



Securities code: 9326 KANTSU CO., LTD.

April 12, 2024

# Results of Operations for the Fiscal Year Ended February 29, 2024

# FY2/24 Results Summary

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## ■ FY2/24 (vs. FY2/23)

**Net sales: +13.8%**

└ A new high-volume customer started contributing to sales in November

**Ordinary profit: +12.6%**

└ Earnings were higher even though rent increased by 735 million yen

## ■ FY2/24 (vs. plan)

**Net sales: +1.5%**

└ Progressed as planned

**Ordinary profit: -35.0%**

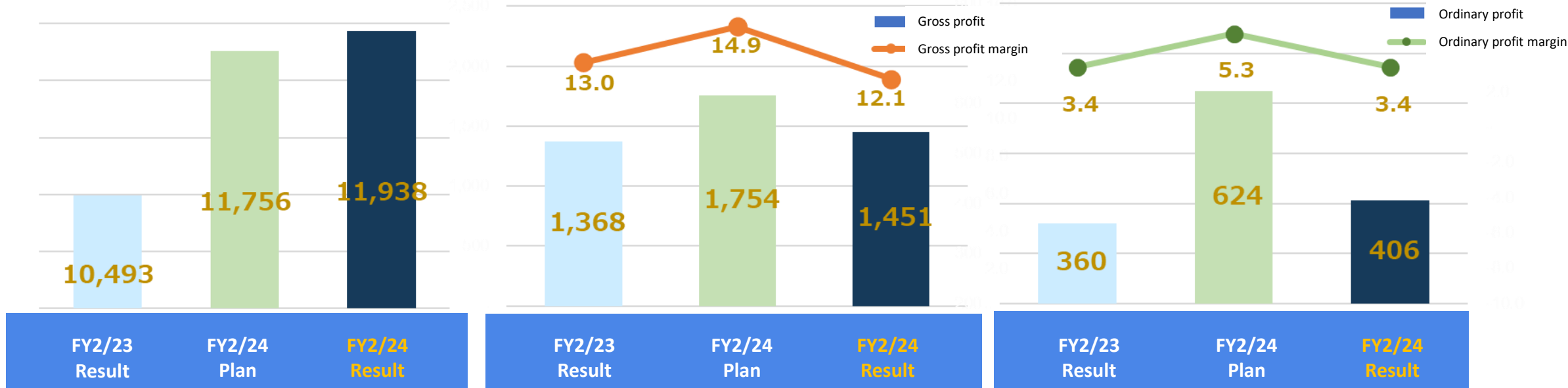
└ Second half temporary staffing expenses were more than twice as high as in the first half, in part due to increasing wages in Japan

# Reductions in Plan for FY2/24

- Sales and earnings were higher than in FY2/23. However, earnings were well below the initial plan that included expected benefits from measures to hold down the cost of labor to a certain level and limit the use of temporary staffing expenses.
- A much larger increase in temporary staffing expenses than planned and slow progress in the IT automation business were the main reasons for the lower gross profit margin.
- Profit attributable to owners of parent was 49 million yen, far below the 387 million yen plan, mainly because of expenses for the retirement of the old version of Cloud Thomas and the retirement of certain equipment in the distribution center .

<b>Net sales</b>	+1,445 (+13.8%) YoY +182 (+1.5%) vs. Plan	<b>Gross profit</b>	+83 (+6.0%) YoY -303 (-17.2%) vs. Plan	<b>Ordinary profit</b>	+45 (+12.6%) YoY -218 (-34.9%) vs. Plan
		<b>Gross profit margin</b>	-0.9 points YoY -2.8 points vs. Plan	<b>Ordinary profit margin</b>	±0 point YoY -1.9 point vs. Plan

Millions of yen; %



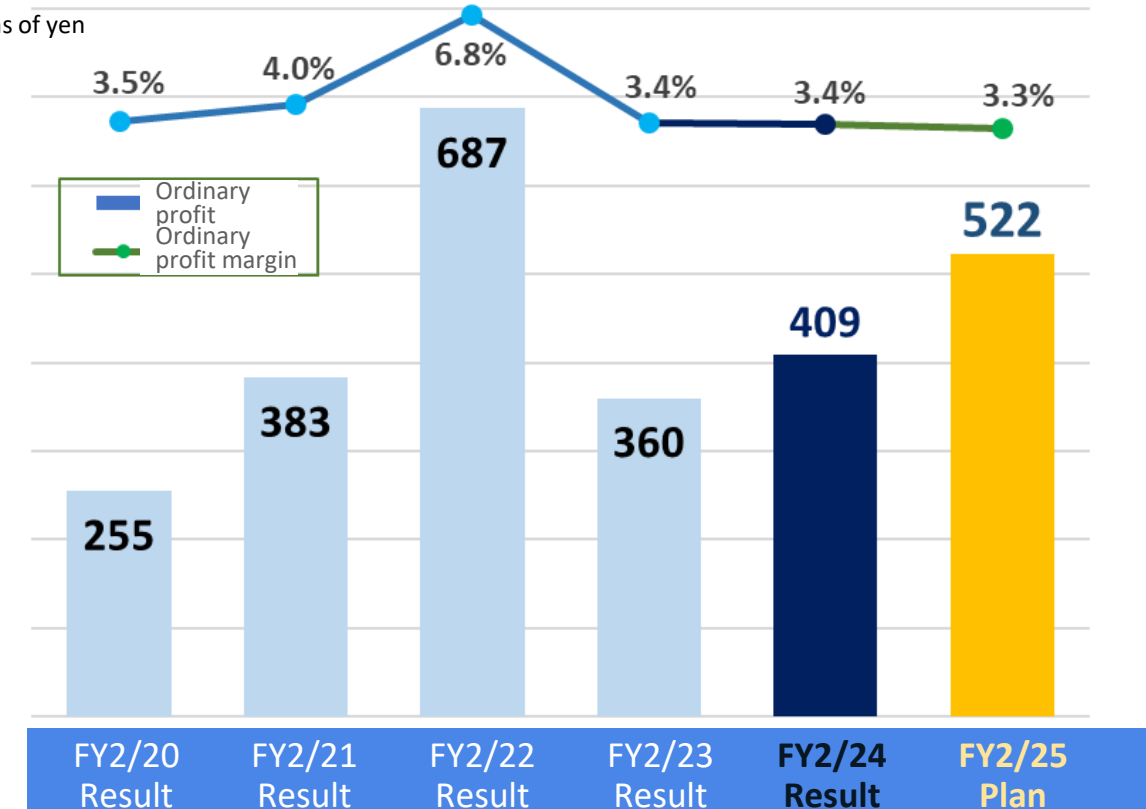
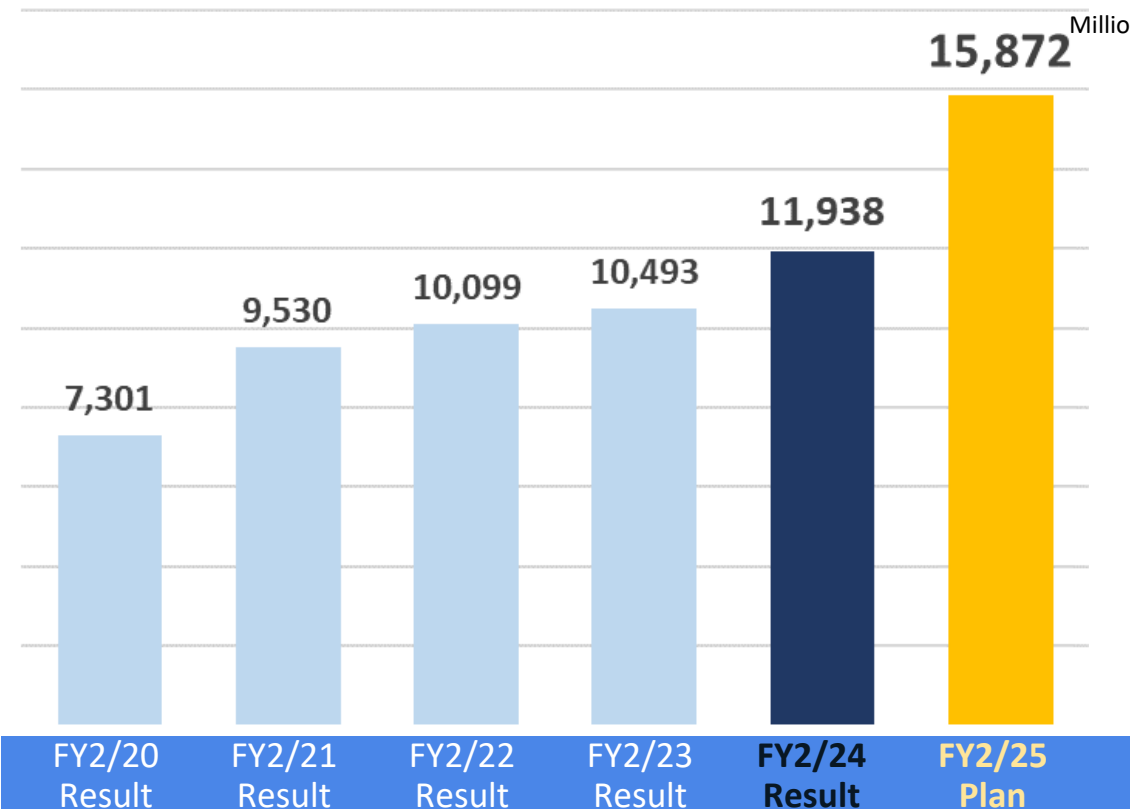
# Consolidated FY Results

