490
Cost of sales	66,596,428	75,981,483
Gross profit	7,763,432	9,609,007
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	338,602	347,157
A salary allowance	1,134,210	1,265,262
Retirement benefit expenses	24,284	22,160
Provision for bonuses	38,837	58,845
Provision of allowance for doubtful accounts	2,852	2,304
Other	1,718,104	2,098,536
Total selling, general and administrative expenses	3,256,890	3,794,267
Operating profit	4,506,542	5,814,739
Non-operating income		
Interest income	2,400	3,440
Dividend income	48,521	54,306
Fiduciary obligation fee	78,750	65,625
Gain on sales of non-current assets	36,997	35,608
Subsidy income	8,236	42,590
Other	125,510	85,577
Total non-operating income	300,415	287,147
Non-operating expenses		
Interest expenses	31,359	20,668
Loss on cancellation of leases	4,697	12,759
Litigation expenses	–	6,944
Loss on retirement of non-current assets	8,414	9,510
Other	10,119	5,905
Total non-operating expenses	54,591	55,788
Ordinary profit	4,752,366	6,046,099
Extraordinary income		
Gain on sales of investment securities	–	874
Total extraordinary income	–	874
Extraordinary losses		
Loss on sales of investment securities	–	7,499
Total extraordinary losses	–	7,499
Profit before income taxes	4,752,366	6,039,473
Income taxes - current	1,692,629	2,164,790
Income taxes - deferred	14,743	(27,039)
Total income taxes	1,707,372	2,137,751
Profit	3,044,993	3,901,722
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	3,044,993	3,901,722

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	3,044,993	3,901,722
Other comprehensive income		
Valuation difference on available-for-sale securities	724,959	(369,385)
Remeasurements of defined benefit plans, net of tax	(76,963)	(27,756)
Total other comprehensive income	647,995	(397,142)
Comprehensive income	3,692,989	3,504,580
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,692,989	3,504,580
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,650,296	2,164,718	12,965,368	(103,383)	17,677,000
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	3,683	3,683			7,367
Dividends of surplus			(1,018,831)		(1,018,831)
Profit attributable to owners of parent			3,044,993		3,044,993
Purchase of treasury shares				(94)	(94)
Net changes of items other than shareholders' equity					
Total changes of items during period	3,683	3,683	2,026,162	(94)	2,033,435
Balance at end of current period	2,653,980	2,168,402	14,991,531	(103,478)	19,710,436

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	331,662	(72,871)	258,791	17,935,792
Changes of items during period				
Issuance of new shares - exercise of share acquisition rights				7,367
Dividends of surplus				(1,018,831)
Profit attributable to owners of parent				3,044,993
Purchase of treasury shares				(94)
Net changes of items other than shareholders' equity	724,959	(76,963)	647,995	647,995
Total changes of items during period	724,959	(76,963)	647,995	2,681,431
Balance at end of current period	1,056,622	(149,835)	906,787	20,617,223

Fiscal year ended March 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,653,980	2,168,402	14,991,531	(103,478)	19,710,436
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights	3,387	3,387			6,775
Dividends of surplus			(1,094,739)		(1,094,739)
Profit attributable to owners of parent			3,901,722		3,901,722
Purchase of treasury shares				(269)	(269)
Net changes of items other than shareholders' equity					
Total changes of items during period	3,387	3,387	2,806,982	(269)	2,813,488
Balance at end of current period	2,657,368	2,171,790	17,798,513	(103,747)	22,523,924

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1,056,622	(149,835)	906,787	20,617,223
Changes of items during period				
Issuance of new shares - exercise of share acquisition rights				6,775
Dividends of surplus				(1,094,739)
Profit attributable to owners of parent				3,901,722
Purchase of treasury shares				(269)
Net changes of items other than shareholders' equity	(369,385)	(27,756)	(397,142)	(397,142)
Total changes of items during period	(369,385)	(27,756)	(397,142)	2,416,346
Balance at end of current period	687,236	(177,591)	509,644	23,033,569

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	4,752,366	6,039,473
Depreciation	1,285,267	1,102,104
Amortization of goodwill	3,793	29,273
Increase (decrease) in allowance for doubtful accounts	(3,279)	(13,317)
Increase (decrease) in provision for bonuses	(35,958)	132,764
Increase (decrease) in allowance for other	(10,610)	248
Increase (decrease) in retirement benefit liability	(44,267)	22,917
Interest and dividend income	(50,921)	(57,746)
Interest expenses	31,359	20,668
Loss (gain) on sales and retirement of property, plant and equipment	(28,442)	(26,097)
Loss (gain) on sales of investment securities	(85)	6,625
Decrease (increase) in notes and accounts receivable - trade	(2,069,474)	(1,000,252)
Increase (decrease) in notes and accounts payable - trade	707,747	843,924
Increase (decrease) in accounts payable - other	530,392	355,705
Other, net	(66,862)	(196,098)
Subtotal	5,001,024	7,260,191
Interest and dividend income received	50,226	57,126
Interest expenses paid	(30,480)	(21,487)
Income taxes paid	(1,452,855)	(1,762,080)
Net cash provided by (used in) operating activities	3,567,915	5,533,749
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,554,417)	(2,343,651)
Proceeds from sales of property, plant and equipment	65,505	2,068,363
Purchase of intangible assets	(300,828)	(627,972)
Purchase of investment securities	(21,748)	(520,387)
Proceeds from sales of investment securities	305	57,667
Payments of loans receivable	(113,210)	(222,172)
Collection of loans receivable	61,235	158,564
Payments for leasehold and guarantee deposits	(119,566)	(227,500)
Other, net	(257,352)	102,151
Net cash provided by (used in) investing activities	(5,240,076)	(1,554,938)

