Translation

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# Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 11, 2020

Company name: MARUWA UNYU KIKAN CO.,LTD.
Stock exchange listing: Tokyo
Stock code: 9090 URL https://www.momotaro.co.jp/
Representative: President Masaru Wasami
Inquiries: Director and Managing Executive Officer Kazumi Kawada TEL 048-991-1000
Scheduled date of ordinary general meeting of shareholders: June 29, 2020
Scheduled date to file Securities Report: June 29, 2020
Scheduled date to commence dividend payments: June 30, 2020
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: No (live streaming only)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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, 2020 | 98,348 | 14.9 | 7,194 | 23.7 | 7,392 | 22.3 | 4,818 | 23.5 |
| Year ended March 31, 2019 | 85,590 | 15.1 | 5,814 | 29.0 | 6,046 | 27.2 | 3,901 | 28.1 |

Note: Comprehensive income
Fiscal year ended March 31, 2020: 5,084 million yen [45.1%]
Fiscal year ended March 31, 2019: 3,504 million yen [(5.1)%]

| | 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, 2020 | 75.15 | 74.89 | 19.5 | 15.7 | 7.3 |
| Year ended March 31, 2019 | 60.89 | 60.65 | 17.9 | 14.2 | 6.8 |

Reference: Share of profit / loss of entities accounted for using equity method
Fiscal year ended March 31, 2020: - million yen
Fiscal year ended March 31, 2019: - million yen

Note: The Company conducted a 2-for-1 share split on October 1, 2019. 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, 2020 | 48,423 | 26,328 | 54.4 | 412.10 |
| As of March 31, 2019 | 45,545 | 23,033 | 50.6 | 359.37 |

Reference: Equity
Fiscal year ended March 31, 2020: 26,328 million yen
Fiscal year ended March 31, 2019: 23,033 million yen

Note: The Company conducted a 2-for-1 share split on October 1, 2019. 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, 2020 | 7,113 | (3,548) | (3,459) | 8,536 |
| Year ended March 31, 2019 | 5,533 | (1,554) | (124) | 8,431 |

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, 2019 | – | 18.20 | – | 18.20 | 36.40 | 1,169 | 29.9 | 5.3 |
| Year ended March 31, 2020 | – | 21.90 | – | 10.95 | – | 1,405 | 29.1 | 5.7 |
| Year ending March 31, 2021 (Forecast) | – | 18.95 | – | 18.95 | 37.90 | | 50.1 | |

Notes: 1. The Company conducted a 2-for-1 share split on October 1, 2019. Regarding dividends before the second quarter of the fiscal year ended March 31, 2020, actual dividend values before the stock split are shown.
2. The annual dividend for the year ending March 31, 2021 (forecast) includes an increase of 1.0 yen (taking the stock split into consideration) from the previous fiscal year and 50th anniversary commemorative dividends (an interim dividend of 7.5 yen and a year-end dividend of 7.5 yen).

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

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, 2020 | 49,490 | 4.1 | 3,220 | (6.1) | 3,330 | (5.9) | 2,290 | (6.2) | 35.84 |
| Full year | 100,000 | 1.7 | 7,320 | 1.8 | 7,500 | 1.5 | 4,830 | 0.2 | 75.60 |

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020 (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, 2020 | 64,326,960 shares | As of March 31, 2019 | 64,276,160 shares |

Number of treasury shares at the end of the period

| | | | |
|---|---|---|---|
| As of March 31, 2020 | 439,612 shares | As of March 31, 2019 | 181,208 shares |

Average number of shares during the period

| | | | |
|---|---|---|---|
| Year ended March 31, 2020 | 64,111,299 shares | Year ended March 31, 2019 | 64,076,647 shares |

Notes: 1. The Company conducted a 2-for-1 share split on October 1, 2019. 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 180,800 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, 2020 (from April 1, 2019 to March 31, 2020)

### (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, 2020 | 67,457 | 14.0 | 4,118 | 18.5 | 5,361 | 12.4 | 3,891 | 12.7 |
| March 31, 2019 | 59,184 | 18.4 | 3,476 | 65.7 | 4,771 | 37.8 | 3,451 | 30.2 |

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Fiscal year ended | Yen | Yen |
| March 31, 2020 | 60.70 | 60.49 |
| March 31, 2019 | 53.87 | 53.65 |

Note: The Company conducted a 2-for-1 share split on October 1, 2019. 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, 2020 | 38,806 | 21,050 | 54.2 | 329.50 |
| March 31, 2019 | 36,455 | 18,682 | 51.2 | 291.49 |

Reference: Equity
As of March 31, 2020: 21,050 million yen As of March 31, 2019: 18,682 million yen

Note: The Company conducted a 2-for-1 share split on October 1, 2019. 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 March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

| | Net sales | | Ordinary profit | | Profit | | Net income per share |
|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Yen |
| Six months | 33,530 | 2.6 | 1,890 | (9.7) | 1,360 | (9.2) | 21.29 |
| Full year | 68,290 | 1.2 | 5,510 | 2.8 | 3,960 | 1.8 | 61.98 |

* **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)

As a measure to prevent the spread of novel coronavirus disease (COVID-19), we will not hold the usual financial results meeting. We plan to explain financial results via online video streaming, available for institutional investors and analysts. Supplementary materials on financial results will be posted on the Company website on May 22, 2020.

