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|  President and CEO Ryoichi Kakui | e-LogiT Co., Ltd. (9327) |
| |  |

Company Information

| | |
|-------------------|---|
| Exchange | TSE Standard |
| Industry | Warehousing and transportation-related business |
| President and CEO | 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 | |
|-------------|-------------------------------|----------------|------------|--------------|------------|
| ¥689 | 3,500,000 shares | ¥2,411 million | -17.9% | 100 shares | |
| DPS (Est.) | Dividend Yield (Est.) | EPS (Est.) | PER (Est.) | BPS (Act.) | PBR (Act.) |
| TBD | - | ¥20.41 | 33.8x | ¥507.61 | 1.4x |

*Stock prices as of the close price on December 12, 2022. Number of shares outstanding, DPS and EPS are from the brief financial report for the second quarter of fiscal year ending March 2023. ROE and BPS are based on the actual results of the previous term end.

Earnings Trends

| Fiscal Year | Net Sales | Operating income | Ordinary income | Net income | EPS | DPS |
|----------------------|-----------|------------------|-----------------|------------|--------|------|
| 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 (Actual) | 12,208 | -195 | -190 | -342 | -98.80 | 0.00 |
| Mar. 2023 (Forecast) | 13,342 | 101 | 102 | 71 | 20.41 | 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 2023 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 e-commerce mail-order companies, including product storage, picking, packing, and delivering. Their strong competitive advantages are the adaptation capability to flexibly respond to any shippers' increase in shipment volume by utilizing Fulfillment Centers (FCs), which deploy a dominant marketing strategy, and mass customization to enhance each product's added value, for example, by sticking to a wrapping material and performing elaborated wrapping for a product customer. The company aims to make omni channel logistics, including physical stores in addition to mail-order logistics and e-commerce, as its business domain.
- The sales in the second quarter of the term ending March 2023 stood at 6,538 million yen, up 14.2% year on year. The increase of new clients and business operations for them progressed as planned as a whole. Gross profit grew 42.9% year on year owing to the V plan in addition to the increase in sales, and gross profit margin, which also improved 1.2 points. Operating income, ordinary income and quarterly net income turned positive, standing at 200,000 yen, 6 million yen and 300,000 yen, respectively. The rise in SGA expenses was only 5% year on year owing to efforts for curtailing the augmentation of costs stemming from preparations for the operations for new clients.
- The earnings forecast remains unchanged. For the term ending March 2023, sales are expected to increase 9.3% year on year to 13,342 million yen, and operating income is forecast to turn positive, standing at 101 million yen. The company will aim to earn an annual profit by continuing to increase the sales in the EC and mail-order logistics business and strengthening initiatives for profitability improvement. The dividend is still to be determined.
- While sales from new clients accounted for 7.6% of the overall sales in the term ended March 2021 and 9.4% in the term ended March 2022, this ratio rapidly rose to 23.8% in the first half of the term ending March 2023. Sales grew 84.1% year on year, significantly contributing to the increase in sales of all companies. While costs structurally augment in step with the business operations for new clients, it can be expected that this increase will lead to the reinforcement of the revenue structure from now on.
- Regarding profit, attention will be paid to whether the company can realize profitability throughout this term based on the V plan, which will reform the growth model following the establishment of an FC, which used to "start from deficit as the first year after the establishment is a period of preparations for full-scale operation" and enable profit recovery at an early stage even in case of establishing a new FC by "improving warehouse rental ratio."

1. Company Overview

The company offers “operation agency services” for product photography, measurement and introduction text, order processing, customer support, etc. in addition to “logistics agency services” for product storage, picking, distribution processing, packing, delivery, fee collection, etc. as one-stop fulfillment services to e-commerce mail-order companies which outsource logistics operations, meeting the needs of e-commerce companies and consumers (buyers).

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 (Standard) Market of the Tokyo Stock Exchange in March 2021. The company got listed in the Standard Market in April 2022 upon the TSE market structure reform.

【1-2 Corporate Philosophy】

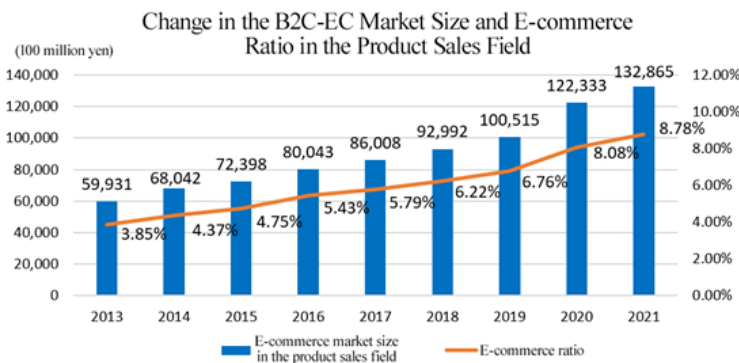
The company set the following vision, mission, and value.

| | |
|---------|---|
| Vision | Staying ahead of changes to keep innovating experiences that move a person’s heart |
| Mission | <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 <p>Aim to be the No.1 company in “creating heart moving experiences” that realizes high added value through</p> |
| 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.

