

Results of Operations for the First Quarter of the Fiscal Year Ending February 28, 2022

KANTSU CO., LTD. (Securities code: 9326)

July 14, 2021



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I. Company Profile

1. Company Profile

KANTSU provides logistics services centered on the EC and catalog logistics sectors and IT automation services centered on the Cloud Thomas warehouse management system.

Company name	KANTSU CO., LTD.	
Offices	Head office:	1-8-13 Nagata, Higashi Osaka city, Osaka
	Osaka Branch Office:	LINKS UMEDA 8F WeWork LINKS UMEDA 1-1 Ofukacho, Kita-ku, Osaka city, Osaka
	Tokyo System Development Division:	Bunshodo Building 5F, 3-37-1 Kanda Sakuma-cho Chiyoda-ku, Tokyo
	Logistics bases:	13 locations in Kansai area, 4 locations in Kanto area
		Total area: 176,200m ² (As of June 30, 2021)
Established	April 1986	
Representative	Hisahiro Tatsushiro, Representative Director and President	
Capital	777 million yen (As of May 31, 2021)	
Stock listing	Tokyo Stock Exchange (Mothers)	
Number of employees	311 (Regular employees as of May 31, 2021)	
Business	<ul style="list-style-type: none"> ■ Logistics services business <ul style="list-style-type: none"> EC/catalog logistics support services Rakuten Super Logistics services Outsourced order processing services Logistics consulting services ■ IT automation business <ul style="list-style-type: none"> The Cloud Thomas warehouse management system The Annie check list system ■ Other businesses 	



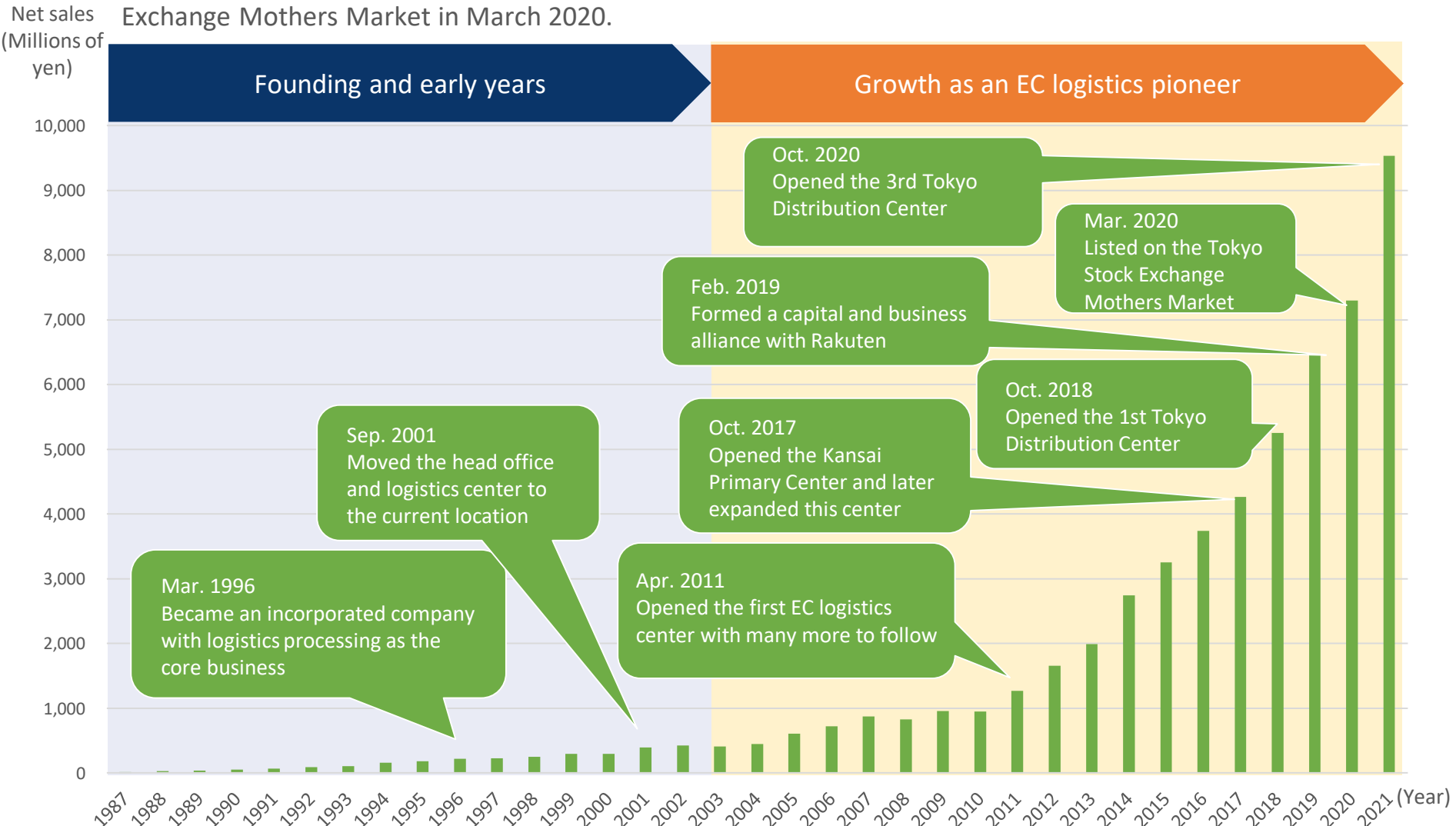
Kansai Primary Center



The 1st Tokyo Distribution Center

2. History

KANTSU has grown rapidly since 2010 along with the expansion of the e-commerce market. KANTSU formed a capital and business alliance with Rakuten Inc. in February 2019 and was listed on the Tokyo Stock Exchange Mothers Market in March 2020.



3. Overview of KANTSU's Services

Always using successful activities in EC/catalog logistics services to add new services

Rakuten Super Logistics services

Reputation for thorough logistics services

**IT automation business
(Cloud Thomas, Annie and other systems)**

Efficient software created from ideas in front-line operations

EC/catalog logistics support services

Outsourcing of complex clerical tasks

Outsourced order processing services

Combines know-how and productive work environments

Logistics consulting services

Quickly transform foreign technical trainees into productive workers

Technology education services for foreign trainees

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II. Our Services

1. Logistics Services Business

EC/catalog logistics support services

The core business at the center of growth of KANTSU's performance

KANTSU operates distribution centers for other companies by handling incoming/outgoing shipments, inventories and other operations for EC, catalog and other customers.

Operations started around 2000 just as the internet retail sector was emerging. By handling a growing volume of shipments, we have supported the growth of a large number of well-known retail companies. In FY2/21, we shipped about 11 million packages.

Growth with customers

Use of the market domination strategy and exclusive warehouse management system (WMS) expertise allows efficiently handling a growing volume of shipments

Flexibility for changes in shipments

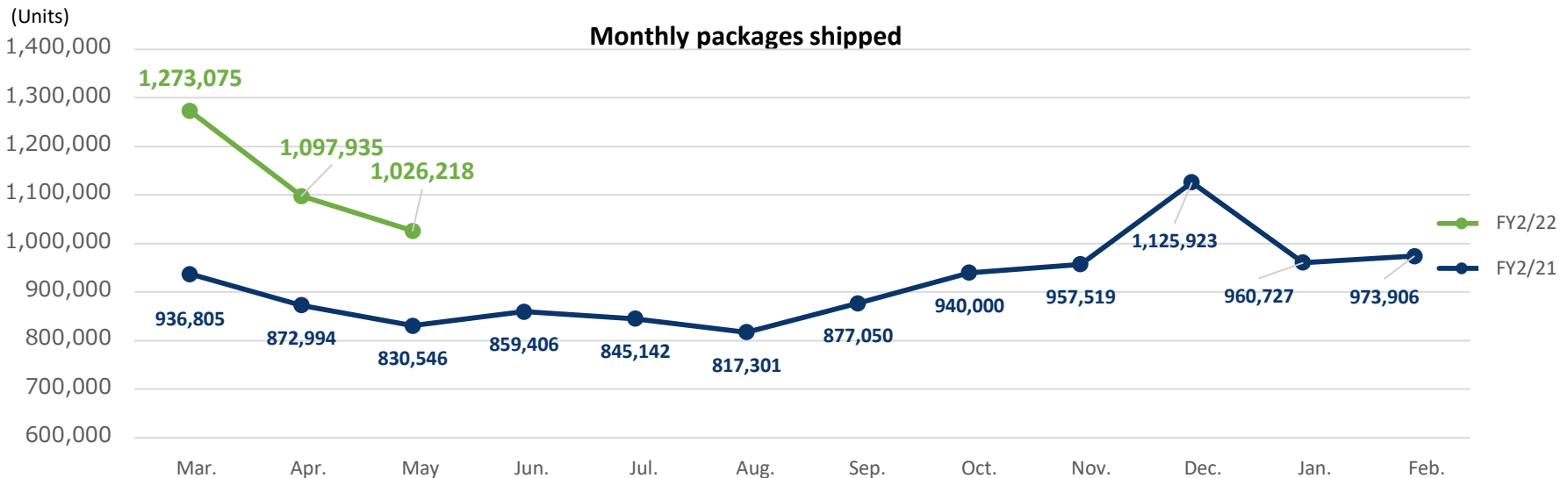
Timely increases and decreases in operations to match changes in the volume of shipments

Solutions to inventory management issues

Cloud Thomas, the exclusive KANTSU WMS, manages inventories efficiently

Improvements in shipment accuracy

Logistics services designed to minimize errors in shipments



1. Logistics Services Business

Rakuten Super Logistics services

KANTSU and Rakuten established a capital and business alliance in February 2019 based on the Rakuten's One Delivery concept with the goal of ensuring the soundness of EC logistics. This partnership is the result of KANTSU's reputation as a provider of order-made and thorough logistics services capable of meeting the requirements of every customer.

About 27% of the Kansai Primary Center (Amagasaki, Hyogo prefecture), which has a total floor area of about 48,500 m², is operated as the Rakuten Fulfillment Center Amagasaki. This center serves KANTSU customers newly added as before while also providing services to Rakuten's customers who have signed up to use Rakuten Super Logistics. We can also directly provide services that not compatible with the Rakuten Super Logistics rules.

Strengthen cold chain logistics services

We plan to strengthen logistics for frozen and refrigerated food products, which is expected to be a growing component of the EC/catalog logistics support services sector.

KANTSU's cold chain logistics service is very unusual because the refrigerated/frozen warehouse allows picking individual items. This capability allows serving wholesale and other businesses as well as selling products directly to consumers. We can also package assorted products, which occurs frequently in the food logistics sector.

Support for foreign companies starting EC operations in Japan

KANTSU has added a service called ONCE for companies in China and other countries that want to start an EC business in Japan. ONCE encompasses every step from importing products and customs clearance to handling incoming and outgoing shipments and other logistics services. We can also process orders from customers and perform other EC tasks in Japan.

1. Logistics Services Business

Outsourced order processing services

These upstream support services for EC/catalog logistics enable companies to use KANTSU for confirming orders from customers, handling e-mail communications with customers, confirming the receipt of payments, producing shipment data, and other tasks.