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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 cumulative period under review, the Japanese economy underwent a gradual recovery backed by improvements in corporate earnings and the employment and income environment. However, in addition to the impact of the consumption tax increase, novel coronavirus infections are increasing on a global scale, there is a growing risk of a downturn in the foreign and domestic economies, and the prospects for business conditions are extremely uncertain.

In the logistics industry, the business environment remains difficult as it responds to an increasingly tight labor force and a shortage of operating vehicles.

Based on this environment, the Group aims to create a high-quality logistics system by continuing to raise the level of service provided to customers and also started a new medium-term management plan to expand into additional business areas under the "3PL & Platform Company" concept.

In the rapidly growing e-commerce market, we built our own last one mile delivery network and developed mechanisms for supporting the opening of "MQA (Momotaro ・ Quick Ace)" businesses by individual proprietors, homogenized and enhanced the features of logistics quality within the "AZ-COM7PL" service menu for low-temperature food logistics, and accepted the challenge of developing overseas markets and securing human resources from overseas. Furthermore, in order to provide safe, secure, and stable logistics not only under normal circumstances but also during emergencies due to disasters, in addition to strengthening the BCP logistics business, we are securing and sharing human resources and vehicles through coordination based on mutual aid with partner companies in the "AZ-COM Maruwa Support Network" and undertaking the construction of a logistics platform as social infrastructure.

Moreover, we concentrated our efforts on "securing and developing human resources," "researching and utilizing the latest technologies," and "developing new markets" as enhancements to the functional strategy and endeavored to strengthen the management foundation to achieve sustained growth in an environment with a decreasing working population and advancing technological innovation.

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 98,348 million yen (up 14.9% year-on-year), operating profit of 7,194 million yen (up 23.7% year-on-year), ordinary profit of 7,392 million yen (up 22.3% year-on-year) and profit attributable to owners of parent of 4,818 million yen (up 23.5% 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

- E-commerce and ordinary temperature logistics

Net sales in e-commerce and ordinary temperature logistics centered on everyday goods were 37,627 million yen (up 29.0% year-on-year) as a result of the contribution of the new 3PL outsourcing service in addition to the gradual expansion of operating facilities and the number of vehicles within the service area of the "EC Last One Mile Same Day Delivery Service."

- Food logistics

Net sales in food logistics centered on low-temperature food were 39,424 million yen (up 9.0% year-on-year) as a result of the gradual contribution to the performance by the operational results of the new logistics center acquired through the proposal of logistics reform based on the "AZ-COM7PL" (AZ-COM Seven Performances Logistics/3PL with the addition of seven management support functions) strategy.

- Medicine & medical logistics

Net sales in medicine and medical logistics were 20,357 million yen (up 5.1% year-on-year) as a result of the contributions from the opening of new stores and new logistics facilities at existing clients such as drug stores that are the Group's main clients.

In terms of profit, although there was an increase in costs associated with active recruitment to secure labor in addition to the investment in equipment for the new logistics centers and vehicles, the effect of active business expansion including productivity improvements through the strengthening of daily account management resulted in net sales in the logistics business totaling 97,410 million yen (up 15.0% year-on-year) and segment profit (operating profit) of 6,912 million yen (up 23.3% year-on-year).

(ii) Other

In the document storage business, efforts to expand business with existing clients and accept new business related to Business Process Outsourcing (BPO) resulted in net sales totaling 938 million yen (up 4.1% year-on-year) and segment profit (operating profit) of 281 million yen (up 36.4% year-on-year).

(Future outlook)

Regarding future economic conditions, it is predicted that the increasing global spread of novel coronavirus infection will exert an enormous impact on various industries. Moreover, as chaos continues in the stock markets, exchange rates, and the crude oil markets, it is impossible to predict when the situation will return to normal, consumers will become increasingly conscious of protecting their lifestyles, the Japanese economy will experience long-term stagnation, and buying intention will decrease.

