

Next Stage

AZ-COM MARUWA Holdings

Integrated Report 2024

AZ-COM

AZ-COM MARUWA Holdings Inc. 50th anniversary as a milestone entered a new stage of “Third Establishment”



Next Stage



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History and Future Vision

2020s

2020 | Celebrated 50th anniversary

2010s

- 2013 | Launched low-temperature food logistics business
- 2014 | Listed on TSE Second Section
- 2015 | Listed on TSE First Section (currently: TSE Prime Market)
- 2017 | Started business transactions with Amazon Japan G.K. Launched “EC Last One Mile Same-Day Delivery Service”
- 2019 | Concluded BCP Agreement*1 with Seven-Eleven Japan Co., Ltd. and Coca-Cola Bottlers Japan Inc.

2000s

2006 | Started online supermarket deliveries for Ito-Yokado Co., Ltd.

1990s

- 1991 | Started business transactions with Duskin Co., Ltd.
- 1995 | Started transactions with Matsumoto-Kiyoshi Co., Ltd. (currently: MatsukiyoCocokara & Co.) Expanded medicine and medical logistics business nationwide

1970s

- 1970 | Start up with only one truck
- 1973 | Company established Started business transactions with Ito-Yokado Co., Ltd.

2020
Achieved
¥100 billion
in net sales



Net sales: ■ Maruwa Unyu Kikan (non-consolidated) ■ Group consolidated basis (■ Forecast)

*1 Large-Scale Disaster Support Activity Agreement

*2 Transitioned to a holding company structure in October 2022

Growth of the AZ-COM MARUWA Group



2040

Target

¥1 trillion
in net sales

**Creating new business models
tailored to the retail sector
while staying ahead of changes
in the business environment**

2030

Target

¥500 billion
in net sales

2030

2040

3PL & platform company

Value Creation Model

The AZ-COM MARUWA Group aims to realize a sustainable society through sustainability management focused on the capabilities of its human resources, the most important capital for value creation. Furthermore, we seek to balance social value and economic value, contributing to the creation of a prosperous society where all stakeholders can live safely.

Input

Human Capital

- Number of employees **19,523**
 Full-time employees **5,037**
 Part-time employees **14,486**
- Recruitment
 New graduate **331 people**
 Mid-career **761 people**
- Ratio of female workers in management positions **6.41%**

Intellectual Capital

- Disaster research with universities Researchers **9 people 2 universities**
- Number of persons holding certifications
 JILS certifications **124 people**
 Business career examination... **908 people**

Manufacturing Capital

- Capital investment **¥5.6 billion**
- Logistics network **264 bases**

Social Relationship Capital

- AZ-COM MARUWA Support Network membership **1,877 companies**
- Disaster support agreements with local governments **66 local governments**

Financial Capital

- Total assets **¥134.5 billion**
- Interest-bearing debt ... **¥41.7 billion**
 (FY2024/3)

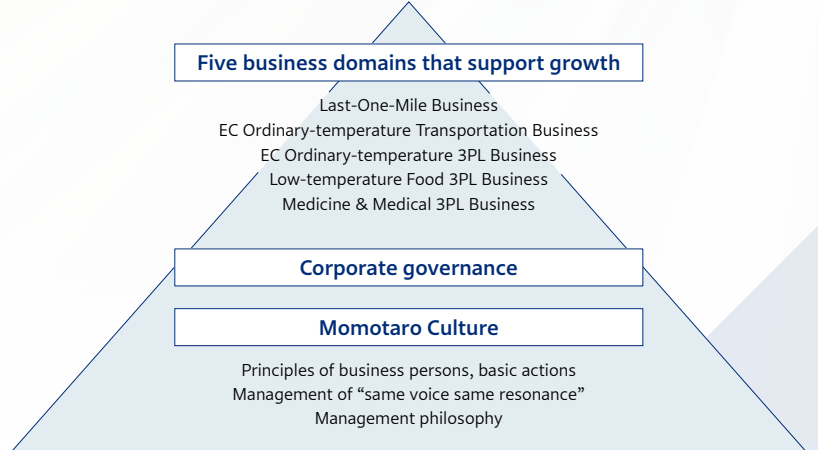
Process



The AZ-COM MARUWA Group supports Sustainable Development Goals (SDGs)



Medium-term Management Plan 2025



Environment Surrounding the Group

Broader Society

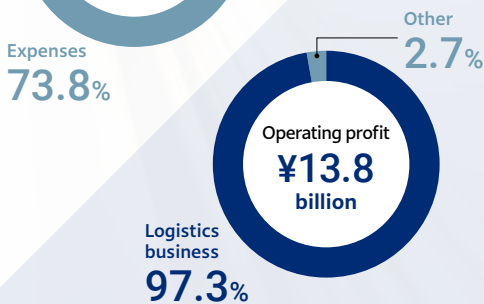
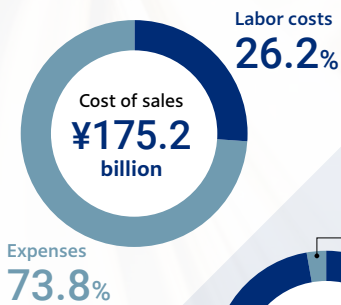
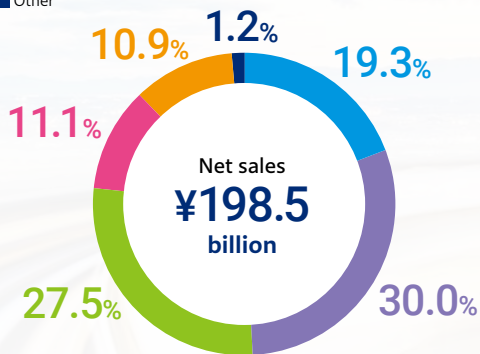
- Restrictions on travel due to COVID-19 have eased, leading to increased movement of people and resumption of economic activity which we expect to lead to a recovery
- Concerns about a global economic recession
- Changes in the social structure, such as a decrease in the working population

Logistics Sector

- Addressing management challenges including the “2024 Problem” and shortages of human resources and operations vehicles
- Prolonged Russia-Ukraine conflict and rising procurement and raw material prices against the backdrop of a weaker yen

Output

- Last-One-Mile Business
- EC Ordinary-temperature Transportation Business
- EC Ordinary-temperature 3PL Business
- Low-temperature Food 3PL Business
- Medicine & Medical 3PL Business
- Other



- Ordinary profit ¥14.4 billion
- Profit attributable to owners of parent ¥9.1 billion
- Equity ratio 41.0%
- Return on equity (ROE) 20.0%
- Return on invested capital (ROIC) 10.7% (FY2024/3)

Outcomes

Social value

Economic value

Suppliers and government agencies

- Support management and profits, provide high-quality logistics services
- Maintain supply chain during disasters, improve resilience of society through logistics

Partnerships

- Business expansion
- Strengthen competitiveness
- Stable financial foundation

Employees

- Skill improvement training
- MQM (Momotaro Quality Management)
- Personal development assistance system
- Group employee stock ownership plan
- Mental health care

Local communities

- Direct from farm value chain
- Sponsorship of local events and activities
- Transportation of vaccines
- Regional revitalization through logistics

Shareholders and investors

- Stable dividend:
Dividend payout ratio 42.3%
Dividends per share ¥30.00 (FY2024/3)

Improvement in Corporate Value

Vision

(Management Philosophy)

With the basic spirit of customers first, we aim to become the No. 1 company in the 3PL industry and contribute to the realization of each other's happiness and an affluent society.