Companies using e.can have the option of using e.can Plus for the automation of order processing. This allows assembling a back office that can accommodate a company's growth. In addition, some tasks are performed at the Yangon BPO Center in Myanmar to increase efficiency.



Note: The Yangon BPO Center is operated by a company that has an outsourcing agreement with KANTSU.

Logistics consulting services

By using knowledge gained from providing EC/catalog logistics support services, KANTSU has a consulting business for helping companies raise productivity and efficiency by improving their logistics operations. Consulting activities also include ideas for the use of logistics automation equipment for increasing productivity.

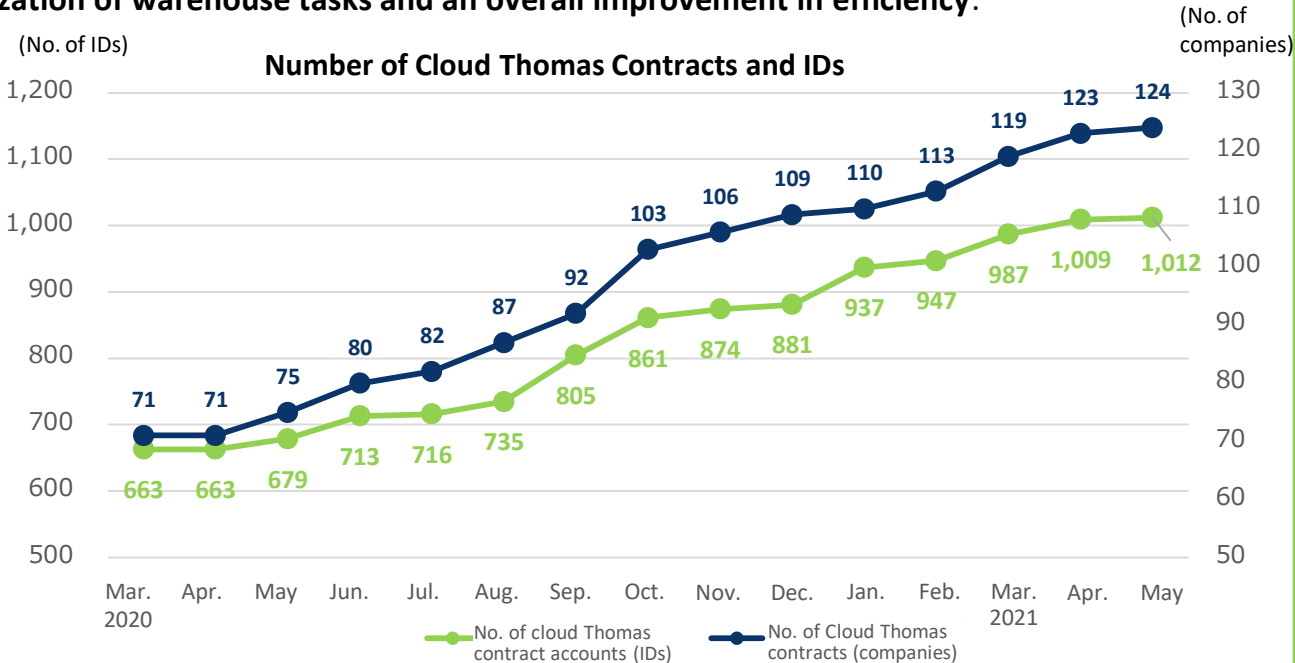
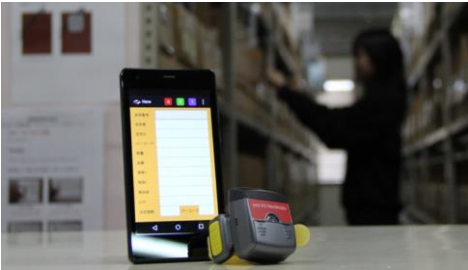


2. IT Automation Business

The software sales business is based on advances originating from our own logistics operations. Major products include the **Cloud Thomas** warehouse management system for high-quality logistics and the **Annie** check list system that also started from ideas in our front-line operations.

Cloud-based warehouse management system Cloud Thomas

Cloud Thomas accurately keeps track of the number of items stored at a distribution center and improves the efficiency of warehouse tasks. This software uses bar codes and scanners for incoming and outgoing shipments, movements of merchandise within the warehouse, and other activities. This physical management of inventories facilitates the supervision of shipments and the locations of specific items. The result is **accurate inventory management, the prevention of errors in outgoing shipments, the standardization of warehouse tasks and an overall improvement in efficiency.**

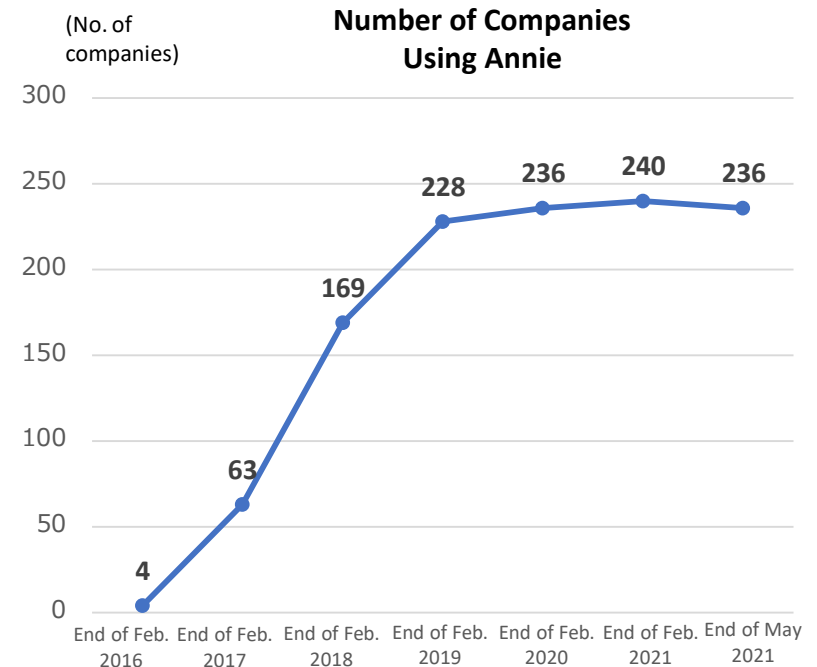
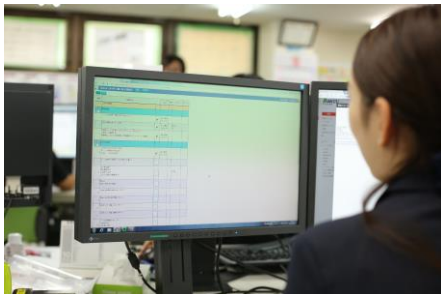


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The Annie check list system

Annie is a cloud-based check list system that resulted from constant improvements in how KANTSU uses its own check lists. Simply register a procedure in a check list to perform tasks with no oversights. **By providing the visualization of each step as well as know-how**, this software **maintains the quality of logistics tasks**. Annie is also ideal for training new employees.



2. IT Automation Business

Transforming successful activities at KANTSU into services to sell to other companies has the benefits of improving satisfaction for current customers and attracting new customers. During FY2/21, we used this process to launch the e.can and ippo! services.

e.can – Automatic processing of orders received

Automates every step for processing customer orders at EC businesses



Order processing at an EC business requires receiving the order, creating data for the shipment, notifying the customer that the order has been processed, and other steps. The new e.can system automates all of these steps. This system is an official application of Next Engine, a cloud EC platform provided by Hamee Corp.

ippo! – A robotic process automation (RPA) production service



This new service combines the knowledge of KANTSU, which has many accomplishments involving RPA, and BizRobo!, an RPA tool that is used by a large number of companies. The result is a service that creates RPA for other companies that want to automate business processes. ippo! is also a service for assisting companies that have started using RPA but are having difficulties.

3. Other Businesses

Education services for people with a developmental disability

- After-school daytime classes for children with a developmental disability
Operating after-school day classes for children with a developmental disability helps these children develop skills and become more independent.
- Employment assistance center for people with a developmental disability
This center helps individuals with a developmental disability who want to find a job improve knowledge and skills required for employment.



Support for pre-school child care

- Operation of nursery schools
Nursery schools with a corporate operating structure for the care of pre-school children give parents more freedom regarding how and when they do their jobs.



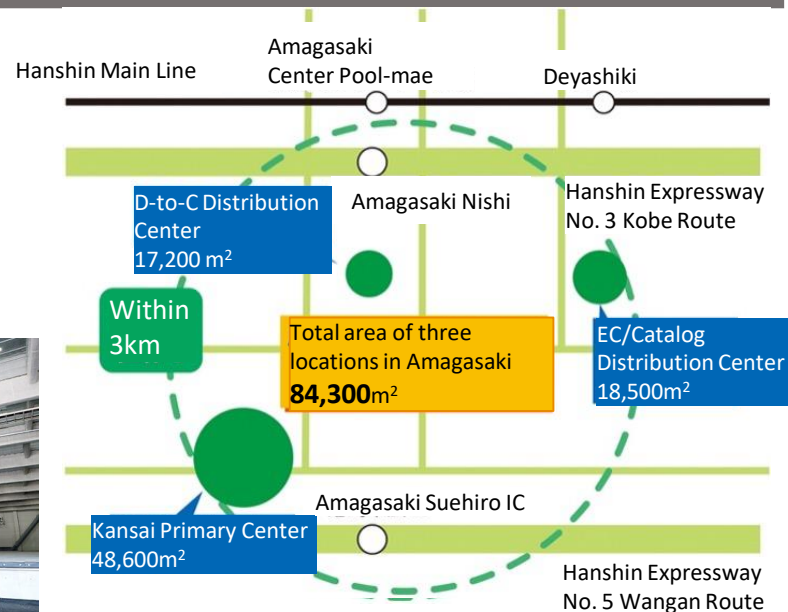
Technology education services for foreign trainees

These education services allow other companies to use the same curriculum that KANTSU employs in Myanmar for individuals who will subsequently go to Japan. For companies in Japan seeking trainees from Myanmar, this service provides education covering knowledge that will be required for the jobs that trainees will perform in Japan. Classes also cover the corporate culture and other subjects in order to enable trainees to be productive workers immediately after their arrival in Japan.



4. Recent Topics

Completion of GLP Amagasaki III, our specialized D-to-C Distribution Center
GLP Amagasaki III started operating on June 1, 2021, a specialized D-to-C Distribution Center with a floor area of about 17,200m². This is KANTSU's third major distribution center along with the Kansai Primary Center (about 48,600m²) and the EC/Catalog Distribution Center (about 18,500m²). There are now two distribution centers in the city of Amagasaki separated by only 2km with a total floor area of almost 84,300m². This presence makes Amagasaki KANTSU's third component of the regional dominance strategy.