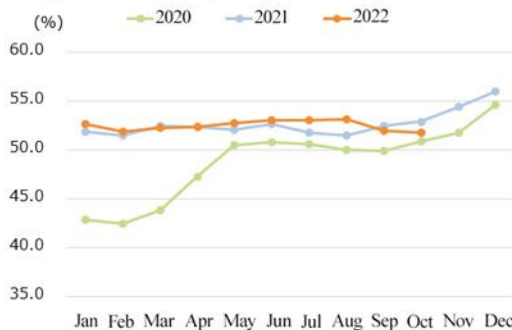
【1-3 Market Environment】

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 132,865 billion yen in 2021, representing the compound annual growth rate (CAGR) of 10.5% 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.

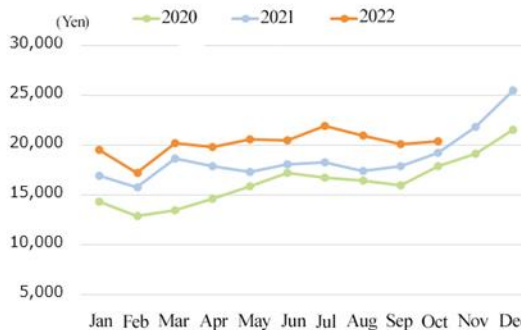


* (Created by Investment Bridge based on "Market Research on Electronic Commerce (July 2021)" by the Ministry of Economy, Trade and Industry)

■ Changes in the percentage of households using online shopping site (2020-2022)



■ Changes in online shopping spending (2020-2022)



(Source: produced by our 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 percentage of households that use the Internet for shopping has remained at over 50% even after the first state of emergency was lifted following the declaration in April 2020. As the amount of money spent on online shopping shows a growing trend, it can be assumed that the increase of use of the Internet for shopping is not temporary consumer behavior caused by the COVID-19 pandemic.

It is forecast that the BtoC e-commerce sale market will keep expanding due to initiatives for the optimal fusion of physical stores and e-commerce sites in retail sale such as omnichannel, growth of DtoC (Direct to Consumer) where manufacturers sell their products directly to consumers on e-commerce sites, further increase in electronic transactions through smartphones, etc.

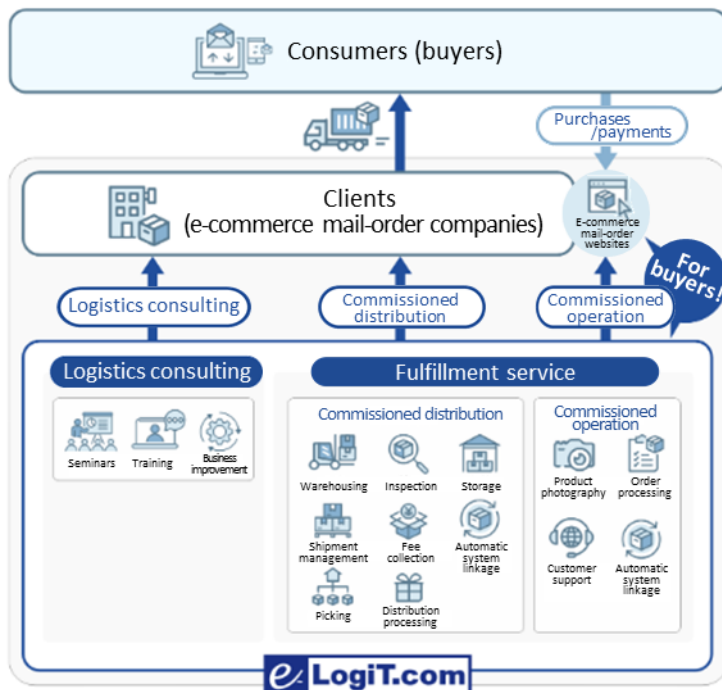
【1-4 Business Description】

(1) Outline of services

For e-commerce 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 e-commerce mail-order companies and consumers (Buyers).

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 e-commerce mail-order websites, such as e-commerce 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 e-commerce 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.

| Services | Outline |
|-------------------------|---|
| Product management | Manages storing, quality, expiration date, quantity, etc. of products entrusted by e-commerce 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 e-commerce 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. |
| 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 e-commerce mail-order company. The company signs contracts with couriers to provide this service to e-commerce mail-order companies. |

*Customized products

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

Food distribution is steadily expanding among the products the company covers.

