



President Ryoichi Kakui

e-LogiT Co., Ltd. (9327)



Company Information

Exchange	TSE JASDAQ
Industry	Warehousing and transportation-related business
President	Ryoichi Kakui
HQ Address	Murataya Building 5th floor, 68 Kanda Neribeicho, Chiyoda-ku, Tokyo
Year-end	March
URL	https://www.e-logit.com/

Stock Information

Share Price	Shares Outstanding (Term-end)	Market Cap.	ROE (Act.)	Trading Unit	
¥761	3,475,200 shares	¥2,644 million	9.6%	100 shares	
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
TBD	-	¥-106.54	-	¥605.03	1.3x

*Stock prices as of the close price of December 3, 2021. Share Outstanding, DPS and EPS are taken from the brief financial report for the second quarter of term ending March 2022. ROE and BPS are taken from the brief financial report for the term ended March 2021.

Earnings Trends

Fiscal Year	Net Sales	Operating income	Ordinary income	Net income	EPS	DPS
Mar. 2018 (Actual)	4,794	234	235	158	58.68	5.25
Mar. 2019 (Actual)	7,446	381	389	269	99.89	6.75
Mar. 2020 (Actual)	8,385	84	102	76	28.35	2.00
Mar. 2021 (Actual)	10,696	238	241	151	53.80	3.00
Mar. 2022 (Forecast)	11,720	-292	-286	-368	-106.54	TBD

* Unit: million-yen, yen. Estimates calculated by the company.

This Bridge Report introduces e-LogiT Co., Ltd.'s second quarter of the Fiscal Year Ending March 2022 Earnings Results, etc.

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Key Points

- The company offers all logistical services in one place as fulfillment service, mainly logistics agency service for mail-order companies, including product storage, picking, packing, and delivering. Their competitive advantage is their ability to flexibly respond to increases in shipment volume of shippers by utilizing Fulfillment Centers (FCs), which use a dominant marketing strategy. The company aims to make omni channel logistics, including physical stores in addition to mail-order logistics and e-commerce, as its business domain.
- In the second quarter of the term ending March 2022, net sales increased 8.0% year on year to 5,724 million yen. The number of new client companies increased 45 in the first half. The number of client companies increased 31 in the last term and the term before last, and new customer development progressed smoothly and largely in line with the plan. However, the shipment volume for existing customers fell below the initial forecast, resulting in a single digit increase in revenue. Gross profit declined 40.9% year on year. Cost of sales augmented due to packing and freight charges, rent for new franchisees, and an increase of personnel following the increase of clients. Gross profit margin also declined 5.0 points. An operating loss of 100 million yen was posted. The company was unable to absorb the 35.6% year on year increase in SG&A expenses, including personnel, training, and advertising costs. At the beginning of the term, the company had assumed an operating income of 19 million yen, but since sales did not reach the forecast, operating income also fell short.
- The company has downwardly revised its earnings forecasts for the term ending March 2022. Net sales are expected to increase by 9.6% year on year to 11,720 million yen, with an operating loss of 292 million yen.
- In terms of net sales, the sales of client companies' goods related to sports and concert events are expected to grow significantly after the lifting of restrictions on activities under the state of emergency. Demand from people staying at home was expected to drop after the lifting. However, even after the declaration of the state of emergency was lifted, restrictions on the number of visitors to events are still in place, and it remains uncertain when the restrictions will be fully lifted. In addition, demand from people staying at home gradually began to drop around August before the lifting of the state of emergency, and the decline has been greater than expected. FC sales consist of storage, cargo handling, and shipping fees per tsubo (= 3.3 m²), but cargo handling and shipping fees are decreasing due to a decrease in shipment volume.
- In terms of profit, the company is expecting to not be able to absorb the cost and rent of opening Saitama Soka Fulfillment Center, which was newly opened in June 2021, as well as the associated increase in personnel expenses, due to the downward revision of sales.
- Unfortunately, this was a significant downward revision, and the company is expected to post a loss. The company recognized that high fixed costs were an issue and set up the Recovery V Plan to reform its profit structure and become more efficient and resilient by reducing fixed costs. It will be interesting to see when the plan, which consists of three measures: (i) providing high value-added services, (ii) improving rental rate, and (iii) increasing productivity, will start producing effects.
- We hope that the company will take advantage of the expansion of the EC market, recover its business performance, and continue IR activities to regain the trust of investors as soon as possible.

1. Company Overview

The company offers not only logistics agency service that store, pick, pack, and deliver products for mail-order companies, but also operation agency service as a one-stop fulfillment service that provides customer support to help companies by operating their websites, including product photography, order processing, and response to inquiries, in order to meet the needs of mail-order companies and mail-order users (end customers).

The company holds a strong competitive advantage with their ability, which is called “response to surges”, to flexibly respond to increases in shipment volume of shippers by utilizing its FCs (Fulfillment Center) that implement the dominant strategy.

It aims to make omnichannel logistics, including physical stores in addition to mail-order logistics and e-commerce, its business domain.

【1-1 Corporate History】

The company was founded in February 2000 by President Kakui, with the aim of acting as the logistics agency and offering consulting on logistics operations for the internet mail-order companies.

Under the concept of “Strategic Logistics” (improving sales through logistics), the company achieves “sales-earning logistics” that persuades the end-users who purchase products to become repeat customers through its operational efficiency, stemming from various aggressive schemes and its in-house-developed Warehouse Management System (WMS), rather than being contented with being a simple subcontractor. The company’s business has been growing steadily with the enthusiastic support from its clients (shippers), and it was listed on the JASDAQ Market of the Tokyo Stock Exchange in March 2021.

【1-2 Corporate Philosophy】

The company set the following vision, mission, and value.

