



October 14, 2021

**Non-consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 28, 2022
(Six Months Ended August 31, 2021)**

[Japanese GAAP]

Company name: KANTSU CO., LTD.	Listing: Tokyo Stock Exchange (Mothers)
Securities code: 9326	URL: https://www.kantsu.com/
Representative: Hisahiro Tatsushiro, Representative Director and President	
Contact: Tadashi Katayama, Managing Director	Tel: +81-6-4308-8901
Scheduled date of filing of Quarterly Report:	October 14, 2021
Scheduled date of payment of dividend:	-
Preparation of supplementary materials for quarterly financial results:	Yes
Holding of quarterly financial results meeting:	Yes (for institutional investors and securities analysts)

(All amounts are rounded down to the nearest million yen)

**1. Non-consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2022
(March 1, 2021 – August 31, 2021)**

(1) Results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Aug. 31, 2021	5,111	17.3	356	174.5	334	202.1	230	193.5
Six months ended Aug. 31, 2020	4,356	-	129	-	110	-	78	-

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2021	22.91	22.03
Six months ended Aug. 31, 2020	9.07	8.56

Notes: 1. The year-on-year changes for the six months ended August 31, 2020 are not presented because the quarterly financial statements were not prepared in the six months ended August 31, 2019.

2. KANTSU conducted a 3-for-1 common stock split effective on September 1, 2021. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the fiscal year ended February 28, 2021.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2021	8,197	2,491	30.4
As of Feb. 28, 2021	7,532	1,595	21.1

Reference: Shareholders' equity As of Aug. 31, 2021: 2,491 million yen As of Feb. 28, 2021: 1,591 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/21	-	0.00	-	0.00	0.00
FY2/22	-	0.00	-	-	-
FY2/22 (forecast)	-	-	-	0.00	0.00

Note: Revision to the most recently announced dividend forecast: None

3. Earnings Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	10,756	12.9	670	60.4	635	65.7	428	51.5	42.27

Notes: 1. Revision to the most recently announced earnings forecast: None

2. KANTSU conducted a 3-for-1 common stock split effective on September 1, 2021. The net income per share forecast for the fiscal year ending February 28, 2022 is adjusted to reflect the stock split.

*** Notes**

(1) Application of special accounting methods for presenting quarterly non-consolidated financial statements: Yes

(2) Changes in accounting policies and accounting-based estimates, and restatements

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|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Aug. 31, 2021:	10,252,050 shares	As of Feb. 28, 2021:	9,546,000shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2021:	93 shares	As of Feb. 28, 2021:	- shares
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3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2021:	10,043,376 shares	Six months ended Aug. 31, 2020:	8,641,071 shares
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Note: KANTSU conducted a 3-for-1 common stock split effective on September 1, 2021. The number of shares outstanding at the end of the period (including treasury shares), the number of treasury shares at the end of the period and the average number of shares outstanding during the period have been calculated as if this stock split had taken place at the beginning of the fiscal year ended February 28, 2021.

The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forward-looking statements

Earnings forecasts and other forward-looking statements in this document are based on information that was available when this information was announced and on assumptions as of the announcement date concerning uncertainties that may affect results of operations in the future. Consequently, these statements are not promises by KANTSU regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Non-consolidated Financial Performance, (3) Explanation of Non-consolidated Forecast and Other Forward-looking Statements” on page 5 for forecast assumptions and notes of caution for usage.

How to view supplementary information materials for financial results

The supplementary information materials for financial results will be available on KANTSU’s website (<https://www.kantsu.com/ir/>) on October 14, 2021.

Contents of Attachments

1. Qualitative Information on Quarterly Non-consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of Non-consolidated Forecast and Other Forward-looking Statements	5
2. Quarterly Non-consolidated Financial Statements and Notes	6
(1) Quarterly Non-consolidated Balance Sheet	6
(2) Quarterly Non-consolidated Statement of Income	7
For the Six-month Period	7
(3) Quarterly Non-consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Non-consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Application of Special Accounting Methods for Presenting Quarterly Non-consolidated Financial Statements	9
Segment and Other Information	9
Subsequent Events	11

1. Qualitative Information on Quarterly Non-consolidated Financial Performance

Forward-looking statements are based on the judgments of KANTSU as of August 31, 2021.

(1) Explanation of Results of Operations

During the first half of the current fiscal year (March 1 to August 31, 2021), there was another upturn in COVID-19 infections and there are still no signs of the end of this crisis. As a result, the economic outlook remains unclear.

