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[Document Submitted]	Securities Report
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Filed to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	June 27, 2022
[Business Year]	49th fiscal year (from April 1, 2021 to March 31, 2022)
[Company Name]	KABUSHIKI-GAISHA MARUWA UNYU KIKAN
[Company Name (in English)]	MARUWA UNYU KIKAN CO., LTD.
[Position and Name of Representative]	Masaru Wasami, President & CEO
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[Contact for Communications]	Kazumi Kawada, Director and Managing Executive Officer, Chief General Manager of General Affairs Division
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)

Part I Company Information

I. Overview of the Company

1. Key management indicators and trends

(1) Consolidated management indicators

Fiscal year		45th	46th	47th	48th	49th
Year ended		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(million yen)	74,359	85,590	98,348	112,113	133,000
Ordinary profit	(million yen)	4,752	6,046	7,392	8,262	9,139
Profit attributable to owners of parent	(million yen)	3,044	3,901	4,818	5,536	6,125
Comprehensive income	(million yen)	3,692	3,504	5,084	6,271	5,624
Net assets	(million yen)	20,617	23,033	26,328	25,708	29,735
Total assets	(million yen)	39,454	45,545	48,423	73,191	85,909
Net assets per share	(yen)	160.96	179.68	206.05	204.54	230.19
Basic earnings per share	(yen)	23.79	30.45	37.58	43.60	48.72
Diluted earnings per share	(yen)	23.67	30.32	37.45	42.37	44.77
Equity ratio	(%)	52.3	50.6	54.4	35.1	33.7
Return on equity	(%)	15.8	17.9	19.5	21.3	22.4
Price earnings ratio	(times)	33.3	31.1	32.5	44.2	23.0
Cash flows from operating activities	(million yen)	3,567	5,533	7,113	7,970	6,087
Cash flows from investing activities	(million yen)	(5,240)	(1,554)	(3,548)	(4,576)	(5,240)
Cash flows from financing activities	(million yen)	(1,442)	(124)	(3,459)	14,040	799
Cash and cash equivalents at end of period	(million yen)	4,577	8,431	8,536	26,482	29,442
Number of employees [Separately, average number of temporary employees]	(persons)	2,740 [4,028]	2,843 [4,121]	3,031 [4,452]	3,630 [4,832]	4,589 [6,458]

(Notes)
1. Effective from the beginning of the 49th fiscal year, presentation of monetary sums has been changed from units of one thousand yen to units of one million yen. To facilitate comparison, presentation of amounts for periods prior to the 48th fiscal year has also been changed from units of one thousand yen to units of one million yen.
2. The Company conducted 2-for-1 share splits of common shares with effective dates on October 1, 2017, October 1, 2019, and January 1, 2021. Accordingly, net assets per share, basic earnings per share and diluted earnings per share were calculated as though the share splits were conducted at the beginning of the 45th fiscal year.
3. The Company’s stock held as investment assets in a stock benefit trust for officers and a stock benefit ESOP are recorded as treasury shares under net assets. Such shares are included in treasury shares to be deducted from the number of common shares at the end of the fiscal year, which is the basis of calculation for net assets per share. In addition, such shares are included in treasury shares to be deducted from the average number of common shares during the fiscal year, which is the basis of calculation for basic earnings per share and diluted earnings per share.
4. The number in the square brackets of “Number of employees” columns indicates the yearly average number of temporary employees.
5. “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations are applied from the beginning of the 49th fiscal year and are applied to the key management indicators for the 49th fiscal year.

(2) Non-consolidated management indicators

Fiscal year		45th	46th	47th	48th	49th
Year ended		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(million yen)	49,996	59,184	67,457	76,362	92,313
Ordinary profit	(million yen)	3,463	4,771	5,361	6,428	7,210
Profit	(million yen)	2,651	3,451	3,891	4,921	5,303
Share capital	(million yen)	2,653	2,657	2,660	2,665	2,667
Total number of shares issued	(shares)	32,113,080	32,138,080	64,326,960	128,797,120	128,848,320
Net assets	(million yen)	16,686	18,682	21,050	19,829	22,249
Total assets	(million yen)	31,183	36,455	38,806	61,370	69,889
Net assets per share	(yen)	130.27	145.74	164.75	157.77	176.95
Dividends per share (Interim dividends per share)	(yen)	31.76 (15.88)	36.40 (18.20)	21.90 (10.95)	18.96 (9.48)	19.00 (9.50)
Basic earnings per share	(yen)	20.71	26.94	30.35	38.76	42.18
Diluted earnings per share	(yen)	20.61	26.83	30.25	37.62	38.61
Equity ratio	(%)	53.5	51.2	54.2	32.3	31.8
Return on equity	(%)	17.1	19.5	19.6	24.1	25.2
Price earnings ratio	(times)	38.2	35.2	40.3	49.8	26.6
Dividend payout ratio	(%)	38.3	33.8	36.1	48.9	45.0
Number of employees [Separately, average number of temporary employees]	(persons)	1,269 [2,702]	1,321 [2,696]	1,232 [2,827]	1,464 [3,001]	1,621 [2,909]
Total shareholder return (Benchmark: TOPIX including dividends)	(%) (%)	252.2 (115.9)	303.9 (110.0)	393.3 (99.6)	620.0 (141.5)	374.0 (144.3)
Highest share price	(yen)	5,730 4,595	4,525	5,620 2,842	4,815 2,406	1,998
Lowest share price	(yen)	2,440 2,185	2,404	3,675 1,591	2,334 1,810	950

(Notes) 1. Effective from the beginning of the 49th fiscal year, presentation of monetary sums has been changed from units of one thousand yen to units of one million yen. To facilitate comparison, presentation of amounts for periods prior to the 48th fiscal year has also been changed from units of one thousand yen to units of one million yen.

2. The Company conducted 2-for-1 share splits of common shares with effective dates on October 1, 2017, October 1, 2019, and January 1, 2021. Accordingly, net assets per share, basic earnings per share and diluted earnings per share were calculated as though the share splits were conducted at the beginning of the 45th fiscal year.

3. The Company's stock held as investment assets in a stock benefit trust for officers and a stock benefit ESOP are recorded as treasury shares under net assets. Such shares are included in treasury shares to be deducted from the number of common shares at the end of the fiscal year, which is the basis of calculation for net assets per share. In addition, such shares are included in treasury shares to be deducted from the average number of common shares during the fiscal year, which is the basis of calculation for basic earnings per share and diluted earnings per share.

4. The dividends per share and dividend payout ratio for the 45th, 47th, and 48th fiscal year were calculated as though the share splits were conducted at the beginning of each fiscal year. Share split for the beginning of the 45th fiscal year was conducted on October 1, 2017, the share split for the beginning of the 47th fiscal year was conducted on October 1, 2019, and the share split for the beginning of the 48th fiscal year was conducted on January 1, 2021.

5. Dividends per share of 18.96 yen for the 48th fiscal year includes 50th anniversary commemorative dividends (an

interim dividend of 3.75 yen, where actual dividends without considering the share split is 7.5 yen, and a year-end dividend of 3.75 yen).

6. The number in the square brackets of "Number of employees" columns indicates the yearly average number of temporary employees.
7. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations are applied from the beginning of the 49th business year and are applied to the key management indicators for the 49th business year.
8. The Company's stock had been listed on Tokyo Stock Exchange 2nd Section since April 8, 2014 and has been listed on Tokyo Stock Exchange 1st Section since April 10, 2015.
9. Highest share price and lowest share price are those at the Tokyo Stock Exchange (1st Section).
10. The share price for the lower column of the 45th fiscal year indicates the share price after the price of right is deducted from share price due to share split (2-for-1 share split on October 1, 2017).
11. The share price for the lower column of the 47th fiscal year indicates the share price after the price of right is deducted from share price due to share split (2-for-1 share split on October 1, 2019).
12. The share price for the lower column of the 48th fiscal year indicates the share price after the price of right is deducted from share price due to share split (2-for-1 share split on January 1, 2021).

2. History

The history of the Group as a corporate group is as follows.

Date	Summary
August 1973	Established MARUWA UNYU KIKAN, LTD. in Yoshikawa-machi, Kitakatsushika-gun, Saitama Prefecture (currently Yoshikawa-shi, Saitama Prefecture), with the business purpose of general sector motor truck transportation business
October 1978	The Company made an entity conversion to MARUWA UNYU KIKAN CO., LTD.
June 1991	Opened Kita-Kanto Branch (currently Kazo Logistics Center)
July 1993	Acquired shares of Showa Tsuun Co., Ltd. (currently Maruwa Tsuun Co., Ltd., a consolidated subsidiary)
December 1993	Acquired shares of KANSAI MARUWA SERVICE CO., LTD. (currently KANSAI MARUWA LOGISTICS CO., LTD., a consolidated subsidiary)
August 1994	Opened Hokkaido Logistics Center (currently Kitahiroshima Logistics Center, HOKKAIDO MARUWA LOGISTICS, CO., LTD.) in Eniwa-shi, Hokkaido
October 1994	Opened Nagoya Sales Office (currently Nagoya Sales Office, KANSAI MARUWA LOGISTICS CO., LTD.) in Komaki-shi, Aichi Prefecture
February 1997	Opened Morioka Logistics Center (currently Morioka Sales Office, TOHOKU MARUWA LOGISTICS CO., LTD.) in Shiwa-cho, Shiwa-gun, Iwate Prefecture
June 1997	Opened Osaka Chuo Sales Office (currently Osaka Chuo Sales Office, KANSAI MARUWA LOGISTICS CO., LTD.) in Suita-shi, Osaka Prefecture
August 1997	Established Tohoku Maruwa Service Co., Ltd. (currently TOHOKU MARUWA LOGISTICS CO., LTD., a consolidated subsidiary) in Shiwa-cho, Shiwa-gun, Iwate Prefecture
October 1998	Opened MK Distribution Center (currently AZ-COM Yoshikawa MK Distribution Center) in Yoshikawa-shi, Saitama Prefecture
June 2000	Opened Kochi Sales Office (currently Kochi Sales Office, CHUSHIKOKU MARUWA LOGISTICS CO., LTD.) in Kochi-shi, Kochi Prefecture
April 2002	Established SHIKOKU MARUWA LOGISTICS CO., LTD. (currently CHUSHIKOKU MARUWA LOGISTICS CO., LTD., a consolidated subsidiary) in Kochi-shi, Kochi Prefecture
February 2003	Opened MK Shiga Joint Logistics Center (currently Osaka MK Center, KANSAI MARUWA LOGISTICS CO., LTD.) in Omihachiman-shi, Shiga Prefecture
October 2004	Established AZ-COM Data Security Co., Ltd. (currently a consolidated subsidiary) in Yoshikawa-shi, Saitama Prefecture
October 2005	Established KYUSHU MARUWA LOGISTICS CO., LTD. (currently a consolidated subsidiary) in Higashi-ku, Fukuoka-shi, Fukuoka Prefecture
	AZ-COM Data Security Co., Ltd. was certified with PrivacyMark
	Maruwa Tsuun Co., Ltd. started cool container business
December 2005	Yokohama Chuo Sales Office (currently DL Management Office) obtained the Group’s first G Mark certification (Certified Office with Excellent Safety)
April 2006	MARUWA UNYU KIKAN CO., LTD. relocated its Head Office to 7-1 Asahi, Yoshikawa-shi, Saitama Prefecture
July 2007	Opened AZ-COM Kita-Kanto MK Distribution Center in Ashikaga -shi, Tochigi Prefecture
March 2008	Acquired of all shares of Japan Quick Service Corporation (currently a consolidated subsidiary) by share exchange and made it a wholly owned subsidiary
	Acquired of all shares of Japan Taro’s (currently a non-consolidated subsidiary) by share exchange and made it a wholly owned subsidiary
	Acquired of all shares of AZ-COM Business Support (currently a non-consolidated subsidiary) by share exchange and made it a wholly owned subsidiary
	Acquired of all shares of HOKKAIDO MARUWA LOGISTICS, CO., LTD. (currently a consolidated subsidiary) and made it a wholly owned subsidiary
December 2008	KANSAI MARUWA LOGISTICS CO., LTD. started bus operation business (Ayabe City Bus) in Ayabe-shi, Kyoto Prefecture
August 2010	Acquired of all shares of Maruwa Tsuun Co., Ltd. and made it a wholly owned subsidiary
October 2010	AZ-COM Data Security Co., Ltd. opened On-Demand Center in Chichibu-shi, Saitama Prefecture
July 2012	Japan Quick Service Corporation was certified with PrivacyMark
September 2013	Opened AZ-COM Kanagawa MK Distribution Center in Chou-ku, Sagamihara-shi, Kanagawa Prefecture
March 2014	Opened Ome Food Logistics Center in Hamura-shi, Tokyo
	AZ-COM Data Security Co., Ltd.’s Chichibu Security Center III obtained ISO 27001 certification
April 2014	Listed on Tokyo Stock Exchange 2nd Section

Date	Summary
April 2015	Listed on Tokyo Stock Exchange 1st Section
	Opened Tokorozawa Food Logistics Center in Tokorozawa-shi, Saitama Prefecture
July 2015	Opened AZ-COM Sendai Food Logistics Center in Tomiya-cho (currently Tomiya-shi), Kurokawa-gun, Miyagi Prefecture
October 2016	KANSAI MARUWA LOGISTICS CO., LTD. opened Osaka MK Center in Sakai-ku, Sakai-shi, Osaka Prefecture
January 2017	Transferred operations of Kansai Logistics Operation Department to KANSAI MARUWA LOGISTICS CO., LTD.
June 2017	Started “EC Last One Mile Same Day Delivery Service” in the Tokyo metropolitan area
March 2018	Acquired “product individual delivery business” from Kokusai Transportation Service Corporation and KANTO SHIPPING CO, LTD. by business transfer
May 2018	Established NS MARUWA LOGISTICS CO., LTD. (currently a consolidated subsidiary) in Arakawa-ku, Tokyo
June 2018	TOHOKU MARUWA LOGISTICS CO., LTD. opened Sendai Nagamachi Center in Taihaku-ku, Sendai-shi, Miyagi Prefecture
October 2018	TOHOKU MARUWA LOGISTICS CO., LTD. relocated its Head Office to Taihaku-ku, Sendai-shi, Miyagi Prefecture
	CHUSHIKOKU MARUWA LOGISTICS CO., LTD. opened Okayama Food Logistics Center in Minami-ku, Okayama-shi, Okayama Prefecture
November 2019	KANSAI MARUWA LOGISTICS CO., LTD. opened Kakogawa Food Center in Kakogawa-shi, Hyogo Prefecture
September 2020	Acquired shares of Japan Logistics Development Co., Ltd. by share exchange and made it a wholly owned subsidiary
October 2020	KANSAI MARUWA LOGISTICS CO., LTD. opened AZ-COM Logistics Kyoto in Yawata-shi, Kyoto Prefecture
September 2021	Opened Sagamihara Sorting Center in Chuo-ku, Sagamihara-shi, Kanagawa Prefecture
November 2021	Opened Urawa-misono Sorting Center in Midori-ku, Saitama-shi, Saitama Prefecture
March 2022	Made PHYZ Holdings Inc. a consolidated subsidiary upon acquiring its shares through tender offer

3 Business description

The Group is made up of a total of 23 companies, including the Company and its 17 consolidated subsidiaries and five non-consolidated subsidiaries (of which one is a dormant company). Its operations are focused on logistics businesses that encompass third-party logistics (3PL) and transportation services.

The Group's business are as follows.

The business categories are the same as the categories in the segment information shown in "V. Status of Accounting, 1 Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements, Notes, (Segment information, etc.)."

(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

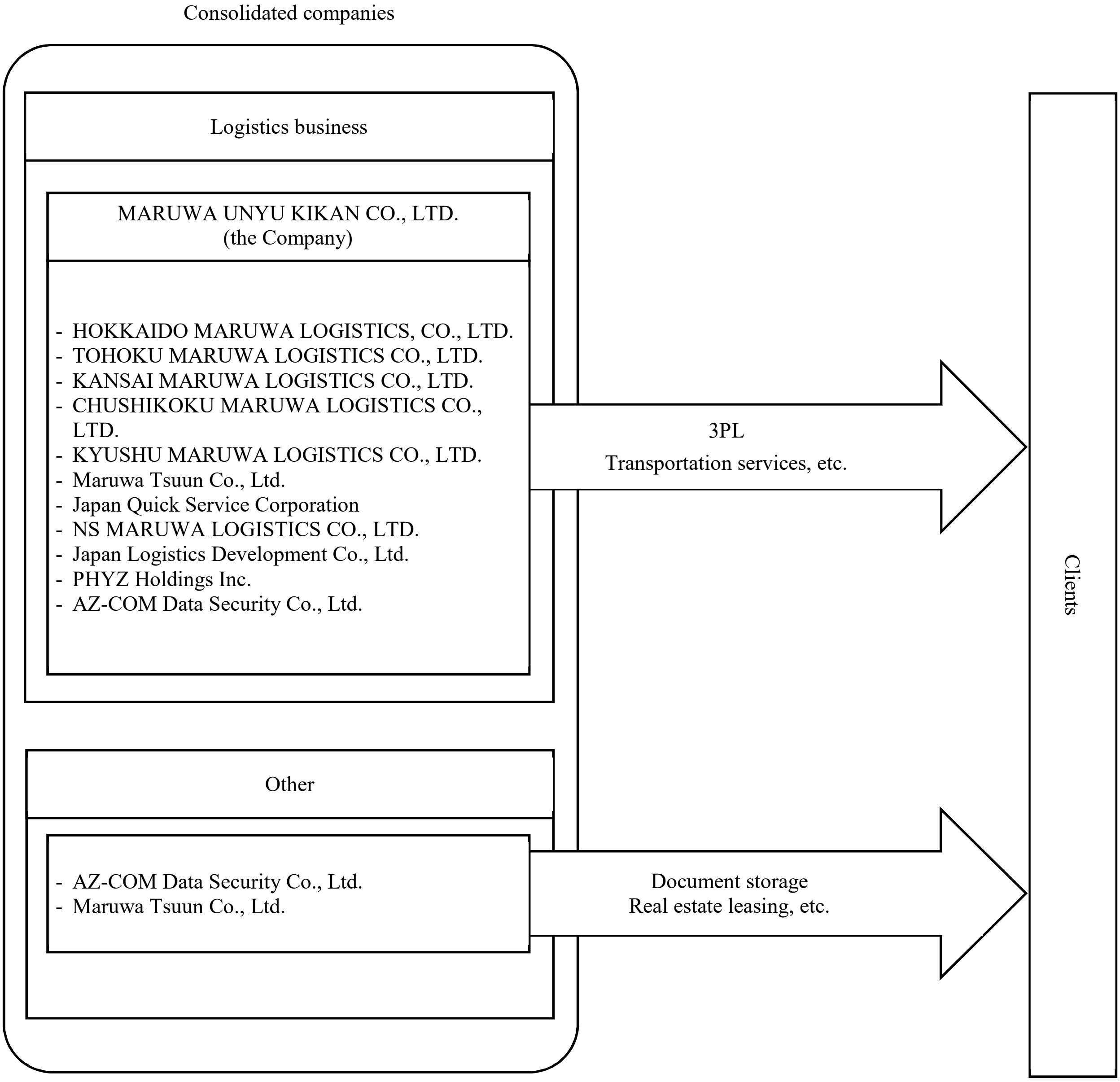
(i) Document storage

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.

4. Subsidiaries and other affiliated entities

Name	Location	Share capital (million yen)	Description of principle business	Holding ratio of voting rights (%)	Overview of relationship
(Consolidated subsidiaries)					
HOKKAIDO MARUWA LOGISTICS, CO., LTD. (Note 3)	Ishikari-shi, Hokkaido	46	Logistics business	100.0	Entrusting transportation operations and entrusted transportation operations Leasing of facilities Receiving of seconded employees 1 officer serving concurrently
TOHOKU MARUWA LOGISTICS CO., LTD. (Note 3)	Taihaku-ku, Sendai-shi, Miyagi Prefecture	30	Logistics business	100.0	Entrusting transportation operations and entrusted transportation operations Entrusting logistics operations and entrusted logistics operations Leasing and renting of facilities Secondment of employees and receiving of seconded employees 1 officer serving concurrently
KANSAI MARUWA LOGISTICS CO., LTD. (Note 3, 5, 6)	Ayabe-shi, Kyoto Prefecture	81	Logistics business	100.0 (22.8)	Entrusting transportation operations and entrusted transportation operations Entrusting logistics operations and entrusted logistics operations Lending of funds Secondment of employees and receiving of seconded employees
CHUSHIKOKU MARUWA LOGISTICS CO., LTD. (Note 3)	Kochi-shi, Kochi Prefecture	10	Logistics business	100.0	Entrusting transportation operations and entrusted transportation operations Secondment of employees 1 officer serving concurrently
KYUSHU MARUWA LOGISTICS CO., LTD. (Note 3)	Higashi-ku, Fukuoka-shi, Fukuoka Prefecture	10	Logistics business	100.0	Entrusting transportation operations Entrusting logistics operations Renting of facilities Secondment of employees
Maruwa Tsuun Co., Ltd. (Note 3)	Arakawa-ku, Tokyo	100	Logistics business Other	100.0	Entrusting transportation operations and entrusted transportation operations Renting of facilities Lending of funds Secondment of employees and receiving of seconded employees 3 officers serving concurrently
Japan Quick Service Corporation (Note 3)	Arakawa-ku, Tokyo	10	Logistics business	100.0	Entrusting transportation operations and entrusted transportation operations Entrusting logistics operations Secondment of employees
NS MARUWA LOGISTICS CO., LTD. (Note 3)	Arakawa-ku, Tokyo	50	Logistics business	100.0	Lending of funds Secondment of employees 2 officers serving concurrently

Name	Location	Share capital (million yen)	Description of principle business	Holding ratio of voting rights (%)	Overview of relationship
Japan Logistics Development Co., Ltd. (Note 3)	Itabashi-ku, Tokyo	27	Logistics business	100.0	Lending of funds
PHYZ Holdings Inc. (Note 4, 5)	Kita-ku, Osaka-shi, Osaka Prefecture	326	Logistics business	58.4	–
AZ-COM Data Security Co., Ltd. (Note 3)	Chichibu-shi, Saitama Prefecture	50	Logistics business Other	100.0	Entrusting document storage operations Entrusting transportation operations and entrusted transportation operations Leasing of facilities Secondment of employees and receiving of seconded employees 1 officer serving concurrently
6 other companies					

(Notes) 1. In the “Description of principle business” column, names provided in segment information are stated.
2. The number in the parentheses of “Holding ratio of voting rights” column indicates the ratio of shares indirectly held.
3. For the purpose of promoting efficiency of fund management, CMS (cash management system) is introduced, and there are lending and borrowing of funds between the Company and its consolidated subsidiaries.
4. This company files Securities Report.
5. These companies are classified as specified subsidiaries.
6. Among the above consolidated subsidiaries, net sales (excluding internal sales between consolidated companies) of KANSAI MARUWA LOGISTICS CO., LTD. comprises more than 10% of consolidated net sales.
Key financial data:

(1) Net sales	24,447 million yen
(2) Ordinary profit	653 million yen
(3) Profit	489 million yen
(4) Net assets	2,336 million yen
(5) Total assets	8,768 million yen

5. Employees

(1) Consolidated

As of March 31, 2022

Name of segment	Number of employees (persons)
Logistics business	4,413 [6,421]
Other	176 [37]
Total	4,589 [6,458]

(Notes) 1. Number of employees excludes employees seconded from the Group to outside of the Group and includes seconded employees from outside of the Group to the Group.
2. There was an increase of 959 employees relative to the end of the previous fiscal year largely as a result of having made PHYZ Holdings Inc. a consolidated subsidiary.
3. The number in the square brackets of "Number of employees" column indicates the yearly average number of temporary employees.
4. The number of temporary employees includes part-time employees and employees under non-regular contract, and excludes dispatched employees.

(2) Non-consolidated

As of March 31, 2022

Number of employees (persons)	Average age (years old)	Average years of service (years)	Average annual salary (thousand yen)
1,621 [2,909]	38.2	8.5	4,646

Name of segment	Number of employees (persons)
Logistics business	1,621 [2,909]
Other	– [–]
Total	1,621 [2,909]

(Notes) 1. Number of employees excludes employees seconded from the Company to other companies and includes seconded employees from other companies to the Company.
2. The number in the square brackets of "Number of employees" column indicates the yearly average number of temporary employees.
3. The number of temporary employees includes part-time employees and employees under non-regular contract, and excludes dispatched employees.
4. Average annual salary includes bonuses and non-standard wages.

(3) Labor unions

Maruwa Tsuun Co., Ltd. of the Group has a labor union. As of March 31, 2022, there are 25 members in such union.

Moreover, both the Company and its consolidated subsidiaries have favorable employee relations.

II. Overview of business

1. Management policy, management environment and issues to be addressed

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.

Uncertainties about future economic conditions remain with regard to when the COVID-19 pandemic will end. There are also concerns about the worsening situations in Russia and Ukraine impacting the world economy as well as about the prolonged inflation due to a sharp rise in prices of energy and raw materials, both of which cast a long shadow over the economy. However, demand for logistics as an essential business is expected to keep growing for years to come.

Under these circumstances, the Group formulated a medium-term management plan that covers a period from the fiscal year ending March 2023 to the fiscal year ending March 2025. This medium-term management plan is designed to ensure sustainable growth by (a) addressing both the increasing freight volume in each core logistics domain (i.e., EC logistics, low-temperature food logistics, and medicine & medical logistics) and the increasing shortage of human resources and operating vehicles, (b) securing and developing human resources capable of driving business expansion, and (c) promoting and implementing DX to improve productivity.

Furthermore, the Group seeks to maximize economic value by appropriate allocation of management resources with concentrated investment in growth businesses and also by revitalizing/restructuring poorly performing businesses to streamline business operations. It also carries out ESG operations to create social value.

(1) The Company's Basic Management Policies

Following its management philosophy to "become a leader in the third-party logistics (3PL) industry, always putting customers' interests first and contributing to the wellbeing of all the allies and to the creation of a prosperous society," the Group undertakes 3PL operations that mainly takes place at logistic centers, focusing exclusively on EC logistics (mainly for the retail industry), low-temperature food logistics, and medicine & medical logistics. As a group of logistics professionals capable of providing a comprehensive solution to its customers' operational needs by enhancing human resources development, acquiring the latest knowledge and skills, designing original logistics solutions that enable the optimization of logistics, and investing in research and development, the Group is committed to contributing to the "development of the community" and to the "creation of a prosperous society."

(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) Return on equity: 15% or higher

(3) The Company's Medium- to Long-term Management Strategy

In order for the Group to achieve sustained growth, 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. The medium-term priority measures are as follows.

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

<<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.

<<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).

<<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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(4) Issues to be Addressed

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.

2. 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, Vice President and Executive Officer serving as the chairperson to rapidly respond to these risks. The Risk Management Committee decides the risk management policies within the Group, the current assessment of the extracted risks, and the measures to provide periodic reports to the Board of Directors.

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

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

(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

Name of permits, etc.	Name of law	Supervisory agency	Effective period	Grounds for revocation
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 global 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 an increase in 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 logistics business, the Group has many employees working at the logistics centers. In either case, serious life-threatening accidents can not only undermine the trust of the Group’s customers and its social credibility but also subject the Group to administrative or even criminal punishment if it is convicted of a violation of the Industrial Safety and Health Act. 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. In addition, the Labor Department leads the Industrial Accidents Prevention Project, which is the company-wide efforts to proactively address the possible risks of industrial accidents. 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 (including virus monitoring and firewall protection) and backup center features and implementing system outage measures such as installing emergency generators in the server rooms, etc. However, circumstances such as external leaks of information or loss of data or personal information 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 (some of which are agricultural land) including the expansion of the site at the Higashisaitama Technopolis in Yoshikawa-shi, Saitama Prefecture where the head office is located, and the site of a new logistic center in Matsubushi Town located in Kitakatsushika County. 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 31,872 million yen as of March 31, 2022. 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.

In January, 2022, the Group declared its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD). Based on TCFD recommendations, the Group is committed to making active efforts to disclose information pertaining to the four thematic areas, i.e., “Governance,” “Strategy,” “Risk Management,” and “Metrics and Targets.” (The end of the “Business Risks” section of this report provides details on information disclosure in accordance with the TCFD recommendations)

(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 the "CEO Succession Program" 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 was 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.

Information disclosure in accordance with the TCFD recommendations

(i) Governance

The Company recognizes that addressing matters associated with climate change serves as a material issue of management and has accordingly established a governance system centered on the Sustainability Committee and supervised by the Board of Directors.

<<System of supervision by the Board of Directors>>

The Board of Directors monitors issues associated with risks and opportunities relating to climate change, with respect to which it receives a report once annually from the Sustainability Committee detailing the status of implementing such initiatives and progress made toward achieving such targets. In addition, the Board of Directors also takes on supervision of newly established countermeasures and targets.

<<Managerial roles associated with climate change>>

Matters associated with climate change are subject to oversight of the President & CEO. In addition, as the chairperson of the Sustainability Committee, the role of the President & CEO involves assessing effects of climate change on operations, devising countermeasures, setting targets, and providing oversight in tracking progress thereof.

<<Sustainability Committee>>

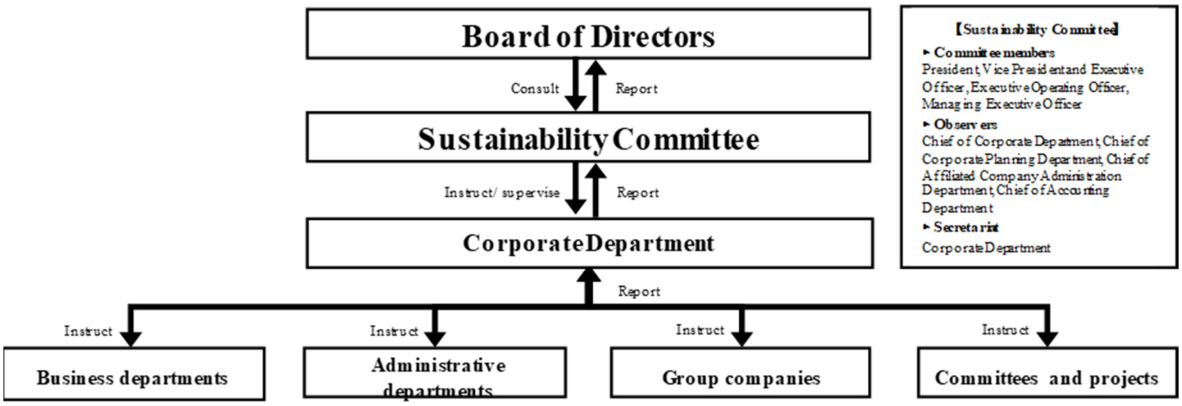
The Sustainability Committee reports to the Board of Directors upon having engaged in deliberations on identifying materiality (material issues) inclusive of matters associated with climate change and formulating sustainability strategy and medium-term management plans inclusive of action to be taken regarding ESG and DX objectives.

The President & CEO serves as the chairperson of the Sustainability Committee, whose membership consists of Vice President and Executive Officer, Executive Operating Officers, Managing Executive Officers, and those nominated by the Vice President and Executive Officer. The committee is in charge of assessing effects of climate change on operations once annually, presenting guidelines for minimizing identified risks and seizing opportunities, reviewing and devising countermeasures, and setting targets. In addition, the committee also deliberates on progress made toward achieving targets, then reports such findings to the Board of Directors once annually and accepts its supervision.

<<Relevant departments associated with climate change>>

The Corporate Department engages in tasks that involve taking charge of the Secretariat of the Sustainability Committee, planning, devising and managing sustainability strategy inclusive of climate change, promoting a response to climate change company-wide, reviewing and devising sustainability strategy inclusive of matters associated with climate change, and making recommendations to the Sustainability Committee.

The following chart depicts the Group's governance system as it pertains to climate change.



(ii) Strategy

We identify climate change risks and opportunities likely to affect our business activities, and subsequently assess the potential financial impact of such risks and opportunities. Based on such findings, we then review countermeasures geared to reducing particularly substantial risk and seizing opportunities.

Category	Type	Conceivable climate change risks and opportunities	Effects on business activities	Time frame	Assessment
Transition risk	Political & regulatory	Imposition of more stringent laws and regulations on greenhouse gas emissions and reduction of such emissions	Higher costs associated with introduction of carbon tax and new tax regime (carbon pricing)	Medium term	High
			Limits imposed on business activities amid introduction of emission regulations, etc., and fewer partner companies (trucks)	Medium term	Medium

	Technology	Capital investment and purchase of consumables taking into account greenhouse gas emissions and their reduction	Introduction of low-carbon vehicles (EV/FCV), investment in incidental facilities (equipment & land), additional installation of emission control devices	Medium term	High
			Higher capital investment associated with introduction of solar power generation facilities, etc.	Medium term	Medium
	Market	Shifting customer and consumer needs	Suspension of business transactions due to customer non-compliance with supplier selection standards associated with climate change (loss of sales and profits)	Long term	High
		Insufficient and delayed infrastructure development	Scale of business subject to limitations due to use of low-carbon vehicles (EV/FCV) amid insufficient development of infrastructure such as charging and hydrogen stations	Medium term	High
		Rising fuel prices due to geopolitical risks	Higher costs due to rising fuel prices (gasoline, electricity, etc.)	Short term	Medium
	Reputation	Corporate value impaired due to insufficient information disclosure	Share price slumps and corporate value impaired due to insufficient information disclosure regarding measures to address climate change, greenhouse gas emission volumes, etc.	Medium term	High
Physical risk	Acute	Occurrence of catastrophic disaster	Business suspended due to factors that include disruption of distribution networks in the disaster zone (trucks, railroads, vessels, etc.), failure of operating center functions, and employee casualties	Long term	Medium
	Chronic	Rise in average temperatures	Higher construction costs when opening new operating centers due to installation of components such as heat shielding, air circulation and cooling equipment	Short term	Medium
		Changing weather patterns	Meteorological disasters (wind, water and snow damage) give rise to employee casualties, transportation network interruptions, frequent accidents, etc.	Medium term	Medium
Opportunities	Resource streamlining	Greater diversity in means of transport	New business opportunities created by enlisting means of transport featuring low environmental impact (railway containers, RORO vessels, air cargo, articulated trucks, drone transport, etc.)	Long term	High
		Manufacturing and distribution process streamlining	New business opportunities created by streamlining distribution as a result of consolidating facilities and vertically integrating supply chains (SIP smart logistics, stock sharing, joint logistics, combined passenger-cargo transport)	Long term	High
	Products & services	Development of new services	Develop risk-solution products involving services such as providing vehicles in the event of disaster, facilitating supply chain recovery, transporting and storing disaster relief supplies, and offering support in drawing up business continuity plans	Medium term	Medium

(iii) Risk management

Chaired by the President & CEO, the Sustainability Committee engages in management of risks associated with climate change by identifying and assessing such risk, and periodically reporting such matters to the Board of Directors.