Vision	Staying ahead of changes to keep innovating experiences that move a person’s heart
Mission	<p>Aim to be the No.1 company in “creating heart moving experiences” that realizes high added value through</p> <ul style="list-style-type: none"> -Having a bird’s-eye view of distribution from a global perspective -Exploring solutions that help individual customers above all -Aiming to become a group of mail-order and retail logistics professionals -Utilizing innovative technologies
Value	<ul style="list-style-type: none"> -Always think and act ahead for customers and win their trust -Generate success with our massive proposal-making in collaboration with shippers -Keep learning and improving oneself with fresh eyes -Try it first and try it soon, then finish it with everyone’s effort -Enjoy your work with a humble and honest heart

Although the company’s clients are shippers, the company keeps at the heart of its management to bring the heart moving experiences gained from goods and services to the mail-order users (end customers) who purchase products on mail-order websites by delivering products quickly and carefully, and it believes that increased sales through the end users’ greater satisfaction and repeated purchases will lead to the shippers’ own greater satisfaction.

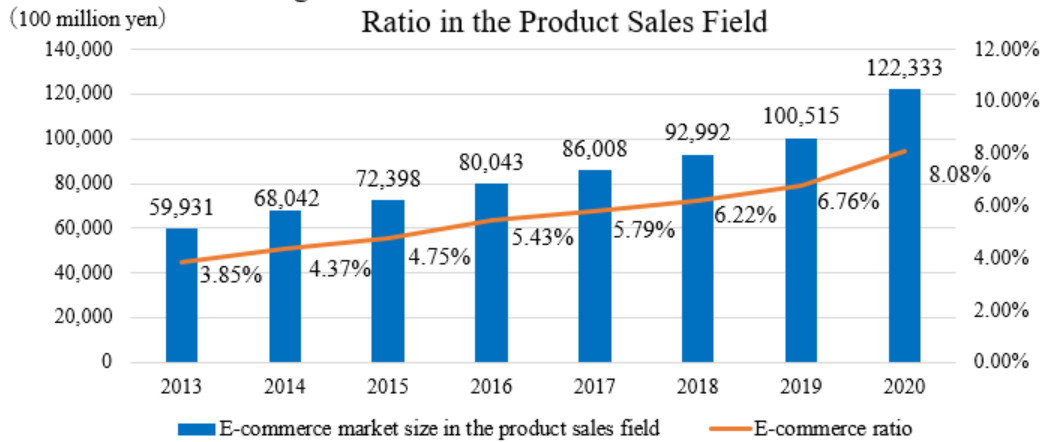
【1-3 Market Environment】

According to a report by the Ministry of Economy, Trade and Industry, the B2C-EC market size in the field of domestic goods sales was 12.2 trillion yen in 2020, representing the compound annual growth rate (CAGR) of 10.7% from 5,993 billion yen in 2013. In addition, the e-commerce ratio (the ratio of e-commerce market size against the entire commerce market size) continues to grow every year.

BRIDGE REPORT



Change in the B2C-EC Market Size and E-commerce Ratio in the Product Sales Field



(Created by Investment Bridge based on "Market Research on Electronic Commerce (July 2021)" by the Ministry of Economy, Trade and Industry)

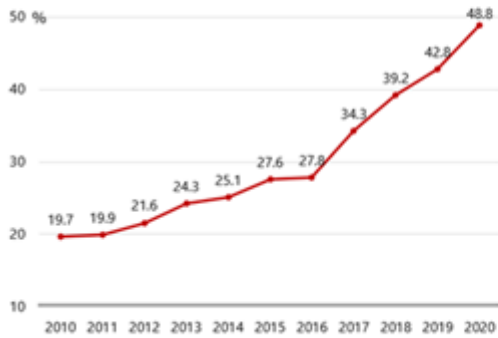
As this report and the company's data show, the use of online shopping sites is growing significantly due to the demand from housebound consumers caused by the spread of the COVID-19.

Behavior Change amid the COVID-19 Pandemic



Change in the percentage of households using online shopping sites (households of two or more)

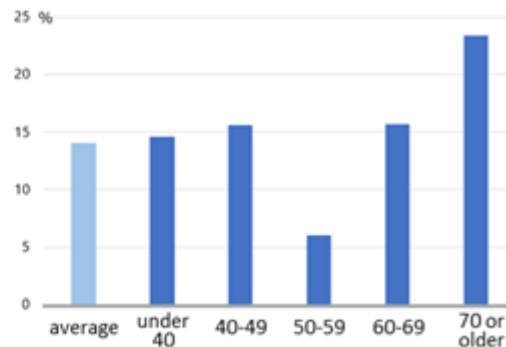
A huge increase in online shopping amid the pandemic



(Source: produced by the company based on the "Survey on Household Consumption" by the Ministry of Internal Affairs and Communications)

Rate of year-on-year nominal increase or decrease of online shopping expenditures in each age group of householders (households of two or more) — 2020

Internet shopping is growing even among consumers aged 70 years or older



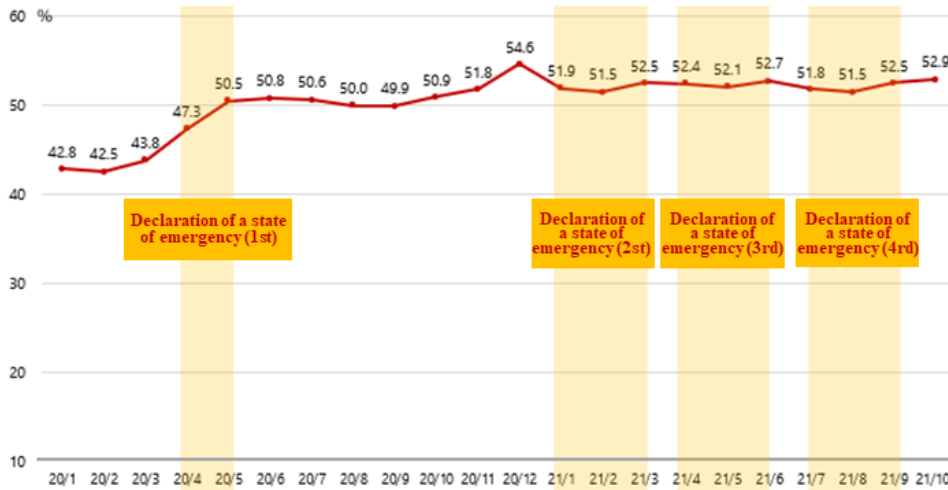
(Taken from the reference material of the company)

In addition, the percentage of the households (households of two or more) using online shopping has remained over 50% even after the first state of emergency in 2020 was lifted, and it can be seen that the increase in online shopping is not a transient consumption behavior.

