

Results of Operations for the Fiscal Year Ended February 28, 2021

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

April 27, 2021



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I. Company Profile

1. Company Profile



A logistics services company centered on EC and catalog logistics

Company name	KANTSU CO., LTD.	
Office	Head office:	1-8-13 Nagata Higashi Osaka city, Osaka
	Osaka Branch Office:	LINKS UMEDA 8F WeWork LINKS UMEDA 1-1 Ofukacho, Kita-ku, Osaka city, Osaka
	Tokyo System Development Division:	Bunshodo Building 5F, 3-37-1 Kanda Sakuma-cho Chiyoda-ku, Tokyo
	Logistics bases:	11 locations in Kansai area, 4 locations in Kanto area
		Total area: 159,000m ² (As of April 14, 2021)
Established	April 1986	
Representative	Hisahiro Tatsushiro, Representative Director and President	
Capital	449 million yen (As of February 28, 2021)	
Stock exchange	Tokyo Stock Exchange (Mothers)	
Number of employees	285 (Regular employees as of February 28, 2021)	
Business	<p>Logistics services business</p> <p>EC/catalog logistics support services</p> <ul style="list-style-type: none"> Rakuten Super Logistics services Software sales and use services Outsourced order processing services Logistics consulting services <p>Other businesses</p> <ul style="list-style-type: none"> Technology education services for foreign trainees Other education services 	