<<Process of identifying and assessing risks associated with climate change>>

The Corporate Department is in charge of promoting sustainability strategy inclusive of climate change. It accordingly provides guidance on discerning risks and opportunities associated with relevant departments in-house and Group companies, identifies risks, and reports such findings to the Sustainability Committee.

The Sustainability Committee assesses the potential magnitude and scope of climate-related risk with respect to identified risks associated with climate change. It then sets targets upon having reviewed countermeasures aligned with severity of risk, and reports such matters to the Board of Directors.

The Board of Directors provides supervision with respect to risks associated with climate change in terms of overseeing countermeasures and set targets in that regard.

<<Process of managing risks associated with climate change>>

The Corporate Department engages in tasks that involve planning, devising and managing sustainability strategy inclusive of climate change, addressing risks associated with climate change company-wide, and reporting the status of implementing such initiatives to the Sustainability Committee. It also reports identified risks associated with climate change to the Risk Management Committee, pursuant to rules on risk management.

The Sustainability Committee presents guidelines for minimizing identified and assessed risks, and provides guidance on taking action to relevant departments in-house and Group companies via the Corporate Department. It also reports to the Board of Directors on the status of implementing countermeasures and progress made toward achieving set targets.

<<Process of organization-wide integration of risk management>>

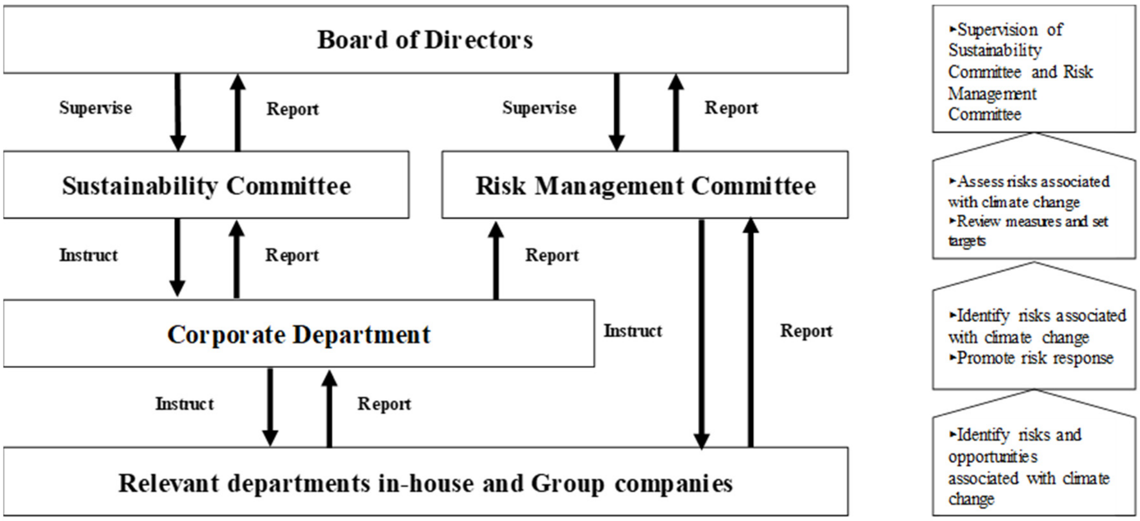
The Risk Management Committee, which meets periodically, assesses content of reports received from the respective risk management departments, deliberates on matters of identifying and appropriately addressing risk company-wide, and reports to the Board of Directors.

Designated as the department in charge of risks associated with climate change, the Corporate Department receives reports in that regard and makes decisions on appropriately addressing such risks from the perspective of risk management across the entire organization.

The Board of Directors supervises integrated risk management inclusive of risks associated with climate change, and accordingly receives reports from the Risk Management Committee regarding developments and actions in that regard.

Institutions & organizations	Functions & roles
Board of Directors	• The Board of Directors supervises management of risks associated with climate change and accordingly receives reports regarding developments in that regard from the Sustainability Committee and the Risk Management Committee.
Sustainability Committee	• The Sustainability Committee assesses risks associated with climate change, then reviews countermeasures and sets targets in that regard. • The Committee establishes guidelines for minimizing identified risks and provides guidance on addressing such risk. • The Committee reports to the Board of Directors on the status of implementing countermeasures and progress made toward achieving set targets.
Risk Management Committee	• The Risk Management Committee makes decisions on addressing risk from the perspective of risk management across the entire organization and reports to the Board of Directors.
Corporate Department	• The Corporate Department provides guidance to relevant departments in-house and Group companies on identifying risks associated with climate change. • The Department identifies risks and addresses risks associated with climate change company-wide. • The Department reports on identified risks to the Sustainability Committee and Risk Management Committee.

The following chart depicts the Group's process of managing risks associated with climate change.



(iv) Metrics and targets

We have been working to achieve our targets with respect to managing climate-related risks and opportunities. To such ends, we have stipulated Scope 1, 2 and 3 metrics for greenhouse gas emissions and have established targets for medium- to long-term reductions in greenhouse gas emissions.

Item	Base year	FY2020 results	Target year	Target value
Scope 1 & 2	FY2020	40,805 t-CO_2	2030	25% reduction
			2050	75% reduction
Scope 3	FY2020	133,541 t-CO_2	2030	25% reduction
			2050	75% reduction

* The current target values align with the Paris Agreement target of keeping the increase in the global average temperature to well below 2°C above pre-industrial levels. However, we will consider the option of revising the target values, including the Science Based Targets initiative (SBTi) standard (1.5°C target) going forward.

* We will provide support in setting voluntary reduction targets to our major suppliers that fall under Category 1 of Scope 3 by FY2035.

3. Management analysis of financial position, operating results and cash flows

(1) Overview of business results

The Japanese economy during the consolidated fiscal year under review had to endure the tough situations brought about by COVID-19 restrictions on social and economic activities, with the government declaring or extending a state of emergency every time there was a surge in COVID-19 infection cases. Although the lifting of the state of emergency was followed by some signs of economic recovery, the spread of infection due to a new variant of the virus, along with concerns over both the worsening situations in Russia and Ukraine impacting the world economy and the prolonged inflation due to a sharp rise in the prices of natural resources, cast a long shadow over the future of Japan's economy.

The logistics industry also suffered increasing costs due to labor shortage and soaring oil prices, although there was an increasing trend in the volume of cargo (which consisted mainly of consumer-related goods) being transported. Although, changes in consumer behavior resulted in strong "stay-home" and "home-meal" demand, the demand for all goods and services except essential commodities shrunk, and restrictions on movement of visitors from overseas countries resulted in the loss of sales opportunities. No signs of recovery could be seen in these situations, with the affected businesses still facing a harsh 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, medicine & medical 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, during the consolidated fiscal year under review, which constitutes the last fiscal year of the period covered by the medium-term management plan, 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 our effort to adapt to changing business environments, and taking into consideration a post-COVID-19 scenario, we also promoted the research and adoption of digital transformation (DX) and stepped up our efforts to achieve the "sustainable development goals (SDGs)" defined by the United Nations.

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 133,000 million yen (up 18.6% year on year), operating profit of 8,649 million yen (up 7.8% year on year), ordinary profit of 9,139 million yen (up 10.6% year on year) and profit attributable to owners of parent of 6,125 million yen (up 10.6% 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>

E-commerce and ordinary temperature logistics that mainly deal with daily commodities recorded a net sales of 67,297 million yen (up 46.1% year on year), thanks to the expansion of the "EC Last One Mile Same Day Delivery Service" and the provision of logistics services to new clients, which together served as major contributors to good financial results.

<Food logistics>

Food logistics that mainly deal with low-temperature food recorded a net sales of 44,423 million yen, which is down 0.8% year on year, due to the partial closedown of logistics centers and the reduction in "stay-home" demand in reaction to the previous year's hike, although the freight volume of goods delivered to the clients (supermarkets, consumer cooperatives, etc.) remained firm and a new logistics center was opened to serve supermarkets.

<Medicine & medical logistics>

Medicine & medical logistics recorded a net sales of 20,303 million yen, which is up 0.1% year on year, thanks to the recovery trend in the sales of the Group's flagship products such as drugs and cosmetics to the existing clients (including our major clients such as drug stores), which contributed to increased freight volume and thus successful financial results.

Overall, the Group had a net sales in the logistics business totaling 132,024 million yen (up 18.8% year on year) and a segment profit (operating profit) of 8,358 million yen (up 8.0% year on year), as a result of strengthening its sales capabilities to drive aggressive business expansion and improving productivity through daily account management. Notably, this achievement was made despite the increase in the unit prices for fuel procurement and extra costs arising from strengthening the Group's labor force and transport capabilities, both of which had some impact on the Group's profit.

(ii) Other

The document storage business recorded a net sales of 976 million yen (up 1.8% year on year) and a segment profit (operating profit) of 290 million yen (up 3.9% year on year), as a result of aggressive sales activities aimed at undertaking projects related to business process outsourcing (BPO) for existing and new clients.

(2) Status of financial position

(Assets)

Current assets increased by 9,215 million yen to 49,219 million yen due to factors such as a 5,857 million yen increase in notes and accounts receivable - trade and a 3,190 million yen increase in cash and deposits.

Non-current assets increased by 3,501 million yen to 36,689 million yen due to factors such as a 3,009 million yen increase in goodwill, a 439 million yen increase in land, and a 411 million yen increase in leased assets, despite a 597 million yen decrease in investment securities.

(Liabilities)

Current liabilities increased by 5,109 million yen to 23,972 million yen due to factors such as a 3,431 million yen increase in notes and accounts payable - trade and a 1,015 million yen increase in current portion of long-term borrowings.

Non-current liabilities increased by 3,581 million yen to 32,201 million yen due to factors such as a 3,077 million yen increase in long-term borrowings and a 360 million yen increase in lease liabilities, despite a 219 million yen decrease in convertible bonds.

(Net assets)

Net assets increased by 4,026 million yen to 29,735 million yen due to factors such as a 3,732 million yen increase in retained earnings and a 790 million yen increase in non-controlling interests, despite a 495 million yen decrease in valuation difference on available-for-sale securities, and the equity ratio was 33.7%.

(3) Cash Flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter referred to as "cash") increased by 1,647 million yen from the end of the previous fiscal year to 29,442 million yen as a result of adding the increase of 1,312 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 6,087 million yen (7,970 million yen provided in the previous fiscal year). This was primarily attributable to an increase of 9,139 million yen in profit before income taxes, despite a decrease in cash due to 3,106 million yen in income taxes paid. A decrease of 1,883 million yen compared to the previous fiscal year was primarily attributable to the increase in trade receivables due to the acquisition of new customers.

(Cash flows from investing activities)

Net cash used in investing activities was 5,240 million yen (4,576 million yen used in the previous fiscal year). This was primarily attributable to a 4,197 million yen decrease in cash due to purchase of shares of subsidiaries resulting in change in scope of consolidation. A decrease of 663 million yen compared to the previous fiscal year was primarily attributable to the acquisition of shares of PHYZ Holdings Inc.

(Cash flows from financing activities)

Net cash provided by financing activities was 799 million yen (14,040 million yen provided in the previous fiscal year). This was primarily attributable to increases in cash due to 5,500 million yen in proceeds from long-term borrowings and 3,300 million yen in proceeds from short-term borrowings, despite decreases in cash due to 3,300 million yen in repayments of short-term borrowings and 2,199 million yen in repayments of long-term borrowings. A decrease of 13,240 million yen compared to the previous fiscal year was primarily attributable to the issuance of “euro-yen denominated convertible corporate bonds with share acquisition rights due in 2025” in the previous consolidated fiscal year.

(4) Results of production, orders received and sales

(i) Results of production

This information has been omitted because the Group’s main business is that of providing services centered on the logistics business.

(ii) Results of orders received

This information has been omitted because the Group’s main business is that of providing services centered on the logistics business.

(iii) Results of sales

Sales results for the fiscal year under review are presented below for each segment.

Name of segment	Sales (million yen)	YoY (%)
Logistics business	132,024	+18.8%
Other	976	+1.8%
Total	133,000	+18.6%

(Notes) 1. Intersegment transactions have been eliminated.

2. Sales results by major counterparty and proportion of such sales results to total net sales results

Counterparty	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Sales (million yen)	Proportion (%)	Sales (million yen)	Proportion (%)
Amazon Japan G.K.	26,246	23.4	31,470	23.7
MatsukiyoCocokara & Co.	14,185	12.7	14,851	11.2

(Note) On October 1, 2021, Matsumotokiyoshi Holdings Co., Ltd. merged operations with cocokara fine Inc. and its trade name was changed to MatsukiyoCocokara & Co. Net sales made to MatsukiyoCocokara & Co. during the fiscal year under review include net sales with respect to MatsukiyoCocokara & Co.’s subsidiary MCC Management Co., Ltd.

(5) Analysis and considerations from the viewpoint of management regarding the status of operating results, etc.

The matters related to the future mentioned in the document are as determined as of the end of the fiscal year under review.

(i) Significant accounting policies and estimates

The Group’s consolidated financial statements have been prepared in accordance with accounting standards generally accepted as fair and appropriate in Japan. Preparation of the consolidated financial statements has entailed making decisions on the basis of underlying estimates, judgments, and assumptions, such that we have continually verified enlisting available information deemed reasonable according to past experience and circumstances. Nevertheless, these estimates, judgments, and assumptions may vary from actual results given that they are subject to uncertainty.

Significant accounting policies employed in preparing the consolidated financial statements are described in “V. Status of Accounting, 1 Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements, Notes, (Important items for the preparation of the consolidated financial statements).”

(ii) Factors that significantly affect operating results

As described under “II. Overview of business, 2. Business Risks,” the Group recognizes that the Company’s operating results may be significantly affected by various risk factors that include legal and regulatory changes, customer trends, securing and developing human resources, and systems failure.

Therefore, the Group appropriately takes action to minimize occurrence of risk by diversifying factors of risk that significantly affect its operating results, through initiatives that include instilling awareness of legal and regulatory compliance, addressing customer needs, developing new services, securing and developing talented human resources, and augmenting systems infrastructure.

(iii) Significant accounting estimates and assumptions underpinning such estimates

Among the significant accounting estimates and assumptions underpinning such estimates employed in preparing the consolidated financial statements, those that may significantly affect operating results are described in "V. Status of Accounting, 1 Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements, Notes, (Significant accounting estimates)."

(iv) Sources of capital and liquidity of funds

The Group's demand for working capital is primarily attributable to cost of sales, including vehicle hiring expenses, outsourcing expenses, and personnel expenses, and attributable to operating expenses such as selling, general and administrative expenses. Demand for investment funds is largely attributable to capital investment in a new logistics center, routine upgrades of existing logistics center equipment, and acquisition of land for logistics center construction.

The Group has adopted a cash management system (CMS) and accordingly facilitates comprehensive management of funds within the Group at each of its companies taking part in the CMS initiative. Meanwhile, the Company provides long-term loans to consolidated subsidiaries that require substantial funds for capital investment and other such purposes.

When it comes to sources of financing, the Group generally turns to the Group funds and borrowings from financial institutions when seeking short-term working capital, and turns to use of the Group funds, borrowings from financial institutions, and corporate bonds when seeking funds for capital investment and long-term working capital.

In addition, the Group has concluded overdraft agreements with multiple financial institutions, and has also established infrastructure for promptly securing requisite funds.

(v) Progress made toward achieving objective indicators and other such metrics for assessing the status of achieving business targets

The following section describes progress made toward achieving objectives of the Medium-term Management Plan 2022 (April 2019 to March 2022) as of the plan's final fiscal year ended March 31, 2022. Net sales outperformed the target set forth under the plan despite a downturn in freight volume caused by a contraction in demand from inbound travel and store closures due to COVID-19. The favorable net sales results are attributable to several factors that include expanded demand for the Group's "EC Last One Mile Same Day Delivery Service" due to changes in consumer behavior along with a tendency for people to stay at home, increased freight volume of 3PL operations including supermarkets due to higher demand for meals at home, and a contribution to net sales largely as a result of having made Logistics Development Co., Ltd. a wholly-owned subsidiary. Meanwhile, profit also outperformed the target under the plan despite investment incurred in new logistics center equipment and vehicles, along with higher costs associated with active recruitment efforts to secure a labor force. The favorable profit results are largely attributable to aggressive business expansion encompassing improvement in productivity as a result of strengthening daily account management. At its meeting held on May 11, 2020, the Board of Directors resolved to revise the quantitative targets of the medium-term management plan.

	49th fiscal year Year ended March 31, 2022 Revised plan	49th fiscal year Year ended March 31, 2022 Actual	Relative to the plan	
			Difference	Difference (%)
Net sales (million yen)	115,000	133,000	18,000	+15.7%
Ordinary profit (million yen)	8,700	9,139	439	+5.1%
Ordinary profit margin (%)	7.6	6.9	(0.7)	–
Return on equity (%)	19.7	22.4	2.7	–

4. Important operational contracts

On February 18, 2022, Company resolved to acquire the common shares of PHYZ Holdings Inc. by tender offer for the purpose of making it a consolidated subsidiary, and accordingly entered into a capital and business alliance agreement with PHYZ Holdings. Details are described in "V. Status of Accounting, 1 Consolidated Financial Statements and Other Information, (1) Consolidated Financial Statements, Notes, (Business combinations, etc.)."

5. Research and development activities

Not applicable.

III. Information about facilities

1. Overview of capital investment

Total capital investment during the fiscal year under review amounts to 1,344 million yen, which includes leased assets.

This primarily consists of logistics business investment of 311 million yen for equipment with respect to the new logistics center and existing facilities, 251 million yen in cool containers and other vehicle transport equipment, and 104 million yen in logistics support and other systems.

2. Major facilities

(1) The Company (non-consolidated)

As of March 31, 2022

Name of office (Address)	Name of segment	Facilities	Book value (million yen)						Number of employ-ees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area in m²)	Leased assets	Other	Total	
Head office (Yoshikawa-shi, Saitama)	Logistics business	Head office facilities	796	10	– (–)	5	529	1,341	259 [6]
AZ-COM Yoshikawa MK Distribution Center (Yoshikawa-shi, Saitama)	Logistics business	Logistics center facilities	1,458	–	2,112 (21,556.23) [6,108.06]	–	99	3,670	85 [542]
Yoshikawa Sales Office (Yoshikawa-shi, Saitama)	Logistics business	Delivery facilities & vehicles	13	1	178 (3,899.00) [12,687.68]	–	16	209	298 [62]
AZ-COM Nagareyama Logistics Center (Nagareyama-shi, Chiba)	Logistics business	Logistics center facilities & vehicles	32	0	– (–) [25,934.91]	–	3	35	32 [155]
AZ-COM Kuki Distribution Center (Kuki-shi, Saitama)	Logistics business	Logistics center facilities & vehicles	352	1	1,307 (28,882.97)	–	13	1,674	58 [12]
EC Last One Mile Business Department (Arakawa-ku, Tokyo)	Logistics business	Delivery facilities & vehicles	15	0	102 (94.00) [43,181.53]	–	21	140	136 [130]
AZ-COM Oyama Logistics Center (Oyama-shi, Tochigi)	Logistics business	Logistics center facilities & vehicles	193	67	234 (5,993.21)	–	11	507	10 [19]
Tokorozawa Sales Office (Tokorozawa-shi, Saitama)	Logistics business	Logistics center facilities & vehicles	7	–	– (–) [13,327.18]	3	21	32	76 [59]
AZ-COM Kanagawa MK Distribution Center (Chuo-ku, Sagamihara-shi, Kanagawa)	Logistics business	Logistics center facilities & vehicles	47	3	– (–) [26,173.16]	1	36	88	36 [185]
AZ-COM Kita-Kanto MK Distribution Center (Ashikaga-shi, Tochigi)	Logistics business	Logistics center facilities & vehicles	166	745	– (–) [30,864.71]	0	135	1,049	50 [285]

(Notes) 1. There are no major facilities currently out of service.

2. The "Other" column under book value mainly consists of software, furniture and fixtures, and does not include amounts of construction in progress.

3. The numbers in the square brackets in the "Land" column indicate the area of land leased from companies other than consolidated companies.

4. The number in the square brackets of "Number of employees" columns indicates the yearly average number of temporary employees.

5. A portion of the Company's buildings, structures and land is leased from its subsidiary Maruwa Tsuun Co., Ltd.

6. In addition to the aforementioned, facilities leased from companies other than the consolidated companies are as follows.

Name of office (Address)	Name of segment	Facilities	Annual rent (million yen)
AZ-COM Yoshikawa MK Distribution Center (Yoshikawa-shi, Saitama)	Logistics business	Land	24
Yoshikawa Sales Office (Yoshikawa-shi, Saitama)	Logistics business	Land & building	20
AZ-COM Nagareyama Logistics Center (Nagareyama-shi, Chiba)	Logistics business	Land & building	243
EC Last One Mile Business Department (Arakawa-ku, Tokyo)	Logistics business	Land & building	507
Tokorozawa Sales Office (Tokorozawa-shi, Saitama)	Logistics business	Land & building	97
AZ-COM Kanagawa MK Distribution Center (Chuo-ku, Sagamihara-shi, Kanagawa)	Logistics business	Land & building	336

Name of office (Address)	Name of segment	Facilities	Annual rent (million yen)
AZ-COM Kita-Kanto MK Distribution Center (Ashikaga-shi, Tochigi)	Logistics business	Land & building	271

Name of office (Address)	Name of segment	Facilities	Annual lease fee (million yen)	Lease agreement balance (million yen)
Yoshikawa Sales Office (Yoshikawa-shi, Saitama)	Logistics business	Vehicles	245	712
AZ-COM Kuki Distribution Center (Kuki-shi, Saitama)	Logistics business	Vehicles	37	79
AZ-COM Nagareyama Logistics Center (Nagareyama-shi, Chiba)	Logistics business	Vehicles	3	5
Tokorozawa Sales Office (Tokorozawa-shi, Saitama)	Logistics business	Vehicles	49	177
AZ-COM Kita-Kanto MK Distribution Center (Ashikaga-shi, Tochigi)	Logistics business	Vehicles	0	0

(2) Subsidiaries in Japan

As of March 31, 2022

Company name	Name of office (Address)	Name of segment	Facilities	Book value (million yen)						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (Area in m^2)	Leased assets	Other	Total	
HOKKAIDO MARUWA LOGISTICS, CO., LTD.	Head office: Ishikari Sales Office (Ishikari-shi, Hokkaido)	Logistics business	Head office, logistics center facilities, and vehicles	225	0	– (–) [44,249.03]	–	4	230	52 [60]
KANSAI MARUWA LOGISTICS CO., LTD.	Osaka MK Center (Sakai-shi, Osaka)	Logistics business	Logistics center facilities	278	471	– (–) [30,584.42]	–	57	807	30 [262]
	AZ-COM Logistics Ayabe (Ayabe-shi, Kyoto)	Logistics business	Logistics center facilities	304	12	275 (9,073.62) [19,675.66]	–	16	609	60 [120]
	AZ-COM Logistics Shiga (Omihachiman-shi, Shiga)	Logistics business	Logistics center facilities & vehicles	447	842	– (–) [34,719.38]	–	96	1,386	89 [234]
	Kakogawa Food Center (Kakogawa-shi, Hyogo)	Logistics business	Logistics center facilities & vehicles	33	–	– (–)	–	48	82	42 [128]
	AZ-COM Logistics Kyoto (Yawata-shi, Kyoto)	Logistics business	Logistics center equipment & vehicles	954	126	38 (452.04) [38,134.28]	–	98	1,219	130 [156]
KYUSHU MARUWA LOGISTICS CO., LTD.	Head office & AZ-COM Fukuoka (Higashi-ku, Fukuoka-shi, Fukuoka)	Logistics business	Logistics center facilities & vehicles	4	0	– (–) [13,035.56]	4	15	24	46 [120]
AZ-COM Data Security Co., Ltd.	Head office (Chichibu-shi, Saitama)	Other	Document storage facilities & vehicles	1,315	0	– (–) [30,173.43]	52	53	1,421	34 [22]

(Notes) 1. There are no major facilities currently out of service.

2. The “Other” column under book value mainly consists of leasehold interests in land, software, furniture and fixtures, and does not include amounts of construction in progress.
3. The numbers in the square brackets in the “Land” column indicate the area of land leased from companies other than consolidated companies.
4. The number in the square brackets of “Number of employees” columns indicates the yearly average number of temporary employees.
5. The buildings, structures and land associated with the head office and Ishikari Sales Office of HOKKAIDO MARUWA LOGISTICS, CO., LTD. is leased from the Company.
6. The buildings, structures and land associated with Osaka MK Center of KANSAI MARUWA LOGISTICS CO., LTD. is leased from the Company.
7. The buildings and structures associated with the head office of AZ-COM Data Security Co., Ltd. is leased from the Company.

8. In addition to the aforementioned, facilities leased from companies other than the consolidated companies are as follows.

Company name	Name of office (Address)	Name of segment	Facilities	Annual rent (million yen)
KANSAI MARUWA LOGISTICS CO., LTD.	AZ-COM Logistics Shiga (Omihachiman-shi, Shiga)	Logistics business	Land & building	124
	AZ-COM Logistics Ayabe (Ayabe-shi, Kyoto)	Logistics business	Land & building	8
	AZ-COM Logistics Kyoto (Yawata-shi, Kyoto)	Logistics business	Land & building	498
KYUSHU MARUWA LOGISTICS CO., LTD.	Head office & AZ-COM Fukuoka (Higashi-ku, Fukuoka-shi, Fukuoka)	Logistics business	Land & building	123
AZ-COM Data Security Co., Ltd.	Head office (Chichibu-shi, Saitama)	Other	Land	9

Company name	Name of office (Address)	Name of segment	Facilities	Annual lease fee (million yen)	Lease agreement balance (million yen)
HOKKAIDO MARUWA LOGISTICS, CO., LTD.	Head office: Ishikari Sales Office (Ishikari-shi, Hokkaido)	Logistics business	Vehicles	7	0
KANSAI MARUWA LOGISTICS CO., LTD.	AZ-COM Logistics Shiga (Omihachiman-shi, Shiga)	Logistics business	Vehicles	0	1
	Kakogawa Food Center (Kakogawa-shi, Hyogo)	Logistics business	Vehicles	10	15
	AZ-COM Logistics Kyoto (Yawata-shi, Kyoto)	Logistics business	Vehicles	3	23
KYUSHU MARUWA LOGISTICS CO., LTD.	Head office & AZ-COM Fukuoka (Higashi-ku, Fukuoka-shi, Fukuoka)	Logistics business	Vehicles	4	6
AZ-COM Data Security Co., Ltd.	Head office (Chichibu-shi, Saitama)	Other	Vehicles	0	0

(3) Subsidiaries overseas

Not applicable.

3. Plans for new construction and disposal of facilities

(1) New construction of important facilities

As of March 31, 2022

Company name	Name of office (Address)	Name of segment	Facilities	Planned investment		Financing method	Start date	Scheduled completion date	Increase in capacity upon completion
				Total (million yen)	Amount already paid (million yen)				
The Company	Food Logistics Center (tentative name) (Matsubushi-machi, Kitakatsushika-gun, Saitama)	Logistics business	Logistics center equipment	7,600	1,512	Borrowings and own funds	October 2020	TBD	Increased logistical capacity
Japan Logistics Development Co., Ltd.	New Tsuchiura Center (tentative name) (Tsuchiura-shi, Ibaraki)	Logistics business	Logistics center equipment	2,950	41	Borrowings and own funds	February 2022	June 2023	Increased logistical capacity

(Note) The Food Logistics Center (tentative name) facility is in the planning phase and its scheduled date of completion is yet to be determined.

(2) Disposal of important facilities

There are no plans for disposal of important facilities.

IV. Information on the Reporting Company

1. Information on Shares, etc.

(1) Number of shares, etc.

(i) Number of shares

Type	Number of authorized shares
Common shares	192,000,000
Total	192,000,000

(ii) Number of shares issued

Type	Number of shares issued as of the end of the fiscal year (March 31, 2022)	Number of shares issued as of the filing date (June 27, 2022)	Name of listed financial instruments exchange or name of registered financial instruments business association	Details
Common shares	128,848,320	128,848,320	Tokyo Stock Exchange First Section (as of the end of the fiscal year) Prime Market (as of the filing date)	There are 100 shares per trading unit.
Total	128,848,320	128,848,320	–	–

(Note) The figures under “Number of shares issued as of the filing date” do not include the number of shares issued upon the exercise of share acquisition rights (stock options) between June 1, 2022 and the filing date of this Annual Securities Report.

(2) Information on share acquisition rights, etc.

(i) Details of stock option system

The Company makes use of a stock option system. In accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, a resolution of the General Meeting of Shareholders and Board of Directors has granted share acquisition rights to Directors, Audit & Supervisory Board Members and employees of the Company and its subsidiaries. The details of this system are as follows.

	First series of share acquisition rights (Pursuant to a resolution of the Board of Directors on November 17, 2012 in accordance with a resolution of the General Meeting of Shareholders on the same date)	Second series of share acquisition rights (Pursuant to a resolution of the Board of Directors on March 27, 2013 in accordance with a resolution of the General Meeting of Shareholders on November 17, 2012)
Classifications and number of persons to whom rights are granted	Directors of the Company 8 Audit & Supervisory Board Members of the Company 2 Directors of the subsidiaries 15 Employees of the Company 75 Employees of the subsidiaries 27 (Note) 2	Directors of the Company 4 Presidents of the subsidiaries 2 Employees of the Company 75 Employees of the subsidiaries 15 (Note) 3
Number of share acquisition rights (Note) 1	4,350 (Note) 4	2,600 (Note 4)
Class and details of shares underlying the share acquisition rights (Note) 1	Common shares	Common shares
Number of shares underlying the share acquisition rights (Note) 1	139,200 (Note) 4	83,200 (Note) 4
Amount to be paid upon exercise of share acquisition rights (Note) 1	68 yen per share (Note) 5	68 yen per share (Note) 5
Exercise period of share acquisition rights (Note) 1	From November 18, 2014 to November 17, 2022	From March 28, 2015 to March 27, 2023
Share issue price and amount incorporated into capital if shares are issued upon exercise of share acquisition rights (Note) 1	Issue price: 68 yen Amount incorporated into capital: 34 yen	Issue price: 68 yen Amount incorporated into capital: 34 yen
Conditions for the exercise of share acquisition rights (Note) 1	(Note) 6	
Matters regarding transfer of share acquisition rights (Note) 1	Any acquisition of share acquisition rights by transfer shall be subject to approval by resolution of the Company's Board of Directors.	
Matters regarding the issuance of share acquisition rights accompanying reorganization (Note) 1	(Note) 7	

Notes:
1. The information is as of the end of the currant fiscal year (March 31, 2022). Because the information at the end of the month preceding the filing date (May 31, 2022) is same as that of the end of the current fiscal year, it has been omitted.
2. As of March 31, 2022, the number of grantees of first series share acquisition rights was 12 due to retirement; due to the exercise of rights, the number of grantees decreased by 103 to 12. The number of new shares planned for issue decreased by 1,345,600 to 139,200.
3. As of March 31, 2022, the number of grantees of second series share acquisition rights was nine due to retirement and one due to death; due to the exercise of rights, the number of grantees decreased by 62 to 24. The number of new shares planned for issue decreased by 444,800 to 83,200.
4. On October 1, 2014, October 1, 2015, October 1, 2017, October 1, 2019, and January 1, 2021, the Company conducted 2-for-1 splits of its common shares. Accordingly, there are 32 shares per share acquisition right.
   Moreover, in the event that the Company conducts a stock split, gratis allotment, or share consolidation, the number of shares granted shall be adjusted according to the following formula, and any fraction of less than one share shall be omitted.
   Number of shares after adjustment = Number of shares before adjustment × Ratio of split, allotment, or consolidation
   Further, in the event of an absorption or incorporation-type merger, or an exchange or transfer of shares, in which the share acquisition rights are succeeded, the Company may adjust the number of shares granted as deemed necessary in accordance

with the merger ratio. Any fraction of less than one share after the adjustment shall be omitted.

5. In the event that the Company conducts a stock split or share consolidation, the exercise price shall be adjusted by the following formula omitting any fractions of less than one yen that may result.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

Further, in the event the Company issues offered shares below the fair value (including when shares are issued by gratis allotment and upon the exercise of share acquisition rights (including bonds with share acquisition rights), and excluding the conversion of convertible securities into common shares), the exercise price above shall be adjusted according to the formula below, and any resulting fraction of less than one yen shall be rounded up.

$$\begin{array}{c}\text{Exercise price}\\ \text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\ \text{before adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of shares}\\ \text{already issued}\end{array} + \dfrac{\begin{array}{c}\text{Number of new}\\ \text{shares issued}\end{array} \times \begin{array}{c}\text{Amount to be paid}\\ \text{per share}\end{array}}{\text{Share price before issuance of offered shares}}}{\text{Number of shares already issued} + \text{Number of new shares issued}}$$

In the above formula, the “Number of shares already issued” is the total number of shares issued by the Company minus the number of treasury shares held by the Company. If treasury shares are disposed of, “Number of new shares issued” shall read as “Number of treasury shares to be disposed.” In addition, the “Share price before issuance of offered shares” shall be “Exercise price before adjustment.”

In the event of an absorption-type merger, an absorption-type split, an exchange of shares, or other situations where adjustment of the exercise price would be required, the Company shall make adjustments as deemed necessary.

