Translation

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Consolidated Financial Results for the Year Ended March 31, 2024 (Based on Japanese GAAP)

May 13, 2024

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 of ordinary general meeting of shareholders: June 26, 2024
Scheduled date to commence dividend payments: June 27, 2024
Scheduled date to file Securities Report: June 26, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2024	198,554	11.7	13,845	21.8	14,498	21.3	9,119	17.2
Year ended March 31, 2023	177,829	33.7	11,362	31.4	11,949	30.7	7,780	27.0

Note: Comprehensive income Fiscal year ended March 31, 2024 10,030 million yen (up 1.0%)
Fiscal year ended March 31, 2023 9,929 million yen (up 76.5%)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/ net sales
	Yen	Yen	%	%	%
Year ended March 31, 2024	70.88	65.88	20.0	11.8	7.0
Year ended March 31, 2023	61.86	57.26	24.0	11.9	6.4

Reference: Share of profit/loss of entities accounted for using equity method
Fiscal year ended March 31, 2024 - million yen
Fiscal year ended March 31, 2023 - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	134,594	57,542	41.0	408.61
As of March 31, 2023	112,028	38,162	32.1	285.40

Reference: Equity Fiscal year ended March 31, 2024 55,117 million yen
Fiscal year ended March 31, 2023 35,917 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2024	10,798	(5,864)	8,581	45,880
Year ended March 31, 2023	11,408	(14,018)	5,533	32,365

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2023	-	11.75	-	11.75	23.50	2,965	38.0	9.1
Year ended March 31, 2024	-	15.00	-	15.00	30.00	3,921	42.3	8.6
Year ending March 31, 2025 (Forecast)	-	16.00	-	16.00	32.00		39.2	

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

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, 2024	113,800	17.9	6,860	(6.3)	7,120	(5.6)	4,610	1.4	34.18
Full year	240,000	20.9	17,100	23.5	17,500	20.7	11,000	20.6	81.55

Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2024 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

(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

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	As of March 31, 2024	137,984,520 shares	As of March 31, 2023	128,952,320 shares
(ii) Number of treasury shares at the end of the period	As of March 31, 2024	3,094,958 shares	As of March 31, 2023	3,102,779 shares
(iii) Average number of shares during the period	Fiscal year ended March 31, 2024	128,656,589 shares	Fiscal year March 31, 2023	125,778,583 shares

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 during the period includes 346,090 Company shares held as investment assets in a stock benefit trust for officers and a stock benefit ESOP.

(Reference) Non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

The Company decided to omit this information because this type of investment information will have little relevance to it considering that it made a transition to a pure holding company structure.

2. Forecasts of non-consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

The Company decided to omit this information because this type of investment information will have little relevance to it considering that it made a transition to a pure holding company structure.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

● The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ substantially due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to "(1) Analysis of Operating Results (Future outlook) under 1. Overview of Operating Results" on page 3 of the attached materials.

(How to obtain supplementary material on financial results)

The Company is scheduled to hold a financial results briefing on Monday, May 13, 2024, inviting institutional investors and analysts to attend either in person or via livestream. After the conclusion of the briefing, an overview of the events that took place during the briefing as well as the proceedings of the briefing will be posted on the Company's website along with the supplementary materials on financial results distributed to the attendant on the day of the briefing.

Attached Material Index

1. Overview of Operating Results

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.

(1) Analysis of Operating Results

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

During the current fiscal year, the Japanese economy saw gradual recovery with normalization of socioeconomic activities, improvements in employment and income environments, and significant increases in the Nikkei Stock Average. However, the outlook remains uncertain due to rising prices caused by high prices for raw materials and energy.

In the logistics industry, challenges continue with a slump in domestic shipping volumes, rising fuel costs, and increasing costs to secure labor.

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 simultaneously maximize economic value and create social value.

As a result, the Group's operating results for the current fiscal year saw an increase in both sales and profit, with net sales of 198,554 million yen (up 11.7% year on year (YoY)), operating profit of 13,845 million yen (up 21.8% YoY), ordinary profit of 14,498 million yen (up 21.3% YoY) and profit attributable to owners of parent of 9,119 million yen (up 17.2% 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 38,256 million yen (up 7.5% YoY).

(EC ordinary-temperature transportation business)

In the EC ordinary-temperature transportation business, growth in e-commerce demand and increases in trunk line transportation, as well as new transportation projects and expansion of transport services with existing clients, contributed to net sales of 59,529 million yen (up 4.5% YoY).

<3PL business>

(EC ordinary-temperature 3PL business)

In the EC ordinary-temperature 3PL business, the opening of new logistics centers by major clients, along with an increase in volumes from both new and existing clients, contributed to net sales of 54,553 million yen (up 27.6% YoY).

(Low-temperature food 3PL business)

In the low-temperature food 3PL business, expansion of operations at existing logistics centers and new business from supermarkets contributed to net sales of 22,068 million yen (up 11.6% YoY).

(Medicine & medical 3PL business)

In the medicine & medical 3PL business, the opening of new logistics centers to accommodate the expansion of major client drugstores, along with an increase in the volume of goods due to rising store numbers and robust shipments, contributed to net sales of 21,562 million yen (up 5.9% YoY).

Consequently, net sales in the logistics business increased 11.7% YoY to 195,969 million yen.

In terms of profit, despite initial costs associated with the stabilization of new logistics centers and restoration expenses due to the consolidation of logistics centers, the revenue increase from aggressive business expansion and productivity improvements through daily account management resulted in a segment profit (operating profit) of 13,849 million yen, an increase of 23.9% YoY.

(ii) Other

Despite efforts to expand the information systems business at PHYZ Holdings Inc. and project development related to business process outsourcing (BPO) at AZ-COM Data Security Co., Ltd., the impact of rising personnel and other costs resulted in net sales of 2,585 million yen (up 7.9% YoY) and a segment profit (operating profit) of 383 million yen (down 2.9% YoY).

(Future outlook)

Regarding the economic outlook, the Company continues to anticipate a gradual recovery supported by wage increases and strong corporate performance. However, concerns remain about the impact of fiscal, monetary, and trade policies in the West, trends in the Chinese economy, and increasing geopolitical risks on Japan's economic environment.

In the logistics industry, challenges persist due to worsening labor shortages associated with an aging population and declining birthrate, as well as compliance with the Act on the Arrangement of Related Acts to Promote Work Style Reform, among other regulatory measures.

Under these circumstances, the Company is in the final year of the Medium-term Management Plan 2025. The Group continues to strive to address customer needs in each domain of the EC logistics business, the low-temperature food logistics business, and medicine & medical logistics business as core businesses, as well as the growing shortage of human resources and vehicles in operation. In this way, the Group aims to achieve sustainable growth by focusing on securing and training human resources to support business expansion and improving productivity through the promotion and application of DX. 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.