Under such conditions, the Group management positioned e-commerce and ordinary temperature logistics, food logistics, and BCP logistics as core competencies within the medium-term management plan started in 2019. The Group will continue to aim for expansion into new business areas under the "3PL & Platform Company" concept, focus 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, 2021, the Group is expected to have net sales of 100,000 million yen (up 1.7% year-on-year), operating profit of 7,320 million yen (up 1.8% year-on-year), ordinary profit of 7,500 million yen (up 1.5% year-on-year) and profit attributable to owners of parent of 4,830 million yen (up 0.2% year-on-year).

## (2) Analysis of Financial Condition

(i) Assets, liabilities and net assets

(Assets)

Current assets increased by 882 million yen to 20,433 million yen due to factors such as a 681 million yen increase in notes and accounts receivable - trade and a 122 million yen increase in prepaid expenses.

While software in progress decreased by 507 million yen, non-current assets increased by 1,995 million yen to 27,990 million yen due to factors such as a 1,402 million yen increase in investment securities, a 796 million yen increase in buildings and structures, and a 460 million yen increase in software.

(Liabilities)

Current liabilities increased by 809 million yen to 16,414 million yen due to factors such as a 901 million yen increase in notes and accounts payable - trade and a 276 million yen increase in income taxes payable as accounts payable - other decreased by 457 million yen.

Non-current liabilities decreased by 1,225 million yen to 5,680 million yen due to a 1,324 million yen decrease in long-term borrowings.

(Net assets)

Net assets increased by 3,294 million yen to 26,328 million yen due to factors such as a 3,529 million yen increase in retained earnings despite a 508 million yen increase in treasury shares (decrease in net assets), and the equity ratio was 54.4%.

(ii) Cash Flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter referred to as "cash") increased by 104 million yen (1.2%) from the end of the previous fiscal year to 8,536 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 7,113 million yen (5,533 million yen provided in the previous fiscal year). This was primarily attributable to a decrease in cash due to 2,424 million yen in income taxes paid and 682 million yen in trade receivables, and increase in cash due to 7,419 million yen in profit before income taxes, 1,466 million yen in depreciation and a 901 million yen increase in trade payables. Furthermore, the main cause of the 1,579 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 3,548 million yen (1,554 million yen used in the previous fiscal year). This was primarily attributable to a 2,633 million yen decrease in cash due to the purchase of property, plant and equipment and a 1,020 million yen decrease in cash due to the purchase of investment securities. Furthermore, the main cause of the 1,993 million yen decrease year-on-year was because the sale of logistics center equipment occurred in the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities was 3,459 million yen (124 million yen used in the previous fiscal year). This was primarily attributable to an increase in cash due to 1,000 million yen in proceeds from long-term borrowings and 1,700 million yen in proceeds from short-term borrowings, and a decrease in cash due to 2,382 million yen in repayments of long-term borrowings, 1,700 million yen in repayments of short-term borrowings, and 1,289 million yen in dividends paid.

Reference: Trends in cash flow-related indicators

| | Year ended March 31, 2017 | Year ended March 31, 2018 | Year ended March 31, 2019 | Year ended March 31, 2020 |
|---|---|---|---|---|
| Equity ratio (%) | 48.9 | 52.3 | 50.6 | 54.4 |
| Equity ratio based on market value (%) | 111.6 | 256.9 | 266.7 | 322.6 |
| Ratio of interest-bearing debt to cash flow (%) | 137.0 | 162.7 | 127.6 | 78.2 |
| Interest coverage ratio (multiple) | 89.7 | 117.1 | 257.5 | 367.0 |

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 10.95 yen per share at the 47th Ordinary General Meeting of Shareholders to be held on June 29, 2020. An interim dividend of 21.9 yen per share has been paid. Furthermore, the Group conducted a 2-for-1 share split of common shares with an effective date of

October 1, 2019, and the aforementioned interim dividend shows the actual dividend amount prior to the share split.

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, 2019 | 704,146 | 21.90 |
| Resolution of the Ordinary General Meeting of Shareholders on June 29, 2020 | 701,546 | 10.95 |

In addition, for the next fiscal year the Company plans an annual dividend payment of 37.9 yen, including an increase in the dividend and 50th anniversary commemorative dividends, with a dividend payout ratio of 50.1%. Included in the annual dividend, the Company plans an interim dividend of 18.95 yen (ordinary dividend of 11.45 yen and commemorative dividend of 7.5 yen) and a year-end dividend of 18.95 yen (ordinary dividend of 11.45 yen and commemorative dividend of 7.5 yen).

### (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 Operating Officer 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.

Moreover, novel coronavirus infections have been spreading ferociously throughout the world since February 2020, delaying the movement of people and items in each country, and stagnating economic activity due to the spread of infectious disease. In the event that a concentrated infection is confirmed at the logistics centers or the head office facilities, the logistics services for customer firms and head office functions could shut down, which may have an impact on the Group's performance and financial condition. However, an emergency headquarters has been established within the Group to prevent infection and the spread of infection and implement deliberate business activities such as thorough health supervision, staggered working hours, and the introduction of telecommuting.