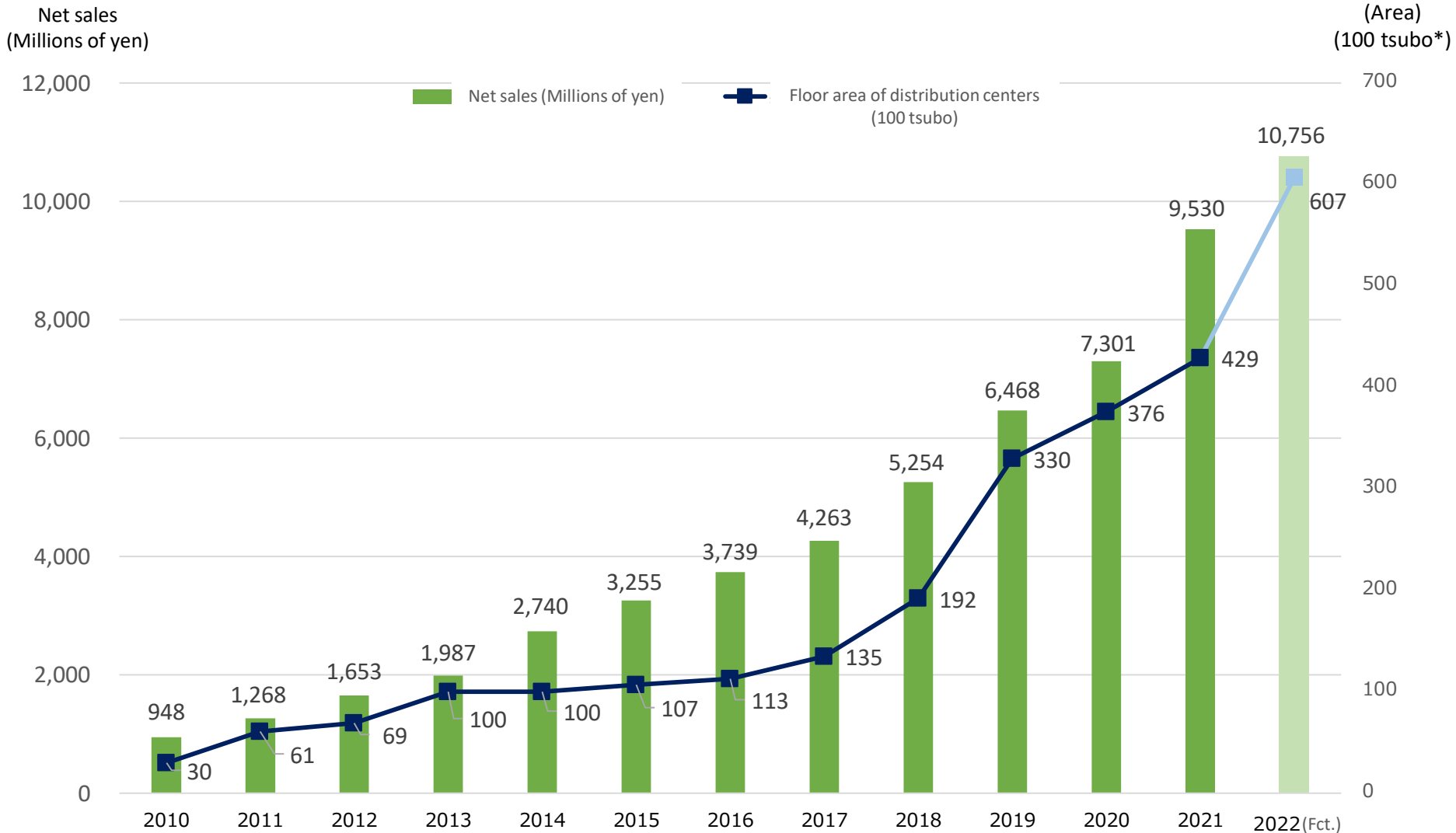




III. KANTSU's Strengths

1. A Large and Growing Number of Customers

Growth backed by new customers as well as sound relationships with current customers

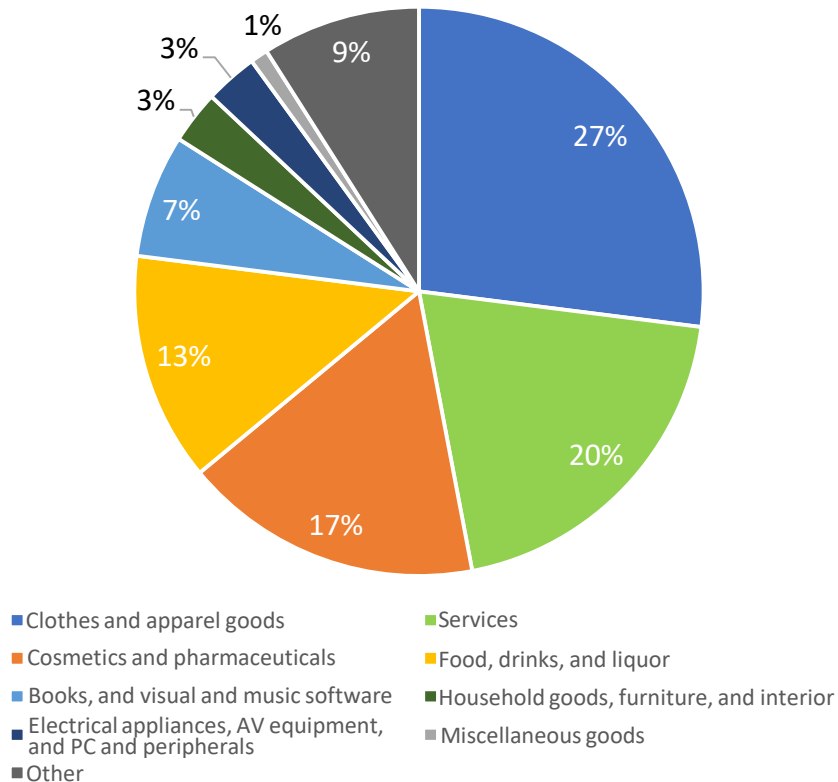


* A "tsubo" is a unit of area, and one tsubo is equal to 3.305 square meters.

1. A Large and Growing Number of Customers

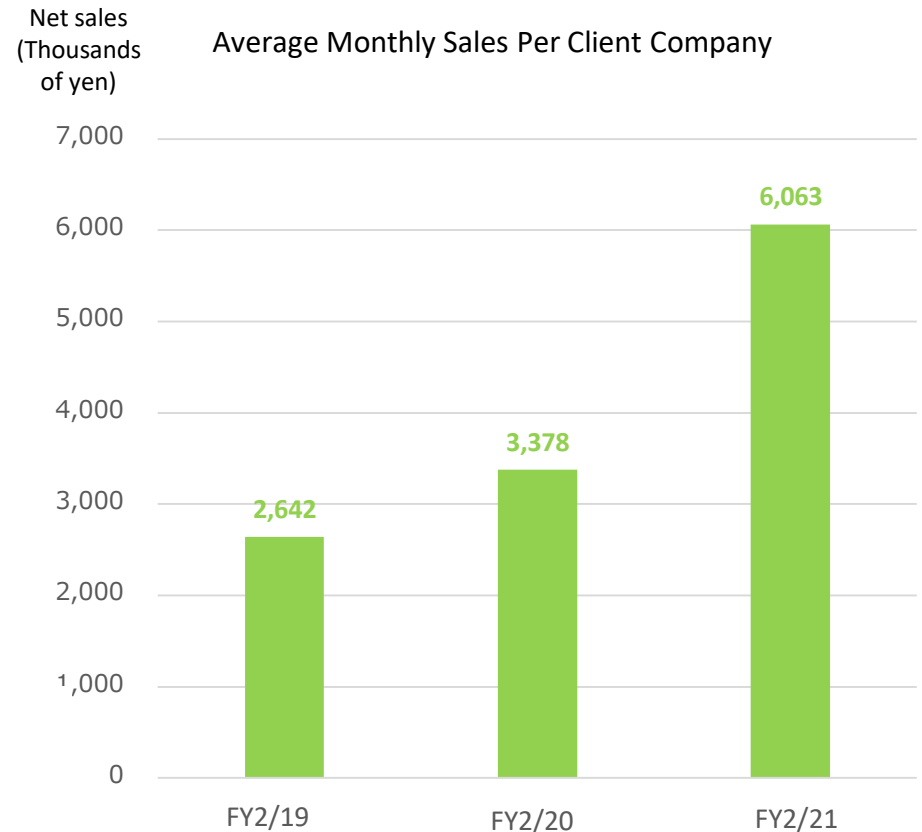
Support for logistics in many sectors

Sales Composition by Market Sector (FY2/21 results)



- * Based on the top 100 companies in FY2/21 sales.
- * Rakuten Super Logistics services are included in Services.
- * Sectors are selected for consistency with the Ministry of Economy, Trade and Industry statistics on page 43.

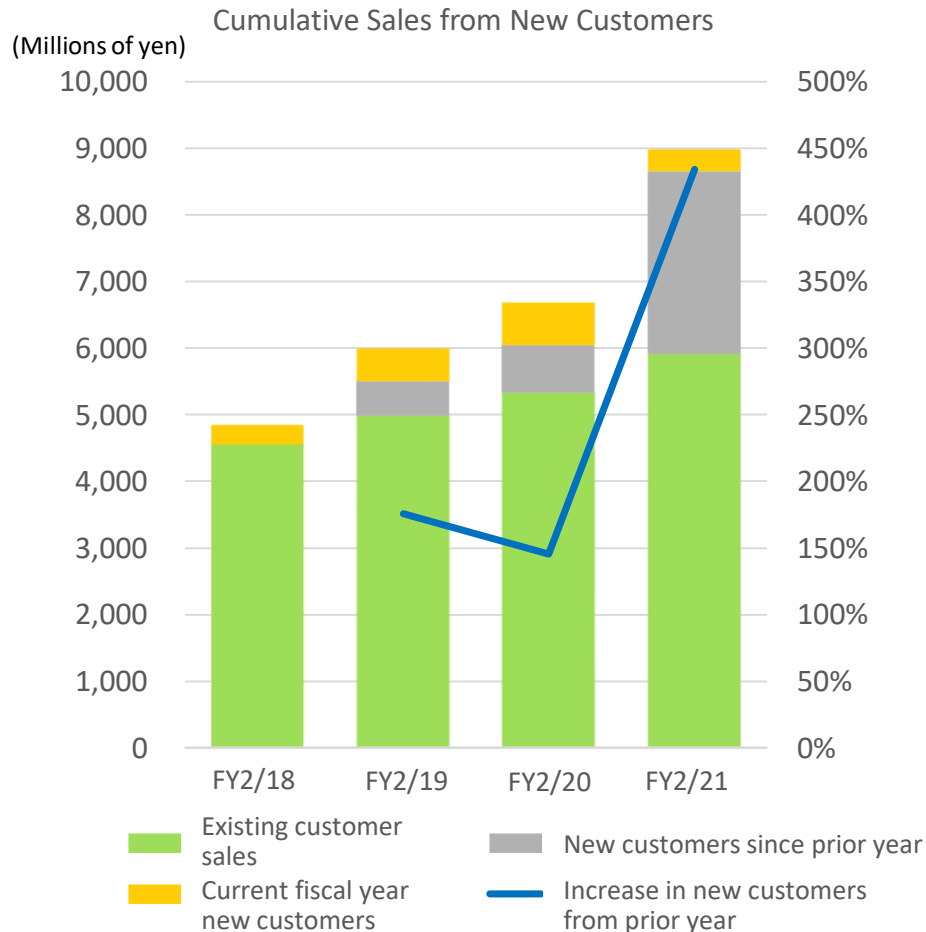
Steady growth of sales from outsourced logistics operations