For the fiscal year ending March 31, 2025, the Group forecasts consolidated net sales of 240,000 million yen (up 20.9% YoY), operating profit of 17,100 million yen (up 23.5% YoY), ordinary profit of 17,500 million yen (up 20.7% YoY), and profit attributable to owners of parent of 11,000 million yen (up 20.6% YoY).

(2) Analysis of Financial Condition

(i) Assets, liabilities and net assets

(Assets)

Current assets increased by 17,934 million yen to 72,498 million yen due to factors such as increases in cash and deposits of 8,305 million yen, notes and accounts receivable - trade of 2,768 million yen, and securities of 5,000 million yen.

Non-current assets increased by 4,632 million yen to 62,096 million yen due to factors such as increases in buildings and structures (net) of 2,371 million yen, construction in progress of 881 million yen, and leasehold and guarantee deposits of 1,003 million yen.

(Liabilities)

Current liabilities increased by 2,707 million yen to 32,615 million yen due to factors such as increases in notes and accounts payable - trade of 391 million yen, current portion of long-term borrowings of 198 million yen, income taxes payable of 732 million yen, and accounts payable - other of 1,646 million yen.

Non-current liabilities increased by 478 million yen to 44,436 million yen due to factors such as an increase in deferred tax liabilities of 476 million yen.

(Net assets)

Net assets increased by 19,380 million yen to 57,542 million yen due to factors such as increases in share capital of 6,447 million yen, capital surplus of 6,452 million yen, and retained earnings of 5,743 million yen, resulting in an equity ratio of 41.0%.

(ii) Cash flows

As of the end of the current fiscal year, cash and cash equivalents (hereinafter referred to as "cash") increased by 13,515 million yen from the end of the previous fiscal year to 45,880 million yen. The main factors resulting in changes in cash flows are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 10,798 million yen (11,408 million yen provided in the previous fiscal year). This was primarily attributable to a recording of 14,549 million yen in profit before income taxes, despite a decrease of 4,835 million yen in income taxes paid. A decrease of 610 million yen from the previous fiscal year was primarily attributable to the increased profit before income taxes from business expansion, offset by increases in trade receivables and income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 5,864 million yen (14,018 million yen used in the previous fiscal year). This was primarily attributable to a 5,043 million yen decrease in cash due to purchase of property, plant and equipment and a 1,181 million yen decrease due to payments of leasehold and guarantee deposits. A decrease of 8,154 million yen in expenditures compared to the previous fiscal year was primarily attributable to decreased spending on property, plant and equipment acquisition, acquisition of investment securities, and purchase of shares of subsidiaries resulting in change in scope of consolidation.

(Cash flows from financing activities)

Net cash provided by financing activities was 8,581 million yen (5,533 million yen provided in the previous fiscal year). This was primarily attributable to increases in proceeds from long-term borrowings of 5,100 million yen and income from issuing shares of 12,894 million yen, despite decreases in cash due to 5,247 million yen in repayments of long-term borrowings and 3,375 million yen of dividends paid.

Reference: Trends in cash flow-related indicators

	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2024
Equity ratio (%)	35.1	32.7	32.1	41.0
Equity ratio based on market value (%)	331.3	159.8	223.6	135.3
Ratio of interest-bearing debt to cash flow (%)	345.0	523.6	372.3	387.1
Interest coverage ratio (multiple)	384.8	415.2	228.4	152.6

Equity ratio: Equity / total assets

Equity ratio based on market value: Market capitalization / total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt / cash flow

Interest coverage ratio: Cash flow / interest payments

Notes: 1. Indicators are calculated on the basis of consolidated figures.

2. Cash flows above refer to cash flows from operating activities.

3. Interest-bearing debt is the total of all liabilities on the consolidated balance sheet on which interest is paid.

(3) Basic Dividend Policy and Dividend Payments for Fiscal Year Under Review and Next Fiscal Year

The Company considers it one of the management top priorities to return profit to its shareholders and it maintains a basic policy to pay stable and continuous dividends. The Company will also inject its internal reserves into the strengthening of its financial structure, the establishment of internal infrastructure for responding to the expansion of business, the strengthening of existing business and the development of new business.

The Company intends to propose a year-end dividend of 15.00 yen per share at the 51st Ordinary General Meeting of Shareholders to be held on June 26, 2024. An interim dividend of 15.00 yen per share has been paid.

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

Resolution date	Total amount of dividends (million yen)	Dividends per share (yen)
Resolution of the Board of Directors on November 6, 2023	1,893	15.00
Resolution of the Ordinary General Meeting of Shareholders on June 26, 2024	2,028	15.00

In addition, for the next fiscal year the Company plans to distribute an annual dividend of 32.00 yen (interim dividend of 16.00 yen, year-end dividend of 16.00 yen), with a dividend payout ratio of 39.2%.

(4) Business Risks

The main risks identified by the management that could affect the consolidated financial condition, operating results, and cash flows are as follows.

The Group is appropriately aware of these risks and has established a Risk Management Committee composed of full-time Directors and Executive Officers with the Director and Executive Vice President serving as the chairperson to properly identify and rapidly respond to these risks considering their impact and frequency of occurrence. 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 "AZ-COM 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 financial condition, business performance, and cash flows.

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 Act	Ministry of the Environment	Five years after permit is granted	Article 14-3-2 of the Act
Light Motor Truck Transportation Business	Motor Truck Transportation Business Act	Ministry of Land, Infrastructure, Transport and Tourism	No period stipulated	Article 36, paragraph 2 of the Act

(ii) Risk of fluctuations in major clients

The Group tends to have a high dependence on specific clients because its principal business is bulk consignment to logistics functions (3PL). The Group will aim for stable growth by striving to diversify buyers and build good relationships of trust with these clients.

The Group aims to differentiate itself by providing finely tuned responses to the different needs of each customer and is proceeding with a variety of initiatives aimed at maintaining and strengthening competitiveness in the future. At the present time, relations with major clients are good, but the occurrence of changes in transaction agreements or the dissolution of agreements due to unforeseen circumstances may have an impact on the Group's financial condition, operating results, and cash flows.

(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 advancing rate negotiations with suppliers for the equivalent increase in transportation costs 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 financial condition, operating results, and cash flows.

(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 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 financial condition, operating results, and cash flows.

(v) Risks pertaining to M&A

The Group actively utilizes M&A to expand both new and existing businesses and strives to enhance corporate value. In implementing M&A, the Group conducts due diligence involving external experts to objectively assess factors such as business growth potential, synergistic effects, and dependency on specific customers. When calculating corporate value, the Group anticipates business fluctuation risks considering the future business environment and shares information with the designated entity to ensure an accurate valuation. In decision-making, the investment committee discusses investment amounts and other matters thoroughly based on internal regulations, and decisions are deliberated on and made by the Board of Directors, which also incorporates impartial insights from external directors. However, significant deviations from the initial plan due to changes in the social and business environments, delays in the post merger integration (PMI) process, or other unexpected circumstances may impact the Group's financial condition, operating results, and cash flows.