Kansai Primary Center

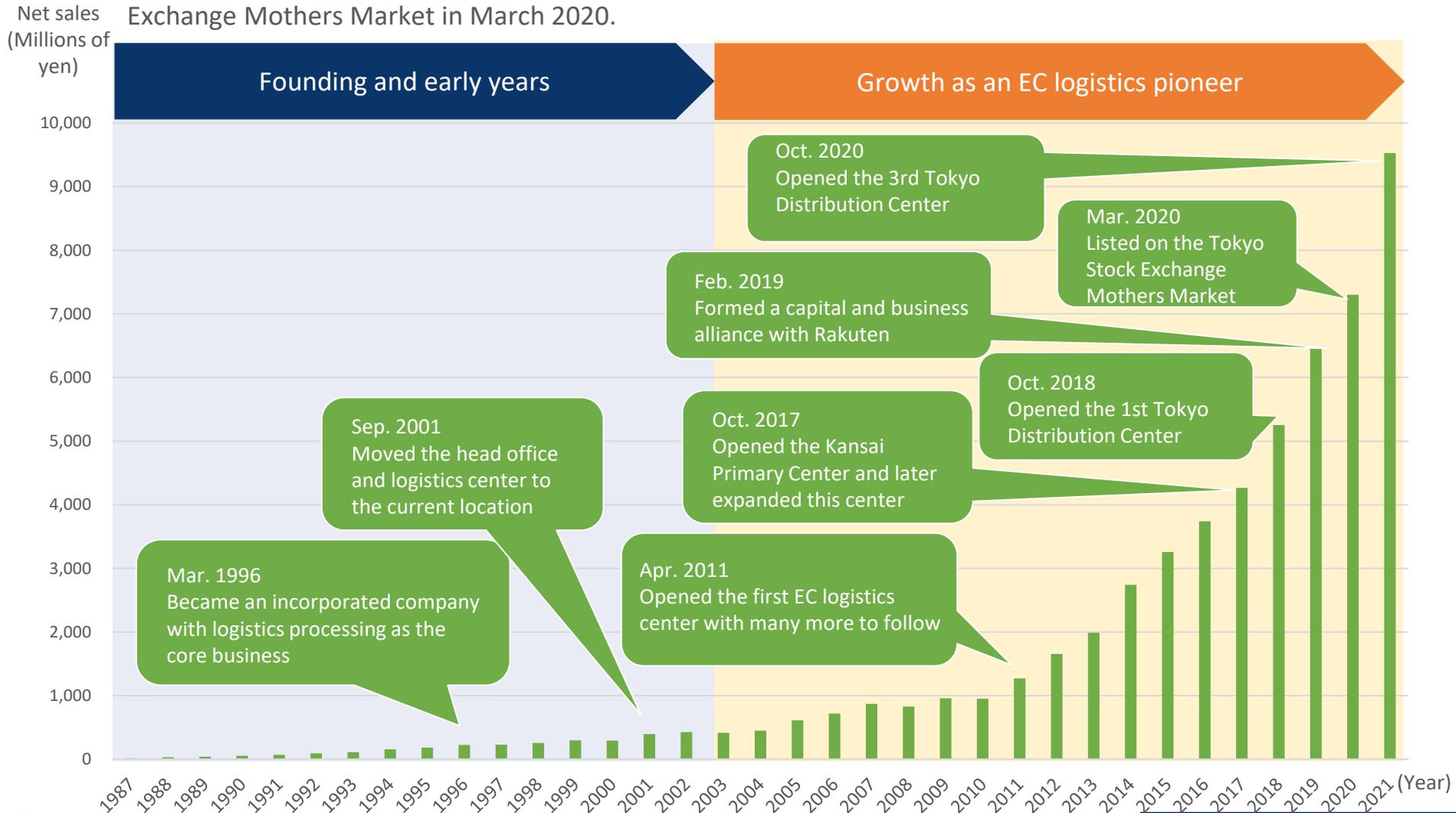


The 1st Tokyo Distribution Center

2. History



KANTSU has grown rapidly since 2010 along with the expansion of the e-commerce market. KANTSU formed a capital and business alliance with Rakuten Inc. in February 2019 and was listed on the Tokyo Stock Exchange Mothers Market in March 2020.



3. Overview of KANTSU's Services



Always using successful activities in EC/catalog logistics services to add new services

Rakuten Super Logistics services

Reputation for thorough logistics services

Software sales and use services

Efficient software created from ideas in front-line operations

EC/catalog logistics support services

Outsourcing of complex clerical tasks

Outsourced order processing services

Combines know-how and productive work environments

Logistics consulting services

Quickly transform foreign technical trainees into productive workers

Technology education services for foreign trainees

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II. Our Services

1. EC/Catalog Logistics Support Services



The core business at the center of growth of KANTSU's performance

EC/catalog logistics support services

KANTSU **operates distribution centers for other companies** by handling incoming/outgoing shipments, inventories and other operations for EC, catalog and other customers.

Operations started around 2000 just as the internet retail sector was emerging. By **handling a growing volume of shipments**, we have supported the growth of a large number of well-known retail companies. **In FY2/21, we shipped about 11 million packages.**

Growth with customers

Use of the market domination strategy and exclusive warehouse management system (WMS) expertise allows efficiently handling a growing volume of shipments

Flexibility for changes in shipments

Timely increases and decreases in operations to match changes in the volume of shipments

Solutions to inventory management issues

Cloud Thomas, the exclusive KANTSU WMS, manages inventories efficiently

Improvements in shipment accuracy

Logistics services designed to minimize errors in shipments



1. EC/Catalog Logistics Support Services



Rakuten Super Logistics services

KANTSU and Rakuten established a capital and business alliance in February 2019 based on the Rakuten's One Delivery concept with the goal of ensuring the soundness of EC logistics. This partnership is the result of KANTSU's reputation as a provider of order-made and thorough logistics services capable of meeting the requirements of every customer.

About 27% of the Kansai Primary Center (Amagasaki, Hyogo prefecture), which has a total floor area of about 48,500 m², is operated as the Rakuten Fulfillment Center Amagasaki. This center serves KANTSU customers newly added as before while also providing services to Rakuten's customers who have signed up to use Rakuten Super Logistics. We can also directly provide services that not compatible with the Rakuten Super Logistics rules.

Strengthen cold chain logistics services

We plan to strengthen logistics for frozen and refrigerated food products, which is expected to be a growing component of the EC/catalog logistics support services sector.

KANTSU's cold chain logistics service is very unusual because the refrigerated/frozen warehouse allows picking individual items. This capability allows serving wholesale and other businesses as well as selling products directly to consumers. We can also package assorted products, which occurs frequently in the food logistics sector.

