Translation

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Consolidated Financial Results for the Six Months Ended September 30, 2024 (Interim Period) (Based on Japanese GAAP)

November 5, 2024

Company name: AZ-COM MARUWA Holdings Inc. Stock exchange listing: Tokyo
Stock code: 9090 URL https://www.az-com-maruwa-hd.co.jp/
Representative: President Masaru Wasami
Inquiries: Director and Executive Operating Officer Masanao Kuzuno (TEL) 048(991)1000
Scheduled date to file Interim Securities Report November 12, 2024
Scheduled date to commence dividend payments: December 2, 2024
Preparation of supplementary material on the financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2024(Interim Period) (April 1, 2024 to September 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2024	101,440	5.1	4,326	(40.9)	4,609	(38.9)	2,845	(37.4)
Six months ended September 30, 2023	96,560	14.5	7,317	43.7	7,544	41.5	4,545	27.0

Note: Comprehensive income Six months ended September 30, 2024 3,147 million yen (43.5)%
Six months ended September 30, 2023 5,568 million yen +11.4%

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	21.11	19.46
Six months ended September 30, 2023	36.11	33.53

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	132,287	58,369	42.2
As of March 31, 2024	134,594	57,542	41.0

Reference: Equity As of September 30, 2024 55,854 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 ending March 31, 2025	-	16.00			
Year ending March 31, 2025 (Forecast)			-	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 indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	207,000	4.3	11,200	(19.1)	11,700	(19.3)	7,700	(15.6)	57.15

Note: Any revision from the most recently announced earnings forecast: Yes

Notes

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

(2) Application of special accounting methods for preparing interim 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 September 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 September 30, 2024	3,321,917 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)	Six months ended September 30, 2024	134,822,755 shares	Six months ended September 30, 2023	125,851,276 shares

Note: The number of treasury shares excluded from the calculation of the number of treasury shares at the end of the period and the average number of shares includes 572,968 Company shares held as investment assets in a stock benefit trust for officers and a stock benefit ESOP.

* Interim financial results reports are exempt from an audit conducted by a certified public accountant or an audit firm.

* 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.

(How to obtain the supplementary material on the financial results)

The Company is scheduled to hold a financial results briefing on Tuesday, November 5, 2024, inviting institutional investors and analysts to attend either in person or via livestream. The financial results briefing materials used on the day of the briefing will be posted on the Company's website promptly after the announcement of the financial results.

Attached Material Index

1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2024 4
(1) Explanation of Operating Results 4
(2) Explanation of Financial Condition 5
(3) Explanation of Forecasts of Consolidated Financial Results and Other Forward-Looking Statements 5
2. Interim Consolidated Financial Statements and Significant Notes Thereto 6
(1) Interim Consolidated Balance Sheets 6
(2) Interim Consolidated Statements of Income (Cumulative) and Interim Consolidated Statements of Comprehensive Income (Cumulative) 8
(3) Interim Consolidated Statements of Cash Flows 10
(4) Notes to Interim Consolidated Financial Statements 12
(Notes related to the going concern assumption) 12
(Notes in the event of significant changes in shareholders' equity) 12
(Application of special accounting methods for the preparation of the interim consolidated financial statements) 12
(Notes to interim consolidated balance sheets) 12
(Notes to interim consolidated statements of income) 12
(Notes to interim consolidated statements of cash flows) 12
(Notes to segment information, etc.) 13
(Significant subsequent events) 13

1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2024

(1) Explanation of Operating Results

During the six months ended September 30, 2024, the Japanese economy showed signs of a gradual recovery, with social and economic activities returning to normal and consumer spending, etc., on the rise. However, the outlook remains uncertain due to concerns over rising prices caused by soaring resource and raw material prices.

In the logistics industry, although consumer-related cargo is on a recovery trend, the business environment remains challenging due to issues such as rising personnel costs resulting from the need to secure labor to cope with the work style reform in the logistics industry (the 2024 problem), as well as various costs remaining high.

In this environment, the Group is striving to expand business in its core business domains of EC logistics, low-temperature food logistics, and medicine & medical logistics to secure and train human resources that will contribute to business expansion in the face of the worsening shortages of human resources and operating vehicles, and to promote and apply DX technology to save manpower and energy and to enhance productivity. In addition, for further business expansion, the Group will allocate management resources appropriately and improve management efficiency through the concentration of investment in growth businesses and the revitalization and reorganization of low-profit businesses, while actively engaging in ESG management, aiming to both maximize economic value and create social value.

