Translation

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Consolidated Financial Results for the Three Months Ended June 30, 2024 (Based on Japanese GAAP)

August 5, 2024

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Stock exchange listing: Tokyo
Stock code: 9090 URL https://www.az-com-maruwa-hd.co.jp/
Representative: President Masaru Wasami
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative) 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	%
Three months ended June 30, 2024	49,680	4.5	1,855	(50.5)	2,057	(45.2)	1,223	(42.2)
Three months ended June 30, 2023	47,528	16.1	3,745	55.9	3,751	44.9	2,117	22.3

Note: Comprehensive income Three months ended June 30, 2024 1,168 million yen (62.2%)
Three months ended June 30, 2023 3,092 million yen 20.4%

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	9.07	8.33
Three months ended June 30, 2023	16.82	15.60

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	133,598	56,623	40.6
As of March 31, 2024	134,594	57,542	41.0

Reference: Equity As of June 30, 2024 54,203 million yen
As of March 31, 2024 55,117 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	-	15.00	-	15.00	30.00
Year ended March 31, 2025	-				
Year ending March 31, 2025 (Forecast)		16.00	-	16.00	32.00

Note: Any revision from the most recently announced dividend forecast: No

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)
(Percentages represent changes from the previous year for full year and from the same quarter of the previous year for each quarter)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	113,800	17.9	6,860	(6.3)	7,120	(5.6)	4,610	1.4	34.18
Full year	240,000	20.9	17,100	23.5	17,500	20.7	11,000	20.6	81.55

Note: Any revision from the most recently announced earnings forecast: No

Notes

(1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes

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

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

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

(iii) Changes in accounting estimates: No

(iv) Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	As of June 30, 2024	137,984,520 shares	As of March 31, 2024	137,984,520 shares
(ii) Number of treasury shares at the end of the period	As of June 30, 2024	3,094,726 shares	As of March 31, 2024	3,094,958 shares
(iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)	Three months ended June 30, 2024	134,889,672 shares	Three months ended June 30, 2023	125,849,541 shares

Note: The number of treasury shares excluded from the calculation of the number of treasury shares at the end of the period and average number of shares includes 345,785 Company shares held as investment assets in a stock benefit trust for officers and a stock benefit ESOP.

* Review of accompanying quarterly consolidated financial statements by certified public accountants or auditing firms: None

* 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.

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1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2024

(1) Explanation of Operating Results

During the three months ended June 30, 2024, the Japanese economy showed signs of recovery as social and economic activities progressed toward normalization. However, the outlook remained uncertain due to concerns about the impact of the yen's depreciation and rising prices on personal consumption, as well as continuing sharp increases in prices for raw material and energy.

In the logistics industry, even though shipment volume to the domestic market is on a gradual recovery trend, the business environment remains challenging due to the review of working hours accompanying the work-style reform (the 2024 Problem) in Logistics, rising labor costs to secure a labor force, various costs remaining high against the backdrop of soaring resource and energy prices, and others.

The Group has entered the final year of the Medium-term Management Plan 2025 in such an environment. We will keep responding to customer needs in the core business domains of EC logistics, low-temperature food logistics, and medicine & medical logistics, as well as addressing increasingly severe shortages of human resources and vehicles in operation. We will accomplish this by focusing on securing and training human resources to support business expansion and improving productivity through the promotion and application of Digital Transformation (DX), thereby achieving sustainable growth. In addition, we will strive to maximize economic value by concentrating investment in growth businesses through appropriate allocation of management resources and streamlining management through the revitalization and restructuring of low-profit businesses. Furthermore, we will endeavor to create social value by practicing ESG management.

As a result of the above, the Group's operating results for the first quarter of the current fiscal year ended with an increase in sales and a decrease in profit, namely, net sales of 49,680 million yen (up 4.5% year on year (YoY)), operating profit of 1,855 million yen (down 50.5% YoY), ordinary profit of 2,057 million yen (down 45.2% YoY), and profit attributable to owners of the parent of 1,223 million yen (down 42.2% YoY), due to the effects of expenses related to the takeover bid as well as the segment performance discussed below.

Performance by segment is as follows.

(i) Logistics business

<Transportation business>

(Last-one-mile business)

In the last-one-mile business, delivery areas expanded due to the opening of several new delivery bases and the increase of vehicles in operation, resulting in net sales of 9,922 million yen (up 8.5% YoY).

(EC ordinary-temperature transportation business)

In the EC ordinary-temperature transportation business, the amount of trunk line transportation between centers decreased due to the closure of operating bases and a review of relay bases, resulting in net sales of 13,115 million yen (down 11.7% YoY).

