

Results of Operations for the Third Quarter of the Fiscal Year Ending February 28, 2023

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

January 13, 2023



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I. Financial Summary

Highlights | Vs. 3Q FY2/22

Net sales **7,802** million yen (Up **3.1 % YoY**)

Operating profit **299** million yen (Down **46.4 % YoY**)

Net sales

(Millions of yen)

7,567



3Q FY2/22
Non-consolidated

7,802



3Q FY2/23
Consolidated

Operating profit

(Millions of yen)

559



3Q FY2/22
Non-consolidated

299



3Q FY2/23
Consolidated

* Effective from the first quarter of the fiscal year ending February 2023, KANTSU changed to consolidated financial reporting. The year-on-year changes presented in this presentation are comparisons with the non-consolidated figures of 3Q FY2/22.

<Factors affecting sales>

- ◆ Logistics Services Business
 - Existing customer sales declined about **10% year on year** due to the pandemic and disruptions and delays in international logistics caused by China's lockdowns.
 - Steadily acquiring new customers, resulting in a **2.5% year-on-year increase in segment sales**.
- ◆ IT Automation Business
 - Utilization fee income has increased steadily as we acquired new customers.
 - Up **14.4% YoY** due to Cloud Thomas Pro (customization to match each customer's requirements) and other sales.

<Factors affecting operating profit>

- ◆ Logistics Services Business
 - Initially **vacant space at new distribution centers**.
- ◆ IT Automation Business
 - Up **23.9% YoY** as new contracts raised earnings.

3Q FY2/23 Results Summary

(Millions of yen, %)

	1Q-3Q FY2/23 (Consolidated) (Results)	YoY change		1Q-3Q FY2/22 (Non-consolidated) (Results)
		Amount	%	
Net sales	7,802	234	3.1	7,567
Gross profit	1,043	(134)	(11.4)	1,178
SG&A expenses	744	124	20.1	619
Operating profit	299	(259)	(46.4)	559
Ordinary profit	276	(253)	(47.9)	530
Profit	182	(182)	(50.0)	365
EPS (Yen)	17.81	-	-	36.15

* KANTSU conducted a 3-for-1 stock split on September 1, 2021. EPS has been calculated as if this stock split had taken place at the beginning of FY2/22.

Segment Sales and Operating Profit

(Millions of yen, %)

		1Q-3Q FY2/23 (Consolidated) (Results)	YoY change (%)	1Q-3Q FY2/22 (Non-consolidated) (Results)
Logistics services business	Net sales	7,352	2.5	7,175
	Operating profit	168	(63.8)	466
IT automation business	Net sales	365	14.4	319
	Operating profit	122	23.9	99
Other businesses	Net sales	83	15.8	72
	Operating profit	8	-	(5)
Total	Net sales	7,802	3.1	7,567
	Operating profit	299	(46.4)	559

