



April 12, 2024

Consolidated Financial Results for the Fiscal Year Ended February 29, 2024

[Japanese GAAP]

Company name: KANTSU CO., LTD.

Listing: Tokyo Stock Exchange

Securities code: 9326

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Scheduled date of Annual General Meeting of Shareholders: May 29, 2024

Scheduled date of filing of Annual Securities Report: May 30, 2024

Scheduled date of payment of dividend: May 30, 2024

Preparation of supplementary materials for financial results: Yes

Holding of 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 Fiscal Year Ended February 29, 2024 (March 1, 2023 – February 29, 2024)

(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	%
Fiscal year ended Feb. 29, 2024	11,938	13.8	410	4.7	406	12.6	49	(92.1)
Fiscal year ended Feb. 28, 2023	10,493	-	392	-	360	-	628	-

Note: Comprehensive income Fiscal year ended Feb. 29, 2024: 49 million yen (down 92.1%)

Fiscal year ended Feb. 28, 2023: 628 million yen (-%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 29, 2024	4.94	4.79	1.6	4.1	3.4
Fiscal year ended Feb. 28, 2023	61.15	59.02	21.0	3.8	3.7

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended 29, 2024: (10) Fiscal year ended Feb. 28, 2023: -

Note: Year-on-year changes for the fiscal year ended February 28, 2023 are not presented because KANTSU began to prepare consolidated financial statements from the fiscal year ended February 28, 2023.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 29, 2024	10,309	3,024	29.3	301.65
As of Feb. 28, 2023	9,471	3,259	34.4	316.08

Reference: Shareholders' equity As of Feb. 29, 2024: 3,023 million yen As of Feb. 28, 2023: 3,258 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 29, 2024	(54)	(2,120)	1,089	2,128
Fiscal year ended Feb. 28, 2023	216	1,005	(1,020)	3,214

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio	Dividend on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Feb. 28, 2023	Yen -	Yen 0.00	Yen -	Yen 10.00	Yen 10.00	Million yen 103	% 16.4	% 3.4
Fiscal year ended Feb. 29, 2024	Yen -	Yen 0.00	Yen -	Yen 10.00	Yen 10.00	Million yen 100	% 202.4	% 3.2
Fiscal year ending Feb. 28, 2025 (forecast)	Yen -	Yen 0.00	Yen -	Yen 10.00	Yen 10.00		% 28.5	

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 – February 28, 2025)

(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	7,492	33.3	98	(39.8)	91	(43.5)	62	(46.3)	6.16
Full year	15,871	32.9	542	32.3	522	28.7	352	609.8	35.06

*** 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 Next Logi Co., Ltd.)

(2) 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

(3) Number of outstanding shares (common shares)

- 1) Number of shares outstanding at the end of the period (including treasury shares)
 As of Feb. 29, 2024: 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 Feb. 29, 2024: 285,243 shares As of Feb. 28, 2023: 93 shares
 3) Average number of shares outstanding during the period
 Fiscal year ended Feb. 29, 2024: 10,058,192 shares Fiscal year ended Feb. 28, 2023: 10,271,019 shares

Reference: Summary of non-consolidated business results

**Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2024
 (March 1, 2023 – February 29, 2024)**

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 29, 2024	11,937	13.8	406	4.4	408	14.9	54	(91.3)
Fiscal year ended Feb. 28, 2023	10,493	3.9	388	(46.7)	355	(48.3)	624	34.5

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 29, 2024	5.38	5.22
Fiscal year ended Feb. 28, 2023	60.78	58.66

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 29, 2024	10,243	3,025	29.5	301.71
As of Feb. 28, 2023	9,471	3,255	34.4	315.71

Reference: Shareholders' equity As of Feb. 29, 2024: 3,023 million yen As of Feb. 28, 2023: 3,254 million yen

This financial report is not subject to audit 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. Overview of Results of Operations, (4) Outlook" 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 April 12, 2024.

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1. Overview of Results of Operations

Forward-looking statements are based on the judgments of KANTSU as of February 29, 2024.

(1) Results of Operations

During the fiscal year that ended on February 29, 2024, economic uncertainty intensified globally due to significant changes, including prolonged geopolitical risks such as Russia's ongoing invasion of Ukraine and the conflict between Israel and Hamas along with persistently high central bank policy interest rates in Europe and the United States. In Japan, while the surge in demand following the Coronavirus pandemic appears to have peaked, the Nikkei Stock Average reached an all-time high. This rise was accompanied by increasing prices, partly due to successful cost pass-through and a boost in inbound demand. Furthermore, there were indications of improvements in employment and wages. Together, these factors seem to be laying the groundwork for the economy to emerge from deflation.