Far more advanced quality control is needed for food logistics. It is difficult to control temperature, especially for food products, and some warehouses have limitation of products due to a range of temperature.

The company can deal with three ranges of temperature for room-temperature foods, refrigerated foods, and frozen foods, therefore they can deal with various products.

They can also manage the best-before date and a lot of each product at e-LogiT WMS.

Currently, the company handles frozen foods, liquor (sake, wine, etc.), condiments (miso and soy source), chocolates, ham and sausages, etc.

② Operation Agency Service

At the request of e-commerce 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

Our company offers consulting services such as seminars, education, and operational improvement, for corporations running their own logistics businesses, by utilizing the knowledge accumulated through the experiences of the mail-order distribution business.

(2) Operation of FCs

As of December 2022, the company operates the following eight FCs as its bases for logistics agency service.

| FC name | Area (tsubo) | Completion year and month |
|--------------------------------------|--------------|---------------------------|
| Tokyo FC (Edogawa-ku, Tokyo) | 2,700 | 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) | 7,500 | 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) | 10,400 | June 2021 |
| Osaka FC No. 2 (Osaka-shi, Osaka) | 9,400 | November 2022 |

【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 -10,000 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.

Moreover, the company has realized the reduction of delivery costs and shorter lead time by operating in the two areas of Kanto and Kansai.

◎ 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.

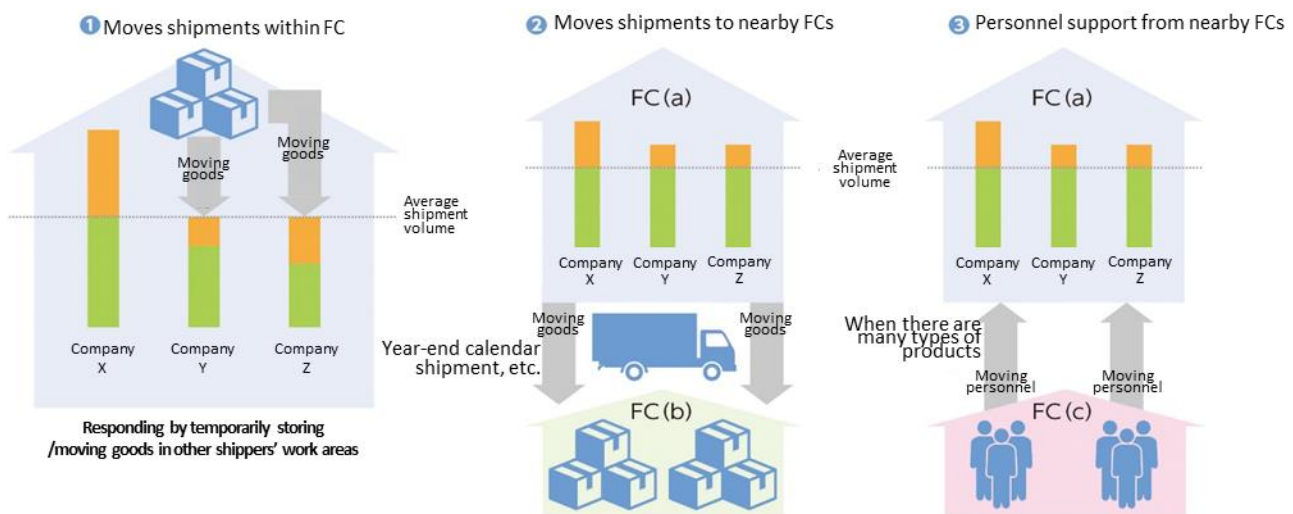
Since increase in shipment volume can manifest itself in many different ways, the company will take appropriate measures according to the situation each time, but response ① is able because of their large-scale FC, and responses ② and ③ are able because of their domination which keeps the distances between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

In addition, the company's FCs are not located in chaotic arrays of warehouses around bays, but in residential areas where it is easy to secure personnel who are key in logistics. As products handled by the company require a lot of fine work, manual work is more efficient than machines, so they strive to secure personnel. This is another considerable factor which allows the company to handle a lot of products during busy seasons.

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 the e-commerce mail-order industry, which handles products of various brands, it is imperative to embody the individual worldview and value of each brand in an actual form in logistics as well.

The company engages in creating a heart-moving experience for consumers (buyers) by elevating the added value of products by using package materials matching the brand or special types of wrapping.

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.

The company also uses white carton boxes, rather than general brown ones, for packing with which any dirt stands out, in order to express their quality and carefulness.

These are the unique initiatives of the company aiming to be **No.1 in "creating heart moving experiences"** as seen in its Mission.