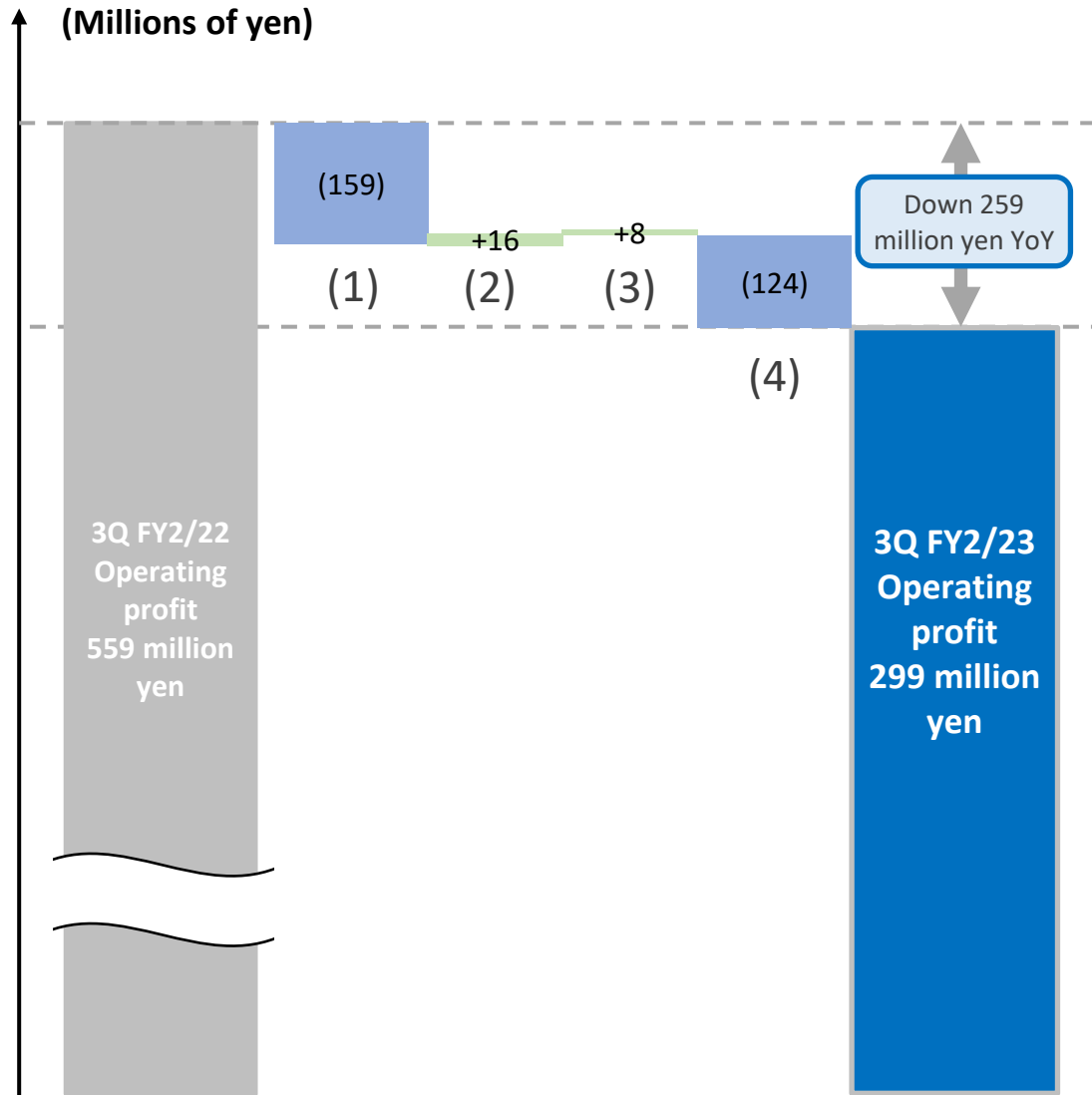
Analysis of Change in Operating Profit

(1) Lower gross profit in the logistics services business

- Decline in cargo volume because of lower sales YoY at existing customers.
- Decreases in the apparel and EC sectors. Although there are many reasons for the lower gross profit, one significant factor is the increasing speed at which foreign fast fashion companies are entering Japan's EC and app commerce markets.

* Cargo volume in some sectors increased because KANTSU's logistics operations include beauty care, supplements, household goods and many other product categories.

Vcant space at new distribution centers also impacted earnings.



(2) Higher gross profit in the IT automation business

- Utilization fees are increasing steadily and there were also spot sales.

(3) Higher gross profit in the other businesses

(4) Higher SG&A expenses (negative)

- Head office rent
- Taxes and dues
- Depreciation (server investments, etc.)

Condensed Balance Sheet

(Millions of yen, %)

	As of Nov. 30, 2022 (Consolidated)		YoY change		As of Feb. 28, 2022 (Non-consolidated)		
	Amount	Composition			Amount	Composition	
Current assets	4,252	43.4	(421)			4,673	49.3
Cash and deposits	2,529	25.8	(688)	Decrease due to capital investment expenditure for refrigerated/frozen warehouses and payment of income taxes, etc.		3,218	33.9
Accounts receivable	1,307	13.4	170			1,136	12.0
Other	415	4.2	97			318	3.4
Non-current assets	5,538	56.6	727	Increase due to capital investment in refrigerated/frozen warehouses		4,810	50.7
Property, plant and equipment	3,622	37.0	503			3,119	32.9
Intangible assets	373	3.8	78			295	3.1
Investments and other assets	1,541	15.7	144			1,396	14.7
Total assets	9,790	100.0	306			9,484	100.0
Current liabilities	1,625	16.6	(382)	Decrease due to settlement of accounts payable related to capital investment and payment of income tax payable		2,007	21.2
Accounts payable	340	3.5	36			303	3.2
Interest-bearing debt	903	9.2	33			869	9.2
Other	382	3.9	(452)			835	8.8
Non-current liabilities	5,353	54.7	603	Increase in long-term borrowings		4,750	50.1
Interest-bearing debt	4,726	48.3	403			4,323	45.6
Other	626	6.4	199			426	4.5
Total liabilities	6,978	71.3	221			6,757	71.3
Total net assets	2,811	28.7	85			2,726	28.7
Total liabilities and net assets	9,790	100.0	306			9,484	100.0



II. Results by Segment

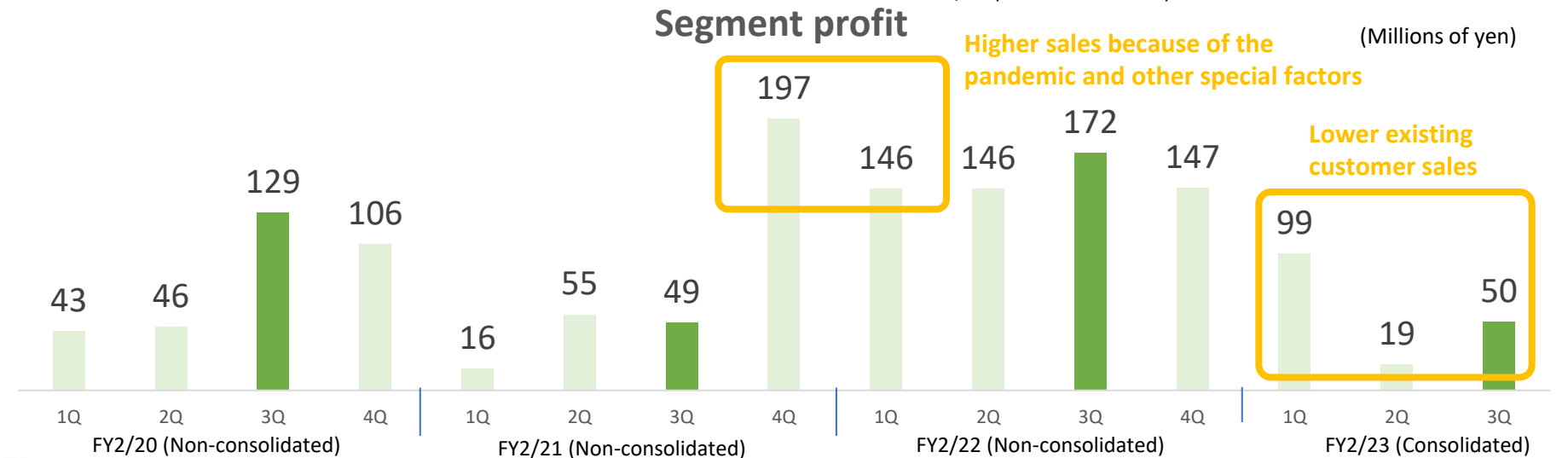
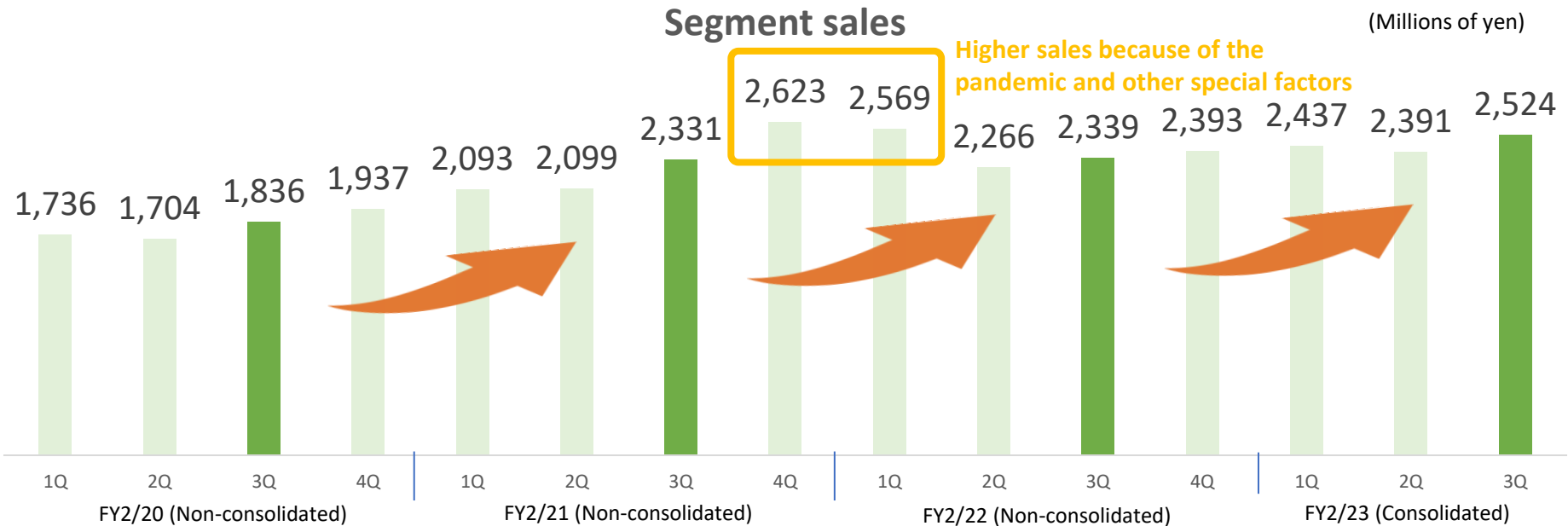
Logistics Services Business Results

