



January 15, 2024

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 29, 2024
(Nine Months Ended November 30, 2023)

[Japanese GAAP]

Company name: KANTSU CO., LTD.

Listing: Tokyo Stock Exchange

Securities code: 9326

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Scheduled date of filing of Quarterly Report:

January 15, 2024

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)

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 29, 2024
(March 1, 2023 – November 30, 2023)

(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, 2023	8,680	11.3	271	(9.6)	274	(0.5)	193	5.8
Nine months ended Nov. 30, 2022	7,802	-	299	-	276	-	182	-

Note: Comprehensive income

Nine months ended Nov. 30, 2023: 193 million yen (up 5.8%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2023	19.22	18.62
Nine months ended Nov. 30, 2022	17.81	17.18

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Nov. 30, 2023	10,309	3,168	30.7
As of Feb. 28, 2023	9,471	3,259	34.4

Reference: Shareholders' equity

As of Nov. 30, 2023: 3,166 million yen

As of Feb. 28, 2023: 3,258 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/23	-	0.00	-	10.00	10.00
FY2/24	-	0.00	-	-	-
FY2/24 (forecast)	-	-	-	10.00	10.00

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

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 – February 29, 2024)

(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	11,756	12.0	669	70.8	624	73.1	387	(38.3)	37.37

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - 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: | None |
| 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, 2023: | 10,308,150 shares | As of Feb. 28, 2023: | 10,308,150 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of Nov. 30, 2023: | 291,093 shares | As of Feb. 28, 2023: | 93 shares |
| 3) Average number of shares outstanding during the period | | | |
| Nine months ended Nov. 30, 2023: | 10,069,857 shares | Nine months ended Nov. 30, 2022: | 10,267,557 shares |

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 January 15, 2024.

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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, 2023.

(1) Explanation of Results of Operations

During the first nine months of the current fiscal year (March 1 to November 30, 2023), socio-economic activity in Japan continued to return to normal due in part to the May 2023 decision of the Japanese government to downgrade COVID-19 to the same level as seasonal flu. Although Japan's economy exhibited a moderate recovery trend, the economic outlook remained uncertain, due to a significant surge in prices and expansion of global inflation.

In this current setting, with the aim of bolstering its corporate value, the KANTSU Group disclosed the "Notice Concerning the Rolling of the Medium-Term Business Plan" on April 14, 2023. We are dedicated to elevating the service quality in both our logistics services business and IT automation business, prioritizing the provision of services that empower our customers to accomplish their objectives effectively. Additionally, we fortified our collaborations with suppliers and partner companies in order to foster the expansion of businesses. There are also M&A activities for adding companies able to contribute to medium- to long-term growth in order to support sustained growth of our corporate value.

Net sales increased 11.3% from one year earlier to 8,680 million yen, operating profit decreased 9.6% to 271 million yen, ordinary profit decreased 0.5% to 274 million yen and profit attributable to owners of parent increased 5.8% to 193 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 consolidated 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. There was a big increase in personnel expenses because a larger than anticipated increase in the workforce was needed to serve customers in the EC sector. Many of these companies hold major sales during the last months of every year and sales are at record highs at several customers.

In addition, an increase in rental expenses (800 million yen annually), mainly at the Tokyo Primary Center, lowered the gross profit margin.

As a result, net sales increased 10.8% from one year earlier to 8,145 million yen and segment profit decreased 63.6% to 61 million yen.

IT automation business

Utilization fees for the Cloud Thomas and Cloud Thomas Pro warehouse management systems increased as these services steadily acquired new customers.

As a result, net sales increased 24.7% from one year earlier to 456 million yen and segment profit increased 72.0% to 210 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 decreased 5.7% from one year earlier to 79 million yen and segment loss was 1 million yen.

Results by business segment for the first nine months of the fiscal year ending February 29, 2024

(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		7,964,758	91.8	10.7		-	
Outsourced order processing services		128,520	1.5	43.9		-	
Others		52,204	0.6	(24.0)		-	
Logistics services business		8,145,483	93.8	10.8	61,270	0.8	(63.6)
IT automation business		456,343	5.3	24.7	210,957	46.2	72.0
Other businesses		79,086	0.9	(5.7)	(1,041)	(1.3)	-
Total for reportable segments		8,680,914	100.0	11.3	271,186	3.1	(9.6)

(2) Explanation of Financial Position

Total assets at the end of the third quarter increased 838 million yen from the end of the previous fiscal year to 10,309 million yen. Liabilities increased 929 million yen to 7,141 million yen and net assets decreased 91 million yen to 3,168 million yen.