At a Glance

Five Business Domains that Support Growth (FY2024/3)

Net sales

¥198.5 billion +11.7% Y-o-Y
-0.7% of forecast

Operating profit

¥13.8 billion +21.8% Y-o-Y
-4.5% of forecast

Breakdown of Sales by Business

Last-One-Mile Business
Last-one-mile deliveries

¥38.2 billion

EC* Ordinary-temperature Transportation Business
Deliveries other than last one mile

¥59.5 billion

EC* Ordinary-temperature 3PL Business
Ordinary-temperature logistics including e-commerce

¥54.5 billion

Low-temperature Food 3PL Business
Logistics for supermarkets

¥22.0 billion

Medicine & Medical 3PL Business
Logistics for drugstores

¥21.5 billion

* E-commerce

Key Figures (FY2024/3)

Ordinary profit

¥14.4 billion +21.3% Y-o-Y

ROIC

10.68%

Dividends per share

¥30.00
Dividend payout ratio 42.3%

Number of employees

19,523
5,037 full-time employees
14,486 part-time employees

Ratio of women in management positions

6.41%

Ratio of foreign employees

1.10%

Number of vehicles

2,544

AZ-COM MARUWA support network member companies

1,877

AZ-COM BCP* network member companies

98

* Business Continuity Planning

Corporate Philosophy

Basic Concept of “Momotaro Culture and Happiness Management”

Momotaro Culture

Management Philosophy

With the basic spirit of customers first, we aim to become the No. 1 company in the 3PL industry and contribute to the realization of each other’s happiness and an affluent society.

Company Creed

Industry and honesty are the very base for business.
Patience and creation are the very base for prosperity.
Extending kindness and feeling gratitude are the very base for happiness.

Management of “same voice same resonance”

All of our employees share the same goals and objectives, and gather their collective wisdom and participate in management.

Principles of Business Persons

What we provide are “deep impressions” and “satisfaction” for customers.

Create 100 Momotaro managers

Create people who can drive corporate growth
Create a company that can last for a thousand years
by passing down the Momotaro Culture

Happiness Management

Three Kinds of Happiness

Mental Happiness, Economic Happiness, Family Happiness

Business Model

Seven Pinnacles of Management
High Talent, High Quality, High Growth, High Profits,
High Wages, High Dividends, High Share Price

Future Vision

**Enter markets in Asia as part of our global strategy,
and achieve ¥1 trillion in net sales by 2040**

To Our Stakeholders

Sowing the Seeds of Happiness with “Same Voice, Same Resonance”

Reflecting on AZ-COM MARUWA’s History

I come from a family of vegetable farmers, and I was determined to enter into society quickly to help my mother get treatment for tuberculosis. As soon as I graduated from middle school, I started working at a greengrocer to gain work experience. I achieved my dream of owning my own store by the time I turned 20, opening my first shop in Chiba at 19. My fresh vegetables sold extremely well. This experience showed me the joy of business, and I became obsessed with securing a steady stream of customers over the coming few months by sowing the seeds of happiness. The fine points of business that I learned through this experience really set me up for success when I entered into the logistics business.

Since I founded my company in 1970 with a single truck, I made it a rule to never say no to a customer’s request. Even if it’s hard at first, you have to keep persevering with your business for the first few years. This is because business is defined by long-term and careful planning, negotiation, and persistence over thirty, fifty, or even one hundred years.

In the early 1990s, the concept of third-party logistics (3PL) didn’t exist yet. Despite this, I developed a full-line integrated logistics system and entered the 3PL market earlier than any other company in Japan, shifting our focus from transport to logistics. The reason why we specialize in retail logistics is specifically because of my strong background in that industry.

In 2017, we started delivery services for online shopping (e-commerce) through Amazon Japan G.K. The Company has set ¥1 trillion as its target for net sales, and I have no doubt that the EC logistics business will drive our growth to achieve that target. Japan’s proportion of e-commerce transactions is about 12%, lower than the 30% rate in China and Europe,* so there is still plenty of room for growth.

* FY2021 E-Commerce Market Survey, by the Digital Market Policy Office, Digital Economy Division, Commerce and Information Policy Bureau of the Ministry of Economy, Trade and Industry





和佐見 謙

Masaru Wasami
President & CEO,
AZ-COM MARUWA Holdings Inc.

To Our Stakeholders

Japan is famous for the longevity of its people, and I believe that this can be attributed to the high quality of its healthcare and medicine. Assuming Japan's aging society problem will continue, the future potential of the Medicine & Medical 3PL Business is clear. As an initiative to address this, with the integration of MatsukiyoCocokara & Co., the AZ-COM MC Nagoya Center opened in February 2024 to improve logistics efficiency, and the MC Fukuoka Center (provisional name) is scheduled to open in February 2025.

In addition, the direct-from-the-farm business is the fastest growing part of the Company's low-temperature food logistics business. We have been connecting producers with buyers in supermarkets for over ten years, continuously expanding our range of areas and products.

For example, our partners harvest corn in Hokkaido at 4 a.m.—when its sugar content is highest—and we ship it via air through a cold chain to maintain freshness, reaching supermarkets in Tokyo and Osaka by the evening of that same day. In the direct-from-the-farm business, we are applying my own experience in working with fruits and

vegetables and other fresh foods, as well as our previous experience with the supermarket reconstruction in collaboration with the Resolution and Collection Corporation (RCC).

Now, due to the “2024 Problem,” long-distance delivery of fresh produce from areas like Kyushu to wholesale markets has become challenging. To overcome this, we are actively promoting our low-temperature food logistics business. Going forward, we plan to partner with more producers to increase our current production areas from 26 to more than 100 and deliver more products to consumption areas. To achieve this goal, we are currently building one of the largest food logistics centers in the Kanto region, in Matsubushi, Saitama. When this center opens in April 2025, it will become the hub of our direct-from-the-farm platform in the Kanto region, and will function as our supply base for food and other essentials in the event of a major disaster in the Tokyo metropolitan area, as part of our current focus on the BCP logistics business.

Sowing the Next Seeds of Happiness with the BCP Logistics Business

The Company's businesses encompass EC logistics (online sales), low-temperature food logistics, and medicine & medical logistics, and we are now focusing on a new, fourth pillar with the BCP logistics business.

The Noto Peninsula earthquake occurred on January 1, 2024, and the Japanese government contacted eight companies designated as public institutions by the Basic Act on Disaster Control Measures. Of these eight, only the AZ-COM MARUWA Support Network was available during the first three days of the new year and was able to respond to the government's request.

Currently, the Company has disaster support agreements with 77 local governments (28 prefectures, 49 cities, wards, towns, and villages, as of September 30, 2024). This is the result of our efforts to make these agreements with local governments and to establish a system that allows us to provide transportation services 24 hours a

day, 365 days a year, even in the event of an emergency. The AZ-COM MARUWA Group has also established the BCP Logistics Support Planning Department, specializing in BCP and responsible for collecting information and coordinating between business sites in the event of a disaster, an initiative unique to the Group.

