Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2021 (Based on Japanese GAAP)

May 10, 2021

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 28, 2021		
Scheduled date to file Securities Report:		June 28, 2021		
Scheduled date to commence dividend payments:		June 29, 2021		
Preparation of supplementary material on financial results:		Yes		
Holding of financial results meeting:		Yes	(for institutional investors and analysts)	

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021	112,113	14.0	8,019	11.5	8,262	11.8	5,536	14.9
Year ended March 31, 2020	98,348	14.9	7,194	23.7	7,392	22.3	4,818	23.5

Note: Comprehensive income
Fiscal year ended March 31, 2021: 6,271 million yen [23.3%]
Fiscal year ended March 31, 2020: 5,084 million yen [45.1%]

	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, 2021	43.60	42.37	21.3	13.6	7.2
Year ended March 31, 2020	37.58	37.45	19.5	15.7	7.3

Reference: Share of profit / loss of entities accounted for using equity method
Fiscal year ended March 31, 2021: - million yen
Fiscal year ended March 31, 2020: - million yen

Note: The Company conducted 2-for-1 share splits on October 1, 2019 and January 1, 2021. Accordingly, basic earnings per share and diluted earnings per share were calculated as though the share splits were 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, 2021	73,191	25,708	35.1	204.54
As of March 31, 2020	48,423	26,328	54.4	206.05

Reference: Equity
Fiscal year ended March 31, 2021: 25,708 million yen
Fiscal year ended March 31, 2020: 26,328 million yen

Notes:
1. The Company conducted 2-for-1 share splits on October 1, 2019 and January 1, 2021. Accordingly, net assets per share were calculated as though the share splits were conducted at the beginning of the previous fiscal year.
2. The main reason for the increase in total assets is the issuance of euro-yen denominated convertible corporate bonds with share acquisition rights due in 2025. Furthermore, the main reason for the decrease in net assets was the purchase of treasury shares. For more details, please refer to "(i) Assets, liabilities and net assets (2) Analysis of Financial Condition under 1. Overview of Operating Results" on page 3 of the attached material.

(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, 2021	7,970	(4,576)	14,040	26,482
Year ended March 31, 2020	7,113	(3,548)	(3,459)	8,536

Note: For more details of consolidated cash flows, 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, 2020	–	21.90	–	10.95	–	1,405	29.1	5.7
Year ended March 31, 2021	–	18.95	–	9.48	–	2,408	43.5	9.2
Year ending March 31, 2022 (Forecast)	–	9.50	–	9.50	19.00		40.8	

Notes:
1. The Company conducted a 2-for-1 share split on October 1, 2019. Regarding dividends for the end of the second quarter of the fiscal year ended March 31, 2020, actual dividend values before the share split are shown.
2. The Company conducted a 2-for-1 share split on January 1, 2021. The dividend amount for the end of the year ended March 31, 2021 takes this share split into account.
3. The annual dividend for the year ended March 31, 2021 includes 50th anniversary commemorative dividends (an interim dividend of 7.50 yen and a year-end dividend of 3.75 yen).

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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, 2021	58,870	9.5	3,770	(13.9)	3,960	(11.6)	2,790	(9.5)	22.20
Full year	120,000	7.0	8,410	4.9	8,800	6.5	5,850	5.7	46.54

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2021 (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, 2021	128,797,120 shares	As of March 31, 2020	128,653,920 shares

Number of treasury shares at the end of the period

As of March 31, 2021	3,108,388 shares	As of March 31, 2020	879,224 shares

Average number of shares during the period

Year ended March 31, 2021	126,974,268 shares	Year ended March 31, 2020	128,222,598 shares

Notes:
1. The Company conducted 2-for-1 share splits on October 1, 2019 and January 1, 2021. Accordingly, issued shares were calculated as though the share splits were 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 359,910 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, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021	76,362	13.2	5,033	22.2	6,428	19.9	4,921	26.5
March 31, 2020	67,457	14.0	4,118	18.5	5,361	12.4	3,891	12.7

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2021	38.76	37.62
March 31, 2020	30.35	30.25

Note: The Company conducted 2-for-1 share splits on October 1, 2019 and January 1, 2021. Accordingly, basic earnings per share and diluted earnings per share were calculated as though the share splits were 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, 2021	61,370	19,829	32.3	157.77
March 31, 2020	38,806	21,050	54.2	164.75

Reference: Equity
As of March 31, 2021: 19,829 million yen As of March 31, 2020: 21,050 million yen

Note: The Company conducted 2-for-1 share splits on October 1, 2019 and January 1, 2021. Accordingly, net assets per share were calculated as though the share splits were conducted at the beginning of the previous fiscal year.