In the logistics services, the principal line of business for our group, there has been an increase in the volume of shipments within the retail and service sectors. This increase has been spurred by a surge in post-pandemic inbound demand, among other factors. Concurrently, the e-commerce market is undergoing significant changes, including the gradually expanding influence of foreign-affiliated fast fashion brands in the apparel sector. Additionally, prices are rising in Japan due to increased procurement costs from a weaker yen and the challenges posed by the logistics 2024 problem. Given the situation, we need to closely monitor future trends.

In this current setting, 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 13.8% from one year earlier to 11,938 million yen, operating profit increased 4.7% to 410 million yen, ordinary profit increased 12.6% to 406 million yen and profit attributable to owners of parent decreased 92.1% to 49 million yen due to an extraordinary loss of 179 million yen associated with the retirement of the old version of Cloud Thomas following the development of its upgraded version. Additionally, the removal of distribution center equipment that is no longer used resulted in a further loss of 129 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 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. On the other hand, personnel costs for warehouse staff were significantly affected by rising domestic wages, particularly in the second half of the year. Temporary staffing expenses, in particular, also saw a substantial increase.

In addition, a year-on year increase of 735 million yen in rental expenses mainly at the Tokyo Primary Center lowered the gross profit margin. KANTSU has already begun negotiations with our customers for raising rates in response to the current logistics services business environment.

As a result, net sales increased 13.8% from one year earlier to 11,197 million yen and segment profit decreased 46.7% to 100 million yen.

IT automation business

Our warehouse management systems "Cloud Thomas" and "Cloud Thomas Pro" steadily acquired new customers. However, as our customers' businesses have grown, the time needed for design and testing has significantly increased. In some cases, this has also led to delays of several months in the monthly utilization fees. In response, we are developing an upgraded version of Cloud Thomas. This new version will improve the system's adaptability, particularly in terms of integration with external systems in the future.

As a result, net sales increased 16.1% from one year earlier to 634 million yen and segment profit increased 59.2% to 314 million yen.

Other businesses

In other businesses segment, sales from after-school day services for children with disabilities were steady.

As a result, net sales decreased 3.2% from one year earlier to 106 million yen and there was a segment loss of 5 million yen, compared with a segment profit of 5 million yen one year earlier.

Results by business segment for the fiscal year ended February 29, 2024

(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	10,955,555	91.8	13.9	-		
Outsourced order processing services	175,298	1.5	38.7	-		
Others	66,786	0.6	(28.0)	-		
Logistics services business	11,197,640	93.8	13.8	100,796	0.9	(46.7)
IT automation business	634,373	5.3	16.1	314,646	49.6	59.2
Other businesses	106,194	0.9	(3.2)	(5,058)	(4.8)	-
Total for reportable segments	11,938,208	100.0	13.8	410,384	3.4	4.7

(2) Financial Position

Total assets at the end of the current fiscal year increased 837 million yen from the end of the previous fiscal year to 10,309 million yen. Liabilities increased 1,072 million yen to 7,284 million yen and net assets decreased 234 million yen to 3,024 million yen. The major changes are as follows.

Current assets

Current assets decreased 325 million yen to 4,828 million yen.

This was attributable primarily to a decrease of 1,071 million yen in cash and deposits due to the acquisition of securities and investment securities, property, plant and equipment and treasury shares, payment of income taxes and payments for acquisition of businesses, while there was an increase of 287 million yen in accounts receivable-trade.

Non-current assets

Non-current assets increased 1,163 million yen to 5,480 million yen.

This was attributable primarily to a 192 million yen increase in investment securities and a 422 million yen increase in leasehold and guarantee deposits due to payment of security deposit for new distribution centers.

Current liabilities

Current liabilities decreased 202 million yen to 1,957 million yen.

This was attributable mainly to increases of 250 million yen in accounts payable-trade and 170 million yen in current portion of long-term borrowings, while there were decreases of 306 million yen in income taxes payable and 321 million yen in provision for business restructuring.

Non-current liabilities

Non-current liabilities increased 1,275 million yen to 5,326 million yen.

This was attributable mainly to an increase of 1,230 million yen in long-term borrowings.

