

Translation

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**Consolidated Financial Results
for the Three Months Ended June 30, 2023
(Based on Japanese GAAP)**

August 2, 2023

Company name: AZ-COM MARUWA Holdings Inc.
 Stock exchange listing: Tokyo
 Stock code: 9090 URL <https://www.az-com-maruwa-hd.co.jp/>
 Representative: President Masaru Wasami
 Inquiries: Director and Executive Operating Officer Masanao Kuzuno (TEL) 048(991)1000
 Scheduled date to file Quarterly Securities Report August 10, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	47,528	16.1	3,745	55.9	3,751	44.9	2,117	22.3
Three months ended June 30, 2022	40,950	39.7	2,403	5.0	2,589	8.0	1,731	0.0

Note: Comprehensive income Three months ended June 30, 2023 3,092 million yen (20.4%)
 Three months ended June 30, 2022 2,568 million yen (58.0%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	16.82	15.60
Three months ended June 30, 2022	13.77	12.69

Note: At the end of the previous fiscal year, the Company finalized the provisional accounting treatment for the business combination, and each figure for the three months ended June 30, 2022, is the amount after reflecting the revision of the initial allocation of acquisition costs resulting from the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	115,470	39,691	32.4
As of March 31, 2023	112,028	38,162	32.1

Reference: Equity As of June 30, 2023 37,469 million yen
 As of March 31, 2023 35,917 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	-	11.75	-	11.75	23.50
Year ended March 31, 2024	-				
Year ending March 31, 2024 (Forecast)		14.00	-	14.00	28.00

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

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages represent changes from the previous year for full year and from the same quarter of the previous year for each quarter)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	94,510	12.1	5,380	7.0	5,580	5.9	3,410	(1.1)	27.10
Full year	200,000	12.5	13,600	19.7	14,000	17.2	8,750	12.5	69.53

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

Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2023: No
(changes in specified subsidiaries resulting in the change in scope of consolidation)
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: No
- (ii) Changes in accounting policies due to other reasons: No
- (iii) Changes in accounting estimates: No
- (iv) Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	128,952,320 shares	As of March 31, 2023	128,952,320 shares
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- (ii) Number of treasury shares at the end of the period

As of June 30, 2023	3,102,779 shares	As of March 31, 2023	3,102,779 shares
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- (iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	125,849,541 shares	Three months ended June 30, 2022	125,742,568 shares
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Note: The number of treasury shares excluded from the calculation of the number of treasury shares at the end of the period and average number of shares includes 354,223 Company shares held as investment assets in a stock benefit trust for officers and a stock benefit ESOP.

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

* Proper use of earnings forecasts, and other special matters

- The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ substantially due to various factors.

Attached Material Index

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1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2023

(1) Explanation of Operating Results

During the three months ended June 30, 2023, the Japanese economy showed signs of recovery in socioeconomic activities as the severe restrictions due to COVID-19 were eased and the mobility of people recovered domestically. However, the future of the economy remains uncertain due to such factors as rising consumer prices resulting from the ongoing sharp rise in the prices of raw materials and energy.

In the logistics industry, although consumer cargo volume showed a recovery, the business environment remained tough with rising costs related to securing labor and the need to respond to the so-called the 2024 Problem in Logistics, which is the cap on overtime work hours for truck drivers.

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

As a result of the above, the Group's operating results for the first quarter of the current fiscal year saw an increase in both sales and profit, with net sales of 47,528 million yen (up 16.1% year on year (YoY)), operating profit of 3,745 million yen (up 55.9% YoY), ordinary profit of 3,751 million yen (up 44.9% YoY), and profit attributable to owners of parent of 2,117 million yen (up 22.3% YoY).

Performance by segment is as follows.

(i) Logistics business

<Transportation business>

(Last-one-mile business)

In the last-one-mile business, net sales were 9,148 million yen (up 9.8% YoY) due to the expansion of delivery areas and the number of vehicles in operation, as well as the efforts for new transportation modes such as bicycles, which contributed to the business performance.

(EC ordinary-temperature transportation business)

In the EC ordinary-temperature transportation business, net sales were 14,853 million yen (up 11.6% YoY) due to an increase in trunk transport services to nationwide destinations to meet growing EC demand, which contributed to the business performance.

<3PL business>

(EC ordinary-temperature 3PL business)

In the EC ordinary-temperature 3PL business, net sales were 12,436 million yen (up 36.0% YoY) due to the full-year operation of a large distribution center and the opening of a new distribution center, as well as the consolidation of MK LOGI Co., Ltd.