- * Based on the top 100 companies in FY2/21 sales.
- * Calculated after excluding Rakuten Super Logistics services sales

1. A Large and Growing Number of Customers

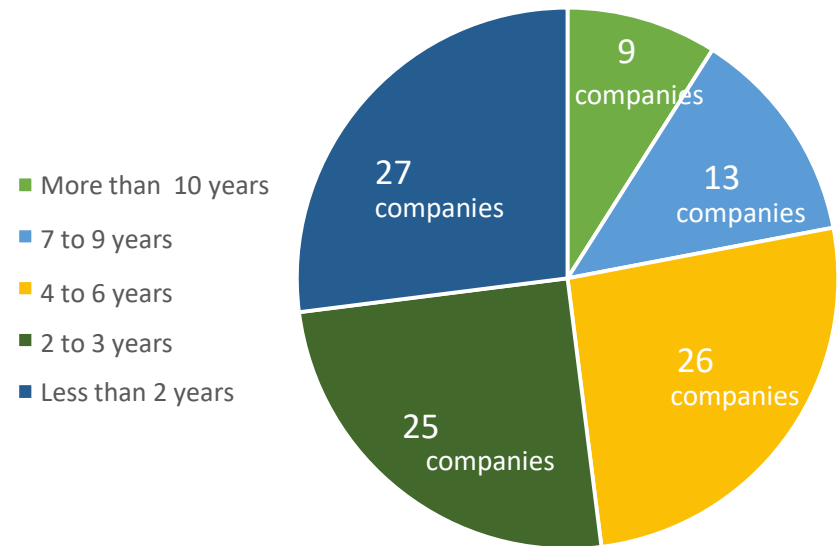
New customers contribute to KANTSU's growth every year



*Sales from EC and catalog logistics support services

The number of new customers is increasing but relationships of at least four years are still about half of all customers
We maintain logistics support relationships for a long-time with our customers

Length of Customer Relationships (FY2/21 results)



*Based on the top 100 companies in FY2/21 sales.

2. Ability to Attract New Customers

We use study tours of warehouses, web marketing and other activities to establish relationships with new customers.

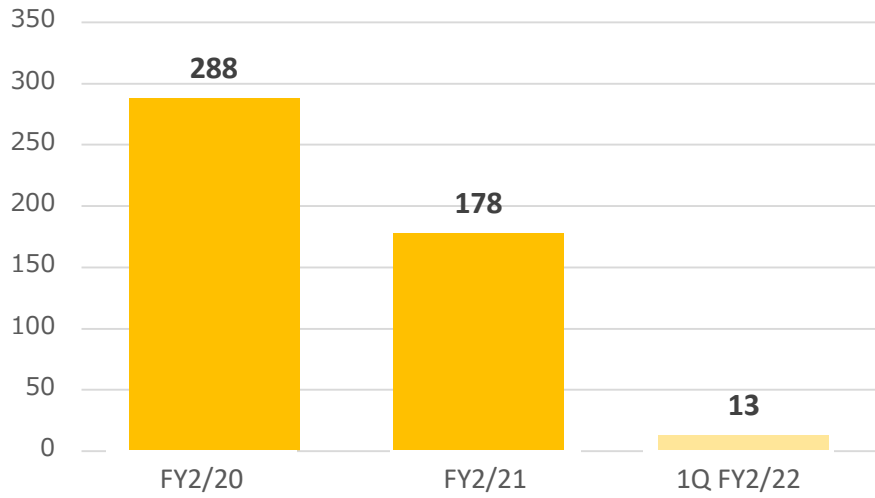
Warehouse Study Tours (Seminars)

Warehouse Study Tours have hosted more than 200 people every year since they began in 2014, except FY2/21 due to the pandemic. We have also started **Internet Warehouse Tours**. In addition, we upgraded our **Logistics Improvement Class**, which is viewed as a streaming video. This allows potential customers to see our operations and learn more without visiting one of our distribution centers and to hold online business meetings, which speeds up the process of attracting new customers.

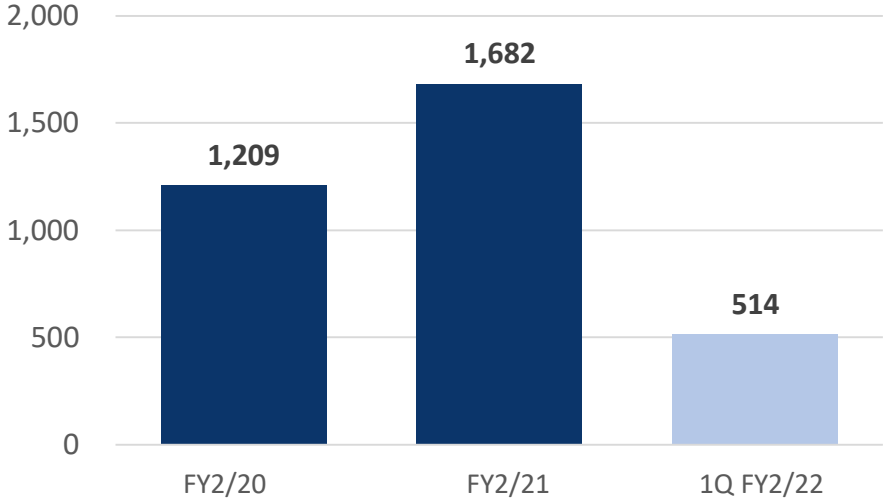
Web Marketing

We started using the internet more than 10 years ago for activities to attract customers. There is also a website that utilizes exclusive KANTSU know-how. Benefits began to appear immediately after starting these activities. To make more improvements, we have used web marketing consultants for search engine optimization and other measures.

Number of participants



Number of inquiries



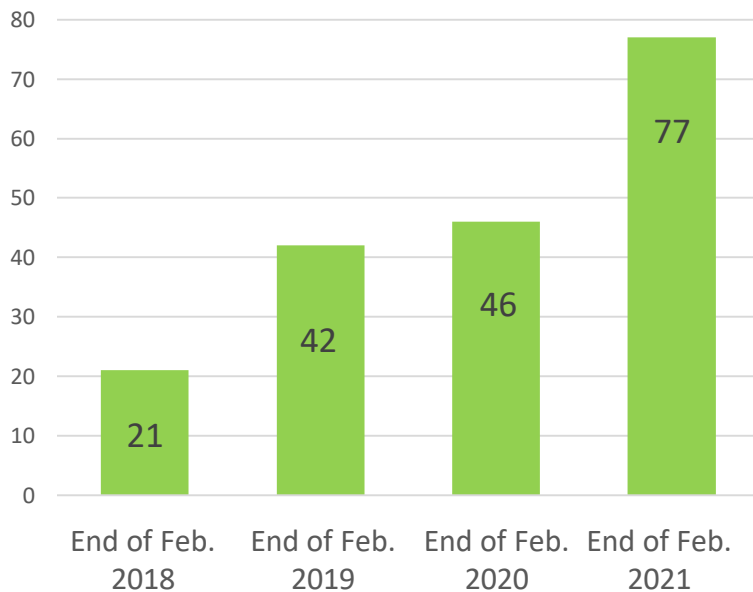
3. Recruiting, Training and Productivity

To maintain a well-trained and motivated workforce, we have a recruiting activities as well as measures to strengthen training programs, improve evaluation systems and make other improvements.

■ Recruiting

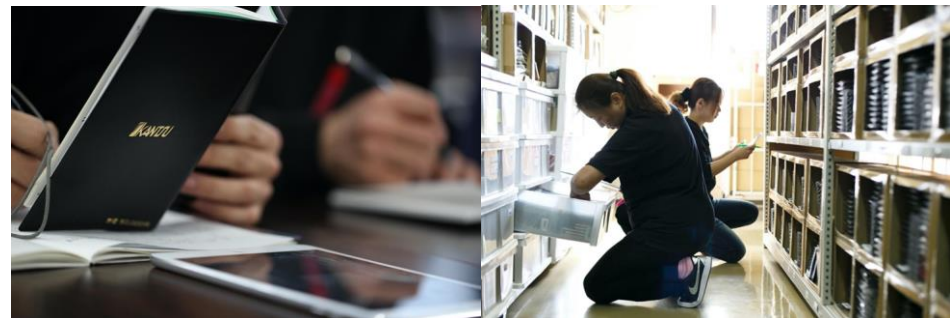
- Started using foreign technical trainees in June 2017
- Trainees receive vocational and Japanese language lessons before coming to Japan
- We hire trainees every year, who are productive workers immediately after arriving in Japan due to preliminary training
- We are constantly improving the infrastructure for hiring trainees, such as by upgrading living accommodations


Number of Foreign Technical Trainees



■ Training and Productivity

- Business plans
Employees study textbooks about numerical targets, business concepts, KANTSU's policies and rules.
- Workplace environment
Priority is placed on neatness and cleanliness in order to maintain workplaces that are pleasant and productive
- Correspondence university classes (new graduate course, department manager course)
- Performance evaluation standards
publication/Evaluation sheet



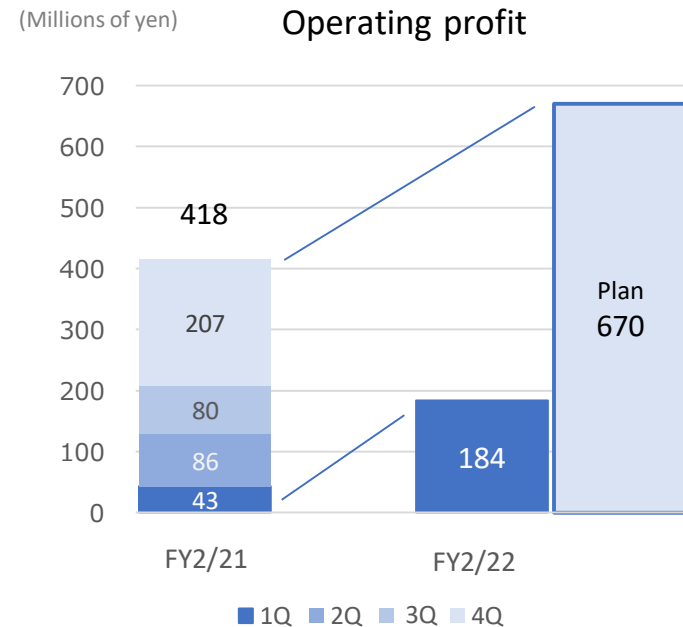
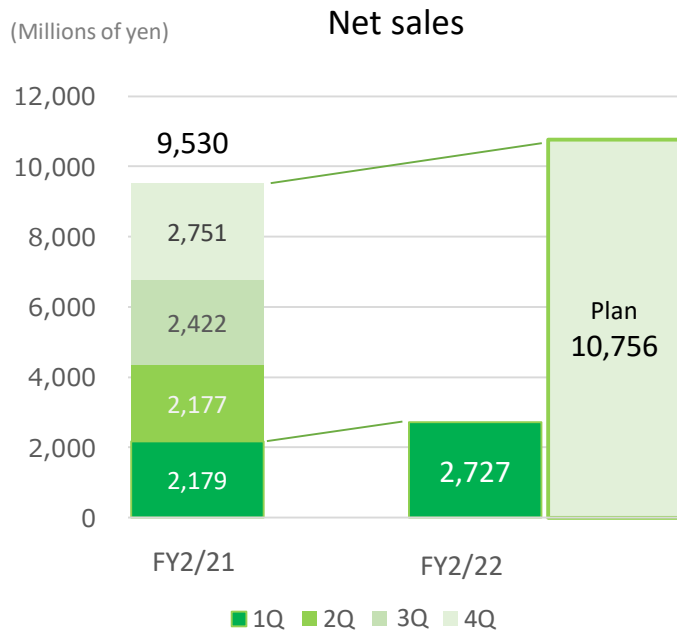


IV. 1Q FY2/22 Financial Summary

1. 1Q FY2/22 Financial Highlights

Sales were 25.2% higher than one year earlier and operating profit was up 322.1%. In EC/catalog logistics support services, new customers started generating sales faster than expected. In warehouse management systems, the number of Cloud Thomas contracts increased and sales of logistics automation hardware increased along with the number of new Cloud Thomas users.