Support for foreign companies starting EC operations in Japan

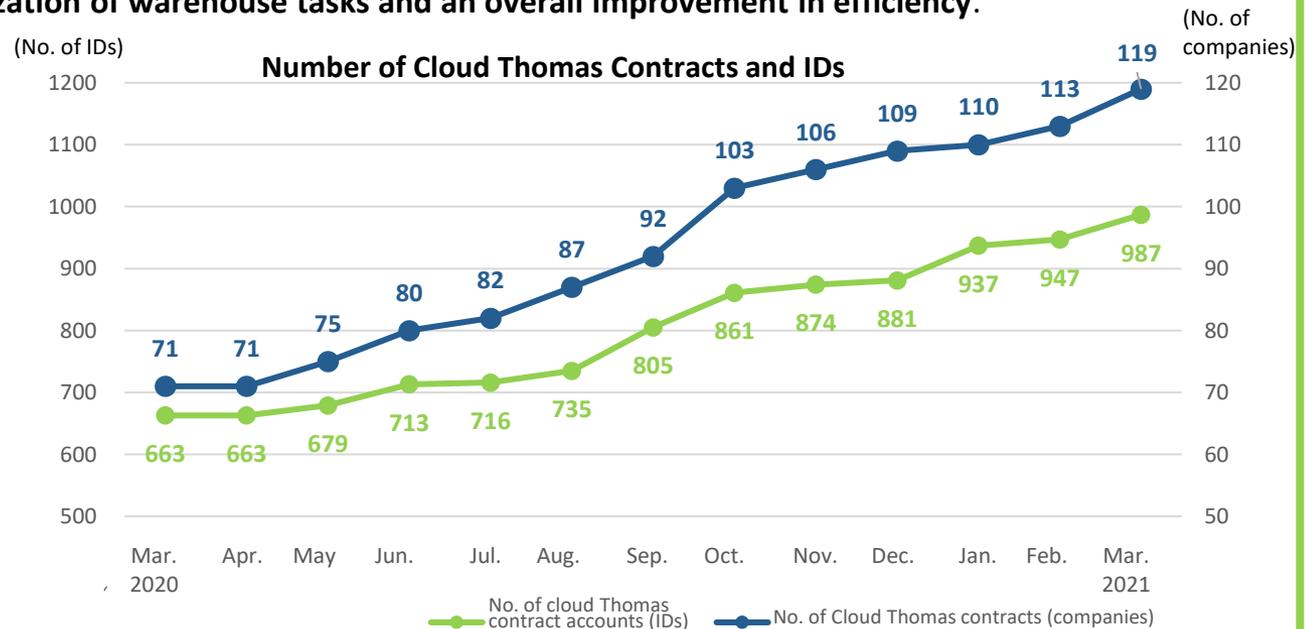
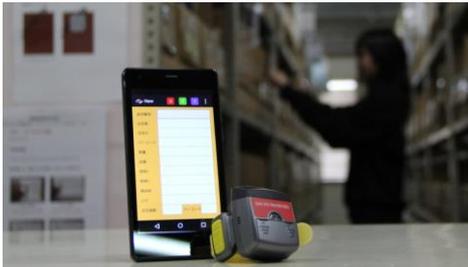
KANTSU has added a service called ONCE for companies in China and other countries that want to start an EC business in Japan. ONCE encompasses every step from importing products and customs clearance to handling incoming and outgoing shipments and other logistics services. We can also process orders from customers and perform other EC tasks in Japan.

2. Software Sales and Use Services

The software sales business is based on advances originating from our own logistics operations. Major products include the **Cloud Thomas** warehouse management system for high-quality logistics and the **Annie** check list system that also started from ideas in our front-line operations.

Cloud-based warehouse management system Cloud Thomas

Cloud Thomas accurately keeps track of the number of items stored at a distribution center and improves the efficiency of warehouse tasks. This software uses bar codes and scanners for incoming and outgoing shipments, movements of merchandise within the warehouse, and other activities. This physical management of inventories facilitates the supervision of shipments and the locations of specific items. The result is **accurate inventory management, the prevention of errors in outgoing shipments, the standardization of warehouse tasks and an overall improvement in efficiency.**



Note: This graph has been changed from previously showing the number of companies that have completed the process for using Cloud Thomas to showing the number of companies that have finished the contract procedure and the number of IDs.

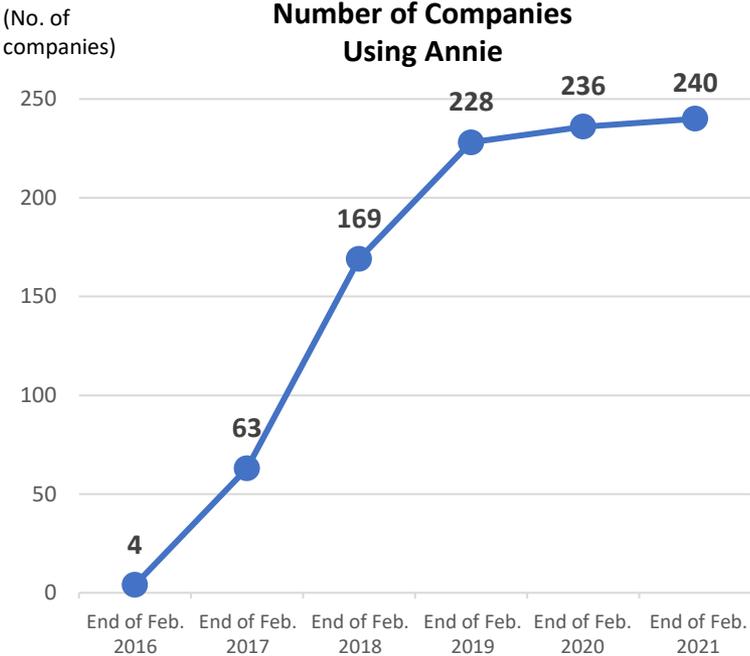
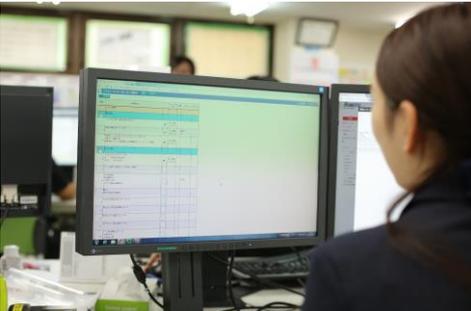
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The Annie check list system

Annie is a cloud-based check list system that resulted from constant improvements in how KANTSU uses its own check lists. Simply register a procedure in a check list to perform tasks with no oversights. **By providing the visualization of each step as well as know-how**, this software **maintains the quality of logistics tasks**. Annie is also ideal for training new employees.