(vi) 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 financial condition, operating results, and cash flows.

(vii) 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 IT 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 financial condition, operating results, and cash flows.

(viii) 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 City, 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 financial condition, operating results, and cash flows.

(ix) Financing risk

The Group has continued capital investment such as expansion of logistics centers, and has primarily allocated loans from financial institutions to this. Interest-bearing debt as of March 31, 2024 totaled 41,795 million yen. 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 financial condition, operating results, and cash flows. For this reason, the Group strives to reduce these risks by diversifying its financing methods.

(x) 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 carbon 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 financial condition, operating results, and cash flows.

(xi) 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 personnel transfers 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 management structure.

(xii) 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.

(xiii) Risk due to the spread of infectious diseases

The Group has taken various measures to prevent the spread of infectious diseases, including conducting body temperature checks, and implementing mask wearing and hand sanitizing. The Group has 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. At the present time, COVID-19 has been reclassified to a lower category of infectious disease, reducing its impact on social life. However, if variants emerge causing cluster infections at the Group'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 financial condition, operating results, and cash flows.

2. Overview of the Corporate Group

The Group is made up of a total of 25 companies, including the Company (pure holding company) and its 20 consolidated subsidiaries and four 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 "(5) Notes to Consolidated Financial Statements (Segment Information)."

The Company is designated as a Specified Listed Company under Article 49, Paragraph 2 of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. As a result, the materiality thresholds for insider trading regulations are determined based on consolidated figures.

(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 & 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.

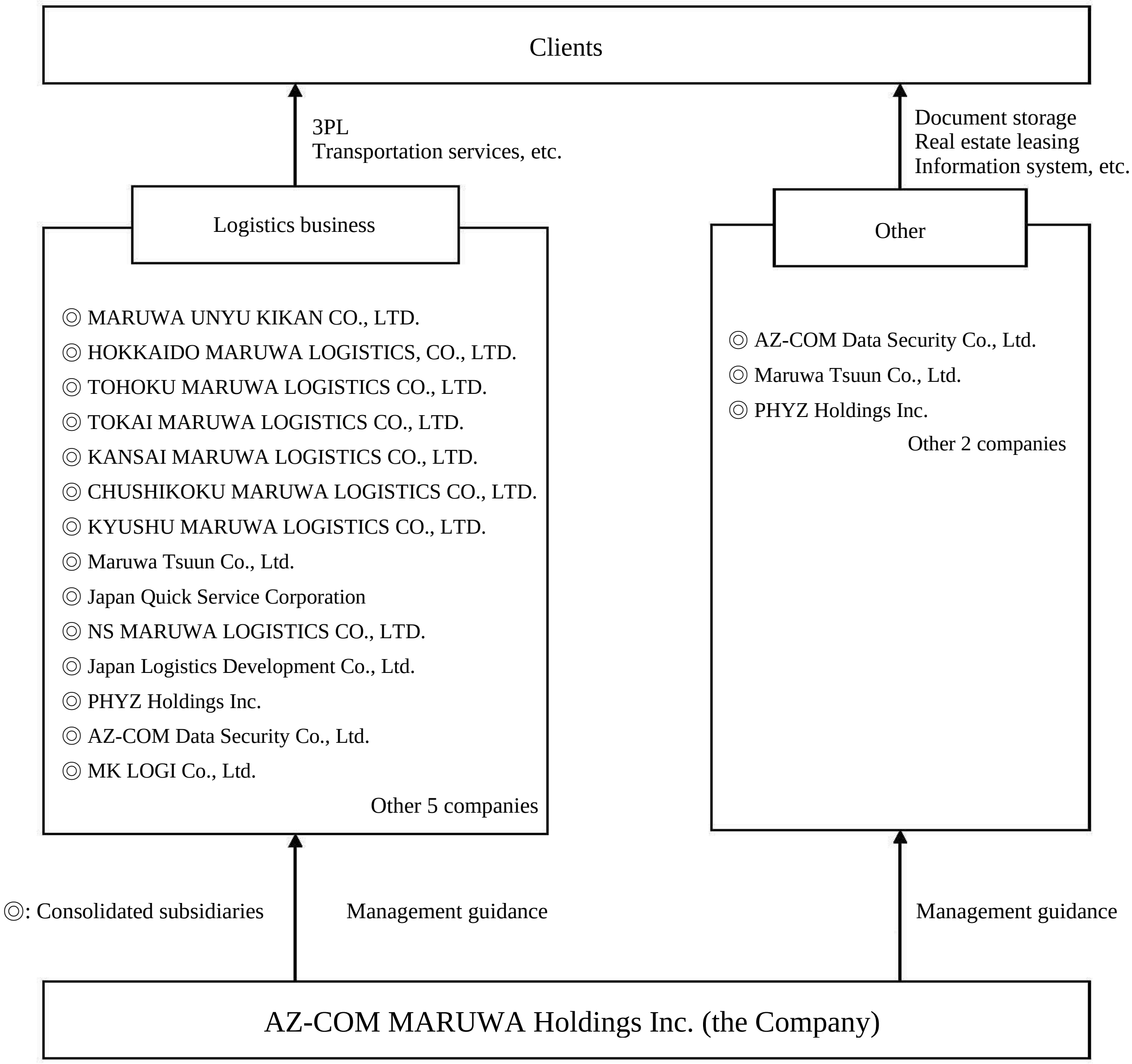
(ii) Real estate leasing

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

(iii) Information system

The Group provides system consulting services such as dispatching IT engineers, developing various information systems, and creating websites.

A chart of the Group's businesses is shown below.



Notes: 1. The companies shown in business segments are the Group's consolidated subsidiaries.

2. The "Other" category contains business segments that are not included in reportable segments.

3. DRAGON CO., LTD. changed its name to TOKAI MARUWA LOGISTICS CO., LTD. on November 1, 2023.

3. Management Policies

(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, medicine & medical logistics, and specialized BCP 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 DX 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) ROE: 15% or higher

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

In order for the Group to achieve sustained growth, the Group is expanding business in the core domains of EC logistics, low-temperature food logistics, and medicine & medical logistics, securing and training personnel to support business expansion in the face of severe shortages of personnel and operational vehicles, and driving labor-saving and productivity improvements through DX. 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 simultaneously maximize economic value and 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

The Group has been working on further business expansion 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.

Low-temperature food logistics business

The Group has been working on creating a procurement network that builds on AZ-COM7PL (AZ-COM Seven Performances Logistics/3PL with the addition of seven management support functions) which is 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

The Group has been optimizing its logistics network across the country and rebuilding its logistics centers in line with the client companies' business strategies using cutting-edge technology.