Logistics Services Business

(Millions of yen, %)

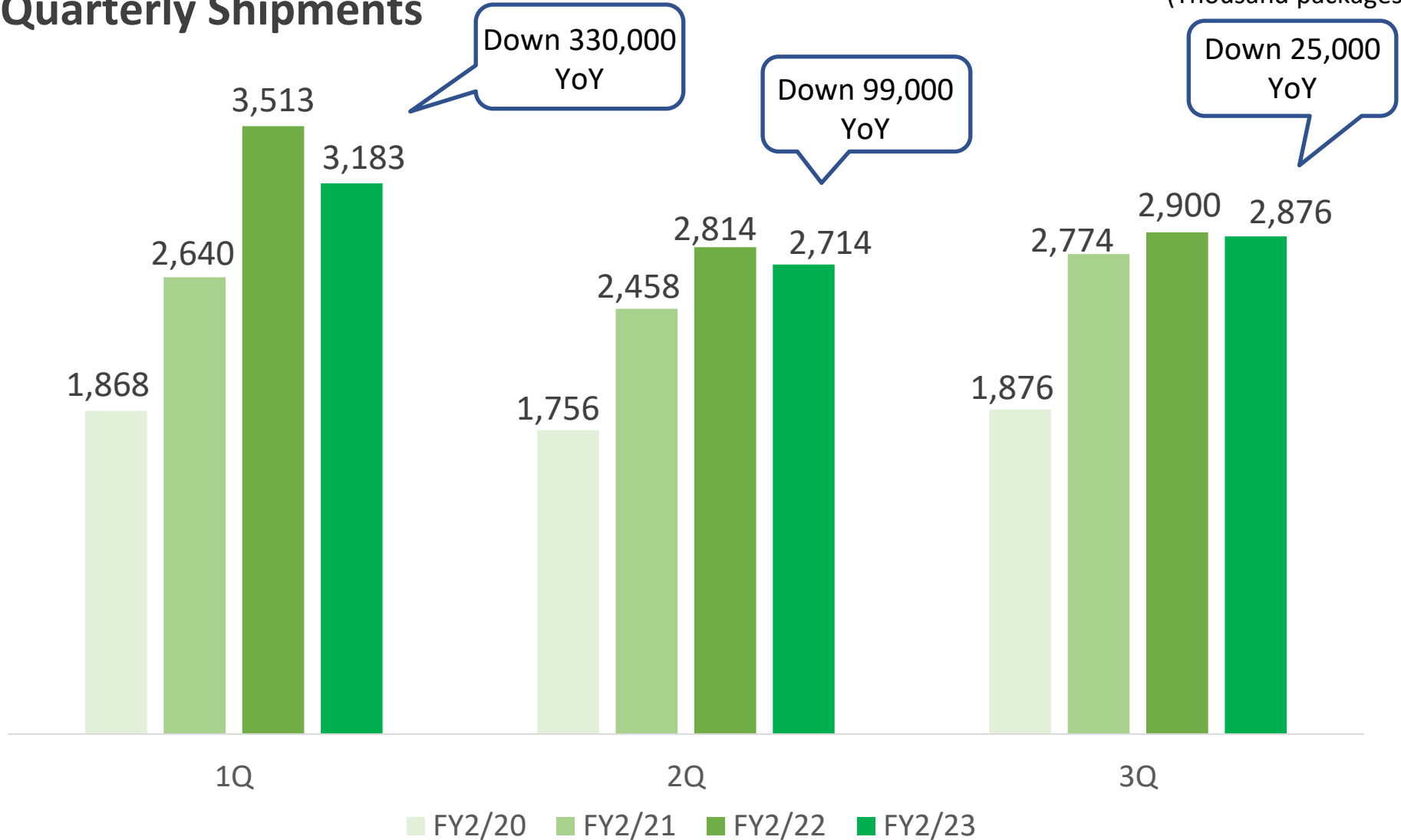
		1Q-3Q FY2/23 (Consolidated) (Results)	YoY change (%)	1Q-3Q FY2/22 (Non-consolidated) (Results)
EC/catalog logistics support services	Net sales	7,194	2.1	7,046
	Outsourced order processing services	89	9.4	81
	Others	68	45.2	47
Segment total	Net sales	7,352	2.5	7,175
	Operating profit	168	(63.8)	466