## Consolidated sales

- Sales increased for fifth consecutive fiscal year mainly due to higher sales in the logistics services business. Sales were close to the medium-term plan target.
- Sales of KANTSU Next Logi will be included in sales starting in FY2/25. Activities continue to establish an infrastructure for raising KANTSU Group sales to 30 billion yen.

## Consolidated ordinary profit

- Ordinary profit increased as the first half profit was generally as planned but the second half profit was less than planned because of the significant negative impact of higher wages in Japan.
- Aiming for ordinary profit target of 1,500 million yen in FY2/27 with growth backed by business restructuring in FY2/25, speeding up investments for growth and M&A, and other actions.



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# I. Financial Summary / Consolidated

**YoY Change**

# (YoY Change) FY2/24

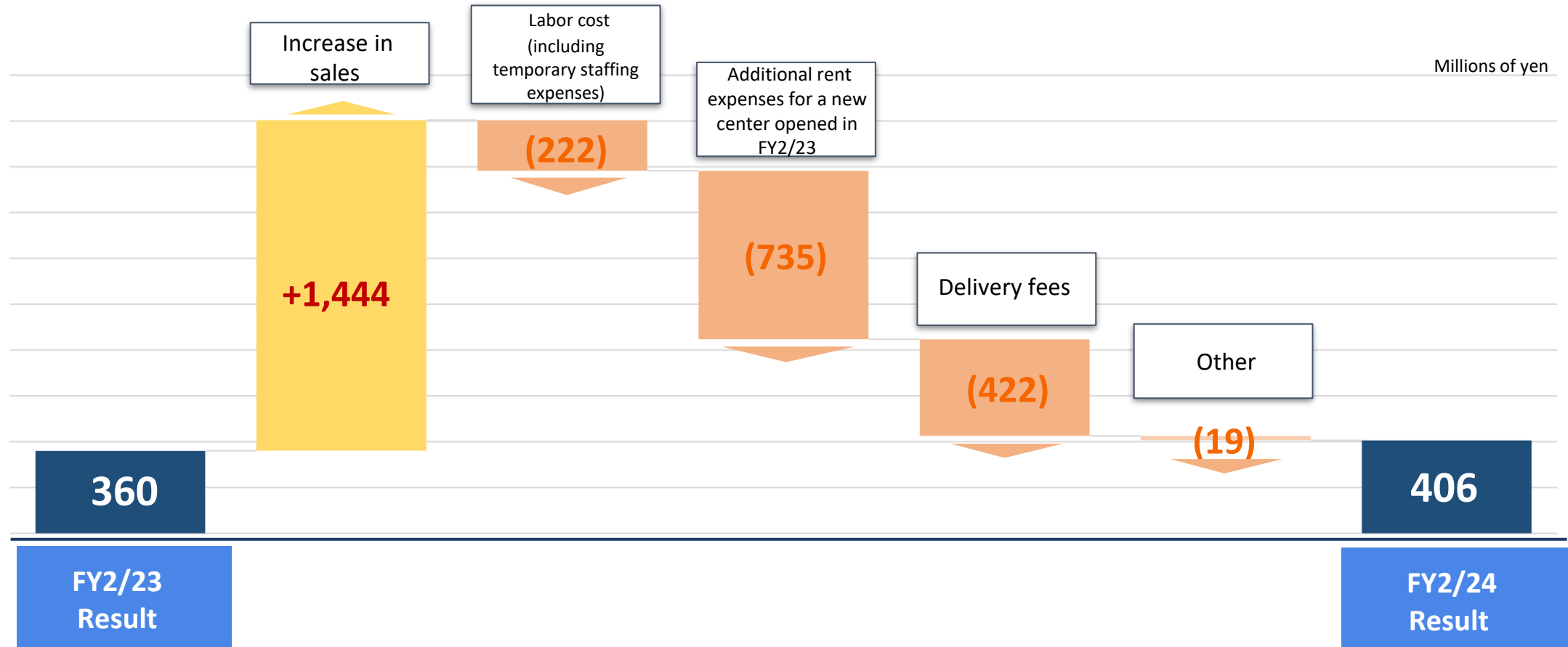
- Sales increased to a new record high for a fiscal year.
- Profit attributable to owners of parent was down. This profit included a gain of 1,068 million yen on the sale of land in FY2/23 and was reduced in FY2/24 by a loss on retirement of non-current assets of about 300 million yen, which includes the disposal of the previous version of Cloud Thomas.

Millions of yen

	FY2/23 (Results)	FY2/24 (Results)	YoY change	
			Amount	%
<b>Net sales</b>	10,493	<b>11,938</b>	+1,444	+13.8
<b>Operating profit</b>	392	<b>410</b>	+18	+4.7
<b>Ordinary profit</b>	360	<b>406</b>	+45	+12.6
<b>Profit attributable to owners of parent</b>	628	<b>49</b>	(578)	(92.1)

# (YoY Change) Analysis of Changes in Ordinary Profit

- Sales growth includes the contribution beginning in November 2023 of services for a new high-volume customer. This relationship will make a big contribution to FY2/25 sales.
- The new customer does not require a large amount of distribution center space. As a result, sales growth was not enough to absorb the increase in rent caused by the completion of a new distribution center in FY2/23.







