



October 14, 2022

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 28, 2023
(Six Months Ended August 31, 2022)

[Japanese GAAP]

Company name: KANTSU CO., LTD. Listing: Tokyo Stock Exchange
 Securities code: 9326 URL: <https://www.kantsu.com/>
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 Scheduled date of filing of Quarterly Report: October 14, 2022
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional and individual investors, and securities analysts)

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2023
(March 1, 2022 – August 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	%
Six months ended Aug. 31, 2022	5,107	-	191	-	175	-	113	-
Six months ended Aug. 31, 2021	-	-	-	-	-	-	-	-

Note: Comprehensive income Six months ended Aug. 31, 2022: 113 million yen (-%)
 Six months ended Aug. 31, 2021: - million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2022	11.01	10.62
Six months ended Aug. 31, 2021	-	-

Note: Figures for the six months ended August 31, 2021 and year-on-year changes are not presented because KANTSU began to prepare 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 Aug. 31, 2022	9,732	2,746	28.2
As of Feb. 28, 2022	-	-	-

Reference: Shareholders' equity As of Aug. 31, 2022: 2,741 million yen As of Feb. 28, 2022: - million yen
 Note: Figures as of February 28, 2022 are not presented because KANTSU began to prepare 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	-	0.00	-	-	-
FY2/23 (forecast)	-	-	-	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
Full year	12,002	-	943	-	902	-	608	-	59.31

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

2. Year-on-year changes are not presented because KANTSU began to prepare 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

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

Six months ended Aug. 31, 2022:	10,266,593 shares	Six months ended Aug. 31, 2021:	10,043,376 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 Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 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, 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 August 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 fiscal year.

(1) Explanation of Results of Operations

During the first half of the current fiscal year (March 1 to August 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).” The goal in the logistics services business is the addition of more distribution centers for the growth of this business. 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 5,107 million yen, operating profit was 191 million yen, ordinary profit was 175 million yen and profit attributable to owners of parent increased was 113 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 and the D-to-C II Distribution Center in Amagasaki in Hyogo prefecture (about 13,200 square meters) that was established in August 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 4,828 million yen and segment profit was 118 million yen.

IT automation business

There were strong sales of the warehouse management system Cloud Thomas and Cloud Thomas Pro warehouse 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 224 million yen and segment profit was 67 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 55 million yen and segment profit was 4 million yen.

Results by business segment for the first half 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		4,724,486	92.5	-		-	
Outsourced order processing services		59,389	1.2	-		-	
Others		44,263	0.9	-		-	
Logistics services business		4,828,138	94.5	-	118,446	2.5	-
IT automation business		224,023	4.4	-	67,975	30.3	-
Other businesses		55,214	1.1	-	4,768	8.6	-
Total for reportable segments		5,107,376	100.0	-	191,190	3.7	-

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

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets at the end of the second quarter were 9,732 million yen. Liabilities were 6,986 million yen and net assets were 2,746 million yen.

The major changes are as follows.

Current assets

Current assets were 4,280 million yen. This was attributable primarily to 2,683 million yen in cash and deposits, 248 million yen in electronically recorded monetary claims-operating and 964 million yen in accounts receivable-trade.

Non-current assets

Non-current assets were 5,452 million yen. This was attributable primarily to 1,575 million yen in buildings, 1,125 million yen in land and 1,063 million yen in leasehold and guarantee deposits.

Current liabilities

Current liabilities were 1,669 million yen. This was attributable mainly to 286 million yen in accounts payable-trade and 880 million yen in current portion of long-term borrowings.

Non-current liabilities

Non-current liabilities were 5,317 million yen. This was attributable mainly to 4,533 million yen in long-term borrowings.

