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October 28, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

Company name: ALPS LOGISTICS CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 9055
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 Scheduled date to file quarterly securities report: November 8, 2022
 Scheduled date to commence dividend payments: November 30, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	62,381	11.1	4,204	31.4	5,094	72.2	2,975	74.0
September 30, 2021	56,130	25.4	3,200	119.9	2,958	104.1	1,710	114.5

Note: Comprehensive income For the six months ended September 30, 2022: ¥4,716 million [104.9%]
 For the six months ended September 30, 2021: ¥2,301 million [102.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	84.04	83.84
September 30, 2021	48.33	48.21

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2022	102,182	63,466	55.2	1,592.20
March 31, 2022	92,020	59,709	57.7	1,500.21

Reference: Equity
 As of September 30, 2022: ¥56,406 million
 As of March 31, 2022: ¥53,109 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	13.00	—	17.00	30.00
Fiscal year ending March 31, 2023	—	16.00			
Fiscal year ending March 31, 2023 (Forecast)			—	23.00	39.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	121,000	6.3	6,900	14.6	7,300	18.4	4,200	16.7	118.60

Note: Revisions to the earnings forecasts most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common stock)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	35,474,400 shares
As of March 31, 2022	35,474,400 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2022	47,488 shares
As of March 31, 2022	72,988 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	35,412,037 shares
Six months ended September 30, 2021	35,389,602 shares

- * Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.
- * Proper use of earnings forecasts, and other special matters

The forward-looking statements, including the earnings forecasts shown in this document, are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. As such, they do not constitute guarantees by the Company of future performance. Actual performance and other results may differ materially due to various factors.

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1. Qualitative information on quarterly financial statements

(1) Explanation of operating results

During the six months ended September 30, 2022 (April-September 2022), the global economy encountered resilient business conditions in the United States amid the support of strong employment and personal consumption, but concerns of an economic slowdown have increased due to monetary tightening implemented to address high inflation. In Europe, the energy crisis that has arisen following the actions of Russia in Ukraine, together with other developments, has weighed down the economy and led to slower growth. In China, lockdowns, etc. caused by the zero-COVID policy were constraining economic activities, and although official policies have provided some support, the economy lacked vigor. The Japanese economy has been significantly affected by COVID-19 countermeasures and rising prices, and with different sectors showing a mixture of strength and weakness in both service and manufacturing industries, the recovery has been fragile.

In this business environment, the Company exercised sufficient care with respect to countermeasures for preventing the spread of COVID-19 in each country around the world, while also taking steps to improve services and extend sales to new customers in order to respond to changes in customers' supply chains while complying with different regulations in respective nations.

The Company has started the three-year Fifth Medium-Term Business Plan from the fiscal year ending March 2023. We have set our basic policy as "earth and society friendly, pursuit and evolution of optimal logistics," with the aim of contributing to solving social issues through the logistics business, while continuing to facilitate pursuit of optimal logistics for each customer in line with our corporate philosophy.

Beginning in the fiscal year ending March 2023, which serves as the initial fiscal year of the medium-term business plan, we have been making efforts to expand our business on a global scale by promoting the following strategies and measures.

- (i) GTB (Get The Business / Expansion of markets and products):
Expand business domains, enhance global network, and expand structures for cooperative creation and alliances.
- (ii) GTP (Get The Profit / Improvement of direct and indirect productivity):
Promote labor saving and automation, expand strategic investment and reap the rewards, and take on the challenge of DX.
- (iii) GTC (Get The Confidence / Driving Sustainability):
Strengthen ESG compliance, ensure safety and high quality, and maintain and strengthen non-financial capital.

Financial results for the six months ended September 30, 2022 were total net sales of ¥62,381 million (up 11.1% year on year), operating profit of ¥4,204 million (up 31.4% year on year), ordinary profit of ¥5,094 million (up 72.2% year on year), which achieved a significant increase due in part to the effects of yen depreciation, and profit attributable to owners of parent of ¥2,975 million (up 74.0% year on year).