In the logistics sector, there has been a steady increase in demand for services, primarily logistics involving the B-to-C category. This demand is backed by the increasing use of telework and the online sale of products and services in response to several states of emergency in Japan and other challenges created by the COVID-19 pandemic that started early in 2020.

To meet this demand, we continued to add and expand distribution centers for establishing an infrastructure for receiving orders from new customers. We also increased search engine optimization (SEO) measures and took other actions for effectively using the internet to start providing services to new customers. The current fiscal year is the first year of the medium-term business plan that ends in February 2024. The plan has three strategies for growth: new large refrigerated and frozen warehouses; grow rapidly as an IT vendor; and start providing services for the last mile. During the first half, there were many activities for growth in the e-commerce market.

Due to these activities, first half sales increased 17.3% year-on-year to 5,111 million yen, operating profit increased 174.5% to 356 million yen, ordinary profit increased 202.1% to 334 million yen and profit increased 193.5% to 230 million yen.

Business segment performance was as follows.

Business segment sales are sales to external customers and segment profit or loss is based on operating profit in the quarterly income statement.

In prior years, there was the single reportable segment of logistics services and all other activities were categorized as others. Beginning with the first quarter of the fiscal year ending in February 2022, the software sales and use services category which was previously included in the logistic services segment has been separately disclosed in a reportable segment called IT automation. Results of operations in the previous first half have been restated to facilitate direct comparisons with performance in the current first half.

Previous reportable segments

Reportable segment	Main Services
Logistics services business	EC/catalog logistics support services, Rakuten Super Logistics services, the Cloud Thomas warehouse management system, the Annie check list system, outsourced order processing services and logistics consulting services

Note: In addition to the logistics services business, there was a segment called others for activities not included in this reportable segment. Others was primarily technology education services for foreign trainees and other education services.

Revised reportable segments

Reportable segment	Main Services
Logistics services business	EC/catalog logistics support services, Rakuten Super Logistics services, outsourced order processing services and logistics consulting services
IT automation business	The Cloud Thomas warehouse management system, the Annie check list system, the e.can system for the automatic processing of orders received and the ippo! service for outsourced robotic process automation (RPA) production

Note: In addition to the above businesses, there is a segment called others for activities not included in these reportable segments. Others is primarily technology education services for foreign trainees and other education services.

Logistics services business

To increase customer satisfaction, improvement activities aimed at raising productivity continued with emphasis on EC/catalog logistics support services. Although cargo transport fees decreased because of the switch to different contracts with some customers, there are activities for receiving orders from new customers. Most significant are the April 2021 completion of a new EC/Catalog Distribution Center in the city of Amagasaki in Hyogo prefecture (about 18,500 square meters) and the June 2021 completion of a D-to-C Distribution Center in Amagasaki (about 17,200 square meters). We are reinforcing SEO and using other measures for the effective use of the internet to attract new customers. Furthermore, we decided to establish a new roughly 27,400 square meter distribution center (tentative name: New Kanto Distribution Center) in the city of Niiza in Saitama prefecture to be completed in February 2022 and have started activities to promote the distribution center to new customers.

As a result, net sales increased 15.4% year-on-year to 4,836 million yen and segment profit increased 308.8% to 293 million yen.

IT automation business

There were strong sales of the Cloud Thomas warehouse management system to new customers. In addition, there were sales of logistics automation hardware associated with new Cloud Thomas users. We also strengthened capabilities for support services, including by increasing the number of support service personnel, to build an even stronger framework for sales activities. Although there was no big change in the number of companies using the Annie check list system, the number of orders increased for the e.can system for the automatic processing of orders received and for the ippo! service for outsourced RPA production.

As a result, net sales increased 96.2% year-on-year to 228 million yen and segment profit increased 16.2% to 68 million yen.

Other businesses

Technology education services for foreign trainees was unable to operate mainly because of the suspension of operations of schools in Myanmar due to the COVID-19 crisis. However, other educational services performed well because the state of emergency did not have a significant impact on these activities. As a result, sales, including the service for helping people with developmental disabilities find jobs that was launched in December 2020, were firm.

As a result, net sales decreased 2.8% year-on-year to 46 million yen and segment loss was 5 million yen, compared with a loss of 1 million yen one year earlier.