Net assets

Net assets decreased 234 million yen to 3,024 million yen.

This was attributable mainly to profit attributable to owners of parent of 49 million yen, a 54 million yen decrease in total retained earnings mainly due to dividends paid of 103 million yen, and a 173 million yen increase in treasury shares.

(3) Cash flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the current fiscal year decreased 1,085 million yen from the end of the previous fiscal year to 2,128 million yen. The cash flow components during the fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash used in operating activities totaled 54 million yen, compared with 216 million yen provided in the previous fiscal year.

Major positive factors include depreciation of 357 million yen, loss on retirement of non-current assets of 309 million yen and an increase in trade payables of 250 million yen. Major negative factors include an increase in trade receivables of 310 million yen, a decrease in provision for business restructuring of 201 million yen and income taxes paid of 490 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 2,120 million yen, compared with 1,005 million yen provided in the previous fiscal year.

Major negative factors include payments for acquisition of businesses of 699 million yen, purchase of short-term and long-term investment securities of 602 million yen, purchase of property, plant and equipment of 450 million yen and payments of leasehold and guarantee deposits of 320 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 1,089 million yen, compared with 1,020 million yen used in the previous fiscal year.

Major positive factors include proceeds from long-term borrowings of 2,500 million yen. Major negative factors include repayments of long-term borrowings of 1,098 million yen and purchase of treasury shares of 182 million yen.

(4) Outlook

1) Overview

According to the 2022 Report of the Industry, Economy Research Outsourcing Business (E-commerce Transaction Survey) of the Ministry of Economy, Trade and Industry, the e-commerce market in Japan, which is closely linked to major services of the KANTSU Group, increased 9.66% from 20.7 trillion yen in 2021 to 22.7 trillion yen in the B-to-C category and the B-to-C e-commerce share of the entire B-to-C sector increased by 0.35 point to 9.13%. In the retail merchandise sector, the B-to-C e-commerce category increased 6.06% from 13.2 trillion yen in 2021 to 14.0 trillion yen in 2022 as the steady growth of this category continued.

In the EC/catalog logistics support services segment, the primary business of the KANTSU Group, a distribution center with a total floor area of about 28,000 square meters opened during the fiscal year that ended in February 2024 and, a distribution center with a floor area of almost 26,000 square meters is scheduled to start operating in December 2024 in the city of Tokorozawa in Saitama prefecture. New distribution centers to meet new sources of demand are being accompanied by measures to step up the activities for the digital transformation of logistics. For existing customers, there are activities to improve efficiency by continuing to improve the quality and productivity of logistics services with the goal of raising customer satisfaction. In December 2023, KANTSU established KANTSU Next Logi Co., Ltd. as a wholly-owned subsidiary to operate the publishing logistics services business

acquired from Kawade Kousan Co., Ltd. The acquisition also enhance the added value of the service by incorporating the logistics expertise and IT services that KANTSU has cultivated over the years.

In the IT automation business, centered around the warehouse management system “Cloud Thomas,” KANTSU has advanced its collaboration with Spicescode, Inc. following a capital and business alliance with the company in April 2023. KANTSU is also striving to acquire new customers and enhance convenience through the continued development of additional features and other improvements.

In the fiscal year ending in February 2025, we forecast a 32.9% increase in net sales to 15,871 million yen, a 32.3% increase in operating profit to 542 million yen, a 28.7% increase in ordinary profit to 522 million yen, and a 609.8% increase in profit attributable to owners of parent to 352 million yen. This forecast is based on the following assumptions.

2) Assumptions

Sales

The forecast for sales is an increase of 32.9% to 15,871 million yen.

KANTSU is dedicated to providing a stable logistics environment to current customers along with improvements in services. There will be activities to maintain and increase the volume of business. To add new customers, there will be sales activities that include invitations to tour warehouses, where participants can learn lessons from our web marketing activities in prior years. There are also activities for strengthening relationships with current customers and partner companies and for using alliances and other joint activities to attract new customers. Measures to add new customers also include seeking opportunities to start new businesses.

In December 2023, KANTSU established KANTSU Next Logi Co., Ltd. as a wholly-owned subsidiary to operate the publishing logistics services business acquired from Kawade Kousan Co., Ltd. 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.

Logistics services business

Based on the forecast, this segment is expected to account for 91.9% of sales in the fiscal year ending in February 2025. This business consists primarily of EC/catalog logistics support services, outsourced order processing services and logistics consulting services.