## II. Financial Summary / Consolidated

**Vs. Plan**

# (Vs. Plan ) FY2/24

- Net sales were in line with the plan.
- Higher wages in Japan had a big impact on the ordinary profit. Most significant was second half temporary staffing expenses that were more than twice as high as in the first half. **Negotiations with customers have started for raising labor charges in order to reflect the current business climate in the logistics sector.**

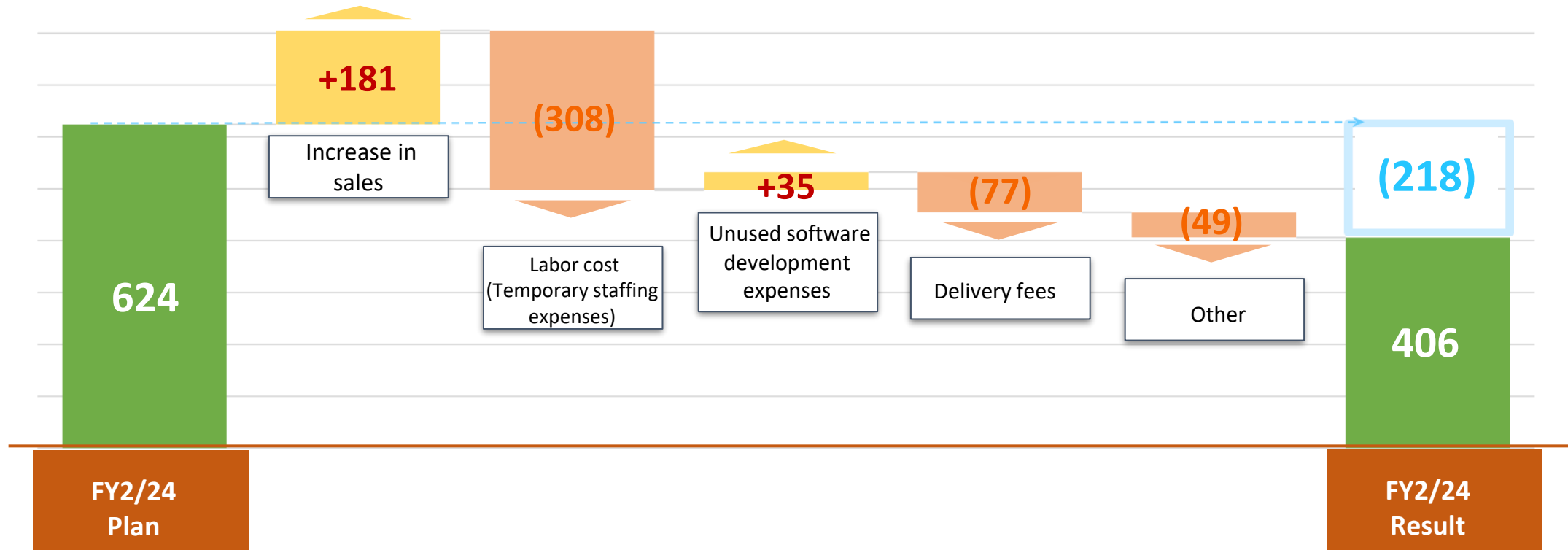
Millions of yen

	FY2/24 (Plan)	FY2/24 (Results)	Vs. plan	
			Amount	%
<b>Net sales</b>	11,756	<b>11,938</b>	+181	+1.5
<b>Operating profit</b>	669	<b>410</b>	(259)	(38.7)
<b>Ordinary profit</b>	624	<b>406</b>	(218)	(35.0)
<b>Profit attributable to owners of parent</b>	387	<b>49</b>	(338)	(87.2)

# (Vs. Plan) Analysis of Changes in Ordinary Profit

- Sales remained strong.
- Higher expenses for distribution center personnel, especially workers provided by temporary staffing companies, held down earnings. In the IT automation business, earnings were below the plan as the recognition of some utilization fees was later than expected. Although ordinary profit was 218 million yen below the plan, discussions are under way with customers to raise labor charges for logistics services.

Millions of yen





## **III. Financial Summary / Quarterly**

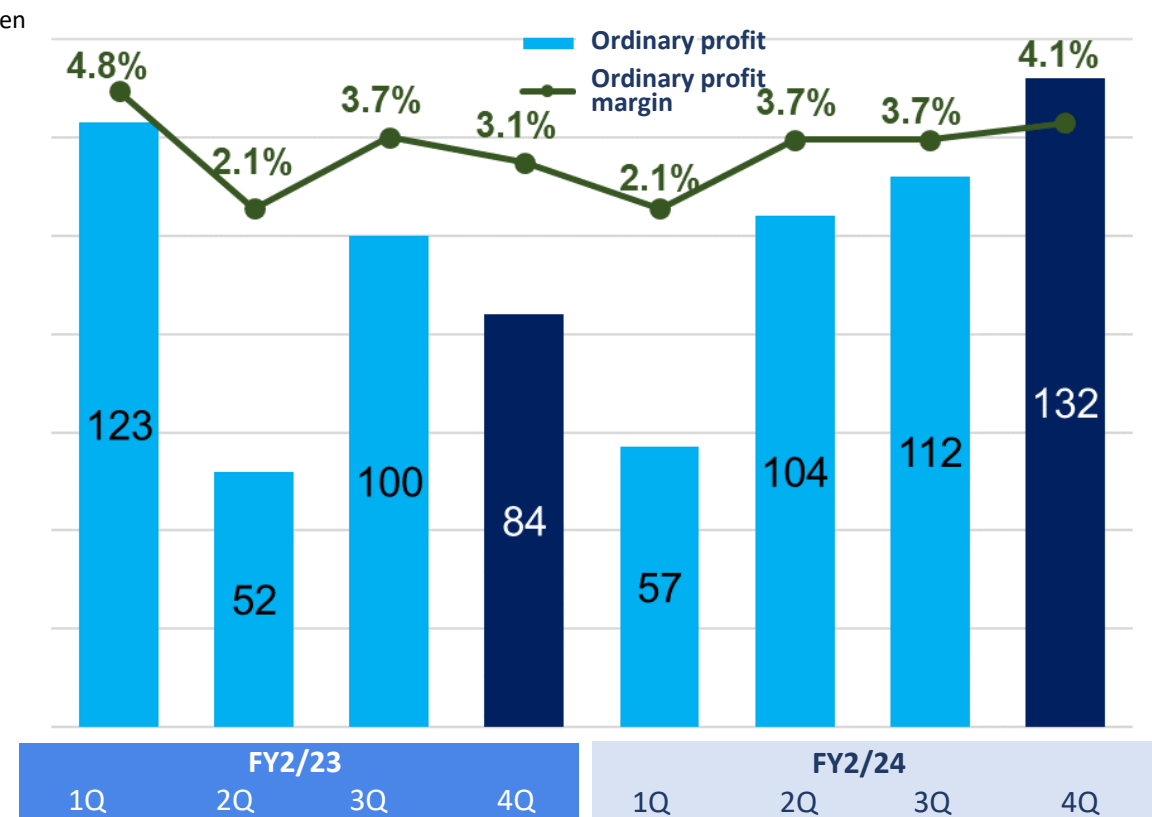
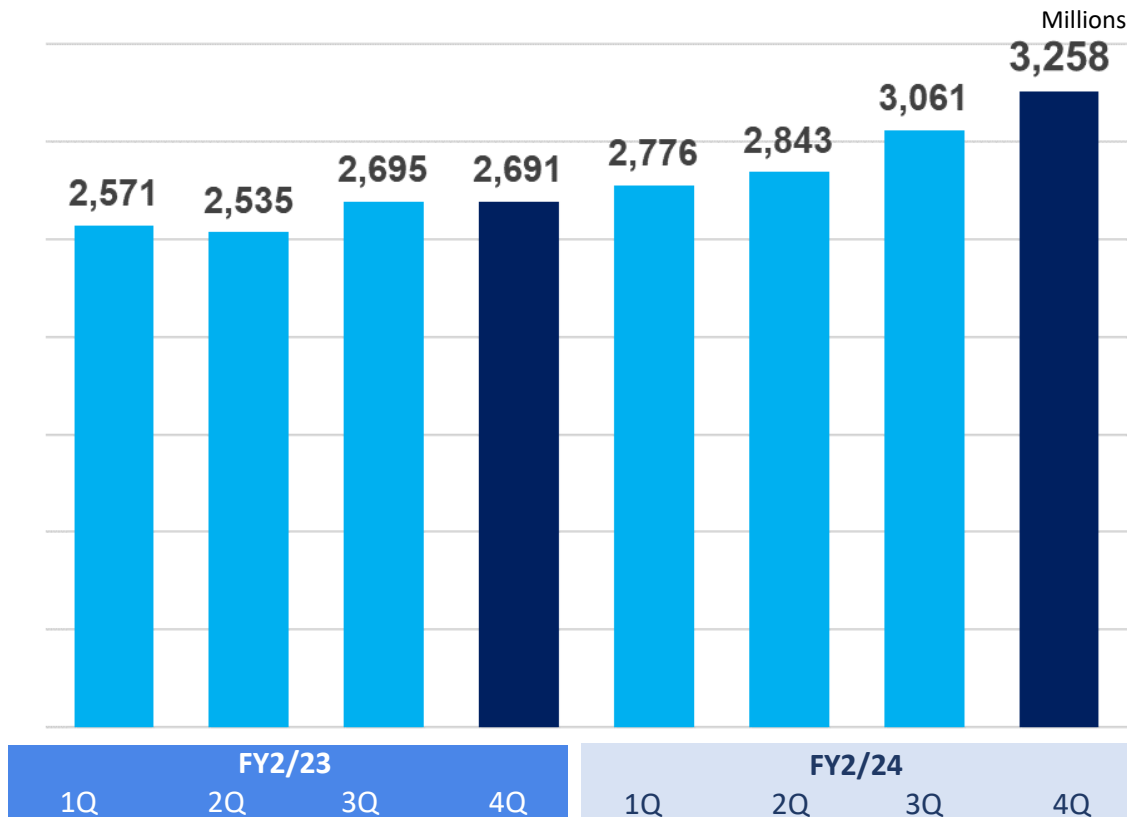
# Quarterly Sales and Ordinary Profit

