

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

November 6, 2023

Stock exchange listing: Tokyo

Company name: AZ-COM MARUWA Holdings Inc.

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 November 10, 2023

Scheduled date to commence dividend payments: December 1, 2023

Preparation of supplementary material on the quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2023 (April 1, 2023 to September 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	%
Six months ended September 30, 2023	96,560	14.5	7,317	43.7	7,544	41.5	4,545	27.0
Six months ended September 30, 2022	84,330	41.1	5,093	17.6	5,331	17.3	3,579	9.8

Note: Comprehensive income Six months ended September 30, 2023 5,568 Millions of yen (11.4%)

Six months ended September 30, 2022 4,999 Millions of yen (52.0%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2023	36.11		33.53	
Six months ended September 30, 2022	28.47		26.26	

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 six months ended September 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	%
Six months ended September 30, 2023	119,399	42,168	33.4
As of March 31, 2023	112,028	38,162	32.1

Reference: Equity Six months ended September 30, 2023 39,846 million yen

Fiscal year ended 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 ending March 31, 2024	-	15.00			
Year ending March 31, 2024 (Forecast)			-	15.00	30.00

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

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

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	200,000	12.5	14,500	27.6	15,000	25.5	9,380	20.6	74.53

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

Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 30, 2023	128,952,320 shares	As of March 31, 2023	128,952,320 shares
(ii) Number of treasury shares at the end of the period	As of September 30, 2023	3,095,632 shares	As of March 31, 2023	3,102,779 shares
(iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)	Six months ended September 30, 2023	125,851,276 shares	Six months ended September 30, 2022	125,750,595 shares

Note: The number of treasury shares excluded from the calculation of the number of treasury shares at the end of the period and the average number of shares includes 347,076 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.

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

The Company is scheduled to hold a financial results briefing on Monday, November 6, 2023, inviting institutional investors and analysts to attend either in person or via livestream. The financial results briefing materials used on the day of the briefing will be posted on the Company's website promptly after the announcement of the financial results.

Attached Material Index

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1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2023

(1) Explanation of Operating Results

During the six months ended September 30, 2023, the Japanese economy showed signs of a gradual recovery following the lifting of restrictions on activities and on entry from overseas related to COVID-19, but the future of the economy remains uncertain due to concerns about the impact of soaring prices, including raw material and energy prices.

In the logistics industry, although consumer-related cargo is on a recovery trend, the business environment remains challenging due to the persistently high fuel prices, rising costs to secure labor, and to respond to the 2024 problem in the logistic industry.

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

As a result of the above, the Group's operating results for the six months ended September 30, 2023, saw an increase in both sales and profit, with net sales of 96,560 million yen (up 14.5% year on year (YoY)), operating profit of 7,317 million yen (up 43.7% YoY), ordinary profit of 7,544 million yen (up 41.5% YoY), and profit attributable to owners of parent of 4,545 million yen (up 27.0% YoY).

Performance by segment is as follows.

(i) Logistics business

<Transportation business>

(Last One Mile Business)

In the Last One Mile Business, the acquisition of new delivery areas and the expansion of the number of vehicles in operation contributed to the business performance, resulting in net sales of 18,713 million yen (up 7.6% YoY).

(E-commerce & Ordinary-temperature Transportation Business)

In the E-commerce & Ordinary-temperature Transportation Business, net sales were 29,902 million yen (up 8.8% YoY) due to an increase in trunk transport services to nationwide destinations to meet the growing EC demand, which contributed to the business performance.

<3PL business>

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

In the E-commerce & Ordinary-temperature 3PL Business, net sales were 25,536 million yen (up 36.5% YoY) due to the full-year operations 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 10,646 million yen (up 10.1% YoY) due to the full-year operations 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 10,548 million yen (up 6.1% YoY), as the increases in the shipment volumes of mainstay products, including cosmetics and pharmaceutical products, and of seasonal products at existing customers, including drugstores that are our major customers, contributed to the business performance.

Consequently, net sales in the logistics business increased 14.6% YoY to 95,346 million yen.

In terms of profit, segment profit (operating profit) in the logistics business increased 48.9% YoY to 7,314 million yen as a result of the revenue growth achieved by aggressive business expansion and efforts to improve productivity through daily account settlement management, despite the impact of various cost increases, including personnel and fuel costs at logistics centers.

(ii) Other

Despite efforts to expand the information systems business of PHYZ Holdings Inc. and to develop projects related to Business Process Outsourcing (BPO) of AZ-COM Data Security Co, Ltd., increases in various costs, including personnel expenses, had an impact. Accordingly, net sales increased 5.9% YoY to 1,214 million yen, but segment profit (operating profit) decreased 5.4% YoY to 159 million yen.

(2) Explanation of Financial Condition

(i) Assets, liabilities and net assets

Total assets at the end of the second quarter under review amounted to 119,399 million yen, up 7,371 million yen from the end of the previous fiscal year. Current assets amounted to 58,200 million yen, up 3,636 million yen. This was mainly due to a 3,000 million yen increase in securities and a 1,645 million yen increase in notes and accounts receivable - trade. Non-current assets amounted to 61,198 million yen, up 3,734 million yen. This was mainly due to a 2,456 million yen increase in buildings and structures and a 1,186 million yen increase in investment securities.

