



July 14, 2022

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2023
(Three Months Ended May 31, 2022)

[Japanese GAAP]

Company name: KANTSU CO., LTD.	Listing: Tokyo Stock Exchange
Securities code: 9326	URL: https://www.kantsu.com/
Representative: Hisahiro Tatsushiro, Representative Director and President	
Contact: Tadashi Katayama, Managing Director	Tel: +81-6-6224-3361
Scheduled date of filing of Quarterly Report:	July 14, 2022
Scheduled date of payment of dividend:	-
Preparation of supplementary materials for quarterly financial results:	Yes
Holding of quarterly financial results meeting:	None

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2023
(March 1, 2022 – May 31, 2022)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2022	2,571	-	132	-	123	-	76	-
Three months ended May 31, 2021	-	-	-	-	-	-	-	-

Note: Comprehensive income Three months ended May 31, 2022: 76 million yen (-%)
Three months ended May 31, 2021: - million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2022	7.46	7.20
Three months ended May 31, 2021	-	-

Note: Figures for the three months ended May 31, 2021 and year-on-year changes are not presented because KANTSU began to prepare the quarterly consolidated financial statements from the first quarter of the fiscal year ending February 28, 2023.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2022	9,442	2,705	28.7
As of Feb. 28, 2022	-	-	-

Reference: Shareholders' equity As of May 31, 2022: 2,705 million yen As of Feb. 28, 2022: - million yen
Note: Figures as of February 28, 2022 are not presented because KANTSU began to prepare the quarterly consolidated financial statements from the first quarter of the fiscal year ending February 28, 2023.

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/22	-	0.00	-	10.00	10.00
FY2/23	-	-	-	-	-
FY2/23 (forecast)	-	0.00	-	10.00	10.00

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

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 – February 28, 2023)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,516	-	311	-	290	-	196	-	19.11
Full year	12,002	-	943	-	902	-	608	-	59.32

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

2. Year-on-year changes are not presented because KANTSU began to prepare the quarterly consolidated financial statements from the first quarter of the fiscal year ending February 28, 2023.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: 1 (KANTSU Business Services Co., Ltd.)

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

(3) 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: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

(4) Number of outstanding shares (common shares)

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

As of May 31, 2022:	10,269,900 shares	As of Feb. 28, 2022:	10,262,400 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2022:	93 shares	As of Feb. 28, 2022:	93 shares
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3) Average number of shares outstanding during the period

Three months ended May 31, 2022:	10,264,182 shares	Three months ended May 31, 2021:	9,891,141 shares
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Note: KANTSU conducted a 3-for-1 common stock split effective on September 1, 2021. 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, 2022.

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 3 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 July 14, 2022.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of KANTSU as of May 31, 2022.

Furthermore, KANTSU established KANTSU Business Services Co., Ltd. as a wholly owned subsidiary on March 1, 2022, and began preparing quarterly consolidated financial statements from the first quarter of the current fiscal year. Therefore, we have not presented year-on-year comparisons with the same period of the previous fiscal year or with the end of the previous consolidated fiscal year.

(1) Explanation of Results of Operations

During the first quarter of the current fiscal year (March 1 to May 31, 2022) the Japanese economy showed signs of normalization of socio-economic activities despite the lingering effects of COVID-19 pandemic. Nevertheless, the economic outlook remained uncertain due to a sharp rise in the prices of resources and raw materials caused by the tense situation in Ukraine and the sharp depreciation of the yen.

To continue increasing corporate value, the KANTSU Group started a revised medium-term business plan as was announced on April 14, 2022 titled “Notice of Rolling of Medium-term Business Plan (Japanese version only).” There are two goals in the logistics services business. First is the addition of more distribution centers for the growth of this business. Second is more investments in facilities for the distribution of frozen merchandise to become Japan’s leader in the frozen EC logistics sector. In the IT automation business, the goal is to increase activities to receive orders from new customers. By focusing on these strategic initiatives for growth, we are determined to achieve the sustained growth of sales and earnings in both businesses.