## Consolidated quarterly sales

- Fourth quarter sales increased 567 million yen (up 21.0%) YoY for two reasons:
  - The November 2023 start of business with a high-volume logistics services customer
  - Growth of monthly utilization fees in the IT automation

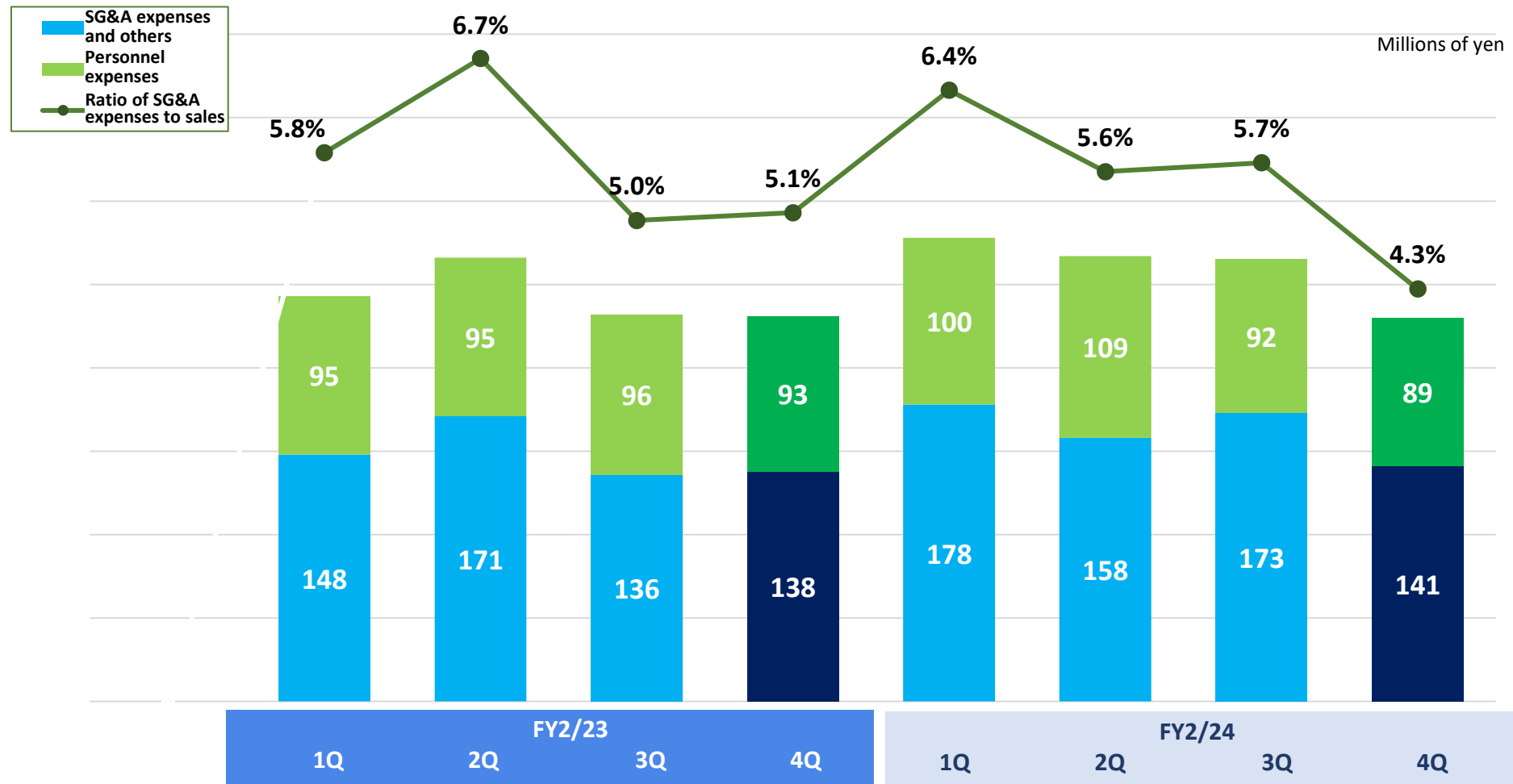
## Consolidated quarterly ordinary profit

- Fourth quarter ordinary profit was up 48 million yen YoY but was 238 million yen below the plan of 370 million yen because of higher temporary staffing expenses and higher delivery fees



# Quarterly SG&A Expenses

■ The SG&A expense ratio has been relatively stable as sales changed.