Behavior Change amid the COVID-19

Change in the percentage of households using online shopping (households of two or more)

It can be seen that it is not a transient phenomenon as it remains at a high level even after the first declaration of a state of emergency was lifted.



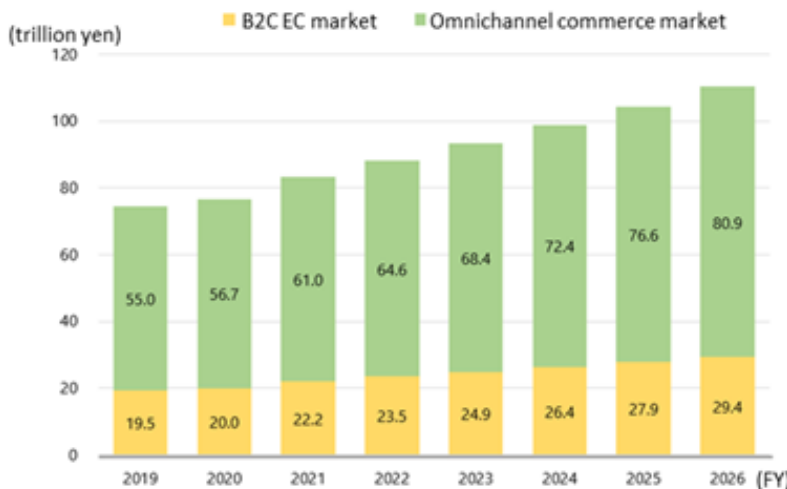
(Source: created by the company based on the "Survey on Household Consumption" by the Ministry of Internal Affairs and Communications)

(Taken from the reference material of the company)

The pace of expansion of the e-commerce market is expected to accelerate further due to the change of consumer behavior triggered by the COVID-19, the popularization and expansion of cashless payment, and the spread of D2C (Direct to Consumer) in which manufacturers sell their products directly to customers on e-commerce sites.

In an environment where the scale of the omnichannel commerce market is expected to reach 80 trillion yen, the company aims to make omnichannel logistics, including physical stores in addition to mail-order logistics and e-commerce, its business domain.

Market-size Forecasts of the Omnichannel Commerce Market and B2C EC Market in Japan



E-commerce market in FY 2020: 20 trillion yen

↓

E-commerce market in FY 2026: 30 trillion yen

+ Omnichannel commerce market 81 trillion yen

111 trillion yen

(Source: Created by the company based on "IT Navigator 2021" by Nomura Research Institute, Ltd.)

(Taken from the reference material of the company)

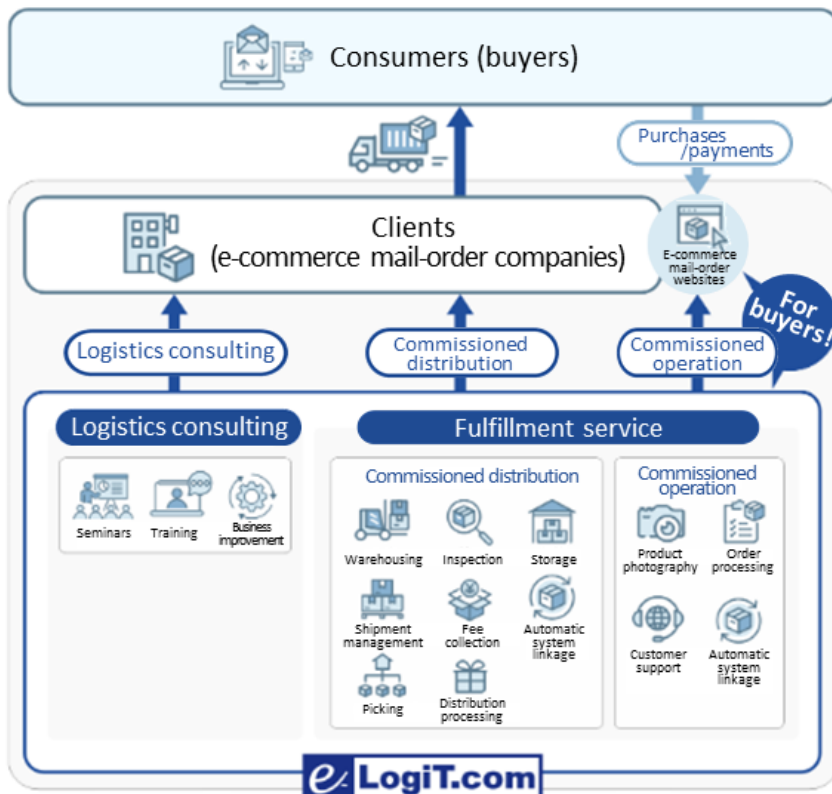
【1-4 Business Description】

(1) Outline of services

For mail-order companies that outsource logistics operations, the company mainly offers logistics agency service and operation agency service as one-stop fulfillment service that meets the needs of mail-order companies and mail-order users (end customers).