(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 "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 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.

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 oil prices. Therefore, the Group is maintaining positive relationships with fuel suppliers and gradually promoting the installation of in-tank equipment across the country while simultaneously engaging in price negotiations to reduce the procurement costs of diesel fuel. However, if the price negotiations fail or the corresponding portion of 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 unlikely event of a serious vehicular 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 the suspension of operation of a place of business or the revocation of business permits. Therefore, the Safety Measures and Vehicles 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. 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 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 Information System Department while simultaneously creating security measures and backup center features and implementing system outage measures such as installing emergency generators in the server rooms, etc. 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. 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 including the expansion of the site at the Higashisaitama Technopolis in Yoshikawa City, Saitama Prefecture where the head office is located. 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 expansion 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. As a result, interest-bearing debt totaled 5,564 million yen as of March 31, 2020. 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.

(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 CO2 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 secure and develop talented personnel to further expand its business in the future. Therefore, the Group is striving to secure talented human resources 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 recruit personnel as planned due to an increase in job offerings 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 various forms of education and training to cultivate the next generation of managers on a routine basis while also selecting part-time officers for subsidiaries from among the younger managers and implementing measures to enable them to gain experience to cultivate successors.

## 2. Overview of the Corporate Group

The Group is made up of a total of 13 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. Among these companies, the Group specializes in e-commerce and ordinary temperature logistics centered on the retail industry, food logistics, and medicine and medical logistics as it develops the 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 e-commerce and ordinary temperature logistics, food logistics, and medicine and medical 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.

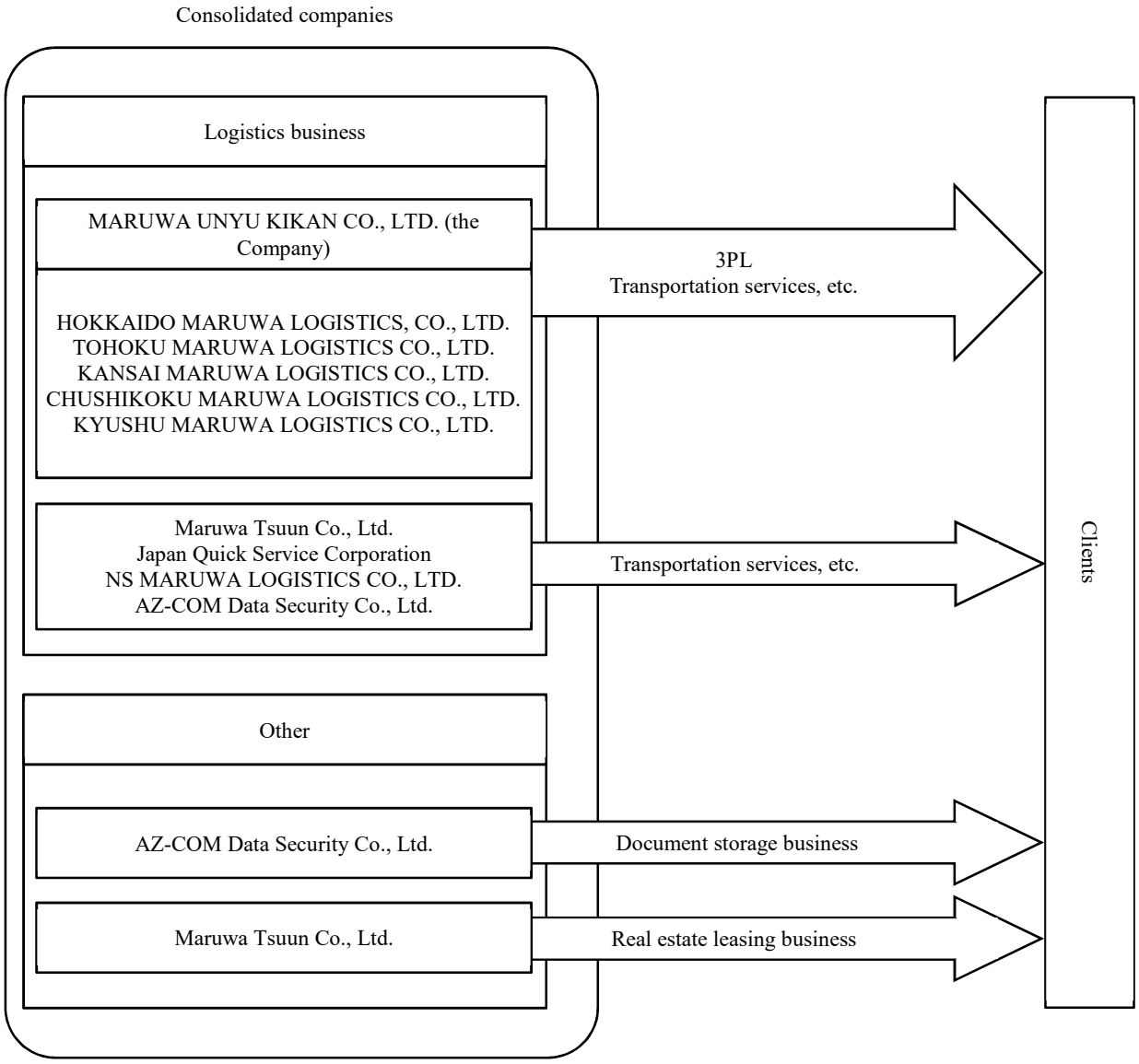
The company involved in this business is AZ-COM Data Security Co., Ltd.