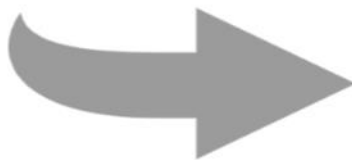
Competitors apply the same operation to all companies

※ Companies with platformers and robotics

| | Arrival of goods | Storage | Packing | Wrapping | Shipping |
|---------------|------------------|---------|---------|----------|----------|
| For company X | ○ | ◇ | □ | ☆ | ▽ |
| For company Y | ○ | ◇ | □ | ☆ | ▽ |
| For company Z | ○ | ◇ | □ | ☆ | ▽ |



While supporting the uniqueness of each company, the in-house workflow is unified company-wide



| | Arrival of goods | Storage | Packing | Wrapping | Shipping |
|---------------|------------------|---------|---------|----------|----------|
| For company X | ○ | ◇ | □ | ☆ | ▽ |
| For company Y | ◎ | ◇ | ■ | ☆ | ▽ |
| For company Z | ○ | ◆ | □■ | ◎ | ▽ |

(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.

The company has its own system department, which allows them to address individual system customization flexibly and smoothly for each e-commerce mail-order company.

The system was built by linking the order management system (carts, order management software, core system) used by the e-commerce mail-order company and the company's WMS.

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 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 food, wine, cosmetics, apparel, supplements, goods, car supplies, frozen and refrigerated products, etc. 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. Aiming for a "safe, reassuring, enjoyable and clean workplace," the company trains and educates logistics personnel who provide services inside and outside the company, in addition to implementing 5S activities (sorting, setting in order, shining, standardizing, and sustaining the discipline) and 3S activities (same thing, same place, and same amount). 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 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. Second Quarter of the Fiscal Year ending March 2023 Earnings Results

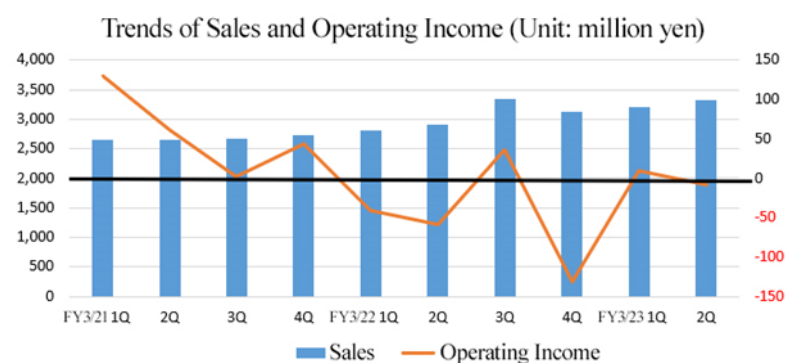
(1) Overview of business results (Non-consolidated)

| | 2Q FY 3/22 | Ratio to sales | 2Q FY 3/23 | Ratio to sales | YoY |
|----------------------|------------|----------------|------------|----------------|--------|
| Sales | 5,724 | 100.0% | 6,538 | 100.0% | +14.2% |
| Gross profit | 278 | 4.9% | 397 | 6.1% | +42.9% |
| SG&A | 378 | 6.6% | 397 | 6.1% | +5.0% |
| Operating Income | -100 | - | 0 | 0.0% | - |
| Ordinary Income | -94 | - | 6 | 0.1% | - |
| Quarterly net Income | -168 | - | 0 | 0.0% | - |

* 単位：百万円。

Increase in sales, return to profitability

Sales increased 14.2% year on year to 6,538 million yen. The increase of new clients and business operations for them progressed as planned as a whole. Gross profit grew 42.9% year on year owing to the V plan in addition to the increase in sales, and gross profit margin, which also improved 1.2 points. Operating income, ordinary income and quarterly net income turned positive, standing at 200,000 yen, 6 million yen and 300,000 yen, respectively. The rise in SGA expenses was only 5% year on year owing to efforts for curtailing the augmentation of costs stemming from preparations for the operations for new clients.



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

◎Trends in New Customer and Existing Customer Sales

| | 2Q FY 3/22 | Ratio to sales | 2Q FY 3/23 | Ratio to sales | YoY |
|-------------------------|------------|----------------|------------|----------------|-------|
| New Customer Sales | 847 | 14.8% | 1,559 | 23.8% | 84.1% |
| Existing Customer Sales | 4,876 | 85.2% | 4,978 | 76.2% | 2.1% |
| Total | 5,724 | 100.0% | 6,538 | 100.0% | 14.2% |

* Unit: million-yen.