Some people believe that BCP can't generate income without a disaster occurring, but this is far from the truth. Thorough preparation in advance is crucial, and being unprepared for an incident is the worst-case scenario. Stockpiling is particularly important amongst the necessary preparations. It's often thought that stockpiling is taken care of by the relevant local authority, but the Company's strengths lie in transportation, so we want to use our expertise gained from providing support during different natural disasters over the years to propose efficient systems, such as joint stockpiles, to local governments.



Initiatives to Address the 2024 Problem

The Company has been taking measures to address the “2024 Problem” over the past three years, and working to improve operations as well as implement workstyle reforms. For example, we have increased the number of yearly holidays by five days each year, from 105 days in fiscal 2021 to 120 days in fiscal 2024. Also, to address the

legal limit on overtime of 960 hours per year, we have set our own target of 860 hours, and are working to achieve this goal. I believe that improving working conditions with higher base salaries will help us secure talented personnel as well as ensure high-quality work. We will continue these efforts in the future.

Closing Thoughts

I do not run this business alone. My success is thanks to the support and encouragement from those around me. I am very grateful to each person who has supported me over the years.

I believe I have done my best to do what I needed to do as a manager. I feel that “same voice, same resonance” defines my feelings on this matter. I coined this term to mean people with the same goals actively working in management. I am highly motivated to achieve further growth, including our goal of achieving net sales of

¥1 trillion by 2040. However, no matter how much the Company grows or how many employees we hire, my desire to work with colleagues who share my joy will not change.

I feel that I have finally established the foundation to advance the business I am aiming for, sowing even more seeds of happiness. I will continue communicating sincerely with our partners and ensuring they understand the management policies and efforts of the AZ-COM MARUWA Group. We appreciate your ongoing support and guidance.

To Our Stakeholders



2023: The Company's 50th Anniversary

50th Anniversary of Our Founding

With the support of everyone involved in our business, we were able to reach the 50th anniversary of our founding in August 2023. I would like to express my heartfelt gratitude for each person's support and kindness.

The AZ-COM MARUWA Group has positioned its 50th anniversary as its “third founding,” and we will continue our management philosophy of putting our customers first and provide even higher quality services. By practicing Momotaro culture, we will continue to provide “deep impressions” and “satisfaction” for customers, always striving for better performance and maximized corporate value.



To mark our 50th anniversary, we held a celebration at the Prince Park Tower Tokyo on October 7, 2023 to thank our many stakeholders for their support since our founding in 1970 and the Company's establishment in 1973. We invited approximately 1,000 customers, clients and other people related to our business to this commemorative event.

Before this event, we also held a celebration for our employees on September 24, 2023 also at the Prince Park Tower Tokyo. Approximately 1,000 Group employees attended the event, with everyone determined to achieve our goals of ¥500 billion in net sales by 2030 and ¥1 trillion in net sales by 2040. President Wasami expressed his appreciation to our employees and executive officers for their hard work and contributions to the Company. He also announced that he would be donating ¥5 billion of his personal assets to Group employees and executives to further increase motivation and business performance, as well as to maximize corporate value.

Improving Work Conditions for Employees

To address the “2024 Problem,” the AZ-COM MARUWA Group is implementing such workstyle reforms as limiting annual overtime hours to 860—well under the legal limit of 960—and is working to improve work conditions, such as increasing base salaries. We have increased base salaries in the past, but we plan to implement four consecutive annual increases starting in FY2025/3. In addition, we have expanded total yearly holidays by five per year for three consecutive years—from an initial 105 days—to a total of 120 days in FY2025/3. The Group will continue to create a workplace in which every employee thrives and feels fulfilled and motivated in their work.

Plan to implement base salary increases over the next **4** years

Goal to increase Monthly Base Salary by **¥10,000** (minimum +¥5,000)

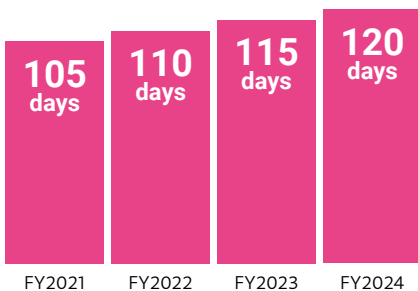
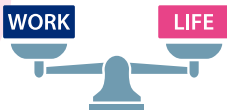
Base Salary Increases

FY	Monthly base salary increase amount	Reference: Starting salary for university graduates and general employees of Maruwa Unyu Kikan Co., Ltd.
2024	+¥8,000	¥218,000
2025	+¥12,000	¥230,000
2026	+¥10,000 (minimum +¥5,000)	¥240,000
2027	+¥10,000 (minimum+¥5,000)	¥250,000

Celebration commemorating the 50th anniversary of the Company's founding



Increase holidays from **105** to **120** days per year

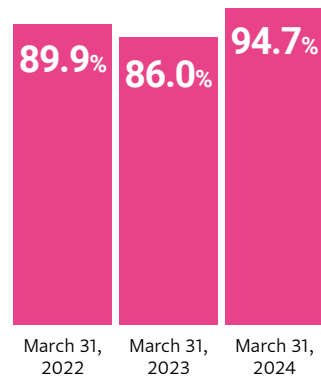


Raising Awareness of Management Participation through Stock Ownership

The AZ-COM MARUWA Group has traditionally supported employees gaining assets through stock ownership plans to raise their awareness of participation in management. As of March 31, 2024, 94.7% of Group employees are participating in the stock ownership plan.



Stock Ownership Plan Participation Rate



Special Feature

AZ-COM MARUWA Group has the Power to Solve Social Issues

Creating Social Value through the BCP Logistics Business

The AZ-COM MARUWA Group has positioned its BCP logistics business as one of its core businesses to support logistics during natural disasters such as earthquakes, typhoons, or heavy rain. The BCP logistics business aims to swiftly restore logistics networks after natural disasters by leveraging the Group's strengths in transportation and delivery (including our nationwide network of bases and partner companies) to deliver products to supermarkets, drug stores, and other retailers, and support logistics for local governments' supply stockpiles. This business offers its services 24 hours a day, 365 days a year.

To solidify BCP as a sustainable initiative, we have established a BCP Advisory Committee, with members including university professors specializing in the subject. The committee has set "commercialization-based social contribution" as its goal, and has created a system for the AZ-COM MARUWA Support Network (hereinafter, AZ-COM Net) to function as a BCP network in a natural disaster. With this foundation, we will build sustainable transport infrastructure that enables nationwide logistics and stockpiling services for local governments and private companies during a natural disaster.

As of March 31, 2024, the Company has natural disaster support agreements with a total of 66 local governments in 41 cities, towns, and villages in 25 prefectures. AZ-COM Net communicates disaster-related information, offers education, and conducts disaster prevention drills in normal times, as well as providing first aid and collecting information in emergencies.

What is the AZ-COM BCP network?