(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. Moreover, we will strive to rejuvenate the image of the light freight transportation industry by further developing mechanisms for supporting the launch of "MQA (Momotaro ・ Quick Ace)" businesses by individual proprietors and company employees 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 operating 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**

The business environment surrounding the Group has been affected by the global spread of novel coronavirus infection, concerns about the political and economic conditions in Japan and abroad cannot be dispelled, and the future outlook will continue to remain 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.

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. Therefore, to achieve this we will secure talented personnel by promoting a Group-wide system of recruitment by employees, 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 introduce cutting-edge transportation management systems (TMS) including digital tachographs and dashboard cameras while also undertaking 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, 2019 | As of March 31, 2020 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,436,518 | 8,541,130 |
| Notes and accounts receivable - trade | 10,339,124 | 11,020,893 |
| Supplies | 34,311 | 37,776 |
| Other | 746,056 | 837,531 |
| Allowance for doubtful accounts | (5,052) | (4,314) |
| Total current assets | 19,550,958 | 20,433,018 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 16,954,626 | 18,298,363 |
| Accumulated depreciation | (9,455,233) | (10,002,554) |
| Buildings and structures, net | 7,499,393 | 8,295,808 |
| Machinery, equipment and vehicles | 5,103,699 | 5,149,792 |
| Accumulated depreciation | (2,534,939) | (2,468,674) |
| Machinery, equipment and vehicles, net | 2,568,760 | 2,681,118 |
| Tools, furniture and fixtures | 1,221,283 | 1,489,145 |
| Accumulated depreciation | (577,611) | (718,959) |
| Tools, furniture and fixtures, net | 643,671 | 770,185 |
| Land | 6,917,694 | 6,540,656 |
| Leased assets | 1,424,102 | 1,464,757 |
| Accumulated depreciation | (849,327) | (955,532) |
| Leased assets, net | 574,774 | 509,225 |
| Construction in progress | 944,317 | 804,409 |
| Other | 38,671 | 38,671 |
| Total property, plant and equipment | 19,187,283 | 19,640,076 |
| Intangible assets | | |
| Goodwill | 201,119 | 171,859 |
| Leased assets | 22,857 | 4,368 |
| Software | 469,116 | 929,889 |
| Other | 823,599 | 316,236 |
| Total intangible assets | 1,516,691 | 1,422,353 |
| Investments and other assets | | |
| Investment securities | 3,326,137 | 4,728,380 |
| Long-term loans receivable | 243,376 | 88,211 |
| Deferred tax assets | 270,171 | 253,791 |
| Retirement benefit asset | 137,401 | 271,584 |
| Leasehold and guarantee deposits | 1,133,563 | 1,402,189 |
| Other | 217,343 | 231,323 |
| Allowance for doubtful accounts | (37,529) | (47,652) |
| Total investments and other assets | 5,290,463 | 6,927,828 |
| Total non-current assets | 25,994,438 | 27,990,258 |
| Total assets | 45,545,397 | 48,423,277 |