6. Conditions for exercise of share acquisition rights
   (1) A person who has received allotment of share acquisition rights (hereinafter referred to as “Right Holder”) is required to be a Director, Audit & Supervisory Board Member, or employee of the Company or a subsidiary of the Company at the time of exercise of share acquisition rights.
   (2) The heirs of Right Holders shall not be entitled to exercise share acquisition rights.
   (3) Right Holders shall be able to exercise their rights according to the exercise period specified in these issuance guidelines, or from the date on which the Company shares are listed on any financial instruments exchange in Japan, whichever is later.
   (4) Right Holders may exercise all or part of the allotted number of share acquisition rights. However, one share acquisition right cannot be further split or exercised.
   (5) Right Holders may not exercise share acquisition rights if any one of the following applies.
      (i) If the Right Holder is sentenced to imprisonment or more severe punishment
      (ii) If disciplinary measures have been applied to the Right Holder twice or more
      (iii) If the Right Holder serves as an officer, employee, consultant, etc. of a competitor without the prior written consent of the Company
      (iv) If the Right Holder requests the Company to waive all or part of his/her share acquisition rights in writing as prescribed by the Company.
      (v) If a Right Holder resigns from the Company or its subsidiary for personal reasons after receiving an allotment of share acquisition rights
      (vi) In addition to the above, if the Right Holder violates laws, regulations, internal corporate rules, etc., or engages in a breach of trust against the Company, and the Company gives notice that the exercise of the share acquisition rights will not be permitted.

7. If the Company engages in a merger (in which it is dissolved), is split and absorbed or split and newly incorporated, or exchanges or transfers shares (resulting in the Company becoming a wholly owned subsidiary) (hereinafter collectively referred to as “structural reorganization”), the share acquisition rights of the corporation, as listed in Article 236, paragraph 1, Item 8 (a) to (e) of the Companies Act (hereinafter referred to as “reorganized company”), will be issued to the Right Holders who still maintain the remaining share acquisition rights immediately prior to the effective date of structural reorganization. This includes the dates when absorption-type mergers take effect, the date of incorporation for incorporation-type mergers, the effective date of absorption-type splits, the date of incorporation for incorporation-type splits, the effective date of exchanges of shares, and the date of incorporation of the wholly owning parent company for share transfers. However, share acquisition rights shall be granted only if provisions for issuing acquisition rights of the reorganized company are included in their respective agreements (absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement or share transfer plan) and in accordance with the items below.
   (1) Number of share acquisition rights of the reorganized company to be issued

The number of share acquisition rights issued shall be the same as the number of remaining share acquisition rights possessed by the Right Holder.

(2) Type of reorganized company shares to be issued upon exercise of share acquisition rights
Common shares of the reorganized company will be issued.

(3) Number of reorganized company shares to be issued upon exercise of share acquisition rights
Determined in accordance with Note 4 above and in consideration of the conditions of the reorganization.

(4) Value of assets to be contributed upon exercise of share acquisition rights
  (i) The value of assets to be contributed at exercise of each share acquisition right shall be calculated by multiplying the number of reorganized company shares to be issued upon exercise of share acquisition rights as decided in (3) above with the paid-in amount after the organizational restructure.
  (ii) As for the paid-in amount after the organizational restructure, the amount to be paid in upon exercise of each share acquisition right shall be the price obtained by adjusting the exercise price per share specified in Note 5, while considering the conditions of organizational restructuring.

(5) Period during which share acquisition rights can be exercised
The exercise period of share acquisition rights specified in the table shall commence on the starting day of the period for exercising the share acquisition rights or the day when the reorganization action comes into effect, whichever is later, and end on the day of expiration of the period during which a share acquisition right may be exercised.

(6) Matters regarding increases in share capital and legal capital surplus when shares are issued upon the exercise of share acquisition rights
These matters will be determined in accordance with the following.
  (a) The amount by which share capital will be increased upon the issuance of shares by the exercise of share acquisition rights shall be one half of the maximum amount share capital increase, calculated in accordance with Article 17, Paragraph 1 of the Companies Accounting Regulations. Resulting fractions of less than one yen will be rounded up.
  (b) The amount by which the legal capital surplus will be increased as a result of the issuance of shares upon the exercise of the share acquisition rights shall be the maximum amount of share capital increase as mentioned above, less the amount of share capital increase.

(7) Restriction on acquisition of share acquisition rights through transfer
The acquisition of share acquisition rights through transfer shall require the approval of the Board of Directors of the restructured corporation by resolution.

(8) Conditions regarding the acquisition of share acquisition rights
Grounds and conditions for Company acquisition of share acquisition rights will be determined in accordance with the following.
  (a) The Company shall be able to acquire share acquisition rights without compensation on the day which shall be determined by the Board of Directors if any of the following items is approved by at the General Meeting of Shareholders (or by the Board of Directors if approval at the General Meeting of Shareholders in not necessary).
    (i) Approval of a merger agreement upon which the Company is absorbed
    (ii) Approval of an agreement or plan for an incorporation-type split upon which the Company shall become a split company
    (iii) Approval of a share exchange agreement or share transfer plan upon which the Company shall become a wholly owned subsidiary
    (iv) Approval of an amendment of the Articles of Incorporation stipulating that all acquisitions by transfer of shares issued by the Company shall require Company approval
    (v) Approval of an amendment of the Articles of Incorporation that would require Company approval for an acquisition by transfer of shares issued upon exercise of the share acquisition rights, or that would allow the Company to acquire all such shares with approval at the General Meeting of Shareholders

(9) Other conditions for exercise of share acquisition rights
To be decided as per Note 6 above.

(ii) Rights Plan
Not applicable.

(iii) Other information on share acquisition rights, etc.
The Company has issued bonds with share acquisition rights in accordance with the Companies Act as follows.

Euro-yen convertible bonds with share acquisition rights included therein due 2025

Resolution date	December 1, 2020
Number of share acquisition rights*	2,000
Class, details, and number of shares underlying the share acquisition rights*	Common shares: 7,407,407 (Note) 1
Amount to be paid upon exercise of share acquisition rights *	2,700 yen per share (Note) 2
Exercise period of share acquisition rights*	(Note) 3
Share issue price and amount incorporated into capital if shares are issued upon exercise of share acquisition rights*	Issue price: 2,700 yen Capital incorporation: 1,350 yen (Note) 4
Conditions for exercise of share acquisition rights*	Share acquisition rights may not be exercised in part.
Matters regarding transfer of share acquisition rights*	–
Matters regarding issuance of share acquisition rights accompanying reorganization*	(Note) 5
Details and amount of assets to be contributed upon exercise of share acquisition rights	(Note) 6
Among all share acquisition rights, number of treasury share acquisition rights*	–
Balance of bonds with share acquisition rights (Millions of yen)*	20,000

* The information is as of the end of the current fiscal year (March 31, 2022). Because the information at the end of the month preceding the filing date (May 31, 2022) is same as that of the end of the current fiscal year, it has been omitted.

(Notes) 1. The number of common shares of the Company issued by the Company through the exercise of the share acquisition rights shall be the number obtained by dividing the face value of the corporate bonds pertaining to the exercise request by the conversion price as described in 2 below. However, resulting fractions of less than one share shall be omitted and no cash adjustment shall be made. Additionally, in the event that shares of less than one unit arise as a result of the exercise of share acquisition rights, these shares will be issued to the holders of bonds with share acquisition rights in the same manner as the shares constituting the trading unit. The Company will not offer a cash settlement for shares of less than one unit.

2. (i) Upon the exercise of each of the share acquisition rights, the corporate bonds pertaining to the share acquisition rights shall be contributed and the price for the corporate bonds shall be their face value.

(ii) The conversion price will initially be 5,400 yen.

(iii) After issuing the bonds with share acquisition rights, the conversion price will be adjusted by the following formula in the event that the Company issues common shares at a price lower than the fair value or disposes of the Company's common shares after the issuance of the bonds with share acquisition rights. In the formula below, "Number of shares already issued" refers to the total number of common shares issued by the Company (excluding those held by the Company).

$$\text{Conversion price after adjustment} = \text{Conversion price prior to adjustment} \times \frac{\text{Number of shares already issued} + \dfrac{\text{Number of shares issued or disposed of} \times \text{Amount to be paid per share}}{\text{Fair value}}}{\text{Number of shares already issued} + \text{Number of shares issued or disposed of}}$$

The conversion price shall be adjusted appropriately in the event of a stock split or reverse stock split of the Company's common shares, the payment of certain dividends of surplus, the issuance of share acquisition rights (including those attached to bonds with share acquisition rights) that allow the Company to claim issuance of common shares at a price below fair value, and in certain other situations.

3. Period of exercise of share acquisition rights shall be from January 4, 2021 to December 3, 2025 (local time where the corporate bonds were deposited for the exercise of share acquisition rights). However: (i) In the case of early redemption by the Company, until three business days prior to the redemption date in Tokyo (However, this excludes share

acquisition rights pertaining to bonds for which early redemption was not selected); (ii) in the event that early redemption is selected by the holders of bonds with share acquisition rights, until the time when the redemption notice is deposited with the fiscal agent; (iii) in the event of the cancellation of the corporate bonds by purchase, upon which the period shall end when the corporate bonds are canceled; (iv) in the case of loss of the benefit of term regarding bonds, in which case the period shall be until the loss of the benefit of term. In any of the above cases, the share acquisition rights may not be exercised after December 3, 2025 (local time where the corporate bonds were deposited for the exercise of share acquisition rights).

Regardless of the above, should the Company reasonably judge it to be necessary in order to conduct an organizational restructuring as set forth in the terms and conditions of the bonds with share acquisition rights, the share acquisition rights will not be able to be exercised during a period of up to 30 days specified by the Company, which will end within 14 days from the day following the effective date of the organizational restructuring.

Moreover, the share acquisition rights cannot be exercised in the event that the calendar date in Japan on which the exercise of the share acquisition rights takes effect (or on the following business day in Tokyo in the event that the effective date is not a business day in Tokyo), corresponds to the reference date stipulated by the Company or the period from two business days in Tokyo before another date (or three business days in Tokyo before in the event that the corresponding shareholder confirmation date is not a business day in Tokyo, including the same day), stipulated in order to confirm a shareholder in relation to Article 151, Paragraph 1 of the Act on Book-Entry Transfer of Corporate Bonds and Shares (hereinafter referred to as “Shareholder Confirmation Date,” in conjunction with the record date set by the Company), to the corresponding Shareholder Confirmation Date (or on the following business day in Tokyo in the event that the corresponding Shareholder Confirmation Date is not a business day in Tokyo, including the same day). However, in the event that Japanese laws and regulations or customs concerning the issuance of shares pertaining to the exercise of the share acquisition rights through the book-entry transfer system based on the Act on Book-Entry Transfer of Corporate Bonds and Shares are changed, the Company may modify the restrictions on the period in which the share acquisition rights can be exercised under this paragraph to reflect the corresponding changes.

4. The amount by which share capital will be increased upon the issuance of shares by the exercise of share acquisition rights shall be one half of the maximum amount of share capital increase, calculated in accordance with Article 17 of the Companies Accounting Regulations. Resulting fractions of less than one yen will be rounded up.
5. (i) In the case of an organizational restructuring, the Company shall designate the Successor Company (defined below), have that company inherit the position of principal debtor of the bonds with share acquisition rights according to the primary terms of the bonds with share acquisition rights and do its utmost to issue new share acquisition rights in place of said share acquisition rights. However, regarding the succession and issuance, the prerequisites are (i) they must be executable under current applicable laws and regulations, (ii) the required structure must be already built or possible to build, and (iii) the Company or Successor Company must be able to execute them without incurring any expenses (including taxes) which the Company judges unreasonable when viewed from the entirety of the organizational restructuring. In such cases, the Company shall do its utmost to have the Successor Company remain a publicly traded company in Japan on the effective date of organizational restructuring. The Company’s obligation to make the effort described in (i) of this section shall not apply if the Company delivers a certificate to a fiscal agent. The Successor Company is the other party in the organizational restructuring and is the company which takes over the bonds with share acquisition rights and/or the Company’s obligations pertaining to the share acquisition rights.

   (ii) The details of the share acquisition rights of the Successor Company which are issued according to the stipulations of (i) above are as follows.

   a. Number of share acquisition rights
      The number shall be the same as the number of the share acquisition rights pertaining to the bonds with share acquisition rights remaining immediately prior to the effective date of the organizational restructuring.
   b. Type of shares to be issued upon exercise of share acquisition rights
      Common shares of the Successor Company will be issued.
   c. Number of shares underlying the share acquisition rights
      The number of common shares of the Successor Company issued through the exercise of its share acquisition rights shall be determined by said company in consideration of the conditions of the organizational restructuring and in reference to the primary terms of the bonds with share acquisition rights as well as in accordance with (i) and (ii) below. Furthermore, the conversion value shall be subject to the same adjustments as in item 2 (iii) above.

      (i) In the event of certain mergers, exchanges of shares, or share transfers, the conversion value shall be determined so that holders of common shares in the Company in the number to be obtained if the share acquisition rights are exercised immediately prior to the effective date of the organizational restructuring, can receive the number of common shares in the Company to be received in the said organizational restructuring at the time when the share acquisition rights of the Successor Company are exercised immediately after the effective date of the organizational restructuring. When securities other than common shares or other assets of the Successor Company are issued at the time of organizational restructuring, the Successor Company shall make it possible to also receive a number of common shares of the Successor Company which is equal to the number obtained by dividing the value of the securities or assets by the fair value of the common shares of the Successor Company.

(ii) In the event of an organizational restructuring other than as described above, the conversion value shall be determined such that an economic benefit, which is equivalent to that obtained by the holder of the bonds with share acquisition rights in the event that the share acquisition rights are exercised immediately before the effective date of organizational restructuring, can be received when the share acquisition rights of the Successor Company are exercised immediately after the effective date of organizational restructuring.

d. Details and value of the assets invested when exercising the share acquisition rights
At the time when the share acquisition rights of the Successor Company are exercised, the succeeding corporate bonds shall be invested, and the value of the corporate bonds shall be an amount equivalent to the face value of the succeeding corporate bonds.

e. Period during which share acquisition rights can be exercised
The period shall extend from the effective date of the organizational restructuring (or a subsequent date within 14 days according to circumstances) to the date of expiration of the exercise period of the share acquisition rights stipulated in 3 above.

f. Other conditions for exercise of share acquisition rights
Partial exercise of the respective share acquisition rights of the Successor Company shall not be allowed.

g. Share capital and legal capital surplus which will increase in the event that shares are issued through the exercise of share acquisition rights
The amount by which share capital will be increased upon the issuance of shares by the exercise of the Successor Company’s share acquisition rights shall be one half of the maximum amount of share capital increase, calculated in accordance with Article 17 of the Companies Accounting Regulations. Resulting fractions of less than one yen will be rounded up. The amount of the legal capital surplus increase shall be the amount obtained by subtracting the share capital increase from the share capital increase amount limit.

h. In the event of organizational restructuring
In the event of organization restructuring, with respect to the Successor Company, it shall be handled in the same manner as the bonds with share acquisition rights.

i. Other
However, resulting fractions of less than one share occurring due to the exercise of share acquisition rights of the Successor Company shall be omitted and no cash adjustment shall be made.
The share acquisition rights of the Successor Company cannot be transferred separately from the succeeding corporate bonds.

(iii) In the event that the Company has the Successor Company take over or succeed its obligations based on the corporate bonds in accordance with the stipulations under (i) above, the Company shall comply with the primary terms of the bonds with share acquisition rights in addition to providing a guarantee for certain cases as stipulated in the primary terms of the bonds with share acquisition rights.

6. Not applicable. However, upon the exercise of each of the share acquisition rights, the corporate bonds pertaining to said share acquisition rights shall be contributed and the price for the corporate bonds shall be their face value.

(3) Exercise of bonds with share acquisition rights with exercise price adjustment clause

Not applicable.

(4) Trends in total number of shares issued, share capital

Date	Change in total number of shares issued	Balance of total number of shares issued	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
October 1, 2017 (Note) 2	16,046,340	32,089,280	–	2,650	–	2,164
April 1, 2017 to March 31, 2018 (Note) 1	23,800	32,113,080	3	2,653	3	2,168
April 1, 2018 to March 31, 2019 (Note) 1	25,000	32,138,080	3	2,657	3	2,171
October 1, 2019 (Note) 3	32,153,080	64,291,160	–	2,657	–	2,171
April 1, 2019 to March 31, 2020 (Note) 1	35,800	64,326,960	3	2,660	3	2,175
January 1, 2021 (Note) 4	64,372,560	128,699,520	–	2,660	–	2,175
April 1, 2020 to March 31, 2021 (Note) 1	97,600	128,797,120	4	2,665	4	2,180
April 1, 2021 to March 31, 2022 (Note) 1	51,200	128,848,320	1	2,667	1	2,181

(Notes) 1. This is an increase due to exercise of share acquisition rights.

2. The Company conducted a 2-for-1 split of common shares by resolution of the Board of Directors on August 21, 2017, with an effective date of October 1, 2017.

3. The Company conducted a 2-for-1 split of common shares by resolution of the Board of Directors on August 26, 2019, with an effective date of October 1, 2019.

4. The Company conducted a 2-for-1 split of common shares by resolution of the Board of Directors on November 2, 2020, with an effective date of January 1, 2021.

(5) Status by owner

As of March 31, 2022

Classification	General stock information (100 shares constitutes one unit)								Fractional shares
	Government and local public entities	Financial institutions	Financial instruments operators	Other domestic corporations	Foreign corporations / entities		Individuals / others	Total	
					Non-individual	Individual			
Number of shareholders (people)	–	15	30	79	153	9	7,473	7,759	–
Number of shares held (units)	–	102,169	9,033	558,139	49,341	1,970	567,141	1,287,793	69,020
Ratio of shares held (%)	–	7.93	0.70	43.34	3.83	0.15	44.04	100.00	–

(Note) Among treasury stock of 2,748,513 shares, 27,485 units are included with “Individuals / others” and 13 shares with “Fractional shares.”

(6) Major shareholders

As of March 31, 2022

Name or title	Address	Number of shares held (thousands)	Ratio of shares held to total number of shares issued (excluding treasury stock) (%)
WASAMI CO.,LTD.	3-3-20 Kishicho, Urawa-ku, Saitama-shi, Saitama Prefecture	43,200	34.26
Masaru Wasami	Urawa-ku, Saitama-shi, Saitama	31,684	25.13
The Master Trust Bank of Japan, Ltd. (Trust accounts)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	5,136	4.07
MatsukiyoCocokara & Co.	9-1 Shinmatsudo-higashi, Matsudo-shi, Chiba	5,038	4.00
MARUWA UNYU KIKAN Employee Shareholding Association	7-1 Asahi, Yoshikawa-shi, Saitama	2,595	2.06
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,988	1.58
TOYO KANETSU K.K.	2-11-1 Minamisuna, Koto-ku, Tokyo	1,828	1.45
Duskin Co., Ltd.	1-33 Toyotsucho, Suita-shi, Osaka	1,600	1.27
Saitama Resona Bank,Limited	7-4-1 Tokiwa, Urawa-ku, Saitama-shi, Saitama	1,287	1.02
Hino Motors, Ltd.	3-1-1 Hinodai, Hino-shi, Tokyo	1,079	0.86
Total	–	95,438	75.69

(Notes) 1. The number of shares held in connection with trust business and included in the above figures are as follows.
Custody Bank of Japan, Ltd. (Trust account) 357,366 shares

2. The Company owns 2,748,513 treasury shares, which are excluded from the figures of the main shareholders mentioned above.
3. Shareholding ratio is calculated excluding treasury stock.
4. Matsumotokiyoshi Holdings Co., Ltd. merged with cocokara fine Inc. and changed its name to MatsukiyoCocokara & Co. on October 1, 2021.
5. Although the Large Volume Holding Report made available to the public on of March 23, 2022 states that the owners of large volume shares that follow are listed as joint owners as of March 15, 2022, as the Company cannot confirm the actual number of shares held as of March 31, 2022, the figures are not included in major shareholder information above. The details of the Large Volume Holding Report are as follows.

Name or title	Address	Number of share certificates held (shares)	Holding ratio of share certificates (%)
Mizuho Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	5,899,573	4.31
Asset Management One Co., Ltd	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	953,400	0.70
Mizuho International plc.	30 Old Bailey, London, EC4M 7AU, United Kingdom	0	0.00

(Note) The number of share certificates held by Mizuho Securities Co., Ltd. includes the number of issuable shares held by the Company as a result of its holding of bonds with share acquisition rights.

(7) Voting rights

(i) Number of shares issued

As of March 31, 2022

Classification	Number of shares	Number of voting rights	Details
Nonvoting shares	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares 2,748,500	–	–
Shares with full voting rights (others)	Common shares 126,030,800	1,260,308	There are 100 shares per trading unit. The shares have full voting rights and are the Company's standard shares with no restrictions on rights.
Fractional shares	Common shares 69,020	–	–
Total number of shares issued	128,848,320	–	–
Voting rights of all shareholders	–	1,260,308	–

(Notes) 1. Common shares in the "Shares with full voting rights (others)" column include 357,366 Company shares (3,573 voting rights) held as a board benefit trust for Officers and Employee Stock Ownership Plan (ESOP) trust.

2. The common shares in the "Fractional shares" column include 13 Company held treasury shares.

(ii) Treasury shares

As of March 31, 2022

Name or title of owner	Address of owner	Number of shares held in own name	Number of shares held in name of others	Total number of shares held	Ratio of shares held to total number of shares issued (%)
MARUWA UNYU KIKAN CO., LTD.	7-1 Asahi, Yoshikawa-shi, Saitama	2,748,500	–	2,748,500	2.13
Total	–	2,748,500	–	2,748,500	2.13

(Notes) 1. The number of shares indicated above does not include 13 fractional shares.

2. Company shares held as a board benefit trust for Officers and Employee Stock Ownership Plan (ESOP) trust are not included in the above treasury shares.

(8) Details of the officer and employee shareholding programs

Performance-based stock compensation plan

(i) Overview of the performance-based stock compensation plan

In the 43rd Ordinary General Meeting of Shareholders held on June 29, 2016 and the Board of Directors meeting held on August 19, 2016, it was resolved to introduce a "performance-based stock compensation plan" (hereinafter referred to as "Plan") that is a highly transparent and objective compensation plan linked to the Company's performance for the purpose of raising the awareness of contribution to the enhancement of performance and the increase of corporate value with a medium-to long-term view for Directors (excluding Outside Directors; hereinafter referred to as "Directors, etc.") of the Company and its subsidiaries (hereinafter referred to as "target companies").

This is a performance-linked stock-based compensation plan under which the Company contributes money to the trust, the trust uses the money as the source of funds to acquire the Company shares, and through the trust, the Directors, etc. receive the Company shares in accordance with the degree of achievement of their performance, etc., in accordance with the Rules on Stock Benefit for Directors pertaining to remuneration for Directors (and other officers) established by the target company. In principle, the time when Directors, etc. receive the Company shares is at the time of their retirement.

(ii) Number of shares to be acquired by Directors, etc.

227,200 shares

(iii) Scope of persons able to receive beneficiary rights and other rights under the Plan

Directors, etc. who satisfy the beneficiary requirements in accordance with the Rules on Stock Benefit for Directors

ESOP Stock Benefit Trust

(i) Overview of ESOP Stock Benefit Trust

In a resolution passed by the Board of Directors meeting held on August 19, 2016, the Company introduced a stock-based ESOP (hereinafter referred to as "Plan") as a benefit plan for employees (below, "employees, etc.") of the Company and its subsidiaries (below, "target companies"), with the aim of enhancing the linkage between the Company's stock price and performance and the treatment of employees, etc., and to share the economic benefits with shareholders, thereby increasing the motivation and morale of employees, etc. to improve the Company's stock price and performance.

This is a performance-linked stock-based compensation plan under which the Company contributes money to the trust, the trust uses the money as the source of funds to acquire the Company shares, and through the trust, the target employees, etc. receive the Company shares in accordance with the degree of achievement of their performance, etc., in accordance with the Rules on Stock Benefit established by the target company. In principle, the time when target employees receive the Company's shares is at the time of their retirement.

(ii) Number of shares to be acquired by employees, etc.

130,166 shares

(iii) Scope of persons able to receive beneficiary rights and other rights under the Plan

Employees, etc. who satisfy the beneficiary requirements in accordance with the Rules on Stock Benefit

2 Status of acquisition of treasury shares, etc.

Type of shares, etc.: Acquisition of common shares falling under Article 155, Item 7 of the Companies Act

(1) Status of acquisition by resolution of the General Meeting of Shareholders

Not applicable.

(2) Status of acquisition by resolution of the Board of Directors

Not applicable.

(3) Details of those not based on resolution of the General Meeting of Shareholders or resolution of the Board of Directors

Classification	Number of shares	Total value (Millions of yen)
Treasury shares acquired in the fiscal year under review	35	0
Treasury shares acquired in the period under review	–	–

(Note) The number of treasury shares acquired in the period under review does not include the number of shares acquired due to purchases of fractional shares from June 1, 2022 until the filing date of this Annual Securities Report.

(4) Status of disposal and status of holding of acquired treasury shares

Classification	Current fiscal year		Current period	
	Number of shares	Total amount disposed of (Millions of yen)	Number of shares	Total amount disposed of (Millions of yen)
Acquired treasury shares offered to subscribers	–	–	–	–
Acquired treasury shares disposed of by cancellation	–	–	–	–
Treasury shares acquired through transfer associated with merger, share exchange, share delivery or company split	–	–	–	–
Other (-)	–	–	–	–
Number of treasury shares held	2,748,513	–	2,748,513	–

(Notes) 1. The number of treasury shares held in the period under review does not include the number of shares acquired due to purchases of fractional shares from June 1, 2022 until the filing date of this Annual Securities Report.

2. The number of treasury shares held does not include the Company shares held as a board benefit trust for Officers and Employee Stock Ownership Plan (ESOP) trust (357,366 shares as of the end of the fiscal year under review).

3 Dividend policy

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.

Furthermore, the Company has not established a specific policy on the number of dividends, but the Articles of Incorporation stipulate that interim dividends can be paid by resolution of the Board of Directors pursuant to Article 454, paragraph 5 of the Companies Act.

The year-end dividend for the period under review was 9.50 yen per share. An interim dividend of 9.50 yen per share has been paid.

(Note) Dividends of surplus for which the record date is during the fiscal year under review are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (yen)
Resolution of the Board of Directors on November 1, 2021	1,197	9.50
Resolution of the Ordinary General Meeting of Shareholders on June 27, 2022	1,197	9.50

4 Status, etc. of corporate governance

(1) Overview of corporate governance

(i) Basic approach on corporate governance

The Company has established the management philosophy to "become a leader in the third-party logistics (3PL) industry, always putting customers' interests first and contributing to the wellbeing of all the allies and to the creation of a prosperous society," and aims to develop with stakeholders including customers and local communities.

In order to realize the management philosophy, it is necessary to ensure transparency and efficiency of management for stakeholders, and conduct business activities based on the execution of compliance management and corporate ethics. To that end, the Company has sought transparency of management and established a corporate governance system enabling management supervisory functions to be exhibited, in addition to establishing corporate governance guidelines which are a basic policy in the pursuit of effective corporate governance.

(ii) Corporate governance system

(a) Basic explanation of the company's organs

The Company is a company with an Audit & Supervisory Board, and has established a General Meeting of Shareholders, a Board of Directors, an Audit & Supervisory Board and a Accounting Auditors as company's organs. The organs related to the Company's management decision-making, execution and supervision are as follows.

a. Board of Directors

The Company's Board of Directors has a composition with consideration for overall balance and diversity of specialized knowledge, experience, and capability to effectively achieve sustained growth of the Company and enhancement of medium- to long-term corporate value. The number of Directors on the Board of Directors is stipulated as being within 13 in the Articles of Incorporation, and candidates for Director are elected by the Board of Directors with consideration for the overall composition of the Board of Directors within this scope. Their roles and composition are as follows. Masaru Wasami serves as the chair.

Name of organ	Role	Composition
Board of Directors (13 members)	Deciding execution of the Company's business and supervision of the execution of duties of Directors	President Masaru Wasami; Directors Teruaki Yamamoto, Masanao Kuzuno, Tsutomu Fujita, Kazumi Kawada, Akinori Iwasaki, Tomoki Ogura, Hideo Hashimoto, Hiroshi Tanaka; and Outside Directors Hakaru Hirose, Yukio Yamakawa, Katsunobu Motohashi and Itsushi Tachi

Furthermore, in addition to regular meetings of the Board of Directors held once a month, irregular meetings of the Board of Directors are flexibly held as needed, and Directors execute and supervise each other's duties. Audit & Supervisory Board Members attend each meeting of the Board of Directors, and supervise the status of execution of duties of the Board of Directors.

b. Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board is made up of Audit & Supervisory Board Member Shigeru Tanaka, and Outside Audit & Supervisory Board Members Akira Iwasaki and Hiroshi Miura, who monitor governance and the status of its operation, and supervise everyday activities including the execution of Directors' duties. Audit & Supervisory Board Members attend meetings of the Board of Directors and important meetings such as internal meetings, and engage in effective monitoring.

c. Audit Office

The Company's Audit Office is made up of ten members including Kiyoshi Wasami, Executive Officer and General Manager of the Audit Office. The Audit Office is engaged in guidance on compliance with laws, regulations and the Company's regulations based on the Internal Audit Regulations, has authority on implementing internal audits, and provides instruction and guidance on not only legality, but also on the appropriateness and improvement of efficiency.

d. Risk Management Committee

The Group holds compliance such as following laws, regulations and corporate ethics as one of the most important management issues. A "Compliance Manual" outlining this governance policy, system and a code of conduct has been established, and meetings of the Risk Management Committee chaired by Director Teruaki Yamamoto and with seven of the Company's Directors, two Audit & Supervisory Board Members, 11 presidents of affiliates and 16 other employees as members are held as needed to consider a variety of compliance issues. The Risk Management Committee has the authority to determine risk management policies and specific measures related to maintaining the risk management system, and the authority to determine measures to prevent recurrences in the event a risk arises and recommendations related to problems. Furthermore, the Company has established a help line (contact for reporting and consultation) for all Group officers and employees based on the "Whistleblowing System Regulations" from the perspective of collecting risk information, and endeavors to quickly detect risk factors.

e. Estimate and Contract Screening Committee

The Company's Estimate and Contract Screening Committee is chaired by President Masaru Wasami and its members are the Vice President and Executive Officer and the Director and Executive Operating Officer. Personnel nominated by the chairperson or the Director and Executive Operating Officer are assembled as needed to decide or deliberate the appropriateness of matters related to undertaking logistics operations for large-scale projects, and report to the Board of Directors.

f. Investment Committee

The Company's Investment Committee is chaired by President Masaru Wasami and its members are the Vice President and Executive Officer and the Director and Executive Operating Officer. Personnel nominated by the chairperson or the Director and Executive Operating Officer are assembled as needed to ensure the soundness of large-scale investments, and decide or deliberate the security and profitability of investments, and report to the Board of Directors.

g. Nomination and Remuneration Committee

The Company's Nomination and Remuneration Committee is chaired by President Masaru Wasami and its members are the Director and Executive Operating Officer and independent outside Directors. In response to consultations for the Board of Directors, the committee deliberates matters related to the election of candidates for Director and Executive Officer, etc. and determination of remuneration, matters related to succession plans, and other important matters related to nomination and remuneration of Directors and Executive Officers, and presents its findings to the Board of Directors.

h. Sustainability Committee

The Company's Sustainability Committee is chaired by President Masaru Wasami and its members are the Vice President and Executive Officer, the Director and Executive Operating Officer and the Managing Executive Officer. Personnel nominated by the Vice President and Executive Officer are assembled as needed to consider issues pertaining to sustained development of the Company in the medium to long term and the realization of a sustainable society including ESG and DX (digital transformation), and presents its findings to the Board of Directors.

i. Special Committee

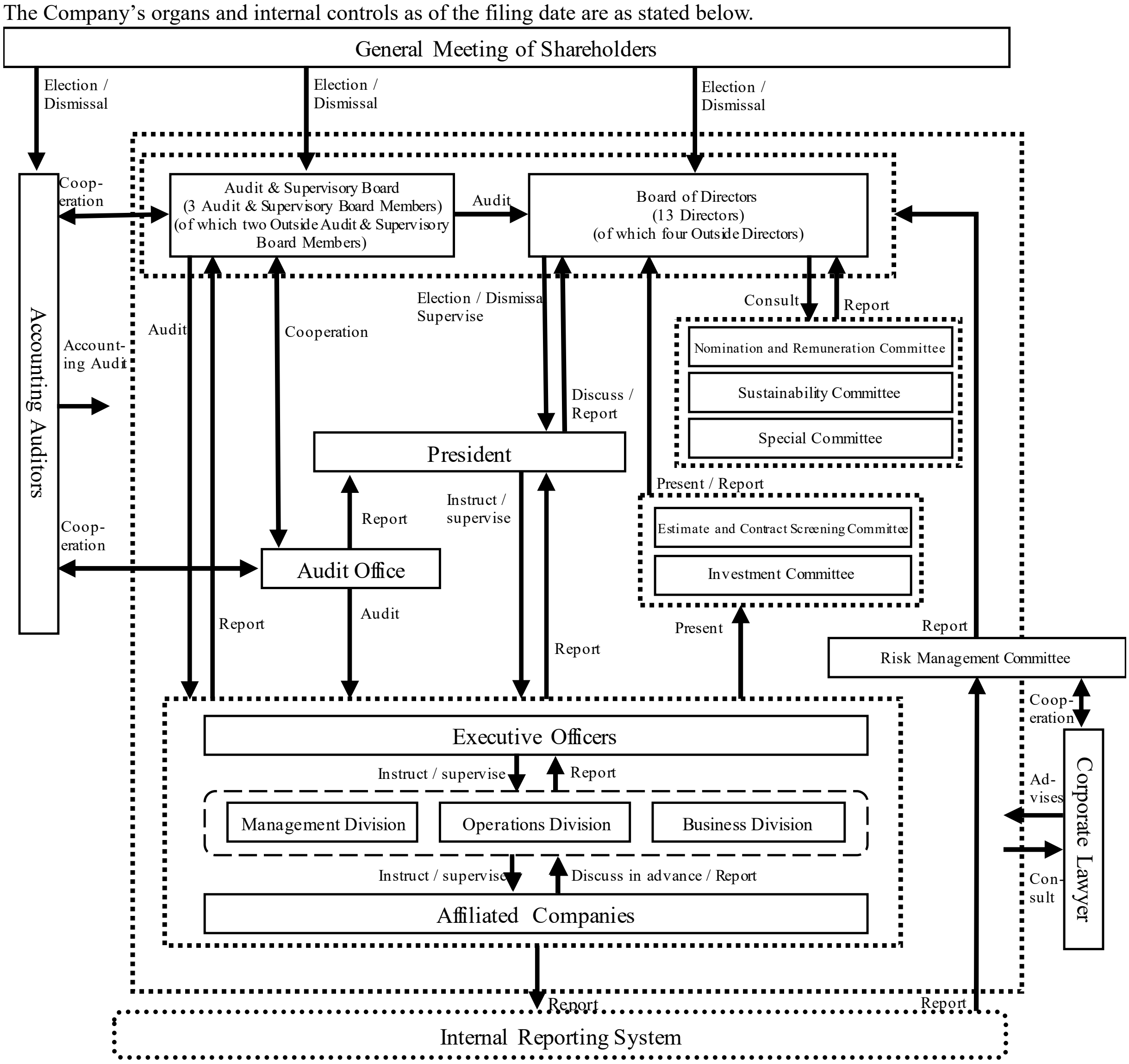
The Company's Special Committee is made up of all independent Outside Directors who elect the chairperson from among themselves. The committee deliberates the necessity, rationality and appropriateness of transactions and actions that are a conflict of interests between the Group and its controlling shareholders and Directors, and presents its findings to the Board of Directors.

j. Accounting Auditors

The Accounting Auditors are as stated in "IV. Information on the Reporting Company, 4 Status, etc. of corporate governance, (3) Status of audits, (ii) Status of financial audit."

