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To whom it may concern:

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Notice Concerning Formulation of Medium-Term Management Plan

The MARUWA UNYU KIKAN CO., LTD. Group (hereinafter the “Group”) hereby announces that it has formulated a medium-term management plan for the three year period from the fiscal year ending March 31, 2023 (the 50th term) to the fiscal year ending March 31, 2025 (the 52nd term). Details are as follows.

1. Basic policy

Recently, the environment for the logistics industry has been in an unstable condition, with a decline in the working population associated with an increasingly severe falling birthrate and population aging, and a shortage of operating vehicles, in addition to restrictions on business due to the COVID-19 pandemic and concerns over increases in raw materials prices and energy costs due to increasing tension in the international situation. On the other hand, as an essential business, logistics demand is expected to continue to increase going forward.

In order for the Group to achieve sustained growth in this environment, it needs to address the increasing freight volume in each of its core logistics domain (i.e., EC logistics, low-temperature food logistics, and medicine & medical logistics), secure and develop human resources capable of driving business expansion in the face of an increasing shortage of human resources and operating vehicles, and promote and implement DX to promote labor-saving and manpower-saving and improve productivity.

Furthermore, the Group seeks to further promote business expansion through appropriate allocation of limited management resources, streamlining business operations by means of concentrated investment in growth businesses and revitalization/restructuring of poorly performing businesses. It is also committed to promoting ESG operations in its attempt to not only maximize economic value but also create social value.

2. The medium-term priority measures

- (1) Expansion and development of core businesses to respond to increasing logistics demand in growing markets

1) EC logistics business

By establishing a high-quality, high-efficiency logistics process that is based on the integrated supply chain (center operation, trunk transport service, last one mile) to serve both existing and new customers, the Group seeks to satisfy the needs of its customers while promoting further business expansion in the rapidly growing e-commerce market.

2) Low-temperature food logistics business

The Group is working to develop new businesses by several means: creating a procurement network that builds on AZ-COM7PL (AZ-COM Seven Performances Logistics/3PL with the addition of seven management support functions), a service menu that puts together the logistics know-how for supermarkets; establishing a direct-from-the-farm platform capable of accommodating various transportation modes, and; improving the quality of logistics to ensure compliance with HACCP (a food hygiene control system).

3) Medicine & medical logistics business

With many of its customers merging with another business, the Group is optimizing its logistic network across the country and rebuilding its logistics centers to reflect all the latest technological innovations and prepare itself to not only deal with the customers who have grown larger in scale as a result of a merger but also respond to a possible increase in demand in a post-COVID-19 market.

- (2) Securing a more diverse pool of talent as the Group grows larger in scale, and ensuring the optimum allocation and training of human resources.

To secure and train the human resources necessary to drive future business expansion, the Group is committed to diversifying its employment channels to enable mid-career hiring of industry-ready recruits instead of relying heavily on the conventional practice of hiring new graduates, to promoting strategic human resources development that takes into consideration the skills and manpower required to drive business expansion, and to ensuring the proper allocation of human resources and the prevention of employee turnover by using the Talent Management scheme that is aimed at making the best use of human resources.

- (3) Active efforts to introduce DX to enhance operational productivity in each business domain and the back office

Based on the findings from the proof-of-concept phase that was initiated through the previous medium-term management plan and is still continuing now, the Group makes active efforts to introduce DX to enhance operational productivity, including the enhancement of transportation operations by introducing the AI-based technologies such as the automated vehicle dispatch service and the freight/vehicle request system, the establishment of an e-commerce platform, the optimization of the back office operations through system integration, the introduction of robotics in the center operations, and the optimization of the supply chain through smart logistics enabled by the Cross-ministerial Strategic Innovation Promotion Program (SIP) initiated by the Cabinet Office.

- (4) Concentrated investment of management resources in businesses that have growth potential and high capital efficiency, and revitalization/restructuring of businesses

For optimum reinvestment of management resources acquired through businesses, the Group measures the growth potential and capital efficiency of each business and concentrates management resources in core businesses, thereby accelerating business growth. Furthermore, it uses the return on invested capital (ROIC) tree to identify business-specific improvement drivers that can help revitalize poorly performing businesses and restructure unprofitable businesses.

- (5) Creating shared value with the society through business activities and implementing corporate governance reform

To fulfill its responsibility as a logistics company listed on the Prime Market, the Group is committed to not only reducing its greenhouse gas (GHG) emissions but also improving environmental/social value through its business activities. It also promotes the “AZ-COM Maruwa Support Network,” through which it collaborates with its partners on the basis of relationships of mutual support, and utilizes the “AZ-COM BCP Network” to provide safe, secure, and stable logistics even in times of emergencies and to create a robust logistics network. These efforts signify the Group’s determination to carry out its duties as a public instrument that serves the society.

Looking ahead to the next generation, the Group is also implementing corporate governance reform to achieve enduring success.

3. Consolidated earnings targets

	<u>49th term</u> Fiscal year ended March 31, 2022 Result	<u>50th term</u> Fiscal year ending March 31, 2023 Plan	<u>51st term</u> Fiscal year ending March 31, 2024 Plan	<u>52nd term</u> Fiscal year ending March 31, 2025 Plan	Compared with fiscal year ended March 31, 2022	
					Change	Change (%)
Net sales (millions of yen)	133,000	171,500	200,000	240,000	107,000	80.5%
Operating profit (millions of yen)	8,649	11,130	13,600	17,100	8,451	97.7%
Operating profit margin (%)	6.5	6.5	6.8	7.1	0.6	—
Ordinary profit (millions of yen)	9,139	11,522	14,000	17,500	8,361	91.5%
Ordinary profit margin (%)	6.9	6.7	7.0	7.3	0.4	—

* For details of the medium-term management plan, please refer to materials distributed at the presentation for institutional investors and analysts scheduled to be held on May 24, 2022. The Company plans to post the distributed materials on its website after the presentation.

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