Project	Planned expenditures	Payments made	Start/Finish
Addition/construction of new distribution centers	2,092	692	Mar. 2021 to Feb. 2026
Use of robots at distribution centers	420	3	Jul. 2022 to Feb. 2024
Total	2,512	696	



Quarterly Shipments

(Thousand packages)



IT Automation Business Results

IT Automation Business

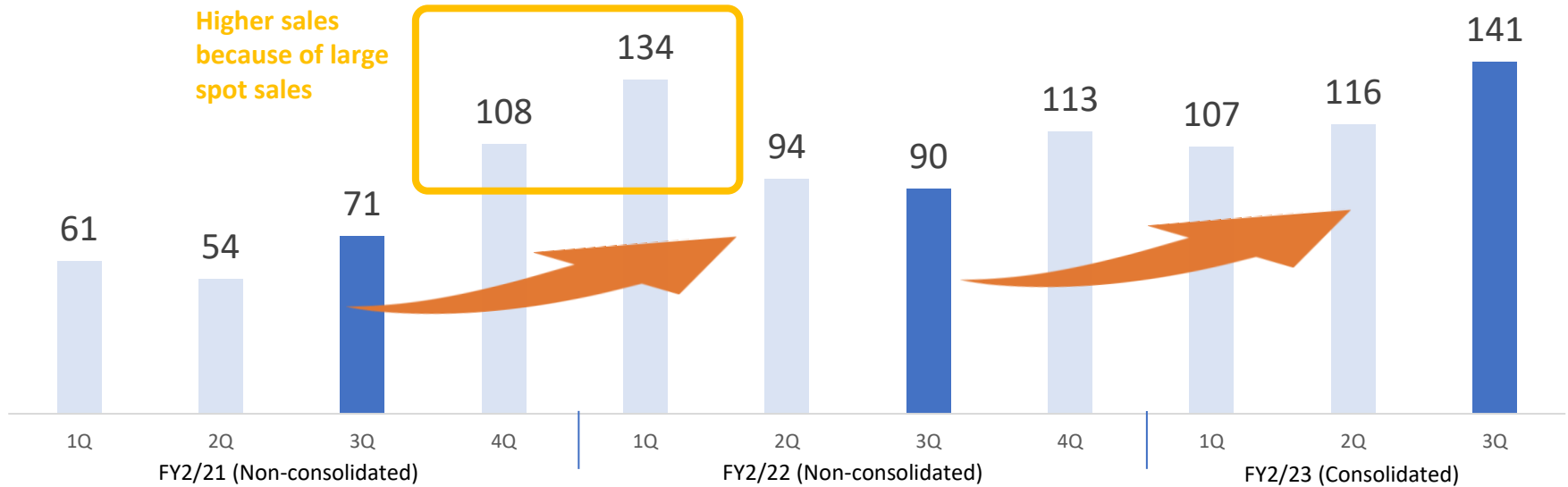
(Millions of yen, %)

		1Q-3Q FY2/23 (Consolidated) (Results)	YoY change (%)	1Q-3Q FY2/22 (Non-consolidated) (Results)
Cloud Thomas	Net sales	260	9.8	237
Annie	Net sales	87	22.7	70
Others	Net sales	18	58.4	11
Segment total	Net sales	365	14.4	319
	Operating profit	122	23.9	99

Project	Planned expenditures	Payments made	Start/Finish
Software development	450	204	Mar. 2021 to Feb. 2024
Total	450	204	

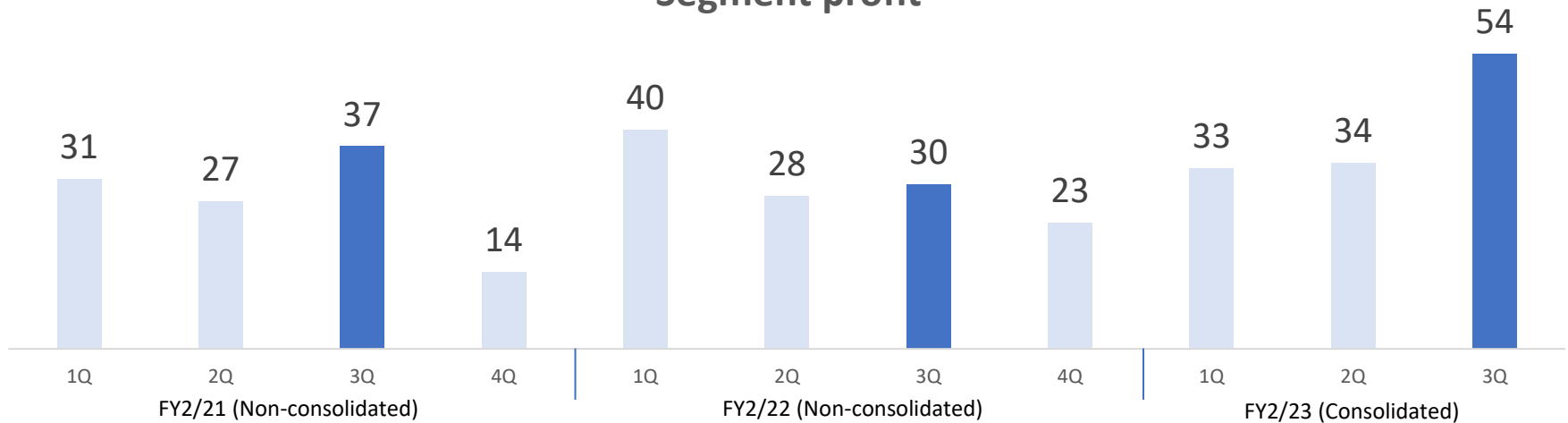
Segment sales

(Millions of yen)