(b) The Company's organs and internal controls

The Company's organs and internal controls as of the filing date are as stated below.



(c) Reasons for adopting corporate governance system

The Company has adopted an Audit & Supervisory Board system, and the current system is adopted based on the determination that it would be reasonable to strengthen the functions of the Board of Directors and further enhancing the supervisory functions over management by electing Outside Directors alongside the function of Audit & Supervisory Board Members.

(d) Status of establishment of internal control systems

The Group's "system for ensuring the execution of duties of Directors complies with laws, regulations and the Articles of Incorporation, and other systems for ensuring proper operations" are as follows.

a. System for ensuring the execution of duties by Directors and employees of the Company and its subsidiaries complies with laws, regulations and the Articles of Incorporation

1) The Group has established the "Maruwa Group Code of Conduct" as the basis for its compliance system, and has established and is working to thoroughly disseminate the "Maruwa Group Conduct Rules" as norms on conduct that all officers and all employees should follow. Furthermore, in order to establish systems related to compliance, a Compliance Manual has been formulated, specifying that Directors and employees should conduct themselves in compliance with laws, regulations and the articles of incorporation, and efforts are made to instill this through training.

2) The Group has established a whistleblowing system enabling consultation and reporting in the event an employee discovers a compliance violation or an act suspected of this within the company, and investigates the content of reports and takes action as needed.

3) The Audit Office independent from divisions executing operations implements internal audits of the status of the Group's compliance with laws, regulations and internal regulations.

4) In order to ensure reliability of financial reporting, a "Basic Policy on Financial Reporting" has been established in accordance with the provisions of the Financial Instruments and Exchange Act and relevant rules, etc., and conducts appropriate business operations based on this.

b. Systems for the retention and management of information on the execution of duties by Directors

1) In order to ensure retention and management of information pertaining to the execution of duties by Directors are carried out appropriately, the Board of Directors Regulations, Approval Regulations and Document Management Regulations stipulate matters related to the methods of retention and management of information, and storage and management are appropriately carried out.

2) The Company establishes systems enabling Directors and Audit & Supervisory Board Members to view this information at all times.

c. Regulations and other systems related to management of the risk of losses in the Company and the Company's subsidiaries

1) The Group has specified "Risk Management Regulations" to establish a risk management system, and works to reduce risk by effectively implementing these.

2) To ensure implementation of compliance in the Group, the Company has established the "Risk Management Committee," which determines systems and policies related to risk management, evaluates the risk management systems of each department, and makes necessary improvements.

3) The "Estimate and Contract Screening Committee" and the "Investment Committee" ascertain risks and deliberate countermeasures with regard to risks related to important transactions.

4) The Audit Office independent from divisions executing operations implements internal audits of the status of establishment and operation of risk management systems.

d. System for ensuring the efficient execution of duties by Directors of the Company and its subsidiaries

1) To ensure the execution of duties of Directors is implemented efficiently, meetings of the Board of Directors are held once a month to make decisions on important matters and supervise the status of the execution of duties of Directors.

2) The Company has adopted an executive officer system from the perspective of separation of management decisions and execution of business, swift decision-making and the clarification of authority and responsibility. The President, some Directors in charge of operations, and personnel chosen from among the heads of each division execute business as Executive Officers.

3) The Group formulates medium-term management plans based on the future business environment, drafts budgets each fiscal year in each division, and drafts and executes specific measures aimed at their achievement. Furthermore, to conduct performance management against budgets, meetings are held once a month to analyze the difference between budget and results and discuss measures to address this, tracking the progress of management indicators of each division and determining appropriate measures.

e. Matters related to reporting matters pertaining to the execution of duties of the Company's subsidiaries to the Company

Important management matters in subsidiaries need to be reported to or approved by the Company based on the "Affiliate Management Regulations" and the "Regulations on Duties and Authority" and important matters are approved by the Company's Board of Directors. Furthermore, minutes of the General Meeting of Shareholders and the Board of Directors, etc., the content of monthly operations and other important matters are reported to the Company.

f. Matters related to employees supporting the duties of Audit & Supervisory Board Members

1) With regard to the assignment of employees supporting the duties of Audit & Supervisory Board Members, they will be assigned to a reasonable extent after consultation with Audit & Supervisory Board Members if requested by an Audit & Supervisory Board Member. Furthermore, decisions on the personnel authority over the appointment, transfer, etc. of these employees is conditioned upon the prior consent of Audit & Supervisory Board Members to ensure independence from Directors.

2) Employees assisting the duties of Audit & Supervisory Board Members belong to the Audit & Supervisory Board, and the chain of command is Audit & Supervisory Board Members.

g. System for reporting to Audit & Supervisory Board Members and system for ensuring audits are conducted effectively

1) The Group's officers and employees immediately report to the Company's Audit & Supervisory Board Members in the event they learn of facts that may cause significant harm to the Company, misconduct such as a legal violation or other similar facts. Furthermore, persons who receive similar reports from officers or employees of the Company's subsidiaries immediately report to the Company's Audit & Supervisory Board Members.

2) The Group prohibits disadvantageous treatment of officers and employees who make the above reports on the grounds of making such reports.

h. Matters related to procedures for advance payment and redemption of expenses arising for the execution of duties of Audit & Supervisory Board Members, and other policies on processing of expenses or liabilities arising concerning the execution of such duties

When an Audit & Supervisory Board Member makes a request for advance payment of expenses for the execution of duties, the expenses or liabilities are swiftly processed except in cases where it is proven that the requested expenses or liabilities are not required for the execution of the Audit & Supervisory Board Member's duties.

i. Other systems for ensuring audits are conducted effectively by Audit & Supervisory Board Members

1) Audit & Supervisory Board Members conduct duties by coordinating and exchanging information with the Audit Office as needed.

2) In order to understand the process of important decision-making and the state of the execution of business, Audit & Supervisory Board Members attend meetings of the Board of Directors and other meetings deemed to be necessary, view major approval documents and other important documents related to the execution of business, and request explanations from Directors or employees, etc. as needed.

3) Audit & Supervisory Board Members hold regular meetings with the President and the Accounting Auditors to exchange opinions on important issues.

j. System for excluding antisocial forces

The Company declares that it will comply with the "Maruwa Group Code of Conduct" and the "Maruwa Group Conduct Rules" and will not have any relationships with antisocial forces and groups that threaten the order and safety of local communities. The Company will coordinate with attorneys and the police, etc. to systematically respond to unreasonable demands with a resolute attitude.

(e) Status of establishment of risk management system

The Company positions ensuring stable earnings and the establishment of a sound management base by appropriately managing all risks related to the execution of business as an important management issue, and the status of the establishment of the risk management system is as stated in "d. Status of establishment of internal control systems, c. Regulations and other systems related to management of the risk of losses in the Company and the Company's subsidiaries."

(iii) Overview of content of agreements limiting liability

The Company has entered into agreements limiting liability with outside Directors and Audit & Supervisory Board Members pursuant to the provision of Article 427, paragraph 1 of the Companies Act to limit the liability for damages under Article 423, paragraph 1 of the same Act. The limit on liability for damages pursuant to the agreements is the amount specified by laws and regulations.

(iv) Overview of content of Directors and officers liability insurance policy

The Company plans to enter into a Directors and officers liability insurance policy as provided for in Article 430-3, paragraph 1 of the Companies Act with an insurance company. The policy will cover losses incurred in cases where an insured receives a claim for damages from shareholders or a third party during the term of the policy arising due to actions or misconduct carried out during the performance of duties as an officer of the Company.

The insureds in this policy are Directors, Audit & Supervisory Board Members and Executive Officers of the Company and its subsidiaries, and the full amount of the insurance premiums for all insureds are borne by the Company.

(v) Number of Directors

The Company stipulates in its Articles of Incorporation that there will be 13 or fewer Directors.

(vi) Requirements for resolutions on the election of Directors

The Company stipulates in its Articles of Incorporation that resolutions to elect Directors are made by a resolution by a majority of voting rights in where shareholders holding one third or more of the voting rights of shareholders eligible to exercise voting rights are in attendance, and that cumulative voting will not be used.

(vii) Matters to be resolved by the General Meeting of Shareholders that may be resolved by the Board of Directors

(a) Dividends of surplus, etc.

The Company stipulates in its Articles of Incorporation that matters specified in the items of Article 459, paragraph 1 of the Companies Act, such as dividends of surplus, may be specified by resolution of the Board of Directors without a resolution of the General Meeting of Shareholders to flexibly provide returns to shareholders expect when otherwise provided for by laws and regulations.

(b) Interim dividends

The Company stipulates in its Articles of Incorporation that it may pay an interim dividend with September 30 every year as the record date by resolution of the Board of Directors pursuant to the provision of Article 454, paragraph 5 of the Companies Act to flexibly provide returns to shareholders.

(c) Exemption of Directors and Audit & Supervisory Board Members from liability

The Company stipulates in its Articles of Incorporation that it may exempt Directors (including former Directors) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) from liability for damages due to failure to perform duties to the extent of laws and regulations by resolution of the Board of Directors pursuant to the provision of Article 426, paragraph 1 of the Companies Act to enable Directors (including former Directors) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) to adequately perform their expected roles. Furthermore, the Company also stipulates in its Articles of Incorporation that it may enter into agreements limiting liability for damages due to failure to perform duties by Directors (excluding Executive Directors) and Audit & Supervisory Board Members pursuant to the provision of Article 427, paragraph 1 of the Companies Act, and has entered into such agreements. The limit on liability for damages pursuant to the agreements is the amount of the liability amount specified in Article 425, Paragraph 1 of the same Act. The limitation of liability is restricted to cases when the execution of the duties causing liability is in good faith without gross negligence.

(viii) Requirements for special resolutions of the General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that the requirement for special resolutions of the General Meeting of Shareholders specified in Article 309, paragraph 2 of the Companies Act is two thirds or more of voting rights in attendance where shareholders holding one third or more of the voting rights of shareholders eligible to exercise voting rights are in attendance. The purpose of this is to enable smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions in the General Meeting of Shareholders.

(2) Status of Officers

(i) List of Officers

Male: 16 Female: - (Percentage of female officers: -%)

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
President & CEO	Masaru Wasami	May 23, 1945	Aug. 1973	Established MARUWA UNYU KIKAN, LTD. (currently the Company)	(Note) 3	31,684
			Sept. 1973	President		
			Feb. 1988	President of Kanto Maruwa Service Co., Ltd. (currently Japan Quick Service Corporation)		
			Aug. 1993	President of Showa Tsuun Co., Ltd. (currently Maruwa Tsuun Co., Ltd.)		
			Nov. 1995	President of Kansai Maruwa Service Co., Ltd. (currently KANSAI MARUWA LOGISTICS CO., LTD.)		
			Aug. 1997	President of Tohoku Maruwa Service Co., Ltd. (currently TOHOKU MARUWA LOGISTICS CO., LTD.)		
			Apr. 2002	President of SHIKOKU MARUWA LOGISTICS CO., LTD. (currently CHUSHIKOKU MARUWA LOGISTICS CO., LTD.)		
			Oct. 2005	President of KYUSHU MARUWA LOGISTICS CO., LTD.		
			June 2009	President & CEO of the Company (current position)		
			Oct. 2016	Representative Director of AZ-COM Maruwa Support Network (current position)		
			May 2017	Representative Director of The Japan Third Party Logistics Association (current position)		
			Apr. 2019	Director of General Incorporated Foundation Maruwa Foundation (Currently: Public Interest Incorporated Foundation Wasami Maruwa Foundation) (current position)		

Director, Vice President and Executive Officer, Chief General Manager of 3PL Food Logistics Division	Teruaki Yamamoto	November 24, 1948	Apr. 1971 June 2002 June 2005 Mar. 2006 Mar. 2007 June 2008 Mar. 2011 June 2011 June 2012 June 2015 Oct. 2016 Dec. 2019 June 2020 Feb. 2021	Joined The Long-Term Credit Bank of Japan, Limited (currently Shinsei Bank, Limited) Representative Statutory Executive Officer, Senior Managing Executive Officer, Head of Institutional Banking Group, and General Manager of IB Business Division Representative Director and President (CEO) of APLUS Co., Ltd. (currently APLUS FINANCIAL Co., Ltd.) Director of Shinsei Bank, Limited Chairman of the Board of ZEN-NICHI SHINPAN CO., LTD. Vice Chairman of the Board of APLUS Co., Ltd. Director of Shinsei Bank, Limited Representative Director and Chairman of the Board of Shinsei Trust & Banking Co., Ltd. Advisor of the Company Director and Managing Executive Officer and Chief General Manager of Administrative Division Director and Executive Operating Officer and Chief General Manager of Administrative Division Director and Executive Operating Officer Director of AZ-COM Maruwa Support Network (current position) Director, Executive Operating Officer, Chief General Manager of 3PL Food Logistics Division, and General Manager of 3PL Food Logistics Division Director, Vice President and Executive Officer, Chief General Manager of 3PL Food Logistics Division, and General Manager of 3PL Food Logistics Division Director, Vice President and Executive Officer, Chief General Manager of 3PL Food Logistics Division (current position)	(Note) 3	121

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director and Executive Operating Officer and Chief General Manager of Administrative Division	Masanao Kuzuno	September 29, 1962	Apr. 1985	Joined The Saitama Bank, Ltd. (currently Saitama Resona Bank, Limited)	(Note) 3	3
			June 2010	Director and Executive Officer, General Manager and in charge of Corporate Administration Division		
			June 2011	Director and Executive Officer, in charge of Corporate Administration Division and Compliance Division		
			Apr. 2012	Executive Officer, General Manager of Credit Risk Management Division, and vise in charge of Risk Management Division of Resona Holdings, Inc. Executive Officer, vise in charge of Risk Management Division and Trust Services Administration Division of Resona Bank, Limited		
			Apr. 2013	Executive Officer, in charge of Pension Trust Division and Trust Services Administration Division		
			Apr. 2014	Executive Officer, in charge of Pension Trust Division and Trust Services Administration Division, and vise in charge of Trust Business Division		
			Apr. 2016	Senior Managing Director of Resona Card Co., Ltd.		
			Apr. 2019	Advisor of the Company		
			June 2019	Director and Managing Executive Officer and Chief General Manager of Administrative Division		
			June 2020	Director and Executive Operating Officer and Chief General Manager of Administrative Division		
			June 2021	Director and Executive Operating Officer and Chief General Manager of Administrative Division and Chief General Manager of Recruitment Division (current position)		
Director and Executive Operating Officer and Chief General Manager of Corporate Strategy Division	Tsutomu Fujita	June 21, 1952	Apr, 1984	Joined New Japan Securities Co., Ltd. (currently Mizuho Securities Co., Ltd.)	(Note) 3	92
			May 2006	Managing Executive Officer		
			Apr. 2008	Director and Executive Operating Officer of Shinko Research Institute Co., Ltd. (currently Japan Investor Relations and Investor Support, Inc.)		
			June 2012	Advisor of the Company Director Representative Director and President of AZ-COM Data Security Co., Ltd.		
			July 2014	Director and Managing Executive Officer and General Manager of Corporate Strategy Office of the Company		
			June 2015	Director and Managing Executive Officer and Chief General Manager of Corporate Strategy Division		
			June 2016	Director and Managing Executive Officer, Chief General Manager of Corporate Strategy Division and Chief of Corporate Strategy Department		
			June 2021	Director and Executive Operating Officer and Chief General Manager of Corporate Strategy Division (current position)		

Director and Managing Executive Officer, Chief General Manager of General Affairs Division	Kazumi Kawada	January 23, 1961	Mar. 1984 Feb. 1992 Sept. 2001 July 2007 Apr. 2009 Nov. 2009 June 2010 July 2012 Apr. 2013 June 2015 June 2019 July 2020	Joined Daikei Shinkin Bank Joined the Company Chief of Accounting Department Executive Officer and Chief General Manager of Accounting Division Executive Officer and Chief General Manager of Accounting Division and Corporate Planning Division Executive Officer, Chief General Manager of Accounting Division and Corporate Planning Division, and Chief of Legal Department Director and Executive Officer, Deputy Chief General Manager of Administrative Division, Chief General Manager of Accounting Division and Corporate Planning Division, and Chief of Legal Department Director and Executive Officer, Deputy Chief General Manager of Administrative Division, and Chief of Corporate Planning Department Director and Executive Officer, Deputy Chief General Manager of Administrative Division and Chief General Manager of Corporate Planning Division Director and Managing Executive Officer, Chief General Manager of Administrative Division, and General Manager of General Affairs Division Director and Managing Executive Officer, Chief General Manager of General Affairs Division, and General Manager of General Affairs Division President of Maruwa Tsuun Co., Ltd. (current position) Director and Managing Executive Officer, Chief General Manager of General Affairs Division (current position)	(Note) 3	136

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director and Managing Executive Officer and Chief General Manager of EC Business Division	Akinori Iwasaki	July 3, 1974	Apr. 1993	Joined the Company	(Note) 3	27
			June 2015	Chief of Ordinary Temperature Logistics Department		
			Aug. 2016	Executive Officer and Chief of Ordinary Temperature Logistics Department		
			June 2017	Executive Officer, Chief General Manager of EC Ordinary Temperature Logistics Division and Chief of EC Ordinary Temperature Logistics Department		
			July 2017	Executive Officer, Chief General Manager of EC Ordinary Temperature Logistics Management Division, and Chief of Ordinary Temperature Logistics Department		
			Apr. 2018	Executive Officer and Chief General Manager of EC Logistics Division		
			June 2018	Director and Executive Officer and Chief General Manager of EC Logistics Division		
			July 2018	Director and Executive Officer, Chief General Manager of EC Last One Mile Business Division, and Chief of EC Last One Mile MQA Development Department		
			Apr. 2020	Director and Executive Officer and Chief General Manager of EC Business Division		
			June 2022	Director of PHYZ Holdings Inc. (current position) Director and Managing Executive Officer and Chief General Manager of EC Business Division (current position)		
Director and Executive Officer, Chief General Manager of 3PL Logistics Division, and Chief of BCP Logistics Support Planning Department	Tomoki Ogura	March 22, 1970	Apr. 1988	Joined the Company	(Note) 3	102
			July 2005	Chief of System Transportation Business Department		
			June 2010	Director and Executive Officer, Chief General Manager of Operational System Business Division, and Chief of Operational System Business Department		
			Apr. 2011	Director and Executive Officer, Assistant to Deputy Chief General Manager of Business Administrative Division, Chief General Manager of Operational System Business Division, and Chief of Operational System Business Department		
			Apr. 2012	Director and Executive Officer, Chief General Manager of Ordinary Temperature Business Division, and Chief of Operational Business Department		
			Apr. 2013	Director and Executive Officer, Chief General Manager of Ordinary Temperature Logistics Management Division, and Chief of Operational System Management Department		
			June 2015	Director and Executive Officer and Chief General Manager of 3PL Logistics Division		
			June 2019	Director and Executive Officer, Chief General Manager of 3PL Logistics Division, and Chief of BCP Logistics Support Planning Department (current position)		

Director and Executive Officer, Chief General Manager of Human Resources Development Division, and Chief of Human Resources Development Department	Hideo Hashimoto	October 22. 1969	Apr. 1988 Joined the Company June 1998 Seconded to Japan Quick Service Corporation as General Manager of Tokyo Division Oct. 2001 Director and General Manager Sept. 2003 Chief of Human Resources and Education Department of the Company June 2010 Director and Executive Officer, Chief General Manager of Human Resources and Education Division, and Chief of Human Resources and Education Department June 2012 Executive Officer, Chief General Manager of Human Resources Development Division, and Chief of Human Resources Development Department June 2014 Director and Executive Officer, Chief General Manager of Human Resources Development Division, and Chief of Human Resources Development Department (current position)	(Note) 3	131
Director and Executive Officer, Chief General Manager of Finance Division, and Chief of Finance Department	Hiroshi Tanaka	October 19, 1960	Apr. 1979 Joined The Kyowa Bank, Ltd. (currently Resona Bank, Limited) Aug. 2004 General Manager of Kumagaya Ekimae Branch of Saitama Resona Bank, Limited Apr. 2006 Group Leader of Corporate Division and Saitama Northern District Sales Division July 2008 Group Leader of Corporate Division and Saitama Eastern District Sales Division Apr. 2012 Joined the Company as Chief of Finance Department June 2012 Executive Officer, Chief General Manager of Finance Division, and Chief of Finance Department June 2015 Director and Executive Officer, Chief General Manager of Finance Division, Chief of Finance Department, and in charge of AZ-COM Maruwa Support Network Oct. 2015 Director and Executive Officer, Chief General Manager of Finance Division, and in charge of AZ-COM Maruwa Support Network Nov. 2016 Director and Executive Officer, Chief General Manager of Finance Division, and Chief of Finance Department (current position)	(Note) 3	32

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Director	Hakaru Hirose	December 7, 1942	Apr. 1966 Aug. 1985 June 1989 Aug. 1989 Sept. 1990 Apr. 1992 Sept. 1994 July 1996 Apr. 1998 Sept. 2001 Sept. 2009 June 2014	Joined National Police Agency General Manager of Criminal Investigation Department of Osaka Prefectural Police Headquarters Private Secretary to the Prime Minister Chief of Okayama Prefectural Police Headquarters General Manager of Criminal Investigation Department of Metropolitan Police Department General Manager of Japanese Organized Crime Division of National Police Agency Deputy Superintendent General of Metropolitan Police Department Chief of Osaka Prefectural Police Headquarters Full-time Advisor of ALL NIPPON AIRWAYS CO., LTD. Deputy Governor of Deposit Insurance Corporation of Japan Managing Director of Incorporated Foundation Japan Police Support Association (currently Public Interest Incorporated Foundation Japan Police Support Association) Director of the Company (current position)	(Note) 3	5
Director	Yukio Yamakawa	April 22, 1944	Apr. 1969 June 1997 June 1998 June 2002 June 2008 Mar. 2010 June 2010 Sept. 2013 Sept. 2015 June 2016	Joined The Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.) Director of The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.) Director and President of The Diamond Home Credit Company Limited Director and Vice President of The Resolution and Collection Corporation Representative Director and Executive Vice President of SEIBU RAILWAY Co., Ltd. Statutory Auditor of ONO SOKKI Co., Ltd. Audit & Supervisory Board Member of The Hyakugo Bank, Ltd. Director Responsible for Compliance of JOYFUL HONDA CO., LTD. Director Responsible for Compliance and Special Matters of JOYFUL HONDA CO., LTD. Director of the Company (current position)	(Note) 3	4
Director	Katsunobu Motohashi	November 11, 1957	Apr. 1980 Apr. 2005 Apr. 2009 Apr. 2010 Apr. 2016 June 2019 Apr. 2020 June 2021	Joined The Yasuda Trust & Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.) General Manager of General Secretariat Executive Officer and General Manager of Treasury Division Managing Executive Officer and General Manager of Investment Unit Senior Managing Executive Officer and Head of Asset Management Company of Mizuho Financial Group, Inc. President & CEO of Mizuho Trust Operations Co., Ltd. President & CEO of Urban Research Institute Corporation Director of Joban Kosan, Ltd. (current position) Director of the Company (current position)	(Note) 3	0

Director	Itsushi Tachi	March 13, 1959	Apr. 1981 Apr. 1991 Aug. 1995 Mar. 2003 Mar. 2005 July 2010 July 2014 July 2016 Mar. 2018 Apr. 2020 June 2021	Joined Economic Planning Agency First Secretary of Embassy of Japan in Thailand Head of Price Structure Policy Office, Price Policy Bureau, Economic Planning Agency Counsellor, Office of Public Relations, Cabinet Office Cabinet Secretariat and Counsellor, Office for the Promotion of Special Zones for Structural Reform and Regional Revitalization, Cabinet Office Secretary General of Supervisory Commission for Public-Private and Private-Private Competitive Tendering Councilor for Policy Planning (Economic Social Systems), Cabinet Office Executive Research Fellow, Economic and Social Research Institute Deputy Director-General of Land Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism Director-General for Policy Planning, Ministry of Land, Infrastructure, Transport and Tourism and Councilor, Cabinet Secretariat Director of Ohowa Planning, Co., Ltd. (current position) Director of Association for promotion of remote islands and regional revitalization (current position) Director of the Company (current position)	(Note) 3	–

Position	Name	Date of birth	Career summary		Term of office	Number of shares held (thousand shares)
Full-time Audit & Supervisory Board Member	Shigeru Tanaka	October 14, 1952	Apr. 1976 Jan. 1977 May 2006 Oct. 2007 Mar. 2009 June 2010 June 2012	Joined Daiei-jyutaku Co., Ltd. Joined Kahma Co., Ltd. (currently DCM Kahma Co., Ltd.) Audit & Supervisory Board Member of NICHIRIN CO.,LTD. Joined Yamachu Co.Ltd. Joined the Company General Manager of Corporate Planning Department Audit & Supervisory Board Member (current position)	(Note) 4	19
Audit & Supervisory Board Member	Akira Iwasaki	August 27, 1949	Mar. 1973 Apr. 1989 May 1997 June 2010 Aug. 2011 May 2016	Joined Creative Management Center Co., Ltd. Director and General Manager of OA Consulting Business Department Representative Director and President of Sokei Hinet Corporation Audit & Supervisory Board Member of the Company Audit & Supervisory Board Member (current position) Advisor of Sokei Hinet Corporation (current position)	(Note) 4	1
Audit & Supervisory Board Member	Hiroshi Miura	April 16, 1959	Apr. 1985 Aug. 1989 Feb. 1992 June 2006 July 2009 Oct. 2013 June 2021 Aug. 2021 Nov. 2021 Mar. 2022 June 2022	Joined Eiwa Audit Corporation (currently KPMG AZSA LLC) Registered as a certified public accountant Assignment to New York Office of Arthur Andersen Representative Partner of KPMG AZSA & Co. (currently KPMG AZSA LLC) Assignment to KPMG London Office Executive Board Member of KPMG AZSA LLC Audit & Supervisory Board Member (current position) Managing Director of Plante & Moran, PLLC (current position) Executive Officer of ORIX JREIT Inc. (current position) Director of MonotaRO Co., Ltd. (current position) Audit & Supervisory Board Member of TOYOTA BOSHOKU CORPORATION (current position)	(Note) 4	–
Total						32,364

(Notes) 1. Hakaru Hirose, Yukio Yamakawa, Katsunobu Motohashi, and Itsushi Tachi are Outside Directors.
2. Audit & Supervisory Board Members Akira Iwasaki and Hiroshi Miura are Outside Audit & Supervisory Board Members.
3. The term of office of Directors is from the time of the conclusion of the Ordinary General Meeting of Shareholders held in June 2022 until the Ordinary General Meeting of Shareholders to be held in June 2023.
4. The term of office of Audit & Supervisory Board Members is from the time of the conclusion of the Ordinary General Meeting of Shareholders held in June 2021 until the Ordinary General Meeting of Shareholders to be held in June 2025.
5. The Company has appointed one substitute Audit & Supervisory Board Member specified in Article 329, paragraph 3 of the Companies Act in case of a vacancy in the number of Audit & Supervisory Board Members provided for by laws and regulations. The career summary of the substitute Audit & Supervisory Board Member is as follows.

Name	Date of birth	Career summary		Number of shares held (thousand shares)
Hiroki Sakuraba	December 25, 1976	Oct. 2002	Assistant Judge (55th)	–
			Civil Division of the Sendai District Court	
		Apr. 2007	Criminal Division of the Tokyo District Court	
		Apr. 2009	Registered as an attorney at law with Tokyo Bar Association Joined Okuno Sogo Law Office (currently Okuno & Partners) (current position)	

6. The Company has introduced an executive officer system for the purpose of clarifying roles and responsibilities, and strengthening functions by separating management decision-making and supervision functions and business execution functions. Executive Officers who do not concurrently serve as Directors are as follows.

Executive Officer, Chief General Manager of Personnel Management Planning Division, and Chief of Personnel Planning Department:	Shigeru Onojima
Executive Officer, Chief General Manager of Drug Logistics Operations Division, and Chief of Drug Logistics Operations Department:	Minoru Niinuma
Executive Officer and Chief General Manager of Accounting Division:	Akira Otsuka
Executive Officer and General Manager of the Audit Office:	Kiyoshi Wasami
Executive Officer, Chief General Manager of Operational System Operations Division, and Chief of Operational System Operations Department:	Toshiro Akimoto
Executive Officer and Deputy Chief General Manager of Drug Logistics Operations Division:	Masayuki Iizuka
Executive Officer, Chief General Manager of General Affairs Division, and Chief of General Affairs Department:	Takashi Hachiya
Executive Officer, Chief General Manager of Information Systems Division, and Chief of DX Promotion Department:	Manabu Chisuwa
Executive Officer and Chief of Business Development Department:	Satoru Oana
Executive Officer and Chief of Safety Measures and Vehicles Department:	Fumio Wasami

(ii) Status of Outside Officers

(a) Personal relationships, capital relationships, business relationships and other interests of Outside Directors and Outside Audit & Supervisory Board Members and the Company

The Company has appointed four Outside Directors and two Outside Audit & Supervisory Board Members.

Outside Director Hakaru Hirose holds 5,800 shares in the Company, but it has been determined that this is immaterial because he is not a major shareholder. Furthermore, he has never been an Executive Director, etc. of the Company or its subsidiaries, and has no personal relationship, capital relationship, business relationship or other interest with the Company.

Outside Director Yukio Yamakawa holds 4,300 shares in the Company, but it has been determined that this is immaterial because he is not a major shareholder. Furthermore, he has never been an Executive Director, etc. of the Company or its subsidiaries, and has no personal relationship, capital relationship, business relationship or other interest with the Company.

Outside Director Katsunobu Motohashi holds 200 shares in the Company, but it has been determined that this is immaterial because he is not a major shareholder. Furthermore, he has never been an Executive Director, etc. of the Company or its subsidiaries, and has no personal relationship, capital relationship, business relationship or other interest with the Company.

Outside Director Itsushi Tachi does not hold any shares in the Company. Furthermore, he has never been an Executive Director, etc. of the Company or its subsidiaries, and has no personal relationship, capital relationship, business relationship or other interest with the Company.

Outside Audit & Supervisory Board Member Akira Iwasaki holds 1,000 shares in the Company, but it has been determined that this is immaterial because he is not a major shareholder. Furthermore, he has never been an Executive Director, etc. of the Company or its subsidiaries, and has no personal relationship, capital relationship, business relationship or other interest with the Company.

Outside Audit & Supervisory Board Member Hiroshi Miura does not hold any shares in the Company. Furthermore, he has never been an Executive Director, etc. of the Company or its subsidiaries, and has no personal relationship, capital relationship, business relationship or other interest with the Company.

The status of ownership of the Company shares by Outside Directors and Outside Audit & Supervisory Board Members is as stated in "IV. Information on the Reporting Company, 4. Status, etc. of corporate governance, (2) Status of Officers, (i) List of Officers."

(b) Approach to functions and roles of Outside Directors and Outside Audit & Supervisory Board Members in corporate governance and status of appointment

It is believed that it is important to strengthen objective and impartial management supervision functions from outside in corporate governance, and it is believed that management supervision from outside functions adequately through the implementation of audits by two Outside Audit & Supervisory Board Members in addition to having four Outside Directors.

Outside Director Hakaru Hirose was appointed as Outside Director due to the determination that he is able to provide advise and suggestions on the strengthening of the Company's management system based on his specialized experience and insight from serving in key positions such as the Deputy Superintendent General of the Metropolitan Police Department. Furthermore, the Company has submitted notification to the Tokyo Stock Exchange that he has been designated as an independent officer because he is an Outside Director with no risk of a conflict of interest with the general shareholders of the Company.

Outside Director Yukio Yamakawa was appointed as Outside Director due to the determination that he is able to provide advise and suggestions aimed at the enhancement of corporate value based on the abundant insight he has gained into corporate management through experience such as serving as an officer at a major bank and a major retailer. Furthermore, the Company has submitted notification to the Tokyo Stock Exchange that he has been designated as an independent officer because he is an Outside Director with no risk of a conflict of interest with the general shareholders of the Company.

Outside Director Katsunobu Motohashi was appointed as Outside Director due to the determination that he could provide supervisory functions and advice from the perspective of shareholders and investors to enhance the Group's corporate value based on his abundant experience and insight on corporate management, finance and accounting gained through experience such as serving as an officer in major corporations. Furthermore, the Company has submitted notification to the Tokyo Stock Exchange that he has been designated as an independent officer because he is an Outside Director with no risk of a conflict of interest with the general shareholders of the Company.

Outside Director Itsushi Tachi was appointed as Outside Director due to the expectation that his abundant insight into economic and fiscal policy gained by serving in key posts such as Councilor of Cabinet Secretariat and Director-General for Policy Planning in the Ministry of Land, Infrastructure, Transport and Tourism can be utilized in the Group's medium- to long-term growth strategy. Furthermore, the Company has submitted notification to the Tokyo Stock Exchange that he has been designated as an independent officer because he is an Outside Director with no risk of a conflict of interest with the general shareholders of the Company.