2. Forecasts of non-consolidated financial results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months	36,550	(1.0)	2,310	(15.5)	1,740	(11.1)	13.84
Full year	73,340	(4.0)	6,300	(2.0)	4,740	(3.7)	37.71

* **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 plan to hold the financial results meeting for institutional investors and analysts via livestream on May 24, 2021. The scale and explanatory details will promptly be posted on the Company website after the conclusion of the meeting with the supplementary materials on financial results used on the day.

Attached Material Index

1. Overview of Operating Results

(1) Analysis of Operating Results

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

During the fiscal year under review, the Japanese economy experienced a stalling and contraction of social and economic activity in Japan and overseas due to the spread of the novel coronavirus disease (COVID-19). In this environment, the economy did show signs of an economic recovery at one point due to the effect of various economic policies of the government, but the future remains uncertain due to a resurgence in infections since December. Furthermore, the virus continues to spread overseas, with no signs of being controlled, and the loss of inbound tourism demand due to border controls has yet to recover. The future outlook remains as uncertain as ever.

In the logistics industry, there have been some signs of activity, for example demand linked to staying indoors and home meal demand generated by COVID-19. However, the halt in living activities and a drop in personal consumption have resulted in an overall slump in domestic freight transportation volumes, and the industry continues to face an adverse business environment.

In this environment, the Group has been engaged in “securing and developing human resources,” “researching and utilizing the latest technologies,” and “developing new markets,” following the concept of its medium-term management plan, “3PL & Platform Company,” which it launched in the previous fiscal year. Moreover, even in the current situation, we continued working on our initial measures and decided to further promote the EC logistics business, the low-temperature food logistics business, and the BCP logistics business as core businesses for social infrastructure, looking ahead to the end of the COVID-19 pandemic.

In the EC logistics business, we built our own last one mile delivery network and developed mechanisms for supporting the launch of “MQA (Momotaro・Quick Ace)” businesses by individual proprietors in the growing markets. In the low-temperature food logistics business, we worked to homogenize logistics quality and enhance its features through our service menu, AZ-COM7PL (AZ-COM Seven Performances Logistics/3PL with the addition of seven management support functions). In particular, we worked to strengthen “direct-from-the-farm” services that emphasize freshness as a selling point to support ordinary profit for supermarkets. Furthermore, we strengthened and developed the BCP logistics business to provide safe, secure, and stable logistics not only under normal circumstances but also during emergencies due to disasters and so forth. At the same time, we strengthened coordination based on mutual aid with partner companies in the “AZ-COM Maruwa Support Network.” Through these efforts we contributed to securing lifelines through the logistics business. In addition, we further accelerated Digital Transformation (DX) in response to environmental changes caused by COVID-19.

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 112,113 million yen (up 14.0% year on year), operating profit of 8,019 million yen (up 11.5% year on year), ordinary profit of 8,262 million yen (up 11.8% year on year) and profit attributable to owners of parent of 5,536 million yen (up 14.9% 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 46,077 million yen (up 22.5% year on year) as a result of the steady contribution to earnings of newly accepted orders for 3PL outsourcing services and transportation services, in addition to solid demand for “EC Last One Mile Same Day Delivery Service” due to changes in consumer behavior associated with the impact of COVID-19.

- Food logistics

Net sales in food logistics centered on low-temperature food were 44,793 million yen (up 13.6% year on year) as a result of a contribution to earnings from an increase in freight volume at grocery supermarkets, who are the Company’s customers, reflecting an increase in demand for taking meals at home due to people refraining from going out.

- Medicine & medical logistics

Net sales in medicine and medical logistics were 20,283 million yen (down 0.4% year on year) as a result of the impact of a decrease in freight volume at existing clients such as drug stores, which are the Group's main clients, following a drop in inbound tourism demand due to border controls, despite seeing growth in infection prevention products such as masks and sterilization-related products and demand arising from people staying at home.