(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 in addition to strengthening hiring of new graduates. The Company is also committed 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 aims to maximize 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

To optimally reinvest management resources, 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 Tokyo Stock Exchange 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 by the Company

The business environment surrounding the Group is gradually normalizing social and economic activities that were long stagnant due to the pandemic, with improvements in employment and income conditions and an increase in travelers from overseas, showing signs of recovery in personal consumption and a gradual economic recovery. However, the future remains uncertain with continued high energy and raw material prices and inflation caused by a weaker yen, among other factors. Structural changes in society, such as a decrease in the working population, are also a major challenge.

Under such conditions, the Group will engage in business reforms and the transformation of awareness and behavior of every employee in order to be able to meet all the needs of customers by optimizing overall management resources to enable sustainable growth. The Group is also addressing changes in the labor environment and solving issues such as shortages of human resources and vehicles in operation, aiming to build a system that can handle business expansion. The main measures are as follows.

(i) Promotion of group management under the pure holding company scheme

The Group will strive to maximize the corporate value of the entire Group by strengthening the function of promoting group management strategy, clarifying responsibility and authority and accelerating decision-making, and strengthening group governance.

(ii) Strengthening of sales

In order to acquire new customers, the Group 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 continuously changing social environment and customer needs.

(iii) 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, the Group 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, the Group 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.

(iv) Business expansion through M&A

The Group has promoted M&A as a management strategy to further expand its business as well as to satisfy customer needs. Before executing M&A, the Group will take into account a comprehensive range of factors, including the calculation of investment effects, verification of synergies, and the possibility of integrating with its corporate culture. The Group will also implement appropriate PMI (Post Merger Integration) to create synergies and strengthen governance.

(v) Strengthening of recruitment activities

Amid all types of changes in the business environment, securing various human resources in each business area is essential for future business expansion. To achieve this goal, the Group will secure talented personnel by enhancing benefit packages, strengthening our recruiting system such as promoting a company-wide all-recruiting system in which everyone from top management to new employees is involved in recruiting activities, and recruiting talented new graduates and skilled experienced workers.

(vi) Strengthening of management

In order to build a company that has the confidence and trust of society, the Group 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.

The Group will further enhance working conditions through the Job Satisfaction Improvement Project and promote the development of the next generation of leaders through the Happiness Management Project, working towards creating a workplace where all employees can work with enthusiasm and a sense of fulfillment.

(vii) Strengthening of safety measures

In order to fulfill our social responsibility as a logistics company, the Group will set a goal of zero accidents and are committed to further safety enhancement measures to eliminate accidents through regular safety inspection by the Safety Department and driver safety education using the latest digital tachograph and drive recorder information. Furthermore, the Group 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.

(viii) Enhancing governance

In order to make our governance system even more effective, the Group has established a Nomination and Compensation Committee as an advisory body to the Board of Directors. The Nomination and Compensation Committee, with a majority of independent outside directors to ensure independence and objectivity, provides advice and issues 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, the Group is working to ensure management transparency and objectivity with an awareness of diversity while further enhancing corporate governance.

(ix) Promoting Digital Transformation

In order to address the rapidly changing business environment and succeed in a fiercely competitive market, the Group has promoted Digital Transformation (DX). 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.

(x) Promoting sustainability

The Group will identify materiality (key issues) and work to achieve CSV (Creating Shared Value: value shared with society) in order to enhance corporate value and achieve sustainable growth over the medium to long term, thereby fulfilling our social responsibility through our business activities by realizing sustainability management.

(5) Other Matters Material to the Management of the Company

Not applicable.

4. Basic Approach to Selection of Accounting Standards

The Group currently utilizes Japanese standards because foreign investors only account for a small percentage of investors. However, the Group intends to consider the adoption of International Financial Reporting Standards (IFRS) depending on its future business developments or how its circumstances (including the percentage of foreign investors, the needs of investors, etc.) may change in the future.

5. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	32,851	41,156
Notes and accounts receivable - trade	19,474	22,242
Supplies	115	89
Securities	-	5,000
Prepaid expenses	1,115	1,342
Income taxes receivable	114	629
Other	897	2,040
Allowance for doubtful accounts	(4)	(2)
Total current assets	54,563	72,498
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,071	22,972
Accumulated depreciation	(11,849)	(12,378)
Buildings and structures, net	8,221	10,593
Machinery, equipment and vehicles	4,994	4,972
Accumulated depreciation	(2,708)	(2,799)
Machinery, equipment and vehicles, net	2,285	2,173
Tools, furniture and fixtures	2,394	2,937
Accumulated depreciation	(1,359)	(1,621)
Tools, furniture and fixtures, net	1,034	1,315
Land	15,004	15,020
Leased assets	2,017	1,851
Accumulated depreciation	(805)	(850)
Leased assets, net	1,212	1,001
Construction in progress	2,930	3,812
Other	44	44
Total property, plant and equipment	30,734	33,960
Intangible assets		
Goodwill	3,656	3,399
Software	610	541
Customer-related assets	6,373	5,917
Other	361	383
Total intangible assets	11,002	10,241
Investments and other assets		
Investment securities	10,439	11,318
Long-term loans receivable	214	169
Deferred tax assets	663	874
Retirement benefit asset	502	691
Leasehold and guarantee deposits	3,178	4,181
Other	769	673
Allowance for doubtful accounts	(41)	(14)
Total investments and other assets	15,727	17,893
Total non-current assets	57,464	62,096
Total assets	112,028	134,594

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,278	12,669
Short-term borrowings	315	15
Current portion of long-term borrowings	4,870	5,069
Lease liabilities	295	280
Income taxes payable	2,902	3,635
Provision for bonuses	922	897
Accounts payable - other	6,185	7,832
Accrued expenses	1,191	1,456
Other	945	758
Total current liabilities	29,907	32,615
Non-current liabilities		
Bonds payable	30	35
Convertible bonds	20,586	20,366
Long-term borrowings	15,370	15,237
Lease liabilities	989	771
Deferred tax liabilities	3,523	4,000
Retirement benefit liability	1,077	1,156
Asset retirement obligations	798	844
Provision for share awards for directors	39	49
Provision for share-based remuneration for employees	53	67
Provision for retirement benefits for directors (and other officers)	54	62
Other	1,432	1,844
Total non-current liabilities	43,957	44,436
Total liabilities	73,865	77,052
Net assets		
Shareholders' equity		
Share capital	2,670	9,117
Capital surplus	2,348	8,800
Retained earnings	33,781	39,525
Treasury shares	(5,757)	(5,755)
Total shareholders' equity	33,044	51,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,082	3,587
Remeasurements of defined benefit plans	(208)	(158)
Total accumulated other comprehensive income	2,873	3,428
Non-controlling interests	2,244	2,425
Total net assets	38,162	57,542
Total liabilities and net assets	112,028	134,594