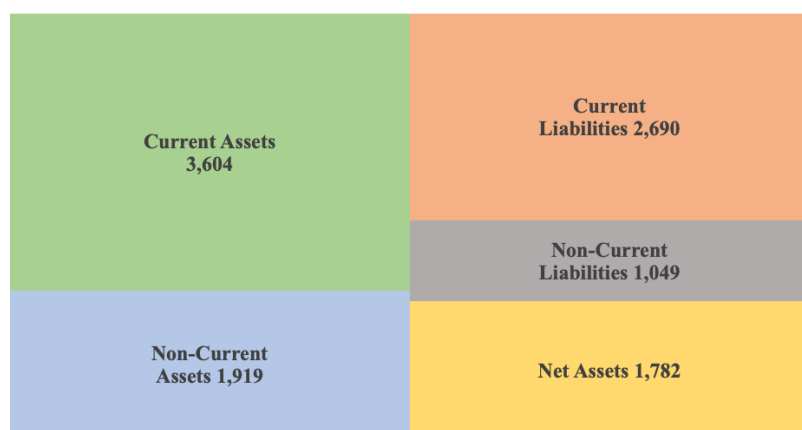
*Sales from new clients are the total sales in 12 months after starting transactions. For example, sales from new clients in September 2022 are total sales in September 2022 from clients for which sales were newly recorded in the 12 months between October 2021 and September 2022.

BRIDGE REPORT

**(2) Financial position and cash flow****◎ Main Balance Sheet**

| | End of Mar. 2022 | End of Sep. 2022 | Increase/ decrease | | End of Mar. 2022 | End of Sep. 2022 | Increase/ decrease |
|----------------------------|---------------------|---------------------|-----------------------|----------------------------------|---------------------|---------------------|-----------------------|
| Current Assets | 3,519 | 3,604 | +84 | Current Liabilities | 2,762 | 2,690 | -71 |
| Cash and Deposits | 2,070 | 2,129 | +59 | Trade Payables | 862 | 846 | -16 |
| Trade Receivables | 1,151 | 1,183 | +31 | ST Interest-Bearing Debts | 191 | 251 | +59 |
| Noncurrent Assets | 1,720 | 1,919 | +199 | Arrears | 1,446 | 1,318 | -128 |
| Tangible Noncurrent Assets | 379 | 358 | -21 | Noncurrent Liabilities | 709 | 1,049 | +339 |
| Investment, Other Assets | 1,324 | 1,533 | +208 | LT Interest-Bearing Debts | 525 | 862 | +336 |
| Guarantee Money Deposited | 1,203 | 1,420 | +217 | Total Liabilities | 3,472 | 3,740 | +268 |
| Total Assets | 5,239 | 5,523 | +283 | Net Assets | 1,767 | 1,782 | +15 |
| | | | | Total Liabilities and Net Assets | 5,239 | 5,523 | +283 |

* Unit: million yen.



*Created by Investment Bridge based on disclosed material of the company.

Total assets grew 283 million yen from the end of the previous term to 5,523 million yen due to increase in deposits stemming from the establishment of a new FC.

Total liabilities increased 268 million yen from the end of the previous term to 3,740 million yen due to mainly increases in arrears and long-term and short-term loans payable.

Net assets were 1,782 million yen, almost unchanged.

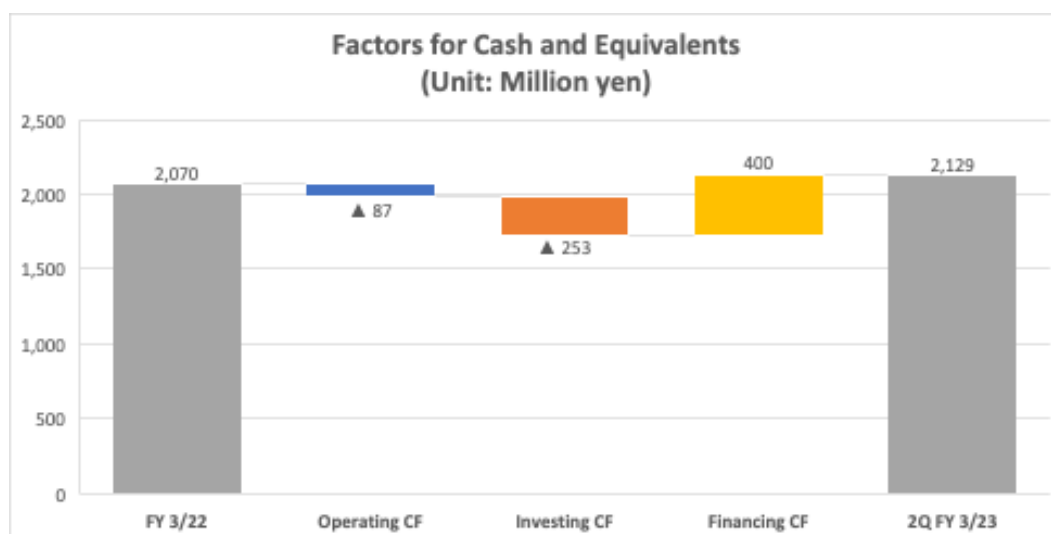
Equity ratio decreased by 1.5 point from the end of the previous term to 32.2%.