Outside Audit & Supervisory Board Member Akira Iwasaki was appointed as Audit & Supervisory Board Member to receive his advice and suggestions on topics such as changes in the management environment and medium- to long-term management strategy based on his experience and insight on management consulting and business strategy consulting. Furthermore, the Company has submitted notification to the Tokyo Stock Exchange that he has been designated as an independent officer because he is an Outside Audit & Supervisory Board Member with no risk of a conflict of interest with the general shareholders of the Company.

Outside Audit & Supervisory Board Member Hiroshi Miura was appointed as Outside Audit & Supervisory Board Member due to the determination that he can execute supervisory operations over management in general with his extensive insight on accounting, auditing and governance gained through many years of experience in auditing operations and management advisory operations at an international audit corporation. Furthermore, the Company has submitted notification to the Tokyo Stock Exchange that he has been designated as an independent officer because he is an Outside Audit & Supervisory Board Member with no risk of a conflict of interest with the general shareholders of the Company.

(c) Standard or policy on independence for appointment of Outside Directors and Outside Audit & Supervisory Board Members

The requirements for outside officers established by the Company stipulate that candidates must satisfy the outside requirements specified in the Companies Act and the independence criteria specified by the Tokyo Stock Exchange, must not be in a position where a conflict of interest may arise with general shareholders, be able to contribute to meetings of the Board of Directors, etc. in a frank and proactive manner, and be able to contribute to the sustained growth of the Company and the improvement of its corporate value over the medium to long term.

(iii) Supervision and audits by Outside Directors or Outside Audit & Supervisory Board Members, mutual coordination between audits by Audit & Supervisory Board Members and financial audits, and relationship with the Internal Control Division

Outside Directors share information by receiving reports on important matters pertaining to internal control and compliance, in addition to conducting supervision of the execution of business from a variety of angles, and expressing opinions as necessary, such as exchanging appropriate information, in meetings of the Board of Directors. Outside Audit & Supervisory Board Members fulfill their supervisory role over the Internal Control Division through the Audit & Supervisory Board by coordinating with the full-time Audit & Supervisory Board Member and providing appropriate advice on internal control in meetings of the Audit & Supervisory Board. Furthermore, efforts are made to mutually coordinate with the Audit Office and the Financial Auditor to improve audits by sharing information in meetings with the Audit Office. In addition, Outside Directors and Audit & Supervisory Board Members work to strengthen management supervisory functions by sharing information with each other.

(3) Status of audits

(i) Status of audits by Audit & Supervisory Board Members and internal audits

With regard to audits by Audit & Supervisory Board Members, one full-time Audit & Supervisory Board Member and two part-time Audit & Supervisory Board Members attend meetings of the Board of Directors and other internal meetings and actively exchange opinions with top management according to their respective roles, and also view approval documents as needed and audit the execution of duties of Directors through investigations of the state of the company's operations and property. Furthermore, the Financial Auditor and Audit & Supervisory Board Members consult when stating Key Audit Matters (KAM) on the audit report of the Financial Auditor pursuant to the Financial Instruments And Exchange Act.

The Audit & Supervisory Board holds regular meetings with consideration for factors such as the dates of meetings of the Board of Directors and the possibility of each Audit & Supervisory Board Member to attend.

The status of activities of each Audit & Supervisory Board Member during the current fiscal year is as follows.

Position	Name	Main activities
Full-time Audit & Supervisory Board Member	Shigeru Tanaka	As a full-time Audit & Supervisory Board Member, he endeavored to establish the audit environment and gather information from within the Company, conducting routine monitoring of the status of operation of internal control systems and working to share information obtained in the course of duties with other Audit & Supervisory Board Members. Furthermore, he attended all 22 meetings of the Board of Directors held during the current fiscal year, and provided advice and suggestions to ensure the validity and appropriateness of decisions of the Board of Directors as needed. He attended all 14 meetings of the Audit & Supervisory Board, exchanged opinions on audit results and discussed important matters related to auditing.
Audit & Supervisory Board Member	Akira Iwasaki	He attended all 22 meetings of the Board of Directors held during the current fiscal year, and also attended all 14 meetings of the Audit & Supervisory Board, adequately fulfilling his duties as an Audit & Supervisory Board Member such as providing advice and suggestions on changes in the management environment and medium- to long-term management strategy, and discussing important matters related to auditing based on his experience and insight into management consulting and business strategy consulting.
Audit & Supervisory Board Member	Hiroshi Miura	He attended 15 of the 16 meetings of the Board of Directors held during the current fiscal year since he was appointed as Audit & Supervisory Board Member, and provided advice and suggestions to ensure the validity and appropriateness of decision-making of the Board of Directors as needed. He also attended all 10 meetings of the Audit & Supervisory Board since he was appointed as Audit & Supervisory Board Member, adequately fulfilling his duties as an Audit & Supervisory Board Member such as providing advice and suggestions on strengthening of governance of management in general, and discussing important matters related to auditing based on his many years of auditing experience in an international audit corporation and extensive experience and insight into management consulting.

The Audit Office is in charge of internal audits, and coordinates with Audit & Supervisory Board Members to implement audits and report to the President based on annual audit plans, also reporting audit findings at meetings of the Board of Directors as necessary.

Furthermore, in addition to receiving submissions of annual financial audit plans and reports of financial audit results from the Financial Auditor, the Audit office observes audits by the Financial Auditor and regularly exchanges information and opinions with the Financial Auditor, working in close coordination with each other.

Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members), the Audit Office and the Financial Auditor receives submission of reports and materials, etc. from the Internal Control Division in each audit, and also requests explanations as necessary, and the Internal Control Division cooperates to ensure appropriate implementation of these audits.

(ii) Status of financial audit

(a) Certified public accountants, etc. for auditing of the reporting company

Ernst & Young ShinNihon LLC has been appointed as the Financial Auditor due to being deemed to be qualified comprehensively considering the ability to perform duties such as independence, expertise, quality management systems, auditing experience and audit scale the Company requires of the Financial Auditor. The two certified public accountants who executed the financial audit of the Company are Yukiyasu Yamakawa and Ichiro Ogawa. The assistants for the financial audit of the Company are four certified public accountants and 12 other personnel. The audit by the audit firm in the Company's financial reports has continued since the fiscal year ended March 31, 2010.

(b) Policy on determining the dismissal or refusal of reappointment of the Financial Auditor

If deemed necessary such as cases where there are problems with the execution of duties of the Financial Auditor, the Audit & Supervisory Board determines content of a proposal concerning the dismissal or refusal of reappointment of the Financial Auditor to be submitted to the General Meeting of Shareholders, and the Board of Directors submits the proposal to the General Meeting of Shareholders based on that determination.

Furthermore, if the Financial Auditor is found to fall under an item specified in the items of Article 340, paragraph 1 of the Companies Act, the Financial Auditor is dismissed based on the consent of all Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board reports the fact of dismissal of the Financial Auditor and the reason for dismissal in the first General Meeting of Shareholders convened after dismissal.

(c) Evaluation of the Financial Auditor by Audit & Supervisory Board and the Audit & Supervisory Board

Audit & Supervisory Board Members and the Audit & Supervisory Board monitor and verify that the Financial Auditor maintains an independent position and implements audits appropriately. Furthermore, notification that the "systems for ensuring that the performance of the duties of financial Auditor is being carried out correctly" (Article 131 of the Regulations on Corporate Accounting) have been established in accordance with the "Quality Control Standards for Audit" (Business Accounting Council, October 28, 2005) has been received from the Financial Auditor, and it is deemed that there are no problems with the execution of duties of the Financial Auditor.

(d) Content of audit remuneration, etc.

a. Remuneration for certified public accountants, etc. for auditing

Classification	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Remuneration based on audit certifications (Millions of yen)	Remuneration based on non-auditing services (Millions of yen)	Remuneration based on audit certifications (Millions of yen)	Remuneration based on non-auditing services (Millions of yen)
Reporting company	52	9	47	–
Consolidated subsidiaries	–	–	39	–
Total	52	9	86	–

(Fiscal year ended March 31, 2021)

The details of the non-auditing services in the Company are services preparing comfort letters associated with the issuance of corporate bonds.

b. Remuneration for organizations within the same network as the certified public accountants, etc. for auditing (excluding a.)

Classification	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Remuneration based on audit certifications (Millions of yen)	Remuneration based on non-auditing services (Millions of yen)	Remuneration based on audit certifications (Millions of yen)	Remuneration based on non-auditing services (Millions of yen)
Reporting company	–	–	–	21
Consolidated subsidiaries	–	–	–	–
Total	–	–	–	21

(Fiscal year ended March 31, 2022)

The details of non-auditing services in the Company are financial and tax due diligence services associated with M&A.

c. Details of remuneration based on other important audit certifications

Not applicable.

d. Policy on determination of audit remuneration

Audit remuneration for certified public accountants, etc. for auditing of the Company is specified in the Articles of Incorporation as being specified by the Representative Director with the consent of the Audit & Supervisory Board.

e. Reason for the Audit & Supervisory Board consenting to the remuneration, etc. of the Financial Auditor

The Company's Audit & Supervisory Board has confirmed and examined the status of implementation of audits by the Financial Auditor and appropriateness, etc. of the audit plans and remuneration estimates based on the "Guidelines for Coordination with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, and as a result, gave consent to the remuneration of the Financial Auditor under Article 399, paragraph 1 of the Companies Act.

(4) Remuneration, etc. of Officers

(i) Overview of basic policy

a. Basic policy

The basic policy for remuneration, etc. of the Company's Directors is to use a remuneration system linked to the interests of shareholders to adequately function as an incentive for sustained enhancement of corporate value, and be at an appropriate level based on the responsibilities of individual Directors when determining their remuneration, etc.

b. Composition of remuneration, etc.

Remuneration, etc. of Executive Directors is made up of basic remuneration that is fixed remuneration and also performance-based stock compensation. The ratio of basic remuneration and performance-based stock compensation for Executive Directors is mainly basic remuneration, with performance-based stock compensation being determined by Directors to be an appropriate incentive for contributing to the medium- to long-term growth of corporate value.

The remuneration of Outside Directors who also perform supervisory roles is only made up of basic remuneration in light of their duties.

The amount of remuneration of Audit & Supervisory Board Members is determined though consultation among Audit & Supervisory Board Member through the Audit & Supervisory Board within the extent of the total amount of remuneration approved by the General Meeting of Shareholders.

(a) Performance-based stock compensation

a. Indicator for performance-based compensation and reason for selection of the indicator

Performance-based stock compensation is a plan that grants points to eligible Directors of the Group according to the level of achievement of performance within the range of the limit on remuneration determined by the General Meeting of Shareholders separately from basic remuneration, and in principle, delivers the Company shares to the eligible personnel when they leave their position as Director. In the event an eligible person dies and a surviving family member of the eligible person indicates the intent to receive survivor benefits, the Company shares to be delivered to the eligible are delivered to the surviving family member.

Furthermore, the policy applied to performance-based stock compensation is to be based on the level of achievement of consolidated and individual companies ordinary profit, which are indicators in the Company's management accounting, and evaluation of the level of contribution of each Director to the areas for which they are responsible. The Company uses ordinary profit as a key performance indicator in management accounting for the purpose of evaluating performance more in line with business activities, and this is applied as an indicator for performance-based stock compensation. In addition, an evaluation of the level of contribution of each Director is set to add the level of contribution to the Group that cannot ne measured through financial performance alone to the evaluation standard.

b. Method of determination of the amount of performance-based compensation

1) Eligible personnel

Personnel eligible for performance-based stock compensation are those listed in the table below as of March 31 each year (hereinafter referred to as "record date").

Company	Position
The Company	President; Director and Executive Vice President; Director and Executive Operating Officer; Director and Managing Executive Officer; Director and Executive Officer
Group companies	President; Senior Managing Director; Managing Director; Director

(Notes) 1. Directors of Group companies are required to be full-time.

2. In the event a person concurrently service in eligible positions, points for the eligible position with the most points granted as a result of calculation based on the method of calculation of granted points will be granted, and there will be no duplicate granting of points.

2) Method of calculation of points granted

Points for performance-based stock compensation are granted every year to eligible personnel on the "record date" of the previous fiscal year using the following formula no later than May 31 after the finalization of performance for the previous fiscal year.

(Formula)

Points granted = Base points by position × performance-based coefficient (1) (Consolidated) × performance-based coefficient (2) (Reporting company) × performance-based coefficient (3) (By Company)

(Base points by position)

Company	Position	Base points by position
The Company	President	880
	Director and Executive Vice President	440
	Director and Executive Operating Officer	330
	Director and Managing Executive Officer	220
	Director and Executive Officer	165
Group companies	President	165
	Senior Managing Director	110
	Managing Director	90
	Director	80

(Performance-based coefficients)

Level of achievement of consolidated and individual company performance

<table>
<tr><td colspan="2" rowspan="2">Performance-based coefficient (2)
Performance-based coefficient (1)</td><td colspan="6">Level of achievement of ordinary profit (reporting company) (Note)</td></tr>
<tr><td>Less than 100%</td><td>100% to less than 105%</td><td>105% to less than 110%</td><td>110% to less than 115%</td><td>115% to less than 120%</td><td>120% or more</td></tr>
<tr><td rowspan="2">Level of achievement of ordinary profit (consolidated) (Note)</td><td>Less than 100%</td><td colspan="6">0.00</td></tr>
<tr><td>100% or more</td><td></td><td>1.00</td><td>1.05</td><td>1.10</td><td>1.15</td><td>1.20</td></tr>
</table>

(Note) The level of achievement of ordinary profit in the Company's management accounting (amount of profit for the purpose of performing performance evaluation more in line with business activities) is used.

Evaluation of level of contribution of each Director to the achievement of targets of each company based on their respective responsibilities

Evaluation	Details	Performance-based coefficient (3)
S	Achieved results exceeding targets by far	1.20
A	Achieved results significantly exceeding targets	1.15
AB	Achieved results exceeding targets	1.10
B	Achieved results on target	1.00
BC	Fail to reach targets	0.90
C	Unable to achieve most targets	0.70
D	Serious defect even if not warranting reprimand	0.00

(Note) Evaluations of contribution of each Director for their respective responsibilities are considered and determined in the Company's Board of Directors.

3) Reasons for granting target shares

The target shares are granted for the following reasons.

(1) The eligible person leaves the position of officer of the Group

(2) The plan ends

(3) The eligible person dies while in office

4) Granting of target shares

The points granted in the performance-based stock compensation are converted at one share per point.

(Notes)
1. In the event of a stock split or a reverse stock split during the trust period, the conversion ratio will be reasonably adjusted according to the ratio of the split, etc. The conversion ratio as of March 31, 2022 is 8.00, making the conversion eight shares per point.
2. Fractions of less than one share are rounded down in the calculation of the number of shares granted.

(ii) Details of remuneration for Directors (fiscal year ended March 31, 2022)

(a) Total amount of remuneration, etc. by officer classification, total amount of remuneration by type, and number of eligible officers

Officer classification	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)				Number of eligible officers
		Fixed remuneration	Performance-based stock compensation	Retirement benefits	Other	
Directors (excluding Outside Directors)	223	215	8	–	–	9
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	8	8	–	–	–	1
Outside officers	28	28	–	–	–	7

(Note) The above amount of remuneration, etc. includes the amount of expenses recorded for the current fiscal year due to performance-based stock compensation for Directors.

(b) Total amount of consolidated remuneration, etc. for each officer of the reporting company

Name	Total amount of remuneration, etc. (Millions of yen)	Officer classification	Company classification	Amount of remuneration, etc. by type (Millions of yen)	
				Fixed remuneration	Performance-based compensation
Masaru Wasami	102	Director	Reporting company	99	2

(Note) Only stated for persons whose total amount of consolidated remuneration, etc. is 100 million yen or more.

(c) Significant wages of employees who concurrently serve as employees and officers

Not applicable.

(d) Target indicators and results

Targets and results for the 49th fiscal year (year ended March 31, 2022) are as follows.

Item	Target (Millions of yen)	Result (Millions of yen)	Achievement level (%)
Ordinary profit (consolidated)	9,000	9,134	101.5
Ordinary profit (reporting company)	5,213	6,029	115.7

(iii) Matters related to resolutions of the General Meeting of Shareholders concerning remuneration of Directors and Audit & Supervisory Board Members

The limit on remuneration for the Company's Directors is 500 million yen per year, which was resolved in the 36th Ordinary General Meeting of Shareholders held on June 26, 2009. The number of Directors at the time of the conclusion of that Ordinary General Meeting of Shareholders was five. Furthermore, performance-based stock compensation was resolved in the 43rd Ordinary General Meeting of Shareholders held on June 28, 2016 as a separate framework to the aforementioned limit on remuneration. The number of Directors (excluding Outside Directors) at the time of the conclusion of that Ordinary General Meeting of Shareholders was nine.

The limit on remuneration for the Company's Audit & Supervisory Board Members is 50 million yen per year, which was resolved in the 42nd Ordinary General Meeting of Shareholders held on June 26, 2015. The number of Audit & Supervisory Board Members at the time of the conclusion of that Ordinary General Meeting of Shareholders was three.

(iv) Policy on the decisions pertaining to the content of individual remuneration, etc. of Directors and Audit & Supervisory Board Members

The policy on the decisions pertaining to the content of individual remuneration, etc. of Directors was resolved as follows in the meeting of the Board of Directors held on March 29, 2021.

(a) Policy on determination of remuneration, etc. of Directors

a. Basic remuneration

Basic remuneration of the Company's Directors is fixed monthly remuneration, which is determined with comprehensive consideration for performance and the level of contribution of the individual within the range of total remuneration approved by the General Meeting of Shareholders.

b. Performance-based stock compensation

The purpose of performance-based stock compensation of the Company's Directors is to increase the motivation for contribution to the enhancement of corporate value by sharing the connection between enhancement of performance and share value among everyone with a medium- to long-term perspective, and provides the Company shares according to the level of achievement of performance within the range approved by resolution of the General Meeting of Shareholders. In principle, the time when Directors receive the Company shares is at the time of their retirement. However, in cases where the Company finds that a departing Director has performed certain misconduct during the term of office as Director, the Director will not be able to obtain the right to receive provision of the target shares.

(b) Policy on determination of the amount or number of remuneration, etc. of each Director

a. Basic remuneration

The amount of basic remuneration of each individual is determined by resolution of the Board of Directors. The Board of Directors receives recommendations from the Nomination and Remuneration Committee on drafts of proposals when passing such resolutions, and determines the amount of individual basic remuneration with respect for the content of such recommendations.

b. Performance-based stock compensation

The amount of individual remuneration through performance-based stock compensation is determined in accordance with the Rules on Stock Benefit for Directors resolved by the Board of Directors, and the indicators are the level of achievement of ordinary profit in consolidated management accounting and the individual company, and an evaluation of the individual contribution of each Director. The Board of Directors receives recommendations from the Nomination and Remuneration Committee on drafts of proposals when determining such evaluations, and determines the level of contribution by individuals with respect for the content of such recommendations.

In the current fiscal year, the Nomination and Remuneration Committee was consulted by the Board of Directors on the specific details of the amount of individual remuneration of Directors in the meeting held on June 18, 2021, and the recommendations were resolved in the meeting of the Board of Directors held on June 28, 2021. The details of the consultation were that it was determined that the level of contribution of each individual is based on amounts of basic remuneration of each Director and the performance in the business in each area under the responsibility thereof, and the Company determined that it was in line with the policy on such decisions. The remuneration of Outside Directors who also perform supervisory roles is only made up of basic remuneration in light of their duties.

Remuneration of Audit & Supervisory Board Members is determined though consultation among Audit & Supervisory Board Members on the Audit & Supervisory Board within the extent of the total amount of remuneration approved by the General Meeting of Shareholders.

(5) Status of holding of stocks

(i) Standard and approach to classification of investment stocks, and holding policy

Investment stocks held purely for the purpose of investment, are stocks for the purpose of receiving gains through fluctuation in stock price or dividends for stocks, and the Company's policy is not to hold investment stocks purely for investment purposes. With regard to investment stocks held for purposes other than pure investment, stocks deemed to be required for enhancing the Company's corporate value or have meaning being held are acquired and held to realize sustained growth and medium- to long-term business strategy or promote smooth business with business partners.

(ii) Investments in equity securities held for other than pure investment

a. Method of verifying rationality of holding and details of verification of the appropriateness of holding individual issues in the Board of Directors, etc.

Stocks held by the Company including stocks held for business strategy are verified every year in the Board of Directors as to the significance of acquisition and holding of each individual issue for stocks of listed companies, and whether they match the benefit and risk of holding and the profit rate (lower limit of capital cost) sought by the Company, and negotiations on improving profitability are conducted with companies that fall below the criteria for alliance effects and results of verification, with stocks held being reduced in the event it is determined that improvement is difficult.

b. Standard for exercising voting rights for strategically held stocks

The exercise of voting rights for strategically held stocks is determined using the standard of whether it will lead to harming shareholder value and the impact on the Company. Furthermore, "Standards for Exercising Voting Rights" based on this have been established, and votes are exercised appropriately in light of specific individual proposals.

c. Number of issues and carrying amount on consolidated balance sheet

	Number of issues	Total carrying amount on consolidated balance sheet (Millions of yen)
Unlisted stocks	5	27
Stocks other than unlisted stocks	6	5,362

(Issues with an increase in the number of stocks in the current fiscal year)

	Number of issues	Total amount of acquisition value pertaining to the increase in the number of stocks (Millions of yen)	Reason for increase in the number of stocks
Unlisted stocks	–	–	–
Stocks other than unlisted stocks	2	20	Stocks are purchased using continuous contributions and dividends through the business partner stock ownership plan.

(Issues with a reduced number of stocks in the current fiscal year)

	Number of issues	Total amount of sales value pertaining to the reduction in the number of stocks (Millions of yen)
Unlisted stocks	1	5
Stocks other than unlisted stocks	1	0

d. Information on the number of stocks and carrying amount on consolidated balance sheet for specified equity securities and deemed holdings of equity securities

Specified equity securities

Issue	Fiscal year ended March 31, 2022 Number of shares Carrying amount on consolidated balance sheet (Millions of yen)	Fiscal year ended March 31, 2021 Number of shares Carrying amount on consolidated balance sheet (Millions of yen)	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (Note) 1	Holding of the Company's shares
MatsukiyoCocokara & Co.	918,852 3,983	916,446 4,518	A major customer of the Company, and shares in the company and shares in the business partner stock ownership plan are held for the purpose of maintaining and strengthening the business relationship. Furthermore, additional purchases of shares were made through the business partner stock ownership plan due to the determination that they would contribute to the enhancement of medium- to long-term corporate value of the Company considering the significance of holding and the relationship in business operations.	Yes (Note) 2
Duskin Co., Ltd.	299,798 806	296,401 825	A major customer of the Company, and shares in the company and shares in the business partner stock ownership plan are held for the purpose of maintaining and strengthening the business relationship. Furthermore, additional purchases of shares were made through the business partner stock ownership plan due to the determination that they would contribute to the enhancement of medium- to long-term corporate value of the Company considering the significance of holding and the relationship in business operations.	Yes
TRANCOM CO., LTD.	67,500 475	67,500 596	Shares are held because it was determined that strengthening the business relationship though a strategic capital and business alliance would contribute to the enhancement of the Company's medium- to long-term corporate value.	Yes
Resona Holdings, Inc.	100,000 52	100,000 46	The Company's main financial institution from which it has received stably and flexible support through funding according to the Company's management strategy. Its shares are held for the purpose of maintaining and strengthening financial transactions.	Yes (Note) 3
Chilled & Frozen Logistics Holdings Co., Ltd.	24,296 29	24,296 43	Shares are held in this company to follow industry trends because it has a low-temperature logistics network related to low-temperature food logistics that is the Company's main business domain.	No

THE PACK CORPORATION	6,200	6,200	A customer in ordinary temperature logistics, which is a major business domain. Shares in the company are held for the purpose of maintaining and strengthening the business relationship.	No
	15	18		
HAMAKYOREX CO., LTD.	–	200	Shares were held in this company to follow industry trends because it has similar business domains to those of the Company, but they were sold during the current fiscal year.	No
	–	0		

(Notes) 1. It is difficult for the Company to state the quantitative effect of holding specified equity securities, but the appropriateness of holding was verified by individual issue in the meeting of the Board of Directors held on January 21, 2022 using the method stated in "IV. Information on the Reporting Company, 4. Status, etc. of corporate governance, (5) Status of holding of stocks, (ii) Investments in equity securities held for other than pure investment, a. Method of verifying rationality of holding and details of verification of the appropriateness of holding individual issues in the Board of Directors, etc.," and a comprehensive determination was made on the continuation of holding.

2. Matsumotokiyoshi Holdings Co., Ltd. merged with cocokara fine Inc. and changed its name to MatsukiyoCocokara & Co. on October 1, 2021.

3. Resona Holdings, Inc. does not hold the Company's shares, but its group company Saitama Resona Bank, Limited holds the Company's shares.

(iii) Investments in equity securities held for pure investment

Not applicable.

V. Status of Accounting

1. Method of Preparation of Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as "Regulation on Financial Statements").
However, the Company is a special company submitting financial statements, and prepares non-consolidated financial statements pursuant to the provision of Article 127 of the Regulation on Financial Statements.

(3) The amounts of items and other matters stated on the Company's consolidated financial statements and non-consolidated financial statements were originally stated in thousands of yen, but a change has been made to state these in millions of yen from the current fiscal year. To simplify comparisons, the figures for the previous fiscal year have been reclassified to be represented in millions of yen.

2. Audit Certification

The Company's consolidated financial statements for the fiscal year (from April 1, 2021 to March 31, 2022) and non-consolidated financial statements for the fiscal year (from April 1, 2021 to March 31, 2022) have been audited by Ernst & Young ShinNihon LLC pursuant to the provision of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Initiatives for Ensuring Appropriateness of Consolidated Financial Statements, etc.

The Company takes special initiatives for ensuring appropriateness of consolidated financial statements, etc. The Company participates in accounting seminars held by audit corporations and printing companies to appropriately understand the content of accounting standards, etc. in order to gather information on the latest accounting standards, etc. Furthermore the content of accounting standards, etc. learned about is shared within the Company to make decisions on accounting policies and hold discussions on important matters.

1 Consolidated Financial Statements and Other Information

(1) Consolidated Financial Statements

(i) Consolidated balance sheets

(Millions of yen)

		As of March 31, 2021		As of March 31, 2022
Assets				
Current assets				
Cash and deposits		26,488		29,679
Notes and accounts receivable - trade		12,339		18,196
Supplies		51		93
Prepaid expenses		921		1,030
Other		205		234
Allowance for doubtful accounts		(1)		(14)
Total current assets		40,004		49,219
Non-current assets				
Property, plant and equipment				
Buildings and structures		19,756		20,183
Accumulated depreciation	*2	(10,830)	*2	(11,497)
Buildings and structures, net		8,926		8,686
Machinery, equipment and vehicles		5,030		5,224
Accumulated depreciation	*2	(2,424)	*2	(2,857)
Machinery, equipment and vehicles, net		2,606		2,366
Tools, furniture and fixtures		1,769		2,122
Accumulated depreciation	*2	(863)	*2	(1,146)
Tools, furniture and fixtures, net		906		976
Land		6,582		7,022
Leased assets		887		1,074
Accumulated depreciation		(517)		(293)
Leased assets, net		369		781
Construction in progress		2,435		2,560
Other		44		44
Total property, plant and equipment		21,871		22,438
Intangible assets				
Goodwill		672		3,681
Leased assets		1		0
Software		821		757
Other		501		576
Total intangible assets		1,997		5,015
Investments and other assets				
Investment securities	*1	6,222	*1	5,624
Long-term loans receivable		111		114
Deferred tax assets		307		437
Retirement benefit asset		351		405
Leasehold and guarantee deposits		1,949		1,995
Other		423		695
Allowance for doubtful accounts		(47)		(36)
Total investments and other assets		9,319		9,235
Total non-current assets		33,187		36,689
Total assets		73,191		85,909

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,856	11,287
Short-term borrowings	100	145
Current portion of long-term borrowings	2,118	3,134
Lease liabilities	86	172
Income taxes payable	1,693	1,652
Provision for bonuses	960	835
Provision for loss on litigation	17	1
Accounts payable - other	4,894	4,789
Accrued expenses	478	1,160
Other	657	793
Total current liabilities	18,862	23,972
Non-current liabilities		
Bonds payable	–	5
Convertible bonds	21,026	20,806
Long-term borrowings	3,882	6,960
Lease liabilities	282	642
Deferred tax liabilities	590	610
Retirement benefit liability	878	955
Asset retirement obligations	776	786
Provision for share awards for directors (and other officers)	21	31
Provision for share-based remuneration for employees	25	39
Provision for retirement benefits for directors (and other officers)	–	55
Other	1,137	1,308
Total non-current liabilities	28,620	32,201
Total liabilities	47,483	56,173
Net assets		
Shareholders' equity		
Share capital	2,665	2,667
Capital surplus	2,341	2,343
Retained earnings	24,948	28,681
Treasury shares	(5,758)	(5,758)
Total shareholders' equity	24,197	27,933
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,702	1,207
Remeasurements of defined benefit plans	(191)	(196)
Total accumulated other comprehensive income	1,511	1,010
Non-controlling interests	–	790
Total net assets	25,708	29,735
Total liabilities and net assets	73,191	85,909

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

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	112,113	133,000
Cost of sales	98,749	118,590
Gross profit	13,364	14,410
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	428	487
A salary allowance	1,492	1,640
Outsourcing expenses	262	636
Retirement benefit expenses	28	31
Provision for bonuses	110	96
Provision of allowance for doubtful accounts	–	0
Provision for share awards for directors (and other officers)	12	10
Provision for share-based remuneration for employees	14	14
Other	2,994	2,843
Total selling, general and administrative expenses	5,344	5,761
Operating profit	8,019	8,649
Non-operating income		
Interest income	74	221
Dividend income	87	122
Gain on sale of investment securities	–	2
Subsidy income	38	27
Other	148	156
Total non-operating income	349	529
Non-operating expenses		
Interest expenses	20	14
Bond issuance costs	55	–
Loss on retirement of non-current assets	5	16
Loss on cancellation of leases	2	4
Provision for loss on litigation	10	–
Provision of allowance for doubtful accounts	3	–
Other	9	3
Total non-operating expenses	106	39
Ordinary profit	8,262	9,139
Extraordinary income		
Gain on sale of investment securities	0	–
Total extraordinary income	0	–
Profit before income taxes	8,262	9,139
Income taxes - current	2,923	2,990
Income taxes - deferred	(197)	24
Total income taxes	2,725	3,014
Profit	5,536	6,125
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	5,536	6,125

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	5,536	6,125
Other comprehensive income		
Valuation difference on available-for-sale securities	747	(495)
Remeasurements of defined benefit plans, net of tax	(12)	(5)
Total other comprehensive income	*1 735	*1 (500)
Comprehensive income	6,271	5,624
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,271	5,624
Comprehensive income attributable to non-controlling interests	–	–

(iii) Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,660	2,175	21,327	(611)	25,551
Changes during period					
Issuance of new shares - exercise of share acquisition rights	4	4			9
Dividends of surplus			(1,915)		(1,915)
Profit attributable to owners of parent			5,536		5,536
Purchase of treasury shares				(5,316)	(5,316)
Disposal of treasury shares				0	0
Increase by share exchanges		161		168	330
Net changes in items other than shareholders' equity					
Total changes during period	4	166	3,621	(5,146)	(1,354)
Balance at end of period	2,665	2,341	24,948	(5,758)	24,197

	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	(178)	776	26,328
Changes during period				
Issuance of new shares - exercise of share acquisition rights				9
Dividends of surplus				(1,915)
Profit attributable to owners of parent				5,536
Purchase of treasury shares				(5,316)
Disposal of treasury shares				0
Increase by share exchanges				330
Net changes in items other than shareholders' equity	747	(12)	735	735
Total changes during period	747	(12)	735	(619)
Balance at end of period	1,702	(191)	1,511	25,708

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,665	2,341	24,948	(5,758)	24,197
Changes during period					
Issuance of new shares - exercise of share acquisition rights	1	1			3
Dividends of surplus			(2,392)		(2,392)
Profit attributable to owners of parent			6,125		6,125
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				0	0
Increase in consolidated subsidiaries - non-controlling interests					
Net changes in items other than shareholders' equity					
Total changes during period	1	1	3,732	0	3,736
Balance at end of period	2,667	2,343	28,681	(5,758)	27,933

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,702	(191)	1,511	–	25,708
Changes during period					
Issuance of new shares - exercise of share acquisition rights					3
Dividends of surplus					(2,392)
Profit attributable to owners of parent					6,125
Purchase of treasury shares					(0)
Disposal of treasury shares					0
Increase in consolidated subsidiaries - non-controlling interests				790	790
Net changes in items other than shareholders' equity	(495)	(5)	(500)		(500)
Total changes during period	(495)	(5)	(500)	790	4,026
Balance at end of period	1,207	(196)	1,010	790	29,735

(iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022
Cash flows from operating activities			
Profit before income taxes	8,262		9,139
Depreciation	1,559		1,597
Amortization of goodwill	77		125
Increase (decrease) in allowance for doubtful accounts	(3)		(11)
Increase (decrease) in provision for bonuses	352		(174)
Increase (decrease) in allowance for other	25		9
Increase (decrease) in retirement benefit liability	32		87
Interest and dividend income	(162)		(343)
Interest expenses	20		14
Loss (gain) on sale and retirement of property, plant and equipment	(12)		(5)
Loss (gain) on sale of investment securities	(0)		(2)
Decrease (increase) in trade receivables	(862)		(3,197)
Increase (decrease) in trade payables	403		2,354
Increase (decrease) in accounts payable - other	874		(346)
Increase (decrease) in accrued consumption taxes	51		(276)
Other, net	159		111
Subtotal	10,778		9,084
Interest and dividends received	88		124
Interest paid	(20)		(14)
Income taxes paid	(2,875)		(3,106)
Net cash provided by (used in) operating activities	7,970		6,087
Cash flows from investing activities			
Purchase of property, plant and equipment	(3,184)		(834)
Proceeds from sale of property, plant and equipment	30		22
Purchase of intangible assets	(205)		(193)
Purchase of investment securities	(379)		(47)
Proceeds from sale of investment securities	4		6
Loan advances	(53)		(30)
Proceeds from collection of loans receivable	80		28
Payments of leasehold and guarantee deposits	(571)		(105)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(323)	*2	(4,197)
Other, net	25		111
Net cash provided by (used in) investing activities	(4,576)		(5,240)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Proceeds from short-term borrowings	8,000	3,300
Repayments of short-term borrowings	(8,200)	(3,300)
Repayments of lease liabilities	(189)	(111)
Proceeds from long-term borrowings	4,050	5,500
Repayments of long-term borrowings	(3,372)	(2,199)
Proceeds from issuance of bonds	21,100	–
Redemption of bonds	(126)	–
Dividends paid	(1,914)	(2,393)
Purchase of treasury shares	(5,316)	(0)
Proceeds from exercise of employee share options	9	3
Net cash provided by (used in) financing activities	14,040	799
Net increase (decrease) in cash and cash equivalents	17,434	1,647
Cash and cash equivalents at beginning of period	8,536	26,482
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	511	1,312
Cash and cash equivalents at end of period	*1 26,482	*1 29,442

[Notes]

(Important items for the preparation of the consolidated financial statements)

1. Matters Related to the Scope of Consolidation

(1) Number of consolidated subsidiaries: 17

Names of principal 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.
PHYZ Holdings Inc.
AZ-COM Data Security Co., Ltd.