## **IV. Financial Summary / Segments**

# FY2/24 Segment Results

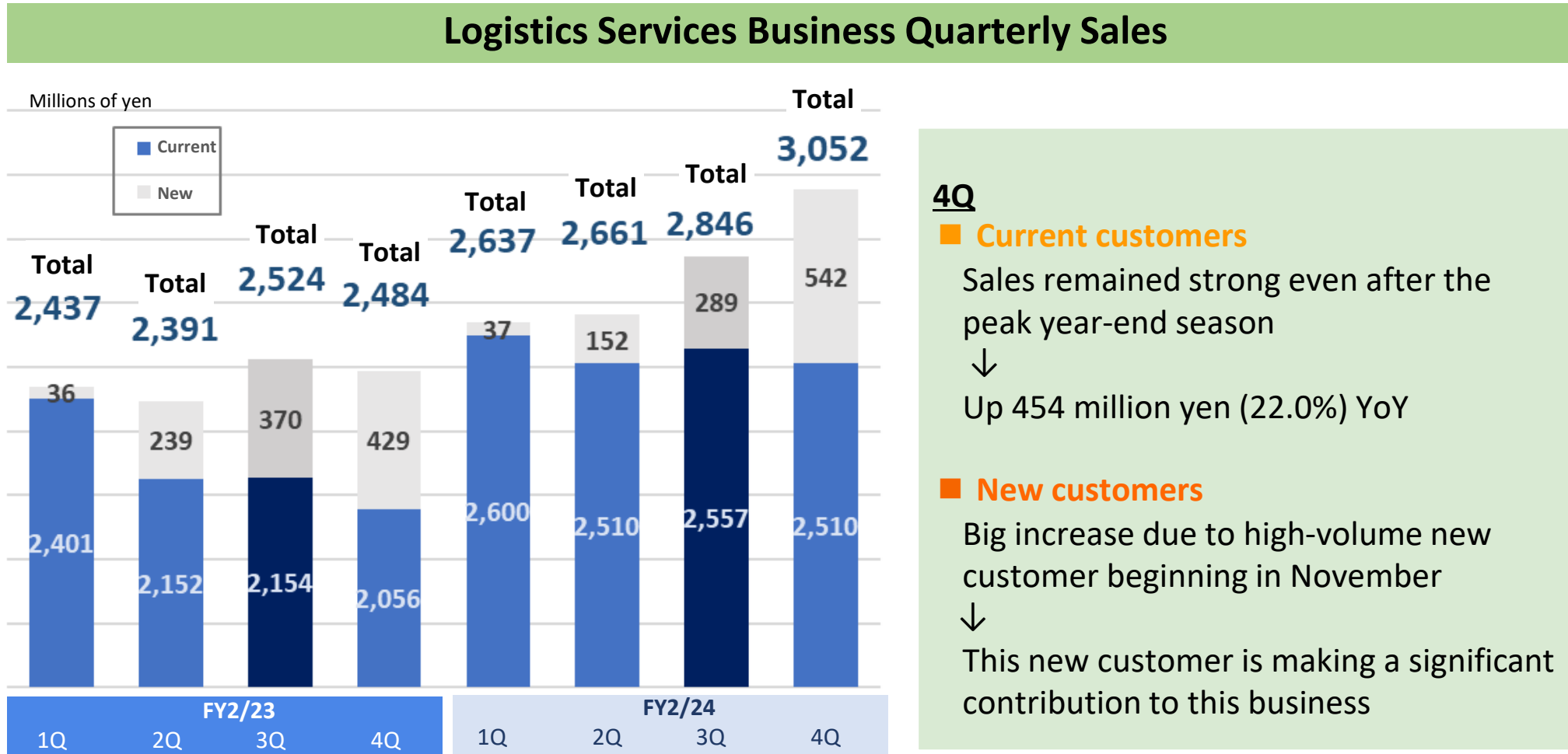
(Millions of yen)

- A big increase in logistics services sales but earnings were down due to an increase in rent and higher temporary staffing expenses.
- IT automation sales and earnings increased but were below the plan.

		FY2/23 (Results)	FY2/24 (Results)	YoY change (%)
<b>Logistics Services Business</b>	Net sales	9,837	<b>11,197</b>	+13.8
	Operating profit	189	<b>100</b>	(46.7)
SaaS utilization fees	Net sales	269	<b>350</b>	+30.1
Hardware, installation, development	Net sales	276	<b>284</b>	+2.8
<b>IT Automation Business total</b>	Net sales	546	<b>634</b>	+16.1
	Operating profit	197	<b>314</b>	+59.2

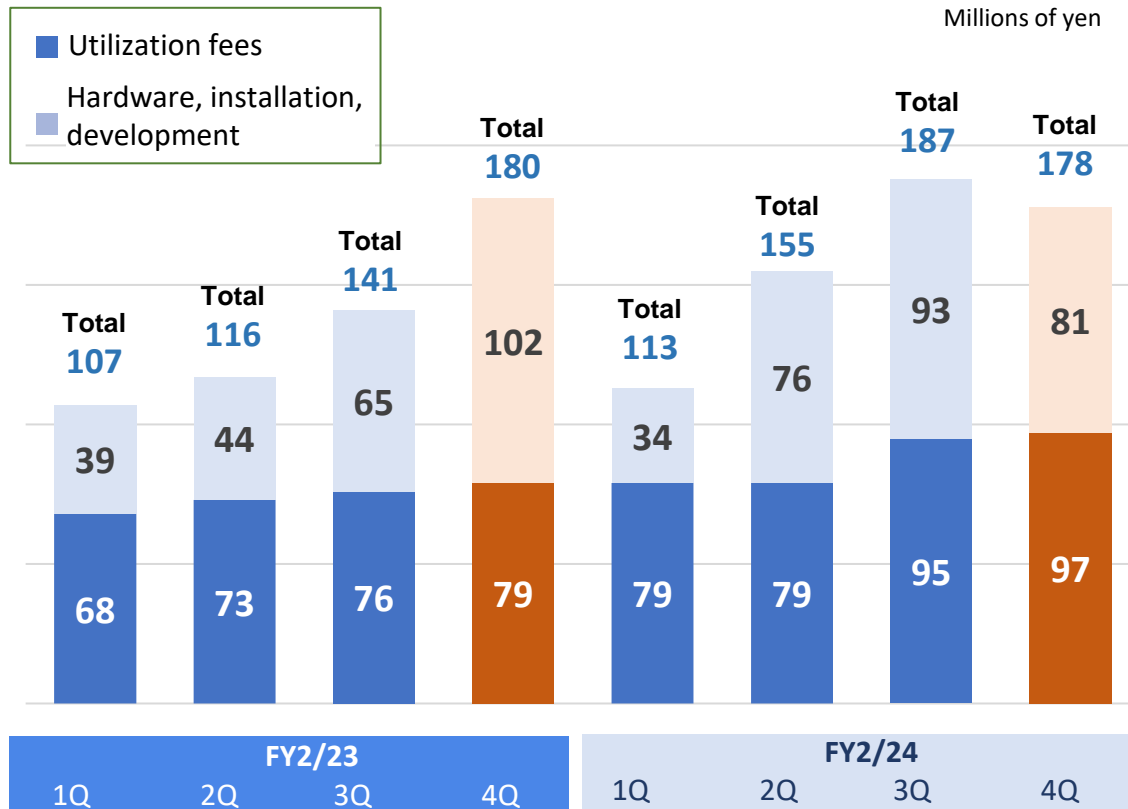


# Logistics Services Business Quarterly Sales



# IT Automation Business Quarterly Sales

## IT Automation Business Quarterly Sales



### Utilization fees

Steady growth with some differences in recognition of sales due to the length of time needed for testing and designs by customers



Planning on steady growth to continue in FY2/25

### ECOMS

Planning to start ECOMS (order management system) sales activities in FY2/25



90% of work has been completed and automation of internal processes is progressing.