As a result of the above, the Group's operating results for the six months ended September 30, 2024, saw an increase with net sales of 101,440 million yen (up 5.1% year on year (YoY)), but due to the impact of the business performance information by segment described below, as well as the costs related to the tender offer, the results were an increase in sales and a decrease in profits, with operating profit of 4,326 million yen (down 40.9% YoY), ordinary profit of 4,609 million yen (down 38.9% YoY), and profit attributable to owners of parent of 2,845 million yen (down 37.4% YoY).

Performance by segment is as follows.

(i) Logistics business

<Transportation business>

(Last One Mile Business)

In the Last One Mile Business, the expansion of new delivery areas, an increase in the number of vehicles in operation, the acquisition of new customers, etc., contributed to the business performance, resulting in net sales of 19,963 million yen (up 6.7% YoY).

(E-commerce & Ordinary-temperature Transportation Business)

In the E-commerce & Ordinary-temperature Transportation Business, net sales were 26,679 million yen (down 10.8% YoY) due to the impact of a decrease in the amount of transportation following the closure of a large-scale base, despite the acquisition of new transportation projects and the effect of revised freight rates.

<3PL business>

(E-commerce & Ordinary-temperature 3PL Business)

In the E-commerce & Ordinary-temperature 3PL Business, net sales were 29,987 million yen (up 17.4% YoY) due to the expansion of the new distribution center for a major e-commerce site operator, as well as the impact on business performance after starting operations at a distribution center with a new business partner.

(Low-temperature Food 3PL Business)

In the Low-temperature Food 3PL Business, net sales were 11,828 million yen (up 11.1% YoY) due to the full-year operations of the distribution center opened in the previous fiscal year and the expanded operations of supermarkets, which are existing customers of the Company.

(Medicine & Medical 3PL Business)

In the Medicine & Medical 3PL Business, net sales were 11,588 million yen (up 9.9% YoY) due to the impact on business performance with the start of full-scale operations of a new distribution center, which was established in response to the business expansion of drugstores, our major customers.

Consequently, net sales in the logistics business increased 4.9% YoY to 100,047 million yen.

In terms of profit, segment profit (operating profit) in the logistics business decreased 34.8% YoY to 4,766 million yen as a result of the following factors. There was an increase in the number of distribution centers and the number of vehicles in operation as a result of continued proactive sales development, but there was a delay in some of our initiatives to pass on the higher costs to achieve appropriate freight rates. In addition, there was a significant decrease in the amount of transportation resulting from the review of bases, as well as the impact of one-time expenses related to the opening of a new distribution center and the stabilization of operations.

(ii) Other

New orders received by PHYZ Holdings Inc. for its information systems business and by AZ-COM Data Security Co., Ltd. for its business process outsourcing (BPO) business were steady. As a result, net sales increased to 1,393 million yen (up 14.8% YoY), and segment profit (operating profit) increased to 193 million yen (up 21.3% YoY).

(2) Explanation of Financial Condition

(i) Assets, liabilities and net assets

Total assets at the end of the first six months amounted to 132,287 million yen, down 2,306 million yen from the end of the previous fiscal year. Current assets amounted to 65,928 million yen, down 6,570 million yen. This was mainly due to a 5,000 million yen decrease in securities and a 1,331 million yen decrease in notes and accounts receivable - trade. Non-current assets amounted to 66,359 million yen, up 4,263 million yen. This was mainly due to a 1,363 million yen increase in buildings and structures (net), a 1,673 million yen increase in machinery, equipment and vehicles (net), and a 1,127 million yen increase in investments and other assets resulting from payments of leasehold and guarantee deposits.

Total liabilities amounted to 73,918 million yen, down 3,134 million yen from the end of the previous fiscal year. Current liabilities amounted to 28,437 million yen, down 4,178 million yen. This was mainly due to a 1,615 million yen decrease in income taxes payable and a 2,684 million yen in other resulting from a decrease in accounts payable-other, etc. Non-current liabilities amounted to 45,481 million yen, up 1,044 million yen. This was mainly due to a 537 million yen increase in long-term borrowings and a 522 million yen increase in asset retirement obligations.

Net assets amounted to 58,369 million yen, up 827 million yen from the end of the previous fiscal year. This was mainly due to an 817 million yen increase in retained earnings.

(ii) Cash flows

Cash and cash equivalents at the end of the first six months amounted to 42,819 million yen, down 3,061 million yen from the end of the previous fiscal year and up 8,495 million yen from the end of the same interim period of the previous year. The main factors resulting in changes in each cash flow, compared to the same interim period last year were as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was 3,458 million yen (income down 1,843 million compared to the same interim period of the previous year). Interim net income before taxes was 2,831 million yen, accounts payable down 1,521 million yen, while a decrease in accounts receivable led to an increase in income of 2,922 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 4,892 million yen (Expenses Increased 1,504 million yen compared to the same interim period of last year). Mainly due to a 470 million yen decrease in cash for purchase of property, plant and equipment and a 769 million yen decrease in cash due to the payments of leasehold and guarantee deposits.

