



January 13, 2023

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 28, 2023
(Nine Months Ended November 30, 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: January 13, 2023
 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 Third Quarter of the Fiscal Year Ending February 28, 2023
(March 1, 2022 – November 30, 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	%
Nine months ended Nov. 30, 2022	7,802	-	299	-	276	-	182	-
Nine months ended Nov. 30, 2021	-	-	-	-	-	-	-	-

Note: Comprehensive income
 Nine months ended Nov. 30, 2022: 182 million yen (-%)
 Nine months ended Nov. 30, 2021: - million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2022	17.81	17.18
Nine months ended Nov. 30, 2021	-	-

Note: Figures for the nine months ended November 30, 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 Nov. 30, 2022	9,790	2,811	28.7
As of Feb. 28, 2022	-	-	-

Reference: Shareholders' equity As of Nov. 30, 2022: 2,811 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	10,453	-	351	-	305	-	571	-	55.64

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 Nov. 30, 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 Nov. 30, 2022:	93 shares	As of Feb. 28, 2022:	93 shares
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3) Average number of shares outstanding during the period

Nine months ended Nov. 30, 2022:	10,267,557 shares	Nine months ended Nov. 30, 2021:	10,108,156 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 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 January 13, 2023.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of KANTSU as of November 30, 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 nine months of the current fiscal year (March 1 to November 30, 2022), although there are still negative effects of the pandemic, socio-economic activities in Japan began returning to normal as pandemic restrictions were lifted. 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 focused on strategic initiatives for growth. 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 taking these actions, we are determined to achieve the sustained growth of sales and earnings in both businesses.

Sales were 7,802 million yen, operating profit was 299 million yen, ordinary profit was 276 million yen and profit attributable to owners of parent was 182 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. Sales to existing customers were about 10% less than in the first nine months of the previous fiscal year. This business used SEO measures and other steps for adding new customers by using the internet more effectively 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. 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 7,352 million yen and segment profit was 168 million yen.

IT automation business

There were strong sales of the warehouse management system Cloud Thomas and Cloud Thomas Pro to new customers. Furthermore, the Group established 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 365 million yen and segment profit was 122 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 83 million yen and segment profit was 8 million yen.

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

(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	7,194,721	92.2	-	-	-	-
Outsourced order processing services	89,336	1.1	-	-	-	-
Others	68,674	0.9	-	-	-	-
Logistics services business	7,352,732	94.2	-	168,547	2.3	-
IT automation business	365,827	4.7	-	122,659	33.5	-
Other businesses	83,884	1.1	-	8,633	10.3	-
Total for reportable segments	7,802,444	100.0	-	299,840	3.8	-

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

Total assets at the end of the third quarter were 9,790 million yen. Liabilities were 6,978 million yen and net assets were 2,811 million yen.

The major changes are as follows.

Current assets

Current assets were 4,252 million yen. This was attributable primarily to 2,529 million yen in cash and deposits, 266 million yen in electronically recorded monetary claims-operating and 1,040 million yen in accounts receivable-trade.

Non-current assets

Non-current assets were 5,538 million yen. This was attributable primarily to 1,617 million yen in buildings, 1,125 million yen in land and 1,062 million yen in leasehold and guarantee deposits.

Current liabilities

Current liabilities were 1,625 million yen. This was attributable mainly to 340 million yen in accounts payable-trade and 876 million yen in current portion of long-term borrowings.

Non-current liabilities

Non-current liabilities were 5,353 million yen. This was attributable mainly to 4,498 million yen in long-term borrowings.

Net assets

Net assets were 2,811 million yen. Share capital was 787 million yen, the capital surplus was 773 million yen and retained earnings were 1,250 million yen.

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

KANTSU has revised 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." For details, please refer to the press release titled "Notice of Revisions to Consolidated Forecast" announced on November 28, 2022.

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)
	Third quarter of FY2/23 (As of Nov. 30, 2022)
Assets	
Current assets	
Cash and deposits	2,529,928
Electronically recorded monetary claims-operating	266,372
Accounts receivable-trade	1,040,797
Other	430,820
Allowance for doubtful accounts	(15,367)
Total current assets	<u>4,252,551</u>
Non-current assets	
Property, plant and equipment	
Buildings, net	1,617,504
Machinery, equipment and vehicles, net	193,617
Land	1,125,087
Other, net	686,741
Total property, plant and equipment	<u>3,622,950</u>
Intangible assets	<u>373,969</u>
Investments and other assets	
Leasehold and guarantee deposits	1,062,076
Other	480,214
Allowance for doubtful accounts	(884)
Total investments and other assets	<u>1,541,407</u>
Total non-current assets	<u>5,538,327</u>
Total assets	<u>9,790,878</u>
Liabilities	
Current liabilities	
Accounts payable-trade	340,095
Current portion of long-term borrowings	876,225
Income taxes payable	359
Provision for bonuses	52,032
Lease obligations	26,880
Other	330,132
Total current liabilities	<u>1,625,725</u>
Non-current liabilities	
Long-term borrowings	4,498,855
Asset retirement obligations	425,021
Lease obligations	227,781
Other	201,541
Total non-current liabilities	<u>5,353,199</u>
Total liabilities	<u>6,978,924</u>
Net assets	
Shareholders' equity	
Share capital	787,778
Capital surplus	773,778
Retained earnings	1,250,507
Treasury shares	(109)
Total shareholders' equity	<u>2,811,953</u>
Total net assets	<u>2,811,953</u>
Total liabilities and net assets	<u>9,790,878</u>

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

	(Thousands of yen)
	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)
Net sales	7,802,444
Cost of sales	6,758,537
Gross profit	1,043,907
Selling, general and administrative expenses	744,066
Operating profit	299,840
Non-operating income	
Interest income	293
Rental income from land and buildings	2,047
Subsidy income	12,574
Gain on sale of goods	4,063
Other	2,855
Total non-operating income	21,834
Non-operating expenses	
Interest expenses	38,453
Other	7,056
Total non-operating expenses	45,510
Ordinary profit	276,164
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	264,033
Income taxes	81,175
Profit	182,857
Profit attributable to non-controlling interests	-
Profit attributable to owners of parent	182,857

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

	(Thousands of yen)
	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)
Profit	182,857
Comprehensive income	182,857
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	182,857
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 (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 nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 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	7,352,732	365,827	7,718,560	83,884	7,802,444	-	7,802,444
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	7,352,732	365,827	7,718,560	83,884	7,802,444	-	7,802,444
Segment profit	168,547	122,659	291,206	8,633	299,840	-	299,840

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.