Significant Changes in Scope of Consolidation

As from the consolidated fiscal year under review, PHYZ Holdings Inc. and its six subsidiaries are accounted for in the consolidated financial statements, as a result of the Group's acquisition of shares of PHYZ Holdings Inc.

(2) Principal non-consolidated subsidiaries

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

Reasons for exclusion from the scope of consolidation

The five 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.
COMSUP Inc.

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

Securities other than shares, etc., for which no market price is available

Market value method

(Valuation differences are directly charged or credited to net assets, and cost of securities sold is calculated by the moving average method)

Shares, etc., for which no market price is available

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), to facilities attached to buildings and buildings acquired on or before March 31, 2016, and to motor vehicles, transport equipment, tools, instruments, and fixtures belonging to some of the consolidated subsidiaries.

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 to ten 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) Method of accounting for deferred assets

Bond issuance costs

All the bond issuance costs are accounted for as expenses at the time of spending.

(4) 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.

(vi) Provision for retirement benefits for directors (and other officers)

To appropriate funds for payment of retirement benefits to directors, some of the consolidated subsidiaries post the amount of payment required at the year-end as mandated by the regulations on retirement benefits for directors.

(5) 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.

(6) Accounting standards for significant revenues and expenses

Details about the main obligations that need to be fulfilled with regard to revenues arising from contracts signed with the customers of either the Company or its consolidated subsidiaries and the usual time points at which those obligations are to be fulfilled (or those revenues are to be recognized) are provided in the following paragraphs.

The Company and its consolidated subsidiaries mainly engage in two logistics businesses: (1) third-party logistics (3PL) whereby they undertake a series of operations ranging from receipt, storage, shipment, and delivery of goods to provide logistics services to their customers, and (2) transportation services whereby they collect and deliver products to their customers.

A series of services they promise to deliver to their customers as per the service agreement are recognized as a single obligation to be fulfilled. In principle, this obligation is fulfilled over a certain period of time, which is usually short in duration, and revenue is recognized when the obligation is deemed fulfilled (when goods are shipped in the case of 3PL and when products are delivered to the customers in the case of transportation services).

(7) Method and amortization period of amortization of goodwill

Goodwill is amortized over a five- to ten-year period on a straight-line basis.

(8) 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.

(Significant accounting estimates)

Impairment of non-current assets (including goodwill and intangible assets)

(1) Amounts reported in the consolidated financial statements for the current fiscal year

Impairment losses - million yen, non-current assets 27,454 million yen
(including 3,681 million yen in goodwill, and 244 million yen in customer-related assets included in intangible assets)

Amounts reported in the consolidated financial statements for the previous fiscal year
Impairment losses - million yen, non-current assets 23,868 million yen
(including 672 million yen in goodwill, and 169 million yen in customer-related assets included in intangible assets)

(2) Other information that contributes to the understanding of consolidated financial statement users

(i) Calculation method

In the event there are indications that the carrying amount of assets or asset groups held may be not recoverable, the Company calculates the non-current assets by performing an impairment determination.

(Indications of impairment)

Asset groups as the smallest unit generating independent cash flow are based on divisions. The asset groups of goodwill and common assets are larger units adding goodwill or common assets to multiple relevant assets or asset groups.
The Group recognizes indications of impairment when the following events apply to assets or asset groups.

- Assets or asset groups that have or are expected to have an operating loss for two consecutive periods and are also expected to have a loss in the next period
- Assets or asset groups that have or are expected to have a significant decrease or change in the recoverable amount
- Assets or asset groups that have had or are expected to have a significant deterioration in the economic environment
- Assets or asset groups that has a significant decrease (decrease of 50% or more) in market value (market price)

(Recognition and measurement of impairment)

The carrying amount and the total undiscounted future cash flows are compared for assets or asset groups determined to have indications of impairment, and impairment is recognized and the loss is measured if the carrying amount is larger. The undiscounted future cash floes are calculated with consideration for the growth rate over the remaining useful life of the major assets in the asset group based on the medium-term management plan and business plan approved by the Board of Directors. The amount obtained by subtracting the recoverable amount from the carrying amount of impaired assets or asset groups is used to measure impairment losses.
The recoverable amount is measures using the true cash value or the value in use. True cash value uses the appraisal value by a licensed real estate appraiser. Furthermore, value in use is calculated by discounting future cash flows.
As a result of determining recognition of asset groups with indications in the current fiscal year, impairment was not recognized because undiscounted future cash flows exceeded the carrying amount.

(ii) Key assumptions

The main asset group for which determination of indications of impairment was performed in the current fiscal year was 727 million yen in non-current assets pertaining to Japan Logistics Development Co., Ltd. (including 433 million yen in goodwill, and 131 million yen in customer-related assets included in intangible assets).
The key assumption used in the calculation of undiscounted future cash flows of this asset group was the growth rate of sales. The growth rate of sales was assumed to be 0% based on factors such as the market growth rate and past performance of the businesses to which the customers of the assets or asset group belong.
It was assumed that the spread of COVID-19 and the impact of the Ukraine-Russia problem would have a limited impact on the asset group.

(iii) Impact on the consolidated financial statements for the following fiscal year

Estimation of the growth rate of sales that is one of the key assumptions is uncertain due to fluctuations in external factors chiefly including market conditions, and there is a risk of fluctuation due to the prolonged period of estimation of future cash flows. The growth rate of sales may fall below -1.1% due to the risk of impairment losses arising in the event future cash flows fall below the carrying amount of the asset group.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year was added to or deducted from the opening balance of retained earnings of the current fiscal year, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the current fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

This, however, has only a minor impact on the net sales, operating profit, ordinary profit, and profit before income taxes of the consolidated fiscal year under review. It has no impact on the balance of retained earnings at the beginning of the period.

Notes on “revenue recognition” for the previous fiscal year is not provided, because the provision of such notes is subject to the transitional treatment stipulated in paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

Furthermore, notes on matters related to the breakdown by the level of market value of financial instruments are provided in the notes on “financial instruments.” However, information on the previous fiscal year is not stated in the notes in accordance with the transitional measures provided for in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019).

(Change in presentation)

(Consolidated balance sheet)

“Accrued expenses,” which was included in “Other” under current liabilities in the previous fiscal year, is presented as a separate line item from the current fiscal year because it has become significant in terms of amount.

As a result, 1,136 million yen included in “Other” under non-operating expenses in the consolidated balance sheet for the previous fiscal year has been reclassified as “Accrued expenses” of 478 million yen and “Other” of 657 million yen.

(Consolidated statement of income)

“Outsourcing expenses,” which were included in “Other” under selling, general and administrative expenses and “Loss on retirement of non-current assets,” which was included in “Other” under non-operating expenses in the previous fiscal year, are presented as separate line items from the current fiscal year because they have become significant in terms of amount.

In addition, “Insurance claim income,” which was independently presented under non-operating income in the previous fiscal year, is included in “Other” from the current fiscal year because it has become insignificant in terms of amount.

As a result, 3,257 million yen that had been included in “Other” under selling, general and administrative expenses on the consolidated statement of income for the previous fiscal year has been reclassified as “Outsourcing expenses” of 262 million yen and “Other” of 2,994 million yen, and 15 million yen that had been included in “Other” under non-operating expenses has been reclassified as “loss on retirement of non-current assets” of 5 million yen and “Other” of 9 million yen. In addition, “Insurance claim income” of 17 million yen, which was included in non-operating income, has been reclassified as “Other” of 148 million yen.

(Additional information)

(Performance-based stock compensation plan for directors)

The Company has introduced a "performance-based stock compensation plan" (hereinafter referred to as "Plan") that is a highly transparent and objective compensation plan linked to the Company's performance for the purpose of raising the awareness of contribution to the enhancement of performance and the increase of corporate value with a medium- to long-term view for Directors (excluding Outside Directors; hereinafter referred to as "Directors, etc.") of the Company and its subsidiaries (hereinafter referred to as "eligible companies").

(1) Outline of the transaction

This is a performance-linked stock-based compensation plan under which the Company contributes money to the trust, the trust uses the money as the source of funds to acquire the Company shares, and through the trust, the Directors, etc. receive the Company shares in accordance with the degree of achievement of their performance, etc., in accordance with the Rules on Stock Benefit for Directors pertaining to remuneration for Directors (and other officers) established by the target company. In principle, the time when Directors, etc. receive the Company shares is at the time of their retirement.

(2) The Company shares remaining in the trust

The Company shares remaining in the trust are recorded as treasury shares under net assets based on their book value in the trust (excluding the amount of incidental expenses).

Book value and number of treasury shares

Current fiscal year: 65 million yen, 227,200 shares

(Transactions under which the Company shares are issued to employees, etc. through a trust)

The Company has introduced a stock-based ESOP (hereinafter referred to as "the Plan") as a benefit plan for employees (hereinafter referred to as "employees, etc.") of the Company and its subsidiaries (hereinafter referred to as "target companies"), with the aim of enhancing the linkage between the Company's stock price and performance and the treatment of employees, etc., and to share the economic benefits with shareholders, thereby increasing motivation and morale of employees, etc. to improve the Company's stock price and performance.

(1) Outline of the transaction

This is a performance-linked stock-based compensation plan under which the Company contributes money to the trust, the trust uses the money as the source of funds to acquire the Company shares, and through the trust, the target employees, etc. receive the Company shares in accordance with the degree of achievement of their performance, etc., in accordance with the Rules on Stock Benefit established by the target company. In principle, the time when target employees receive the Company's shares is at the time of their retirement.

(2) The Company shares remaining in the trust

The Company shares remaining in the trust are recorded as treasury shares under net assets based on their book value in the trust (excluding the amount of incidental expenses).

Book value and number of treasury shares

Current fiscal year: 36 million yen, 130,166 shares

(Consolidated balance sheet)

*1 Items related to non-consolidated subsidiaries and affiliates are as follows.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Investment securities	103	134

*2 Accumulated depreciation on property, plant and equipment

Accumulated depreciation includes accumulated impairment.

3 Notes receivable - trade endorsed

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Notes receivable - trade endorsed	8	5

(Consolidated statement of comprehensive income)

*1 Reclassification adjustments and tax effects related to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Valuation difference on available-for-sale securities		
Amount accrued in the current period	1,067	(707)
Reclassification adjustments	–	–
Before tax effect adjustment	1,067	(707)
Tax effect	(319)	211
Valuation difference on available-for-sale securities	747	(495)
Remeasurements of defined benefit plans, net of tax		
Amount accrued in the current period	(76)	(73)
Reclassification adjustments	58	65
Before tax effect adjustment	(18)	(7)
Tax effect	5	2
Remeasurements of defined benefit plans, net of tax	(12)	(5)
Total other comprehensive income	735	(500)

(Consolidated statement of changes in equity)

Fiscal year ended March 31, 2021

1. Matters related to issued shares

Type of shares	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Common shares (shares)	64,326,960	64,470,160	–	128,797,120

(Note) (Summary of reasons for changes)

Increase due to stock split: 64,372,560 shares

Increase due to exercise of share acquisition rights (stock options): 97,600 shares

2. Matters related to treasury shares

Type of shares	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Common shares (shares)	439,612	2,749,121	80,345	3,108,388

(Note) 1. The number of common shares that are treasury shares includes the Company shares held by the trust (180,800 shares at the beginning of the current fiscal year and 359,910 shares at the end of the current fiscal year), and the increase is due to a stock split.

2. (Summary of reasons for changes)

Purchase of treasury shares in accordance with the Articles of Incorporation	1,194,900 shares
Increase due to stock split	1,554,194 shares
Increase due to purchase of odd-lot shares	27 shares
Decrease due to share exchanges	79,500 shares
Decrease due to ESOP Stock Benefit Trust	845 shares

3. Matters related to share acquisition rights, etc.

Not applicable.

4. Matters related to dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2020	Common shares	701	10.95	March 31, 2020	June 30, 2020
Board of Directors on November 2, 2020	Common shares	1,213	18.95	September 30, 2020	December 4, 2020

(Notes) 1. The Company conducted 2-for-1 splits of common shares with effective dates of January 1, 2021. Dividends per share do not take into account the stock split because the record date is before September 30, 2020.

2. The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 29, 2020 includes a dividend of 1 million yen for the Company shares held by the trust.

3. The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on November 2, 2020 includes a dividend of 3 million yen for the Company shares held by the trust.

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2021	Common shares	Retained earnings	1,194	9.48	March 31, 2021	June 29, 2021

(Note) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 28, 2021 includes a dividend of 3 million yen for the Company shares held by the trust.

Fiscal year ended March 31, 2022

1. Matters related to issued shares

Type of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common shares (shares)	128,797,120	51,200	–	128,848,320

(Note) (Summary of reasons for changes)
Increase due to exercise of share acquisition rights (stock options): 51,200 shares

2. Matters related to treasury shares

Type of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common shares (shares)	3,108,388	35	2,544	3,105,879

(Note) 1. The number of common shares that are treasury shares includes the Company shares held by the trust (359,910 shares at the beginning of the current fiscal year and 357,366 shares at the end of the current fiscal year).
2. (Summary of reasons for changes)
Increase due to purchase of odd-lot shares: 35 shares
Decrease due to ESOP Stock Benefit Trust: 2,544 shares

3. Matters related to share acquisition rights, etc.
Not applicable.

4. Matters related to dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 28, 2021	Common shares	1,194	9.48	March 31, 2021	June 29, 2021
Board of Directors on November 1, 2021	Common shares	1,197	9.50	September 30, 2021	December 3, 2021

(Note) 1. The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 28, 2021 includes a dividend of 3 million yen for the Company shares held by the trust.
2. The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on November 1, 2021 includes a dividend of 3 million yen for the Company shares held by the trust.

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2022	Common shares	Retained earnings	1,197	9.50	March 31, 2022	June 28, 2022

(Note) The total amount of dividends resolved at the Ordinary General Meeting of Shareholders on June 27, 2022 includes a dividend of 3 million yen for the Company shares held by the trust.

(Consolidated statement of cash flows)

*1 The relationship of cash and cash equivalents at the end of the fiscal year to the accounts reported in the consolidated balance sheets is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash and deposits	26,488	29,679
Time deposits with maturities longer than three months	(6)	(237)
Cash and cash equivalents	26,482	29,442

*2 Major breakdown of assets and liabilities of a company that became a newly consolidated subsidiary in the current fiscal year due to the acquisition of shares

Breakdown of assets and liabilities of PHYZ Holdings Inc. at the time of its consolidation as a result of the acquisition of its shares, and the relationship between the acquisition cost of its shares and the expenditure for the acquisition (net amount) are as follows.

Current assets	4,291 million yen
Non-current assets	1,529 million yen
Goodwill	2,996 million yen
Current liabilities	2,873 million yen
Non-current liabilities	857 million yen
Non-controlling interests	790 million yen
Acquisition cost of the shares of PHYZ Holdings Inc.	4,197 million yen
Cash and cash equivalents of the company	(1,312) million yen
Difference: Expenditures for the acquisition of the company	2,885 million yen

(Lease transactions)

1. Finance lease transactions

(Lessee)

Finance lease transactions not transferring ownership

(i) Details of leased assets

- Property, plant and equipment

Mainly business vehicles (machinery, equipment and vehicles) in the logistics business.

(ii) Depreciation method of leased assets

As stated in “4 Matters Related to Accounting Policies, (2) Methods of depreciation of material depreciable assets” in “Important items for the preparation of the consolidated financial statements” section.

2. Operating lease transactions

(Lessee)

Future minimum lease payments under non-cancelable operating leases

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Within 1 year	5,118	5,014
Over 1 year	19,357	15,987
Total	24,475	21,001

(Financial instruments)

1. Matters concerning the status of financial instruments

(1) Policy for financial instruments

The Group limits fund management to short-term deposits, etc. and raises funds through borrowings from banks and other financial institutions.

(2) Description of financial instruments and their risks

Notes and accounts receivable - trade are exposed to customer credit risk.

Investment securities are mainly equity securities held for the purpose of strengthening business relationships with client companies and are exposed to market price fluctuation risk.

Notes and accounts payable - trade and accounts payable - other, which are operating payables, are all due within one year.

Long-term borrowings are mainly for the purpose of financing capital investment.

Some long-term borrowings have floating interest rates and are exposed to interest rate fluctuation risk.

Convertible bonds are mainly for the purpose of procuring funds necessary for capital investment, etc., but are exposed to liquidity risk.

(3) Risk management system for financial instruments

(i) Management of credit risks (risks related to nonperformance of contract by counterparties, etc.)

With respect to trade receivables, the Company regularly monitors the status of major customers in accordance with its credit management rules and manages due dates and outstanding balances for each customer, and works to early identify and reduce concerns about collection due to deterioration of financial conditions and other factors.

(ii) Management of liquidity risks (risks of being unable to make payments on due dates) related to fund procurement

In order to control liquidity risk of trade payables and borrowings, the Company monitors the balance of group funds through a cash management system (CMS), flexibly responds to such risks through overdraft agreements with financial institutions, and manages cash flow on a monthly basis.

(4) Supplementary explanation of fair value of financial instruments

The fair values of financial instruments include values based on market prices and reasonably calculated values in cases where market prices are not available. Because variable factors are incorporated in the calculation of such values, such values may vary due to the adoption of different assumptions, etc.

2. Matters related to fair value, etc. of financial instruments

Consolidated balance sheet amounts, fair values, and their differences are as follows.

As of March 31, 2021

	Carrying amount on consolidated balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities	6,070	6,070	–
Total assets	6,070	6,070	–
(1) Long-term borrowings	6,000	5,997	(3)
(2) Convertible bonds	21,026	21,164	137
Total liabilities	27,027	27,161	134

*1 "Cash and deposits," "Notes and accounts receivable - trade," "Notes and accounts payable - trade" and "Accounts payable - other" are omitted because they are cash and their fair value approximates their book value due to their short maturities.

*2 Shares, etc., for which no market price is available are not included in "(1) Investment securities." The consolidated balance sheet amounts of such financial instruments are as follows.

Classification	As of March 31, 2021 (Millions of yen)
Unlisted stocks	151

As of March 31, 2022

	Carrying amount on consolidated balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities	5,446	5,446	–
Total assets	5,446	5,446	–
(1) Long-term borrowings	10,094	10,082	(11)
(2) Convertible bonds	20,806	19,766	(1,039)
Total liabilities	30,900	29,849	(1,051)

*1 "Cash and deposits," "Notes and accounts receivable - trade," "Notes and accounts payable - trade" and "Accounts payable - other" are omitted because they are cash and their fair value approximates their book value due to their short maturities.

*2 Shares, etc., for which no market price is available are not included in "(1) Investment securities." The consolidated balance sheet amounts of such financial instruments are as follows.

Classification	As of March 31, 2022 (Millions of yen)
Unlisted stocks	178

(Note) 1. Scheduled redemption amount of monetary claims after the consolidated balance sheet date

As of March 31, 2021

	Due within one year (Millions of yen)	Due after one year to within five years (Millions of yen)	Due after five years to within ten years (Millions of yen)	Over ten years (Millions of yen)
Cash and deposits	26,488	–	–	–
Notes and accounts receivable - trade	12,339	–	–	–
Total	38,827	–	–	–

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year to within five years (Millions of yen)	Due after five years to within ten years (Millions of yen)	Over ten years (Millions of yen)
Cash and deposits	29,679	–	–	–
Notes and accounts receivable - trade	18,196	–	–	–
Total	47,876	–	–	–

(Note) 2. Scheduled repayment amounts of bonds payable, long-term borrowings, and other interest-bearing liabilities after the consolidated balance sheet date

As of March 31, 2021

	Due within one year (Millions of yen)	Due after one year to within two years (Millions of yen)	Due after two years to within three years (Millions of yen)	Due after three years to within four years (Millions of yen)	Due after four years to within five years (Millions of yen)	Over five years (Millions of yen)
Long-term borrowings	2,118	1,592	1,155	830	303	–
Convertible bonds	–	–	–	–	21,026	–
Total	2,118	1,592	1,155	830	21,330	–

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year to within two years (Millions of yen)	Due after two years to within three years (Millions of yen)	Due after three years to within four years (Millions of yen)	Due after four years to within five years (Millions of yen)	Over five years (Millions of yen)
Long-term borrowings	3,134	2,618	2,020	1,339	970	10
Convertible bonds	–	–	–	20,806	–	–
Total	3,134	2,618	2,020	22,146	970	10

3. Matters related to the breakdown of the fair value of financial instruments by level, etc.

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on quoted market prices for assets or liabilities for which such fair value is calculated that are formed in an active market among the inputs for the calculation of observable fair value

Level 2 fair value: Fair value calculated using inputs related to the calculation of observable fair value other than level 1 input

Level 3 fair value: Fair value calculated using inputs related to the calculation of non-observable fair value

When multiple inputs that have a significant effect on the calculation of fair value are used, fair value is classified into the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

(1) Financial instruments carried on the consolidated balance sheet at fair value

As of March 31, 2022

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stocks	5,446	–	–	5,446
Total assets	5,446	–	–	5,446

(2) Financial instruments other than those carried on the consolidated balance sheets at fair value

As of March 31, 2022

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Convertible bonds	–	19,766	–	19,766
Long-term borrowings	–	10,082	–	10,082
Total liabilities	–	29,849	–	29,849

(Note) Explanation of valuation techniques used to calculate fair value and inputs related to the calculation of fair value

Investment securities

Listed stocks are valued using quoted market prices. Because listed stocks are traded in active markets, their fair value is classified as level 1 fair value.

Convertible bonds

The fair value of convertible bonds issued by the Company is determined based on quoted market prices. The fair value of the convertible bonds is classified as level 2 fair value because the bonds have quoted market prices but are not traded in an active market.

Long-term borrowings

The fair value of long-term borrowings is calculated using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the debt and credit risk, and their fair value is classified as level 2 fair value.

(Securities)

1. Other securities

As of March 31, 2021

Classification	Carrying amount on consolidated balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose reported amounts in the consolidated balance sheet exceed acquisition cost			
Stocks	6,024	3,586	2,437
Subtotal	6,024	3,586	2,437
Securities whose reported amounts in the consolidated balance sheet do not exceed acquisition cost			
Stocks	46	50	(4)
Subtotal	46	50	(4)
Total	6,070	3,637	2,433

(Note) Unlisted stocks (consolidated balance sheet amount: 48 million yen) are not included in “Other securities” in the above table because no market price is available.

As of March 31, 2022

Classification	Carrying amount on consolidated balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose reported amounts in the consolidated balance sheet exceed acquisition cost			
Stocks	4,909	3,158	1,750
Subtotal	4,909	3,158	1,750
Securities whose reported amounts in the consolidated balance sheet do not exceed acquisition cost			
Stocks	536	561	(24)
Subtotal	536	561	(24)
Total	5,446	3,719	1,726

(Note) Unlisted stocks (consolidated balance sheet amount: 49 million yen) are not included in “Other securities” in the above table because no market price is available.

2. Other securities sold during the consolidated fiscal year

Fiscal year ended March 31, 2021

Type	Amount sold (million of yen)	Total gain on sales (million of yen)	Total loss on sales (million of yen)
Stocks	–	–	–
Other	4	0	–
Total	4	0	–

Fiscal year ended March 31, 2022

Type	Amount sold (million of yen)	Total gain on sales (million of yen)	Total loss on sales (million of yen)
Stocks	0	0	–
Other	5	1	–
Total	5	1	–

3. Impairment losses on securities

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Not applicable.

(Retirement benefits)

1. Outline of retirement benefit plans adopted

The Company and its consolidated subsidiaries have defined benefit plans, either funded or unfunded, or both, to provide for the payment of retirement benefits to employees.

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 liabilities and retirement benefit expenses.

2. Defined benefit plans (excluding plans to which the simplified method is applied)

(1) Reconciliation of the beginning and ending balance of retirement benefit obligations

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Beginning balance of retirement benefit obligations	1,438	1,604
Service cost	138	154
Interest expense	8	9
Actuarial gain or loss	74	71
Payment of retirement benefits	(55)	(70)
Ending balance of retirement benefit obligations	1,604	1,768

(2) Reconciliation of the beginning and ending balance of pension assets

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Beginning balance of pension assets	990	1,133
Expected investment return	19	17
Actuarial gain or loss	(2)	(2)
Contributions from employer	160	148
Payment of retirement benefits	(30)	(39)
Other	(5)	(5)
Ending balance of pension assets	1,133	1,251

(3) Reconciliation of balance of retirement benefit obligations and pension assets at the end of the fiscal year, and of retirement benefit liabilities and retirement benefit assets recorded in the consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Retirement benefit obligations of funded plans	879	981
Pension assets	(1,133)	(1,251)
	(254)	(269)
Retirement benefit obligations of non-funded plans	724	787
Net liabilities and assets recognized in the consolidated balance sheets	470	517
Retirement benefit liabilities	724	787
Retirement benefit assets	(254)	(269)
Net liabilities and assets recognized in the consolidated balance sheets	470	517

(4) Retirement benefit expenses and the amount of their breakdown items

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Service cost	138	154
Interest expense	8	9
Expected investment return	(19)	(17)
Amortization of actuarial gains or losses for the current period	58	65
Retirement benefit expenses related to defined benefit plans	185	212

(5) Remeasurements of defined benefit plans, net of tax*

Breakdown of items recorded as remeasurements of defined benefit plans, net of tax (before tax effect deductions) are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Actuarial gain or loss	(18)	(7)
Total	(18)	(7)

(6) Remeasurements of defined benefit plans

Breakdown of items recorded as remeasurements of defined benefit plans (before tax effect deductions) are as follows.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Unrecognized actuarial gain or loss	284	292
Total	284	292

(7) Matters related to pension assets

(i) Major breakdown of pension assets

The ratios of major categories of pension assets to total pension assets are as follows.

	As of March 31, 2021	As of March 31, 2022
Stocks	3%	3%
Debentures	4%	4%
General account	93%	93%
Other	0%	0%
Total	100%	100%

(ii) Method of setting the expected long-term rate of investment return

To determine the expected long-term rate of investment return on pension assets, the Company considers the current and projected allocation of pension assets and the current and expected long-term rates of return from the various assets comprising the pension assets.

(8) Matters related to actuarial calculation basis

Principal actuarial calculation basis

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Discount rate	0.3%–0.8%	0.3%–0.8%
Expected long-term rate of investment return	2.0%	1.5%
Expected rate of salary increase	0.7%–1.1%	0.8%–1.7%

3. Defined benefit plans to which the simplified method is applied

(1) Reconciliation of the beginning and ending balances of retirement benefit liabilities for plans using the simplified method

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Beginning balance of retirement benefit liabilities	32	56
Retirement benefit expenses	85	52
Payment of retirement benefits	(11)	(12)
Contributions to the plan	(52)	(68)
Other	2	5
Ending balance of retirement benefit liabilities	56	32

(2) Reconciliation of balance of retirement benefit obligations and pension assets at the end of the fiscal year, and of retirement benefit liabilities and retirement benefit assets recorded in the consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Retirement benefit obligations of funded plans	183	235
Pension assets	(281)	(338)
	(97)	(103)
Retirement benefit obligations of non-funded plans	153	136
Net liabilities and assets recognized in the consolidated balance sheets	56	32
Retirement benefit liabilities	153	168
Retirement benefit assets	(97)	(135)
Net liabilities and assets recognized in the consolidated balance sheets	56	32

(3) Retirement benefit expenses

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Retirement benefit expenses calculated by the simplified method	85	52

(Stock options, etc.)

1. Amounts and titles of expenses

Not applicable.

2. Details of, scale of, and changes in stock options

(1) Details of stock options

a. Reporting company

	MARUWA UNYU KIKAN CO., LTD. 1st share acquisition rights	MARUWA UNYU KIKAN CO., LTD. 2nd share acquisition rights
Classification and number of persons to whom rights are granted	Directors of the Company 8 Audit & Supervisory Board Members of the Company 2 Executive Officers of the Company 8 Employees of the Company 67 Directors of subsidiaries 15 Employees of subsidiaries 27	Directors of the Company 4 Executive Officers of the Company 8 Employees of the Company 67 Directors of subsidiaries 2 Executive Officers of subsidiaries 1 Employees of subsidiaries 14
Type and number of shares granted (Note) 1	Common shares 1,484,800 shares	Common shares 528,000 shares
Grant date	November 19, 2012	March 28, 2013
Vesting conditions (Note) 2	The allottee must maintain the position of Director, Audit & Supervisory Board Member, or employee of the Company or its subsidiary at the time of exercising the share acquisition rights. In the event of the death of an allottee of share acquisition rights, his or her heir may not exercise the rights.	The allottee must maintain the position of Director, Audit & Supervisory Board Member, or employee of the Company or its subsidiary at the time of exercising the share acquisition rights. In the event of the death of an allottee of share acquisition rights, his or her heir may not exercise the rights.
Eligible service period	There is no stipulation on the eligible service period.	There is no stipulation on the eligible service period.
Rights exercise period	November 18, 2014 November 17, 2022	March 28, 2015 March 27, 2023

(Notes) 1. Has been converted into the number of shares. On October 1, 2014, October 1, 2015, October 1, 2017, October 1, 2019, and January 1, 2021, the Company conducted 2-for-1 splits of its common shares. The above figures are based on the number of shares after the stock split.

2. In addition to the above, details are set forth in the "Stock Acquisition Rights Allotment Agreement" or "Terms and Conditions of Issuance of Stock Acquisition Rights" concluded between the Company and the allottee.

b. Consolidated subsidiaries

	PHYZ Holdings Inc. 1st share acquisition rights
Classification and number of persons to whom rights are granted	Directors of the company 3 Employees of the company 82
Type and number of shares granted (Note)	Common shares 800,000 shares
Grant date	March 31, 2016
Vesting conditions	A person who has received allotment of share acquisition rights (hereinafter referred to as "share acquisition rights holder") is required to be a Director, Audit & Supervisory Board Member, or employee of the Company or a subsidiary of the company at the time of exercise of share acquisition rights. However, this shall not apply when a Director or Audit & Supervisory Board Member retires due to the expiration of his or her term of office, when an employee retires due to mandatory retirement age, or when there are other justifiable reasons. Share acquisition rights holders may exercise their share acquisition rights only if the common shares of the company underlying the share acquisition rights are listed on a securities exchange in Japan at the time of exercise. In the event of the death of an allottee of share acquisition rights, his or her heir may not exercise the rights. Other conditions for the exercise of rights shall be as set forth in the "Share Acquisition Rights Allotment Agreement" to be concluded between the company and the share acquisition right holders.
Eligible service period	There is no stipulation on the eligible service period.
Rights exercise period	March 18, 2018 March 16, 2026

(Note) Has been converted into the number of shares. The Company conducted a 200-for-1 stock split of common shares on November 25, 2016, a 2-for-1 stock split of common shares on October 1, 2017, and a 2-for-1 stock split of common shares on October 1, 2018, and the above figures reflect the stock split.

(2) Scale of and changes in stock options

Stock options that existed during the current fiscal year are included, and the number of stock options is converted into the number of shares.

(i) Number of stock options

a. Reporting company

	MARUWA UNYU KIKAN CO., LTD. 1st share acquisition rights	MARUWA UNYU KIKAN CO., LTD. 2nd share acquisition rights
Before vesting		
End of previous fiscal year (shares)	–	–
Granted (shares)	–	–
Lapsed (shares)	–	–
Vested (shares)	–	–
Remaining unvested (shares)	–	–
After vesting		
End of previous fiscal year (shares)	175,200	98,400
Vested (shares)	–	–
Exercised (shares)	36,000	15,200
Lapsed (shares)	–	–
Remaining unvested (shares)	139,200	83,200

(Note) On October 1, 2014, October 1, 2015, October 1, 2017, October 1, 2019, and January 1, 2021, the Company conducted 2-for-1 splits of its common shares. The above figures are based on the number of shares after the stock split.

b. Consolidated subsidiaries

	PHYZ Holdings Inc. 1st share acquisition rights
Before vesting	
End of previous fiscal year (shares)	–
Granted (shares)	–
Lapsed (shares)	–
Vested (shares)	–
Remaining unvested (shares)	–
After vesting	
End of previous fiscal year (shares)	27,200
Vested (shares)	–
Exercised (shares)	3,200
Lapsed (shares)	–
Remaining unvested (shares)	24,000

(Note) The Company conducted a 200-for-1 stock split of common shares on November 25, 2016, a 2-for-1 stock split of common shares on October 1, 2017, and a 2-for-1 stock split of common shares on October 1, 2018, and the above figures reflect the stock split.

(ii) Unit price information

a. Reporting company

	MARUWA UNYU KIKAN CO., LTD. 1st share acquisition rights	MARUWA UNYU KIKAN CO., LTD. 2nd share acquisition rights
Exercise price (yen)	68	68
Average share price at the time of exercise (yen)	1,516	1,711
Fair valuation unit price at the grant date (yen)	–	–

(Note) On October 1, 2014, October 1, 2015, October 1, 2017, October 1, 2019, and January 1, 2021, the Company conducted 2-for-1 splits of its common shares. The above figures have been converted to post-split prices.

b. Consolidated subsidiaries

	PHYZ Holdings Inc. 1st share acquisition rights
Exercise price (yen)	13
Average share price at the time of exercise (yen)	667
Fair valuation unit price at the grant date (yen)	-

3. Estimation method of fair valuation unit price of stock options granted in the current fiscal year
Not applicable.

4. Estimation method of the number of stock options vested
Basically, because it is difficult to reasonably estimate the number of lapsed options in the future, a method that reflects only the actual number of lapsed options is adopted.