It also provides logistics consulting service to companies that operate logistics operations in-house.

The fulfillment service is a service that provides collective agency services related to the operation of mail-order websites, such as site construction, order processing, customer support, product management, logistics, delivery, and payment collection.



(Taken from the reference material of the company)

① Logistics Agency Service

At the request of mail-order companies, the company receives their products and undertakes a series of logistics operations such as product management, picking, distribution processing, packing, delivery, and payment collection.

◎ Core services

Services	Outline
Product management	Manages storing, quality, expiration date, quantity, etc. of products entrusted by mail-order companies. By cross-checking the data in the in-house developed e-LogiT WMS with the on-site surveys, it is possible to check the difference in expiration dates and quantities. Each mail-order company is given an account for the above system to continuously share data.
Picking	Picks up the items stored in the FC and transport them to the packing location. By utilizing QR code inspection etc., the company prevents shipment errors in the work process, and improves inspection accuracy to pick up products in a timely and appropriate manner.
Packing	Packs the products divided by delivery unit using packing materials such as cardboard.
Delivery	Delivers packaged goods to buyers through couriers.

◎ Optional services

Services	Outline
Distribution processing	Enhances the added value of products such as repackaging into smaller sizes, packaging of customized products*, and assembling of semi-finished products.
Fee collection	Undertakes the COD payment (fee collected at the point of delivery of goods by couriers) on behalf of the mail-order company. The company signs contracts with couriers to provide this service to mail-order companies.

*Customized products

Products that follow the unique packing instructions (message cards, campaign goods, appendix bundles, etc.) from mail-order companies, instead of being simply packaged and shipped.

② Operation Agency Service

At the request of mail-order companies, the company undertakes product photography, product data uploading, order processing, customer support, etc.

◎ Optional services

Services	Outline
Product photography	Takes photos and process images of products for mail-order sites.
Uploading product data	Uploads the images and product information to mail-order sites.
Order processing	Undertakes necessary processes for delivery, such as shipping instructions for orders from mail-order sites.
Customer support	Responds to inquiries from purchasers, prospective buyers, etc. via email and phone calls.

③ Logistics Consulting Service

By utilizing the knowledge accumulated through the experiences of the mail-order distribution business, the company offers year-long training programs for a flat rate, online training courses at the e-LogiT club, distribution insight and improvement seminars, and consulting for the mail-order distribution companies to improve the distribution forefront.

(2) Operation of FCs

As of June 2021, the company operates the following seven FCs as its bases for logistics agency service.

FC name	Area (tsubo)	Completion year and month
Tokyo FC (Edogawa-ku, Tokyo)	2,600	October 2010
Saitama FC (Yashio City, Saitama)	8,900	October 2014
Misato FC (Misato City, Saitama)	6,800	November 2017
Osaka FC (Osaka City, Osaka)	6,400	April 2019
Adachi FC (Adachi-ku, Tokyo)	8,400	April 2019
Narashino FC (Narashino City, Chiba)	4,700	January 2021
Saitama Soka FC (Soka City, Saitama)	7,400	June 2021

The second Osaka FC is scheduled to open in the term ending March 2023.

In opening a new FC, upfront investments for rental fees and material purchases will occur, but sales will increase year by year with the operation of new customers, and operating income will usually turn positive from the third year after opening to contribute to earnings.

In addition, the negative impact of upfront investments on profits will be mitigated as the ratio of new FCs to existing FCs decreases.

[1-5 Characteristics and Strengths]

The company entrusted with outsourcing logistics operations boasts the following strengths and advantages.

(1) Domination with large distribution centers

When opening a FC, the company aims for a floor area of about 5,000 tsubo (1 tsubo = approximately 3.3 square meters). This is much larger than those of other companies' mail-order distribution centers, which tends to be in the 1,000-2,000 tsubo range.

In the Kanto area, the company is going forward with its dominant strategy by keeping the FCs within 20 km of each other when opening a new one.

◎ Dominant Strategy: the source of the company's largest competitive advantage, the capability to respond to surges

Through the domination with large-scale FCs, it is possible to respond to the sudden surge in sales of e-commerce mail-order companies.

The company terms this as the **"response to surges."**

For example, if the shipper X conducts promotional campaigns and product shipment volume increases rapidly, the company will mostly respond in the following three ways:

① Moves shipments within FC

Temporarily moves and stores shipper X's goods to other shipper's work area with enough room within the same FC.

② Moves shipments to nearby FCs

If there are no room in other shippers' work areas, move the shipper X's goods to the nearby FC and continue working there. A typical response to cases such as the year-end calendar shipments.