Net sales	2,727 million yen	(up 25.2 % YoY)
Operating profit	184 million yen	(up 322.1 % YoY)



2. 1Q FY2/22 Results Summary

Sales and earnings increased due to strong growth of sales in the logistics services business and IT automation business.

(Millions of yen, %)

	1Q FY2/21		1Q FY2/22		YoY change	
	Results	% to net sales	Results	% to net sales	Amount	%
Net sales	2,179	100.0	2,727	100.0	548	25.2
Gross profit	212	9.8	397	14.6	185	87.2
SG&A expenses	168	7.8	213	7.8	44	26.4
Operating profit	43	2.0	184	6.8	140	322.1
Ordinary profit	32	1.5	171	6.3	138	430.7
Profit	23	1.1	117	4.3	94	406.4
EPS (Yen)	8.35	-	35.77	-	-	-

* IT automation is a new reportable segment beginning with 1Q FY2/22. Due to a reexamination of software development depreciation expenses and other reasons associated with this new segment, 5 million yen of depreciation that was in SG&A expenses in 1Q FY2/21 has been reclassified as cost of sales.

3. Quarterly Results Summary

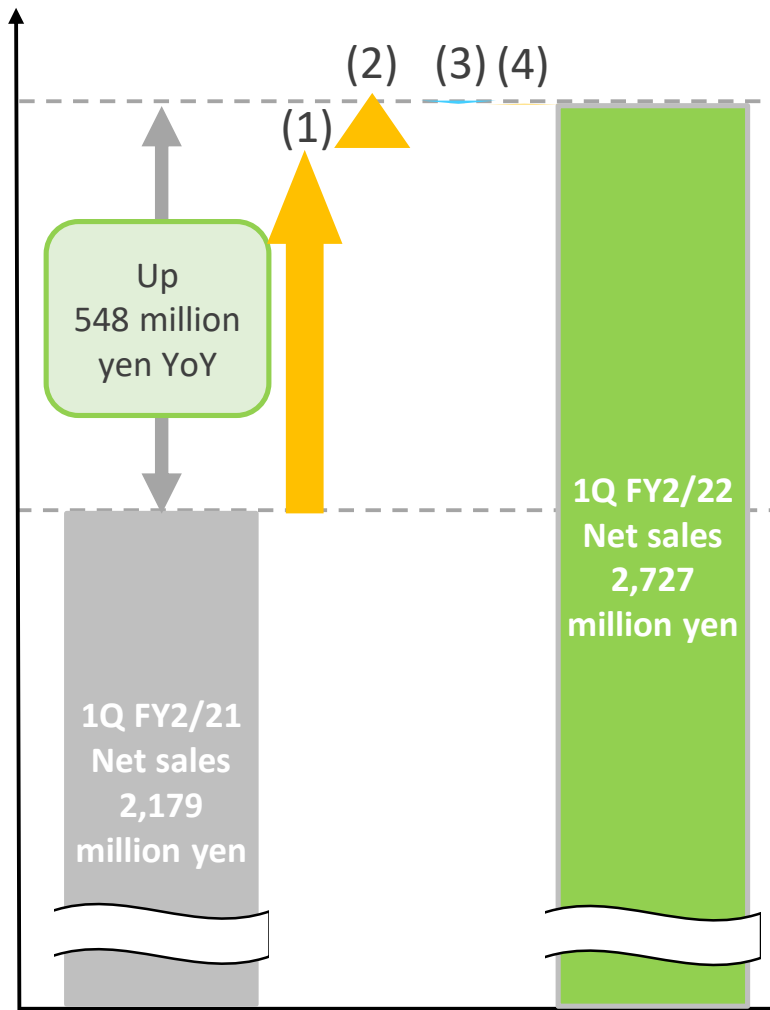
Sales continued to increase from quarter to quarter because of new customers in FY2/21 and faster than expected sales from new customers in 1Q FY2/22.

(Millions of yen, %)

	FY2/21				FY2/22				
	1Q	2Q	3Q	4Q	1Q	Vs. 2Q initial plan	2Q initial plan	2Q revised plan	FY plan
Net sales	2,179	2,177	2,422	2,751	2,727	55.5	4,910	5,282	10,756
Gross profit	212	260	254	393	397	60.4	658	755	1,608
SG&A expenses	168	174	173	186	213	45.2	472	435	937
Operating profit	43	86	80	207	184	99.1	186	319	670
Ordinary profit	32	78	74	198	171	101.7	168	296	635
Profit	23	55	55	148	117	103.8	113	202	428
EPS (Yen)	8.35	18.35	18.43	47.58	35.77	-	35.57	60.65	134.14

* IT automation is a new reportable segment beginning with 1Q FY2/22. Due to a reexamination of software development depreciation expenses and other reasons associated with this new segment, 5 million yen of depreciation that was in SG&A expenses in 1Q FY2/21 has been reclassified as cost of sales.

4. Analysis of Change in Net Sales



(1) Higher sales of EC/catalog logistics support services

Switch of cargo transport rate contracts for some customers reduced sales but sales were higher because of sales from new customers in FY2/21 and faster than expected sales from new customers

+481 million yen YoY

(2) Growth in the IT automation business

The number of contracts is increasing and there were strong sales of logistics automation hardware associated with new Cloud Thomas users

+73 million yen YoY

(3) Lower sales of other logistics services

Sales decreased mainly because of cancelations of warehouse study tours because of the COVID-19 pandemic

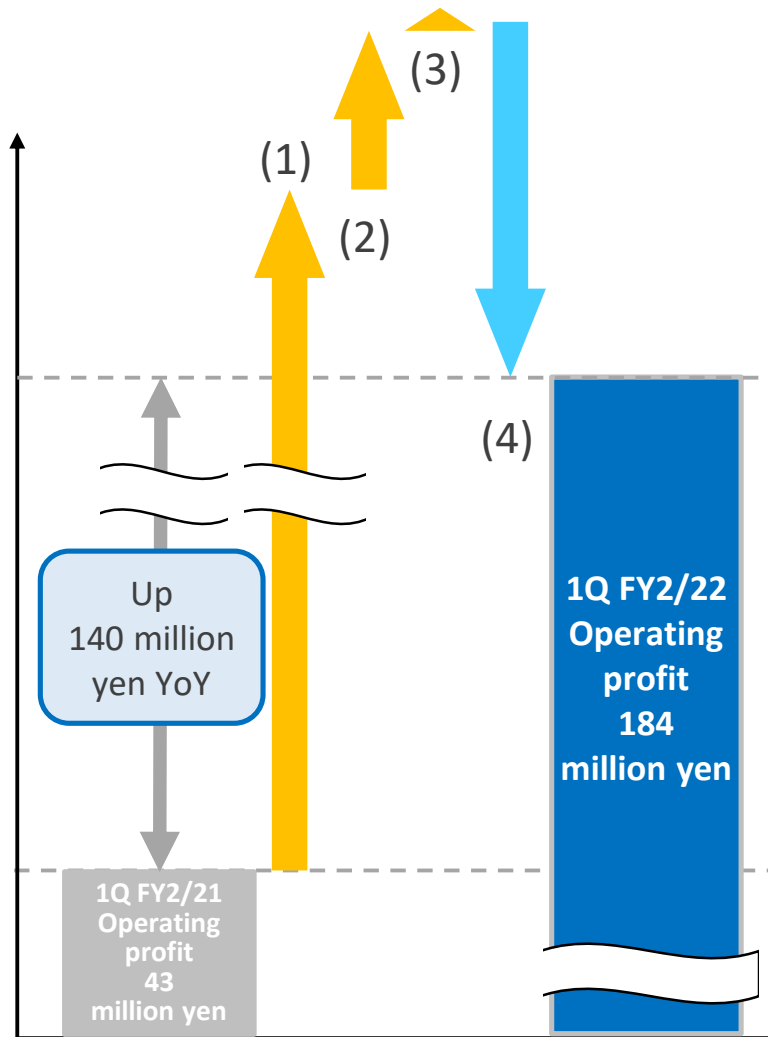
-4 million yen YoY

(4) Lower sales of other businesses

Sales of technology education services for foreign trainees decreased mainly due to the COVID-19 pandemic

-1 million yen YoY

5. Analysis of Change in Operating Profit



(1) Higher gross profit in the logistics services business

Mainly due to higher sales in the EC/catalog logistics support services category

+163 million yen YoY

(2) Higher gross profit in the IT automation business

Higher earnings as the contribution of sales growth outweighed expenses for more people and other measures to upgrade maintenance operations

+18 million yen YoY

(3) Improvement in gross profit in the other businesses

An increase in sales of other education services, including employment assistance for people with developmental disabilities

+3 million yen YoY

(4) Higher SG&A expenses (negative)

Attributable mainly to expenses for strengthening administrative functions and advertising and marketing activities

-44 million yen YoY

6. Business Segments

(1) Logistics Services Business

- EC/catalog logistics support services increased 481 million yen (23.5%) because of the growth of services provided to existing customers and the faster than expected start of sales from new customers.
- Faster than expected sales from new customers raised segment profitability, resulting in a 130 million yen (816.8%) increase in segment profit.

(Millions of yen, %)

		1Q FY2/21		1Q FY2/22		YoY change	
		Results	% to sales	Results	% to sales	Amount	%
	EC/catalog logistics support services	2,045	97.7	2,526	98.3	481	23.5
	Outsourced order processing services	24	1.2	26	1.0	1	6.4
	Others	23	1.1	17	0.7	(5)	(25.1)
	Segment sales	2,093	100.0	2,569	100.0	476	22.8
	Segment profit	16	0.8	146	5.7	130	816.8

*Rakuten Super Logistics services are included in EC/catalog logistics support services.