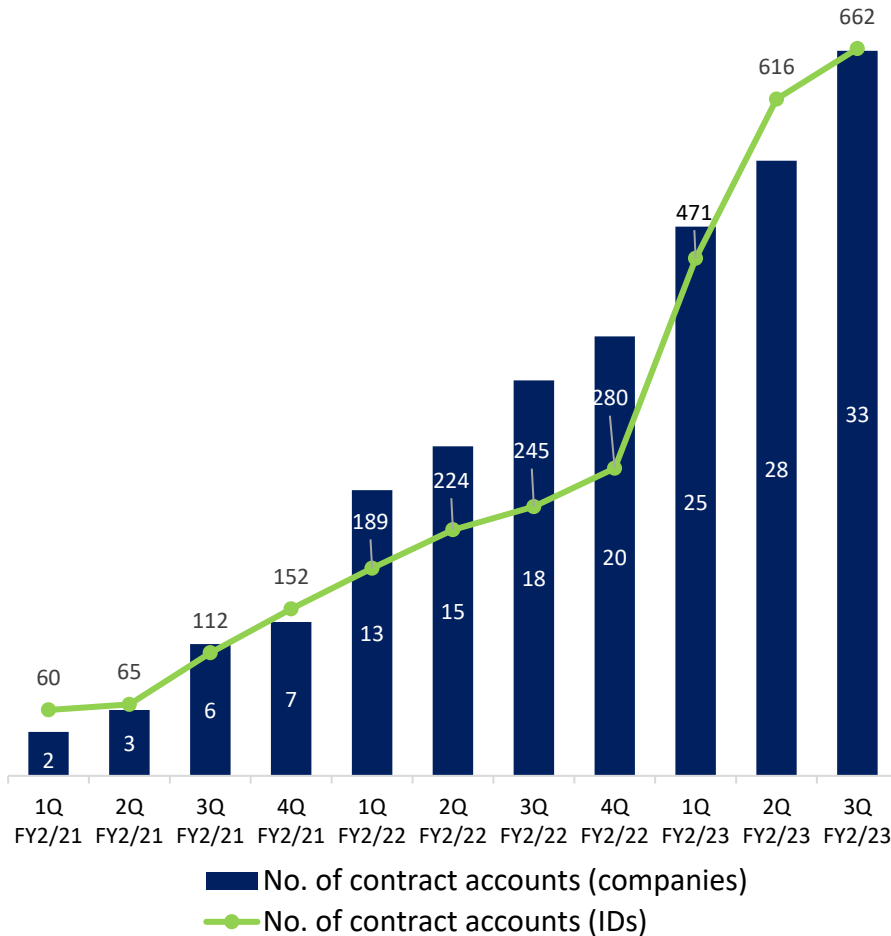
Segment profit

(Millions of yen)

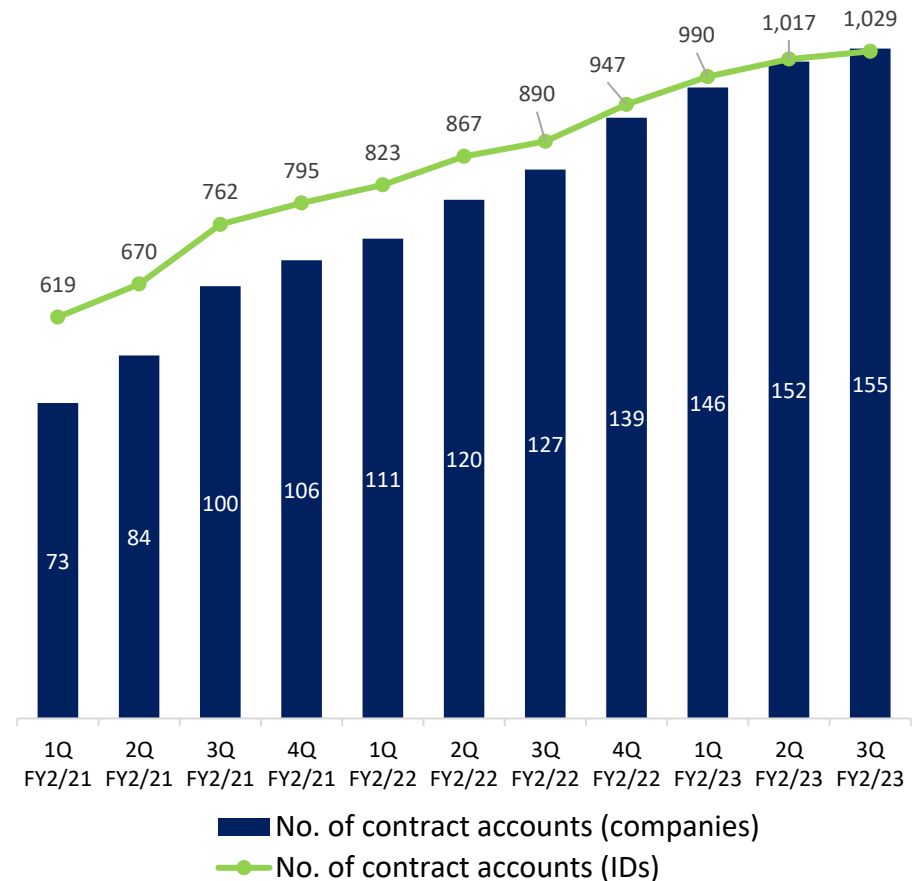


Steady growth in the number of companies with Cloud Thomas and Cloud Thomas Pro contracts.