(Low-temperature food 3PL business)

In the low-temperature food 3PL business, net sales were 5,221 million yen (up 11.3% YoY), due to the full-year operation of a distribution center opened in the previous fiscal year and the expanded operations of supermarkets, which are existing customers of the Company.

(Medicine & medical 3PL business)

In the medicine & medical 3PL business, net sales were 5,263 million yen (up 6.7% YoY) due to an increase in shipment volume at existing customers, including drugstores, which are our major customers, against the backdrop of the recovery in the mobility of people, especially in the Tokyo metropolitan area.

Consequently, net sales in the logistics business increased 16.1% YoY to 46,923 million yen.

In terms of profit, although higher costs brought about by labor shortages and increases in various expenses, including fuel costs and utility costs, had an impact, segment profit (operating profit) in the logistics segment increased to 3,802 million yen (up 62.1% YoY) due to the effect of the increased sales resulting from business expansion through aggressive sales development, the promotion of appropriate pricing, and enhanced productivity through daily account settlement management.

(ii) Other

In the document storage business, the Company strived to win contracts for projects related to business process outsourcing (BPO) through aggressive sales activities. In addition, the expansion of the information system business at PHYZ Holdings Inc. contributed to an increase in both sales and profit, with net sales of 604 million yen (up 11.2% YoY) and segment profit (operating profit) of 71 million yen (up 15.9% YoY).

(2) Explanation of Financial Condition

Total assets at the end of the first quarter under review amounted to 115,470 million yen, up 3,442 million yen from the end of the previous fiscal year. Current assets amounted to 54,048 million yen, down 515 million yen. This was mainly due to 1,896 million yen decrease in cash and deposits, despite 651 million yen increase in consumption taxes refund receivable, 528 million yen increase in notes and accounts receivable - trade, and 161 million yen increase in accounts receivable - other. Non-current assets amounted to 61,421 million yen, up 3,957 million yen. This was mainly due to 2,593 million yen increase in buildings and structures and 1,271 million yen increase in investment securities.

Total liabilities amounted to 75,779 million yen, up 1,913 million yen from the end of the previous fiscal year. Current liabilities amounted to 29,422 million yen, down 485 million yen. This was mainly due to 1,431 million yen decrease in income taxes payable and 628 million yen decrease in provision for bonuses, despite 774 million yen increase in accounts payable-other, 335 million yen increase in notes and accounts payable-trade, 272 million yen increase in deposits received, and 124 million yen increase in accrued expenses. Non-current liabilities amounted to 46,356 million yen, up 2,398 million yen. This was mainly due to 2,095 million yen increase in long-term borrowings.

Net assets amounted to 39,691 million yen, up 1,528 million yen from the end of the previous fiscal year. This was mainly due to 904 million yen increase in valuation difference on available-for-sale securities and 634 million yen increase in retained earnings.

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

No changes have been made to the forecasts of the consolidated financial results announced in the Summary of Consolidated Financial Results for the Year Ended March 31, 2023, released on May 10, 2023. Should it become necessary to revise the forecasts of the consolidated financial results in view of future performance trends, the Company will announce such revisions promptly.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	32,851	30,954
Notes and accounts receivable - trade	19,474	20,003
Supplies	115	120
Other	2,126	2,974
Allowance for doubtful accounts	(4)	(4)
Total current assets	54,563	54,048
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,221	10,815
Machinery, equipment and vehicles, net	2,285	2,238
Land	15,004	15,061
Other, net	5,222	5,469
Total property, plant and equipment	30,734	33,585
Intangible assets		
Goodwill	3,656	3,559
Other	7,345	7,236
Total intangible assets	11,002	10,796
Investments and other assets		
Investment securities	10,439	11,710
Other	5,329	5,340
Allowance for doubtful accounts	(41)	(10)
Total investments and other assets	15,727	17,040
Total non-current assets	57,464	61,421
Total assets	112,028	115,470
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,278	12,614
Short-term borrowings	315	300
Current portion of long-term borrowings	4,870	4,963
Income taxes payable	2,902	1,471
Provision for bonuses	922	293
Other	8,618	9,780
Total current liabilities	29,907	29,422
Non-current liabilities		
Bonds payable	30	30
Convertible bonds	20,586	20,531
Long-term borrowings	15,370	17,466
Retirement benefit liability	1,077	1,111
Asset retirement obligations	798	800
Provision for share awards for directors	39	39
Provision for share-based remuneration for employees	53	52
Provision for retirement benefits for directors (and other officers)	54	56
Other	5,946	6,267
Total non-current liabilities	43,957	46,356
Total liabilities	73,865	75,779