In terms of profit, the effects of strengthening daily account management, such as appropriate allocation of vehicles and personnel in response to major fluctuations in freight volume at customers resulted in net sales in the logistics business totaling 111,154 million yen (up 14.1% year on year) and segment profit (operating profit) of 7,739 million yen (up 12.0% year on year).

(ii) Other

In the document storage business, although there was an impact from a decrease in orders from customers following changes in corporate activities due to the promotion of telework and other factors, efforts to expand business with existing clients and accept business related to Business Process Outsourcing (BPO) resulted in net sales totaling 959 million yen (up 2.2% year on year), despite segment profit (operating profit) decreasing to 279 million yen (down 0.6% year on year) due to the impact of an increase in expenses from investment.

(Future outlook)

Regarding future economic conditions, a sense of uncertainty remains regarding the timing for the end of the COVID-19 pandemic. Until the economic effects of vaccine distribution and government fiscal expenditures and emergency economic measures emerge along with signs that the pandemic is drawing to an end, business conditions are expected to remain adverse.

Even under such conditions, the company has continuously worked on the three core businesses (EC logistics, low-temperature food logistics, and BCP logistics) of its medium-term management plan. 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, 2022, the Group is expected to have net sales of 120,000 million yen (up 7.0% year on year), operating profit of 8,410 million yen (up 4.9% year on year), ordinary profit of 8,800 million yen (up 6.5% year on year) and profit attributable to owners of parent of 5,850 million yen (up 5.7% year on year).

(2) Analysis of Financial Condition

(i) Assets, liabilities and net assets

(Assets)

Current assets increased by 19,570 million yen to 40,004 million yen due to factors such as a 17,947 million yen increase in cash and deposits and a 1,318 million yen increase in notes and accounts receivable - trade.

Non-current assets increased by 5,197 million yen to 33,187 million yen due to factors such as a 1,630 million yen increase in construction in progress, a 1,494 million yen increase in investment securities, a 630 million yen increase in buildings and structures, a 547 million yen increase in leasehold and guarantee deposits, and a 500 million yen increase in goodwill.

(Liabilities)

Current liabilities increased by 2,448 million yen to 18,862 million yen due to factors such as a 1,094 million yen increase in accounts payable - other, a 730 million yen increase in notes and accounts payable - trade, and a 359 million yen increase in provision for bonuses, while lease obligations decreased by 103 million yen.

Non-current liabilities increased by 22,939 million yen to 28,620 million yen due to factors such as a 21,026 million yen increase in convertible bonds and a 1,202 million yen increase in long-term borrowings.

(Net assets)

Net assets decreased by 619 million yen to 25,708 million yen due to factors such as a 5,146 million yen increase in treasury shares (decrease in net assets), despite a 3,621 million yen increase in retained earnings and a 747 million yen increase in valuation difference on available-for-sale securities, and the equity ratio was 35.1%.

(ii) Cash Flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter referred to as "cash") increased by 17,434 million yen from the end of the previous fiscal year to 26,482 million yen as a result of adding the increase of 511 million yen in cash and cash equivalents from newly consolidated subsidiary. The main factors resulting in changes in cash flows are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 7,970 million yen (7,113 million yen provided in the previous fiscal year). This was primarily attributable to an increase of 8,262 million yen in profit before income taxes, despite a decrease in cash due to 2,875 million yen in income taxes paid. Furthermore, the main cause of the 857 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 4,576 million yen (3,548 million yen used in the previous fiscal year). This was primarily attributable to a 3,184 million yen decrease in cash due to purchase of property, plant and equipment. Furthermore, the main cause of the 1,028 million yen decrease year on year was due to the purchase of logistics center equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was 14,040 million yen (3,459 million yen used in the previous fiscal year). This was primarily attributable to increases in cash due to 21,100 million yen in proceeds from issuance of bonds and 8,000 million yen in proceeds from short-term borrowings, despite decreases in cash due to 8,200 million yen in repayments of short-term borrowings and 5,316 million yen in purchase of treasury shares.