Total liabilities amounted to 77,230 million yen, up 3,364 million yen from the end of the previous fiscal year. Current liabilities amounted to 31,274 million yen, up 1,366 million yen. This was mainly due to a 942 million yen increase in accounts payable - other and a 651 million yen increase in notes and accounts payable - trade. Non-current liabilities amounted to 45,956 million yen, up 1,998 million yen. This was mainly due to a 1,764 million yen increase in long-term borrowings and a 227 million yen increase in deferred tax liabilities.

Net assets amounted to 42,168 million yen, up 4,006 million yen from the end of the previous fiscal year. This was mainly due to a 3,062 million yen increase in retained earnings and a 840 million yen increase in valuation difference on available-for-sale securities.

(ii) Cash flows

Cash and cash equivalents at the end of the second quarter under review amounted to 34,323 million yen, up 1,958 million yen from the end of the previous fiscal year. The main factors resulting in changes in each cash flow were as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 5,302 million yen (3,670 million yen provided in the same period of the previous year). This was primarily attributable to a 7,544 million yen increase in cash due to profit before income taxes, despite a 2,882 million yen decrease in cash due to income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 3,388 million yen (10,583 million yen used in the same period of the previous year). This was primarily attributable to a 3,462 million yen decrease in cash due to the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was 44 million yen (7,544 million yen provided in the same period of the previous fiscal year). This was primarily attributable to a 4,550 million yen increase in cash due to proceeds from long-term borrowings, despite a 2,588 million yen decrease in cash due to repayments of long-term borrowings and a 1,482 million yen decrease in cash due to dividends paid.

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

The full-year forecasts have been revised from those announced on May 10, 2023, in consideration of the business performance in the six months ended September 30, 2023. For details, please refer to the “Notice Concerning Differences between Financial Result Forecasts and Actual Results for the Six Months Ended September 30, 2023, Revision of Full-year Financial Result Forecasts, and Dividends of Surplus (Interim Dividends) and Revision of Dividend Forecast,” announced today.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	32,851	31,565
Notes and accounts receivable - trade	19,474	21,120
Supplies	115	114
Securities	-	3,000
Other	2,126	2,405
Allowance for doubtful accounts	(4)	(4)
Total current assets	54,563	58,200
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,221	10,678
Machinery, equipment and vehicles, net	2,285	2,284
Land	15,004	15,061
Other, net	5,222	5,456
Total property, plant and equipment	30,734	33,481
Intangible assets		
Goodwill	3,656	3,462
Other	7,345	7,111
Total intangible assets	11,002	10,573
Investments and other assets		
Investment securities	10,439	11,625
Other	5,329	5,528
Allowance for doubtful accounts	(41)	(10)
Total investments and other assets	15,727	17,143
Total non-current assets	57,464	61,198
Total assets	112,028	119,399
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,278	12,929
Short-term borrowings	315	118
Current portion of long-term borrowings	4,870	5,068
Income taxes payable	2,902	2,929
Provision for bonuses	922	882
Other	8,618	9,347
Total current liabilities	29,907	31,274
Non-current liabilities		
Bonds payable	30	25
Convertible bonds	20,586	20,476
Long-term borrowings	15,370	17,134
Retirement benefit liability	1,077	1,124
Asset retirement obligations	798	812
Provision for share awards for directors	39	38
Provision for share-based remuneration for employees	53	51
Provision for retirement benefits for directors (and other officers)	54	58
Other	5,946	6,234
Total non-current liabilities	43,957	45,956
Total liabilities	73,865	77,230

(Units: millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	2,670	2,670
Capital surplus	2,348	2,350
Retained earnings	33,781	36,844
Treasury shares	(5,757)	(5,755)
Total shareholders' equity	33,044	36,110
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,082	3,923
Remeasurements of defined benefit plans	(208)	(187)
Total accumulated other comprehensive income	2,873	3,735
Non-controlling interests	2,244	2,322
Total net assets	38,162	42,168
Total liabilities and net assets	112,028	119,399

(2) Consolidated Statements of Income (Cumulative) and Consolidated Statements of Comprehensive Income (Cumulative)
(Consolidated statements of income (cumulative))

(Units: millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	84,330	96,560
Cost of sales	75,300	84,558
Gross profit	9,029	12,001
Selling, general and administrative expenses	3,936	4,684
Operating profit	5,093	7,317
Non-operating income		
Interest income	110	111
Dividend income	56	100
Gain on sales of non-current assets	55	41
Settlement income	-	100
Other	65	133
Total non-operating income	287	487
Non-operating expenses		
Interest expenses	15	35
Commission for syndicated loans	23	204
Other	10	21
Total non-operating expenses	49	260
Ordinary profit	5,331	7,544
Profit before income taxes	5,331	7,544
Income taxes	1,631	2,837
Profit	3,700	4,706
Profit attributable to non-controlling interests	120	161
Profit attributable to owners of parent	3,579	4,545