The major changes are as follows.

Current assets

Current assets decreased 4 million yen to 5,150 million yen. This was attributable primarily to a decrease of 786 million yen in cash and deposits due to the acquisition of securities and investment securities, property, plant and equipment and treasury shares and payment of income taxes, while there was an increase of 288 million yen in accounts receivable-trade.

Non-current assets

Non-current assets increased 842 million yen to 5,159 million yen. This was attributable primarily to a 202 million yen increase in investment securities and a 359 million yen increase in leasehold and guarantee deposits due to payment of security deposit for new distribution centers.

Current liabilities

Current liabilities increased 99 million yen to 2,260 million yen. This was attributable mainly to increases of 249 million yen in accounts payable-trade and 103 million yen in current portion of long-term borrowings, while there was a decrease of 317 million yen in income taxes payable.

Non-current liabilities

Non-current liabilities increased 829 million yen to 4,881 million yen. This was attributable mainly to an increase of 837 million yen in long-term borrowings.

Net assets

Net assets decreased 91 million yen to 3,168 million yen. This was attributable mainly to profit attributable to owners of parent of 193 million yen, a 90 million yen increase in total retained earnings due to dividends paid of 103 million yen, and a 176 million yen increase in treasury shares.

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

KANTSU maintains consolidated forecasts for the fiscal year ending February 29, 2024 that were announced on April 14, 2023 in the “Consolidated Financial Results for the Fiscal Year Ended February 28, 2023.”

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)

	FY2/23 (As of Feb. 28, 2023)	Third quarter of FY2/24 (As of Nov. 30, 2023)
Assets		
Current assets		
Cash and deposits	3,432,524	2,646,495
Electronically recorded monetary claims-operating	277,472	266,647
Accounts receivable-trade	972,380	1,260,712
Securities	-	300,000
Merchandise	302	-
Work in process	4,189	30,385
Other	473,321	652,025
Allowance for doubtful accounts	(5,927)	(6,094)
Total current assets	5,154,264	5,150,171
Non-current assets		
Property, plant and equipment		
Buildings, net	1,426,273	1,465,142
Machinery, equipment and vehicles, net	162,131	167,932
Land	138,871	138,871
Leased assets, net	240,332	225,478
Construction in progress	114,429	124,879
Other, net	291,158	408,422
Total property, plant and equipment	2,373,198	2,530,726
Intangible assets		
Software	259,651	273,812
Other	349	56,451
Total intangible assets	260,001	330,264
Investments and other assets		
Investment securities	-	202,143
Long-term loans receivable	12,000	24,000
Deferred tax assets	146,732	146,732
Leasehold and guarantee deposits	1,089,583	1,448,735
Other	436,509	477,624
Allowance for doubtful accounts	(776)	(776)
Total investments and other assets	1,684,049	2,298,460
Total non-current assets	4,317,249	5,159,450
Total assets	9,471,514	10,309,622

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	Third quarter of FY2/24 (As of Nov. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	264,734	514,732
Current portion of long-term borrowings	795,352	898,953
Income taxes payable	318,381	624
Provision for bonuses	34,458	49,328
Lease liabilities	26,922	27,859
Provision for business restructuring	321,967	213,276
Other	398,593	555,530
Total current liabilities	2,160,410	2,260,304
Non-current liabilities		
Long-term borrowings	3,228,071	4,065,236
Asset retirement obligations	371,904	389,797
Lease liabilities	221,035	203,661
Provision for business restructuring	9,000	9,000
Other	221,277	213,313
Total non-current liabilities	4,051,288	4,881,009
Total liabilities	6,211,699	7,141,313
Net assets		
Shareholders' equity		
Share capital	788,275	788,275
Capital surplus	774,275	769,043
Retained earnings	1,695,773	1,786,217
Treasury shares	(109)	(176,828)
Total shareholders' equity	3,258,214	3,166,708
Share acquisition rights	1,600	1,600
Total net assets	3,259,814	3,168,308
Total liabilities and net assets	9,471,514	10,309,622