The sales forecast for current customers is mainly the sum of expected sales for individual customers based on sales in the current fiscal year. The forecast also includes expected sales for new customers where sales discussions are progressing and there is a significant likelihood that KANTSU will start providing services during the next fiscal year. The decision about including a prospective new customer in the forecast is based on how close the sales process is to reaching a final decision about placing an order and the estimated difficulty of receiving an order from the prospective customer. Furthermore, additions of new customers in prior years are taken into account. After studying prospects for adding new customers during the next fiscal year, KANTSU believes that a forecast for new customer sales has been determined within a reasonable range.

Consequently, the logistics services sales forecast is the sum of the outlook for sales for individual current customers, which includes a decline in sales for some customers during the current fiscal year, and sales for new customers. The forecast also includes the expected contribution to sales for an entire fiscal year of customers that were added during the current fiscal year and sales from the new subsidiary KANTSU Next Logi, established in December 2023 to operate the business acquired from Kawade Kousan, will also be added to the forecast. The result is a sales forecast of 14,801 million yen, which is 32.1% higher than in the previous fiscal year.

IT automation business

There was strong sales growth of 16.1% in the fiscal year that ended in February 2024 in this segment. Major components of this segment are the Cloud Thomas warehouse management system, Annie check list system and

e.can order processing automation system.

The sales forecast for current customers is the sum of expected sales from utilization fees from individual customers by using the outlook for the utilization of services based on performance in prior years. The forecast also includes expected sales for new customers where sales discussions are progressing and there is a significant likelihood that KANTSU will start providing services during the next fiscal year. The decision about including a prospective new customer in the forecast is based on how close the sales process is to reaching a final decision about placing an order and the estimated difficulty of receiving an order from the prospective customer. Furthermore, additions of new customers and customized software development performance in prior years are taken into account as well as expected sales growth due to measures to strengthen logistics digital transformation sales and the start of external sales of ECOMS, an order management system which is under development with Spicescode following a capital and business alliance with the company. The result is a sales forecast of 983 million yen, which is 54.9% higher than in the previous fiscal year.

Other businesses

Other businesses are educational services for foreign technical trainees and other educational services. Sales from after-school daytime care services for children with developmental disabilities and nursery schools for companies as a benefit for their employees are expected to remain steady. The result is a sales forecast of 87 million yen, which is 17.8% lower than in the previous fiscal year.

Cost of sales

In the logistics services segment, the outlook for personnel expenses is based on the number of people at each logistics business site when the budgets for these sites are established as well as the staffing plans that reflect expected periods of high and low volumes of work. This forecast also includes expected leasing expenses, which reflect new locations, expansions and other changes to business sites, and expected outsourcing expenses, which reflect the outlook for changes in outsourcing. The estimate for depreciation includes the outlook for the acquisition of logistics automation equipment, freezer and refrigeration equipment, material handling equipment and other depreciable assets. For shipping expenses, the estimate is based on the forecast for the volume of shipments that was determined when establishing the sales forecast. Other components of the cost of sales are based on the outlook for increases or decreases in sales in accordance with the performance of individual logistics business sites in prior years. In the IT automation segment, the personnel expense forecast is based on expected working hours for software development and other activities in the information systems staffing plan. The depreciation forecast was determined by using depreciation expenses in prior years and adjusting for software that was removed during the current fiscal year and by adding depreciation expenses for depreciable assets to be acquired during the next fiscal year based on the fiscal year software development plan. Other components of the cost of sales are based on sales in prior years and adjusted based on the outlook for increases or decreases in sales.

As a result, the efficiency of business operations is expected to increase due to new automation and other equipment at distribution centers, the development of an upgraded version of the Cloud Thomas warehouse management system, and other improvements. Increases are expected for personnel expenses, shipping expenses and leasing expenses, which are the major components of the cost of sales. The result is a cost of sales forecast of 14,020 million yen, which is 33.6% higher than in the previous fiscal year.

Selling, general and administrative expenses

The forecast for these expenses, which is based on expenses in the current fiscal year, is primarily the sum of personnel expenses, software maintenance fees and IT system expenses, leasing expenses for office space, and expenses for administrative and system development operations, where the number of employees is expected to increase.

The result is a selling, general and administrative expense forecast of 1,308 million yen, which is 25.7% higher than in the previous fiscal year.