6. Business Segments

(2) IT Automation Business

- Segment sales increased 73 million yen (118.1%) primarily because of the increasing number of Cloud Thomas contracts and higher sales of logistics automation hardware as the number of Cloud Thomas users increased.
- Segment profit increased 9 million yen (29.6%). Logistics automation hardware sales raised cost of sales ratio and there were expenses associated with the 2020 release of Thomas Pro and for strengthening support operations.

(Millions of yen, %)

		1Q FY2/21		1Q FY2/22		YoY change	
		Results	% to sales	Results	% to sales	Amount	%
	Cloud Thomas	37	60.1	107	80.0	70	190.6
	Other	24	39.9	26	20.0	2	9.0
Segment sales		61	100.0	134	100.0	73	118.1
Segment profit		31	50.6	40	30.1	9	29.6

6. Business Segments

(3) Other Businesses

- Other education services are performing well, including the employment assistance service for people with developmental disabilities, which started operating in December 2020. There were no new services involving technology education for foreign trainees because of COVID-19. As a result, segment sales were down 1 million yen (7.1%).

(Millions of yen, %)

		1Q FY2/21		1Q FY2/22		YoY change	
		Results	% to sales	Results	% to sales	Amount	%
	Technology education services for foreign trainees	6	27.4	3	13.3	(3)	(55.0)
	Other education services	17	72.6	19	86.7	1	11.0
	Segment sales	24	100.0	22	100.0	(1)	(7.1)
	Segment profit	(3)	-	(2)	-	0	-

7. Condensed Balance Sheet

	As of Feb. 28, 2021		As of May 31, 2021		YoY change	(Millions of yen, %)
	Amount	Composition	Amount	Composition		
Current assets	4,142	55.0	4,458	55.3	315	Increase mainly due to exercise of share acquisition rights
Cash and deposits	2,592	34.4	2,941	36.5	348	
Accounts receivable	1,256	16.7	1,208	15.0	(47)	
Other	293	3.9	308	3.8	15	
Non-current assets	3,390	45.0	3,609	44.7	218	
Property, plant and equipment	2,326	30.9	2,373	29.4	47	
Intangible assets	259	3.5	277	3.4	17	Higher guarantee deposits due to new distribution center
Investments and other assets	804	10.7	957	11.9	153	
Total assets	7,532	100.0	8,067	100.0	534	
Current liabilities	1,836	24.4	1,636	20.3	(199)	Decrease because FY2/21 ended on a weekend
Accounts payable	472	6.3	334	4.1	(137)	
Interest-bearing debt	817	10.9	802	9.9	(15)	
Other	546	7.3	499	6.2	(46)	
Non-current liabilities	4,101	54.4	4,065	50.4	(35)	
Interest-bearing debt	3,867	51.3	3,827	47.4	(39)	
Other	234	3.1	237	2.9	3	
Total liabilities	5,937	78.8	5,702	70.7	(235)	Increase mainly due to exercise of share acquisition rights
Total net assets	1,595	21.2	2,364	29.3	769	
Total liabilities and net assets	7,532	100.0	8,067	100.0	534	

9. Capital Expenditures

Plan and Actual Expenditures

(As of May 31, 2021) (Millions of yen)

Project	Purpose	Plan	Payment made	Start/Finish
Construction of Tokyo Primary Center (Wako, Saitama)	More space for current customers and space for new customers (11,300m ²)	184	136	Dec. 2019 to Oct. 2021
Construction of a D-to-C Distribution Center (Amagasaki, Hyogo)	More space for current customers and space for new customers (17,200m ²)	265	139	May 2021 to Feb. 2022
Use of robots at distribution centers	Expanded the use of logistics robots and other automation equipment	400	-	Mar. 2021 to Feb. 2022
Software development	Reinforce functions of the Cloud Thomas warehouse management system and other improvements	300	33	Mar. 2021 to Feb. 2023
Add new distribution centers (One center in Amagasaki, Hyogo) (One center in Niiza, Saitama)	More space for current customers and space for new customers (About 46,000m ² for both centers)	747	114	Mar. 2021 to Feb. 2023
Add new refrigerated/frozen warehouse (Niiza, Saitama)	For serving new customers using e-commerce for frozen and refrigerated food products	640	-	Feb. 2022 to Apr. 2022

Payments made
Lease deposits 133 million yen
Others 2 million yen

Payments made
Lease deposits 139 million yen

Payments made
Lease deposits 63 million yen
Automatic sorting machines 17 million yen
Others 33 million yen



V. FY2/22 Earnings Forecasts

1. FY2/22 Earnings Forecasts

- Forecast net sales to increase 12.9% YoY and higher earnings at all levels

(Millions of yen, %)

	FY2/21 Results		FY2/22 Forecasts		YoY change	
	Results	% to net sales	Forecasts	% to net sales	Amount	%
Net sales	9,530	100.0	10,756	100.0	1,226	12.9
Gross profit	1,126	11.8	1,608	15.0	482	42.9
SG&A expenses	707	7.4	937	8.7	229	32.5
Operating profit	418	4.4	670	6.2	252	60.4
Ordinary profit	383	4.0	635	5.9	251	65.7
Profit	283	3.0	428	4.0	145	51.5
EPS (Yen)	94.99	-	134.14	-	-	-

2. Business Segments

(1) Logistics Services Business

- Two new distribution centers in Amagasaki, Hyogo prefecture (total of about 35,700 m²) due to the continuing growth of the EC/catalog logistics support services market.
- Forecast a reduction of about 800 million yen in projected cargo transport sales (but only a negligible effect on earnings at all levels) due to a change in the contracts of some customers but 1,500 million yen of sales from new customers.

(Millions of yen, %)

		FY2/21		FY2/22		YoY change	
		Results	% to sales	Forecasts	% to sales	Amount	%
	EC/catalog logistics support services	8,968	98.1	10,115	98.3	1,146	12.8
	Outsourced order processing services	92	1.0	111	1.1	18	19.7
	Others	85	0.9	66	0.6	(19)	(22.8)
	Segment sales	9,146	100.0	10,292	100.0	1,145	12.5

* Rakuten Super Logistics services are included in EC/catalog logistics support services.

* Beginning with 1Q FY2/22, the software sales and use services category has been separately disclosed in a business segment called IT automation. Accordingly, software sales and use services are excluded from the logistics services business.

2. Business Segments

(2) IT Automation Business

- In addition to the Cloud Thomas warehouse management system, we are adding Cloud Thomas Pro, which can be customized to match each customer's requirements and scale of operations, to serve a broader range of customers.
- Cloud Thomas sales are forecast to increase 42 million yen, or 20.8%, which is a conservative outlook that does not include any Cloud Thomas Pro sales.

(Millions of yen, %)

		FY2/21		FY2/22		YoY change	
		Results	% to sales	Forecasts	% to sales	Amount	%
	Cloud Thomas	202	68.2	244	70.1	42	20.8
	Others	94	31.8	104	29.9	10	10.6
	Segment sales	297	100.0	349	100.0	52	17.6

* Figures for FY2/21 results in the IT automation business use actual figures from software sales and use services in the logistics services business.

2. Business Segments

(3) Other Businesses

- Sales of technology education services for foreign trainees are expected to decrease because of COVID-19 and political instability in Myanmar. But segment sales are forecast to increase 33.1% to 28 million yen because of the expected sales of the employment assistance service for people with developmental disabilities, which was started in FY2/21.

(Millions of yen, %)

		FY2/21		FY2/22		YoY change	
		Results	% to sales	Forecasts	% to sales	Amount	%
	Technology education services for foreign trainees	19	22.0	10	9.4	(8)	(43.3)
	Other education services	67	78.0	104	90.6	36	54.7
	Segment sales	86	100.0	115	100.0	28	33.1

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VI. Medium-term Business Plan – 2024 –

1. Medium-term Business Plan Overview

- The goal is net sales of 15.3 billion yen and operating profit of 1.0 billion yen in FY2/24 by achieving growth that outpaces the e-commerce market's expansion.

(Millions of yen, %)

	FY2/22			FY2/23			FY2/24		
	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)
Net sales	10,756	100.0	12.9	13,105	100.0	21.8	15,370	100.0	17.3
Gross profit	1,608	15.0	42.9	1,833	14.0	14.0	2,280	14.8	24.4
SG&A expenses	937	8.7	32.5	1,036	7.9	10.5	1,184	7.7	14.3
Operating profit	670	6.2	60.4	796	6.1	18.8	1,095	7.1	37.6
Ordinary profit	635	5.9	65.7	750	5.7	18.1	1,050	6.8	40.0
Profit	428	4.0	51.5	506	3.9	18.1	708	4.6	40.0
ROE	At least 15.0%		-	At least 15.0%		-	At least 15.0%		-

2. Medium-term Plan for Business Segments

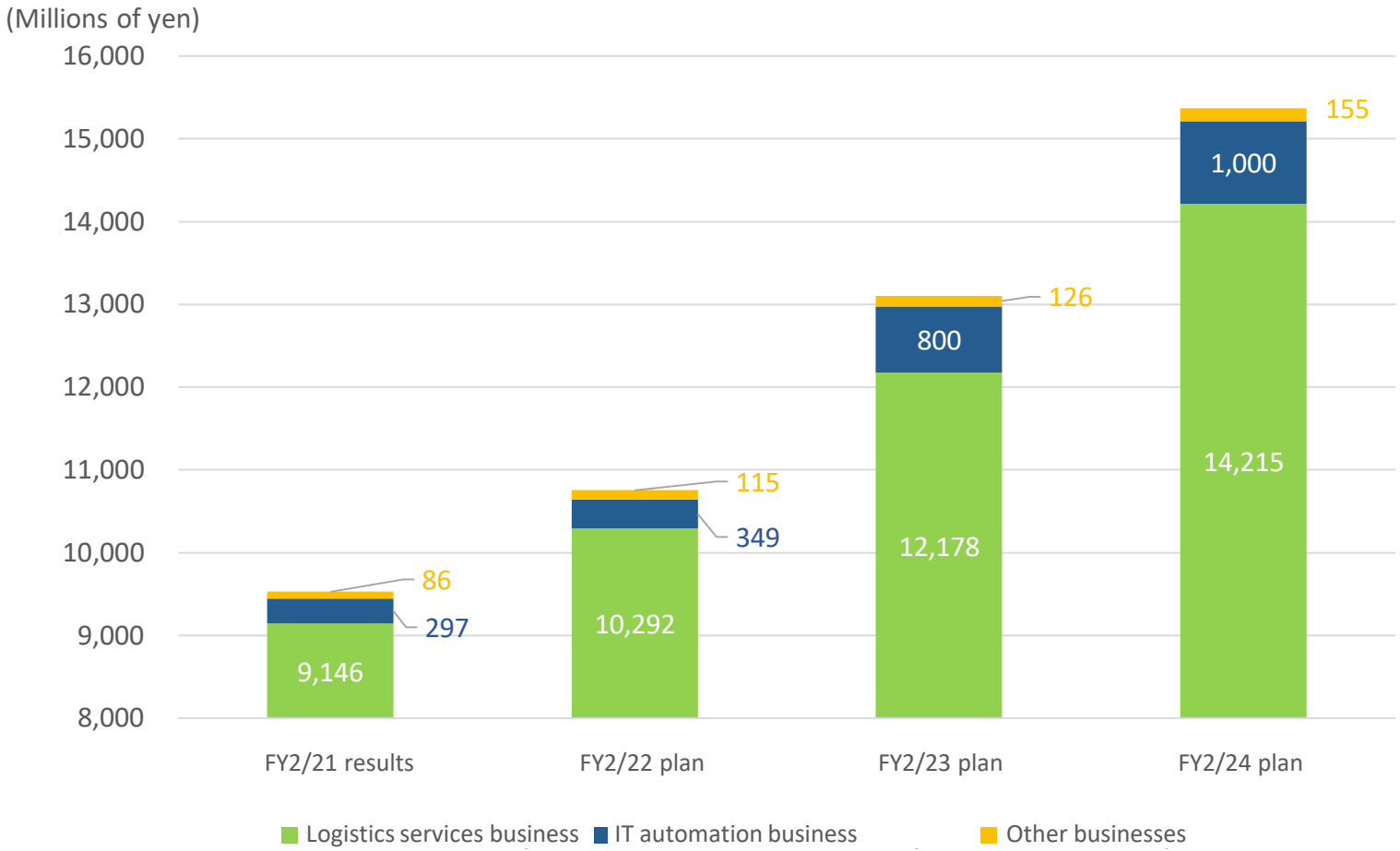
- In the logistics services business, the goal is to use capital expenditures for distribution center expansion and robots and other automated logistics equipment in order to grow faster than the e-commerce market.
- In the IT automation business, the goal is to become recognized as an IT vendor by making software investments, mainly for Cloud Thomas, and using alliances and other measures to strengthen sales activities.