③ Personnel support from nearby FCs

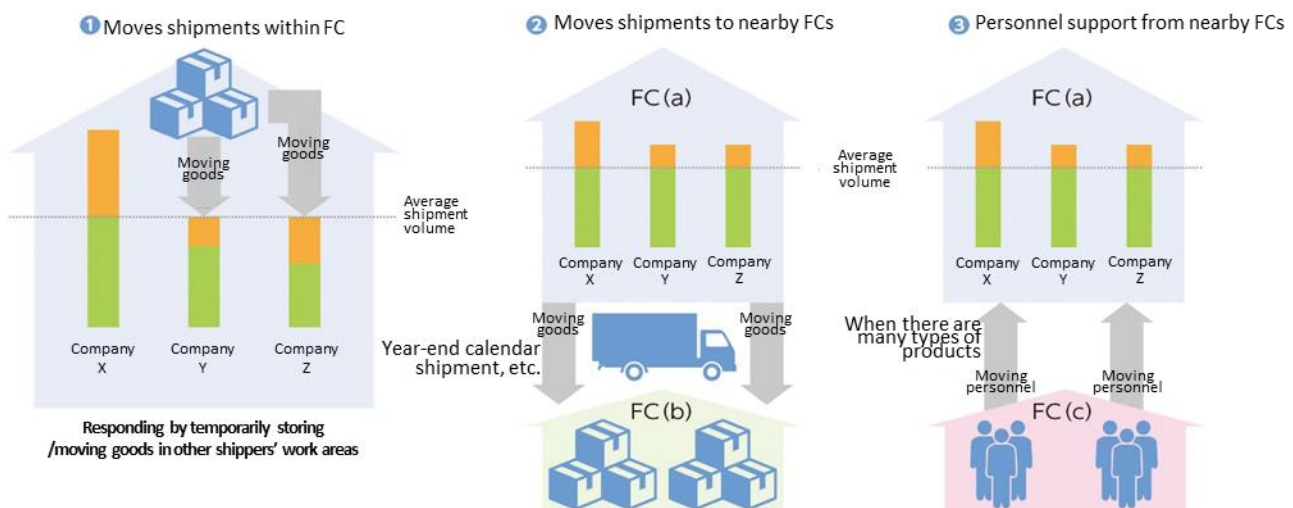
When dealing with many types of products at once, it may not be efficient to move the products, so staff from nearby FCs would be called in to support them.

Since increase in shipment volume can manifest itself in many different ways, the company will take appropriate measures according to the situation each time, but response ① is able because of their large-scale FC, and responses ② and ③ are able because of their domination which keeps the distances between FCs at 20 km or less.

While securing sales by shipping goods as requested by shippers, the company also achieves reductions in delivery costs and shortens lead times, and this **"response to surges"** is the company's biggest competitive advantage and the company plans to further brush up this asset in the future.

By deploying dominant large-scale FCs, it is possible to respond to sudden sales increases of e-commerce mail-order companies (response to surges)

Ex.) Shipper X implements promotional campaign and the shipment volume of products increases



(Taken from the reference material of the company)

(2) Mass-customization

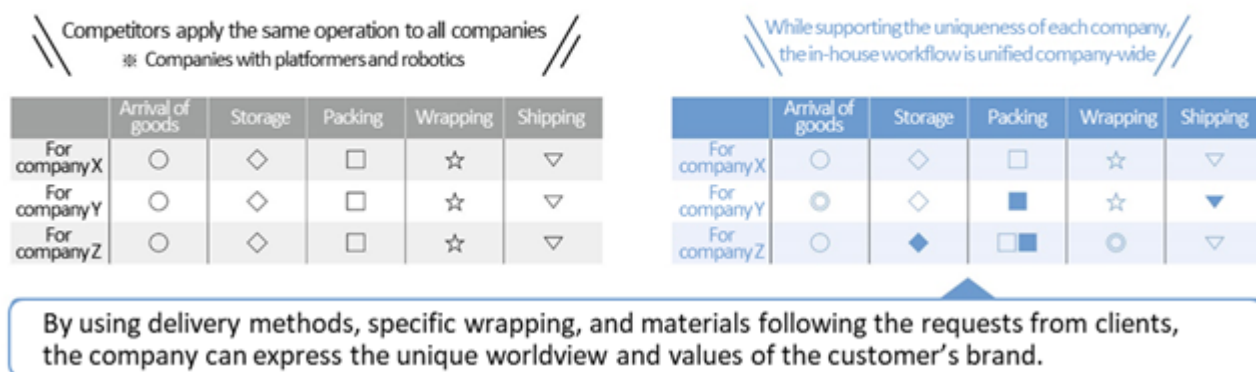
In each step of logistics — arrival of goods, storage, packing, wrapping, and shipping — other companies in the same industry, especially major operators that use platformers and robotics for efficiency improvement, tend to apply the same operation to all shippers.

In contrast, the company is supporting the uniqueness of each shipper, while the underlying workflow is unified company-wide.

This enables the company to help express the unique worldview and values of the clients’ brands by using delivery methods, specific wrapping, and materials according to the shipper’s request. Since the workflow is unified company-wide, efficiency is maintained.

This is the unique initiative of the company aiming to be **No.1 in “creating heart moving experiences”** as seen in its Mission.

Work to improve product value, cooperating in adding uniqueness of customers’ e-commerce mail-order



(Taken from the reference material of the company)

(3) IT × Logistics

The company has developed its own WMS (Warehouse Management System) software that manages product information in the warehouse such as the storage location, expiration date, arrival and shipment of goods, and quantity.

By linking with the mail-order cart systems, that is aligned with the specifications of the mail-order sites of multiple e-commerce mail-order companies (shippers), the complicated inventory management is performed by the system.

In addition, since it is manufactured in-house by the company’s system department, it can be flexibly linked with the system environment of the e-commerce mail-order companies, and a smooth start-up is possible. The company is also active in introducing new services, and is rigorously pursuing improvements in logistics services as well as quality services by utilizing IT.

(4) Specializing in mail-order logistics to hone knowledge

In the 21 years since its establishment, the company gradually developed its services centered on mail-order logistics agency service, learnt how to deal with the high-mix low-volume logistics, which is considered difficult, and has been accumulating experiences and knowledge with diverse items such as car supplies, apparel, supplements, cosmetics, and wine. In addition, the company has honed its knowledge through on-site practice and logistics consulting.

The accumulation of such trust, credibility, and knowledge are highly valued, and the customer base continues to widen as the existing customers brings in many new customers.

Its accumulated knowledge and strong customer base should be evaluated as the company’s invisible assets.

(5) Emphasis on the front line

At every FC, all staff members are always aware of quality and improvement.

The company realizes and maintains high quality by thoroughly sticking with accomplishing each normal task perfectly. When a problem such as a shipment error occurs, the company thoroughly investigates the cause, makes improvements, and makes sure to share the findings with all staff members.