Results by business segment for the first half of the fiscal year ending February 28, 2022 (Thousands of yen)

Segment	Net sales			Segment profit (loss) (operating profit (loss))		
	Amount	Comp. (%)	YoY change (%)	Amount	Operating profit on net sales (%)	YoY change (%)
Services						
EC/catalog logistics support services	4,750,559	92.9	15.9	-		
Outsourced order processing services	52,931	1.0	6.0	-		
Others	32,567	0.6	(24.2)	-		
Logistics services business	4,836,058	94.6	15.4	293,083	6.1	308.8
IT automation business	228,851	4.5	96.2	68,893	30.1	16.2
Other businesses	46,760	0.9	(2.8)	(5,612)	-	-
Total for reportable segments	5,111,669	100.0	17.3	356,364	7.0	174.5

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

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets at the end of the second quarter were 8,197 million yen, an increase of 664 million yen from the end of the previous fiscal year. Liabilities were 5,705 million yen, a decrease of 232 million yen and net assets were 2,491 million yen, an increase of 896 million yen.

The major changes are as follows.

Current assets

Current assets increased 314 million yen to 4,456 million yen. This was attributable primarily to a decrease of 253 million yen in accounts receivable-trade, an increase of 391 million yen in cash and deposits, mainly the result of the exercise of share acquisition rights, and an increase of 138 million yen in other under current assets due to appropriation for the leasehold deposit for the New Kanto Distribution Center scheduled to be completed in February 2022.

Non-current assets

Non-current assets increased 350 million yen to 3,741 million yen. There were increases of 144 million yen in property, plant and equipment due to installation of air-conditioning equipment at the distribution center and other construction work associated with the new distribution center, and 151 million yen in leasehold and guarantee deposits due to payment of leasehold deposits associated with new distribution centers.

Current liabilities

Current liabilities decreased 211 million yen to 1,624 million yen. This was attributable mainly to a decrease of 201 million yen in accounts payable-trade.

Non-current liabilities

Non-current liabilities decreased 20 million yen to 4,080 million yen. There was a decrease of 44 million yen in long-term borrowings.

Net assets

Net assets increased 896 million yen to 2,491 million yen. Share capital and the capital surplus each increased 335 million yen because of the exercise of share acquisition rights. In addition, retained earnings increased 230 million yen because of the first half profit.

2) Cash flows

Cash and cash equivalents (hereinafter, "cash") at the end of the second quarter of the current fiscal year increased 384 million yen from the end of the previous fiscal year to 2,785 million yen. The cash flow components during the first half and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities totaled 420 million yen, compared with 39 million yen provided in the same period of the previous fiscal year. Major positive factors include profit before income taxes of 332 million yen, depreciation of 143 million yen and a decrease in trade receivables of 219 million yen. Major negative factors include a decrease in trade payables of 201 million yen and income taxes paid of 95 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 627 million yen, compared with 292 million yen used in the same

period of the previous fiscal year. Major negative factors include purchase of property, plant and equipment of 248 million yen, purchase of intangible assets of 72 million yen and payments of leasehold and guarantee deposits of 315 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 591 million yen, compared with 295 million yen provided in the same period of the previous fiscal year. Major positive factors include proceeds from long-term borrowings of 380 million yen and proceeds from issuance of shares of 652 million yen. Major negative factors include repayments of long-term borrowings of 438 million yen.

(3) Explanation of Non-consolidated Forecast and Other Forward-looking Statements

KANTSU maintains non-consolidated full-year forecasts for the fiscal year ending February 28, 2022 that were announced on April 14, 2021.

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the KANTSU's management at the time the materials were prepared. Actual results may differ substantially from these forecasts for a number of reasons.

2. Quarterly Non-consolidated Financial Statements and Notes**(1) Quarterly Non-consolidated Balance Sheet**

(Thousands of yen)