Overview of segments

(i) Electronic components logistics business

In the electronic components industry, which is the main customer of this business, shortages of semiconductors and electronic components are in the process of being resolved but have not improved to the point that supplies are sufficient, and the sense of scarcity appears likely to continue for the time being. Automobile production is gradually heading toward recovery, but there are signs of stagnant demand in electronic equipment, and overall shipments of electronic components were sluggish.

During the six months ended September 30, 2022, net sales increased due to tight conditions in both air and marine transportation continuing, resulting in ongoing high levels of forwarding-related demand, such as emergency air freight, as well as the effects of expanding sales to new customers. Despite effects of deteriorating efficiency associated with lower freight handling volume in Japan and other factors, the impact of the increase in net sales, our steps to improve productivity, and the effects of yen depreciation, resulted in higher profit.

Financial results for this segment showed ¥36,128 million in net sales (up 16.9% year on year) and ¥2,983 million in operating profit (up 36.4%).

(ii) Material sales business

In the material sales business, the Company sells electronic component-related packaging materials, molding materials, and electronic devices. The Company specializes in proposals for electronic device procurement agency services with integrated procurement and logistics, as well as proposal of packing materials aimed at improving logistics.

During the six months ended September 30, 2022, net sales increased due to an increase in sales of molding materials and electronic devices in the business of telecommunications and IT equipment for China and other factors. Meanwhile, profits increased due to the impact of the increase in revenue and improvement in the cost of sales ratio combined with effects of yen depreciation.

Financial results for this segment showed ¥12,405 million in net sales (up 6.5% year on year) and ¥623 million in operating profit (up 60.1%).

(iii) Consumer products logistics business

In the consumer products logistics field, demand is expanding in conjunction with growth in delivery services and mail order businesses provided by retail companies, while the industry overall faces challenges in securing and developing human resources, such as drivers.

In this business environment, Ryutsu Service Co., Ltd., which handles the Group's consumer logistics, is working to incorporate intercompany logistics, which corresponds to the upstream area of the consumer logistics sector, and to expand the product center operations, such as medical and cosmetics, as well as expand the consumer cooperative delivery business.

During the six months ended September 30, 2022, the stay-at-home demand that arose following the spread of COVID-19 faded and delivery-related services were flat. However, due to the contribution from the medical-related services launched in the previous fiscal year, and the expansion of sales to new customers, net sales recorded an increase. Higher costs driven by factors such as warehouse repair, depreciation, and expenses associated with establishing new hubs resulted in lower profit.

Financial results for this segment showed ¥13,847 million in net sales (up 2.1% year on year) and ¥596 million in operating profit (down 4.2%).

(2) Explanation of financial position

(i) Assets, liabilities and net assets

Compared with the end of the previous fiscal year, assets, liabilities and net assets at the end of the second quarter of the fiscal year ending March 31, 2023 are as follows.

For assets, current assets increased by ¥9,421 million, mainly due to increases of cash and deposits and trade notes and accounts receivable. Non-current assets increased by ¥739 million, mainly due to increases of property, plant and equipment and investments and other assets. As a result, total assets were ¥102,182 million, an increase of ¥10,161 million compared with the end of the previous fiscal year.

For liabilities, current liabilities increased by ¥2,537 million, mainly due to an increase of trade accounts payable. Non-current liabilities increased by ¥3,868 million, mainly due to an increase of long-term borrowings. As a result, total liabilities were ¥38,716 million, an increase of ¥6,405 million compared with the end of the previous fiscal year.

Net assets increased by ¥3,756 million from the end of the previous fiscal year to ¥63,466 million, mainly reflecting an increase due to securing profits, partially offset by the payment of dividends and other factors.

Equity-to-asset ratio was 55.2%, a decrease of 2.5 percentage points compared with the end of the previous fiscal year.