Cloud Thomas Pro

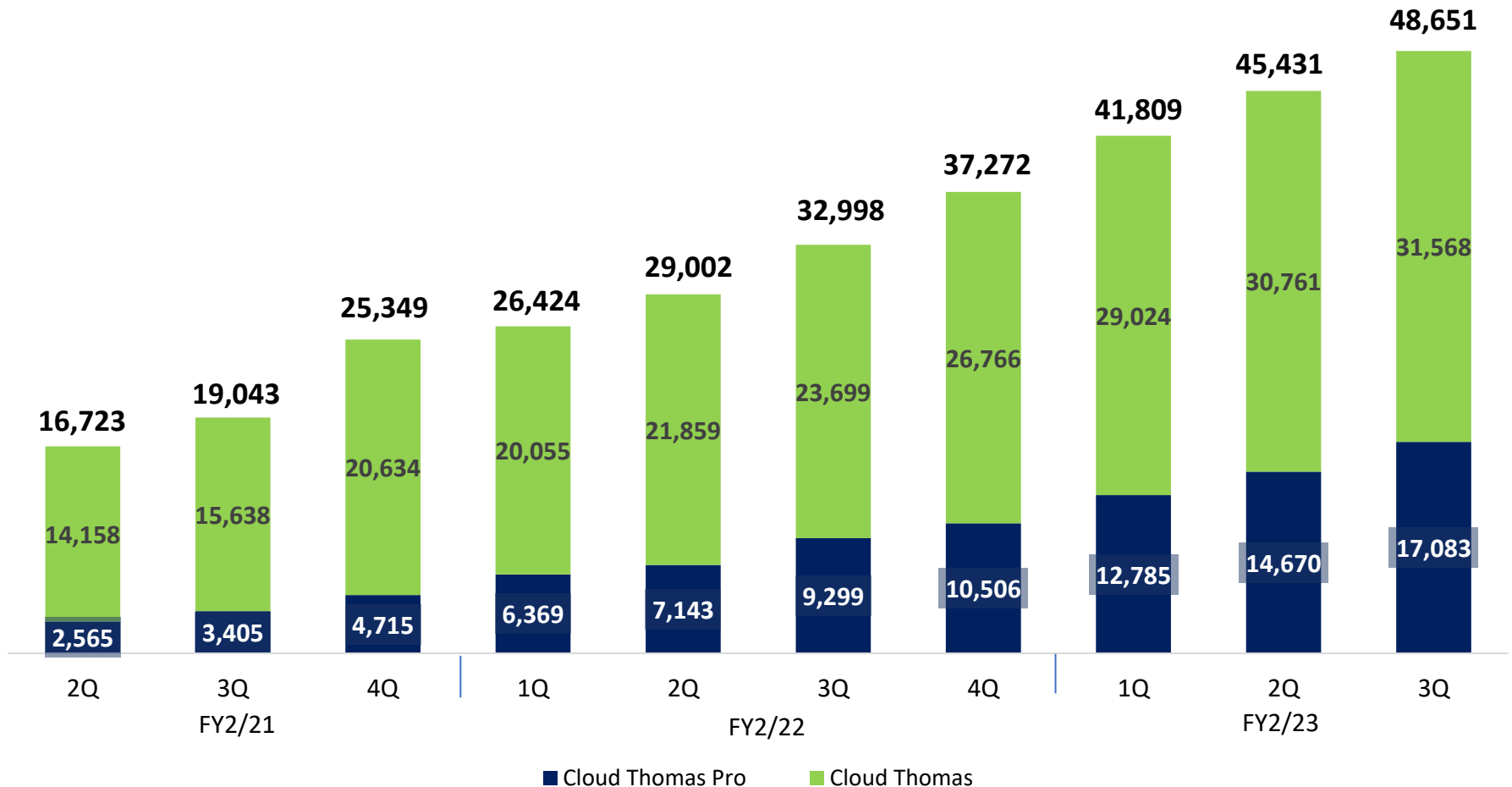


Cloud Thomas



Cloud Thomas Utilization Fees

(Thousands of yen)





III. Strategic Goals

Services that enable our customers to achieve their goals

Hisahiro Tatsushiro

Representative Director and President



Our customers are constantly working on increasing their sales while adapting to rapid changes in the business climate involving market conditions, foreign exchange rates and many other factors.

In this difficult environment, I am well aware that this is a time for KANTSU, as a source of logistics and other services, to fully leverage our strengths for supporting our customers and enabling them to achieve their goals. During the past three fiscal years, we made significant progress regarding automation and the digital transformation (DX). This progress has produced many benefits including the addition of valuable know-how.

We will continue using our resources along with this new know-how to solve difficult and complex problems that require more than logistics and IT systems. Everyone in our group is firmly dedicated to providing services that make KANTSU **an irreplaceable and unique partner for our customers.**

Business Strategy | Logistics Services Business

Our logistics services encompass many types of requirements. For e-commerce and other customers, we offer “to-C logistics.” Customers that operate retail or wholesale businesses rely on us for “to-B logistics.” We are also a source of “integrated to-B/to-C logistics.”

Logistics Channels of KANTSU’s Top 20 Customers			
Distribution channels	(1) to-C only	(2) to-B only	(3) to-B/to-C
Ratio	47%	16%	36%
Categories	E-commerce, periodic purchases, others	Wholesale, retail, others	Multi-channel sales combining (1) and (2)

KANTSU is using these diverse capabilities to expand to new market sectors.