◎ Cash Flow

| | 2Q FY 3/22 | 2Q FY 3/23 | Increase/ decrease |
|----------------------|------------|------------|--------------------|
| Operating CF | -136 | -87 | +48 |
| Investing CF | -197 | -253 | -56 |
| Free CF | -334 | -341 | -7 |
| Financing CF | 188 | 400 | +212 |
| Cash and equivalents | 2,103 | 2,129 | +25 |

* Unit: million yen.

BRIDGE REPORT



*Created by Investment Bridge based on disclosed material of the company.

The cash inflow from financing activities expanded due to the increase in long-term liabilities. The cash position remained almost unchanged.

(3) Topics

◎ Establishment of the Osaka Fulfillment Center No. 2

The company established the Osaka Fulfillment Center No. 2 in November 2022 according to the plan.

The total floor area is about 9,400 tsubo (≒ 31,000 m²) and it is the eighth center in Japan and the second in the Kansai region. The total floor area of the company FCs is now about 59,000 tsubo (≒ 195,000 m²).

By expanding operational bases in the Osaka City, the company will work toward the reinforcement of on-site operation and systems for order acceptance in order to launch their dominant strategy in the Kansai area following the Kanto area.

◎ Organization of the 22nd Strategic Logistics Seminar

In October 2022, the company organized the 22nd Strategic Logistics Seminar with the theme of “acceleration of omnichannel retail sale” in a hybrid form, both online and offline.

3. Fiscal Year ending March 2023 Earnings Forecasts

【Earnings Forecasts】

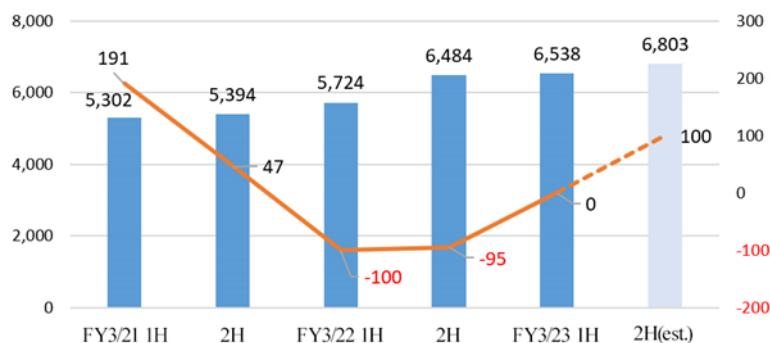
| | FY 3/22 | Ratio to sales | FY 3/23 Est. | Ratio to sales | YoY |
|------------------|---------|----------------|--------------|----------------|--------|
| Sales | 12,208 | 100.0% | 13,342 | 100.0% | +9.3% |
| Gross Profit | 571 | 4.7% | 892 | 6.7% | +56.2% |
| SG&A | 766 | 6.3% | 791 | 5.9% | +3.1% |
| Operating Income | -195 | - | 101 | 0.8% | - |
| Ordinary Income | -190 | - | 102 | 0.8% | - |
| Net Income | -342 | - | 71 | 0.5% | - |

* Unit: million-yen. Estimates are calculated by the company. SG&A expenses are calculated by Investment Bridge based on materials of the company.

Earning forecast remains unchanged, projected increase in revenue and return to profitability

The earnings forecast remains unchanged. Sales are expected to increase 9.3% year on year to 13,342 million yen, and operating income is forecast to turn positive, standing at 101 million yen. The company will aim to earn an annual profit by continuing to increase the sales in the e-commerce mail-order logistics business and strengthening initiatives for profitability improvement. The dividend is still to be determined.

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



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

4. Major Future Measures and Growth Strategy

【4-1 Main measures in this term】

The company has engaged in the following measures in the term ending March 2023 since the beginning of the term.

(1) To improve selling capabilities

The company will establish the marketing division and develop a structure to support existing customers in marketing. The company will further strengthen their core competence: “expanding the sales of the EC mail order company” and “providing services the customers would like to use repeatedly” with the aim of expanding sales and shipping volume.

(2) To strengthen FC Operations

- * To utilize the characteristics of each FC
- * To improve leader’s management capabilities

(3) To continue V Plan

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 continuing from the last fiscal year in this one.

① Providing high value-added services

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

② Improvement of productivity

Optimal staff assignment via productivity improvement through installation of automated equipment.