# **V. FY2/25 Consolidated Forecast**

# Review of FY2/24

- **Logistics services** – Fifth consecutive year of sales growth since the IPO; three major categories of expenses in this business
  - (1) Rent: Higher cost as additional distribution space is not yet fully used by customers.
  - (2) Delivery fees: 2024 restrictions on overtime is affecting truck driver availability, but relationships with Japan’s big three truck freight transportation companies remain firm. When revising rates, KANTSU explains reasons to customers, including the importance of maintaining a sound infrastructure.
  - (3) Personnel expenses: As rent increased in Japan, personnel expenses rose at an increasing pace during the second half, especially for temporary staffing. The inability to fully absorb higher expenses makes determining accurate human resource plans one of KANTSU’s highest priorities.
- **IT automation** – Generation of utilization fees is slow because of the increasing size of new customers, but there is progress for resolving this issue. Urgent need to build a support framework capable of meeting the strong demand for the services of this business.

	Net sales	Cost
<b>Logistics services business</b> <b>(91%)</b>	<ul style="list-style-type: none"> <li>• Maintaining relationships with current customers; average length of customer relationships is 5.6 years (Feb. 2024).</li> <li>• Added a high-volume new customer in November and steadily adding many other new customers.</li> </ul>	<ul style="list-style-type: none"> <li>• Rent increased 730 million yen from the previous fiscal year. Sales growth did not fully cover additional rent due to the new distribution center .</li> <li>• Steady progress with the dominant market position strategy; the most important issue now is the outlook for plans for hiring and retaining people, as well as dealing with the rising personnel expenses.</li> </ul>
<b>IT automation business</b> <b>(9%)</b>	<ul style="list-style-type: none"> <li>• Consistent increase in customers using the Cloud Thomas warehouse management system.</li> <li>• Delays in recognizing sales planned for the first half caused by the long time required for testing and development activities as the size of new customers increases.</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing earnings by using operations requiring a small number of people. Need to establish a support framework that keeps up with growth in the number of customers.</li> <li>• 90% of work on the new ECOMS, an order management system developed by KANTSU, has been completed and automation of internal processes is proceeding.</li> </ul>

## FY2/25

A year for rebuilding the internal infrastructure for the next stage of rapid growth

### Logistics services business

- **A revised recruiting structure that matches needs of front-line positions**
  - └ Switch to recruiting activities using marketing knowhow
- **A training system for front-line jobs**
  - └ Reexamine the entire education and training system beginning with the basics
- **Make KANTSU Next Logi profitable**
  - └ Improve efficiency by using the warehouse management system

### IT automation business

- **Start selling ECOMS (the new order management system)**
  - └ Provide an environment for demonstrations and use ECOMS for the automation of internal business processes
- **Establish a support framework capable of serving the growing number of customers**
  - └ Use training programs for advances in terms of the quantity and quality of support

# (FY Plan) FY2/25 Consolidated

- Forecast sales of more than 15,000 million yen, including sales of newly consolidated KANTSU Next Logi, which was established in December 2023. This is close to the 16,000 million yen goal of the medium-term plan.
- Although this is positioned as a period for rebuilding the internal infrastructure, the plan is for earnings growth of about 30% due to an expected recovery in the second half.

	FY2/24 (Results)	FY2/25 (Plan)	YoY change <small>(Millions of yen)</small>	
			Amount	%
<b>Net sales</b>	11,938	<b>15,871</b>	+3,933	+32.9
<b>Operating profit</b>	410	<b>542</b>	+132	+32.3
<b>Ordinary profit</b>	406	<b>522</b>	+116	+28.7
<b>Profit attributable to owners of parent</b>	49	<b>352</b>	+303	+609.8

# (FY Plan / Quarterly Sales and Ordinary Profit ) FY2/25 Consolidated

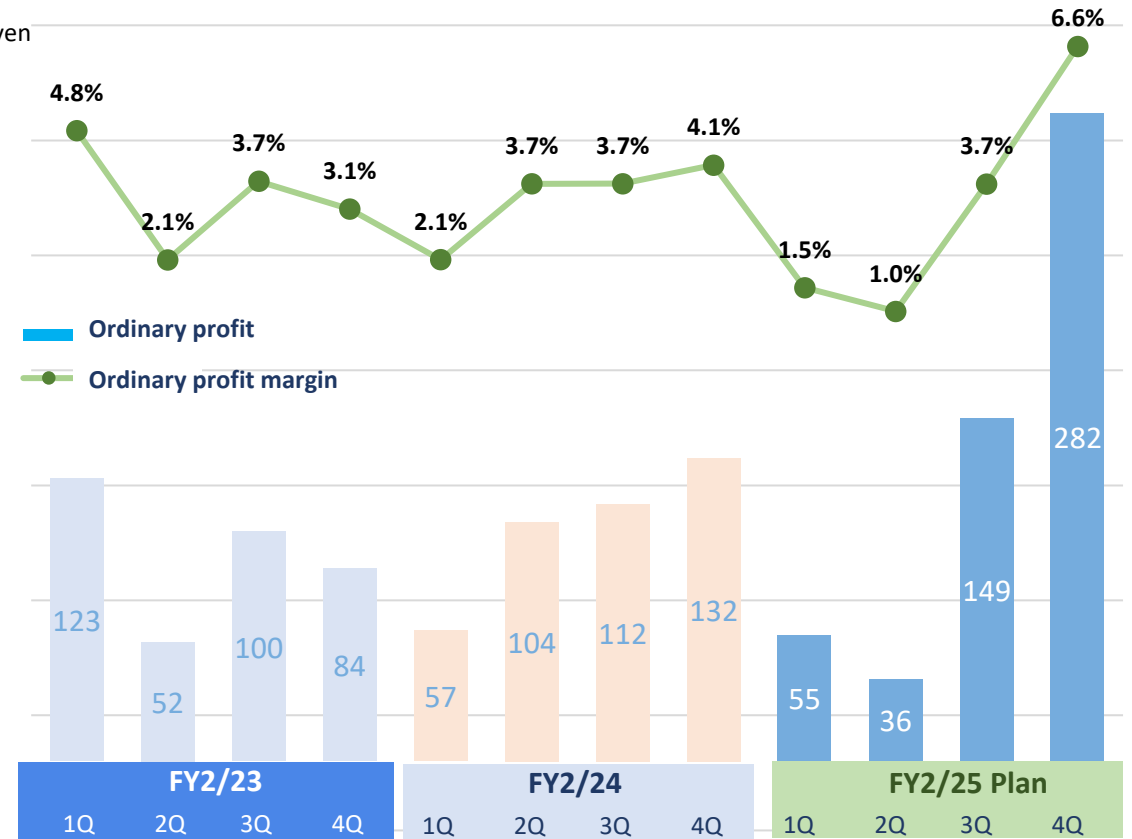
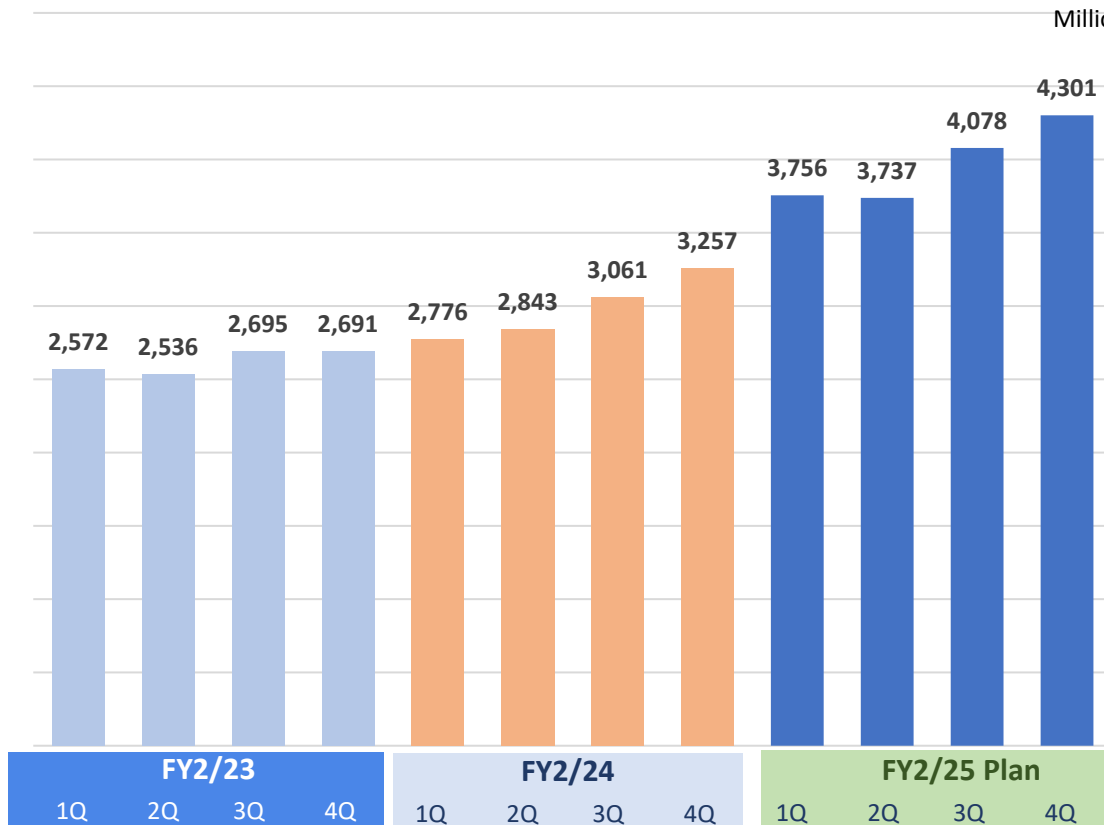
## Consolidated quarterly sales