- Use “to-C logistics” expertise (highly detailed logistics management and the DX) for “to-B logistics”
- Use “to-B logistics” expertise (customers’ business operations, innovative thinking) for “to-C logistics”

This expertise will be used to help customers grow and enter new markets.

Goal for Business Composition			
Distribution channels	(1) to-C only	(2) to-B only	(3) to-B/to-C
Ratio	20%	20%	60%

Business Strategy | Logistics Services Business

Adding **new services** as services are extended to new market sectors.

Logistics improvement services

Logistics consulting

On-site studies

Logistics diagnosis

Seminars

Warehouse study field trips

Showrooms

Packaged logistics know-how

Logistics Business	C Logistics				B Logistics			Business process outsourcing
	E-commerce	Periodic sales	Reuse	D-to-C	Store logistics	Wholesale logistics	Rental logistics	Outsourced processing of incoming orders
	App commerce		Live commerce		Product returns	FBA operations	External warehouse shipments	
	Ambient		Frozen		Refrigerated			

IT systems originating from logistics facilities

Logistics improvement services

Cloud Thomas Pro

Cloud Thomas

Logistics hardware

Annie

Use of automation

OASIS

e.can

+ Services to be released



Cargo transport



Call centers



Sub-leasing



DX improvement

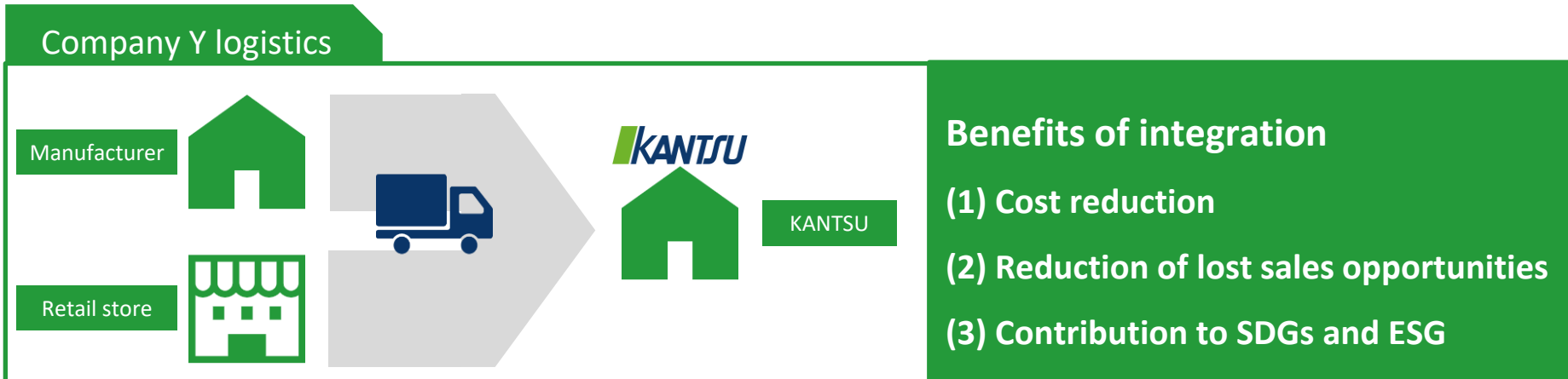
B-to-B-to-C Integrated logistics services

Aggrebase

A base for aggressive logistics

KANTSU can create proposals for the use of integrated distribution centers by companies that current logistics customers use as suppliers or as their own customers.

Operating a single integrated distribution center has many advantages and there are many examples of the successful use of this logistics format.



WMS THOMAS PRO

The use of this warehouse management system developed by KANTSU by utilizing its extensive logistics know-how is increasing steadily. Furthermore, the size of companies using this system is increasing year after year. Requests for logistics consultations from big companies are climbing rapidly. For more growth and even more benefits for customers, we are taking actions to achieve the following

five strategic goals.

- (1) Upgrade logistics proposals for large companies by using joint activities with Canon IT Solutions**
- (2) Devise ways to achieve the visualization of inventories in the healthcare industry**
- (3) Develop and sell original logistics equipment**
- (4) Create a logistics consulting business (support for constant job-site improvements)**
- (5) Reinforce follow-up services for customers by hiring more sales, installation and system engineering personnel**



IV. Earnings Forecasts

FY2/23 Earnings Forecasts

(Millions of yen, %)

	FY2/23 Consolidated forecasts	YoY change		FY2/22 Non-consolidated results
		Amount	%	
Net sales	10,453	354	3.5	10,099
Gross profit	1,429	(142)	(9.1)	1,571
SG&A expenses	1,078	235	28.0	842
Operating profit	351	(378)	(51.9)	729
Ordinary profit	305	(382)	(55.6)	687
Profit attributable to owners of parent	571	107	23.1	463
EPS (Yen)	55.64	-	-	45.74

* KANTSU conducted a 3-for-1 stock split on September 1, 2021. EPS has been calculated as if this stock split had taken place at the beginning of FY2/22.

* On March 1, 2022, KANTSU established wholly owned subsidiary KANTSU Business Services Co., Ltd. As a result, KANTSU began preparing consolidated financial statements in 1Q FY2/23.

(Reference) Revisions to the FY2/23 Consolidated Forecast

(Announced on November 28, 2022)

Sales from new customers were strong, but existing customer sales were lower than one year earlier. As a result, a downward revision was made to the consolidated forecast.