(Consolidated statements of comprehensive income (cumulative))

(Units: millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	3,700	4,706
Other comprehensive income		
Valuation difference on available-for-sale securities	1,277	840
Remeasurements of defined benefit plans, net of tax	22	20
Total other comprehensive income	1,299	861
Comprehensive income	4,999	5,568
(Breakdown)		
Comprehensive income attributable to owners of parent	4,879	5,408
Comprehensive income attributable to non-controlling interests	120	160

(3) Consolidated Statements of Cash Flows

(Units: millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,331	7,544
Depreciation	1,014	1,257
Amortization of goodwill	104	194
Increase (decrease) in allowance for doubtful accounts	2	(30)
Increase (decrease) in provision for bonuses	(66)	(40)
Increase (decrease) in allowance for other	(7)	2
Increase (decrease) in retirement benefit liability	60	63
Interest and dividend income	(167)	(212)
Interest expenses	15	35
Loss (gain) on sale and retirement of property, plant and equipment	(52)	(33)
Decrease (increase) in trade receivables	(594)	(1,607)
Increase (decrease) in trade payables	353	651
Increase (decrease) in accounts payable - other	(299)	765
Increase (decrease) in accrued consumption taxes	(141)	(279)
Other, net	(391)	(192)
Subtotal	5,162	8,117
Interest and dividends received	56	101
Interest paid	(15)	(33)
Income taxes paid	(1,533)	(2,882)
Net cash provided by (used in) operating activities	3,670	5,302
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,654)	(3,462)
Proceeds from sale of property, plant and equipment	78	58
Purchase of intangible assets	(112)	(124)
Purchase of investment securities	(15)	(16)
Loan advances	(5)	(6)
Proceeds from collection of loans receivable	14	40
Payments of leasehold and guarantee deposits	(540)	(320)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,459)	-
Other, net	109	443
Net cash provided by (used in) investing activities	(10,583)	(3,388)

(Units: millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Proceeds from short-term borrowings	4,285	50
Repayments of short-term borrowings	(986)	(247)
Repayments of lease liabilities	(102)	(147)
Proceeds from long-term borrowings	7,194	4,550
Repayments of long-term borrowings	(1,646)	(2,588)
Redemption of bonds	(5)	(10)
Dividends paid	(1,197)	(1,482)
Dividends paid to non-controlling interests	-	(71)
Proceeds from exercise of employee share options	2	-
Other, net	0	(8)
Net cash provided by (used in) financing activities	7,544	44
Net increase (decrease) in cash and cash equivalents	631	1,958
Cash and cash equivalents at beginning of period	29,442	32,365
Cash and cash equivalents at end of period	30,073	34,323

(4) 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 second 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]

Six months ended September 30, 2022 (April 1, 2022 to September 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	83,183	1,146	84,330	-	84,330
(2) Internal sales and transfers between segments	86	200	286	(286)	-
Total	83,270	1,346	84,617	(286)	84,330
Segment profit	4,913	168	5,082	11	5,093

- 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 six months ended September 30, 2022, 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.).

Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

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

(Units: millions of yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations (Note) 2	Amount recorded on quarterly consolidated statements of income (Note) 3
	Logistics business				
Net sales					
(1) Net sales to external customers	95,346	1,214	96,560	-	96,560
(2) Internal sales and transfers between segments	16	201	217	(217)	-
Total	95,362	1,415	96,778	(217)	96,560
Segment profit	7,314	159	7,473	(156)	7,317

- Notes: 1. The "Other" category contains business segments that are not included in reportable segments, and includes the document storage warehouse leasing business, the real estate leasing business and the information system business.
2. Adjustments to segment profit represent expenses related to the holding company's operations that do not belong to any segment.
3. Segment profit has been adjusted with operating profit on the 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 second quarter of the previous fiscal year, but it 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 second 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, on the consolidated statement of income for the second quarter of the previous fiscal year, selling, general and administrative expenses decreased by 63 million yen, operating profit, ordinary profit, and profit before income taxes increased by 63 million yen respectively, profit increased by 100 million yen, profit attributable to non-controlling interests decreased by 29 million yen, and profit attributable to owners of parent increased by 130 million yen.

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

The business combination with MK LOGI Co., Ltd. on July 29, 2022, was accounted for provisionally in the second quarter of the previous fiscal year, but it 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 second quarter of the current fiscal year reflects a significant revision to the initial allocation of acquisition costs, and the provisionally calculated goodwill amount of 3,498 million yen decreased by 1,525 million yen to 1,972 million yen due to the finalization of accounting treatment. The decrease in the amount of goodwill was due to a 2,321 million yen increase in intangible assets (customer-related assets) and a 795 million yen increase in deferred tax liabilities.

There was no impact on the consolidated statement of income for the second quarter of the previous fiscal year.

(Significant subsequent events)

Not applicable.