	FY2/21 (As of Feb. 28, 2021)	Second quarter of FY2/22 (As of Aug. 31, 2021)
Assets		
Current assets		
Cash and deposits	2,592,792	2,984,217
Electronically recorded monetary claims-operating	155,419	189,322
Accounts receivable-trade	1,100,638	847,010
Other	311,075	449,798
Allowance for doubtful accounts	(17,700)	(14,030)
Total current assets	4,142,224	4,456,318
Non-current assets		
Property, plant and equipment		
Buildings, net	693,263	724,020
Machinery and equipment, net	215,606	227,766
Land	1,125,087	1,125,087
Other, net	292,153	393,972
Total property, plant and equipment	2,326,110	2,470,846
Intangible assets	259,933	293,311
Investments and other assets		
Leasehold and guarantee deposits	584,074	735,736
Other	222,890	243,826
Allowance for doubtful accounts	(2,243)	(2,521)
Total investments and other assets	804,721	977,041
Total non-current assets	3,390,765	3,741,200
Total assets	7,532,989	8,197,518
Liabilities		
Current liabilities		
Accounts payable-trade	472,002	270,087
Current portion of long-term borrowings	813,820	799,992
Income taxes payable	109,726	117,862
Provision for bonuses	30,272	29,482
Provision for bonuses for directors (and other officers)	-	8,265
Other	410,186	399,128
Total current liabilities	1,836,007	1,624,818
Non-current liabilities		
Long-term borrowings	3,852,065	3,807,170
Asset retirement obligations	73,177	69,269
Other	176,448	204,356
Total non-current liabilities	4,101,691	4,080,796
Total liabilities	5,937,699	5,705,615
Net assets		
Shareholders' equity		
Share capital	449,606	784,815
Capital surplus	435,606	770,815
Retained earnings	706,285	936,382
Treasury shares	-	(109)
Total shareholders' equity	1,591,498	2,491,903
Share acquisition rights	3,792	-
Total net assets	1,595,290	2,491,903
Total liabilities and net assets	7,532,989	8,197,518

(2) Quarterly Non-consolidated Statement of Income
(For the Six-month Period)

(Thousands of yen)

	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)
Net sales	4,356,885	5,111,669
Cost of sales	3,888,782	4,342,523
Gross profit	468,102	769,145
Selling, general and administrative expenses	338,297	412,781
Operating profit	129,805	356,364
Non-operating income		
Interest income	311	324
Dividend income	302	4
Reversal of allowance for doubtful accounts	6,328	654
Subsidy income	2,481	3,523
Other	3,447	3,599
Total non-operating income	12,871	8,106
Non-operating expenses		
Interest expenses	22,456	21,653
Going public expenses	4,936	-
Other	4,608	8,466
Total non-operating expenses	32,001	30,119
Ordinary profit	110,674	334,351
Extraordinary income		
Gain on sales of investment securities	8,488	-
Total extraordinary income	8,488	-
Extraordinary losses		
Loss on sales of non-current assets	6,978	-
Loss on retirement of non-current assets	-	1,519
Total extraordinary losses	6,978	1,519
Profit before income taxes	112,184	332,832
Income taxes	33,785	102,735
Profit	78,399	230,097

(3) Quarterly Non-consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	112,184	332,832
Depreciation	108,422	143,946
Increase (decrease) in allowance for doubtful accounts	(5,523)	(3,392)
Increase (decrease) in provision for bonuses	(25)	7,476
Interest and dividend income	(613)	(328)
Interest expenses	22,456	21,653
Loss (gain) on sales of investment securities	(8,488)	-
Loss (gain) on sales of non-current assets	6,978	-
Loss on retirement of non-current assets	-	1,519
Decrease (increase) in trade receivables	37,321	219,447
Increase (decrease) in trade payables	(83,132)	(201,914)
Decrease (increase) in prepaid expenses	(23,909)	(9,278)
Decrease (increase) in advance payments-trade	(15,664)	31,611
Increase (decrease) in accounts payable-other	(25,748)	(29,487)
Other, net	1,609	22,683
Subtotal	125,870	536,767
Interest and dividends received	613	328
Interest paid	(23,650)	(20,936)
Income taxes paid	(63,338)	(95,160)
Net cash provided by (used in) operating activities	39,495	420,999
Cash flows from investing activities		
Payments into time deposits	(41,906)	(6,904)
Proceeds from withdrawal of time deposits	85,000	-
Purchase of property, plant and equipment	(298,986)	(248,696)
Proceeds from sales of property, plant and equipment	57	-
Purchase of intangible assets	(65,420)	(72,137)
Proceeds from sales of investment securities	29,449	-
Payments of leasehold and guarantee deposits	(186)	(315,114)
Proceeds from long-term deposits received	7,600	29,862
Purchase of insurance funds	(3,594)	(21,794)
Other, net	(4,013)	7,000
Net cash provided by (used in) investing activities	(292,000)	(627,784)
Cash flows from financing activities		
Proceeds from long-term borrowings	400,000	380,000
Repayments of long-term borrowings	(432,207)	(438,723)
Repayments of finance lease obligations	-	(1,944)
Proceeds from issuance of shares	327,957	652,082
Purchase of treasury shares	-	(109)
Net cash provided by (used in) financing activities	295,750	591,304
Net increase (decrease) in cash and cash equivalents	43,245	384,519
Cash and cash equivalents at beginning of period	2,188,148	2,400,992
Cash and cash equivalents at end of period	2,231,394	2,785,512

(4) Notes to Quarterly Non-consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Share capital and the capital surplus each increased 327 million yen because of the exercise of the 4th series of share acquisition rights with an adjustable exercise price and provision for stopping the exercise of the rights, which were sold using a third-party allotment on November 6, 2020.