In addition, the company actively takes up the improvement proposals from on-site staff involved in various processes, and the number of improvement proposals exceeds 7,200 annually.

The company also trains and educates logistics personnel who offer their services both inside and outside the company. It also hosts courses to help its employees to pass the business and career certification exams sponsored by the Ministry of Health, Labor and Welfare, and for this reason, many of its employees hold these qualifications.

【1-6 Growth Strategy】

The company aims to increase sales and profits by strengthening the three pillars below for meeting customer needs.

(1) Value-chain development

The value-chain covers the front-end (web marketing, etc.) and the back-end (repurchase promotion) processes of fulfillment, and improves the customer journey* that the mail-order companies are conscious of, which in turn offers solutions that lead prospective customers to their actual customers.

*Customer journey

A series of experiences that a customer follows — from the encounter with a product or service to actually purchasing/using it with the intention to purchase/use it — is perceived as a “journey.”

For a mail-order company to turn prospective customers into actual customers and fans of its products, it is necessary to manage the customer experience throughout the “journey” that the customer follows. To manage the customer experience efficiently and to take appropriate marketing measures, it is necessary to create a customer journey map that visualizes and captures its pathway.

(2) Expanding target customers/areas

The company will expand services in the promising markets such as D2C to continue increasing new customers. It is also considering overseas expansion such as the rapidly growing ASEAN region.

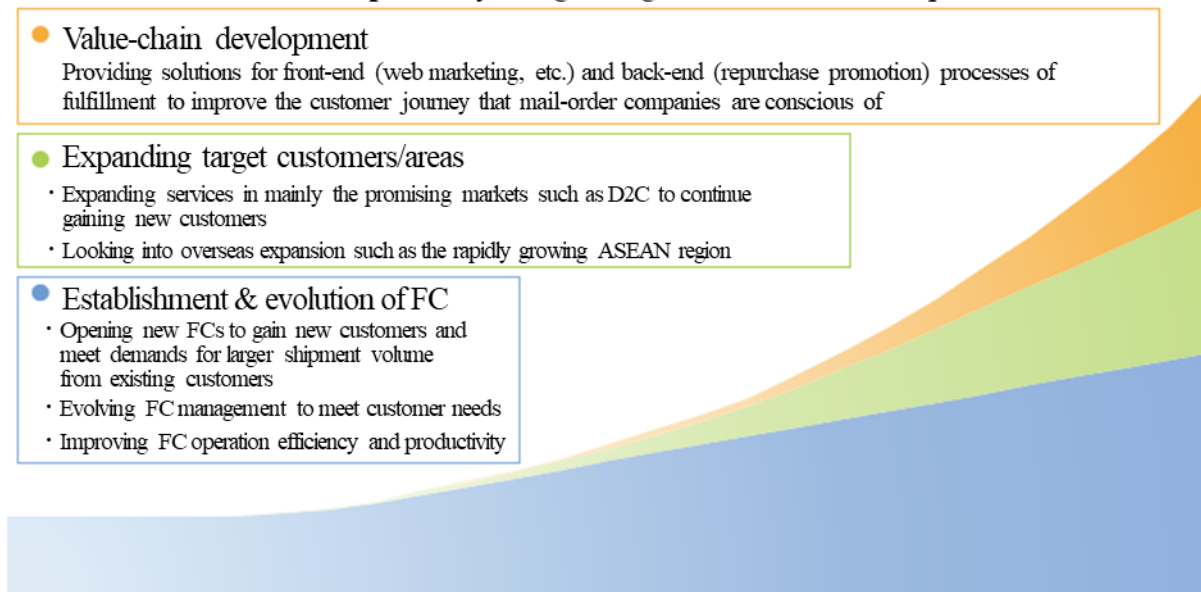
(3) Establishment & evolution of FC

To gain new customers as well as coping with the increase in the existing customers’ shipment volume, the company will continue to open new FCs.

It also intends to keep improving the FC management to meet customer needs and aims to improve the efficiency and productivity of FC operation.

Growth strategy

We aim to increase sales and profits by strengthening the three axes that respond to customer needs.



(Taken from the reference material of the company)

In addition to the conventional mail-order logistics and e-commerce, the company intends to make the omnichannel market including actual stores its business domain, and is working to secure management resources for that purpose.

【1-7 Shareholder Return】

The company recognizes that shareholder return is an important management issue. However, being currently in the process of growth and in need of making upfront investments such as leasing new FCs and purchasing equipment to expand its business scale, it also recognizes the necessity to keep enhancing its internal reserve.

Therefore, the company will take into consideration of the economic trends, business results, financial conditions, etc. comprehensively, and aims to continue with its shareholder return policy to pay stable dividends with a dividend payout ratio of 30%.

2. The Second Quarter of Fiscal Year ending March 2022 Earnings Results

(1) Overview of business results (Non-consolidated)

	2Q of FY 3/21	Ratio to sales	2Q of FY 3/22	Ratio to sales	YoY
Sales	5,302	100.0%	5,724	100.0%	+8.0%
Gross profit	471	8.9%	278	4.9%	-40.9%
SG&A	279	5.3%	378	6.6%	+35.6%
Operating Income	191	3.6%	-100	-	-
Ordinary Income	192	3.6%	-94	-	-
Net Income	119	2.2%	-168	-	-

* Unit: million yen. 2Q of FY 3/21 is taken from the reference material of the company (It isn't subject to quarterly review by an auditing firm).