(Cash flows from financing activities)

Net cash used in financing activities was 1,627 million yen (44 million yen provided in the same period of the previous fiscal year). This was primarily attributable to a 1,000 million yen decrease in cash due to a decrease in proceeds from long-term borrowings and a 545 million yen decrease in cash due to dividends paid.

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

The full-year forecasts have been revised from those announced on May 13, 2024, in consideration of the business performance in the six months ended September 30, 2024. For details, please refer to the “Notice Concerning Differences between Forecasts of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 2025 (interim period) and Actual Results, and Revision of Full-Year Forecasts of Consolidated Financial Results” announced today.

2. Interim Consolidated Financial Statements and Significant Notes Thereto

(1) Interim Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	41,156	43,085
Notes and accounts receivable - trade	22,242	20,911
Supplies	89	78
Securities	5,000	—
Other	4,011	1,854
Allowance for doubtful accounts	(2)	(2)
Total current assets	72,498	65,928
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,593	11,957
Machinery, equipment and vehicles, net	2,173	3,846
Land	15,020	15,020
Other, net	6,173	6,634
Total property, plant and equipment	33,960	37,458
Intangible assets		
Goodwill	3,399	3,194
Other	6,842	6,685
Total intangible assets	10,241	9,880
Investments and other assets		
Investment securities	11,318	11,511
Other	6,590	7,542
Allowance for doubtful accounts	(14)	(32)
Total investments and other assets	17,893	19,021
Total non-current assets	62,096	66,359
Total assets	134,594	132,287
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,669	12,405
Short-term borrowings	15	15
Current portion of long-term borrowings	5,069	5,387
Income taxes payable	3,635	2,020
Provision for bonuses	897	964
Other	10,328	7,643
Total current liabilities	32,615	28,437
Non-current liabilities		
Bonds payable	35	25
Convertible bonds	20,366	20,256
Long-term borrowings	15,237	15,775
Retirement benefit liability	1,156	1,173
Asset retirement obligations	844	1,367
Provision for share awards for directors	49	47
Provision for share-based remuneration for employees	67	176
Provision for retirement benefits for directors (and other officers)	62	66
Other	6,616	6,593
Total non-current liabilities	44,436	45,481
Total liabilities	77,052	73,918

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	9,117	9,117
Capital surplus	8,800	8,799
Retained earnings	39,525	40,342
Treasury shares	(5,755)	(5,990)
Total shareholders' equity	51,688	52,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,587	3,722
Remeasurements of defined benefit plans	(158)	(138)
Total accumulated other comprehensive income	3,428	3,584
Non-controlling interests	2,425	2,515
Total net assets	57,542	58,369
Total liabilities and net assets	134,594	132,287

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

(Interim consolidated statements of income (cumulative))

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	96,560	101,440
Cost of sales	84,558	91,628
Gross profit	12,001	9,811
Selling, general and administrative expenses	4,684	5,484
Operating profit	7,317	4,326
Non-operating income		
Interest income	111	112
Dividend income	100	124
Gain on sales of non-current assets	41	14
Settlement income	100	—
Other	133	106
Total non-operating income	487	358
Non-operating expenses		
Interest expenses	35	51
Commission for syndicated loans	204	7
Other	21	17
Total non-operating expenses	260	76
Ordinary profit	7,544	4,609
Extraordinary income		
Gain on sale of investment securities	—	119
Total extraordinary income	—	119
Extraordinary losses		
Loss on valuation of investments in capital	—	15
Total extraordinary losses	—	15
Profit before income taxes	7,544	4,713
Income taxes	2,837	1,721
Profit	4,706	2,991
Profit attributable to non-controlling interests	161	145
Profit attributable to owners of parent	4,545	2,845

(Interim consolidated statements of comprehensive income (cumulative))

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	4,706	2,991
Other comprehensive income		
Valuation difference on available-for-sale securities	840	135
Remeasurements of defined benefit plans, net of tax	20	20
Total other comprehensive income	861	155
Comprehensive income	5,568	3,147
(Breakdown)		
Comprehensive income attributable to owners of parent	5,408	3,001
Comprehensive income attributable to non-controlling interests	160	145