(Thousands of yen)

| | As of March 31, 2019 | As of March 31, 2020 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,224,275 | 7,125,738 |
| Short-term borrowings | 200,000 | 200,000 |
| Current portion of long-term borrowings | 2,217,144 | 2,158,648 |
| Lease obligations | 255,333 | 190,011 |
| Income taxes payable | 1,317,131 | 1,593,545 |
| Provision for bonuses | 457,538 | 601,268 |
| Provision for loss on litigation | 2,000 | 18,600 |
| Accounts payable - other | 4,257,560 | 3,799,921 |
| Other | 674,161 | 726,544 |
| Total current liabilities | 15,605,144 | 16,414,277 |
| Non-current liabilities | | |
| Long-term borrowings | 4,004,212 | 2,679,730 |
| Lease obligations | 384,755 | 336,178 |
| Deferred tax liabilities | 425,494 | 424,082 |
| Retirement benefit liability | 677,977 | 751,660 |
| Asset retirement obligations | 493,541 | 598,166 |
| Provision for share-based remuneration for directors (and other officers) | – | 8,354 |
| Provision for share-based remuneration for employees | – | 10,989 |
| Other | 920,702 | 871,720 |
| Total non-current liabilities | 6,906,683 | 5,680,883 |
| Total liabilities | 22,511,828 | 22,095,160 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,657,368 | 2,660,814 |
| Capital surplus | 2,171,790 | 2,175,236 |
| Retained earnings | 17,798,513 | 21,327,545 |
| Treasury shares | (103,747) | (611,882) |
| Total shareholders' equity | 22,523,924 | 25,551,714 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 687,236 | 954,922 |
| Remeasurements of defined benefit plans | (177,591) | (178,519) |
| Total accumulated other comprehensive income | 509,644 | 776,402 |
| Total net assets | 23,033,569 | 26,328,117 |
| Total liabilities and net assets | 45,545,397 | 48,423,277 |

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

### Consolidated statements of income

(Thousands of yen)

| | Fiscal year ended March 31, 2019 | Fiscal year ended March 31, 2020 |
|---|---|---|
| Net sales | 85,590,490 | 98,348,739 |
| Cost of sales | 75,981,483 | 86,581,747 |
| Gross profit | 9,609,007 | 11,766,991 |
| Selling, general and administrative expenses | | |
| Remuneration for directors (and other officers) | 347,157 | 375,608 |
| A salary allowance | 1,265,262 | 1,417,487 |
| Retirement benefit expenses | 22,160 | 25,503 |
| Provision for bonuses | 58,845 | 77,318 |
| Provision of allowance for doubtful accounts | 2,304 | 10,175 |
| Provision for share-based remuneration for directors (and other officers) | – | 8,354 |
| Provision for share-based remuneration for employees | – | 10,989 |
| Other | 2,098,536 | 2,647,470 |
| Total selling, general and administrative expenses | 3,794,267 | 4,572,907 |
| Operating profit | 5,814,739 | 7,194,083 |
| Non-operating income | | |
| Interest income | 3,440 | 3,178 |
| Dividend income | 54,306 | 71,280 |
| Insurance claim income | 14,259 | 47,880 |
| Outsourcing service income | 65,625 | – |
| Subsidy income | 42,590 | 16,833 |
| Other | 106,925 | 110,983 |
| Total non-operating income | 287,147 | 250,157 |
| Non-operating expenses | | |
| Interest expenses | 20,668 | 19,097 |
| Loss on cancellation of leases | 12,759 | 10,598 |
| Litigation expenses | 6,944 | 1,000 |
| Provision for loss on litigation | – | 16,600 |
| Loss on retirement of non-current assets | 9,510 | 1,495 |
| Other | 5,905 | 2,849 |
| Total non-operating expenses | 55,788 | 51,641 |
| Ordinary profit | 6,046,099 | 7,392,600 |
| Extraordinary income | | |
| Gain on sales of investment securities | 874 | 574 |
| Gain on sales of non-current assets | – | 26,111 |
| Total extraordinary income | 874 | 26,686 |
| Extraordinary losses | | |
| Loss on sales of investment securities | 7,499 | – |
| Total extraordinary losses | 7,499 | – |
| Profit before income taxes | 6,039,473 | 7,419,286 |
| Income taxes - current | 2,164,790 | 2,700,787 |
| Income taxes - deferred | (27,039) | (99,588) |
| Total income taxes | 2,137,751 | 2,601,198 |
| Profit | 3,901,722 | 4,818,087 |
| Profit attributable to non-controlling interests | – | – |
| Profit attributable to owners of parent | 3,901,722 | 4,818,087 |

## Consolidated statements of comprehensive income

(Thousands of yen)

| | Fiscal year ended March 31, 2019 | Fiscal year ended March 31, 2020 |
|---|---|---|
| Profit | 3,901,722 | 4,818,087 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (369,385) | 267,685 |
| Remeasurements of defined benefit plans, net of tax | (27,756) | (928) |
| Total other comprehensive income | (397,142) | 266,757 |
| Comprehensive income | 3,504,580 | 5,084,845 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,504,580 | 5,084,845 |
| Comprehensive income attributable to non-controlling interests | – | – |