Revisions to the FY2/23 Consolidated Forecast (March 1, 2022 to February 28, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	12,002	943	902	608	59.31
Revised forecast (B)	10,453	351	305	571	55.64
Change (B-A)	(1,549)	(592)	(596)	(37)	-
Change (%)	(12.9)	(62.8)	(66.1)	(6.2)	-
(Reference) FY2/22 results	10,099	729	687	463	45.74

(Reference) Revisions to the First Half Consolidated Forecast

Reasons for revision

1. Revisions based on performance in September and October 2022

- (1) The forecast for existing customer sales was lowered because existing customer sales in the logistics services business are currently down by about 10%.
- (2) The forecast for the growth of sales to new customers in the logistics services and IT automation businesses has been revised to incorporate only business where orders will definitely be received and the timing of the start of recognizing sales can be predicted with a high level of confidence.

2. Expected extraordinary income

The forecast revision includes the expected extraordinary income of 1,067 million yen resulting from the planned sale by KANTSU of the Higashi Osaka Primary Center (land and building) in February 2023.

3. Expected extraordinary loss

The forecast revision includes an expected extraordinary loss of 494 million yen. This is the result of the disposal of non-current assets (planned end of use of some software and a change in the use of logistics robots) and a planned addition to the business improvement loss provision associated with the sale of the Higashi Osaka Primary Center (land and building).

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V. Reference

Company Profile

Company name	KANTSU CO., LTD.
Offices	<p>Kansai head office: 111-4 Nishimukojimacho, Amagasaki city, Hyogo</p> <p>Nagata office: Oriental Trading Building 3-3-32 Nagatahigashi, Higashi Osaka city, Osaka</p> <p>Tokyo System Development Division: Bunshodo Building 5F, 3-37-1 Kanda Sakuma-cho Chiyoda-ku, Tokyo</p> <p>Logistics bases: 13 locations in Kansai area, 4 locations in Kanto area</p> <p>Total area: 207,900m² (As of November 30, 2022)</p>
Established	April 1986
Representative	Hisahiro Tatsushiro, Representative Director and President
Capital	787 million yen (As of November 30, 2022)
Stock listing	Tokyo Stock Exchange Growth Market (Securities code: 9326)
Number of employees	309 (Regular employees as of November 30, 2022)
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



Tokyo Primary Center

Logistics Infrastructure

KANTSU uses 19 distribution centers in the Tokyo and Osaka areas with a total floor area of about 267,400m² to provide logistics services to customers.

*Some distribution centers are not shown.

*Number of locations includes centers that will open by July 2024.

Kanto area



Tokyo Primary Center (27,400m²)
1-13-7 Nakano, Niiza city, Saitama



The 1st Tokyo Distribution Center (15,500m²)
1-12-1 Shirako, Wako city, Saitama



Kanto New Distribution Center (26,100m²) 513 Minaminagai, Tokorozawa city, Saitama



The 4th Tokyo Distribution Center (11,200m²)
5-1-63 Niikura, Wako city, Saitama



The 3rd Tokyo Distribution Center (9,300m²)
3-3-21 Owada, Niiza city, Saitama

Amagasaki area



Kansai Primary Center (48,600m²)
20-4 Ogimachi, Amagasaki city, Hyogo



Kansai New Distribution Center II (28,800m²)
6-36-1 Doicho, Amagasaki city, Hyogo



EC/Catalog Distribution Center (18,500m²) 111-4 Nishimukojimacho, Amagasaki city, Hyogo



Aggrebase (14,200m²) 145-1 Nishimukojimacho, Amagasaki city, Hyogo



D-to-C Distribution Center (17,200m²)
6-79 Doicho, Amagasaki city, Hyogo



D-to-C II Distribution Center (13,200m²) 231-2 Nishimukojimacho, Amagasaki city, Hyogo

Activities for the Sustainable Development Goals

Category	Activities	Examples
Digital transformation	Hire young people in Japan and other countries with a desire to learn ICT skills for logistics to become software developers or engineers for the use of ICT at logistics facilities. Give these people skills concerning new logistics facility management methods and ICT by placing them in jobs where they use management processes utilizing logistics facility ICT, develop software and are involved with other related tasks. In addition, use business-academic partnerships and other measures for logistics system and software R&D programs.	<ul style="list-style-type: none"> ● Use of logistics robots and robotic process automation ● Collaboration with the Department of Industrial and Management Systems, Engineering School of Creative Science and Engineering, Waseda University ● The KANTSU career advancement program
The environment	Recycle materials used for logistics, reduce the use of paper by using the Cloud Thomas warehouse management system, and increase the use of paperless formats for invoices and contracts. Implement measures for sustainability, such as the use of LED lights at distribution centers to use less energy. Establish a framework for making environmental activities the foundation for the sustained growth of KANTSU.	<ul style="list-style-type: none"> ● Recycle packaging materials ● Install LED lights ● Paperless invoices ● Paperless contracts
Employee benefits and training	Operate after-school and other classes for the education of children with developmental disabilities and use after-school daytime care services for these children to help them develop skills and become more independent. Operate employment assistance centers that help people with developmental disabilities who want to find a job and provide support for acquiring knowledge and skills required for employment. Also operate nursery schools for companies as a benefit for their employees and conduct education activities with close ties to regions and communities.	<ul style="list-style-type: none"> ● Operation of after-school daytime classes ● Operation of employment assistance centers ● Operation of nursery schools for companies
Diversity	Hire foreigners to work as software developers and continuously hire foreign technical trainees for logistics facilities. In addition, KANTSU has many women in management positions and has a strong commitment to employing people with developmental disabilities.	<ul style="list-style-type: none"> ● Employment of foreigners ● Women as pct. of all management personnel End of Feb. 2021: 34.5% End of Feb. 2022: 38.2% ● Developmental disability people as pct. of total workforce FY2021: 6.29% FY2022: 5.00% ● Pct. of available child care time off used by women employees FY2/21: 100% FY2/22: 100%

Associated SDGs



Disclaimer

Disclaimer and Precautions Concerning Forward-looking Statements

- Information in this presentation and associated materials contains forward-looking statements. These statements are based on the current outlook and forecasts as well as on assumptions that incorporate risk. All forward-looking statements include uncertainties that may result in actual performance that differs from these statements.
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