Reference: Trends in cash flow-related indicators

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021
Equity ratio (%)	52.3	50.6	54.4	35.1
Equity ratio based on market value (%)	256.9	266.7	322.6	331.3
Ratio of interest-bearing debt to cash flow (%)	162.7	127.6	78.2	345.0
Interest coverage ratio (multiple)	117.1	257.5	367.0	384.8

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 9.48 yen per share at the 48th Ordinary General Meeting of Shareholders to be held on June 28, 2021. An interim dividend of 18.95 yen per share has been paid. Furthermore, the Group conducted a 2-for-1 share split of common shares with an effective date of January 1, 2021, 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 November 2, 2020	1,213,945	18.95
Resolution of the Ordinary General Meeting of Shareholders on June 28, 2021	1,194,941	9.48

In addition, for the next fiscal year the Company plans to increase the annual dividend payment to 19.00 yen (interim dividend of 9.50 yen, year-end dividend of 9.50 yen), with a dividend payout ratio of 40.8%.

(4) Business Risks

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

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

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

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

(i) Compliance related risks

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

The Group recognizes compliance-oriented management as the most important issue, established the "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 various logistics services and is implementing information management systems in its logistics centers. The Group is striving to strengthen the awareness of security issues and engage in thorough personal information management through internal education based on the “information security policies” centered around the Information System Department while also 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 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 27,496 million yen as of March 31, 2021. At the present time, there are no concerns about new financing required because relations with financial institutions are good, but in the event financing is impeded by a deterioration in relations with financial institutions in the future and so forth for some reason such as a sudden deterioration in business performance or a significant fluctuation in the social environment and financial conditions, these phenomena may have an impact on the Group’s performance and financial condition. For this reason, the Group strives to reduce these risks by diversifying its financing methods.

(ix) Environmental regulatory risk

The Group is subject to a variety of environmental laws and regulations, including regulating air pollution, water contamination, soil and groundwater contamination, the handling and removal of toxic substances, and waste processing, etc. Therefore, because the Group owns many business vehicles, employees engaged in driving attend eco-driving training sessions so that they habitually drive in a manner to improve fuel economy daily, and the Group provides instructions mainly through the operation managers so that the employees try to drive while considering reducing 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 continue securing and developing personnel from both new graduates and mid-career hires to further expand its business in the future. Therefore, for new graduates, the Group is striving to secure talented human resources by conducting internships and through active recruitment based on a recruitment initiative by all employees while also implementing periodic interviews and job rotations and improving the internal training systems to promote the development of a fulfilling workplace environment and focus on the cultivation of future management personnel. However, in the event that it becomes difficult going forward to secure personnel as planned due to an increase in job offerings, etc., associated with the competition for highly-skilled human resources, or if there is an outflow of current employees, this may have an impact on the Group's performance and financial condition.

(xi) Risks of securing and developing management

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

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

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

2. Overview of the Corporate Group

The Group is made up of a total of 15 companies including the Company, ten consolidated subsidiaries and four 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

(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.