(Thousands of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Increase in short-term loans payable	2,600,000	1,500,000
Decrease in short-term loans payable	(2,200,000)	(1,700,000)
Repayments of lease obligations	(425,433)	(333,460)
Payments for accounts payable-other	(42,405)	(25,037)
Proceeds from long-term loans payable	1,900,000	3,600,000
Repayments of long-term loans payable	(2,263,159)	(2,078,768)
Cash dividends paid	(1,018,795)	(1,093,962)
Purchase of treasury shares	(94)	(269)
Proceeds from exercise of share options	7,367	6,775
Net cash provided by (used in) financing activities	(1,442,520)	(124,722)
Net increase (decrease) in cash and cash equivalents	(3,114,681)	3,854,089
Cash and cash equivalents at beginning of period	7,692,099	4,577,417
Cash and cash equivalents at end of period	4,577,417	8,431,506

(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: 9

Names of consolidated subsidiaries

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.
AZ-COM Data Security Co., Ltd.

Significant Changes in Scope of Consolidation

The Company included NS MARUWA LOGISTICS CO., LTD., which had been established during the fiscal year under review, in the scope of consolidation.

(2) Principal non-consolidated subsidiaries

Japan Logistics Institute
Japan Taro's
AZ-COM Business Support

Reasons for exclusion from the scope of consolidation

The three 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

Names of non-consolidated subsidiaries and affiliates to which the equity method does not apply

Japan Logistics Institute
Japan Taro's
AZ-COM Business Support

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

Those with market value

Marked to market using the market price on the final day of the fiscal year (valuation differences are directly charged or credited to net assets, and cost of securities sold is calculated by the moving average method)

Those without market value

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) and to facilities attached to buildings and buildings acquired on or before March 31, 2016.

The main useful lives are as follows.

Buildings and structures	2 to 65 years
Machinery, equipment and vehicles	2 to 12 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).

(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.

(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 retirement benefit plans and certain consolidated subsidiaries of the Company utilize a simplified method using the amount required at the year-end for voluntary termination as the retirement benefit obligations in the calculation of net defined benefit liability and retirement benefit expenses.

(5) Method and amortization period of amortization of goodwill

Goodwill is amortized over an eight-year period on a straight-line basis.

(6) 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.

(7) Other important matters for preparation of consolidated financial statements

Accounting of consumption taxes, etc.

Consumption tax and local consumption taxes are accounted for using a tax-exclusive method.

(Change of presentation)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Group has applied the "Partial Amendments to Accounting Standard for Tax-Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year under review. Accordingly, deferred tax assets have been included under investments and other assets, and deferred tax liabilities have been included under non-current liabilities.

(Segment information)

a. 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, 2017 to March 31, 2018)

(Units: thousand yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations	Amount recorded on consolidated financial statements
	Logistics business				
Net sales					
Net sales to external customers	73,488,750	871,111	74,359,861	–	74,359,861
Internal sales and transfers between segments	116,515	383,155	499,671	(499,671)	–
Total	73,605,266	1,254,267	74,859,533	(499,671)	74,359,861
Segment profit	4,238,351	268,190	4,506,542	–	4,506,542
Other items					
Depreciation	1,157,166	130,461	1,287,628	(2,361)	1,285,267

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 restaurant business.
2. 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, 2018 to March 31, 2019)

(Units: thousand yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations	Amount recorded on consolidated financial statements
	Logistics business				
Net sales					
Net sales to external customers	84,689,146	901,343	85,590,490	–	85,590,490
Internal sales and transfers between segments	108,236	388,480	496,717	(496,717)	–
Total	84,797,383	1,289,824	86,087,207	(496,717)	85,590,490
Segment profit	5,608,359	206,380	5,814,739	–	5,814,739
Other items					
Depreciation	980,810	123,120	1,103,931	(1,827)	1,102,104

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. 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, 2017 to March 31, 2018)	Current Fiscal Year (April 1, 2018 to March 31, 2019)
Net assets per share	643.83 yen	718.73 yen
Earnings per share	95.15 yen	121.78 yen
Diluted earnings per share	94.67 yen	121.29 yen

Notes: 1. The Group conduced a 1:2 share split of common shares on October 1, 2017. In association with this, net assets per share, earnings per share and diluted earnings per share are calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

2. The basis for the calculation of earnings per share and diluted earnings per share is shown below.

Item	Previous Fiscal Year (April 1, 2017 to March 31, 2018)	Current Fiscal Year (April 1, 2018 to March 31, 2019)
Earnings per share		
Profit attributable to owners of parent (thousand yen)	3,044,993	3,901,722
Amount not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent pertaining to common shares (thousand yen)	3,044,993	3,901,722
Average number of common shares during the period (shares)	32,002,807	32,038,323
Diluted earnings per share		
Adjusted profit attributable to owners of parent (thousand yen)	–	–
Increase in common shares (shares)	160,802	129,527
[Share acquisition rights (shares) included therein]	[160,802]	[129,527]
Overview of dilutive shares not included in the calculation of diluted earnings per share because they have no dilutive effect	–	–

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

Item	End of Previous Fiscal Year (March 31, 2018)	End of Current Fiscal Year (March 31, 2019)
Total amount of net assets (thousand yen)	20,617,223	23,033,569
Amount deducted from total amount of net assets (thousand yen)	–	–
[Share acquisition rights included therein]	[–]	[–]
[Non-controlling interests included therein]	[–]	[–]
Net assets at end of period pertaining to common shares (thousand yen)	20,617,223	23,033,569
Number of common shares at end of period used in calculation of net assets per share (shares)	32,022,546	32,047,476

4. 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. (90,000 shares in the previous fiscal year and 90,000 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. (90,000 shares in the previous fiscal year and 90.000 shares in the current fiscal year)

(Significant subsequent events)

Not applicable.