Operating profit

Due to the outlook for sales to increase, as was explained earlier, operating profit is expected to be 542 million yen, 32.3% higher than in the previous fiscal year.

Ordinary profit

The ordinary profit forecast is 522 million yen, 28.7% higher than in the previous fiscal year. The forecast for extraordinary income and losses is based on the current fiscal year and a reasonable outlook for extraordinary income and losses that will be recorded in the fiscal year ending in February 2025.

Profit attributable to owners of parent

The profit attributable to owners of parent forecast is 352 million yen, up 609.8% from the previous fiscal year. This profit was affected by extraordinary loss of 311 million yen in the current fiscal year. In the fiscal year ending in February 2025, no loss on retirement of non-current assets is expected and no extraordinary loss will be recorded.

2. Basic Approach to the Selection of Accounting Standards

KANTSU has a policy of preparing its consolidated financial statements using Japanese GAAP to permit comparisons with other fiscal years as well as comparisons with the performance of other Japanese companies.

3. Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	FY2/24 (As of Feb. 29, 2024)
Assets		
Current assets		
Cash and deposits	3,432,524	2,360,782
Electronically recorded monetary claims-operating	277,472	288,428
Accounts receivable-trade	972,380	1,259,465
Securities	-	200,000
Merchandise	302	-
Work in process	4,189	24,450
Other	473,321	700,744
Allowance for doubtful accounts	(5,927)	(5,167)
Total current assets	5,154,264	4,828,705
Non-current assets		
Property, plant and equipment		
Buildings, net	1,426,273	1,463,552
Machinery, equipment and vehicles, net	162,131	147,794
Land	138,871	561,478
Leased assets, net	240,332	223,233
Construction in progress	114,429	9,900
Other, net	291,158	459,083
Total property, plant and equipment	2,373,198	2,865,042
Intangible assets		
Goodwill	-	104,539
Software	259,651	157,889
Other	349	25,649
Total intangible assets	260,001	288,078
Investments and other assets		
Investment securities	-	192,010
Long-term loans receivable	12,000	24,000
Deferred tax assets	146,732	106,320
Leasehold and guarantee deposits	1,089,583	1,512,133
Other	436,509	493,958
Allowance for doubtful accounts	(776)	(776)
Total investments and other assets	1,684,049	2,327,647
Total non-current assets	4,317,249	5,480,768
Total assets	9,471,514	10,309,473

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	FY2/24 (As of Feb. 29, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	264,734	515,225
Current portion of long-term borrowings	795,352	965,706
Income taxes payable	318,381	11,715
Provision for bonuses	34,458	28,000
Lease liabilities	26,922	28,990
Provision for business restructuring	321,967	-
Other	398,593	407,991
Total current liabilities	2,160,410	1,957,629
Non-current liabilities		
Long-term borrowings	3,228,071	4,458,791
Asset retirement obligations	371,904	455,446
Lease liabilities	221,035	200,013
Provision for business restructuring	9,000	-
Other	221,277	212,613
Total non-current liabilities	4,051,288	5,326,864
Total liabilities	6,211,699	7,284,494
Net assets		
Shareholders' equity		
Share capital	788,275	788,275
Capital surplus	774,275	768,275
Retained earnings	1,695,773	1,640,832
Treasury shares	(109)	(174,004)
Total shareholders' equity	3,258,214	3,023,378
Share acquisition rights	1,600	1,600
Total net assets	3,259,814	3,024,978
Total liabilities and net assets	9,471,514	10,309,473

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

	(Thousands of yen)	
	FY2/23	FY2/24
	(Mar. 1, 2022 – Feb. 28, 2023)	(Mar. 1, 2023 – Feb. 29, 2024)
Net sales	10,493,721	11,938,208
Cost of sales	9,125,658	10,486,673
Gross profit	1,368,063	1,451,535
Selling, general and administrative expenses	975,914	1,041,150
Operating profit	392,148	410,384
Non-operating income		
Interest income	379	24,767
Subsidy income	13,976	8,958
Gain on sale of goods	5,606	8,581
Compensation income	9,722	-
Other	9,397	9,968
Total non-operating income	39,083	52,276
Non-operating expenses		
Interest expenses	51,161	37,797
Share issuance costs	5,660	120
Share acquisition rights issuance costs	7,657	2,331
Share of loss of entities accounted for using equity method	-	10,133
Other	6,017	6,142
Total non-operating expenses	70,496	56,524
Ordinary profit	360,735	406,135
Extraordinary income		
Gain on sale of non-current assets	1,068,001	-
Reversal of provision for business restructuring	-	8,802
Total extraordinary income	1,068,001	8,802
Extraordinary losses		
Loss on retirement of non-current assets	152,833	309,293
Provision for business restructuring	341,980	-
Other	12,571	2,639
Total extraordinary losses	507,384	311,932
Profit before income taxes	921,351	103,004
Income taxes-current	402,221	12,899
Income taxes-deferred	(108,993)	40,412
Total income taxes	293,227	53,311
Profit	628,124	49,693
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	628,124	49,693