(ii) Cash flows

Cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2023 amounted to ¥28,340 million, an increase of ¥6,208 million compared with the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥5,010 million (an increase of ¥1,564 million in net cash provided compared with the same period of the previous fiscal year), mainly due to the recording of ¥5,086 million in profit before income taxes.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥1,624 million (an increase of ¥862 million in net cash used compared with the same period of the previous fiscal year). Major uses of cash were purchases of property, plant and equipment and intangible assets to build a new warehouse and improve productivity.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,943 million, compared to net cash used of ¥1,794 million in the same period of the previous fiscal year. The major inflow was ¥4,200 million in proceeds from long-term borrowings, while the major outflows were ¥1,204 million in repayments of lease liabilities and ¥601 million in dividends paid.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The outlook for the economic environment is becoming increasingly uncertain, due to such factors as a recession caused by high inflation worldwide and monetary tightening, the impact of China's zero-COVID policy, the prolongation of the conflict between Russia and Ukraine, and rivalry between the United States and China. In the electronic components industry, which is the Company's main customer, supply-side constraints on production are easing as a result of the gradual resolution of semiconductor and parts shortages. On the other hand, our cargo handling volume may be affected by the impact on production of slowing demand, and other factors.

The consolidated earnings forecasts for the fiscal year ending March 31, 2023, have been revised as disclosed in the "Notice of Differences between Half-Year Financial Forecast of the Fiscal Year Ending March 31, 2023 (Cumulative) and Actual Results, and Revisions to Full-Year Financial Forecast and Dividend Forecast for the Fiscal Year Ending March 31, 2023," issued on October 28, 2022, due to strong performance during the six months ended September 30, 2022 compared to the initial forecasts.

2. Quarterly consolidated financial statements and significant notes thereto**(1) Quarterly consolidated balance sheet**

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	22,745	28,925
Trade notes and accounts receivable	17,691	20,505
Merchandise	2,152	2,253
Other	2,531	2,858
Allowance for doubtful accounts	(18)	(19)
Total current assets	45,101	54,523
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,760	11,645
Land	17,966	17,986
Other, net	10,480	10,954
Total property, plant and equipment	40,208	40,587
Intangible assets		
Other	3,871	3,883
Total intangible assets	3,871	3,883
Investments and other assets		
Investment securities	122	146
Other	2,718	3,041
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	2,839	3,187
Total non-current assets	46,919	47,658
Total assets	92,020	102,182
Liabilities		
Current liabilities		
Trade accounts payable	11,525	12,951
Short-term borrowings	2,056	2,070
Income taxes payable	1,183	1,389
Provision for bonuses	1,777	2,053
Provision for bonuses for directors	–	13
Other	6,400	7,002
Total current liabilities	22,943	25,480
Non-current liabilities		
Long-term borrowings	988	5,121
Provision for retirement benefits for directors	33	35
Retirement benefit liability	1,767	1,825
Other	6,577	6,252
Total non-current liabilities	9,367	13,235
Total liabilities	32,311	38,716

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	2,349	2,349
Capital surplus	1,999	1,972
Retained earnings	47,092	49,466
Treasury shares	(50)	(33)
Total shareholders' equity	51,389	53,754
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	24
Foreign currency translation adjustment	1,862	2,762
Remeasurements of defined benefit plans	(150)	(135)
Total accumulated other comprehensive income	1,719	2,651
Share acquisition rights	53	53
Non-controlling interests	6,547	7,006
Total net assets	59,709	63,466
Total liabilities and net assets	92,020	102,182

(2) Quarterly consolidated statement of income and comprehensive income**For the six months ended September 30, 2021 and 2022**