2. Software Sales and Use Services

Transforming successful activities at KANTSU into services to sell to other companies has the benefits of improving satisfaction for current customers and attracting new customers. During FY2/21, we used this process to launch the e.can and ippo! services.

e.can – Automatic processing of orders received

Automates every step for processing customer orders at EC businesses



Order processing at an EC business requires receiving the order, creating data for the shipment, notifying the customer that the order has been processed, and other steps. The new e.can system automates all of these steps. This system is an official application of Next Engine, a cloud EC platform provided by Hamee Corp.

ippo! – A robotic process automation (RPA) production service



This new service combines the knowledge of KANTSU, which has many accomplishments involving RPA, and BizRobo!, an RPA tool that is used by a large number of companies. The result is a service that creates RPA for other companies that want to automate business processes. ippo! is also a service for assisting companies that have started using RPA but are having difficulties.

3. Logistics-related Services

Outsourced order processing services

These upstream support services for EC/catalog logistics enable companies to use KANTSU for confirming orders from customers, handling e-mail communications with customers, confirming the receipt of payments, producing shipment data, and other tasks.

Companies using e.can have the option of using e.can Plus for the automation of order processing. This allows assembling a back office that can accommodate a company's growth. In addition, some tasks are performed at the Yangon BPO Center in Myanmar to increase efficiency.



Note: The Yangon BPO Center is operated by a company that has an outsourcing agreement with KANTSU.

Logistics consulting services

By using knowledge gained from providing EC/catalog logistics support services, KANTSU has a consulting business for helping companies raise productivity and efficiency by improving their logistics operations. Consulting activities also include ideas for the use of logistics automation equipment for increasing productivity.



4. Other Services

Education services for people with a developmental disability

- After-school daytime classes for children with a developmental disability
Operating after-school day classes for children with a developmental disability helps these children develop skills and become more independent.
- Employment assistance center for people with a developmental disability
This center helps individuals with a developmental disability who want to find a job improve knowledge and skills required for employment.



Support for pre-school child care

- Operation of nursery schools
Nursery schools with a corporate operating structure for the care of pre-school children give parents more freedom regarding how and when they do their jobs.



Technology education services for foreign trainees

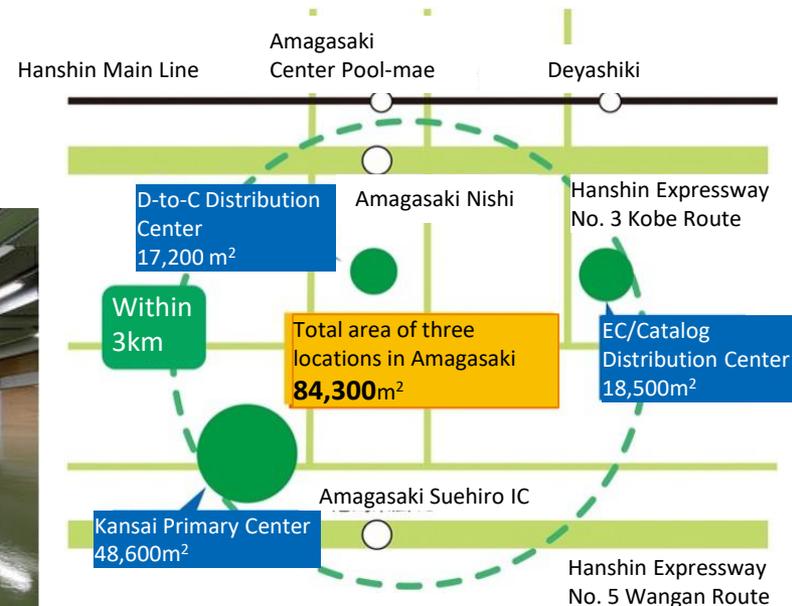
These education services allow other companies to use the same curriculum that KANTSU employs in Myanmar for individuals who will subsequently go to Japan. For companies in Japan seeking trainees from Myanmar, this service provides education covering knowledge that will be required for the jobs that trainees will perform in Japan. Classes also cover the corporate culture and other subjects in order to enable trainees to be productive workers immediately after their arrival in Japan.



5. Recent Topics

Completion of a distribution center in Amagasaki specializing in EC/catalog operations

This new distribution center in Amagasaki, Hyogo prefecture, which has a floor area of about 18,500 m², enables KANTSU to meet the recent growing demand for EC/catalog logistics services. This is the second KANTSU distribution center in the Amagasaki area. An office building is to be completed at this site in January 2022, which will raise the floor area to about 22,800 m².