(ii) Transportation services

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

(2) Other

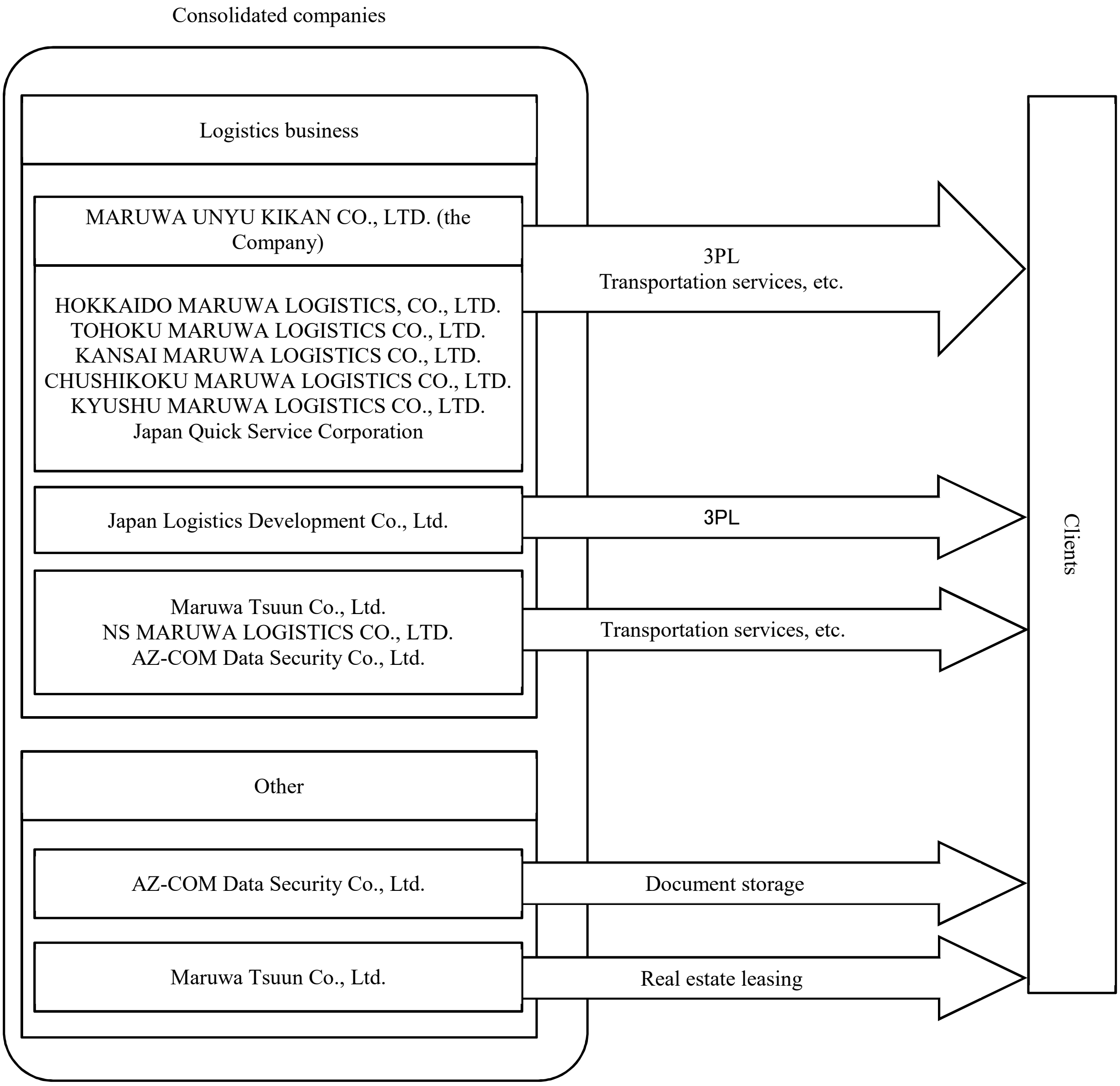
(i) Document storage

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

(ii) Real estate leasing

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

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 e-commerce and ordinary temperature logistics, food logistics, and medicine & medical logistics, 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" and the "transportation network"

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 and the transportation network. In the 3PL business, we will establish logistics functions by industry, business category and product, developing logistics facilities and establishing a low-cost operation system. We will also work to develop operations for the growing area of e-commerce logistics in addition to the Group's specialty fields in low-temperature food logistics and medicine & medical logistics. With the aim of ensuring even higher delivery quality for our "EC Last One Mile Same Day Delivery Service," we will work on implementing a new delivery model while securing a stable supply of vehicles in order to enhance service management and better meet the needs of the expanding e-commerce market. We will strive to build a strong business foundation for providing same day delivery services as a new social infrastructure. In addition, we will actively hire more drivers while further enhancing the development and management systems at transportation facilities. The aim is to realize a transportation network that meets various customer needs including BCP logistics.

(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, 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. 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.

(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.

(vi) Enhancing governance

In order to make our governance system even more effective, we have established a "Nomination and Compensation Committee" that includes independent outside directors. Its role is to provide advice and issue reports on the processes for selecting director candidates and determining director compensation. By also conducting evaluations of Board of Director effectiveness to further improve its function, we are working to ensure management transparency and objectivity while further enhancing corporate governance.

(vii) Promoting Digital Transformation

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

(viii) Promoting sustainability

Our management philosophy is "Contributing to the development of local communities and helping to create a more prosperous society." In order to realize this philosophy and solve environmental and social issues through our business activities, we will work to build a logistics network to serve as a social infrastructure, while ensuring critical infrastructure for the realization of a sustainable society.