③ Increasing rental rate

With regard to FCs they have established until now, the company has built a growth model consisting of the following three stages.

“First year: The investment phase; Starting from deficit as it is a period of preparations for full-scale operation.”

“Second year: The monetization phase; Revenues are levelled out as the center is used for storage. A shipment team is created and the foundations for mail-order logistics are formed.”

“Third year: The recovery phase; The shipment team is fully utilized at once and the shipment volume increases. Sales per tsubo grow to 20,000-30,000 yen per tsubo in a month. Operating income margin is kept above 6%.”

However, taking into account the recording of losses in the previous term, a new measure for avoiding the deficit in the “first year” is “improving warehouse rental ratio.”

Concretely, the company will forge ahead with the following three steps.

*Utilization of external warehouses

They will utilize external warehouses to store product stock. Creating unused space in existing FCs will newly enable the storage of products that are often shipped.

↓

*Consideration of a new company FC

While utilizing external warehouses, they will consider establishing a new company FC according to the handling volume.

↓

*Establishment of a new company FC

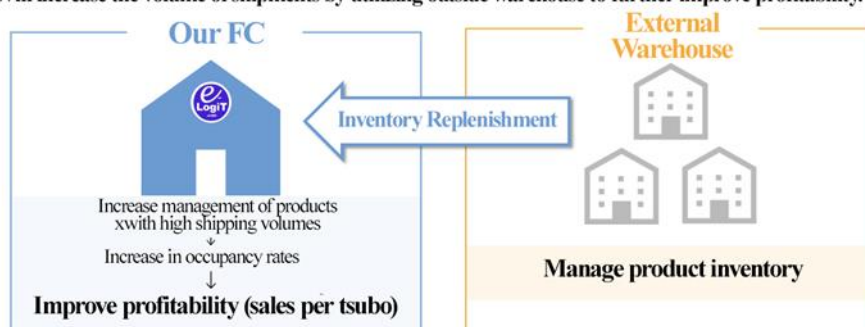
By moving products in external warehouses to the new FC, revenues will arise in the establishment stage.

Storing product stock in external warehouses and increasing the ratio of products that are frequently shipped in existing FCs, the company will work toward further elevation of profitability by clarifying the roles of “warehouses for shipping (company FCs)” and “warehouses for storage (external warehouses).”

Future FC Management



Will increase the volume of shipments by utilizing outside warehouse to further improve profitability.



(Taken from the reference material of the company)

【4-2 Major measures and growth strategy from the next term】

While ensuring profitability throughout the term by enhancing marketing capability, reinforcing the operation of FCs and continuing with the V plan, the company will work toward the growth of sales and profit by boosting three key factors addressing the needs of customers from the next term.

(1) Value-chain development

To build up structures to support existing customers in marketing

The value-chain covers the front-end, web marketing, 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 for manufacturers aiming for D2C, etc. to acquire new customers.

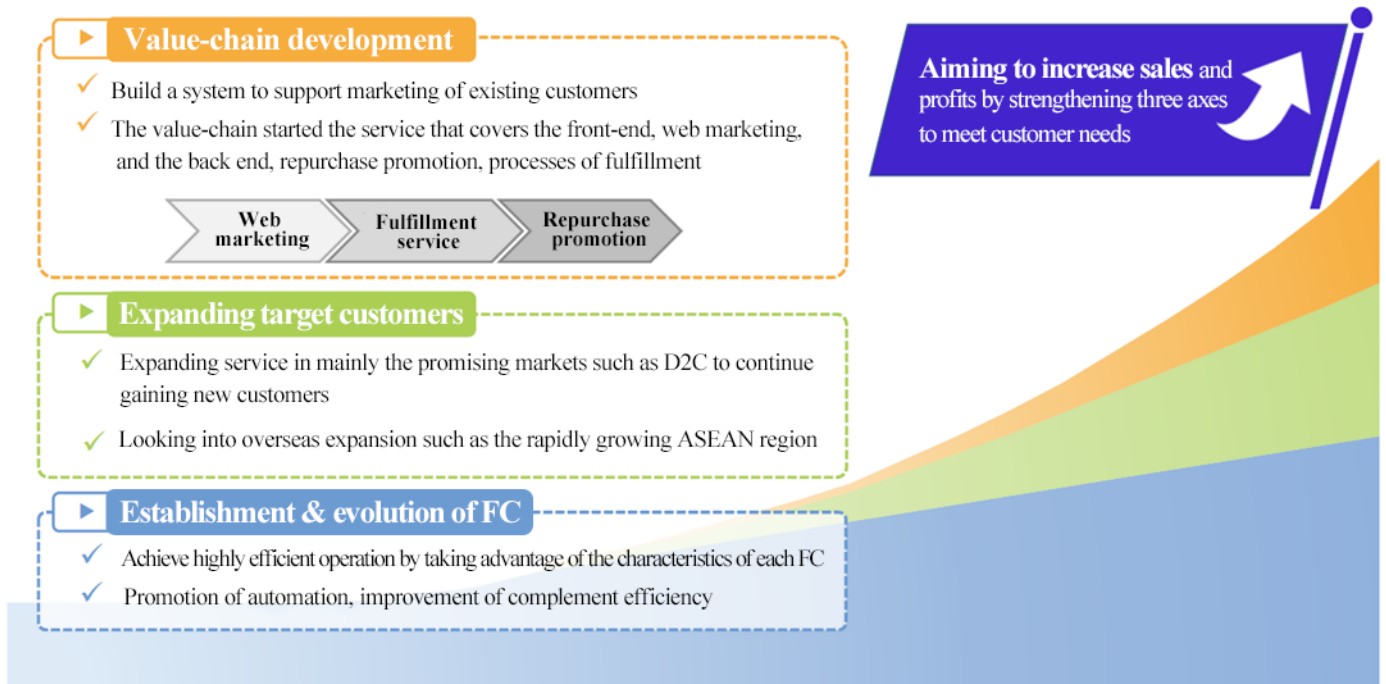
It will also launch bases with affiliated investors overseas in ASEAN region, etc. where EC is rapidly growing, in order to support Japanese enterprises in business expansion.