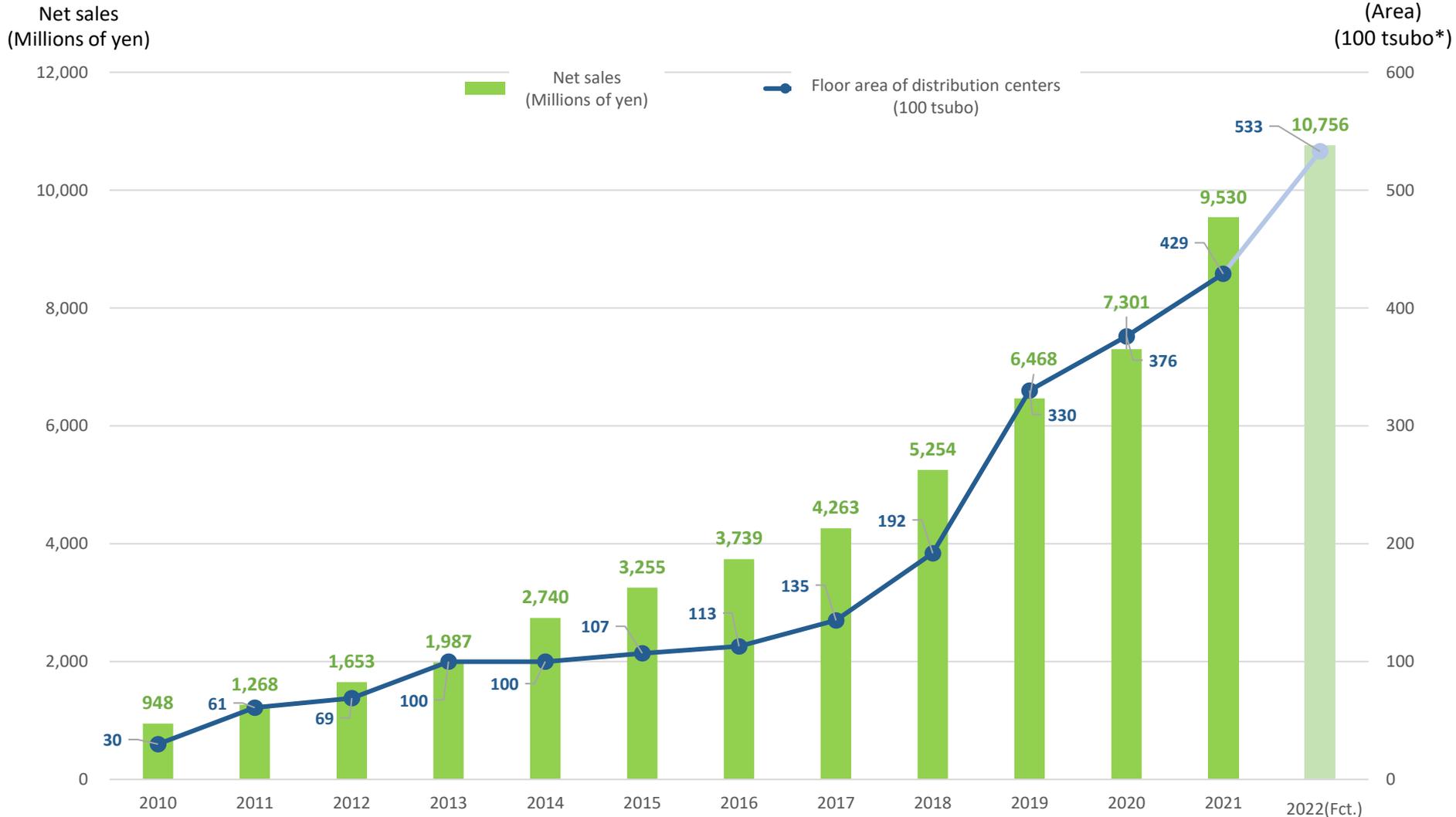


III. KANTSU's Strengths

1. A Large and Growing Number of Customers



Growth backed by new customers as well as sound relationships with current customers



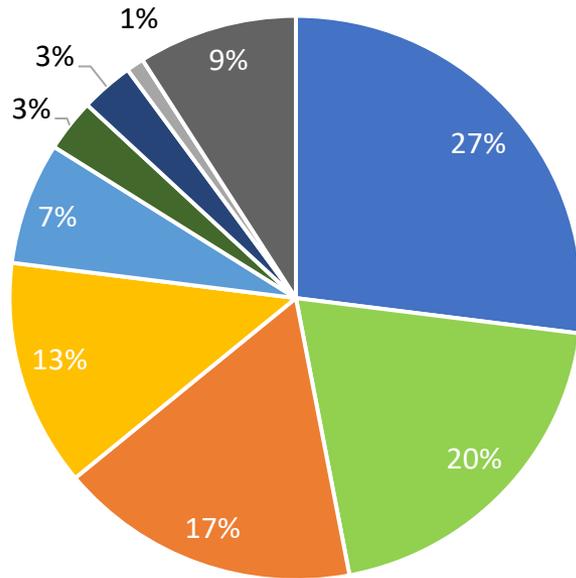
* A "tsubo" is a unit of area, and one tsubo is equal to 3.305 square meters.