(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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	8,541,130	26,488,570
Notes and accounts receivable - trade	11,020,893	12,339,126
Supplies	37,776	51,555
Prepaid expenses	648,000	921,203
Other	189,531	205,103
Allowance for doubtful accounts	(4,314)	(1,545)
Total current assets	20,433,018	40,004,013
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,298,363	19,756,985
Accumulated depreciation	(10,002,554)	(10,830,351)
Buildings and structures, net	8,295,808	8,926,634
Machinery, equipment and vehicles	5,149,792	5,030,931
Accumulated depreciation	(2,468,674)	(2,424,375)
Machinery, equipment and vehicles, net	2,681,118	2,606,555
Tools, furniture and fixtures	1,489,145	1,769,500
Accumulated depreciation	(718,959)	(863,015)
Tools, furniture and fixtures, net	770,185	906,485
Land	6,540,656	6,582,756
Leased assets	1,464,757	887,121
Accumulated depreciation	(955,532)	(517,559)
Leased assets, net	509,225	369,561
Construction in progress	804,409	2,435,141
Other	38,671	44,214
Total property, plant and equipment	19,640,076	21,871,350
Intangible assets		
Goodwill	171,859	672,744
Leased assets	4,368	1,306
Software	929,889	821,976
Other	316,236	501,246
Total intangible assets	1,422,353	1,997,274
Investments and other assets		
Investment securities	4,728,380	6,222,404
Long-term loans receivable	88,211	111,262
Deferred tax assets	253,791	307,429
Retirement benefit asset	271,584	351,869
Leasehold and guarantee deposits	1,402,189	1,949,990
Other	231,323	423,571
Allowance for doubtful accounts	(47,652)	(47,206)
Total investments and other assets	6,927,828	9,319,321
Total non-current assets	27,990,258	33,187,946
Total assets	48,423,277	73,191,959

(Thousands of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,125,738	7,856,701
Short-term borrowings	200,000	100,000
Current portion of long-term borrowings	2,158,648	2,118,670
Lease obligations	190,011	86,688
Income taxes payable	1,593,545	1,693,222
Provision for bonuses	601,268	960,402
Provision for loss on litigation	18,600	17,015
Accounts payable - other	3,799,921	4,894,097
Other	726,544	1,136,064
Total current liabilities	16,414,277	18,862,863
Non-current liabilities		
Convertible bonds	–	21,026,648
Long-term borrowings	2,679,730	3,882,111
Lease obligations	336,178	282,042
Deferred tax liabilities	424,082	590,719
Retirement benefit liability	751,660	878,643
Asset retirement obligations	598,166	776,469
Provision for share awards for directors (and other officers)	8,354	21,073
Provision for share awards for employees	10,989	25,525
Other	871,720	1,137,086
Total non-current liabilities	5,680,883	28,620,318
Total liabilities	22,095,160	47,483,181
Net assets		
Shareholders' equity		
Share capital	2,660,814	2,665,683
Capital surplus	2,175,236	2,341,694
Retained earnings	21,327,545	24,948,697
Treasury shares	(611,882)	(5,758,740)
Total shareholders' equity	25,551,714	24,197,334
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	954,922	1,702,819
Remeasurements of defined benefit plans	(178,519)	(191,376)
Total accumulated other comprehensive income	776,402	1,511,443
Total net assets	26,328,117	25,708,778
Total liabilities and net assets	48,423,277	73,191,959

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

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	98,348,739	112,113,901
Cost of sales	86,581,747	98,749,629
Gross profit	11,766,991	13,364,271
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	375,608	428,180
A salary allowance	1,417,487	1,492,454
Retirement benefit expenses	25,503	28,114
Provision for bonuses	77,318	110,881
Provision of allowance for doubtful accounts	10,175	–
Provision for share awards for directors (and other officers)	8,354	12,719
Provision for share awards for employees	10,989	14,931
Other	2,647,470	3,257,358
Total selling, general and administrative expenses	4,572,907	5,344,640
Operating profit	7,194,083	8,019,631
Non-operating income		
Interest income	3,178	74,629
Dividend income	71,280	87,506
Insurance claim income	47,880	17,837
Subsidy income	16,833	38,785
Other	110,983	130,504
Total non-operating income	250,157	349,264
Non-operating expenses		
Interest expenses	19,097	20,603
Bond issuance costs	–	55,394
Loss on cancellation of leases	10,598	2,350
Provision for loss on litigation	16,600	10,000
Provision of allowance for doubtful accounts	–	3,487
Other	5,344	15,045
Total non-operating expenses	51,641	106,881
Ordinary profit	7,392,600	8,262,014
Extraordinary income		
Gain on sale of investment securities	574	380
Gain on sale of non-current assets	26,111	–
Total extraordinary income	26,686	380
Profit before income taxes	7,419,286	8,262,395
Income taxes - current	2,700,787	2,923,178
Income taxes - deferred	(99,588)	(197,427)
Total income taxes	2,601,198	2,725,751
Profit	4,818,087	5,536,643
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	4,818,087	5,536,643