Nationwide logistics network created for strengthening the business continuity of AZ-COM Net member companies

Normal times



- Disaster support agreements lead to delivery service contracts with local governments
- Strengthen stockpiling to meet the rapidly increasing transport needs, such as the transport of relief supplies to disaster-hit areas

In times of disaster



- Nationwide BCP network supports recovery and business continuity

Strengthen nationwide logistics AZ-COM support network

Noto Peninsula Earthquake Emergency Support

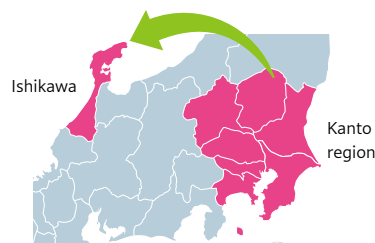
Emergency transport support for relief supplies was provided from the night of January 1st



Loading blue tarps before departure



Ishikawa Industrial Exhibition Hall became a relief base for the area



Vehicles provided:

224

- Time: 16:10, Monday, January 1st, 2024
- Epicenter: Noto region, Ishikawa
- Magnitude: 7.6
- Maximum seismic intensity: 7 (Wajima-shi, Shika-machi)
- Government requests: Tokyo, Fukui, Hyogo, Hirakata-shi, Yoshikawa-shi, Misato-shi, Soka-shi, Yashio-shi



Main Issues for Government Stockpiling Identified by AZ-COM MARUWA

We understand that local authorities face a number of challenges when trying to ensure that the right supplies reach the right people in the right quantities at the right time. We identified stockpiling issues through research with the University of Tokyo, in which we examined past disasters and interviewed local governments and companies. The Company will continue to focus on research to build even higher quality, more efficient stockpiling systems.



Transport During Disasters (Securing Trucks, Drivers, Fuel, Bases)

- Difficult to transport supplies because the government does not own sufficient land transport vehicles
- Logistics require land transport (in normal times, trucks handle 90% of domestic transport)



Management of Large Disaster Stockpiles

- Securing storage space (organizing supplies and changing layouts)
- Management of expiration and best-before dates
- Management of inventory and stock
- Selection of companies for purchase, procurement, donations, disposal, replacement, etc.



Stockpile Costs with Few Opportunities for Use

- Necessary disposal
- Reduction of stockpiling purchases by utilizing distribution inventory and joint stockpiles



Hedging Risks in Large Disasters

- Reduced response capabilities and staff unable to function in a disaster
- Risk of stockpiles becoming unusable due to physical damage or other factors

9 young employees sent to collaborate at disaster research institutes

International Research Institute of Disaster Science,
Tohoku University
Researcher:
Professor Hiroaki Maruya

Institute of Industrial Science,
University of Tokyo
Researcher:
Professor Kimiro Meguro



June 2019: 2 employees sent
June 2021: 2 employees sent
June 2023: 2 employees sent



June 2021: 3 employees sent

BCM and BCP research

Disaster risk management

Disaster prevention efforts from companies and organizations

Research session to create and nurture the market for disaster prevention business

Internal Disaster Response Training

Training overview

First AZ-COM Maruwa Groupwide training

- Confirmed coordination between management and operation departments
- Assumes an earthquake with a seismic intensity level of 7 in Tokyo
- Assumes support utilizing DX from areas not hit by the disaster
- Confirmed safety of vehicles and employees required for support

Largest training to date with approx.

170
participants



Divided into groups and conducted practical training

Future initiatives

- Strengthen coordination between management and operation departments
- Conduct disaster response training at Group companies in sequence to build a nationwide system to prepare for an emergency situation

Creating a nationwide disaster response organization for the AZ-COM Maruwa Group

AZ-COM MARUWA Group has the Power to Solve Social Issues

**Next Evolution of Direct-from-the-Farm Platform
with the Opening of an Approximately
10,000-Tsubo* New Center in 2025
Supply base for the Tokyo metropolitan area
in case of large-scale disasters**

*A Japanese unit of area, where 1 tsubo is approximately 3.3 square meters or 35.5 square feet.

AZ-COM Matsubushi

The Company is in the process of constructing a major food distribution center in Matsubushi, Saitama to support the safety, security, and stability of food logistics in the Tokyo area. First, we will construct a five-story, over 84,460 m² logistics facility, called AZ-COM Matsubushi EAST (hereinafter, Matsubushi Center). The Company acquired a 116,379 m² site for its construction in July 2022. We have invested a total of ¥23 billion, with construction starting in June 2023 and expected to be finished in January 2025. Operations are then expected to start in April 2025. The five stories will house three temperature-controlled zones: refrigerated on the first floor, refrigerated and frozen on the second floor, and ordinary temperature on the third, fourth, and fifth floors. The fifth floor will also have a BCP warehouse and cafeteria.

Since retailers' logistics centers tend to be dotted around Japan, logistics of manufacturers and wholesalers were often handled by the same center. Compounding this issue is the fact that supermarkets order small quantities of individual items, making it challenging for manufacturers and wholesalers who receive such orders. To solve these issues, our new Matsubushi Center will appeal to a wide array of manufacturers and supermarkets to centrally manage their inventories, thereby improving delivery efficiency for manufacturers and wholesalers, as well as reducing their logistics costs. Traditionally, agricultural products from northern Japan were delivered to Gunma, Tochigi, and Ibaraki by way of Tokyo's Ota Market. By utilizing our Matsubushi Center, these redundant logistics will be eliminated, thus improving both costs and freshness.

Since we will expand our direct-from-the-farm platform with the opening of the Matsubushi Center, we expect to see advantages arising from our partnership with Kamigumi Co., Ltd.—with which we entered into a business and capital alliance in September 2022. Kamigumi handles the majority of imported fruits and vegetables, especially bananas, with its cold chain from overseas connecting to its temperature-controlled (refrigerated and frozen) warehouses at major ports across Japan. By utilizing this strength, supermarkets can expand their product procurement, and domestic production areas may be able to export Japanese high-quality agricultural products with their logistics.

The Matsubushi Center is located about 25 minutes from the Misato-Nishi interchange on the Tokyo Gaikan Expressway, and offers easy access to the Joban, Tohoku, and Ken-O expressways. The center's accessibility will improve even further when the new Higashi Saitama Road opens in spring 2025. Because the center is located within 25 kilometers of the center of Tokyo, it is perfectly positioned to serve as a comprehensive food logistics platform. It will also work for BCP as a supply base for food and other essentials in the event of a major disaster in the Tokyo metropolitan area, thanks to its large-scale freezing and refrigeration equipment, as well as its quake-absorbing structure.