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	177,829	198,554
Cost of sales	158,131	175,259
Gross profit	19,698	23,295
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	714	736
Salary allowance	2,152	2,394
Outsourcing expenses	695	647
Retirement benefit expenses	36	33
Provision of allowance for doubtful accounts	-	3
Provision for bonuses	106	113
Provision for share awards for directors	8	10
Provision for share-based remuneration for employees	14	15
Other	4,608	5,496
Total selling, general and administrative expenses	8,335	9,449
Operating profit	11,362	13,845
Non-operating income		
Interest income	221	222
Dividend income	112	197
Gain on sales of non-current assets	81	67
Settlement income	-	100
Grant income	0	106
Subsidy income	80	55
Other	213	241
Total non-operating income	710	992
Non-operating expenses		
Interest expenses	49	71
Loss on retirement of non-current assets	21	20
Commission for syndicated loans	23	209
Other	30	37
Total non-operating expenses	123	339
Ordinary profit	11,949	14,498
Extraordinary income		
Gain on sales of non-current assets	-	58
Gain on bargain purchase	349	-
Total extraordinary income	349	58
Extraordinary losses		
Loss on sales of non-current assets	-	6
Impairment loss	3	-
Loss on valuation of investments in capital	80	-
Total extraordinary losses	84	6
Profit before income taxes	12,214	14,549
Income taxes - current	4,296	5,052
Income taxes - deferred	(148)	22
Total income taxes	4,148	5,074
Profit	8,066	9,474
Profit attributable to non-controlling interests	285	355
Profit attributable to owners of parent	7,780	9,119

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	8,066	9,474
Other comprehensive income		
Valuation difference on available-for-sale securities	1,875	505
Remeasurements of defined benefit plans, net of tax	(12)	50
Total other comprehensive income	1,863	555
Comprehensive income	9,929	10,030
(Breakdown)		
Comprehensive income attributable to owners of parent	9,642	9,674
Comprehensive income attributable to non-controlling interests	286	356

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,667	2,343	28,681	(5,758)	27,933
Changes during period					
Issuance of new shares - exercise of share acquisition rights	3	3			7
Purchase of shares of consolidated subsidiaries		3			3
Dividends of surplus			(2,680)		(2,680)
Profit attributable to owners of parent			7,780		7,780
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				0	0
Disposal of shares of consolidated subsidiaries		(1)			(1)
Net changes in items other than shareholders' equity					
Total changes during period	3	5	5,100	0	5,110
Balance at end of period	2,670	2,348	33,781	(5,757)	33,044

	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	1,207	(196)	1,010	1,999	30,943
Changes during period					
Issuance of new shares - exercise of share acquisition rights					7
Purchase of shares of consolidated subsidiaries					3
Dividends of surplus					(2,680)
Profit attributable to owners of parent					7,780
Purchase of treasury shares					(0)
Disposal of treasury shares					0
Disposal of shares of consolidated subsidiaries					(1)
Net changes in items other than shareholders' equity	1,875	(12)	1,863	245	2,108
Total changes during period	1,875	(12)	1,863	245	7,218
Balance at end of period	3,082	(208)	2,873	2,244	38,162

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,670	2,348	33,781	(5,757)	33,044
Changes during period					
Issuance of new shares	6,447	6,447			12,894
Purchase of shares of consolidated subsidiaries		5			5
Dividends of surplus			(3,375)		(3,375)
Profit attributable to owners of parent			9,119		9,119
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				2	2
Purchase of treasury shares of consolidated subsidiaries		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during period	6,447	6,452	5,743	1	18,644
Balance at end of period	9,117	8,800	39,525	(5,755)	51,688

	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	3,082	(208)	2,873	2,244	38,162
Changes during period					
Issuance of new shares					12,894
Purchase of shares of consolidated subsidiaries					5
Dividends of surplus					(3,375)
Profit attributable to owners of parent					9,119
Purchase of treasury shares					(0)
Disposal of treasury shares					2
Purchase of treasury shares of consolidated subsidiaries					(0)
Net changes in items other than shareholders' equity	504	50	554	180	735
Total changes during period	504	50	554	180	19,380
Balance at end of period	3,587	(158)	3,428	2,425	57,542

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	12,214	14,549
Depreciation	2,211	2,550
Amortization of goodwill	299	390
Increase (decrease) in allowance for doubtful accounts	(8)	(29)
Increase (decrease) in provision for bonuses	65	(25)
Increase (decrease) in allowance for other	20	31
Increase (decrease) in retirement benefit liability	106	156
Interest and dividend income	(334)	(420)
Interest expenses	49	71
Loss (gain) on sale and retirement of property, plant and equipment	(58)	(94)
Gain on bargain purchase	(349)	-
Impairment loss	3	-
Loss on valuation of investments in capital	80	-
Decrease (increase) in trade receivables	(406)	(2,716)
Increase (decrease) in trade payables	221	390
Increase (decrease) in accounts payable - other	(22)	888
Increase (decrease) in accrued consumption taxes	276	(166)
Other, net	207	(72)
Subtotal	14,576	15,504
Interest and dividends received	114	198
Interest paid	(49)	(70)
Income taxes paid	(3,231)	(4,835)
Net cash provided by operating activities	11,408	10,798
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,830)	(5,043)
Proceeds from sale of property, plant and equipment	119	306
Purchase of intangible assets	(187)	(338)
Purchase of investment securities	(2,136)	(204)
Loan advances	(138)	(9)
Proceeds from collection of loans receivable	36	57
Payments of leasehold and guarantee deposits	(898)	(1,181)
Proceeds from collection of leasehold and guarantee deposits	112	198
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,154)	-
Proceeds from the purchase of shares of subsidiaries resulting in change in scope of consolidation	-	9
Other, net	59	341
Net cash provided by investing activities	(14,018)	(5,864)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Proceeds from short-term borrowings	6,224	-
Repayments of short-term borrowings	(6,434)	(300)
Repayments of lease liabilities	(243)	(297)
Proceeds from long-term borrowings	13,074	5,100
Repayments of long-term borrowings	(4,369)	(5,247)
Dividends paid	(2,679)	(3,375)
Dividends paid to non-controlling interests	(31)	(155)
Proceeds from exercise of employee share options	7	-
Income from issuing shares	-	12,894
Other, net	(14)	(35)
Net cash provided by financing activities	5,533	8,581
Net increase (decrease) in cash and cash equivalents	2,923	13,515
Cash and cash equivalents at beginning of period	29,442	32,365
Cash and cash equivalents at end of period	32,365	45,880

(5) Notes to Consolidated Financial Statements

(Notes related to the going concern assumption)

Not applicable.

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

1. Matters Related to the Scope of Consolidation

(1) Number of consolidated subsidiaries: 20

Names of principal consolidated subsidiaries

MARUWA UNYU KIKAN CO., LTD.
HOKKAIDO MARUWA LOGISTICS, CO., LTD.
TOHOKU MARUWA LOGISTICS CO., LTD.
TOKAI 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.
MK LOGI Co., Ltd.
AZ-COM Data Security Co., Ltd.