(3) Interim Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	7,544	4,713
Depreciation	1,257	1,423
Amortisation of goodwill	194	204
Increase (decrease) in allowance for doubtful accounts	(30)	18
Increase (decrease) in provision for bonuses	(40)	67
Increase (decrease) in allowance for other	2	115
Increase (decrease) in retirement benefit liability	63	33
Interest and dividend income	(212)	(237)
Interest expenses	35	51
Loss (gain) on sale and retirement of property, plant and equipment	(33)	(10)
Loss (gain) on sale of investment securities	—	(119)
Loss on valuation of investments in capital	—	15
Decrease (increase) in trade receivables	(1,607)	1,315
Increase (decrease) in trade payables	651	(264)
Increase (decrease) in accounts payable - other	765	(755)
Increase (decrease) in accrued consumption taxes	(279)	(514)
Other, net	(192)	189
Subtotal	8,117	6,246
Interest and dividends received	101	127
Interest paid	(33)	(52)
Income taxes paid	(2,882)	(2,862)
Net cash provided by (used in) operating activities	5,302	3,458
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,462)	(3,933)
Proceeds from sale of property, plant and equipment	58	21
Purchase of intangible assets	(124)	(220)
Purchase of investment securities	(16)	(17)
Proceeds from sale of investment securities	—	139
Loan advances	(6)	(5)
Proceeds from collection of loans receivable	40	17
Payments of leasehold and guarantee deposits	(320)	(1,090)
Other, net	443	195
Net cash provided by (used in) investing activities	(3,388)	4,892

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from financing activities		
Proceeds from short-term borrowings	50	395
Repayments of short-term borrowings	(247)	(395)
Repayments of lease liabilities	(147)	(150)
Proceeds from long-term borrowings	4,550	3,550
Repayments of long-term borrowings	(2,588)	(2,694)
Redemption of bonds	(10)	(10)
Dividends paid	(1,482)	(2,028)
Dividends paid to non-controlling interests	(71)	(56)
Purchase of treasury shares	-	(235)
Other, net	(8)	(1)
Net cash provided by (used in) financing activities	44	(1,627)
Net increase (decrease) in cash and cash equivalents	1,958	(3,061)
Cash and cash equivalents at beginning of period	32,365	45,880
Cash and cash equivalents at end of period	34,323	42,819

(4) Notes to Interim Consolidated Financial Statements

(Notes related to the going concern assumption)

Not applicable.

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

Based on a resolution of the Board of Directors held on August 5, 2024, the Company made an additional contribution to the Employee Stock Ownership Plan (ESOP) Stock Benefit Trust for employees of the Company and its subsidiaries that has been introduced since fiscal 2016. As a result, the acquisition of 240,000 shares in the interim consolidated accounting period resulted in an increase in treasury stock of 239 million yen.

(Application of special accounting methods for the preparation of the interim 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 six months under review, tax expenses are calculated by multiplying profit before income taxes for the current quarter by the estimated effective tax rate.

(Notes to interim consolidated balance sheets)

1 Trade notes receivable transferred by endorsement

	As of March 31, 2024	As of September 30, 2024
Trade notes receivable transferred by endorsement	4 million yen	4 million yen

(Notes to interim consolidated statements of income)

1 The main items and amounts of selling, general and administrative expenses are as follows.

	Six months ended September 30, 2023	Six months ended September 30, 2024
Payroll and allowances	1,197 million yen	1,214 million yen
Provision for bonuses	108 million yen	114 million yen
Retirement benefit expenses	19 million yen	17 million yen

(Notes to interim consolidated statements of cash flows)

1 The relationship between the balance of cash and cash equivalents at the end of the interim period and the amounts of the items listed in the interim consolidated balance sheet is as follows.

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash and deposits account	31,565 million yen	43,085 million yen
Time deposits with a deposit period of over three months	(241) million yen	(266) million yen
Securities (jointly operated designated money trusts)	3,000 million yen	- million yen
Cash and cash equivalents	34,323 million yen	42,819 million yen

(Notes to segment information, etc.)

[Segment information]

Six months ended September 30, 2023 (April 1, 2023 to September 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 interim consolidated statements of income (Note) 3
	Logistics business				
Net sales					
(1) Net sales to external customers	95,346	1,214	96,560	-	96,560
(2) Internal sales and transfers between segments	16	201	217	(217)	-
Total	95,362	1,415	96,778	(217)	96,560
Segment profit	7,314	159	7,473	(156)	7,317

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 interim consolidated statements of income.

Six months ended September 30, 2024 (April 1, 2024 to September 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 interim consolidated statements of income (Note) 3
	Logistics business				
Net sales					
(1) Net sales to external customers	100,047	1,393	101,440	-	101,440
(2) Internal sales and transfers between segments	26	205	231	(231)	-
Total	100,073	1,599	101,672	(231)	101,440
Segment profit	4,766	193	4,959-	(632)	4,326

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 interim consolidated statements of income.

(Significant subsequent events)

Not applicable.