The Matsubushi Center is planning the foundation for the Smart Logistics Service project, led by Japan's Cabinet Office. The Smart Logistics Service project is under Japan's wider Strategic Innovation Promotion Program, which aims to address such challenges as sustainable logistics and commercial distribution, reducing waste,



Construction Completion
 Scheduled for **January 2025**

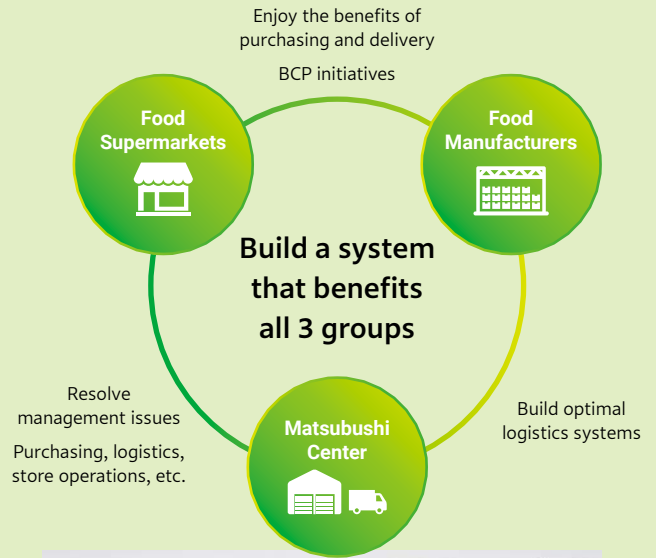
Opening
 Scheduled for **April 2025**

Matsubushi

physical internet, labor-saving measures, and ensuring the safety and security of products with efficient logistics using the latest technologies such as AI and IoT. Our first priority at the Matsubushi Center will be to implement an ecosystem for delivery labels that digitizes paper labels. By digitizing such delivery details, extra checks and inspections will be greatly reduced, which will also help reduce drivers' workloads. In November 2023, Maruwa Unyu Kikan conducted tests with supermarkets and food manufacturers and confirmed the effectiveness of these improvements. We will establish sustainable logistics for the future by building the foundation for Smart Logistics Service.

Other than these initiatives, we will also focus on building a next-generation last one-mile service. Japan Quick Service Corporation, a Group company, is currently testing a shared delivery service that collects and delivers even a single package on the same day to a variety of retailers, including supermarkets, in specific regions. We will add value with swift delivery to meet demand for small-volume parcel delivery within regions, and meet demand for delivery for companies with physical stores. In food e-commerce, we will also handle delivery of prepared meals, and build and strengthen our relationships with manufacturers of frozen food. The new Matsubushi Center presents many opportunities, and we will upgrade our direct-from-the-farm support, online supermarkets, and food e-commerce logistics to create a new model for distribution.

Development Concept



Strategy

- 1 Expand sales to higher-quality supermarkets and food manufacturers
- 2 Establish direct-from-the-farm platform
- 3 Establish shared distribution terminals

Resolve customers' issues by building a next-generation, future-oriented center



AZ-COM MARUWA Group Businesses

As a logistics provider, the AZ-COM MARUWA Group specializes in 3PL operations in the retail sector. We approach our work with a sense of purpose, as we are well aware that logistics is essential to people's daily lives. We aim to be a group of logistics professionals who are able to support our customers in all facets of their operations.

Group Strengths
Ability to provide integrated, one-stop services

Contracting services for each of six major logistics functions, smooth management of flow of necessary goods (logistics) for customer companies

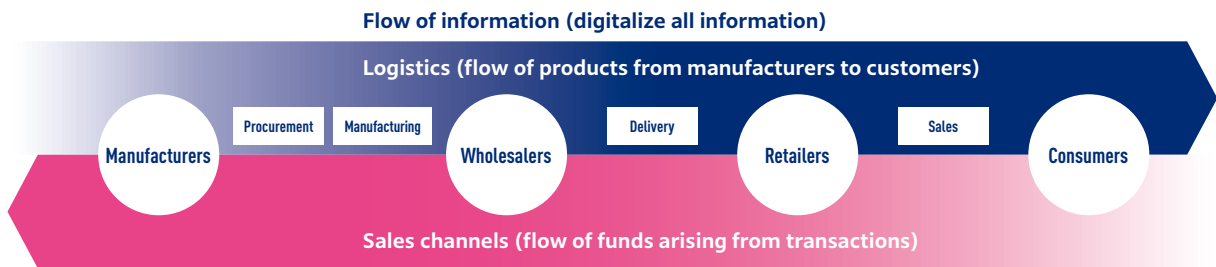


Logistics management business

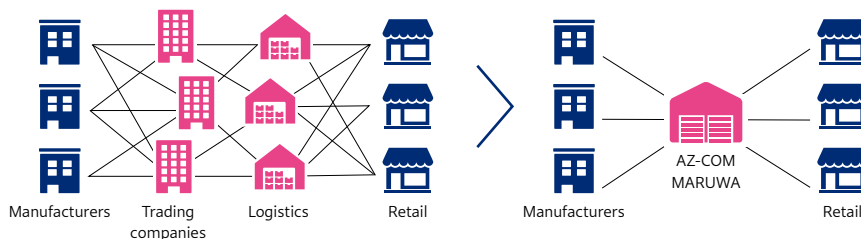


Logistics production business

Redesign the flow of goods (logistics) and create frameworks for quickly, efficiently and precisely supplying goods at low cost through the incorporation of cutting-edge technologies, such as AI and IoT



Produce smart logistics systems that a single company cannot manage on their own



Last-One-Mile Business



Drive Growth by Entering into New Delivery Areas and Acquiring More Vehicles

Business Strengths

The AZ-COM MARUWA Group has been working on its Last-One-Mile Business through such mediums as online supermarkets, and this business has expanded rapidly since entering the market in 2017. We started in major urban areas in the Kanto and Kansai regions, and have since expanded to small and medium towns and cities across Japan. As major online shopping companies expand their business, so does the volume of goods being moved. We are utilizing delivery management tools to optimize operations, as well as evolving delivery models to adapt to changes in consumer lifestyles, such as contactless and early morning deliveries. To revitalize more rural areas, we are actively hiring experienced locals in addition to young talent to operate our bases.

The Last-One-Mile Business, launched with new business partners in 2021, is steadily expanding its locations and delivery areas. By coordinating with our partners to allocate vehicles according to on- and off-peak times, we are able to engage an appropriate number of vehicles and reduce excess work hours. We will continue to evolve our business to adapt flexibly.

FY2024/3 Net sales

¥38,256 million

+ 7.5% year on year

Main Customers

- Amazon Japan G.K.
- CO-OP MIRAI
- Yamato Transport Co., Ltd., etc.

Market Environment

The proportion of purchases made in the e-commerce market has been steadily increasing, even after the COVID-19 pandemic, and we expect this market to continue expanding. The volume of goods handled is also increasing in line with our clients' sales. To ensure we have enough capacity for this growth, it is becoming necessary to open new large distribution centers every year and relocate medium centers.

On the other hand, the logistics industry is facing driver shortages in line with the "2024 Problem," which is also affecting light freight drivers and individual business owners. Public organizations are also implementing regulations on work hours and safety management, and the industry as a whole is reviewing their systems and working on these issues. In addition, there are more and more methods of delivery available, including by electric bicycle, delivery by hand truck from a centralized collection point, and delivery handled by individual stores, and we are actively expanding our operational models.

Review of FY2024/3

We opened seven new bases in Kanto, Kansai, and Tohoku, as well as in Okayama Prefecture. In Tohoku, we opened bases in all six prefectures, and are expanding in Okayama Prefecture, in the Chugoku region. We are continuing to experience solid performance and increasing volume from existing bases.

The number of operating vehicles is changing in line with improvements to delivery efficiency, and we are continuing to expand our business by taking advantage of these changes, increasing electric bicycles and entering into more delivery areas using hand trucks. There are many changes happening in the Last-One-Mile Business, but we are achieving growth by enhancing collaboration with our partners, securing delivery personnel, and developing management skills of our base employees.