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	4,818,087	5,536,643
Other comprehensive income		
Valuation difference on available-for-sale securities	267,685	747,897
Remeasurements of defined benefit plans, net of tax	(928)	(12,856)
Total other comprehensive income	266,757	735,040
Comprehensive income	5,084,845	6,271,684
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,084,845	6,271,684
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of changes in equity

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

Fiscal year ended March 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,660,814	2,175,236	21,327,545	(611,882)	25,551,714
Changes during period					
Issuance of new shares - exercise of share acquisition rights	4,868	4,868			9,737
Dividends of surplus			(1,915,491)		(1,915,491)
Profit attributable to owners of parent			5,536,643		5,536,643
Purchase of treasury shares				(5,316,064)	(5,316,064)
Disposal of treasury shares				471	471
Increase by share exchanges		161,588		168,733	330,322
Net changes in items other than shareholders' equity					
Total changes during period	4,868	166,457	3,621,152	(5,146,858)	(1,354,380)
Balance at end of period	2,665,683	2,341,694	24,948,697	(5,758,740)	24,197,334

	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	954,922	(178,519)	776,402	26,328,117
Changes during period				
Issuance of new shares - exercise of share acquisition rights				9,737
Dividends of surplus				(1,915,491)
Profit attributable to owners of parent				5,536,643
Purchase of treasury shares				(5,316,064)
Disposal of treasury shares				471
Increase by share exchanges				330,322
Net changes in items other than shareholders' equity	747,897	(12,856)	735,040	735,040
Total changes during period	747,897	(12,856)	735,040	(619,339)
Balance at end of period	1,702,819	(191,376)	1,511,443	25,708,778

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	7,419,286	8,262,395
Depreciation	1,466,941	1,559,600
Amortization of goodwill	29,259	77,286
Increase (decrease) in allowance for doubtful accounts	9,384	(3,552)
Increase (decrease) in provision for bonuses	143,729	352,647
Increase (decrease) in allowance for other	35,943	25,761
Increase (decrease) in retirement benefit liability	35,975	32,505
Interest and dividend income	(74,459)	(162,136)
Interest expenses	19,097	20,603
Loss (gain) on sale and retirement of property, plant and equipment	(46,015)	(12,716)
Loss (gain) on sale of investment securities	(574)	(380)
Decrease (increase) in trade receivables	(682,175)	(862,310)
Increase (decrease) in trade payables	901,462	403,533
Increase (decrease) in accounts payable - other	(305,699)	874,405
Increase (decrease) in accrued consumption taxes	714,266	51,678
Other, net	(183,673)	159,005
Subtotal	9,482,750	10,778,325
Interest and dividends received	74,270	88,639
Interest paid	(19,379)	(20,715)
Income taxes paid	(2,424,374)	(2,875,619)
Net cash provided by (used in) operating activities	7,113,266	7,970,630
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,633,715)	(3,184,500)
Proceeds from sale of property, plant and equipment	426,340	30,825
Purchase of intangible assets	(213,997)	(205,376)
Purchase of investment securities	(1,020,860)	(379,538)
Proceeds from sale of investment securities	1,146	4,773
Loan advances	(109,896)	(53,680)
Proceeds from collection of loans receivable	264,452	80,643
Payments of leasehold and guarantee deposits	(307,071)	(571,729)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(323,900)
Other, net	44,833	25,522
Net cash provided by (used in) investing activities	(3,548,767)	(4,576,959)