1. A Large and Growing Number of Customers



Support for Logistics in Many Sectors

Sales Composition by Market Sector (FY2/21 results)



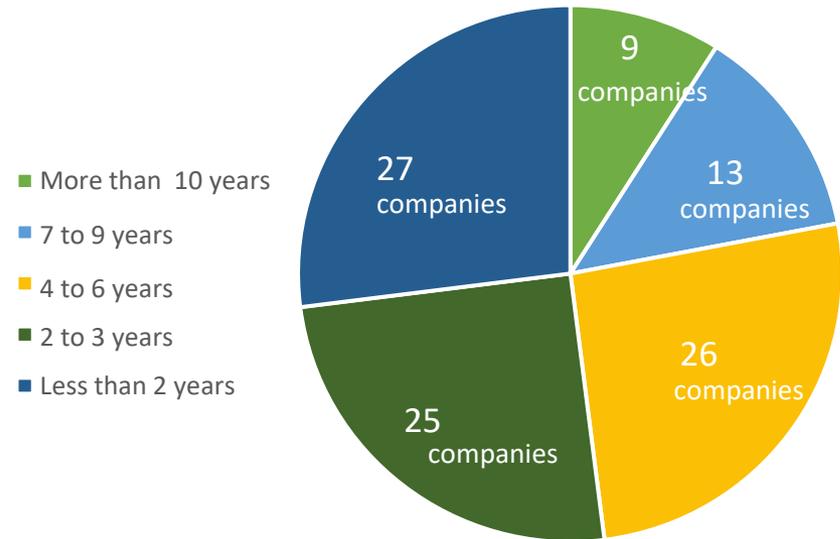
- Clothes and apparel goods
- Services
- Cosmetics and pharmaceuticals
- Food, drinks, and liquor
- Books, and visual and music software
- Household goods, furniture, and interior
- Electrical appliances, AV equipment, and PC and peripherals
- Miscellaneous goods
- Other

* Rakuten Super Logistics services are included in Services.

* Sectors are selected for consistency with the Ministry of Economy, Trade and Industry statistics on page 44.

Long-term Logistics Support Relationships

Length of Customer Relationships (FY2/21 results)



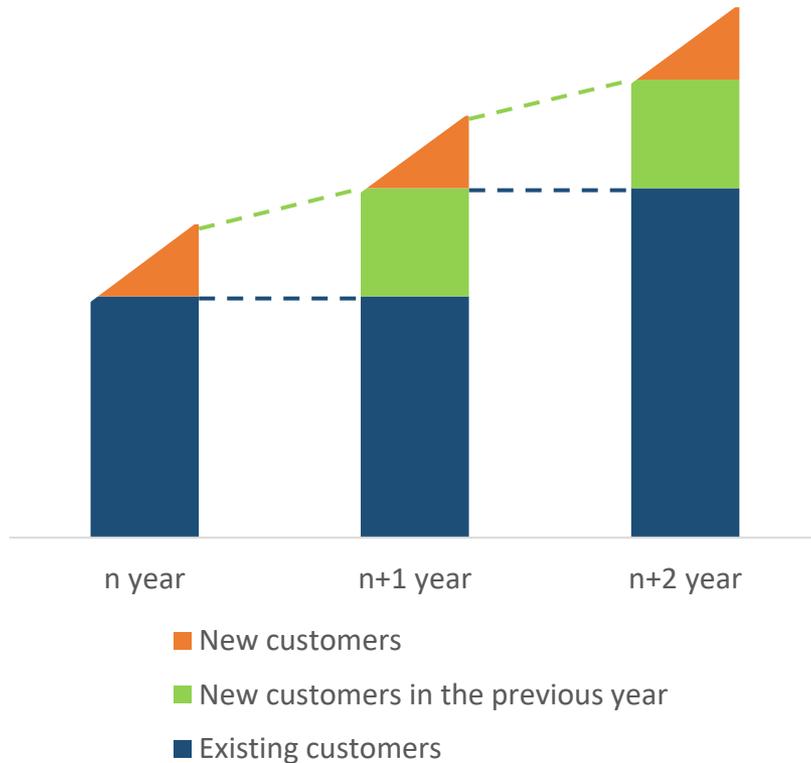
*Based on the top 100 companies in FY2/21 sales.