Future Growth Strategy

We are actively securing directly contracted drivers, working to ensure a stable supply of operating vehicles, and regularly conducting training for base management staff to enhance their skillset. We will also review the structure of our back office to reveal issues and standardize work-processing skills, while simultaneously enhancing efficiency and reducing costs. We will also implement digital transformation for the back office, as well as secure and develop the necessary human resources to contribute to the Company and society, while striving to improve performance and reducing turnover.

We are also conducting various experimental changes to introduce electric vehicles and are working towards full implementation. The Company will continue to use more electric bicycles and hand trucks for delivery to help realize a sustainable society. We are steadily securing directly contracted drivers, and are also preparing for potential business risks in the future.

EC Ordinary-temperature Transportation Business

Increased Trunk Transportation to Handle EC Demand Growth

Business Strengths

One of the strengths of the EC Ordinary-temperature Transportation Business is that it offers varied transport and delivery services to customers across many areas, such as trunk transportation with large vehicles, transport and delivery services for retail stores mainly with medium vehicles, collection and delivery of road freight with small vehicles, and delivery and assembly of furniture and appliances. In addition, this business can handle frozen, refrigerated, and ordinary temperature products, and its share of transport and delivery of food and medicines is increasing. Until 2023, the business also handled storage, sorting, and delivery for COVID-19 vaccines, which were logistically challenging due to their specific temperature needs. Members of the AZ-COM MARUWA Support Network majorly contributed to making this possible. This business' greatest strength is its ability to collaborate on a deep level with member organizations nationwide and fulfill various needs.

FY2024/3 Net sales

¥59,529 million

+ 4.5% year on year

Main Customers

- Yamato Transport Co., Ltd.
- Amazon Japan G.K.
- PALTAC CORPORATION, etc.

Market Environment

Our main target customers are EC businesses and wholesale and retail companies. Many of our clients boast high market shares in their respective categories and have high potential for growth, but there are many challenging aspects to the market as a whole. Consumer sentiment is on the decline with rising prices, and changes in customer strategy policies as well as corporate mergers and discontinuations can have an immediate impact on shipping volumes.

In addition to the chronic shortage of drivers, the logistics industry is facing the "2024 Problem," which refers to a reduced transportation capacity due to restrictions on overtime. High fuel and other costs also cannot be ignored. Against this backdrop, we are focused on ensuring sustainable transport capacity by increasing productivity through DX and working with customers to reduce waiting time and relax delivery conditions.

Review of FY2024/3

To address the "2024 Problem" facing the logistics industry, we worked on three measures: developing transportation bases, strengthening recruitment and training of drivers, and eliminating long drive times. To develop transportation bases, we focused on work that generated long idle times and set up offices near loading areas to reduce wasted time. We have opened four such offices as of March 2024. To secure personnel, we have successfully recruited around 500 drivers over the past five years. There's not much that the Company can do from a management perspective to reduce long drive times.

However, we have started to address this issue by discussing the reality of the current situation with our customers, exploring the true cause, and considering how we can work together to improve it. We also saw positive examples in which alternate transport methods, such as air transport, were able to both reduce truck drive times and enable our customers to be more flexible in their production plans.

Future Growth Strategy

Our top priority in creating a foundation for growth is recruiting, developing, and retaining human resources. We are formulating and implementing various measures to create attractive departments. We manage drivers individually based on their skills and goals to ensure compatible workstyles. We have also introduced health support apps and regular brain checkups so that employees can continue working over the long term and their families can feel at ease. These initiatives can also be implemented at companies which are part of the AZ-COM MARUWA Support Network.

Simultaneously, to improve productivity, we are actively investing in transport and delivery DX and are building an integrated vehicle dispatch center. There is still room for improvement in the current vehicle dispatch system at our offices. As an example, it is less than optimal if there are multiple vehicles from different offices driving in the same direction. We will analyze these challenges even further to increase productivity, grow our customer base, and realize steady growth.

EC Ordinary-temperature 3PL Business



Opening New Centers and Providing Support for Increased Volume of Business Partners

Business Strengths

The strengths of the EC Ordinary-temperature 3PL Business stem from its dedicated centers for major e-commerce websites and handling of room temperature logistics for retailers, as well as its ability to handle a wide variety of diverse products.

We have built a low-cost, high-quality management model by optimizing operations (work productivity and storage efficiency) through benchmarking by using the 5S (safety management and standardization) cultivated at dedicated centers for EC sites, hourly accounting (hourly PDCA cycle), and gathering data for each process within the business. This has been very well received by our clients and we have achieved year-on-year growth of over 25%. One of the strengths of this business is our experience and systems that enable us to open large-scale (33,000 m²-scale) logistics centers every two months.

FY2024/3 Net sales

¥54,553 million

+ 27.6% year on year

Main Customers

- Amazon Japan G.K.
- Duskin Co., Ltd., etc.

Market Environment

The growing shift to e-commerce has slowed slightly since its major growth during the COVID-19 pandemic, but it is still on an upward trend and the market is still expanding. In 2020, the AZ-COM MARUWA Group acquired Japan Logistics Development Co., Ltd, and in 2022 acquired PHYZ Holdings Inc. and MK LOGI Co., Ltd., which have strong EC logistics. These companies are beginning to demonstrate significant synergy within the Group.

These new Group companies are utilizing their operational expertise and capital strength, and some large-scale projects are already being commissioned and opened. The Group is also leveraging the human resources recruitment expertise held by PHYZ Holdings to strengthen its hiring capabilities for large-scale projects, which is necessary for stable operation with such projects.

Review of FY2024/3

We opened five dedicated centers (33,000 m²-scale) for major e-commerce sites across Japan. We have successfully established systems and acquired expertise that enable us to launch one center every two months in line with sales growth. The logistics industry is labor-intensive and still lacks standardization. We have created a system for this business that enables even young employees to get management experience with a small number of people (less than half the size of the other businesses) through standardization and hourly accounting.

As a result, more than 80% of employees at our centers have been with the Company for less than three years, with the center managers in their twenties. We believe that our greatest strength is that we have been able to create an environment in which young employees thrive and develop their careers.

Future Growth Strategy

We plan to open at least six new centers in the fiscal year ending March 31, 2025, and we are continuing to expand smoothly. Compared to the rest of the Company, young employees are more active and can become managers even in their twenties, so the turnover rate is lower than our average. We are currently implementing this development and management model in the EC & Ordinary-temperature 3PL business, and plan to eventually roll it out Companywide. The average age of workers in the logistics industry is over 40, so the Company's dynamic management of its centers is one of its strengths, especially with its many employees in their twenties, including one employee who, after gaining significant experience with center management at an early career stage, is now managing multiple bases. Going forward, we will train our employees who are in their 30s to use their experience to propose value to customers, and create a system that will empower us to expand new businesses even further.



Low-temperature Food 3PL Business

Contributing to Expanding the Scale of New Supermarkets through Logistics Centers

Business Strengths

As our biggest strength, we provide AZ-COM 7PL (Seven Performances Logistics), which facilitates management by enhancing product purchasing with direct-from-farm deliveries of fresh fruits and vegetables and improvements in product sorting and store operations through logistics with a focus on food supermarkets. From upstream food producers to downstream food supermarkets and online supermarkets, we comprehensively handle all of the logistics work throughout the supply chain. Truck transportation centered on the AZ-COM MARUWA Support Network is the means of transportation that supports these logistics operations. We have attained a modal mix for various types of transportation, including cool containers (Maruwa Tsuun), air cargo via ANA Cargo Inc., a business partner, and roll-on/roll-off ships.