Due to these activities, sales were 2,571 million yen, operating profit was 132 million yen, ordinary profit was 123 million yen and Profit attributable to owners of parent increased was 76 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.

Logistics services business

To increase customer satisfaction, improvement activities aimed at raising quality and productivity continued with emphasis on EC/catalog logistics support services. On the other hand, to receive orders from new customers through distribution centers such as the Tokyo Primary Center in the city of Niiza in Saitama prefecture (about 27,400 square meters) that was established in February 2022, we reinforced SEO and other measures for the effective use of the internet. In addition, there were many activities to increase the percentage of customer contacts that result in orders. Most significant is measures for increasing opportunities to explain our many activities for providing outstanding services. One example is providing our customers with guided tours of our Head Office showroom (Amagasaki, Hyogo Prefecture), which was completed in February 2022.

As a result, net sales were to 2,437 million yen and segment profit was 99 million yen.

IT automation business

There were strong sales of the Cloud Thomas warehouse management system and the Cloud Thomas Pro warehouse management system to new customers. Furthermore, the Group entered into a capital and business alliance with Canon IT Solutions Inc. in April 2022 for joint promotional activities to win new projects.

As a result, net sales were 107 million yen and segment profit was 33 million yen.

Other businesses

In other businesses segment, sales from after-school day services for children with disabilities, and support services for people with disabilities to change jobs, were steady.

As a result, net sales were 27 million yen and segment profit was 67 thousand yen.

Results by business segment for the first quarter of the fiscal year ending February 28, 2023

(Thousands of yen)

Segment	Net sales			Segment profit (loss) (operating profit (loss))			
	Services	Amount	Comp. (%)	YoY change (%)	Amount	Operating profit on net sales (%)	YoY change (%)
EC/catalog logistics support services		2,385,851	92.8	-		-	
Outsourced order processing services		29,870	1.2	-		-	
Others		21,397	0.8	-		-	
Logistics services business		2,437,119	94.8	-	99,301	4.1	-
IT automation business		107,224	4.2	-	33,341	31.1	-
Other businesses		27,422	1.1	-	67	0.2	-
Total for reportable segments		2,571,766	100.0	-	132,711	5.2	-

Note: Year-on-year changes are not presented because KANTSU began to prepare the quarterly consolidated financial statements from the first quarter of the fiscal year ending February 28, 2023.

(2) Explanation of Financial Position

Total assets at the end of the first quarter were 9,442 million yen. Liabilities were 6,737 million yen and net assets were 2,705 million yen.

The major changes are as follows.

Current assets

Current assets were 4,177 million yen. This was attributable primarily to 2,682 million yen in cash and deposits, 204 million yen in electronically recorded monetary claims-operating and 924 million yen in accounts receivable-trade.

Non-current assets

Non-current assets were 5,265 million yen. This was attributable primarily to 1,547 million yen in buildings, 1,125 million yen in land and 899 million yen in leasehold and guarantee deposits.

Current liabilities

Current liabilities were 1,669 million yen. This was attributable mainly to 323 million yen in accounts payable-trade and 863 million yen in current portion of long-term borrowings.

Non-current liabilities

Non-current liabilities were 5,067 million yen. This was attributable mainly to 4,276 million yen in long-term borrowings.

Net assets

Net assets were 2,705 million yen. Share capital was 787 million yen, the capital surplus was 773 million yen and retained earnings were 1,144 million yen.

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

KANTSU maintains consolidated forecasts for the fiscal year ending February 28, 2023 that were announced on April 14, 2022 in the press release titled "Notice of Consolidated Forecast and Start of Consolidated Financial Reports."