In addition, share capital and the capital surplus each increased 7 million yen due to the issuance of new shares as restricted stock compensation and the exercise of stock options, which were resolved at the Board of Directors meeting held on June 25, 2021.

As a result, share capital was 784 million yen and the capital surplus was 770 million yen at the end of the second quarter of the current fiscal year.

Application of Special Accounting Methods for Presenting Quarterly Non-consolidated Financial Statements

Calculation of income taxes

The tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Segment and Other Information**Segment Information**

I First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment	Amounts shown on quarterly non-consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	4,192,120	116,663	4,308,783	48,101	4,356,885	-	4,356,885
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	4,192,120	116,663	4,308,783	48,101	4,356,885	-	4,356,885
Segment profit (loss)	71,687	59,268	130,955	(1,150)	129,805	-	129,805

Notes: 1. Others are businesses that are not included in the reportable segments and mainly consist of technology education services for foreign trainees and other education services.

2. Segment profit (loss) is consistent with operating profit recorded in the quarterly non-consolidated statement of income.

2. Information related to impairment losses on non-current assets, or goodwill, etc. for each reportable segment

Not applicable.

II First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment	Amounts shown on quarterly non-consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	4,836,058	228,851	5,064,909	46,760	5,111,669	-	5,111,669
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	4,836,058	228,851	5,064,909	46,760	5,111,669	-	5,111,669
Segment profit (loss)	293,083	68,893	361,977	(5,612)	356,364	-	356,364

Notes: 1. Others are businesses that are not included in the reportable segments and mainly consist of technology education services for foreign trainees and other education services.

2. Segment profit (loss) is consistent with operating profit recorded in the quarterly non-consolidated statement of income.

2. Information related to impairment losses on non-current assets, or goodwill, etc. for each reportable segment

Not applicable.

3. Information concerning revisions to reportable segments

Due to the increasing importance of software sales and use services, which were previously included in the logistics services segment, these activities have become a reportable segment called the IT automation beginning with the first three months of FY2/22.

Segment information for the first six months of FY2/21 is based on the revised reportable segments.

Subsequent Events

Stock split and partial revision to the Articles of Incorporation following the split

Following the resolution approved by the Board of Directors meeting held on July 14, 2021, KANTSU implemented a stock split on September 1, 2021 and has made an associated revision to the Articles of Incorporation.

1. Stock split

(1) Purpose of the stock split

Using this split to lower the cost of an investment unit of KANTSU stock will make this stock accessible to a broader range of investors. This is expected to increase the stock's liquidity and expand stock ownership to more investor segments.

(2) Summary of the stock split

a. Method of the stock split:

Shareholders listed in the final shareholder register on the record date of August 31, 2021 will receive three shares of common stock for each share held on the record date.

b. Number of shares issued before the stock split:	3,417,350 shares
Increase in the number of shares due to the stock split:	6,834,700 shares
Number of shares issued after the stock split:	10,252,050 shares
Number of shares authorized after the stock split:	34,500,000 shares

c. Schedule

Announcement date:	Monday, August 16, 2021
Record date:	Tuesday, August 31, 2021
Effective date:	Wednesday, September 1, 2021

2. Partial revision to the Articles of Incorporation following the stock split

(1) Reason for the revision

In association with this stock split, by a resolution at the Board of Directors meeting, Article 6 of the KANTSU Articles of Incorporation was revised on September 1, 2021 to revise the number of shares authorized in accordance with Article 184, Paragraph 2 of the Companies Act.

(2) Details of the revision

(Underlined parts are revised.)

Current	After revision
(Number of Shares Authorized) Article 6: The number of shares authorized to be issued by the Company shall be <u>11,500,000</u> shares.	(Number of Shares Authorized) Article 6: The number of shares authorized to be issued by the Company shall be <u>34,500,000</u> shares.

(3) Effective date

Wednesday, September 1, 2021

This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.