- The biggest sales growth is expected in the fourth quarter as sales from new customers build up during the fiscal year.

## Consolidated quarterly ordinary profit

- Negotiating with customers during the first half for higher distribution center service fees; earnings down as planned due to activities for rebuilding the internal infrastructure.
- Planning on solid second half growth by using the foundation established during the first half.

Millions of yen



# (FY Plan / Segments) FY2/25

(Millions of yen)

- Planning on logistics services business sales of almost 15,000 million yen, including sales of KANTSU Next Logi, which was established in December 2023.
- In the IT automation business, FY2/25 is a year for building a stronger support framework that uses the rebuilt internal infrastructure. Hardware, installation, development sales include the new ECOMS order management system.

		FY2/24 (Results)	FY2/25 (Plan)	YoY change (%)
<b>Logistics Services Business</b>	Net sales	11,197	<b>14,801</b>	+32.2
SaaS utilization fees	Net sales	346	<b>435</b>	+25.7
Hardware, installation, development	Net sales	288	<b>547</b>	+89.9
<b>IT Automation Business total</b>	Net sales	634	<b>982</b>	+55.0

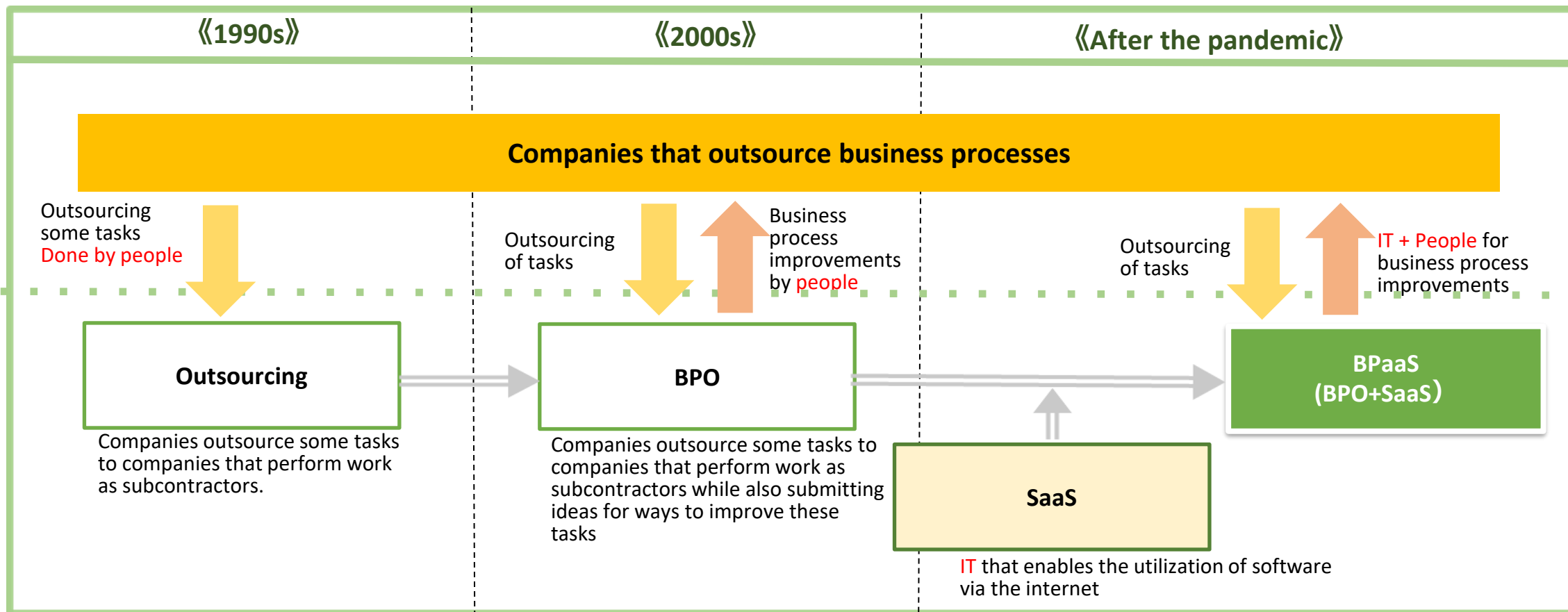




## **VI. Medium-term Strategies**

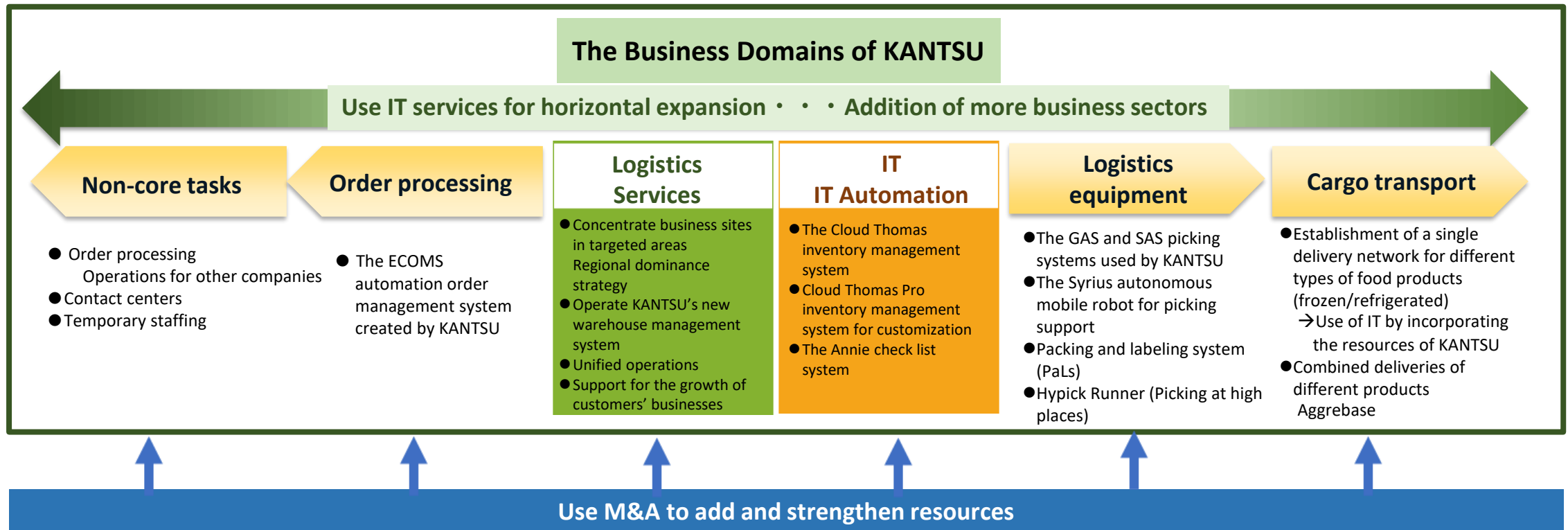
# Medium-term Strategies: The BPaaS (BPO + SaaS) Logistics Model

- BPaaS is the combination of business process outsourcing, which is the outsourcing of certain tasks to companies that submit ideas for improvements, and cloud services (SaaS). Using this approach improves the outsourcing of entire business processes. This is used mainly for non-core tasks such as back office, call center and PR/marketing operations.
- Our business model is already a logistics version of the BPaaS model.



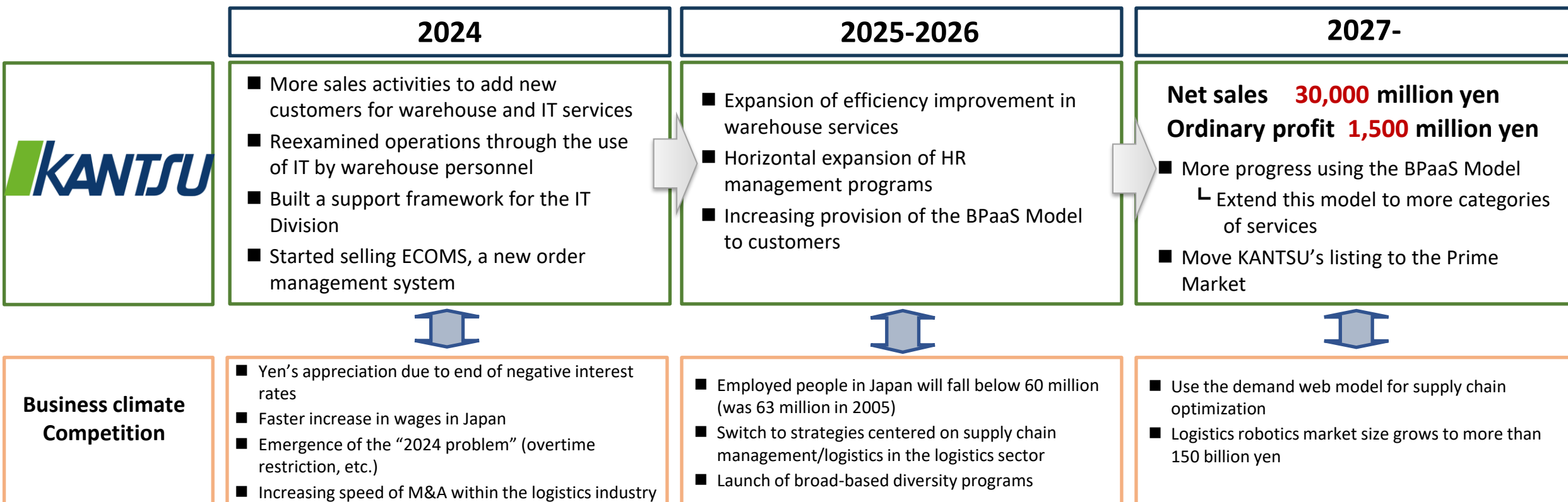
# Medium-term Strategies: Looking Ahead to the Logistics BPaaS

- KANTSU has concentrated mainly on services at distribution centers. The company's growth is the result of a commitment to "improving business processes by listening to customers and skillfully using activities that are successful throughout the company."
- The next steps are **rebuilding the internal infrastructure while taking full advantage of the powerful foundation established in prior years and then using this infrastructure to expand operations to more business sectors**. All activities involve the use of the BPaaS model for providing customers with services that incorporate IT.
- Planning on the use of M&A whenever there are opportunities for adding resources in current business domains.