1. A Large and Growing Number of Customers



New Customers Contribute to KANTSU's Growth Every Year

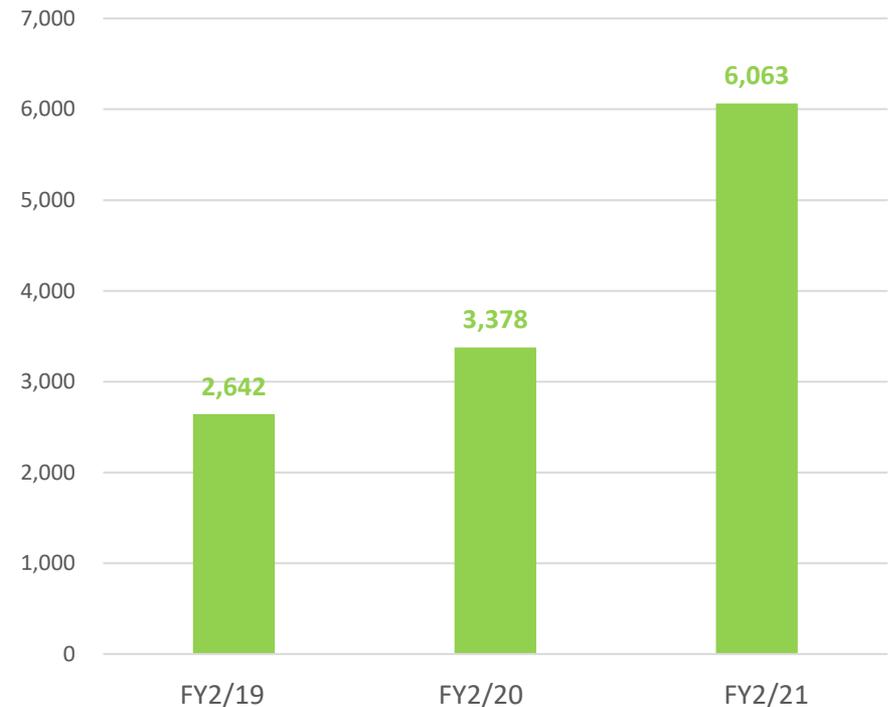
Sales Growth from New Customers



Steady Growth of Sales from Outsourced Logistics Operations

Net sales (Thousands of yen)

Average Monthly Sales Per Client Company



* Based on the top 100 companies in FY2/21 sales.

* Calculated after excluding Rakuten Super Logistics services sales

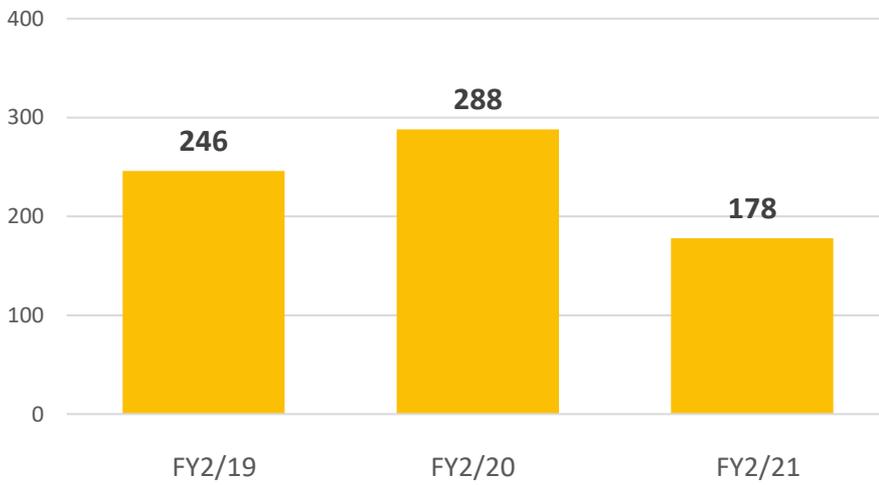
2. Ability to Attract New Customers



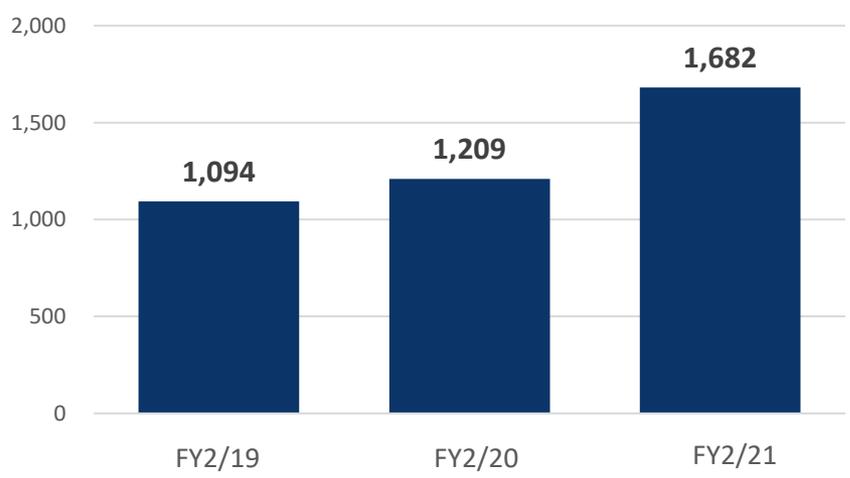
We use study tours of warehouses, web marketing and other activities to establish relationships with new customers.