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	56,130	62,381
Cost of sales	49,275	54,283
Gross profit	6,854	8,098
Selling, general and administrative expenses	3,654	3,894
Operating profit	3,200	4,204
Non-operating income		
Interest income	33	37
Dividend income	2	4
Foreign exchange gains	—	782
Other	78	214
Total non-operating income	114	1,038
Non-operating expenses		
Interest expenses	117	132
Foreign exchange losses	177	—
Other	60	16
Total non-operating expenses	355	148
Ordinary profit	2,958	5,094
Extraordinary income		
Gain on sale of non-current assets	6	1
Other	—	0
Total extraordinary income	6	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	12	9
Total extraordinary losses	12	9
Profit before income taxes	2,952	5,086
Income taxes - current	1,003	1,476
Income taxes - deferred	(112)	41
Total income taxes	890	1,518
Profit	2,061	3,568
Profit attributable to		
Profit attributable to owners of parent	1,710	2,975
Profit attributable to non-controlling interests	351	592
Other comprehensive income		
Valuation difference on available-for-sale securities	2	17
Foreign currency translation adjustment	221	1,111
Remeasurements of defined benefit plans, net of tax	14	18
Total other comprehensive income	239	1,147
Comprehensive income	2,301	4,716
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,874	3,908
Comprehensive income attributable to non-controlling interests	426	808

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	2,952	5,086
Depreciation	1,788	2,143
Decrease (increase) in trade receivables	856	(2,233)
Decrease (increase) in inventories	(261)	(47)
Increase (decrease) in trade payables	(1,123)	1,148
Increase (decrease) in other liabilities	(66)	(62)
Other, net	350	315
Subtotal	4,496	6,350
Interest and dividends received	35	39
Interest paid	(118)	(130)
Income taxes paid	(974)	(1,249)
Other, net	6	0
Net cash provided by (used in) operating activities	3,445	5,010
Cash flows from investing activities		
Purchase of property, plant and equipment	(259)	(865)
Proceeds from sale of property, plant and equipment	5	3
Purchase of intangible assets	(435)	(389)
Other, net	(72)	(372)
Net cash provided by (used in) investing activities	(762)	(1,624)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	3
Proceeds from long-term borrowings	—	4,200
Repayments of long-term borrowings	(66)	(66)
Repayments of lease liabilities	(739)	(1,204)
Dividends paid	(530)	(601)
Dividends paid to non-controlling interests	(457)	(386)
Net cash provided by (used in) financing activities	(1,794)	1,943
Effect of exchange rate change on cash and cash equivalents	130	878
Net increase (decrease) in cash and cash equivalents	1,018	6,208
Cash and cash equivalents at beginning of period	19,609	22,132
Cash and cash equivalents at end of period	20,627	28,340

(4) Notes to the quarterly consolidated financial statements**Notes on premise of going concern**

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Segment information**I. For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)**

The amounts of net sales and profits or losses by reportable segment

(Millions of yen)

	Reportable segment				Adjustment	Per quarterly consolidated financial statements (Note)
	Electronic components logistics business	Material sales business	Consumer products logistics business	Total		
Net sales						
Net sales from external customers	30,918	11,646	13,564	56,130	—	56,130
Transactions with other segments	—	—	—	—	—	—
Total	30,918	11,646	13,564	56,130	—	56,130
Segment profit	2,187	389	623	3,200	—	3,200

(Note) Segment profit is the same as operating profit in the quarterly consolidated financial statements.

II. For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

The amounts of net sales and profits or losses by reportable segment

(Millions of yen)

	Reportable segment				Adjustment	Per quarterly consolidated financial statements (Note)
	Electronic components logistics business	Material sales business	Consumer products logistics business	Total		
Net sales						
Net sales from external customers	36,128	12,405	13,847	62,381	—	62,381
Transactions with other segments	—	—	—	—	—	—
Total	36,128	12,405	13,847	62,381	—	62,381
Segment profit	2,983	623	596	4,204	—	4,204

(Note) Segment profit is the same as operating profit in the quarterly consolidated financial statements.