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY2/23	FY2/24
	(Mar. 1, 2022 – Feb. 28, 2023)	(Mar. 1, 2023 – Feb. 29, 2024)
Profit	628,124	49,693
Comprehensive income	628,124	49,693
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	628,124	49,693
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	785,299	771,299	1,170,272	(109)	2,726,761
Changes during period					
Issuance of new shares	2,976	2,976	-	-	5,952
Dividends of surplus	-	-	(102,623)	-	(102,623)
Profit attributable to owners of parent	-	-	628,124	-	628,124
Purchase of treasury shares	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-
Transfer of loss on disposal of treasury shares	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	2,976	2,976	525,501	-	531,453
Balance at end of period	788,275	774,275	1,695,773	(109)	3,258,214

(Thousands of yen)

	Share acquisition rights	Total net assets
Balance at beginning of period	-	2,726,761
Changes during period		
Issuance of new shares	-	5,952
Dividends of surplus	-	(102,623)
Profit attributable to owners of parent	-	628,124
Purchase of treasury shares	-	-
Disposal of treasury shares	-	-
Transfer of loss on disposal of treasury shares	-	-
Net changes in items other than shareholders' equity	1,600	1,600
Total changes during period	1,600	533,053
Balance at end of period	1,600	3,259,814

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	788,275	774,275	1,695,773	(109)	3,258,214
Changes during period					
Issuance of new shares	-	-	-	-	-
Dividends of surplus	-	-	(103,080)	-	(103,080)
Profit attributable to owners of parent	-	-	49,693	-	49,693
Purchase of treasury shares	-	-	-	(182,184)	(182,184)
Disposal of treasury shares	-	(7,554)	-	8,289	735
Transfer of loss on disposal of treasury shares	-	1,554	(1,554)	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	-	(6,000)	(54,941)	(173,894)	(234,836)
Balance at end of period	788,275	768,275	1,640,832	(174,004)	3,023,378

(Thousands of yen)

	Share acquisition rights	Total net assets
Balance at beginning of period	1,600	3,259,814
Changes during period		
Issuance of new shares	-	-
Dividends of surplus	-	(103,080)
Profit attributable to owners of parent	-	49,693
Purchase of treasury shares	-	(182,184)
Disposal of treasury shares	-	735
Transfer of loss on disposal of treasury shares	-	-
Net changes in items other than shareholders' equity	-	-
Total changes during period	-	(234,836)
Balance at end of period	1,600	3,024,978

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2/23	FY2/24
	(Mar.1, 2022–Feb.28, 2023)	(Mar.1, 2023–Feb.29, 2024)
Cash flows from operating activities		
Profit before income taxes	921,351	103,004
Depreciation	410,890	357,094
Increase (decrease) in allowance for doubtful accounts	(8,495)	(760)
Increase (decrease) in provision for bonuses	(3,629)	(6,457)
Increase (decrease) in provision for business restructuring	330,967	(201,088)
Interest income	(383)	(24,767)
Interest expenses	51,161	37,797
Loss (gain) on sale of non-current assets	(1,068,001)	-
Loss on retirement of non-current assets	152,833	309,293
Decrease (increase) in trade receivables	(112,665)	(310,751)
Decrease (increase) in inventories	(2,944)	(19,959)
Increase (decrease) in trade payables	(38,515)	250,293
Other, net	(99,650)	(44,151)
Subtotal	532,919	449,546
Interest received	383	24,767
Interest paid	(48,640)	(37,844)
Income taxes paid	(268,020)	(490,775)
Net cash provided by (used in) operating activities	216,642	(54,305)
Cash flows from investing activities		
Payments into time deposits	(13,804)	(13,803)
Purchase of short-term and long-term investment securities	-	(602,143)
Proceeds from redemption of securities	-	200,000
Purchase of property, plant and equipment	(811,588)	(450,505)
Proceeds from sale of property, plant and equipment	2,190,095	-
Purchase of intangible assets	(157,170)	(171,436)
Payments for acquisition of businesses	-	(699,634)
Payments of leasehold and guarantee deposits	(159,462)	(320,701)
Other, net	(42,538)	(62,535)
Net cash provided by (used in) investing activities	1,005,532	(2,120,759)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,150,000	2,500,000
Repayments of long-term borrowings	(2,045,865)	(1,098,926)
Repayments of lease liabilities	(25,299)	(27,460)
Purchase of treasury shares	-	(182,184)
Dividends paid	(102,337)	(103,080)
Other, net	2,594	735
Net cash provided by (used in) financing activities	(1,020,907)	1,089,084
Net increase (decrease) in cash and cash equivalents	201,267	(1,085,981)
Cash and cash equivalents at beginning of period	3,012,955	3,214,222
Cash and cash equivalents at end of period	3,214,222	2,128,241