<3PL business>

(EC ordinary-temperature 3PL business)

In the EC ordinary-temperature 3PL business, to operate newly entrusted distribution centers and meet changing customer needs, scrap-and-build at distribution centers progressed and the number of distribution centers operated increased, resulting in net sales of 14,474 million yen (up 16.4% YoY).

(Low-temperature food 3PL business)

In the low-temperature food 3PL business, full-year operation of the distribution center opened in the previous fiscal year, as well as the opening of a new supermarket distribution center and the expansion of operations by existing clients, contributed to net sales of 5,800 million yen (up 11.1% YoY).

(Medicine & medical 3PL business)

In the medicine & medical 3PL business, a new distribution center was opened to accommodate the business expansion of major client drugstores, and efforts were made to secure capacity and handle the increasing volume of goods. All this resulted in net sales of 5,678 million yen (up 7.9% YoY).

Consequently, net sales in the logistics business increased 4.4% YoY to 48,990 million yen.

In terms of profit, the number of distribution centers and the number of vehicles in operation increased owing to aggressive sales development, and efforts to achieve appropriate pricing progressed. However, segment profit (operating profit) in the logistics segment decreased 36.4% YoY to 2,419 million yen due to one-time expenses related to the scrap-and-build of distribution centers and a decrease in the amount of trunk line transportation.

(ii) Other

New orders received by PHYZ Holdings Inc. for its information systems business and by AZCOM Data Security Inc. for its business process outsourcing (BPO) business were steady. As a result, net sales increased to 689 million yen (up 14.1% YoY), and segment profit (operating profit) increased to 94 million yen (up 33.2% YoY).

(2) Explanation of Financial Condition

Total assets at the end of the first quarter under review amounted to 133,598 million yen, down 996 million yen from the end of the previous fiscal year. Current assets amounted to 68,106 million yen, down 4,392 million yen. This was mainly due to a 5,000 million yen decrease in securities, despite a 1,086 million yen increase in cash and deposits. Non-current assets amounted to 65,491 million yen, up 3,395 million yen. This was mainly due to a 1,538 million yen increase in buildings and structures (net) and a 1,744 million yen increase in machinery, equipment and vehicles (net).

Total liabilities amounted to 76,974 million yen, down 77 million yen from the end of the previous fiscal year. Current liabilities amounted to 32,612 million yen, down 3 million yen. This was mainly due to a 2,641 million yen decrease in income taxes payable and a 575 million yen decrease in provision for bonuses, despite a 2,942 million yen increase in accounts payable-other. Non-current liabilities amounted to 44,362 million yen, down 74 million yen. This was mainly due to a 264 million yen decrease in long-term borrowings, a 236 million yen decline in deferred tax liabilities, a 54 million yen reduction in convertible bonds, and a 36 million yen fall in lease liabilities, despite a 525 million yen rise in asset retirement obligations.

Net assets amounted to 56,623 million yen, down 919 million yen from the end of the previous fiscal year. This was mainly due to an 804 million yen decrease in retained earnings and a 118 million yen decline in valuation difference on available-for-sale securities.

(3) Explanation of Forecasts of Consolidated Financial Results and Other Forward-Looking Statements

No changes have been made to the forecasts of the consolidated financial results announced in the Consolidated Financial Results for the Year Ended March 31, 2024, released on May 13, 2024. Should it become necessary to revise the forecasts of the consolidated financial results in view of future performance trends, the Company will announce such revisions promptly.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	41,156	42,243
Notes and accounts receivable - trade	22,242	21,867
Supplies	89	77
Securities	5,000	-
Other	4,011	3,919
Allowance for doubtful accounts	(2)	(2)
Total current assets	72,498	68,106
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,593	12,132
Machinery, equipment and vehicles, net	2,173	3,917
Land	15,020	15,020
Other, net	6,173	6,522
Total property, plant and equipment	33,960	37,591
Intangible assets		
Goodwill	3,399	3,296
Other	6,842	6,826
Total intangible assets	10,241	10,123
Investments and other assets		
Investment securities	11,318	11,154
Other	6,590	6,637
Allowance for doubtful accounts	(14)	(15)
Total investments and other assets	17,893	17,776
Total non-current assets	62,096	65,491
Total assets	134,594	133,598