(2) Principal non-consolidated subsidiaries

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

Reasons for exclusion from the scope of consolidation

The four non-consolidated subsidiaries are all small companies, and their combined total assets, net sales, profit (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding), etc. do not have a significant impact on the consolidated financial statements.

2. Matters Related to Application of the Equity Method

Name of non-consolidated subsidiaries to which equity method does not apply

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

Reasons for not applying the equity method

The companies to which the equity method does not apply are excluded from the scope of application of the equity method because the impact of their profit (amount corresponding to equity holding) and retained earnings (amount corresponding to equity holding), etc. is minor and they are not significant overall.

3. Matters Related to the Business Years of Consolidated Subsidiaries

The end of the fiscal year of consolidated subsidiaries is the same as the end of the consolidated fiscal year.

4. Matters Related to Accounting Policies

(1) Valuation standards and valuation methods for material assets

Securities

Other securities

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 structures acquired on or before March 31, 2016, and to vehicles, tools, furniture 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 (5 to 17 years).

(iii) Leased assets

Leased assets pertaining to finance lease transactions transferring ownership

The same method as the method of depreciation applicable to non-current assets owned by the Company is used.

Leased assets pertaining to finance lease transactions not transferring ownership

The straight-line method is applied with the lease period as the useful life and zero residual value.

(3) Accounting standards for significant provisions

(i) Allowance for doubtful accounts

To protect against potential losses from uncollectable notes and accounts receivable, a provision is made on general receivables based on historical rates, and an amount anticipated to be unrecoverable is recorded after individually considering the recoverability of specific cases such as doubtful receivables.

(ii) Provision for bonuses

To appropriate funds for the payment of bonuses to employees (including the portion for employees who concurrently serve as employees and officers), a provision is made for the expected amount of the payment for employees for the fiscal year under review.

(iii) Provision for share awards for directors

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.

(iv) 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.

(v) 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 Rules on Retirement Benefits for Directors.

(4) Methods of accounting for retirement benefits

(i) Method of attribution of period of expected amount of retirement benefits

When calculating retirement benefit obligations, a benefit calculation formula standard is used as the method of attribution of the expected amount of retirement benefits until the end of the fiscal year under review.

(ii) Method of accounting for the expense of actuarial differences and past service expenses

The entire amount of past service expenses is accounted for in the year of occurrence thereof.

Actuarial differences are amortized using the straight-line method over the average remaining number of years of service from the period following their occurrence.

(iii) Adoption of simplified method in small companies

Certain consolidated subsidiaries of the Company adopt a simplified method using the amount required at the year-end for voluntary retirement as the retirement benefit obligations in the calculation of retirement benefit liability and retirement benefit expenses.

(5) 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).

(6) Method and amortization period of amortization of goodwill

Goodwill is amortized over a 6 to 17 years period on a straight-line basis.

(7) 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.

(Segment information)

1. Overview of reportable segments

(1) Method for determining reportable segments

The Company's reportable segments are those units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about allocation of resources and assessing performance.

In addition to the "Logistics Business" centered on logistics center operation and freight transportation, the Company provides services such as a document storage warehouse leasing business and a real estate leasing business, and conducts business activities by drafting comprehensive strategies for each service. Furthermore, actual services are provided through sales offices and subsidiaries, and the economic characteristics of the sales offices and subsidiaries providing the same services are generally similar.

Therefore, the Company is made up of segments which aggregate centers and subsidiaries by service, and the "Logistics Business" is a reportable segment.

(2) Types of products and services in each reportable segment

The "Logistics Business" primarily conducts center operation, general freight transportation and warehousing business.

2. Methods of calculation of the amounts of net sales, profit or loss, assets, liabilities and other items in each segment

The accounting methods for the business segments reported are generally same as those shown in "Important items for the preparation of the consolidated financial statements."

Profit of reportable segments are figures based on operating profit. Internal sales and transfers between segments are based on actual market prices.

3. Information on the amounts of net sales, profit or loss, assets, liabilities and other items in each segment

Previous Fiscal Year (April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations (Note) 2	Amount recorded on consolidated financial statements (Note) 3
	Logistics business				
Net sales					
(1) Net sales to external customers	175,434	2,395	177,829	-	177,829
(2) Internal sales and transfers between segments	180	407	587	(587)	-
Total	175,614	2,802	178,417	(587)	177,829
Segment profit	11,177	395	11,572	(209)	11,362
Other items					
Depreciation	1,934	155	2,090	120	2,211
Amortization of goodwill	299	-	299	-	299
Gain on bargain purchase	349	-	349	-	349

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 and depreciation represent income (loss) and expenses related to the holding company that do not belong to any segment.

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.

Current Fiscal Year (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment	Other (Note) 1	Total	Adjustment and eliminations (Note) 2	Amount recorded on consolidated financial statements (Note) 3
	Logistics business				
Net sales					
(1) Net sales to external customers	195,969	2,585	198,554	-	198,554
(2) Internal sales and transfers between segments	46	408	455	(455)	-
Total	196,016	2,993	199,010	(455)	198,554
Segment profit	13,849	383	14,233	(387)	13,845
Other items					
Depreciation	2,156	156	2,313	237	2,550
Amortization of goodwill	390	-	390	-	390

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 and depreciation represent income (loss) and expenses related to the holding company that do not belong to any segment.

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

4. The amounts of segment assets and liabilities are not shown because they are not subject to regular review for the purpose of making decisions about allocation of resources and assessing performance.

(Per share information)

	Previous Fiscal Year (April 1, 2022 to March 31, 2023)	Current Fiscal Year (April 1, 2023 to March 31, 2024)
Net assets per share	285.40 yen	408.61 yen
Earnings per share	61.86 yen	70.88 yen
Diluted earnings per share	57.26 yen	65.88 yen

Note 1: The basis for the calculation of earnings per share and diluted earnings per share is shown below.

Item	Previous Fiscal Year (April 1, 2022 to March 31, 2023)	Current Fiscal Year (April 1, 2023 to March 31, 2024)
Earnings per share		
Profit attributable to owners of parent (millions of yen)	7,780	9,119
Amount not attributable to common shareholders (millions of yen)	-	-
Profit attributable to owners of parent pertaining to common shares (millions of yen)	7,780	9,119
Average number of common shares during the period (shares)	125,778,583	128,656,589
Diluted earnings per share		
Adjusted profit attributable to owners of parent (millions of yen)	(154)	(154)
[After-tax interest income included therein] (millions of yen)	[(154)]	[(154)]
[Equity adjustments related to share acquisition rights issued by consolidated subsidiaries included therein] (millions of yen)	[(0)]	[(0)]
Increase in common shares (shares)	7,407,407	7,407,407
[Convertible bonds with share acquisition rights included therein] (shares)	[7,407,407]	[7,407,407]
Overview of dilutive shares not included in the calculation of diluted earnings per share because they have no dilutive effect	-	-

2. The basis for the calculation of net assets per share is shown below.

Item	End of Previous Fiscal Year (March 31, 2023)	End of Current Fiscal Year (March 31, 2024)
Total amount of net assets (millions of yen)	38,162	57,542
Amount deducted from total amount of net assets (millions of yen)	2,244	2,425
[Non-controlling interests included therein]	[2,244]	[2,425]
Net assets at end of period pertaining to common shares (millions of yen)	35,917	55,117
Number of common shares at end of period used in calculation of net assets per share (shares)	125,849,541	134,889,562

3. 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 (355 thousand shares in the previous fiscal year, 349 thousand 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 (354 thousand shares in the previous fiscal year, 346 thousand shares in the current fiscal year).