(Millions of yen, %)

	FY2/22			FY2/23			FY2/24		
	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)
Logistics services business	10,292	95.7	12.5	12,178	92.9	18.3	14,215	92.5	16.7
IT automation business	349	3.2	17.6	800	6.1	129.1	1,000	6.5	25.0
Other businesses	115	1.1	33.1	126	1.0	10.1	155	1.0	22.5
Net sales	10,756	100.0	12.9	13,105	100.0	21.8	15,370	100.0	17.3
Gross profit	1,608	15.0	42.9	1,833	14.0	14.0	2,280	14.8	24.4

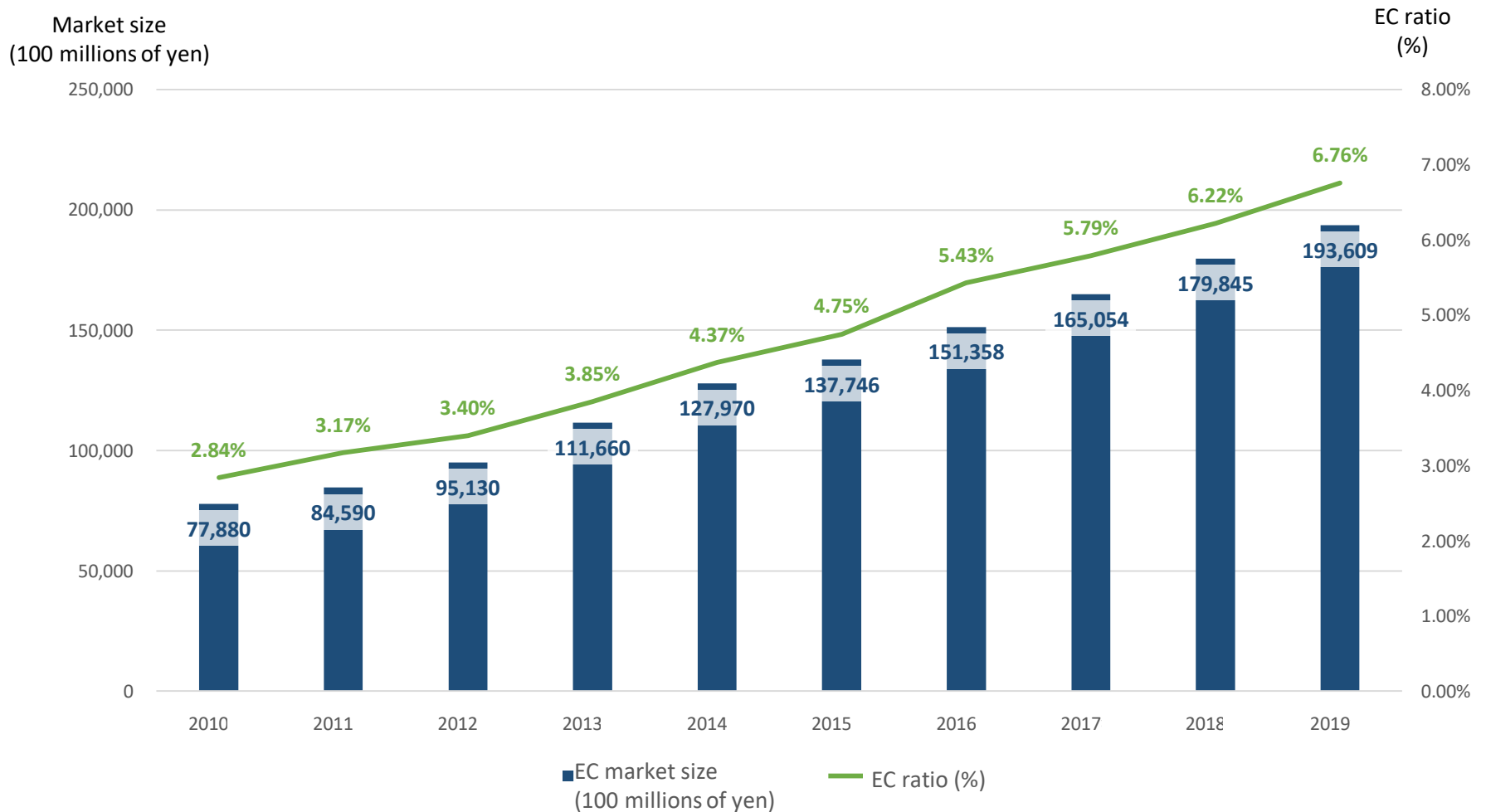
2. Business Segment Sales Plan

- KANTSU aims for net sales of 14.2 billion yen in the logistics services business and of 1.0 billion yen in the IT automation business in FY2/24.



3. Market Conditions

Expect the e-commerce market to continue growing strongly



Source: Ministry of Economy, Trade and Industry, FY2019 Research Project on International Economy in relation to Formulation of Domestic and Foreign Integrated Economic Growth Strategy

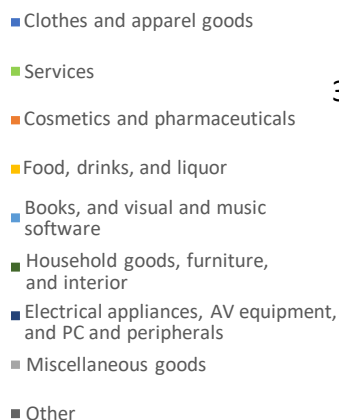
3. Market Conditions

Growth is continuing in the merchandise sales category, the largest component of KANTSU's customer base

B-to-C EC Sector – Market Category Size and Composition Ratio

	2018	2019	Growth ratio
A. Merchandise sales	¥9,299.2 billion (EC ratio 6.22%)	¥10,051.5 billion (EC ratio 6.76%)	8.09%
B. Services	¥6,647.1 billion	¥7,167.2 billion	7.82%
C. Digital technology	¥2,038.2 billion	¥2,142.2 billion	5.11%
Total	¥17,984.5 billion	¥19,360.9 billion	7.65%

Reference: KANTSU Market Category Sales Composition (FY2/21 results)



*Percentages are based on the top 100 companies in FY2/21 sales.

*Rakuten Super Logistics services are included in services.

B-to-C EC Sector Merchandise Sales for Product Categories

Classification	2018		2019	
	Market size (¥ billion)	EC ratio (%)	Market size (¥ billion) *Lower column: vs. 2018	EC ratio (%)
1 <u>Food, drinks, and liquor</u>	1,691.9 (8.60%)	2.64%	1,823.3 (7.77%)	2.89%
2 <u>Electrical appliances, AV equipment, and PC and peripherals</u>	1,646.7 (7.40%)	32.28%	1,823.9 (10.76%)	32.75%
3 <u>Books, and visual and music software</u>	1,207.0 (8.39%)	30.80%	1,301.5 (7.83%)	34.18%
4 <u>Cosmetics and pharmaceuticals</u>	613.6 (8.21%)	5.80%	661.1 (7.75%)	6.00%
5 <u>Household goods, furniture, and interior</u>	1,608.3 (8.55%)	22.51%	1,742.8 (8.36%)	23.32%
6 <u>Clothes and apparel goods</u>	1,772.8 (7.74%)	12.96%	1,910.0 (7.74%)	13.87%
7 Automobiles, motorcycles, and parts	234.8 (7.16%)	2.76%	239.6 (2.04%)	2.88%
8 Office supplies and stationery	220.3 (7.57%)	40.79%	226.4 (2.76%)	41.75%
9 Other	303.8 (9.31%)	0.85%	322.8 (6.26%)	0.92%
Total	9,299.2 (8.12%)	6.22%	10,051.5 (8.09%)	6.76%

Source: Ministry of Economy, Trade and Industry, FY2019 Research Project on International Economy in relation to Formulation of Domestic and Foreign Integrated Economic Growth Strategy

4. Growth Strategy

1 New large refrigerated and frozen warehouses

- Strengthen logistics sales services for refrigerated/frozen food EC, a category expected to continue growing

January 2022 (planned) Automated warehouse with 1,050 pallets for frozen merchandise (1,323 ambient temperature pallets)
EC/Catalog Distribution Center (Amagasaki, Hyogo)

February 2022 (planned) Kanto New Distribution Center (tentative name) in Niiza, Saitama prefecture (7,700m²)

2 Grow rapidly as an IT vendor

- Supply an upgraded version of the Cloud Thomas warehouse management system to strengthen its functions
Started selling Cloud Thomas Pro in FY2/21 and currently upgrading customization capabilities for the use of this software in midsize and large-scale applications
- Use alliances for sales activities

3 Start providing services for the last mile

- Build an infrastructure for services that solve last-mile issues

5. Internal Strategy that Supports the Growth Strategy

1 Strengthen activities using the internet to attract new customers

- Use SEO, an internet advertising strategy and remote sales meetings for effective activities to establish relationships with new customers