Posted a loss as the cost increase, despite increase of sales

In the second quarter of the term ending March 2022, net sales increased 8.0% year on year to 5,724 million yen. The number of new client companies increased 45 in the first half. The number of client companies increased 31 in the last term and the term before last, and new customer development progressed smoothly and largely in line with the plan. However, the shipment volume for existing customers fell below the initial forecast, resulting in a single digit increase in revenue. Gross profit declined 40.9% year on year. Cost of sales augmented due to packing and freight charges, rent for new franchisees, and an increase of personnel following the increase of clients. Gross profit margin also declined 5.0 points. An operating loss of 100 million yen was posted. The company was unable to absorb the 35.6% year on year increase in SG&A expenses, including personnel, training, and advertising costs. At the beginning of the term, the company had assumed an operating income of 19 million yen, but since sales did not reach the forecast, operating income also fell short.

(2) Financial position and cash flow

◎ Main Balance Sheet

	End of Mar. 2021	End of Sep. 2021	Increase/ decrease		End of Mar. 2021	End of Sep. 2021	Increase/ decrease
Current Assets	3,459	3,333	-125	Current Liabilities	2,314	2,346	+32
Cash and Deposits	2,249	2,103	-145	Trade Payables	726	723	-3
Trade Receivables	981	986	+4	ST Interest-Bearing Debts	93	171	+78
Noncurrent Assets	1,557	1,663	+106	Noncurrent Liabilities	645	714	+69
Tangible Assets	470	488	+17	LT Interest-Bearing Debts	471	535	+64
Investment, Other Assets	1,074	1,163	+88	Total Liabilities	2,959	3,061	+101
Total Assets	5,016	4,997	-18	Net Assets	2,057	1,936	-120
				Total Liabilities and Net Assets	5,016	4,997	-18

* Unit: million yen.

Total assets decreased by 18 million yen from the end of the previous term to 4,997 million yen due to a decrease in cash and deposits.

Total liabilities increased 101 million yen from the end of the previous term to 3,061 million yen due to mainly increases in long-term and short-term loans payable.

Net assets decreased by 120 million yen to 1,936 million yen due to decreases in retained earnings

Equity ratio decreased by 2.3 points from the end of the previous term to 38.7%.

◎ Cash Flow

	2Q of FY 3/22
Operating CF	-136
Investing CF	-197
Free CF	-334
Financing CF	188
Cash and equivalents	2,103

* Unit: million yen.

Free cash flow was negative due to quarterly net loss before taxes and payment of guarantee deposits in connection with the opening of new franchise.

Financial CF was positive due to revenues from long-term debt and stock issuance.

(3) Topics

◎ Selecting the new market category Standard Market

In July 2021, the company received the results of the initial assessment of compliance with the listing maintenance standards for the new market category from the Tokyo Stock Exchange and confirmed that the company complied with the listing maintenance standards for the new market category Standard Market.

In response, the company decided to select the Standard Market as the new Tokyo Stock Exchange market category.

The company will now proceed with the prescribed procedures related to the application for the selection of the new market category in accordance with the application schedule set by the Tokyo Stock Exchange.

3. Fiscal Year ending March 2022 Earnings Forecasts

【3-1 Earnings Forecasts】

	FY 3/21	Ratio to sales	FY 3/22 Est.	Ratio to sales	YoY	Revised rate
Sales	10,696	100.0%	11,720	100.0%	+9.6%	-13.7%
Operating Income	238	2.2%	-292	-	-	-
Ordinary Income	241	2.3%	-286	-	-	-
Net Income	151	1.4%	-368	-	-	-

* Unit: million-yen. Estimates are calculated by the company.

Downwardly revised earning forecast

The company has revised its financial forecast downward. Sales are expected to increase by 9.6% year on year to 11,720 million yen, and operating loss is expected to be 292 million yen.

(Sales)

*Assumption

Among customers, sales of goods related to sports and concert events are expected to grow significantly after the lifting of restrictions on activities such as the declaration of a state of emergency.

Demand for nesting is expected to rebound after the lifting of the restrictions.

*Current situation

Restrictions on the number of visitors to events will continue even after the declaration of the state of emergency is lifted, and 100% admission is uncertain.

The decline in demand for nesting began gradually in August, prior to the lifting of the emergency declaration, and the extent of the decline is greater than expected.

FC sales consist of storage fees per tsubo, cargo handling fees, and shipping and handling fees, etc. However, cargo handling fees and shipping and handling fees are decreasing due to a decrease in shipment volume.

(Profit)

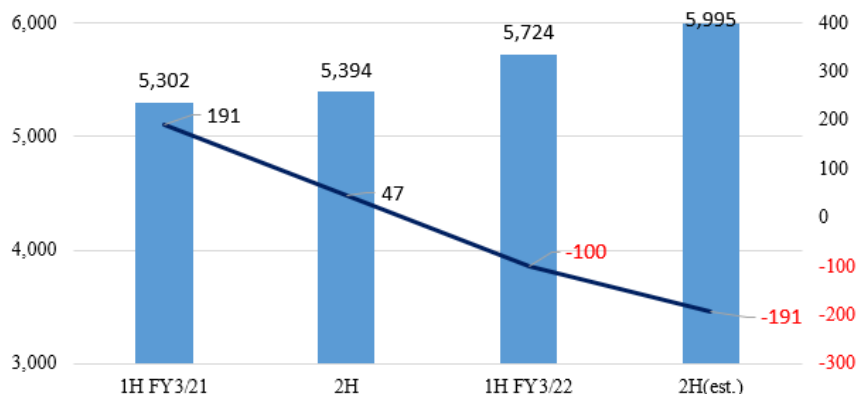
As a result of the downward revision to sales, the company does not expect to be able to absorb the cost of opening the new Saitama Soka Fulfillment Center, which opened in June 2021, as well as rent and associated labor costs.

The dividend is still to be determined.

BRIDGE REPORT



Trends of Sales and Operating Income (Unit: million yen)



(Created by Investment Bridge based on materials of the company)

【3-2 Response】

By reducing fixed costs, the company aims to reform its revenue structure and become more efficient and resilient. Specifically, the following three measures will be promoted as the Recovery V Plan.