(Significant subsequent events)

(Implementation of a Tender Offer for C&F LOGI Holdings Co., Ltd.)

The Company resolved at the Board of Directors meeting held on May 1, 2024 to acquire the common stock of C&F LOGI Holdings Co., Ltd. (Stock Code: 9099, listed on the Tokyo Stock Exchange Prime Market, hereinafter referred to as the "Target") through a Tender Offer (hereinafter referred to as "this Tender Offer") pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended).

This Tender Offer is part of the transactions to make the Target a wholly owned subsidiary of the Company.

1. Purpose of this Tender Offer

The Company, considering the environment in the low-temperature food logistics industry, has determined that in order for the Group to exert a strong presence in the low-temperature food logistics market and to establish a sustainable logistics system, a tender offer for the Target Group, which could result in significant synergies with the Group, is a necessary step toward creating added value across the low-temperature food logistics market.

The anticipated synergies between the Group and the Target Group are as follows:

(A) Mutual complementation of business domains between the Group and the Target Group

a. Strengthening the logistics network (joint distribution)

Through the collaboration between the Target Group's nationwide network for low-temperature food logistics and the Company's logistics network "AZ-COM Maruwa Support Network" (consisting of 1,895 member companies nationwide as of December 31, 2023), a more robust nationwide network can be established. Consequently, this can directly enhance the top line of the Target Group and, by advancing new joint distribution initiatives such as center operation efficiency improvements, can enhance the profitability of the entire Group (including the Target Group).

b. Economies of scale

With the participation of the Target Group, the Group (including the Target Group) will become the third largest in the market share of the low-temperature food logistics industry, which will allow the Group (including the Target Group) to enjoy economies of scale, such as reduced vehicle and fuel costs, talent acquisition, and qualitative improvements in equipment and DX/IT investments.

c. Expansion of EC-related logistics business

The Target Group has positioned EC-related logistics as a growth area and is actively investing management resources in it. The Target Group has strengths in transport and delivery capability and temperature control technology in low-temperature food logistics, which, by leveraging the Group's business foundation and know-how in EC-related logistics, will facilitate the rapid expansion of the Target Group's EC-related logistics business centered on low-temperature food products.

d. Collaboration in the farm-to-table value chain

The Group not only delivers high-value fresh food to consumers but also bridges food supermarket buyers with agricultural producers nationwide, providing guided tours to production sites to observe cultivation and production methods, thereby creating trading opportunities for agricultural producers and supporting their business operations through an active engagement in the "farm-to-table value chain." The Group believes that meticulous temperature control offered by the Target Group's low-temperature food logistics services enhances the added value in food logistics, and collaboration in the farm-to-table value chain presents new revenue opportunities for the Target Group, with significant mutual synergies expected.

e. Logistics network construction for supply chain from upstream to downstream

The Group, a 3PL operator specialized in retail, with the participation of the Target Group—a standalone low-temperature food logistics company with numerous premium customers, primarily manufacturers and wholesalers—enables comprehensive management of logistics operations throughout the entire supply chain. Specifically, by utilizing the "AZ-COM Matsubushi" food logistics center (under construction, scheduled to begin operation by April 2025, boasting the largest scale in the country, accommodating frozen, chilled, and dry goods within the same facility, and also serving as a BCP warehouse with a total area of 35,200 square meters), both the Group and the Target Group can streamline transport and delivery logistics, including horizontal transport (internal transfers between factories, stores, and branches) to the greatest extent possible, thereby sharing cost benefits throughout the entire supply chain, leading to significant customer satisfaction and a robust profit structure.

f. Joint development of BCP logistics support business

The Group is developing the BCP logistics support business, which serves as the fourth pillar of its business, to support the construction of a national logistics network during disasters. By integrating the Target Group's low-temperature food transport capabilities with the Group's provision of nationwide disaster logistics support and stockpiling services, as well as the construction of sustainable transportation infrastructure, it becomes possible to secure a higher quality lifeline and achieve greater social contributions. Particularly, the social significance of utilizing the transport and delivery capabilities between the Target Group and its manufacturers and wholesalers in the Group's BCP logistics is extremely significant. It aligns with the element "Protect the food lifeline and contribute to building a rich society through logistics services" of one of the Target Group's "Basic Strategies" to "Build a sustainable logistics business," enhancing the overall resilience of society in emergencies and disasters, addressing challenges that Japan faces across industries while transcending business types.

g. Construction of an effective sales structure

The Group excels in developing new customers by proposing systems that contribute to enhancing the added value of customer businesses. By combining the Group's sales capabilities with the Target Group's operational strength, the Company believes it can strengthen our sales structure. By deploying a unified sales approach to the entire value chain rather than fragmentary sales efforts to manufacturers, wholesalers, and retailers by the Target Group and the Group, an overwhelmingly effective sales structure can be established. Additionally, through the construction of an effective sales structure, capturing the demand for transport and delivery is expected to enhance the top line of the Target Group.

h. Expansion of overseas business

As one of the Target Group's "Basic Strategies" to "Promote investment in growth areas," the collaboration with Kamigumi Co., Ltd., with which the Group formed a capital and business alliance in September 2022, will support the Target Group's new ventures into Kamigumi's overseas locations, thereby enhancing the Target Group's international business expansion by utilizing the Group's know-how and management resources.

i. Promotion of modal shift

The element "Build a logistics foundation friendly to the global environment towards realizing a decarbonized society" is one of the Target Group's "Basic Strategies" to "Build a sustainable logistics business," for which it is working on a modal shift through maritime transport. The Group has been involved in providing non-automotive logistics services such as rail transport by Maruwa Tsuun Co., Ltd., maritime transport by Kamigumi Co., Ltd., and air transport by ANA Cargo Co., Ltd., as part of its efforts against the 2024 problem of logistics and environmental concerns. Thus, it is possible to promote a modal shift that covers land, sea, and air, together with the Target Group.