5. Total intrinsic value of stock options in the current fiscal year and total intrinsic value at the time of exercise of stock options that have been exercised in the case where the calculation is based on the intrinsic value of stock options

a. Reporting company

(1) Total amount of intrinsic value during the current fiscal year: 234 million yen

(2) Total amount of intrinsic value of stock options exercised during the current fiscal year: 77 million yen

b. Consolidated subsidiary (PHYZ Holdings Inc.)

(1) Total amount of intrinsic value during the current fiscal year: 15 million yen

(2) Total amount of intrinsic value of stock options exercised during the current fiscal year: 2 million yen

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Allowance for bonuses	309	263
Retirement benefit liabilities	343	402
Allowance for doubtful accounts	15	14
Accrued enterprise tax	141	134
Excess depreciation	59	95
Asset retirement obligations	247	259
Acquisition-related expenses	14	60
Other	155	326
Subtotal of deferred tax assets	1,287	1,555
Valuation allowance	(14)	(255)
Total deferred tax assets	1,272	1,299
Deferred tax liabilities		
Pension assets	(181)	(209)
Guarantee deposits	(11)	(11)
Asset retirement expenses	(175)	(167)
Valuation difference on available-for-sale securities	(728)	(524)
Reserve for tax purpose reduction entry of non-current assets	(264)	(251)
Other	(194)	(308)
Total deferred tax liabilities	(1,556)	(1,472)
Net deferred tax assets (liabilities)	(283)	(172)

(Change in presentation)

"Acquisition-related expenses," which was included in "Other" in the previous fiscal year, is presented as a separate item in the current fiscal year due to its increased materiality. In addition, "Construction assistance fund receivables," which was independently presented in the previous fiscal year, is included in "Other" in the current fiscal year because it has become insignificant in terms of amount. To reflect this change in presentation, the notes for the previous fiscal year have been reclassified.

As a result, 143 million yen presented as "Other" and 12 million yen presented as "Construction assistance fund receivables" in the previous fiscal year are reclassified as "Acquisition-related expenses" of 14 million yen and "Other" of 155 million yen.

2. Breakdown of the difference between the statutory effective tax rate and the effective tax rate after the application of tax effect accounting

	As of March 31, 2021	As of March 31, 2022
Statutory effective tax rate	29.9%	29.9%
(Adjusted)		
Entertainment expenses and other items not permanently deductible for tax purposes	0.3%	0.2%
Permanently deductible items such as dividend income, etc.	(0.1)%	(0.2)%
Per capita inhabitant tax, etc.	0.8%	0.8%
Retained earnings tax	0.2%	0.5%
Increase/decrease in valuation allowance	(0.4)%	0.2%
Tax rate difference from parent company	1.8%	1.6%
Amortization of goodwill	0.2%	0.3%
Other	0.3%	(0.4)%
Effective tax rate after application of tax effect accounting	33.0%	33.0%

(Change in presentation)
“Amortization of goodwill,” which was included in “Other” in the previous fiscal year, is presented as a separate item in the current fiscal year due to its increased materiality. To reflect this change in presentation, the notes for the previous fiscal year have been reclassified.
As a result, 0.5% presented in “Other” in the previous fiscal year has been reclassified as “Amortization of goodwill” of 0.2% and “Other” of 0.3%.

(Business combinations, etc.)

(Acquisition of the shares of PHYZ Holdings Inc.)

At a meeting of the Board of Directors held on February 18, 2022, the Company resolved to acquire common shares of PHYZ Holdings Inc. (hereinafter referred to as “PHYZ Holdings”) through a tender offer (hereinafter referred to as “tender offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments) for the purpose of making PHYZ Holdings a consolidated subsidiary of the Company. On February 18, 2022, the Company entered into a capital and business alliance agreement with PHYZ Holdings and commenced the tender offer on February 21, 2022, which was completed as of March 22, 2022.

As a result of the tender offer, the Company acquired a majority of the voting rights of PHYZ Holdings as of March 29, 2022 (the commencement date of settlement of the tender offer), and PHYZ Holdings became a consolidated subsidiary of the Company.

1. Outline of the business combination

(1) Name of acquired company and its business

Name of acquired company: PHYZ Holdings Inc

Description of business: Holding company operations (group administration division) and recruiting business

(2) Main reason for business combination

By acquiring the shares of PHYZ Holdings and establishing a capital and business alliance with PHYZ Holdings, we have come to believe that sharing the operational service know-how, etc. of PHYZ Holdings will greatly contribute to expanding our 3PL business and building a foundation for our EC last one-mile same-day delivery service and transportation and delivery network, which are our basic management policies, and will strengthen both business models.

In addition, the Company believes that the following specific synergies can be expected by making PHYZ Holdings a consolidated subsidiary of the Company.

(a) Collaboration in the EC logistics business

In the EC logistics business, the Group is mainly engaged in last mile logistics, and we believe it is necessary to expand our business domain to include the management and operation of logistics bases of EC businesses in order to achieve further expansion. On the other hand, the PHYZ Holdings Group already operates logistics bases for EC businesses throughout Japan, and possesses operational know-how, including the ability to operate logistics bases and secure the necessary human resources. We believe that by utilizing the know-how and human resources of both companies, we will be able to cover a wide range of areas in EC logistics, from upstream to downstream, and provide a full range of services. In addition, we believe that the establishment of an alliance between the Group and the PHYZ Holdings Group will enable both groups to secure a structure that can respond to the demand for EC logistics, which is expected to continue to increase in the future.

(b) Utilization of management resources of both companies

As described in (a) above, in the EC logistics business, the PHYZ Holdings Group possesses strategically important know-how for the Group.

On the other hand, in addition to EC logistics, the Group is developing businesses in food logistics, pharmaceutical and medical logistics, and room temperature logistics other than EC logistics. By utilizing the know-how possessed by the PHYZ Holdings Group in these businesses, we believe that both companies will be able to further expand their 3PL businesses. Specifically, in addition to the low-temperature distribution center with a total floor area of approximately 63,000 tsubo that the offeror plans to construct in Matsubushi-cho, Kita-Katsushika-gun, Saitama Prefecture, we believe that it will be possible to increase the efficiency of worker recruitment and operational operations by collaborating with PHYZ Holdings at locations where new contracts are anticipated within the Group.

(c) Stabilization of the management of the PHYZ Holdings Group

We believe that the Company will be able to secure the financial foundations, etc. of the PHYZ Holdings Group by having PHYZ Holdings become a consolidated subsidiary of the Company. In addition to further strengthening the creditworthiness of the Company to its clients through its reputation and name recognition, the Company will back up new investments necessary for the expansion of the PHYZ Holdings Group, which will enable the PHYZ Holdings Group to grow its business at an accelerated pace.

(3) Date of business combination

Date of share acquisition: March 29, 2022

Deemed acquisition date: March 31, 2022

(4) Legal form of business combination
Share acquisition with cash consideration

(5) Name of company after combination
No change.

(6) Percentage of voting rights acquired
Ratio of voting rights acquired with cash consideration: 58.44%
Ratio of voting rights after acquisition: 58.44%

(7) Main basis for determining the acquiring company
The Company acquired the shares for cash consideration.

2. Period of performance of the acquired company included in the consolidated financial statements
Because only the balance sheet is consolidated in the current fiscal year, the financial results of the acquired company are not included.

3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition cash and deposits:	4,197 million yen
Acquisition cost:	4,197 million yen

4. Description and amount of major acquisition-related expenses
Advisory fee: 152 million yen

5. Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

(1) Amount of goodwill incurred
2,996 million yen
The above amounts are tentatively accounted for based on reasonable information available at the time of preparation of the consolidated financial statements, because the identification of identifiable assets and liabilities as of the date of the business combination and the calculation of fair value have not been completed and the allocation of acquisition costs has not been completed as of the end of the current fiscal year.

(2) Reason for occurrence
Mainly due to excess earning power expected from future business development.

(3) Amortization method and period
Equal amortization over 7 years

6. Amount of assets acquired and liabilities assumed on the date of business combination and their breakdown

Current assets	4,291 million yen
Non-current assets	1,529 million yen
Total assets	5,820 million yen
Current liabilities	2,873 million yen
Non-current liabilities	857 million yen
Total liabilities	3,730 million yen

7. Estimated amount and calculation method of the effect of the business combination on the consolidated statement of income for the current fiscal year, assuming that the business combination was completed on the first day of the fiscal year

Net sales	18,046 million yen
Operating profit	574 million yen
Ordinary profit	571 million yen
Profit before income taxes	571 million yen
Profit attributable to owners of parent	367 million yen
Earnings per share	51.65 yen

(Method of calculation of estimated amount)
The difference between the net sales and profit/loss information calculated as if the business combination had been completed as of the beginning of the current fiscal year and the net sales and profit/loss information in the consolidated

statements of income of the acquired company is the estimated amount of impact. The notes have not been audited.

(Asset retirement obligations)

This information is omitted because the total amount of asset retirement obligations is immaterial.

(Rental and other real estate)

This information is omitted because the total amount of rental and other real estate is immaterial.

(Revenue recognition)

1. Information on the breakdown of revenue arising from contracts signed with the customers
   Information on the breakdown of revenue arising from contracts signed with the customers is presented in "Notes (Segment information, etc.)."

2. Information that provides a basis for understanding revenue from contracts signed with customers
   The Company and its consolidated subsidiaries have adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the current fiscal year, and the Company and its consolidated subsidiaries recognize revenue based on the following five-step approach.
   Step 1: Identify the contract with the customer
   Step 2: Identify the performance obligations in the contract
   Step 3: Calculate the transaction amount
   Step 4: Allocate the transaction price to the performance obligations in the contract
   Step 5: The entity recognizes revenue when the performance obligation is satisfied
   The Company and its consolidated subsidiaries mainly engage in two logistics businesses: (1) third-party logistics (3PL) whereby they undertake a series of operations ranging from receipt, storage, shipment, and delivery of goods to provide logistics services to their customers, and (2) transportation services whereby they collect and deliver products to their customers.
   A series of services they promise to deliver to their customers as per the service agreement are recognized as a single obligation to be fulfilled. In principle, this obligation is fulfilled over a certain period of time, which is usually short in duration, and revenue is recognized when the obligation is deemed fulfilled (when goods are shipped in the case of 3PL and when products are delivered to the customers in the case of transportation services).
   In calculating the transaction price, the Company measures the transaction price by the amount of consideration to which the entity expects to be entitled in exchange for the transfer of promised goods or services to the customer, and there is no significant variable consideration. The consideration for contracts with customers is received within a short period of time after satisfaction of the performance obligation and does not include a significant financial component.
   The Group does not have any contracts that require the allocation of transaction prices to individual performance obligations.

3. Information for understanding the amount of revenue for the current and subsequent periods
   (1) Balance of contract assets and contract liabilities, etc.
   The Company and its consolidated subsidiaries have omitted a description of contract assets and contract liabilities because the balances are immaterial and no significant changes have occurred. In addition, revenue recognized in the current fiscal year from performance obligations that were satisfied (or partially satisfied) in prior periods was not material.

   (2) Transaction prices allocated to remaining performance obligations
   The Company and its consolidated subsidiaries apply the convenience method of accounting in practice and omit the description of transaction prices allocated to remaining performance obligations because there are no material contracts with an initial expected term of more than one year. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in transaction prices.

(Segment information, etc.)

[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, and breakdown of income in each segment

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment Logistics business	Other (Note) 1	Total	Adjustment and eliminations (Note) 2	Amount recorded on consolidated financial statements (Note) 3
Net sales					
Net sales to external customers	111,154	959	112,113	–	112,113
Internal sales and transfers between segments	181	383	564	(564)	–
Total	111,336	1,342	112,678	(564)	112,113
Segment profit	7,739	279	8,019	0	8,019
Other items					
Depreciation	1,429	130	1,559	–	1,559

(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.

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment Logistics business	Other (Note) 1	Total	Adjustment and eliminations	Amount recorded on consolidated financial statements (Note) 2
Net sales					
Revenues arising from contracts signed with the customers	131,211	445	131,657	–	131,657
Other revenues	812	530	1,343	–	1,343
(1) Net sales to external customers	132,024	976	133,000	–	133,000
(2) Internal sales and transfers between segments	181	385	567	(567)	–
Total	132,206	1,362	133,568	(567)	133,000
Segment profit	8,358	290	8,649	–	8,649
Other items					
Depreciation	1,460	136	1,597	–	1,597

(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. Segment profit has been adjusted with operating profit from the consolidated statement of income.
3. 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.

[Related information]
Fiscal year ended March 31, 2021
1. Information by product and service
This information is omitted because this information is disclosed in the segment information.

2. Information by region
(1) Net sales
Not applicable because there are no sales to external customers outside Japan.

(2) Property, plant and equipment
Not applicable because the Company has no property, plant and equipment located outside of Japan.

3. Information by major customer

(Millions of yen)

Name or title of customer	Net sales	Name of related segment
Amazon Japan G.K.	26,246	Logistics business
Matsumotokiyoshi Holdings Co., Ltd.	14,185	Logistics business and other

* Matsumotokiyoshi Holdings Co., Ltd. merged with cocokara fine Inc. and changed its name to MatsukiyoCocokara & Co. on October 1, 2021.

Fiscal year ended March 31, 2022
1. Information by product and service
This information is omitted because this information is disclosed in the segment information.

2. Information by region
(1) Net sales
Not applicable because there are no sales to external customers outside Japan.

(2) Property, plant and equipment
Not applicable because the Company has no property, plant and equipment located outside of Japan.

3. Information by major customer

(Millions of yen)

Name or title of customer	Net sales	Name of related segment
Amazon Japan G.K.	31,470	Logistics business
MatsukiyoCocokara & Co.	14,851	Logistics business and other

* Matsumotokiyoshi Holdings Co., Ltd. merged with cocokara fine Inc. and changed its name to MatsukiyoCocokara & Co. on October 1, 2021. The net sales to the company in the current fiscal year include those of its subsidiary, MCC Management Co., Ltd.

[Information on impairment losses on non-current assets by reporting segment]
Fiscal year ended March 31, 2021
Not applicable.

Fiscal year ended March 31, 2022
Not applicable.

[Information on amortization and unamortized balance of goodwill by reporting segment]

Fiscal year ended March 31, 2021

(Millions of yen)

	Logistics business	Other	Total
Amortization for the fiscal year	77	–	77
Balance at the end of the fiscal year	672	–	672

Fiscal year ended March 31, 2022

(Millions of yen)

	Logistics business	Other	Total
Amortization for the fiscal year	125	–	125
Balance at the end of the fiscal year	3,681	–	3,681

[Information on gain on bargain purchase by reporting segment]

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Not applicable.

[Related party information]

Transactions with related parties

Transactions between the company submitting the consolidated financial statements and related parties

(a) Parent company and major shareholders (limited to companies, etc.), etc. of the company submitting the consolidated financial statements

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

Not applicable.

(b) Non-consolidated subsidiaries and affiliates, etc. of the company submitting the consolidated financial statements

There are no significant transactions with related parties to be disclosed.

(c) Officers and major shareholders (limited to individuals), etc. of the company submitting the consolidated financial statements

Fiscal year ended March 31, 2021

<table>
<tr><th>Type</th><th>Name or title of company, etc.</th><th>Address</th><th>Share capital or investments in capital (Millions of yen)</th><th>Business or occupation</th><th>Percentage of voting rights, etc. held (%)</th><th>Relationship with related parties</th><th>Details of transactions</th><th>Transaction amount (Millions of yen)</th><th>Item</th><th>Balance at the end of fiscal year (Millions of yen)</th></tr>
<tr><td rowspan="2">Officers</td><td rowspan="2">Masaru Wasami</td><td rowspan="2">–</td><td rowspan="2">–</td><td rowspan="2">President</td><td rowspan="2">(Owned)
Direct 25.7
Indirect 35.5</td><td rowspan="2">Guarantee of claims related to the Company's loans</td><td>Guarantee of claims related to the Company's loans</td><td>57</td><td rowspan="2">–</td><td rowspan="2">–</td></tr>
<tr><td>Execution of guarantee of claims related to the Company's loans</td><td>48</td></tr>
</table>

Fiscal year ended March 31, 2022

Not applicable.

(Per share information)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share	204.54 yen	230.19 yen
Earnings per share	43.60 yen	48.72 yen
Diluted earnings per share	42.37 yen	44.77 yen

(Notes) 1. The Company conducted 2-for-1 splits of common shares with effective dates of 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	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	5,536	6,125
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent pertaining to common shares (Millions of yen)	5,536	6,125
Average number of common shares during the period (shares)	126,974,268	125,720,490
Diluted earnings per share		
Adjusted profit attributable to owners of parent (Millions of yen)	(51)	(154)
(After-tax interest income included therein) (Millions of yen)	((51))	((154))
Increase in common shares (shares)	2,471,458	7,639,257
(Convertible bonds with share acquisition rights included therein) (shares)	(2,130,898)	(7,407,407)
(Share acquisition rights included therein) (shares)	(340,560)	(231,850)
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	As of March 31, 2021	As of March 31, 2022
Total amount of net assets (Millions of yen)	25,708	29,735
Amount deducted from total amount of net assets (Millions of yen)	–	790
(Share acquisition rights included therein)	(–)	(–)
(Non-controlling interests included therein)	(–)	(790)
Net assets at end of period pertaining to common shares (Millions of yen)	25,708	28,944
Number of common shares at end of period used in calculation of net assets per share (shares)	125,688,732	125,742,441

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. (360,548 shares in the previous fiscal year and 358,765 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. (359,910 shares in the previous fiscal year and 357,366 shares in the current fiscal year)

(Significant subsequent events)

(Transition to a pure holding company structure through the absorption-type company split)

During the board meeting held on April 22, 2022, a decision was made to newly establish MARUWA UNYU KIKAN Bunkatsu Junbi Kabushiki Kaisha (the "Split Preparation Company"), which is a wholly owned subsidiary of the Company and implement company split (absorption-type company split) with the Company as the splitting company and the Split Preparation Company as the successor company effective as of October 1, 2022 (planned) (the "Company Split") to make a transition to a pure holding company structure. On the same day the board meeting was held, the Company entered into an absorption-type company split agreement for the Company Split with the Split Preparation Company.

The transition to a pure holding company structure by means of a company split will be implemented on the condition that the related proposal is approved at the Company's 49th Annual General Meeting of Shareholders to be held on June 27, 2022 and permits are obtained from relevant public offices as needed.

1. Purpose of transition to a pure holding company structure

Under the "3PL & Platform Company" concept, the Group is working actively to promote "securing and developing human resources," "researching and utilizing the latest technologies," and "developing new markets," and also strengthen and expand the BCP logistics business that contributes to securing lifelines in the event of a disaster, in addition to each of e-commerce and ordinary temperature, food, and medicine and medical logistics businesses, which are its core businesses.

However, as the social environment has been changing drastically, unprecedented changes are occurring also in the logistics industry, including industry restructuring due to M&A and business alliance. Therefore, considering that the Group also urgently needs to establish a management structure that can respond to such environmental changes, the Group has decided to make a transition to a pure holding company structure which enables it to achieve sustained growth by clarifying responsibilities and authority of the pure holding company that plans a Group strategy from a medium- to long-term perspective and each operating company, and separating those of operating companies into these companies which make decisions more speedily and execute operations flexibly. The specific details are as follows.

(1) Strengthening the function of promoting the Group management strategy

The pure holding company will strengthen planning and promotion of the Group management strategy toward expansion into growth areas and enhancement of businesses from a medium- to long-term perspective.

(2) Clarifying authority and responsibilities, and accelerating decision-making

Operating companies will concentrate on performing businesses and make decisions speedily on their own responsibilities and authority that are more clarified in order to enhance competitiveness and achieve self-sustaining growth.

(3) Strengthening group governance

The pure holding company will focus on supervision of the Group and planning and decision-making on the Group strategy and strive to further strengthen group governance by enhancing the corporate function.

2. Overview of the Company Split

(1) Schedule of the Company Split

April 22, 2022	Board of Directors meeting approving establishment of a Split Preparation Company
April 22, 2022	Establishment of the Split Preparation Company
April 22, 2022	Board of Directors meeting approving an absorption-type company split agreement
April 22, 2022	Conclusion of the absorption-type company split agreement
June 27, 2022	Annual General Meeting of Shareholders approving the absorption-type company split agreement
October 1, 2022 (planned)	Effective date of the absorption-type company split

(2) Method of the Company Split

The Company Split will be implemented by means of an absorption-type company split with the Company as the splitting company (the "Splitting Company") and the Split Preparation Company as the successor company (the "Successor Company") whereby the Successor Company will succeed to the logistics business that is being operated by the Company and any and all businesses incidental thereto (the "Target Businesses").

(3) Details of allotment related to the Company Split

Upon the Company Split, the Successor Company will issue 6,400 common shares and all of those shares will be allotted and delivered to the Company.

(4) Handling of share acquisition rights and bonds with share acquisition rights in association with the Company Split

As for handling of the Company's share acquisition rights and bonds with share acquisition rights, there will be no change as a result of the Company Split.

(5) Stated capital that increases or decreases through the Company Split

There will be no increase or decrease in stated capital of the Company through the Company Split.

(6) Rights and obligations assumed by the Successor Company

The Successor Company will assume assets, liabilities, employment contracts, and any other rights and obligations related to the Target Businesses to the extent provided in the absorption-type company split agreement from the Splitting Company on the effective date. The assumption by the Successor Company from the Splitting Company will be effected in the form of a concomitant assumption of liabilities.

(7) Prospect for performance of liabilities

In the Company Split, when the amount of assets and the amount of liabilities transferred by the Splitting Company to the Successor Company are compared, the former is expected to exceed the latter, and the occurrence of any events that would cause an impediment to the performance of liabilities to be assumed is also not anticipated in the earnings condition of the Successor Company after the Company Split. For these reasons, the Group has judged that the likelihood that the Successor will perform the liabilities is sufficiently secured.

3. Overview of the parties to the Company Split

(1) Overview of the parties

	Splitting Company as of March 31, 2022	Successor Company as of the time of establishment on April 22, 2022
(1) Name	MARUWA UNYU KIKAN CO., LTD.	MARUWA UNYU KIKAN Bunkatsu Junbi Kabushiki Kaisha
(2) Address	7-1 Asahi, Yoshikawa-shi, Saitama	7-1 Asahi, Yoshikawa-shi, Saitama
(3) Title and name of representative	Masaru Wasami, President	Masaru Wasami, President
(4) Business description	Logistics business (third-party logistics, transportation services)	Logistics business (third-party logistics, transportation services)
(5) Stated capital	2,667,424,550 yen	30,000,000 yen
(6) Date of establishment	August 3, 1973	April 22, 2022
(7) Number of issued shares	128,848,320 shares	600 shares
(8) End of fiscal year	Last day of March	Last day of March

(9) Major shareholders and percentage of shareholding	WASAMI CO.,LTD. 34.26% Masaru Wasami 25.13% The Master Trust Bank of Japan, Ltd. (Trust Account) 4.07% MatsukiyoCocokara & Co. 4.00% MARUWA UNYU KIKAN Employee Shareholding Association 2.06% Custody Bank of Japan, Ltd. (Trust Account) 1.58% TOYO KANETSU K.K. 1.45% DUSKIN CO., LTD. 1.27% Saitama Resona Bank, Limited 1.02% Hino Motors, Ltd. 0.86%	The Company 100.00%

(10) Relationships between the parties	Capital relationship	The Splitting Company holds 100% of issued shares of the Successor Company.
	Human relationship	The Splitting Company has sent out six Directors and one Audit & Supervisory Board Member to the Successor Company.
	Business relationship	Since the Successor Company has not started its business, the Successor Company has no business relationship with the Splitting Company at the present time.

(11) Financial condition and operating results for the immediately preceding fiscal year (fiscal year ended March 31, 2022)
Because there is no immediately preceding fiscal year for the Split Preparation Company, only items stated in the balance sheet as of the establishment date have been provided.

	MARUWA UNYU KIKAN CO., LTD. (Splitting Company) (consolidated)	MARUWA UNYU KIKAN Bunkatsu Junbi Kabushiki Kaisha (Successor Company) (non-consolidated)
Net assets	29,735 million yen	30 million yen
Total assets	85,909 million yen	30 million yen
Net assets per share	230.19 yen	50,000 yen
Net sales	133,000 million yen	–
Operating profit	8,649 million yen	–
Ordinary profit	9,139 million yen	–
Profit attributable to owners of parent	6,125 million yen	–
Earnings per share	48.72 yen	–

4. Overview of business divisions subject to the Company Split
Logistics business that is being operated by the Company and any and all businesses incidental thereto

5. Status of the parties after the Company Split (as of October 1, 2022 (planned))

	Splitting Company	Successor Company
(1) Trade name	AZ-COM MARUWA Holdings Inc. (The trade name will be changed from "MARUWA UNYU KIKAN CO., LTD." as of October 1, 2022.)	MARUWA UNYU KIKAN CO., LTD. (The trade name will be changed from "MARUWA UNYU KIKAN Bunkatsu Junbi Kabushiki Kaisha" as of October 1, 2022.)
(2) Address	7-1 Asahi, Yoshikawa-shi, Saitama	7-1 Asahi, Yoshikawa-shi, Saitama
(3) Title and name of representative	Masaru Wasami, President	Masaru Wasami, President
(4) Description of major businesses	Management administration of group companies	Logistics business (third-party logistics, transportation services)
(5) Stated capital	2,667,424,550 yen	350,000,000 yen
(6) End of fiscal year	Last day of March	Last day of March

6. Future outlook

Because the Successor Company is a wholly owned subsidiary of the Company, the impact on consolidated operating results is minor.

Since the Company will be a pure holding company after the Company Split, its revenue will be dividends, management guidance fees, rents on real estate, interest on loans receivable and others from its subsidiaries, affiliates, etc., whereas the main items of expenses will be costs associated to the function as a pure holding company, costs associated with the corporate function, interest on loans payable, and others.

(Absorption-type merger between consolidated subsidiaries)

At a meeting of the Board of Directors held on May 23, 2022, consolidated subsidiary PHYZ Holdings Inc. resolved to merge with PHYZ Computer Technologies Inc., also a consolidated subsidiary of the Company, effective June 1, 2022. In accordance with the absorption-type merger, PHYZ Computer Technologies Inc. will be excluded from the scope of consolidation of the Company.

1. Outline of the transaction

(1) Name and business of the companies in the business combination

Name of company in business combination: PHYZ Holdings Inc.

Description of business: Holding company operations (group administration division)

Name of the combined company: PHYZ Computer Technologies Inc.

Description of business: Design and development of computer systems

(2) Date of business combination

June 1, 2022

(3) Legal form of business combination

Merger by absorption, with PHYZ Holdings Inc. as the surviving company and PHYZ Computer Technologies Inc. as the absorbed company

(4) Name of company after combination

PHYZ Holdings Inc.

(5) Purpose of business combination

To efficiently perform system management and maintenance for the entire PHYZ Group as an administrative operation of PHYZ Holdings Inc.

2. Outline of accounting procedures to be implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the transaction will be treated as a transaction under common control.

(Business combination through acquisition)

At the Board of Directors meeting held on June 27, 2022, the Company resolved to acquire all outstanding shares of MK LOGI Co.,Ltd., and a share transfer agreement was signed on the same date.

1. Outline of the transaction

(1) Name and business of the companies in the business combination

Name of the combined company: MK LOGI Co.,Ltd.

Description of business: Warehousing, logistics outsourcing, and logistics consulting business

(2) Date of business combination

July 29, 2022 (planned)

(3) Legal form of business combination

Share acquisition with cash consideration

(4) Name of company after combination

No change.

(5) Purpose of business combination

The Company has decided on the Share Acquisition as it believes that it will allow for the strengthening of functions in the Group’s EC logistics business and the realization of increased corporate value for both companies as a highly synergistic effect will be demonstrated by MK LOGI Co.,Ltd. being added to the Group, because MK LOGI Co.,Ltd. expands the provision of third-party logistics (3PL) services for D2C (Direct-to-consumer transactions: Transactions in which products are sold directly to customers through a company’s proprietary e-commerce website without going through an intermediate distributor) operators as its main business, and possesses “high productivity demonstrated through high quality facilities,” “human resources who support the sites” and “3PL know-how for D2C operators who have hidden potential for a high level of growth.”

(6) Ratio of voting rights to be acquired

100%

(7) Main basis for determining the acquiring company

The Company acquired shares of MK LOGI Co.,Ltd. for cash consideration.

2. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition cash and deposits:	4,066 million yen
Acquisition cost:	4,066 million yen

(Note) The price may change due to price adjustments, etc., as stipulated in the share transfer agreement.

3. Description and amount of major acquisition-related expenses

Advisory fee, etc. (estimated amount): 78 million yen

4. Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

Not determined at this time.

5. Amount of assets acquired and liabilities assumed on the date of business combination and their breakdown

Not determined at this time.

(v) Consolidated supplementary schedules

[Bonds payable schedule]

Company name	Issue	Date of issue	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Interest rate (%)	Collateral	Redemption date
Nippon System Create Co., Ltd.	1st unsecured bonds (Note) 1, 2	Date July 25, 2018	–	15 (10)	0.4	None	Date 2023.7.25
MARUWA UNYU KIKAN CO., LTD.	Euro-yen convertible bonds with share acquisition rights included therein due 2025 (Note) 3	December 17, 2020	21,026	20,806	–	None	December 17, 2025
Total	–	–	21,026	20,821 (10)	–	–	–

(Notes) 1. The amount in parentheses is the current portion of the scheduled redemption amount.

2. Because Nippon System Create Co., Ltd. became a consolidated subsidiary from the current fiscal year, the balance at the beginning of the current period is not stated.

3. Information on bonds with share acquisition rights is as follows.

Issue	Euro-yen convertible bonds with share acquisition rights included therein due 2025
Shares to be issued	Common shares
Issue price of share acquisition rights (yen)	Free of charge
Issue price of shares (yen)	2,700
Total issue price of shares (Millions of yen)	21,100
Total issue price of shares issued upon exercise of share acquisition rights (Millions of yen)	–
Percentage of share acquisition rights granted (%)	100
Exercise period of share acquisition rights	From January 4, 2021 to December 3, 2025

(Note) When a person who intends to exercise the share acquisition rights makes a request, it shall be deemed that payment of the full amount to be paid upon exercise of the share acquisition rights has been made in lieu of redemption of the entire amount of the bonds to which the share acquisition rights are attached. When the share acquisition rights are exercised, such request shall be deemed to have been made.

4. The scheduled redemption amount for the five years after the consolidated balance sheet date is as follows.

Due within one year (Millions of yen)	Due after one year to within two years (Millions of yen)	Due after two years to within three years (Millions of yen)	Due after three years to within four years (Millions of yen)	Due after four years to within five years (Millions of yen)
10	5	–	20,806	–

[Borrowings schedule]

Classification	Balance at beginning of period (Millions of yen)	Balance at end of period (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	100	145	–	–
Current portion of long-term borrowings	2,118	3,134	0.10	–
Current portion of lease liabilities	86	172	0.82	–
Long-term borrowings (excluding current portion)	3,882	6,960	0.10	April 1, 2023 to March 31, 2029
Lease liabilities (excluding current portion)	282	642	0.82	April 1, 2023 to March 31, 2032
Total	6,469	11,054	–	–

(Notes) 1. “Average interest rate” is the weighted average interest rate for the balance of borrowings, etc. at the end of the fiscal year.

2. Total amount of long-term debt and lease obligations (excluding current portion) due within one year within five years of the consolidated balance sheet date

Classification	Due after one year to within two years (Millions of yen)	Due after two years to within three years (Millions of yen)	Due after three years to within four years (Millions of yen)	Due after four years to within five years (Millions of yen)
Long-term borrowings	2,618	2,020	1,339	970
Lease liabilities	152	144	128	82

[Asset retirement obligations schedule]

Classification	Balance at beginning of period (Millions of yen)	Increase (Millions of yen)	Decrease (Millions of yen)	Balance at end of period (Millions of yen)
Obligation to restore land to its original condition based on land lease contract, etc.	776	10	–	786

(2) Other

Quarterly information, etc. for the current fiscal year

(Cumulative period)		Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	Fiscal year ended March 31, 2022
Net sales	(Millions of yen)	29,320	59,749	97,107	133,000
Profit before income taxes	(Millions of yen)	2,397	4,544	7,120	9,139
Profit attributable to owners of parent	(Millions of yen)	1,730	3,260	5,095	6,125
Earnings per share	(yen)	13.77	25.94	40.53	48.72

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share	(yen)	13.77	12.17	14.59	8.19

2 Financial Statements and Other Information

(1) Financial Statements

(i) Balance sheets

(Millions of yen)

		As of March 31, 2021		As of March 31, 2022
Assets				
Current assets				
Cash and deposits		25,329		27,321
Electronically recorded monetary claims - operating		140		145
Accounts receivable - trade	*1	7,666	*1	10,893
Supplies		26		62
Prepaid expenses		552		564
Other	*1	2,557	*1	2,734
Total current assets		36,273		41,722
Non-current assets				
Property, plant and equipment				
Buildings		4,501		4,279
Structures		122		108
Machinery and equipment		931		834
Vehicles		9		6
Tools, furniture and fixtures		539		576
Land		4,056		4,144
Leased assets		21		10
Construction in progress		2,435		2,515
Total property, plant and equipment		12,617		12,476
Intangible assets				
Trademark right		0		0
Leased assets		1		0
Software		581		496
Software in progress		16		–
Telephone subscription right		31		31
Right to use water facilities		0		0
Total intangible assets		631		528
Investments and other assets				
Investment securities		6,080		5,390
Shares of subsidiaries and associates		2,472		6,823
Investments in capital		28		37
Long-term loans receivable	*1	1,524	*1	1,083
Distressed receivables		0		0
Long-term prepaid expenses		52		43
Deferred tax assets		–		114
Other		1,703		1,672
Allowance for doubtful accounts		(13)		(3)
Total investments and other assets		11,848		15,161
Total non-current assets		25,097		28,166
Total assets		61,370		69,889

(Millions of yen)

		As of March 31, 2021		As of March 31, 2022
Liabilities				
Current liabilities				
Accounts payable - trade	*1	7,297	*1	10,239
Short-term borrowings		2,261		3,005
Current portion of long-term borrowings		1,641		2,277
Lease liabilities		13		5
Accounts payable - other	*1	2,952	*1	2,263
Accrued expenses	*1	131	*1	126
Income taxes payable		1,034		1,083
Deposits received		115		126
Unearned revenue		107		84
Provision for bonuses		477		501
Other		36		83
Total current liabilities		16,069		19,798
Non-current liabilities				
Convertible bonds		21,026		20,806
Long-term borrowings		3,006		5,679
Lease liabilities		11		5
Asset retirement obligations		454		460
Deferred tax liabilities		108		–
Provision for retirement benefits		399		439
Provision for share awards for directors (and other officers)		14		22
Provision for share-based remuneration for employees		19		30
Other		429		396
Total non-current liabilities		25,471		27,840
Total liabilities		41,541		47,639
Net assets				
Shareholders’ equity				
Share capital		2,665		2,667
Capital surplus				
Legal capital surplus		2,180		2,181
Other capital surplus		161		161
Total capital surplus		2,341		2,343
Retained earnings				
Legal retained earnings		18		18
Other retained earnings				
General reserve		912		912
Retained earnings brought forward		17,949		20,860
Total retained earnings		18,879		21,790
Treasury shares		(5,758)		(5,758)
Total shareholders’ equity		18,128		21,043
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		1,701		1,206
Total valuation and translation adjustments		1,701		1,206
Total net assets		19,829		22,249
Total liabilities and net assets		61,370		69,889

(ii) Statements of income

(Millions of yen)

		Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022
Net sales	*2	76,362	*2	92,313
Cost of sales	*2	68,504	*2	83,886
Gross profit		7,857		8,426
Selling, general and administrative expenses	*1	2,824	*1	2,823
Operating profit		5,033		5,603
Non-operating income				
Interest income	*2	84	*2	232
Dividend income	*2	1,296	*2	1,317
Other	*2	95	*2	88
Total non-operating income		1,476		1,638
Non-operating expenses				
Interest expenses		17		13
Bond issuance costs		55		–
Provision of allowance for doubtful accounts		3		–
Loss on retirement of non-current assets		2		15
Other		3		1
Total non-operating expenses		82		31
Ordinary profit		6,428		7,210
Profit before income taxes		6,428		7,210
Income taxes - current		1,742		1,919
Income taxes - deferred		(236)		(12)
Total income taxes		1,506		1,906
Profit		4,921		5,303

[Cost of sales schedule]

Classification	Note number	Fiscal year ended March 31, 2021 Amount (Millions of yen)	Share (%)	Fiscal year ended March 31, 2022 Amount (Millions of yen)	Share (%)
I. Outsourcing expenses		45,408	66.3	59,382	70.8
II. Labor expenses		13,783	20.1	14,802	17.6
III. Expenses					
Depreciation		619		593	
Facility expenses		4,324		4,562	
Other		4,368		4,546	
Expenses		9,312	13.6	9,701	11.6
Cost of sales		68,504	100.0	83,886	100.0

(Note) The following provisions for allowances, etc. are included in cost of sales.