(3) Establishment & evolution of FC

To achieve highly efficient operations by utilizing each FC’s characteristics

To promote automation and enhance storage efficiency

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(Taken from the reference material of the company)

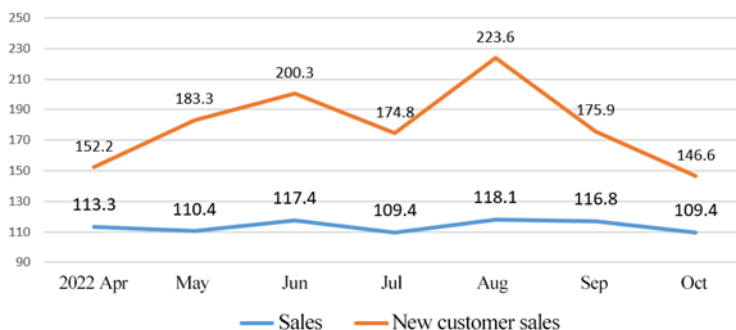
In addition to the conventional mail-order logistics and e-commerce, the company intends to make the omnichannel market including actual stores its business domain and is working to secure management resources for that purpose.

5. Conclusions

While sales from new clients accounted for 7.6% of the overall sales in the term ended March 2021 and 9.4% in the term ended March 2022, this ratio rapidly rose to 23.8% in the first half of the term ending March 2023. Sales grew 84.1% year on year, significantly contributing to the increase in sales of all companies. While costs structurally augment in step with the business operations for new clients, it can be expected that this increase will lead to the reinforcement of the revenue structure from now on.

On the other hand, regarding profit, attention will be paid to whether the company can realize profitability throughout this term based on the V plan, which will reform the growth model following the establishment of an FC, which used to “start from deficit as the first year after the establishment is a period of preparations for full-scale operation” and enable profit recovery at an early stage even in case of establishing a new FC by “improving warehouse rental ratio.”

Monthly sales trends (YoY, Unit: %)



<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 Sept. 1, 2022.

<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 (Excerpt) >

| Principles | Reasons for not implementing the principles |
|---|--|
| 【Principle 2-4: Ensuring diversity within the company, including the promotion of women's activities】 Supplementary Principle 2-4 ① | 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. |
| Principle 3-1 Enhancement of Information Disclosure Supplementary Principle 3-1 ③ | Supplemental Principle 3-1 ③ The Company is actively working to reduce its environmental impact by promoting recycling of waste generated through its mail-order logistics business, using environmentally friendly packaging materials, etc., and reducing power consumption. For our employees, we are striving to provide health and working environment considerations, such as the development of training programs and the creation of a comfortable work environment with a good work-life balance. In addition, we believe that we can contribute to the revitalization of the local economy by basically hiring |

| | |
|--|--|
| | <p>locally for positions at our distribution centers. As for investments in human capital and intellectual property, as stated in Supplemental Principle 4-1 (2), we have not yet formulated and announced our medium-term management plan, so we are not at a stage where we can present it together with our management strategy. We will consider this matter in the future.</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 (Disclosure)>

| Principles | Reasons for not implementing the principles |
|--|---|
| <p>[Principle 1-4 Strategically held shares]</p> | <p>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.</p> |
| <p>[Principle 5-1 Policy on constructive dialogue with shareholders]</p> | <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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