① Providing high value-added services

To provide high value-added services such as an operation agency service.

② Increasing rental rate

To utilize Nestainers (steel storage shelves and racks), etc., and utilize the resulting vacant space for subleasing, etc., to improve space efficiency.

③ Increasing productivity

To optimize the allocation of personnel by improving productivity through the installation of automated equipment and other measures.

【3-3 Major Medium to Long-term Policies】

Despite the downward revision of business performance, as mentioned in the "Market Environment" section, the company will promote the following measures, as the further expansion of the B to C-EC market is expected.

Strengthening on-site capabilities	-Improving the management capabilities of leaders -Recruitment of new graduates centered on university graduates and formulation of educational programs
Strengthening marketing capabilities	-Opening of new FCs -Further improvement of push marketing as well as pull marketing -Further expansion of sales per tsubo of FC (Currently, monthly sales per tsubo are 23,000 yen, but based on the experience so far, there is room to increase it to 33,000 yen)
Increasing sales from existing customers	-Further strengthening the capability to respond to surges through the dominant marketing strategy of using FCs -Improving customer satisfaction by expanding operating agency service -Fine-tuning the customer journey

4. Conclusions

Unfortunately, this was a significant downward revision, and the company is expected to post a loss. The company recognized that high fixed costs were an issue and set up the Recovery V Plan to reform its profit structure and become more efficient and resilient by reducing fixed costs. It will be interesting to see when the plan, which consists of three measures: (i) providing high value-added services, (ii) improving rental rate, and (iii) increasing productivity, will start producing effects.

We hope that the company will take advantage of the expansion of the EC market, recover its business performance, and continue IR activities to regain the trust of investors as soon as possible.

<Reference: Regarding Corporate Governance>

◎ Organization Type and the Composition of Directors and Auditors

Organization type	Company with corporate auditor(s)
Directors	4 directors, including 2 outside ones
Auditors	3 auditors, including 3 outside ones

◎ Corporate Governance Report

Last updated on Nov. 26, 2021.

<Basic Policy>

The Company aims to maximize its corporate value by achieving sustainable business growth based on the following vision, mission and values.

◆ Vision

To anticipate change and continue to evolve emotional experience of people.

◆ Mission

- To grasp distribution from a global perspective
- To seek solutions useful to future customers before anyone else
- To become a professional group of mail order/retail logistics
- To become the No. 1 company in "creating excitement" by achieving high added value using innovative technology

◆ Value

- To constantly think and act for the benefit of the future customers, and become a trusted figure
- To create success together with shippers through overwhelming proposal capabilities
- To continuously learn and make self-improvement with new viewpoints
- To act quickly, try first, and work together to complete each task
- To enjoy work with a humble and honest heart

Based on this vision, mission, and values, we will strive to select, improve, and strengthen the most appropriate business management system in order to respond quickly to changes in the business environment, build a highly transparent corporate governance system that includes thorough compliance and appropriate information disclosure, and fulfill our corporate social responsibility.

By implementing these measures, we will earn the trust of all our stakeholders, including customers, business partners, shareholders, investors, employees, and local communities, and build good relationships with them.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code >

Principles	Reasons for not implementing the principles
<p>【Principle 2-4: Ensuring diversity within the company, including the promotion of women's activities】 Supplementary Principle 2-4 ①</p>	<p>We recognize the importance of ensuring diversity in the appointment of core personnel, and our basic policy is to develop human resources and promote them to management positions based on fair and impartial evaluations without distinguishing between women, non-Japanese, and mid-career hires, and to assign the right personnel to the right positions as necessary. For this reason, we have not set targets for specific genders or races. We will continue to review the medium-and long-term human resource development policy and internal environment improvement policy.</p>
<p>【Principle 4-2: Roles and Responsibilities of the Board of Directors (2)】 Supplementary Principle 4-2 ②</p>	<p>Based on our Vision, Mission, and Values, our basic policy is to respect dialogue with all stakeholders, including customers, business partners, shareholders, investors, employees, and local communities, and to play an active role in building a sustainable society while striving to enhance our corporate value. Investment in human capital and intellectual property, etc. is as described in the Supplementary Principle 3-1 ③. Supervision of the allocation of these and other management resources and the implementation of strategies related to the business portfolio will be discussed in the future in conjunction with the medium-term management plan and other plans.</p>

<Disclosure Based on the Principles of the Corporate Governance Code >

Principles	Reasons for not implementing the principles
[Principle 1-4 Strategically held shares]	Our company currently does not hold any strategically held shares and has no plans to do so in the future, so we have not established a policy.
[Principle 5-1 Policy on constructive dialogue with shareholders]	<p>To contribute to sustainable growth and the enhancement of corporate value over the medium to long term, our company will engage in constructive dialogue with shareholders at the General Meeting of Shareholders and at various other opportunities.</p> <p>-We will strive to enhance our IR activities to gain a better understanding of our management philosophy, management strategies, and business performance.</p> <p>-The President oversees the overall dialogue, which is conducted in consultation with senior management as needed.</p> <p>-The department in charge of IR handles individual meetings with shareholders. In addition, after confirming the requests of the shareholders and the purpose of the meeting, the senior management will meet with shareholders as necessary and take appropriate action within reasonable limits.</p> <p>-To promote constructive dialogue with shareholders, the IR department and related departments exchange opinions and share information on a regular basis, and work in close cooperation.</p> <p>-Our company provides feedback to the Board of Directors, etc. on useful opinions and requests obtained through dialogue with shareholders as appropriate.</p> <p>-We will conduct periodic surveys of our shareholder composition, and based on the results, we will strive to enhance communication in an appropriate manner tailored to our shareholders.</p> <p>-In dialogue with shareholders, we will comply with laws, regulations, and related rules, and strive to prevent the leakage of insider information.</p>

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