(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)	First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)
Net sales	7,802,444	8,680,914
Cost of sales	6,758,537	7,598,396
Gross profit	1,043,907	1,082,517
Selling, general and administrative expenses	744,066	811,330
Operating profit	299,840	271,186
Non-operating income		
Interest income	293	17,193
Rental income from land and buildings	2,047	617
Subsidy income	12,574	7,362
Gain on sale of goods	4,063	5,247
Other	2,855	4,703
Total non-operating income	21,834	35,124
Non-operating expenses		
Interest expenses	38,453	28,233
Other	7,056	3,157
Total non-operating expenses	45,510	31,390
Ordinary profit	276,164	274,919
Extraordinary income		
Gain on sale of non-current assets	697	-
Total extraordinary income	697	-
Extraordinary losses		
Loss on retirement of non-current assets	257	349
Warehouse transfer expenses	12,571	-
Total extraordinary losses	12,828	349
Profit before income taxes	264,033	274,569
Income taxes	81,175	81,045
Profit	182,857	193,524
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	182,857	193,524

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)	First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)
Profit	182,857	193,524
Comprehensive income	182,857	193,524
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	182,857	193,524
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements**Segment and Other Information****Segment Information**

I. 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.

II. First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)

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	8,145,483	456,343	8,601,827	79,086	8,680,914	-	8,680,914
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	8,145,483	456,343	8,601,827	79,086	8,680,914	-	8,680,914
Segment profit (loss)	61,270	210,957	272,227	(1,041)	271,186	-	271,186

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 consolidated statement of income.

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

Not applicable.

Significant Changes in Shareholders' Equity

KANTSU purchased 300,000 treasury shares pursuant to resolution of the Board of Directors meeting on April 14, 2023. As a result, treasury shares increased 176,718 thousand yen during the first nine months of the current fiscal year to 176,828 thousand yen at the end of the third quarter.

Changes in Scope of Consolidation or Scope of Application of Equity Method

Spicescode, Inc. was included in the scope of application of the equity method from the third quarter of the fiscal year ending February 29, 2024 since KANTSU purchased additional shares of this company.

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

Not applicable.

Subsequent Events

Business acquisition

On November 15, 2023, the KANTSU Board of Directors approved a resolution to acquire part of the business operations of Kawade Kousan Co., Ltd. A contract for this acquisition has been signed.

On December 1, 2023, KANTSU established a subsidiary called KANTSU Next Logi Co., Ltd. for the purpose of operating the business purchased from Kawade Kousan. This business was subsequently acquired in accordance with the terms of the contract on December 21, 2023.

(1) Overview of the business acquisition

1) Company selling business and activities of business acquired

Company selling business: Kawade Kousan Co., Ltd.

Business activities: Logistics services for publications, logistics services for e-commerce businesses, and activities associated with these businesses

2) Reason for the acquisition and purpose

Adding this business will enable the KANTSU Group to use its logistics expertise and technologies for using IT services in the publishing logistics sector. KANTSU believes this will make it possible to add more value to the logistics services previously provided by Kawade Kousan. Another expected benefit is a higher level of customer services and the ability to provide services consistently. All of these benefits are expected to contribute to the growth of the KANTSU Group's corporate value. In addition, this acquisition is expected to further increase the scale of the group's EC/catalog logistics support services and give KANTSU Group companies access to new know-how concerning logistics.

(2) Calculation of acquisition cost and other items

1) Acquisition cost and payment

Acquisition cost: The acquisition cost (price) cannot be disclosed because the acquisition contract includes a confidentiality requirement. To ensure the fairness and suitability of the cost, a third party calculated the cost in an appropriate manner and the suitability of this cost was confirmed.

Payment: Cash

2) Acquisition expenses

Remuneration for advisory members and other related fees: 3,800 thousand yen (estimate)

(3) Allocation of acquisition cost

1) Assets acquired and liabilities assumed on the acquisition date

Not yet determined.

2) Goodwill resulting from the acquisition

Not yet determined.

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.