FY2024/3 Net sales

¥22,068 million

+11.6% year on year

Main Customers

- Belc CO., LTD.
- CO-OP TOHOKU SUNNET BUSINESS ALLIANCE
- MARUAI Inc.
- Yamazawa Co., Ltd.
- Beisia Co., Ltd.
- Mammy Mart Corporation, etc.

Market Environment

The market environment for supermarkets is becoming increasingly more competitive as drugstores and other different businesses enter the fray, and there is a growing need to differentiate with trends leaning towards specialty products (farm-direct products, private brands, better prepared foods). There are also a number of changes to the environment surrounding the Company. These include: 1) increased amount of distribution of frozen foods, 2) increased demand for inventory bases to handle BCP, 3) diversification of products, and 4) increasing need to reduce logistics costs in light of rising prices.

The “2024 Problem” is growing within the industry as a whole, and we are seeing new issues and challenges. To address these challenges, we will continue to conduct R&D with our customers to improve logistics throughout society.

Review of FY2024/3

During fiscal 2023, we expanded our logistics center for a major supermarket that began operation in Misato-shi, Saitama Prefecture the previous year. Led by our business partner Kumamoto Daido Fruits and Vegetables, we hold production area seminars to connect producers with buyers, and together with ANA Cargo, we are developing and expanding our own brand of “Freshness Direct” products, which deliver merchandise from the production area to stores on the same day.

At each base across Japan, we are striving to improve and reform logistics centers towards sustainability to align with social changes, such as driver shortages anticipated with the “2024 Problem,” as well as to form solutions for issues like recruitment, rising fuel prices, and minimum wage. We will focus on coaching and training young employees to foster a workplace that motivates them to swiftly handle customer needs.

Future Growth Strategy

We are preparing to launch operations at AZ-COM Matsubushi (provisional name), one of Japan’s largest logistics centers that specializes in foods, planning to open the center in April 2025. At this logistics center, we aim to optimize the overall supply chain through advancements from the standpoint of food producers, wholesalers, and retailers, with vertical integration and horizontal collaboration of production, sales and distribution, a new business model for distribution. With an eye on expanding logistics for farm-direct fresh produce, an area where we excel, we will build a new direct-from-farm platform that ensures the integrity of the cold chain from producer to consumer.

Looking ahead, we plan to build a new logistics system that is sustainable while taking the initiative to give back to society by addressing BCP needs. For example, we will maximize seismic-isolation functions, advance DX, and work with the government on its ideas for smart logistics services, physical internet initiatives and the “white logistics” movement.

Medicine & Medical 3PL Business

Opened New Logistics Centers to Accommodate the Business Operations of Existing Customers, Including Drugstores

Business Strengths

The Medicine & Medical 3PL Business (3PL for drugstores) has six shipment centers and one return center in Japan, including a new center in Nagoya opened in February 2024.

We are able to provide uniform and consistent services to customers and vendors alike. In addition, we offer high-quality logistics to customers through our hybrid centers that combine DC (inventory storage) and TC (pass through) functions as shipment formats at the centers. This is the basis of our strength and competitive advantage.

Market Environment

Prices are rising, but we expect growth in consumption of services as both domestic and international tourism demand recovers. We also expect a number of changes in sales and purchasing, such as reorganization within our customers' industries and a higher proportion of pharmaceutical EC. We must be sensitive to these changes to anticipate our customers' needs and continuously improve our logistics systems.

Review of FY2024/3

The steady operation of the newly launched AZ-COM MC Nagoya Center demonstrates good performance this year. On the other hand, there is still room for improvement in cost management, and going forward we will strive to further strengthen productivity and manage costs.

Future Growth Strategy

We are planning to open a new dedicated center for drugstores in Kyushu in February 2025. To smoothen the upstream-to-downstream supply chain logistics between manufacturers, wholesalers, and retailers, we will implement DX for transport and logistics centers to reduce labor and increase efficiency, while further improving productivity and quality in order to increase our value to customers.

FY2024/3 Net sales

¥21,562 million

+ 5.9% year on year

Main Customers

- MatsukiyoCocokara & Co.
- Alfresa Holdings Corporation, etc.

News

MC Fukuoka Center (provisional name)

Launch Scheduled for February 2025

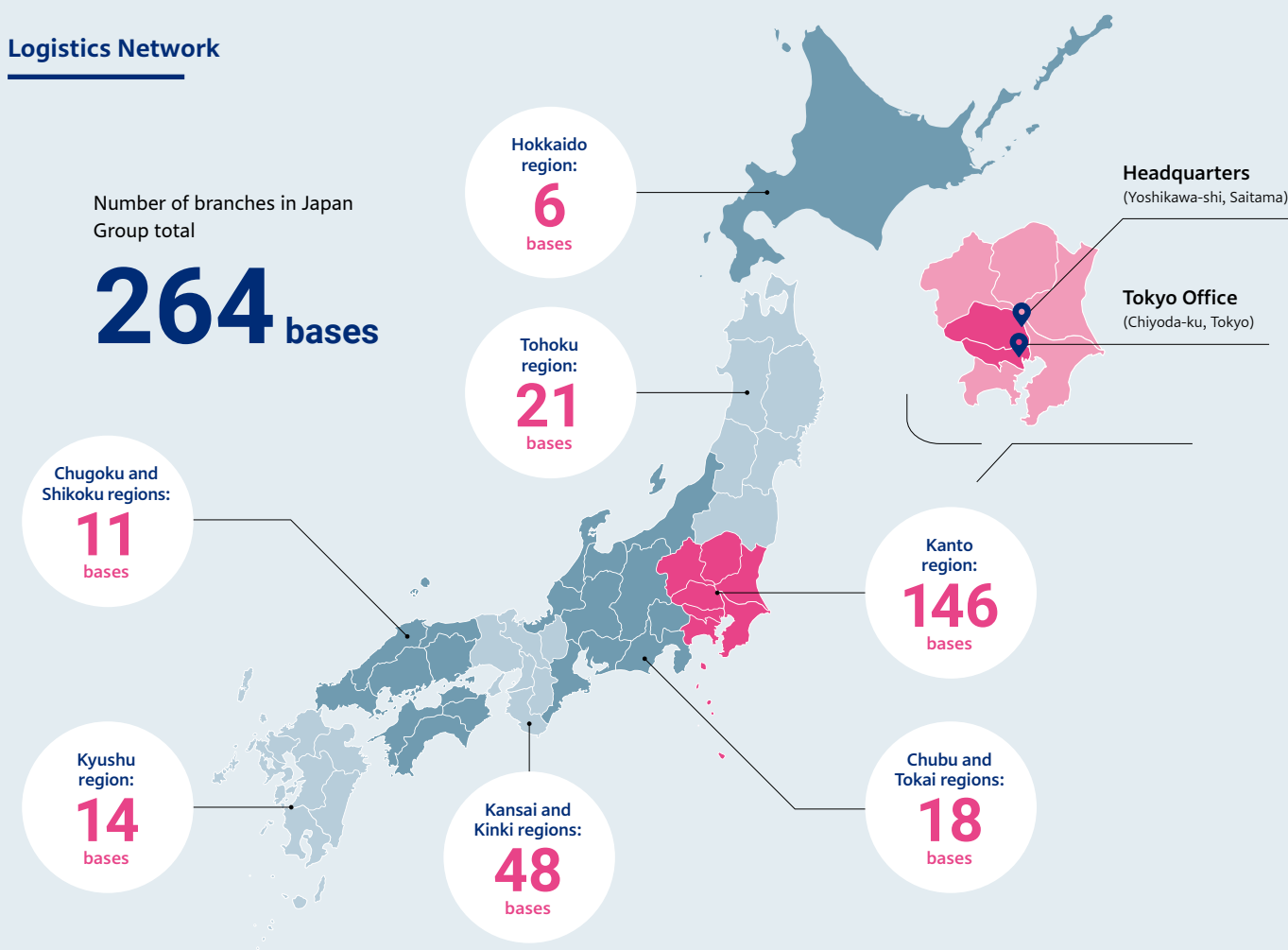
Building a Sophisticated Logistics Model for Pharmaceuticals