Item	Fiscal year ended March 31, 2021 (Millions of yen)	Fiscal year ended March 31, 2022 (Millions of yen)
Provision of allowance for bonuses	405	431
Retirement benefit expenses	69	81

(iii) statements of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	
						General reserve	Retained earnings brought forward
Balance at beginning of period	2,660	2,175	–	2,175	18	912	14,943
Changes during period							
Issuance of new shares - exercise of share acquisition rights	4	4		4			
Dividends of surplus							(1,915)
Profit							4,921
Purchase of treasury shares							
Disposal of treasury shares							
Increase by share exchanges			161	161			
Net changes in items other than shareholders' equity							
Total changes during period	4	4	161	166	–	–	3,006
Balance at end of period	2,665	2,180	161	2,341	18	912	17,949

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at beginning of period	15,873	(611)	20,097	953	953	21,050
Changes during period						
Issuance of new shares - exercise of share acquisition rights			9			9
Dividends of surplus	(1,915)		(1,915)			(1,915)
Profit	4,921		4,921			4,921
Purchase of treasury shares		(5,316)	(5,316)			(5,316)
Disposal of treasury shares		0	0			0
Increase by share exchanges		168	330			330
Net changes in items other than shareholders' equity				748	748	748
Total changes during period	3,006	(5,146)	(1,969)	748	748	(1,221)
Balance at end of period	18,879	(5,758)	18,128	1,701	1,701	19,829

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	
						General reserve	Retained earnings brought forward
Balance at beginning of period	2,665	2,180	161	2,341	18	912	17,949
Changes during period							
Issuance of new shares - exercise of share acquisition rights	1	1		1			
Dividends of surplus							(2,392)
Profit							5,303
Purchase of treasury shares							
Disposal of treasury shares							
Net changes in items other than shareholders' equity							
Total changes during period	1	1	–	1	–	–	2,910
Balance at end of period	2,667	2,181	161	2,343	18	912	20,860

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at beginning of period	18,879	(5,758)	18,128	1,701	1,701	19,829
Changes during period						
Issuance of new shares - exercise of share acquisition rights			3			3
Dividends of surplus	(2,392)		(2,392)			(2,392)
Profit	5,303		5,303			5,303
Purchase of treasury shares		(0)	(0)			(0)
Disposal of treasury shares		0	0			0
Net changes in items other than shareholders' equity				(495)	(495)	(495)
Total changes during period	2,910	0	2,914	(495)	(495)	2,419
Balance at end of period	21,790	(5,758)	21,043	1,206	1,206	22,249

[Notes]

(Significant accounting policies)

1. Valuation standards and valuation methods for material assets

Valuation standards and valuation methods for securities

(1) Shares of subsidiaries

Stated at cost using the moving average method

(2) Other securities

Securities other than shares, etc., for which no market price is available

Market value method

(Valuation differences are directly charged or credited to net assets, and cost of securities sold is calculated by the moving average method)

Shares, etc., for which no market price is available

Stated at cost using the moving average method

2. Depreciation method of non-current assets

(1) 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), to facilities attached to buildings and buildings acquired on or before March 31, 2016.

The main useful lives are as follows.

Buildings	2 to 31 years
Structures	4 to 40 years
Machinery and equipment	4 to 12 years
Vehicles	2 to 5 years
Tools, furniture and fixtures	2 to 20 years

(2) 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).

(3) 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. Method of accounting for deferred assets

(1) Bond issuance costs

All the bond issuance costs are accounted for as expenses at the time of spending.

4. Accounting standards for significant provisions

(1) 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.

(2) Allowance for bonuses

To appropriate funds for the payment of bonuses to employees, a provision is made for the expected amount of the payment for employees for the fiscal year under review.

(3) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, the Company records an estimated reserve based on the projected benefit obligations and pension assets at the end of the current fiscal year.

(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 fiscal year following their occurrence.

(iii) Adoption of the simplified method

The Company's retirement benefit plan adopts a simplified method for the calculation of the provision for retirement benefits and retirement benefit expenses, using the amount payable for personal convenience at the end of the fiscal year as the retirement benefit obligation.

(4) Provision for share awards for 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.

(5) 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.

5. Accounting standards for revenues and expenses

Details about the main obligations that need to be fulfilled with regard to revenues arising from contracts signed with the customers of the Company and the usual time points at which those obligations are to be fulfilled (or those revenues are to be recognized) are provided in the following paragraphs.

The Company mainly engages in two logistics businesses: (1) third-party logistics (3PL) whereby it undertake a series of operations ranging from receipt, storage, shipment, and delivery of goods to provide logistics services to its customers, and (2) transportation services whereby it collects and delivers products to its customers.

A series of services they promise to deliver to their customers as per the service agreement are recognized as a single obligation to be fulfilled. In principle, this obligation is fulfilled over a certain period of time, which is usually short in duration, and revenue is recognized when the obligation is deemed fulfilled (when goods are shipped in the case of 3PL and when products are delivered to the customers in the case of transportation services).

6. Other important items for the preparation of the consolidated financial statements

Accounting for retirement benefits

The method of accounting for unrecognized actuarial differences related to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

(Significant accounting estimates)

Valuation of shares of subsidiaries and associates

(1) Amounts reported in the financial statements for the current fiscal year

Loss on valuation of shares of subsidiaries and associates: - million yen, shares of subsidiaries and associates: 6,823 million yen

(of which, Japan Logistics Development Co., Ltd.: 703 million yen)

Amounts reported in the financial statements for the previous fiscal year

Loss on valuation of shares of subsidiaries and associates: - million yen, shares of subsidiaries and associates: 2,472 million yen

(of which, Japan Logistics Development Co., Ltd.: 703 million yen)

(2) Other information that contributes to the understanding of financial statement users

(i) Calculation method

For shares of subsidiaries and associates for which no market price is available, the Company impairs the stocks when the real value of the stocks declines significantly due to deterioration in the financial condition of the company. Normally, the real value is calculated based on the net asset value per share multiplied by the number of shares held. However, for acquired shares of subsidiaries and associates, because the acquisition price reflects excess earning power, the acquisition price and the real value reflecting excess earning power are compared to determine the impairment. The excess earning power is reflected in the real value of the asset at the appropriate book value in accordance with the calculation method described in “Notes: (Significant accounting estimates) Impairment of fixed assets (including goodwill and intangible assets)” in the Notes to Consolidated Financial Statements.

(ii) Key assumptions

Shares of subsidiaries and associates that show a significant decline when comparing the acquisition cost and the real value (before reflecting excess earning power) of the affiliated company stock consist of 703 million yen for Japan Logistics Development Co., Ltd. In recognizing the impairment of Japan Logistics Development Co., Ltd., the excess earnings power was added to the net asset value as the real value. The key assumptions used in evaluating such excess earning capacity are described in “Notes: (Significant accounting estimates) Impairment of fixed assets (including goodwill and intangible assets)” in the Notes to Consolidated Financial Statements.

(iii) Impact on financial statements for the following fiscal year

In the event of impairment of excess earning capacity, there is a risk of a valuation loss on such shares. Impairment of excess earning capacity is described in “Notes: (Significant accounting estimates) Impairment of fixed assets (including goodwill and intangible assets)” in the Notes to Consolidated Financial Statements.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year was added to or deducted from the opening balance of retained earnings of the current fiscal year, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the current fiscal year, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, the Company has applied the method prescribed in Paragraph 86 and Note (1) of the Accounting Standard for Revenue Recognition to account for contract modifications made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract modifications, and the cumulative effect of such modifications has been added to or subtracted from retained earnings at the beginning of the current fiscal year. This, however, has only a minor impact on the net sales, operating profit, ordinary profit, and profit before income taxes of the consolidated fiscal year under review. It has no impact on the balance of retained earnings brought forward at the beginning of the period.

(Application of accounting standard for fair value measurement, etc.)
The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

(Change in presentation)

(Statement of income)

“Loss on retirement of non-current assets,” which was included in “Other” under non-operating expenses in the previous fiscal year, is presented as a separate line item in the current fiscal year because it has become significant in terms of amount. In addition, “Loss on cancellation of leases,” which was independently presented in the previous fiscal year, is included in “Other” in the current fiscal year because it has become insignificant in terms of amount.

As a result, 4 million yen included in “Other” under non-operating expenses in the statement of income for the previous fiscal year has been reclassified as “Loss on retirement of non-current assets” of 2 million yen and “Other” of 3 million yen. In addition, “Loss on cancellation of leases” of 0 million yen, which was included in non-operating expenses, has been reclassified as “Other” of 3 million yen.

(Additional information)

(Performance-based stock compensation plan for directors)

Notes regarding the performance-based stock compensation plan for directors are omitted since the same information is presented in “Notes: (Additional information)” to the consolidated financial statements.

(Transactions under which the Company shares are issued to employees, etc. through a trust)

Notes regarding transactions to deliver the Company shares to employees, etc. through the trust are omitted since the same information is presented in “Notes: (Additional information)” to the consolidated financial statements.

(Balance sheet)

*1 Receivables from and payables to subsidiaries and associates

Receivables from and payables to subsidiaries and associates are as follows.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Short-term receivables	2,548	2,713
Long-term receivables	1,482	1,023
Short-term payables	4,844	6,556

(Statement of income)

*1 Major items and amounts of selling, general and administrative expenses and their approximate proportions are as follows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Remuneration for directors (and other officers)	240	252
Payroll and allowances	808	870
Outsourcing expenses	188	460
Provision of allowance for bonuses	71	70
Retirement benefit expenses	16	19
Depreciation	195	202
Taxes and dues	306	340
Approximate percentage		
Selling expenses	9%	10%
General and administrative expenses	91%	90%

*2 Transactions with subsidiaries and associates are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Transactions by operating transactions		
Net sales	443	461
Purchases	16,690	20,014
Non-operating transactions	1,230	1,243

(Securities)

Shares of subsidiaries

As of March 31, 2021

Carrying value on the balance sheet of shares of subsidiaries whose fair value is extremely difficult to be determined

Classification	As of March 31, 2021 (Millions of yen)
Shares of subsidiaries	2,472

As of March 31, 2022

Classification	Carrying amount on consolidated balance sheet (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Shares of subsidiaries	4,350	4,228	(121)

(Note) Carrying amount of shares, etc., for which no market price is available not included in the above

Classification	As of March 31, 2022 (Millions of yen)
Shares of subsidiaries	2,472

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Allowance for bonuses	142	150
Provision for retirement benefits	119	131
Allowance for doubtful accounts	4	1
Accrued enterprise tax	83	83
Excess depreciation	58	57
Loss on valuation of shares of subsidiaries and associates	62	62
Asset retirement obligations	135	137
Adjustment of book value of investments	64	64
Other	72	79
Subtotal of deferred tax assets	743	768
Valuation allowance	–	–
Total deferred tax assets	743	768
Deferred tax liabilities		
Pension assets	(41)	(59)
Guarantee deposits	(10)	(10)
Asset retirement expenses	(73)	(68)
Valuation difference on available-for-sale securities	(726)	(515)
Total deferred tax liabilities	(852)	(653)
Net deferred tax assets (liabilities)	(108)	(114)

2. Breakdown of the difference between the statutory effective tax rate and the effective tax rate after the application of tax effect accounting

	As of March 31, 2021	As of March 31, 2022
Statutory effective tax rate	29.9%	29.9%
(Adjusted)		
Entertainment expenses and other items not permanently deductible for tax purposes	0.2%	0.2%
Permanently deductible items such as dividend income, etc.	(5.7)%	(5.2)%
Per capita inhabitant tax, etc.	0.9%	0.8%
Retained earnings tax	0.0%	0.5%
Increase/decrease in valuation allowance	(2.1)%	0.0%
Other	0.3%	(0.3)%
Effective tax rate after application of tax effect accounting	23.4%	26.5%

(Business combinations, etc.)

Notes are omitted because the same information is presented in “Notes: (Business combinations, etc.)” in the consolidated financial statements.

(Revenue recognition)

The information that forms the basis for understanding revenues arising from contracts signed with the customers is identical to that presented in the “Notes (Revenue recognition),” and therefore, notes have been omitted.

(Significant subsequent events)

The same information is presented in "Notes (Significant subsequent events)" of the consolidated financial statements, and thus has been omitted.

(iv) Supplementary schedules

[Property, plant and equipment schedule]

(Millions of yen)

Classification	Types of assets	Balance at beginning of period	Increase	Decrease	Depreciation/ amortization	Balance at end of period	Accumulated depreciation/ amortization
Property, plant and equipment	Buildings	10,435	115	40	328	10,511	6,231
	Structures	845	–	0	13	844	736
	Machinery and equipment	1,121	0	9	93	1,112	278
	Vehicles	456	1	56	4	401	395
	Tools, furniture and fixtures	1,049	190	29	145	1,210	634
	Land	4,056	88	–	–	4,144	–
	Leased assets	91	–	57	11	33	23
	Construction in progress	2,435	87	6	–	2,515	–
	Total	20,492	483	200	596	20,775	8,299
Intangible fixed assets	Trademark rights	1	–	–	0	1	1
	Leased assets	4	–	–	0	4	4
	Software	1,080	116	27	198	1,169	672
	Telephone subscription rights	31	–	–	–	31	–
	Other	16	1	18	0	0	0
	Total	1,134	117	45	199	1,206	678

(Notes) 1. Major items in the increase in the current fiscal year are as follows.

Buildings	Air-conditioner repair at head office and Ishikari sales office Sagamihara Sort Center line construction AZ-COM BCP Gallery facility construction Urawa Misono Sort Center power supply installation	64 million yen
Tools, furniture and fixtures	Urawa Misono Sort Center logistics center equipment AZ-COM BCP Gallery equipment complete set AZ-COM Kanagawa MK Distribution logistics center equipment Sagamihara Sort Center logistics center equipment Koshigaya Sort Center logistics center equipment	98 million yen
Software	Management core system revision RPA introduction Shipping and warehouse management system	84 million yen

2. Major items in the decrease in the current fiscal year are as follows.

Leased assets	AZ-COM Oyama Distribution Center depreciation of distribution center equipment	44 million yen

3. The balances at the beginning and end of the current fiscal year are stated based on the acquisition cost.
[Provisions schedule]

(Millions of yen)

Item	Balance at beginning of period	Increase	Decrease	Balance at end of period
Allowance for doubtful accounts	13	–	10	3
Allowance for bonuses	477	501	477	501
Provision for retirement benefits	399	64	24	439
Provision for share awards for officers	14	8	0	22
Provision for share awards for employees	19	12	1	30

(2) Details of major assets and liabilities

Omitted because consolidated financial statements are prepared.

(3) Other

Not applicable.

VI. Stock-related administration of the Company

Business year	Every year from April 1 to March 31 of the subsequent calendar year
Ordinary General Meeting of Shareholders	Every year in June
Record date	Every year on March 31
Record date for dividends of surplus	Record date for year-end dividend: Every year on March 31 Record date for interim dividend: Every year on September 30 The Company may set record dates and pay dividends of surplus in addition to the aforementioned.
Number of shares per unit	100 shares
Repurchase of shares less than one unit	
Handling office	(Special account) Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency Department of the Head Office 1-3-3 Marunouchi, Chiyoda-ku, Tokyo
Shareholder register manager	(Special account) Mizuho Trust & Banking Co., Ltd. 1-3-3 Marunouchi, Chiyoda-ku, Tokyo
Forwarding address	–
Fees for repurchase	Free of charge
Method of public notice	The Company’s method of public notice is electronic public notice. However, public notice shall be made by publication in The Nihon Keizai Shimbun in the event that electronic public notice is not possible due to an accident or unavoidable circumstances otherwise. The URL for public notice of the Company is as follows. https://www.momotaro.co.jp/
Special benefits for shareholders	Not applicable.

(Note) Shareholders of the Company are not entitled to exercise their rights pertaining to any shareholdings constituting less than one share unit, aside from the following rights.

(1) The rights provided for in each item of Article 189, paragraph (2) of the Companies Act

(2) The right to make a request provided for in the provision of Article 166, paragraph (1) of the Companies Act

(3) The rights to receive allotment of shares for subscription and allotment of subscription rights to shares based on the number of shares held by the shareholder

VII. Reference information on the Company

1. Information on the parent company

The Company does not have a parent company as defined in Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2. Other reference information

The Company filed the following documents during the period extending from the start date of the current business year until the filing date of the Securities Report.

(1) Securities Report and accompanying attachments and confirmation letter

The 48th business year (from April 1, 2020 to March 31, 2021): Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2021

(2) Internal Control Report and accompanying attachments

Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2021

(3) Quarterly Reports and confirmation letters

The first quarter of the 49th fiscal year (from April 1, 2021 to June 30, 2021): Filed with the Director-General of the Kanto Local Finance Bureau on August 10, 2021

The second quarter of the 49th fiscal year (from July 1, 2021 to September 30, 2021): Filed with the Director-General of the Kanto Local Finance Bureau on November 10, 2021

The third quarter of the 49th fiscal year (from October 1, 2021 to December 31, 2021): Filed with the Director-General of the Kanto Local Finance Bureau on February 10, 2022

(4) Extraordinary Reports

Filed with the Director-General of the Kanto Local Finance Bureau on June 29, 2021

The Extraordinary Report is based on Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ix) -2 (Results of Exercise of Voting Rights at General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed with the Director-General of the Kanto Local Finance Bureau on March 23, 2022

The Extraordinary Report is based on Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (iii) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed with the Director-General of the Kanto Local Finance Bureau on April 22, 2022

The Extraordinary Report is based on Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (vii) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed with the Director-General of the Kanto Local Finance Bureau on June 27, 2022

The Extraordinary Report is based on Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (viii) -2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Part II. Information on Guarantors, etc. of the Company

Not applicable.

(Translation)
Independent Auditor's Report and Internal Control Audit Report

June 27, 2022

MARUWA UNYU KIKAN CO., LTD.
To: Board of Directors

Ernst & Young ShinNihon LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yukiyasu Yamakawa
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Ichiro Ogawa

[Audit of financial statements]

Audit Opinion

We have audited the accompanying consolidated financial statements of MARUWA UNYU KIKAN CO., LTD. listed in the "Status of Accounting" section from April 1, 2021 to March 31, 2022, for the purpose of providing audit certification in accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Law. Ltd. stated in the "Status of Accounting" for the fiscal year from April 1, 2021 to March 31, 2022, namely, the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets, consolidated statement of cash flows, significant items serving as the basis for preparation of consolidated financial statements, other notes, and consolidated supplementary schedules.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MARUWA UNYU KIKAN CO., LTD. and its consolidated subsidiaries as of March 31, 2022, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Considerations

Key audit considerations are those matters that, in the auditor's professional judgment, are particularly important in the context of an audit of the consolidated financial statements for the current fiscal year. Major audit considerations are matters that were addressed in the course of performing the audit of the consolidated financial statements as a whole and in forming our audit opinion, and we do not express an opinion on those matters individually.

Accounting for business combinations (PHYZ Holdings Inc.)	
Description of major audit considerations and reasons for decisions	Audit responses
As described in the Notes (Business combinations, etc.), the Company acquired the shares of PHYZ Holdings Inc. (hereinafter referred to as “PZ”) on March 29, 2022, making PZ and its six subsidiaries consolidated subsidiaries. The consideration for the acquisition was 4,197 million yen, and the business combination resulted in goodwill of 2,996 million yen (3% of total assets). The company will allocate the acquisition cost to the identifiable assets and liabilities in the consolidated financial statements of PZ on the date of the business combination (March 31, 2022) based on the market value of the identifiable assets and liabilities as of the date of the business combination, and if the acquisition cost exceeds the net amount allocated to the identifiable assets and liabilities, the excess amount will be recognized as goodwill. Provisional accounting is performed based on reasonable information available at the time of preparation of the consolidated financial statements, because the identification of identifiable assets and liabilities and the calculation of fair value have not been completed and the allocation of acquisition costs has not been completed as of the end of the current fiscal year. Goodwill that arose from the acquisition of PZ stocks is important for the understanding of users of the non-consolidated financial statements, but accounting for business combinations through acquisition is not an ordinarily occurring accounting event, and it is necessary to comprehensively understand available information, requiring complex consideration of accounting such as the method of calculation and allocation of the acquisition cost. Based on the above, we believe that accounting for the business combination of PZ is particularly important in auditing the consolidated financial statements for the current fiscal year, and we determined that it is a key audit consideration.	We primarily conducted the following audit procedures when considering accounting for the business combination of PZ. - We questioned management and viewed relevant minutes and agreements, etc. to understand the purpose of the transaction, the business lines of the acquired company and the business environment, and consider the accuracy of the acquisition cost. - We involved experts from our network firms to evaluate the method of calculation adopted in the share price calculation document forming the basis for the consideration for acquisition and the assumptions of the calculation method. - We viewed financial due diligence reports and valuation materials, etc. obtained by the Company, and questioned management to confirm that provisional accounting was performed based on reasonable information available at the time of preparation of the consolidated financial statements. - We gained an understanding and performed evaluation of the audit procedures and conclusions of auditors of constituent units concerning the figures on the consolidated financial statements pf PZ on the date of the business combination. - We considered the figures on the financial reporting documents prepared by PZ for consolidated settlement and the materials for calculation of goodwill prepared by the Company to confirm that goodwill is appropriately calculated in the provisional accounting.

Evaluation of goodwill and intangible assets pertaining to Japan Logistics Development Co., Ltd.	
Description of major audit considerations and reasons for decisions	Audit responses
The non-current assets of 27,454 million yen (32% of total assets) recorded on the Company's consolidated balance sheet at the end of the current fiscal year includes non-current assets of 727 million yen (including 433 million yen in goodwill, and 131 million yen in customer-related assets included in intangible assets) of Japan Logistics Development Co., Ltd. (hereinafter referred to as "JLD") acquired in August 2020 for the purpose of strengthening functions in the EC logistics business. As stated in Notes: (Significant accounting estimates) Impairment of non-current assets (including goodwill and intangible assets), in the event there are indications that the carrying amount of asset groups including goodwill recorded due to the acquisition may not be recoverable, the undiscounted future free cash flows of the asset group are calculated to determine recognition of impairment losses. Undiscounted future free cash flows are prepared based on the business plan approved by the Board of Directors. The key assumption in the formulation of the business plan is the growth rate of sales of the market to which customers considered to be uncertain in future belong. The undiscounted future free cash flows estimated considering this assumption fluctuate due to external factors chiefly including market conditions, and the degree of uncertainty and subjective judgment of management increase due to the prolonged period of estimation. Based on the above, we believe that evaluation of goodwill and intangible assets recorded due to the acquisition of JLD is particularly important in auditing the consolidated financial statements for the current fiscal year, and we determined that it is a key audit consideration.	We primarily performed the following audit procedures to consider evaluation of goodwill and intangible assets pertaining to JLD. - In order to evaluate the rationality of management's estimates, we considered the status of achievement of the business plan at the time of acquisition of JLD and whether there were any changes in the business environment by viewing relevant materials such as internal materials on determination of indications of impairment and minutes of the Board of Directors. - We considered whether determination of whether there were indications of impairment was carried out appropriately by management by performing comparative analysis of the future business plan at the time of acquisition and the most recent performance. - We considered whether or not it is necessary to revise the growth rate of sales that is a key assumption forming the basis for the business plan by comparing the growth rate of sales adopted in the business plan with the most recent external data available on market forecasts. - We conducted sensitivity analysis considering the risk of future fluctuations to evaluate the impact of the key assumption on the non-consolidated financial statements.

Other Information
Other information is the information contained in the Annual Securities report that is information other than the consolidated financial statements, the non-consolidated financial statements and the audit reports for these. Management has the responsibility to prepare and disclose other information. Furthermore, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for other information.
Our audit opinion on the consolidated financial statements does not include other information, and we do not express an opinion on the other information.
Our responsibility in auditing the consolidated financial statements is to read through the other information and, in the process of reading through, consider whether there are any material differences between the other information and the consolidated financial statements or knowledge we gain in the auditing process, and to pay attention to whether there are any indications of material errors in the other information other than such material differences.
In the event we determine that there is a material error in the other information based on the work performed, we are required to report that fact.
We have nothing to report concerning other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements
Management has the responsibility to prepare and appropriately represent the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the establishment and operation of internal controls deemed to be necessary by management for preparing and appropriately representing the consolidated financial statements without material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. - We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.
We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.
Of the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we have decided matters determined to be particularly important in the auditing of the consolidated financial statements for the current fiscal year as key audit considerations, and state these in the audit report. However, these matters are not stated in cases where the public announcement of the matters is prohibited by laws and regulations, etc., and in cases we deem that they should not be reported because, although very limited, the detriment arising from reporting in the audit report es reasonably expected to exceed the public interest.

<Internal control audit>
Audit Opinion
We have audited the internal control report as of March 31, 2022 of MARUWA UNYU KIKAN CO., LTD. for the purpose of providing audit certification in accordance with the provisions of Article 193-2, paragraph 2 of the Financial Instruments and

Exchange Act.
In our opinion, the above internal control report in which MARUWA UNYU KIKAN CO., LTD. represents that the internal controls on financial reporting are valid as of March 31, 2022 conforms with standards for evaluation of internal controls on financial reporting generally accepted in Japan, and that the results of evaluation of internal controls on financial reporting are presented fairly, in all material respects.

Basis for Audit Opinion
We conducted our internal control audit in accordance with auditing standards for internal controls on financial reporting generally accepted in Japan. Our responsibilities under the standards for auditing of internal controls on financial reporting are further described in the Auditor’s Responsibilities for the Internal Control Audit section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report
Management has the responsibility to establish and operate internal controls on financial reporting, and prepare and appropriately represent the internal control report in accordance with standards for evaluation of internal controls on financial reporting generally accepted in Japan
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and verifying the status of establishment and operation of internal controls on financial reporting.
It is possible that false statements in financial reporting may not be completely prevented or discovered through internal controls on financial reporting.
Auditor’s Responsibilities for the Internal Control Audit
Our responsibilities are to obtain reasonable assurance about whether the internal control report free from material misstatement based on our internal control audit, and to issue an internal control auditor’s report that includes our opinion on the internal control report based on our audit from an independent point of view.
In accordance with auditing standards for internal controls on financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following.

- Perform audit procedures for obtaining audit evidence on results of evaluation of internal controls on financial reporting in the internal control report. The audit procedures of the internal control audit are selected and applied at our discretion based on the significance of the impact on reliability of financial reporting.
- Consider the representation of the internal control report as a whole including the scope of evaluation of internal controls on financial reporting, and the statements by management on evaluation procedures and evaluation results.
- Obtain adequate and appropriate audit evidence on results of evaluation of internal controls on financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the internal control audit, the results of the internal control audit, significant deficiencies in internal controls that should be disclosed that are identify during our audit, the results of rectification thereof and other matters required by standards for auditing of internal control.
We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest
Our firm and the designated engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

(Notes) 1. The original of the above auditor’s report is stored separately by the Company (company filing the Annual Securities Report).

2. XBRL data is not included in the scope of the audit.

3. This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

(Translation)
Independent Auditor's Report

June 27, 2022

MARUWA UNYU KIKAN CO., LTD.

To: Board of Directors

Ernst & Young ShinNihon LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yukiyasu Yamakawa
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Ichiro Ogawa

Audit Opinion

We have audited the accompanying non-consolidated financial statements of MARUWA UNYU KIKAN CO., LTD. listed in the "Status of Accounting" section for the purpose of providing audit certification in accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act stated in "Status of accounting" for the 49th fiscal year from April 1, 2021 to March 31, 2022, namely, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, significant accounting policies, other notes, and non-consolidated supplementary schedules.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of MARUWA UNYU KIKAN CO., LTD. as of March 31, 2022, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Considerations

Key audit considerations are those matters that, in the auditor's professional judgment, are particularly important in the context of an audit of the non-consolidated financial statements for the current fiscal year. Major audit considerations are matters that were addressed in the course of performing the audit of the non-consolidated financial statements as a whole and in forming our audit opinion, and we do not express an opinion on those matters individually.

Valuation of shares of Japan Logistics Development Co., Ltd.	
Description of major audit considerations and reasons for decisions	Audit responses
The 6,823 million yen (10% of total assets) in shares of subsidiaries and associates recorded on the non-consolidated balance sheet at the end of the current fiscal year includes the 703 million yen investment in Japan Logistics Development Co., Ltd. (hereinafter referred to as "JLD"), which is an unlisted subsidiary acquired in August 2020 for the purpose of strengthening functions in the EC logistics business. As stated in Note (Significant Accounting Estimates) Valuation of Shares of Affiliates, when the real value of shares of an affiliate for which no market price is available significantly due to deterioration in the financial condition of the company, the shares must be written down. The acquisition price of JLD shares reflects excess earning power. When considering whether or not impairment is necessary, the acquisition cost and real value with excess earning power added are compared, and the excess earning power included in the real value is evaluated based on the business plan formulated by the Board of Directors. The key assumption in the formulation of the business plan is the growth rate of sales of the market to which customers considered to be uncertain in future belong. The real value estimated considering this assumption fluctuate due to external factors chiefly including market conditions, and the degree of uncertainty and subjective judgment of management increase due to the prolonged period of estimation. Based on the above, we believe that evaluation of JLD shares is particularly important in auditing the consolidated financial statements for the current fiscal year, and we determined that it is a key audit consideration.	We primarily conducted the following audit procedures when considering the evaluation of JLD shares. - In order to evaluate the rationality of management's estimates related to the excess earning power included in the acquisition value of JLD shares, we considered the status of achievement of the business plan at the time of acquisition of JLD and whether there were any changes in the business environment by viewing relevant materials such as internal materials on determination of indications of impairment and minutes of the Board of Directors. - We considered whether determination of whether there were indications of impairment was carried out appropriately by management by performing comparative analysis of the future business plan at the time of acquisition and the most recent performance. - We considered whether or not it is necessary to revise the growth rate of sales that is a key assumption forming the basis for the business plan by comparing the growth rate of sales adopted in the business plan with the most recent external data available on market forecasts. - We conducted sensitivity analysis considering the risk of future fluctuations to evaluate the impact of the key assumption on the non-consolidated financial statements.

Other Information

Other information is the information contained in the Annual Securities report that is information other than the consolidated financial statements, the non-consolidated financial statements and the audit reports for these. Management has the responsibility to prepare and disclose other information. Furthermore, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for other information.

Our audit opinion on the non-consolidated financial statements does not include other information, and we do not express an opinion on the other information.

Our responsibility in auditing the non-consolidated financial statements is to read through the other information and, in the process of reading through, consider whether there are any material differences between the other information and the non-consolidated financial statements or knowledge we gain in the auditing process, and to pay attention to whether there are any indications of material errors in the other information other than such material differences.

In the event we determine that there is a material error in the other information based on the work performed, we are required to report that fact.

We have nothing to report concerning other information.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements

Management has the responsibility to prepare and appropriately represent the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the establishment and operation of internal controls deemed to be necessary by management for preparing and appropriately representing the non-consolidated financial statements without material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare

the non-consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements
Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly represent the underlying transactions and accounting events.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.
We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.
Of the matters discussed with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we have decided matters determined to be particularly important in the auditing of the non-consolidated financial statements for the current fiscal year as key audit considerations, and state these in the audit report. However, these matters are not stated in cases where the public announcement of the matters is prohibited by laws and regulations, etc., and in cases we deem that they should not be reported because, although very limited, the detriment arising from reporting in the audit report es reasonably expected to exceed the public interest.

Conflicts of Interest
Our firm and the designated engagement partners have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

(Notes) 1. The original of the above auditor's report is stored separately by the Company (company filing the Annual Securities Report).
2. XBRL data is not included in the scope of the audit.
3. This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.