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,669	12,514
Short-term borrowings	15	-
Current portion of long-term borrowings	5,069	5,099
Income taxes payable	3,635	994
Provision for bonuses	897	321
Other	10,328	13,682
Total current liabilities	32,615	32,612
Non-current liabilities		
Bonds payable	35	35
Convertible bonds	20,366	20,311
Long-term borrowings	15,237	14,973
Retirement benefit liability	1,156	1,172
Asset retirement obligations	844	1,370
Provision for share awards for directors	49	48
Provision for share-based remuneration for employees	67	67
Provision for retirement benefits for directors (and other officers)	62	64
Other	6,616	6,319
Total non-current liabilities	44,436	44,362
Total liabilities	77,052	76,974
Net assets		
Shareholders' equity		
Share capital	9,117	9,117
Capital surplus	8,800	8,800
Retained earnings	39,525	38,720
Treasury shares	(5,755)	(5,755)
Total shareholders' equity	51,688	50,883
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,587	3,468
Remeasurements of defined benefit plans	(158)	(148)
Total accumulated other comprehensive income	3,428	3,320
Non-controlling interests	2,425	2,419
Total net assets	57,542	56,623
Total liabilities and net assets	134,594	133,598

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

(Quarterly Consolidated statements of income (cumulative))

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	47,528	49,680
Cost of sales	41,301	44,697
Gross profit	6,226	4,982
Selling, general and administrative expenses	2,480	3,126
Operating profit	3,745	1,855
Non-operating income		
Interest income	55	55
Dividend income	93	115
Gain on sales of non-current assets	17	6
Other	70	56
Total non-operating income	237	233
Non-operating expenses		
Interest expenses	16	23
Commission for syndicated loans	203	3
Other	12	5
Total non-operating expenses	231	31
Ordinary profit	3,751	2,057
Extraordinary losses		
Loss on valuation of investments in capital	-	15
Total extraordinary losses	-	15
Profit before income taxes	3,751	2,041
Income taxes	1,573	764
Profit	2,177	1,277
Profit attributable to non-controlling interests	59	53
Profit attributable to owners of parent	2,117	1,223

(Quarterly Consolidated statements of comprehensive income)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	2,177	1,277
Other comprehensive income		
Valuation difference on available-for-sale securities	904	(118)
Remeasurements of defined benefit plans, net of tax	10	10
Total other comprehensive income	914	(108)
Comprehensive income	3,092	1,168
(Breakdown)		
Comprehensive income attributable to owners of parent	3,032	1,115
Comprehensive income attributable to non-controlling interests	59	53

(3) Notes to Quarterly Consolidated Financial Statements

(Notes related to the going concern assumption)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

Not applicable.

(Application of special accounting methods for the preparation of the quarterly consolidated financial statements)

After reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the current consolidated fiscal year, including the first quarter under review, tax expenses are calculated by multiplying profit before income taxes for the current quarter by the estimated effective tax rate.

(Notes to quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the first three months ended June 30, 2024 have not been prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first three months ended June 30, 2024 are as follows.

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	609 million yen	698 million yen
Amortization of goodwill	97 million yen	102 million yen

(Notes to segment information)

[Segment information]

Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

1. Information on net sales and profit or loss by reportable segment

(Units: millions of yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations (Note) 2	Amount recorded on quarterly consolidated statements of income (Note) 3
	Logistics business				
Net sales					
(1) Net sales to external customers	46,923	604	47,528	-	47,528
(2) Internal sales and transfers between segments	7	101	109	(109)	-
Total	46,931	706	47,637	(109)	47,528
Segment profit	3,802	71	3,873	(127)	3,745

Notes: 1. The "Other" category contains business segments that are not included in reportable segments, and includes the document storage warehouse leasing business, the real estate leasing business and the information system business.

2. Adjustments to segment profit represent expenses related to the holding company's operations that do not belong to any segment.

3. Segment profit has been adjusted with operating profit on the quarterly consolidated statements of income.

Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

1. Information on net sales and profit or loss by reportable segment

(Units: millions of yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations (Note) 2	Amount recorded on quarterly consolidated statements of income (Note) 3
	Logistics business				
Net sales					
(1) Net sales to external customers	48,990	689	49,680	-	49,680
(2) Internal sales and transfers between segments	13	105	119	(119)	-
Total	49,004	795	49,799	(119)	49,680
Segment profit	2,419	94	2,514	(658)	1,855

Notes: 1. The "Other" category contains business segments that are not included in reportable segments, and includes the document storage warehouse leasing business, the real estate leasing business and the information system business.

2. Adjustments to segment profit represent expenses related to the holding company's operations that do not belong to any segment.

3. Segment profit has been adjusted with operating profit on the quarterly consolidated statements of income.

(Significant subsequent events)

Not applicable.