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 Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)
	First quarter of FY2/23 (As of May 31, 2022)
Assets	
Current assets	
Cash and deposits	2,682,597
Electronically recorded monetary claims-operating	204,357
Accounts receivable-trade	924,335
Work in process	8,074
Other	371,882
Allowance for doubtful accounts	(13,925)
Total current assets	<u>4,177,322</u>
Non-current assets	
Property, plant and equipment	
Buildings, net	1,547,089
Machinery, equipment and vehicles, net	203,271
Land	1,125,087
Other, net	648,362
Total property, plant and equipment	<u>3,523,811</u>
Intangible assets	<u>306,111</u>
Investments and other assets	
Leasehold and guarantee deposits	899,058
Other	537,320
Allowance for doubtful accounts	(884)
Total investments and other assets	<u>1,435,495</u>
Total non-current assets	<u>5,265,417</u>
Total assets	<u>9,442,740</u>
Liabilities	
Current liabilities	
Accounts payable-trade	323,415
Current portion of long-term borrowings	863,938
Income taxes payable	45,308
Provision for bonuses	55,644
Lease obligations	26,505
Provision for bonuses for directors (and other officers)	1,670
Other	352,821
Total current liabilities	<u>1,669,303</u>
Non-current liabilities	
Long-term borrowings	4,276,552
Asset retirement obligations	348,756
Lease obligations	241,533
Other	200,997
Total non-current liabilities	<u>5,067,840</u>
Total liabilities	<u>6,737,143</u>
Net assets	
Shareholders' equity	
Share capital	787,778
Capital surplus	773,778
Retained earnings	1,144,150
Treasury shares	(109)
Total shareholders' equity	<u>2,705,596</u>
Total net assets	<u>2,705,596</u>
Total liabilities and net assets	<u>9,442,740</u>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

	(Thousands of yen)
	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)
Net sales	2,571,766
Cost of sales	2,202,368
Gross profit	369,398
Selling, general and administrative expenses	236,686
Operating profit	132,711
Non-operating income	
Interest income	151
Rental income from land and buildings	1,017
Subsidy income	1,294
Gain on sale of goods	1,173
Other	868
Total non-operating income	4,505
Non-operating expenses	
Interest expenses	12,135
Other	1,650
Total non-operating expenses	13,786
Ordinary profit	123,430
Extraordinary losses	
Loss on retirement of non-current assets	0
Warehouse transfer expenses	12,571
Total extraordinary losses	12,571
Profit before income taxes	110,858
Income taxes	34,246
Profit	76,612
Profit attributable to non-controlling interests	-
Profit attributable to owners of parent	76,612

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

	(Thousands of yen)
	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)
Profit	76,612
Comprehensive income	76,612
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	76,612
Comprehensive income attributable to non-controlling interests	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Significant Subsidiaries During the Period

KANTSU Business Services Co., Ltd., which was a non-consolidated subsidiary, is included in the consolidated financial statements starting in the first quarter of the fiscal year ending February 28, 2023 because of its establishment.

Application of Special Accounting Methods for Presenting Quarterly 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.

Changes in Accounting Policies

Application of Accounting Standards for Revenue Recognition

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

Accordingly, for software development contracts, the Company changed the method of recognizing revenue over a certain period of time as the performance obligation to transfer services to the customer is satisfied, when control over the services is transferred to the customer over a certain period of time, from the contract to which the completion basis was previously applied. For small or very short term development contracts, revenue is recognized when the performance obligation is fully satisfied.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. There is no impact on the balance of retained earnings at the beginning of the period under review. In addition, the effect of the application of these standards on the quarterly consolidated financial statements is insignificant.

Segment and Other Information**Segment Information**

First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)

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	2,437,119	107,224	2,544,343	27,422	2,571,766	-	2,571,766
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	2,437,119	107,224	2,544,343	27,422	2,571,766	-	2,571,766
Segment profit	99,301	33,341	132,643	67	132,711	-	132,711

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 is consistent with operating profit recorded in the quarterly consolidated statement of income.

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

Not applicable.

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.