## (3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 2,653,980 | 2,168,402 | 14,991,531 | (103,478) | 19,710,436 |
| Changes 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 in items other than shareholders' equity | | | | | |
| Total changes during period | 3,387 | 3,387 | 2,806,982 | (269) | 2,813,488 |
| Balance at end of 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 period | 1,056,622 | (149,835) | 906,787 | 20,617,223 |
| Changes 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 in items other than shareholders' equity | (369,385) | (27,756) | (397,142) | (397,142) |
| Total changes during period | (369,385) | (27,756) | (397,142) | 2,416,346 |
| Balance at end of period | 687,236 | (177,591) | 509,644 | 23,033,569 |

Fiscal year ended March 31, 2020

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 2,657,368 | 2,171,790 | 17,798,513 | (103,747) | 22,523,924 |
| Changes during period | | | | | |
| Issuance of new shares - exercise of share acquisition rights | 3,446 | 3,446 | | | 6,893 |
| Dividends of surplus | | | (1,289,056) | | (1,289,056) |
| Profit attributable to owners of parent | | | 4,818,087 | | 4,818,087 |
| Purchase of treasury shares | | | | (508,134) | (508,134) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | 3,446 | 3,446 | 3,529,031 | (508,134) | 3,027,790 |
| Balance at end of period | 2,660,814 | 2,175,236 | 21,327,545 | (611,882) | 25,551,714 |

| | 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 period | 687,236 | (177,591) | 509,644 | 23,033,569 |
| Changes during period | | | | |
| Issuance of new shares - exercise of share acquisition rights | | | | 6,893 |
| Dividends of surplus | | | | (1,289,056) |
| Profit attributable to owners of parent | | | | 4,818,087 |
| Purchase of treasury shares | | | | (508,134) |
| Net changes in items other than shareholders' equity | 267,685 | (928) | 266,757 | 266,757 |
| Total changes during period | 267,685 | (928) | 266,757 | 3,294,548 |
| Balance at end of period | 954,922 | (178,519) | 776,402 | 26,328,117 |

## (4) Consolidated statements of cash flows

(Thousands of yen)

| | Fiscal year ended March 31, 2019 | Fiscal year ended March 31, 2020 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 6,039,473 | 7,419,286 |
| Depreciation | 1,102,104 | 1,466,941 |
| Amortization of goodwill | 29,273 | 29,259 |
| Increase (decrease) in allowance for doubtful accounts | (13,317) | 9,384 |
| Increase (decrease) in provision for bonuses | 132,764 | 143,729 |
| Increase (decrease) in allowance for other | 248 | 35,943 |
| Increase (decrease) in retirement benefit liability | 22,917 | 35,975 |
| Interest and dividend income | (57,746) | (74,459) |
| Interest expenses | 20,668 | 19,097 |
| Loss (gain) on sales and retirement of property, plant and equipment | (26,097) | (46,015) |
| Loss (gain) on sales of investment securities | 6,625 | (574) |
| Decrease (increase) in trade receivables | (1,000,252) | (682,175) |
| Increase (decrease) in trade payables | 843,924 | 901,462 |
| Increase (decrease) in accounts payable - other | 355,705 | (305,699) |
| Increase (decrease) in accrued consumption taxes | (134,486) | 714,266 |
| Other, net | (61,611) | (183,673) |
| Subtotal | 7,260,191 | 9,482,750 |
| Interest and dividends received | 57,126 | 74,270 |
| Interest paid | (21,487) | (19,379) |
| Income taxes paid | (1,762,080) | (2,424,374) |
| Net cash provided by (used in) operating activities | 5,533,749 | 7,113,266 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (2,343,651) | (2,633,715) |
| Proceeds from sales of property, plant and equipment | 2,068,363 | 426,340 |
| Purchase of intangible assets | (627,972) | (213,997) |
| Purchase of investment securities | (520,387) | (1,020,860) |
| Proceeds from sales of investment securities | 57,667 | 1,146 |
| Loan advances | (222,172) | (109,896) |
| Collection of loans receivable | 158,564 | 264,452 |
| Payments of leasehold and guarantee deposits | (227,500) | (307,071) |
| Other, net | 102,151 | 44,833 |
| Net cash provided by (used in) investing activities | (1,554,938) | (3,548,767) |

(Thousands of yen)

| | Fiscal year ended March 31, 2019 | Fiscal year ended March 31, 2020 |
|---|---|---|
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 1,500,000 | 1,700,000 |
| Repayments of short-term borrowings | (1,700,000) | (1,700,000) |
| Repayments of lease obligations | (333,460) | (283,730) |
| Payments for accounts payable-other | (25,037) | (2,929) |
| Proceeds from long-term borrowings | 3,600,000 | 1,000,000 |
| Repayments of long-term borrowings | (2,078,768) | (2,382,978) |
| Dividends paid | (1,093,962) | (1,289,007) |
| Purchase of treasury shares | (269) | (508,134) |
| Proceeds from exercise of employee share options | 6,775 | 6,893 |
| Net cash provided by (used in) financing activities | (124,722) | (3,459,886) |
| Net increase (decrease) in cash and cash equivalents | 3,854,089 | 104,611 |
| Cash and cash equivalents at beginning of period | 4,577,417 | 8,431,506 |
| Cash and cash equivalents at end of period | 8,431,506 | 8,536,118 |

## (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.

(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

Name of non-consolidated subsidiaries to which 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.