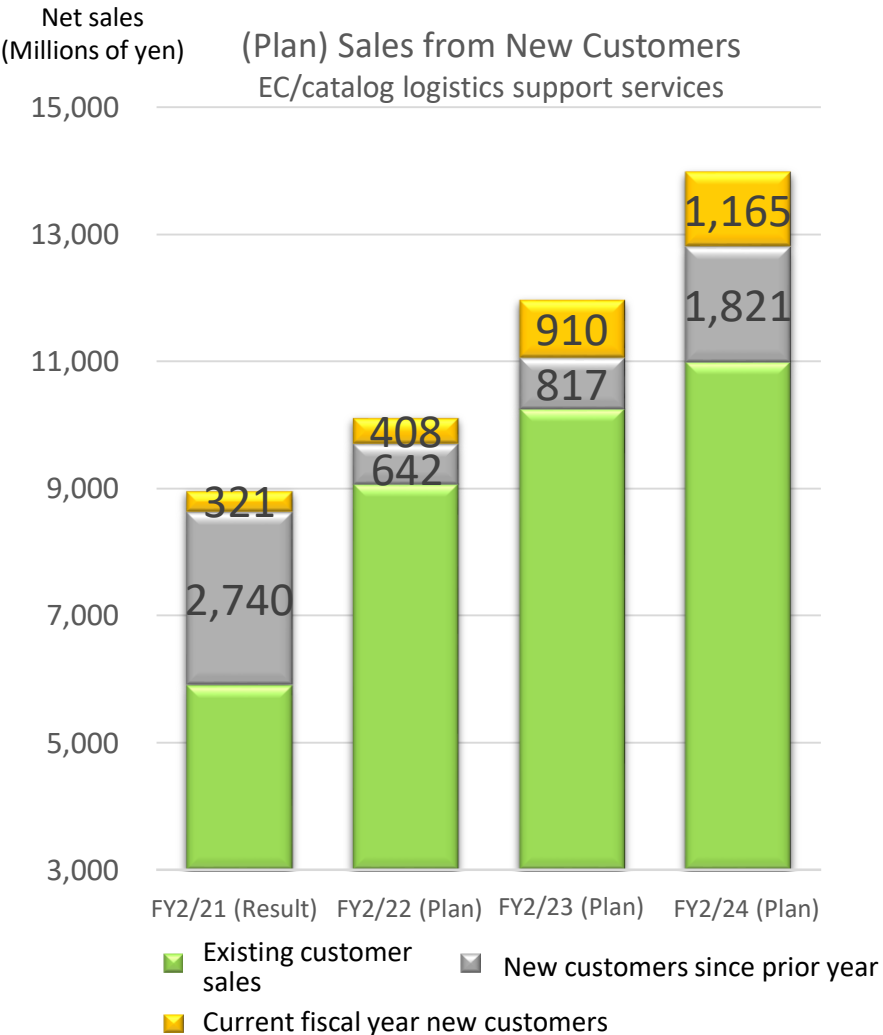
2 Use automated logistics equipment and IT systems to improve efficiency

- Increase productivity by using automated logistics equipment and IT systems
- Strengthen functions linked with Cloud Thomas
- Use these advances at many locations to establish a proven record of success

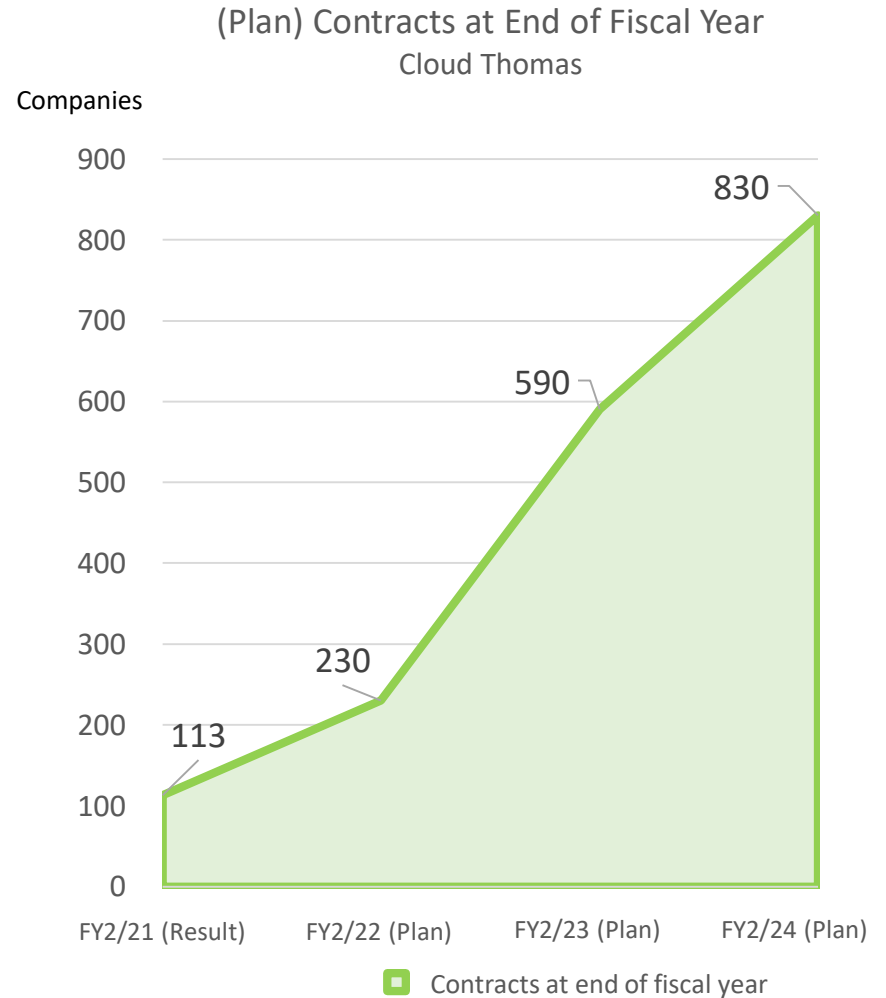
3 Employee recruiting and training

- Increase the use of foreigners, including foreign technical trainees
- Training programs centered on business plans and workplace environment measures
- Use logistics robots to reduce the workload of employees

6. KPI Number of New Customers

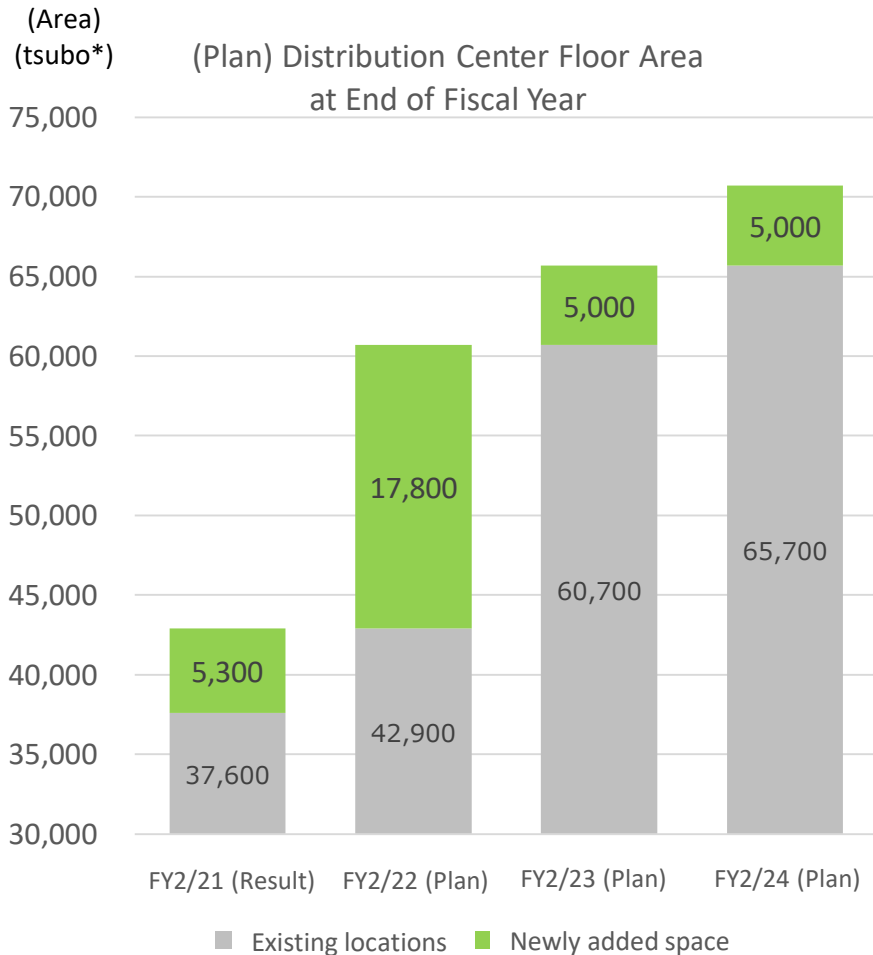


*Sales from EC and catalog logistics support services

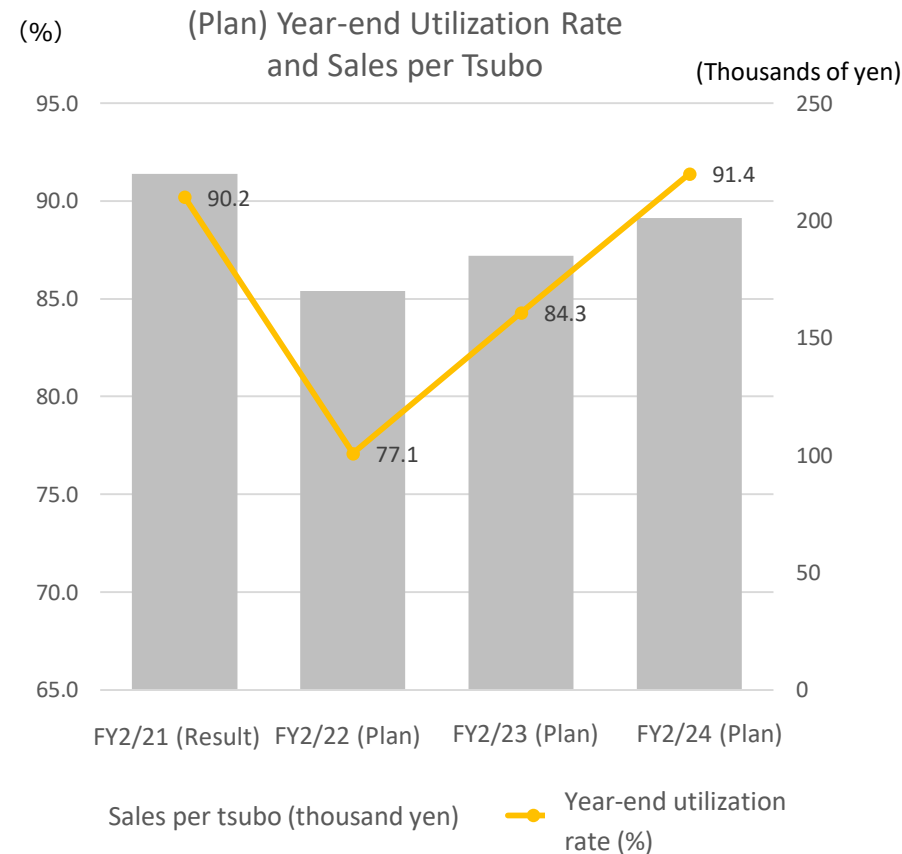


6. KPI Scale of Operations and Efficiency

- Plan to complete a 27,400m² distribution center in Niiza (Saitama prefecture) at the end of FY2/22 (earlier than originally planned)



- Sales per tsubo and the utilization rate are expected to temporarily decrease in FY2/22 because of the new Niiza distribution center (27,400m²) scheduled to open in Feb. 2022. Afterward efficiency is expected to start improving again.



* A "tsubo" is a unit of area, and one tsubo is equal to 3.305 square meters.

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