(5) Notes to Consolidated Financial Statements**Changes in Scope of Consolidation or Scope of Application of Equity Method**

KANTSU Next Logi Co., Ltd. was included in the scope of consolidation due to its establishment in the fourth quarter of the current fiscal year.

Only the balance sheet is consolidated in the current fiscal year.

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Not applicable.

Segment Information

1. Overview of reportable segments

The KANTSU Group's reportable segments are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The main services of this segment are as follows.

(Logistic services)

- EC/catalog logistics support services
- Outsourced order processing services
- Logistics consulting services
- Sub-leasing services

(IT automation)

- Cloud Thomas warehouse management system
- Annie check list system
- e.can system for the automatic processing of orders received
- ippo! service for outsourced robotic process automation (RPA) production, and others

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The method of accounting for the reported operating segments is in accordance with the accounting policy adopted to prepare the consolidated financial statements.

Segment profit for reportable segments is based on operating profit.

There are no inter-segment transfers.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	9,837,558	546,477	10,384,036	109,685	10,493,721	-	10,493,721
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	9,837,558	546,477	10,384,036	109,685	10,493,721	-	10,493,721
Segment profit	189,128	197,665	386,793	5,354	392,148	-	392,148
Segment assets	5,178,880	200,603	5,379,483	74,862	5,454,345	4,017,168	9,471,514
Other items							
Depreciation	368,683	40,836	409,520	1,370	410,890	-	410,890
Increase in property, plant and equipment and intangible assets	976,733	74,309	1,051,042	425	1,051,468	-	1,051,468

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. The 4,017,168 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of cash and deposits that cannot be attributed to reportable segments.

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	11,197,640	634,373	11,832,014	106,194	11,938,208	-	11,938,208
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	11,197,640	634,373	11,832,014	106,194	11,938,208	-	11,938,208
Segment profit (loss)	100,796	314,646	415,443	(5,058)	410,384	-	410,384
Segment assets	6,531,565	316,823	6,848,389	64,174	6,912,563	3,396,909	10,309,473
Other items							
Depreciation	307,289	36,147	343,436	1,298	344,734	-	344,734
Increase in property, plant and equipment and intangible assets	509,575	109,328	618,904	1,320	620,225	-	620,225

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. The 3,396,909 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of cash and deposits that cannot be attributed to reportable segments.

Per Share Information

(Yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)	FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)
Net assets per share	316.08	301.65
Net income per share	61.15	4.94
Diluted net income per share	59.02	4.79

Notes: 1. The basis of calculating the net assets per share is as follows:

(Thousands of yen)

	FY2/23 (As of Feb. 28, 2023)	FY2/24 (As of Feb. 29, 2024)
Total net assets	3,259,814	3,024,978
Deduction from total net assets	1,600	1,600
[of which share acquisition rights]	[1,600]	[1,600]
Net assets applicable to common shares	3,258,214	3,023,378
Number of common shares at end of period used in calculation of net assets per share (shares)	10,308,057	10,022,907

2. The basis of calculating the net income per share and the diluted net income per share is as follows.

(Thousands of yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)	FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)
Net income per share		
Profit attributable to owners of parent	628,124	49,693
Amounts not attributable to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	628,124	49,693
Average number of common shares outstanding during the period (shares)	10,271,019	10,058,192
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in number of common shares (shares)	370,824	314,025
[of which stock option (shares)]	[370,824]	[314,025]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Subsequent Events

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.