# The KANTSU Plan for Growth

- In Japan's logistics industry, the labor shortage (including the new 2024 restrictions on overtime work) is a major impediment to the ability to achieve growth. This includes a shortage of people with skills needed for the digital transformation. Many people believe that the use of IT systems is slow in the logistics sector as a result.
- KANTSU is using the BPaaS approach to be a source of one-stop support that encompasses all business processes, including a client company's core businesses. The goal is to use this capability to establish a **clear competitive edge in the market for logistics services**.



\*Information on this page uses data in the Physical Internet Report of the Realization of the Physical Internet Conference.



## **VII. To Our Shareholders and Investors**

# Shareholder Policy - Dividends

- Profit attributable to owners of parent is 49 million yen, or 4.94 yen per share, but KANTSU will pay a dividend of 10 yen per share as in every fiscal year.

	Final proposal amount	Most recent dividend forecast	FY2/23 results
Record date	February 29, 2024	February 29, 2024	February 28, 2023
Dividend per share	10.00 yen	10.00 yen	10.00 yen
Total dividends	100 million yen	-	103 million yen
Effective date	May 30, 2024	-	May 30, 2023
Source of dividends	Retained earnings	-	Retained earnings

# IR Annual Plan

- Following the end of the pandemic after the stock listing in 2020, KANTSU increased investor relations activities . In the FY2/25 IR plan, KANTSU is creating many opportunities for shareholders and other investors to gain a better understanding of business operations and goals. Activities are structured to supply an even larger volume of information in a format that can be easily accessed and understood. Information about these activities will be updated frequently in the IR section of the KANTSU website.

## ■ Annual Schedule

		Financial statements		General Meeting of Shareholders		Event	
1Q	March					Presentation for individual investors	
	April	12th	Announcement of FY Results			Financial results meeting	
	May			29th	Annual General Meeting of Shareholders	Presentation for individual investors	
2Q	June					Warehouse tour for investors in Kansai area	
	July	12th	Announcement of 1Q Results			Financial results meeting	
	August					Presentation for individual investors	
3Q	September					Warehouse tour for investors in Kanto area	
	October	11th	Announcement of 2Q Results			Financial results meeting	
	November					Presentation for individual investors	
4Q	December						
	January	14th	Announcement of 3Q Results			Financial results meeting	
	February					Presentation for individual investors	

# Disclaimer

## Disclaimer and Precautions Concerning Forward-looking Statements

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Inquiries

KANTSU CO., LTD. IR Representative

Please use the designated form for IR inquiries.

URL: <https://www.kantsu.com/>

IR Inquiries Form