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	2,670	2,670
Capital surplus	2,348	2,350
Retained earnings	33,781	34,416
Treasury shares	(5,757)	(5,757)
Total shareholders' equity	33,044	33,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,082	3,987
Remeasurements of defined benefit plans	(208)	(198)
Total accumulated other comprehensive income	2,873	3,788
Non-controlling interests	2,244	2,221
Total net assets	38,162	39,691
Total liabilities and net assets	112,028	115,470

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	40,950	47,528
Cost of sales	36,508	41,301
Gross profit	4,442	6,226
Selling, general and administrative expenses	2,039	2,480
Operating profit	2,403	3,745
Non-operating income		
Interest income	55	55
Dividend income	49	93
Gain on sales of non-current assets	51	17
Other	38	70
Total non-operating income	195	237
Non-operating expenses		
Interest expenses	7	16
Commission for syndicated loans	—	203
Other	1	12
Total non-operating expenses	9	231
Ordinary profit	2,589	3,751
Profit before income taxes	2,589	3,751
Income taxes	804	1,573
Profit	1,785	2,177
Profit attributable to non-controlling interests	53	59
Profit attributable to owners of parent	1,731	2,117

(Consolidated statements of comprehensive income (cumulative))

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	1,785	2,177
Other comprehensive income		
Valuation difference on available-for-sale securities	772	904
Remeasurements of defined benefit plans, net of tax	11	10
Total other comprehensive income	783	914
Comprehensive income	2,568	3,092
(Breakdown)		
Comprehensive income attributable to owners of parent	2,514	3,032
Comprehensive income attributable to non-controlling interests	54	59

(3) Notes to Quarterly Consolidated Financial Statements

(Notes related to the going concern assumption)

Not applicable.

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

Not applicable.

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

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

(Segment information)

[Segment information]

Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

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

(Units: millions of yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations (Note) 2	Amount recorded on quarterly consolidated statements of income (Note) 3
	Logistics business				
Net sales					
(1) Net sales to external customers	40,407	543	40,950	—	40,950
(2) Internal sales and transfers between segments	42	105	147	(147)	—
Total	40,449	649	41,098	(147)	40,950
Segment profit	2,345	61	2,407	(3)	2,403

- Notes: 1. The "Other" category contains business segments that are not included in reportable segments, and includes the document storage warehouse leasing business, the real estate leasing business and the information system business.
2. Adjustments to segment profit represent expenses related to the holding company's operations that do not belong to any segment.
3. Segment profit has been adjusted with operating profit on the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets, goodwill, etc., by reportable segment

(Significant changes in the amount of goodwill)

The amounts stated in the segment information for the first quarter of the previous fiscal year are the amounts after reflecting the significant review of the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment as stated in "Significant revision of the initial allocation of acquisition costs in the comparative information" in Notes (Business combinations, etc.)

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

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

(Units: millions of yen)

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

- Notes: 1. The "Other" category contains business segments that are not included in reportable segments, and includes the document storage warehouse leasing business, the real estate leasing business and the information system business.
2. Adjustments to segment profit represent expenses related to the holding company's operations that do not belong to any segment.
3. Segment profit has been adjusted with operating profit on the quarterly consolidated statements of income.

(Business combinations, etc.)

(Significant revision of the initial allocation of acquisition costs in the comparative information)

The business combination with PHYZ Holdings Inc. on March 29, 2022, was accounted for provisionally in the first quarter of the previous fiscal year, but was finalized at the end of the previous fiscal year.

With the finalization of the provisional accounting treatment, the comparative information included in the quarterly consolidated financial statements for the first quarter of the current fiscal year reflects a significant revision to the initial allocation of acquisition costs, and the provisionally calculated goodwill amount of 2,996 million yen decreased by 1,560 million yen to 1,436 million yen due to the finalization of accounting treatment. The decrease in the amount of goodwill was due to increases of 4,293 million yen in intangible assets (customer-related assets), 1,273 million yen in deferred tax liabilities, and 1,110 million yen in non-controlling interests, and a decrease of 349 million yen in other non-current assets.

Consequently, as for the consolidated statement of income for the first quarter of the previous fiscal year, selling, general and administrative expenses decreased by 31 million yen, operating profit, ordinary profit, and profit before income taxes increased by 31 million yen respectively, profit increased by 50 million yen, profit attributable to non-controlling interests decreased by 14 million yen, and profit attributable to owners of parent increased by 65 million yen.

(Significant subsequent events)

Not applicable.