(iv) Provision for share-based remuneration for directors (and other officers)

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-based remuneration 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.

(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) 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.

**(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, 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.

*Current Fiscal Year (April 1, 2019 to March 31, 2020)*

(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 | 97,410,072 | 938,667 | 98,348,739 | – | 98,348,739 |
| Internal sales and transfers between segments | 163,420 | 387,565 | 550,986 | (550,986) | – |
| Total | 97,573,492 | 1,326,232 | 98,899,725 | (550,986) | 98,348,739 |
| Segment profit | 6,912,682 | 281,401 | 7,194,083 | – | 7,194,083 |
| Other items | | | | | |
| Depreciation | 1,341,302 | 125,735 | 1,467,037 | (95) | 1,466,941 |

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, 2018 to March 31, 2019) | Current Fiscal Year (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Net assets per share | 359.37 yen | 412.10 yen |
| Earnings per share | 60.89 yen | 75.15 yen |
| Diluted earnings per share | 60.65 yen | 74.89 yen |

Notes: 1. The Group conduced a 2-for-1 share split of common shares on October 1, 2019. 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, 2018 to March 31, 2019) | Current Fiscal Year (April 1, 2019 to March 31, 2020) |
|---|---|---|
| Earnings per share | | |
| Profit attributable to owners of parent (thousand yen) | 3,901,722 | 4,818,087 |
| Amount not attributable to common shareholders (thousand yen) | – | – |
| Profit attributable to owners of parent pertaining to common shares (thousand yen) | 3,901,722 | 4,818,087 |
| Average number of common shares during the period (shares) | 64,076,647 | 64,111,299 |
| | | |
| Diluted earnings per share | | |
| Adjusted profit attributable to owners of parent (thousand yen) | – | – |
| Increase in common shares (shares) | 259,053 | 221,454 |
| [Share acquisition rights (shares) included therein] | [259,053] | [221,454] |
| 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, 2019) | End of Current Fiscal Year (March 31, 2020) |
|---|---|---|
| Total amount of net assets (thousand yen) | 23,033,569 | 26,328,117 |
| 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) | 23,033,569 | 26,328,117 |
| Number of common shares at end of period used in calculation of net assets per share (shares) | 64,094,952 | 63,887,348 |

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. (180,000 shares in the previous fiscal year and 180,000 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. (180,000 shares in the previous fiscal year and 180,000 shares in the current fiscal year)

**(Significant subsequent events)**

*Purchase of treasury shares*

At the Board of Directors meeting held on March 9, 2020, the Company resolved matters concerning the purchase of treasury shares pursuant to the provision of the Articles of Incorporation provided for under the provisions of Article 459, paragraph (1) of the Companies Act, and the purchase of treasury shares was carried out as follows.

1. Reason for the execution of the purchase of treasury shares

   To further maximize the shareholder's returns and to make full use of treasury shares for flexible investment strategies in response to changes in the business environment, such as M&A, and as a future incentive for officers and employees.

2. Details on matters concerning the purchase of treasury shares

| | | |
|---|---|---|
| (i) | Class of shares purchased | Common shares of the Company |
| (ii) | The total number of shares to be purchased | 1,500,000 shares (the maximum)<br>(Proportion to the total number of issued shares (excluding treasury shares): 2.3%) |
| (iii) | Total amount of purchase price of shares | 3,000,000,000 yen (the maximum) |
| (iv) | Purchase period | March 11, 2020, to May 31, 2020 |
| (v) | Purchase method | Market purchase on the Tokyo Stock Exchange |

3. Status of the purchase of treasury shares after the current fiscal year

| | | |
|---|---|---|
| (i) | Total number of shares purchased | 130,000 shares |
| (ii) | Total amount of purchase price of shares | 316,236,200 yen |
| (iii) | Purchase period | From April 1, 2020, to April 30, 2020 |

4. Details on the execution of the purchase of treasury shares (cumulative)

| | | |
|---|---|---|
| (i) | Total number of shares purchased | 388,300 shares |
| (ii) | Total amount of purchase price of shares | 824,141,800 yen |
| (iii) | Purchase period | From March 11, 2020, to April 30, 2020 |