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Proceeds from short-term borrowings	1,700,000	8,000,000
Repayments of short-term borrowings	(1,700,000)	(8,200,000)
Repayments of lease obligations	(283,730)	(189,985)
Payments for accounts payable-other	(2,929)	−
Proceeds from long-term borrowings	1,000,000	4,050,000
Repayments of long-term borrowings	(2,382,978)	(3,372,167)
Proceeds from issuance of bonds	−	21,100,000
Redemption of bonds	−	(126,000)
Dividends paid	(1,289,007)	(1,914,866)
Purchase of treasury shares	(508,134)	(5,316,064)
Proceeds from exercise of employee share options	6,893	9,737
Net cash provided by (used in) financing activities	(3,459,886)	14,040,654
Net increase (decrease) in cash and cash equivalents	104,611	17,434,325
Cash and cash equivalents at beginning of period	8,431,506	8,536,118
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	−	511,663
Cash and cash equivalents at end of period	8,536,118	26,482,107

(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: 10

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.
Japan Logistics Development Co., Ltd.
AZ-COM Data Security Co., Ltd.

Significant Changes in Scope of Consolidation

After acquisition of shares of Japan Logistics Development Co., Ltd. it is now a wholly owned subsidiary and included in the Company's scope of consolidation, as of the fiscal year under review.

(2) Principal non-consolidated subsidiaries

Japan Logistics Institute
Japan Taro's
AZ-COM Business Support
Noumu Co., Ltd.

Reasons for exclusion from the scope of consolidation

The four 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
Noumu Co., Ltd.

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 17 years
Tools, furniture and fixtures	2 to 20 years

(ii) Intangible assets (excluding leased assets)

The straight-line method is applied.

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

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

(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 a six- to 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, 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.

Current Fiscal Year (April 1, 2020 to March 31, 2021)

(Units: thousand yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations (Note) 2	Amount recorded on consolidated financial statements (Note) 3
	Logistics business				
Net sales					
Net sales to external customers	111,154,692	959,209	112,113,901	–	112,113,901
Internal sales and transfers between segments	181,406	383,111	564,517	(564,517)	–
Total	111,336,098	1,342,320	112,678,419	(564,517)	112,113,901
Segment profit	7,739,800	279,808	8,019,608	22	8,019,631
Other items					
Depreciation	1,429,219	130,381	1,559,600	–	1,559,600

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 segment profit adjustment represents the elimination of transactions between segments.
3. Segment profit has been adjusted with operating profit from the consolidated statement of income.
4. The amounts of segment assets and liabilities are not shown because they are not subject to regular review for the purpose of making decisions about allocation of resources and assessing performance.

(Per share information)

	Previous Fiscal Year (April 1, 2019 to March 31, 2020)	Current Fiscal Year (April 1, 2020 to March 31, 2021)
Net assets per share	206.05 yen	204.54 yen
Earnings per share	37.58 yen	43.60 yen
Diluted earnings per share	37.45 yen	42.37 yen

Notes: 1. The Company conducted 2-for-1 splits of common shares with effective dates of October 1, 2019 and January 1, 2021. 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, 2019 to March 31, 2020)	Current Fiscal Year (April 1, 2020 to March 31, 2021)
Earnings per share		
Profit attributable to owners of parent (thousand yen)	4,818,087	5,536,643
Amount not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent pertaining to common shares (thousand yen)	4,818,087	5,536,643
Average number of common shares during the period (shares)	128,222,598	126,974,268
Diluted earnings per share		
Adjusted profit attributable to owners of parent (thousand yen)	–	(51,405)
[After-tax interest income included therein] (thousand yen)	[–]	[(51,405)]
Increase in common shares (shares)	442,908	2,471,458
[Convertible bonds with share acquisition rights included therein] (shares)	[–]	[2,130,898]
[Share acquisition rights included therein] (shares)	[442,908]	[340,560]
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, 2020)	End of Current Fiscal Year (March 31, 2021)
Total amount of net assets (thousand yen)	26,328,117	25,708,778
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)	26,328,117	25,708,778
Number of common shares at end of period used in calculation of net assets per share (shares)	127,774,696	125,688,732

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. (361,000 shares in the previous fiscal year and 360,000 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. (361,000 shares in the previous fiscal year and 359,000 shares in the current fiscal year)

(Significant subsequent events)

Not applicable.