Net assets

Net assets were 2,746 million yen. Share capital was 787 million yen, the capital surplus was 773 million yen and retained earnings were 1,180 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter, "cash") at the end of the second quarter of the current fiscal year decreased 540 million yen from the end of the previous fiscal year to 2,471 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 used in operating activities totaled 23 million yen. Major positive factors include profit before income taxes of 163 million yen and depreciation of 197 million yen. Major negative factors include an increase in trade receivables of 76 million yen, an increase in prepaid expenses of 52 million yen, a decrease in accrued consumption taxes of 97 million yen and income taxes paid of 155 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 903 million yen. Major negative factors include the purchase of property, plant and equipment of 668 million yen, purchase of intangible assets of 76 million yen and payments of leasehold and guarantee deposits of 129 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 385 million yen. Major positive factors include proceeds from long-term borrowings of 950 million yen. Major negative factors include repayments of long-term borrowings of 455 million yen and dividends paid of 101 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)
	Second quarter of FY2/23
	(As of Aug. 31, 2022)
Assets	
Current assets	
Cash and deposits	2,683,234
Electronically recorded monetary claims-operating	248,537
Accounts receivable-trade	964,897
Work in process	14,590
Other	383,952
Allowance for doubtful accounts	(14,647)
Total current assets	<u>4,280,565</u>
Non-current assets	
Property, plant and equipment	
Buildings, net	1,575,506
Machinery, equipment and vehicles, net	202,785
Land	1,125,087
Other, net	670,254
Total property, plant and equipment	<u>3,573,633</u>
Intangible assets	<u>342,563</u>
Investments and other assets	
Leasehold and guarantee deposits	1,063,214
Other	473,679
Allowance for doubtful accounts	(884)
Total investments and other assets	<u>1,536,010</u>
Total non-current assets	<u>5,452,206</u>
Total assets	<u>9,732,771</u>
Liabilities	
Current liabilities	
Accounts payable-trade	286,557
Current portion of long-term borrowings	880,178
Income taxes payable	72,007
Provision for bonuses	34,613
Lease obligations	26,622
Provision for bonuses for directors (and other officers)	6,680
Other	362,586
Total current liabilities	<u>1,669,245</u>
Non-current liabilities	
Long-term borrowings	4,533,749
Asset retirement obligations	349,291
Lease obligations	234,733
Other	199,300
Total non-current liabilities	<u>5,317,073</u>
Total liabilities	<u>6,986,319</u>
Net assets	
Shareholders' equity	
Share capital	787,778
Capital surplus	773,778
Retained earnings	1,180,406
Treasury shares	(109)
Total shareholders' equity	<u>2,741,852</u>
Share acquisition rights	4,600
Total net assets	<u>2,746,452</u>
Total liabilities and net assets	<u>9,732,771</u>

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

	(Thousands of yen)
	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Net sales	5,107,376
Cost of sales	4,422,075
Gross profit	685,301
Selling, general and administrative expenses	494,111
Operating profit	191,190
Non-operating income	
Interest income	180
Rental income from land and buildings	1,507
Subsidy income	5,098
Gain on sale of goods	2,777
Other	1,472
Total non-operating income	11,037
Non-operating expenses	
Interest expenses	24,726
Other	1,956
Total non-operating expenses	26,682
Ordinary profit	175,544
Extraordinary income	
Gain on sale of non-current assets	697
Total extraordinary income	697
Extraordinary losses	
Loss on retirement of non-current assets	257
Warehouse transfer expenses	12,571
Total extraordinary losses	12,828
Profit before income taxes	163,413
Income taxes	50,379
Profit	113,034
Profit attributable to non-controlling interests	-
Profit attributable to owners of parent	113,034

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

	(Thousands of yen)
	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Profit	113,034
Comprehensive income	113,034
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	113,034
Comprehensive income attributable to non-controlling interests	-

(3) Quarterly Consolidated Statement of Cash Flows

	(Thousands of yen)
	First six months of FY2/23
	(Mar. 1, 2022 – Aug. 31, 2022)
Cash flows from operating activities	
Profit before income taxes	163,413
Depreciation	197,176
Increase (decrease) in allowance for doubtful accounts	332
Increase (decrease) in provision for bonuses	(3,475)
Interest and dividend income	(185)
Interest expenses	24,726
Loss (gain) on sale of non-current assets	(697)
Loss on retirement of non-current assets	257
Warehouse transfer expenses	12,571
Decrease (increase) in trade receivables	(76,354)
Decrease (increase) in advance payments to suppliers	(5,242)
Increase (decrease) in trade payables	(16,692)
Decrease (increase) in prepaid expenses	(52,860)
Increase (decrease) in accounts payable - other	(8,087)
Increase (decrease) in accrued consumption taxes	(97,991)
Other, net	20,640
Subtotal	157,530
Interest and dividends received	185
Interest paid	(25,029)
Income taxes paid	(155,820)
Net cash provided by (used in) operating activities	(23,134)
Cash flows from investing activities	
Payments into time deposits	(6,902)
Purchase of property, plant and equipment	(668,812)
Proceeds from sale of property, plant and equipment	4,090
Purchase of intangible assets	(76,540)
Proceeds from collection of loans receivable	5,000
Payments of leasehold and guarantee deposits	(129,110)
Purchase of insurance funds	(25,484)
Warehouse transfer expenses paid	(6,571)
Other, net	1,083
Net cash provided by (used in) investing activities	(903,247)
Cash flows from financing activities	
Proceeds from long-term borrowings	950,000
Repayments of long-term borrowings	(455,361)
Repayments of lease obligations	(11,901)
Dividends paid	(101,948)
Proceeds from issuance of share acquisition rights	4,600
Net cash provided by (used in) financing activities	385,389
Net increase (decrease) in cash and cash equivalents	(540,992)
Cash and cash equivalents at beginning of period	3,012,955
Cash and cash equivalents at end of period	2,471,962

(4) 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 (Accounting Standards Board of Japan (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 six months of FY2/23 (Mar. 1, 2022 – Aug. 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 consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	4,828,138	224,023	5,052,162	55,214	5,107,376	-	5,107,376
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	4,828,138	224,023	5,052,162	55,214	5,107,376	-	5,107,376
Segment profit	118,446	67,975	186,422	4,768	191,190	-	191,190

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.