By opening and stably operating logistics centers, we aim to expand our business scale and further enhance our partnership with MatsukiyoCocokara & Co. We will contribute to our mutual prosperity and enduring development by helping to improve the effectiveness of measures to promote sales and reinforce merchandising functions while increasing logistics efficiency for MatsukiyoCocokara & Co.'s store management.



Company Outline and Share Information (As of March 31, 2024)

Logistics Network



Company Outline

Name	AZ-COM MARUWA Holdings Inc.
Headquarters	Asahi 7-1, Yoshikawa-shi, Saitama, Japan 342-0008
Head Sales Office	Asahi Momotaro 1-1-1, Yoshikawa-shi, Saitama, Japan 342-8505
Tokyo Office	Tekko Building 5F, Marunouchi 1-8-2, Chiyoda-ku, Tokyo, Japan 100-0005
Establishment	August 1973
Capital	¥9,117 million
Businesses	Management of Group companies, etc.
Employees	Consolidated 19,523 (including 14,486 part-time employees)

Share Information


Number of authorized shares:	192,000,000
Number of shares issued:	137,984,520
Number of shareholders:	13,409

Major Shareholders (Top 10)

Name of shareholder	Number of shares held	Ownership (%)
WASAMI Co., Ltd.	43,200,000	31.94
Masaru Wasami	27,667,880	20.46
The Master Trust Bank of Japan, Ltd. (trust account)	8,487,400	6.28
Custody Bank of Japan, Ltd. (trust account)	4,584,790	3.39
AZ-COM MARUWA Holdings Group Employee Shareholding Association	2,530,052	1.87
MatsukiyoCocokara & Co.	2,400,000	1.77
Duskin Co., Ltd.	1,600,000	1.18
Kamigumi Co., Ltd.	1,243,000	0.92
KIA FUND F149	1,048,000	0.77
Wasami Maruwa Foundation	1,000,000	0.74

Notes: The Company holds 2,748,868 shares of treasury stock, which are excluded from the above list of major shareholders. Ownership ratios are calculated excluding treasury stock.

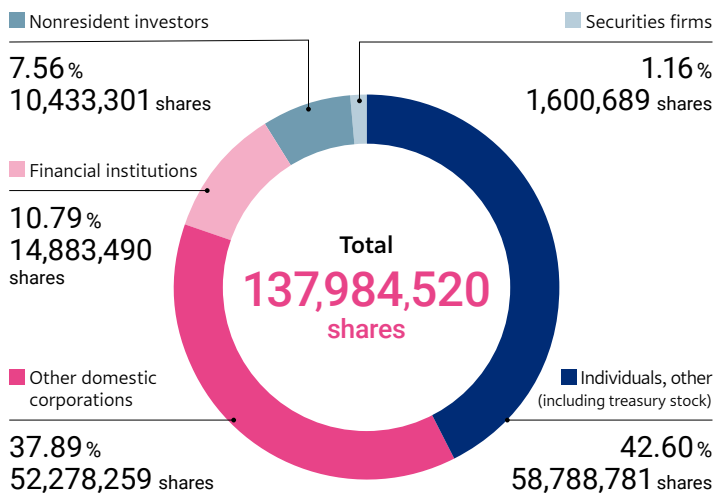
Major Consolidated Subsidiaries (As of June 26, 2024)

					
Company Name	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.
Address	Yoshikawa-shi, Saitama	Ishikari-shi, Hokkaido	Taihaku-ku, Sendai-shi, Miyagi	Obu-shi, Aichi	Ayabe-shi, Kyoto
President	Masaru Wasami	Kazuhiro Endo	Kenji Hirano	Masayuki Iizuka	Akira Yoshii

					
Company Name	CHUSHIKOKU MARUWA LOGISTICS, CO., LTD.	KYUSHU MARUWA LOGISTICS, CO., LTD.	Maruwa Tsun Co., Ltd.	Japan Quick Service Corporation	NS MARUWA LOGISTICS, CO., LTD.
Address	Kochi-shi, Kochi	Higashi-ku, Fukuoka-shi, Fukuoka	Arakawa-ku, Tokyo	Arakawa-ku, Tokyo	Arakawa-ku, Tokyo
President	Natsuhiko Tsukuhiji	Minoru Niinuma	Kazumi Kawada	Tsugio Wasami	Toshio Watanabe

				
Company Name	Japan Logistics Development Co., Ltd.	PHYZ Holdings Inc.	AZ-COM Data Security Co., Ltd.	MK LOGI Co., Ltd.
Address	Itabashi-ku, Tokyo	Kita-ku, Osaka-shi, Osaka	Chichibu-shi, Saitama	Kasuya-machi, Kasuya-gun, Fukuoka
President	Hiroyuki Kawasoko	Takashi Osawa	Sakae Tsuji	Masakazu Baba

Distribution of Shares by Owner Category



Editorial Policy

AZ-COM MARUWA Holdings publishes an integrated report to provide stakeholders with a deeper understanding of Group initiatives to create value on a sustainable basis. The report contains selections of basic information, financial data, management strategy and sustainability information that is of particular interest to investors. Information not in this integrated report can be found on the Company's website. Financial information is based on Japanese Generally Accepted Accounting Principles (J-GAAP).

Scope of Report

Period: Fiscal 2023 (April 1, 2023 to March 31, 2024)
Also referred to as FY2023 and FYE2024/3
Includes some information after April 2024
Coverage: AZ-COM MARUWA Holdings and its subsidiaries and affiliated companies

Referenced Guidelines

IFRS Foundation's International Integrated Reporting Framework
Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation

Cautionary Statement Regarding Forward-Looking Statements

This report contains forecasts related to the Company and plans and management targets for the future.

These forward-looking statements are based on the Company's assumptions about future developments and trends at this juncture, and there is no guarantee that these assumptions will always be accurate. For various reasons, actual results might differ considerably from statements in this report. The Company does not necessarily revise announcements regarding future prospects that it has already made, except when required by disclosure regulations, regardless of the occurrence of future events.



AZ-COM MARUWA Holdings Inc.