(B) Enhancement of the functions of the Group and the Target Group

a. Talent acquisition and development

Addressing the 2024 problem of logistics is a common theme across the industry; by sharing know-how, both groups can further strengthen their human capital. The Group has a competitive edge in the industry, having hired 715 new graduates and mid-career professionals in 2021, increasing hires to 911 including 325 new graduates in 2022, an increase of approximately 200 from the previous year, and further to 1,092 including 331 new graduates in 2023, an increase of approximately 180 from the previous year. Additionally, in terms of hiring international talent, the Maruwa Gakuen Educational Corporation has been operating a Japanese language school for international students (Japanese Language School of The Tokyo Foreign Language Academy, established in 1983, accredited as an educational corporation in 2023), and started hiring its graduates from 2023. This approach also addresses the hiring challenges associated with the declining birthrate and aging population in Japan. Through these measures, the Group plans to hire 5,000 new employees over the five years up to March 2027. Furthermore, in terms of talent development, based on the belief that "No company grows without the growth of its people," the Group has been working on maintaining a robust training system tailored by hierarchy and job type and promoting various qualifications since establishing the Maruwa Logistics University in 1997. With the participation of the Target Group, it becomes possible to further develop human resources through personnel exchanges between both groups. Additionally, collaborating across different corporate cultures to achieve corporate growth leads to the realization of diverse career development, self-improvement, and improved treatment for employees, contributing to the happiness of employees and their families. This aligns with the Target Group's "Vision" to "Become a logistics company where employees feel hopeful about the future and engage in their work with enthusiasm."

b. Acceleration of investment in labor-saving and manpower reduction

Addressing the 2024 problem of logistics, including reforming logistics, involves the industry-wide theme of realizing labor-saving and manpower reduction through DX. The Group is also promoting investments aimed at labor-saving and manpower reduction through the adoption of advanced material handling and accelerated IT investments. Similarly, the Target Group has declared "Investments in productivity improvements through labor-saving and manpower reduction" as an "additional measure" in its "Basic Strategies," and is advancing investments aimed at labor-saving and manpower reduction. By collaborating between both groups and leveraging each other's know-how, further labor-saving and manpower reduction can be realized, leading to speedier business execution and cost reduction, thereby enhancing overall Group productivity.

2. Overview of the Target

(1) Name	C&F LOGI Holdings Co., Ltd.	
(2) Location	R Building Shinjuku, 33-8 Wakamatsucho, Shinjuku-ku, Tokyo	
(3) Position and Name of Representative	President and Executive Officer Hiromasa Aya	
(4) Business Content	Management of subsidiaries and group companies engaged in freight transportation, warehousing, and related businesses	
(5) Share Capital	4,000 million yen (as of December 31, 2023)	
(6) Date of Establishment	October 1, 2015	
(7) Major Shareholders and Shareholding Ratios (as of September 30, 2023)	The Master Trust Bank of Japan, Ltd. (Trust Account)	9.04%
	Maruha Nichiro Corporation	6.98%
	Kyodo Milk Industry Co., Ltd.	6.06%
	The Norinchukin Bank	5.05%
	Kyoei Fire & Marine Insurance Co., Ltd.	5.00%
	C&F LOGI Holdings Employee Shareholding Association	3.56%
	C&F LOGI Holdings Business Partner Shareholding Association	3.31%
	BBH FOR FIDELITY LOW-PRICED STOCK FUND (Permanent Proxy: MUFG Bank, Ltd.)	3.19%
	JA Mitsui Leasing, Ltd.	3.03%
	Masaru Wasami	2.96%
(8) Relationship between the Company and the Target		
Capital relationship	As of today, the Company owns 24,296 shares of the Target (ownership ratio: 0.11%), and Masaru Wasami, the Company's representative director, owns 728,400 shares of the Target (ownership ratio: 3.36%) as of today.	
Personnel relationship	Not applicable.	
Transactional relationship	The Group has subcontracted a portion of the transport and delivery services it undertakes to the Target Group.	
Relevant party situation	Not applicable.	

Note: "(7) Major Shareholders and Shareholding Ratios (as of September 30, 2023)" is quoted from the "Status of Major Shareholders" section of the Target's Second Quarter Report for the 9th Fiscal Period, submitted on November 10, 2023.

3. Overview of this Tender Offer

(1) Number of shares, etc. to be purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
21,646,698 shares	10,811,204 shares	— shares

Note 1: If the total number of tendered shares is less than the minimum number of shares to be purchased (10,811,204 shares), no purchases of all the tendered shares will be made. If the total number of tendered shares is equal to or exceeds the minimum number of shares to be purchased (10,811,204 shares), purchases of all the tendered shares will be made.

Note 2: This Tender Offer will not involve the acquisition of treasury shares owned by the Target.

Note 3: The number of shares to be purchased in this Tender Offer is the maximum number of Target shares the Company intends to purchase, listed as 21,646,698 shares. This represents the number of shares calculated by subtracting the number of treasury shares owned by the Target (4,019,772 shares), as reported in the Target's Treasury Share Purchase Status Report as of March 31, 2024, from the total number of issued shares (25,690,766 shares) on the same date, resulting in 21,670,994 shares, from which the number of shares owned by the Company (24,296 shares) is further subtracted, yielding 21,646,698 shares.

Note 4: Shares less than one trading unit are also included as targets in this Tender Offer. Additionally, if the shareholder's right to demand the purchase of shares less than one trading unit is exercised in accordance with the Companies Act, the Target may buy back its shares during this Tender Offer period in accordance with legal procedures.

Note 5: As the purpose of this Tender Offer is to make the Target a wholly owned subsidiary of the Company, if the offer is successful but the Company does not acquire all of the Target's shares (excluding the shares the Company owns and the treasury shares the Target owns), depending on the outcome:(i) if the Company comes to own 90% or more of the total voting rights of the Target's shareholders, (ii) if the Company comes to own between two-thirds and less than 90% of the Target's total voting rights, or (iii) if the Company does not reach two-thirds of the Target's total voting rights, the Company plans to implement squeeze-out procedures. In case of (i), a demand for transfer of shares will be made based on the provisions of Part 2, Chapter 2, Section 4-2 of the Companies Act (Act No. 86 of 2005, including subsequent amendments); in cases (ii) and (iii), the Company will propose to the Extraordinary General Meeting of Shareholders to conduct a share consolidation (hereinafter "this Share Consolidation") based on Article 180 of the Companies Act, and to make a partial amendment to the Articles of Incorporation abolishing the set number of unit shares, contingent on the effectuation of this Share Consolidation.

(2) Period of purchase, etc.
From Thursday, May 2, 2024 to Monday, June 17, 2024 (31 business days)

(3) Price for purchase, etc.
3,000 yen per common share

(4) Purchase price
64,940 million yen
Note: The "purchase price" is the amount obtained by multiplying the number of shares to be purchased in this Tender Offer (21,646,698 shares) by this Tender Offer price (3,000 yen).

(5) Method of financing the purchase
Own funds and borrowings from financial institutions

(6) Start date of settlement
Monday, June 24, 2024