Warehouse Study Tours (Seminars)	Web marketing
<p>Warehouse Study Tours have hosted more than 200 people every year since they began in 2014, except FY2/21 due to the pandemic. We have also started Internet Warehouse Tours. In addition, we upgraded our Logistics Improvement Class, which is viewed as a streaming video. This allows potential customers to see our operations and learn more without visiting one of our distribution centers and to hold online business meetings, which speeds up the process of attracting new customers.</p>	<p>We started using the internet more than 10 years ago for activities to attract customers. There is also a website that utilizes exclusive KANTSU know-how. Benefits began to appear immediately after starting these activities. To make more improvements, we have used web marketing consultants for search engine optimization and other measures.</p>

Number of participants



Number of inquiries



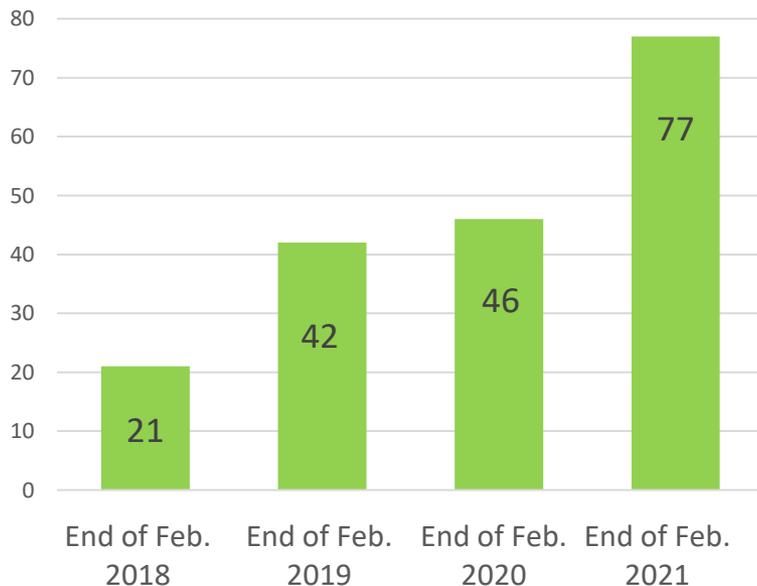
3. Recruiting, Training and Productivity

To maintain a well-trained and motivated workforce, we have a recruiting activities as well as measures to strengthen training programs, improve evaluation systems and make other improvements.

■ Recruiting

- Started using foreign technical trainees in June 2017
- Trainees receive vocational and Japanese language lessons before coming to Japan
- We hire trainees every year, who are productive workers immediately after arriving in Japan due to preliminary training
- We are constantly improving the infrastructure for hiring trainees, such as by upgrading living accommodations

Number of Foreign Technical Trainees



■ Training and Productivity

- Business plans
Employees study textbooks about numerical targets, business concepts, KANTSU’s policies and rules.
- Workplace environment
Priority is placed on neatness and cleanliness in order to maintain workplaces that are pleasant and productive
- Correspondence university classes (new graduate course, department manager course)
- Performance evaluation standards
publication/Evaluation sheet





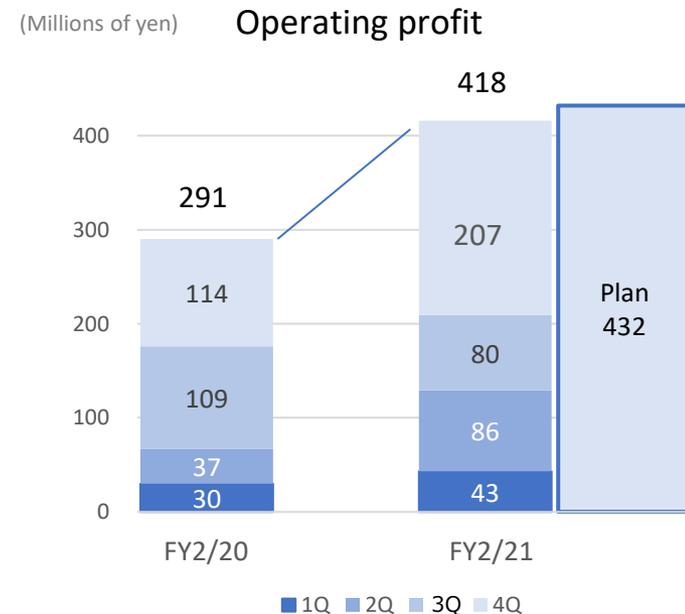
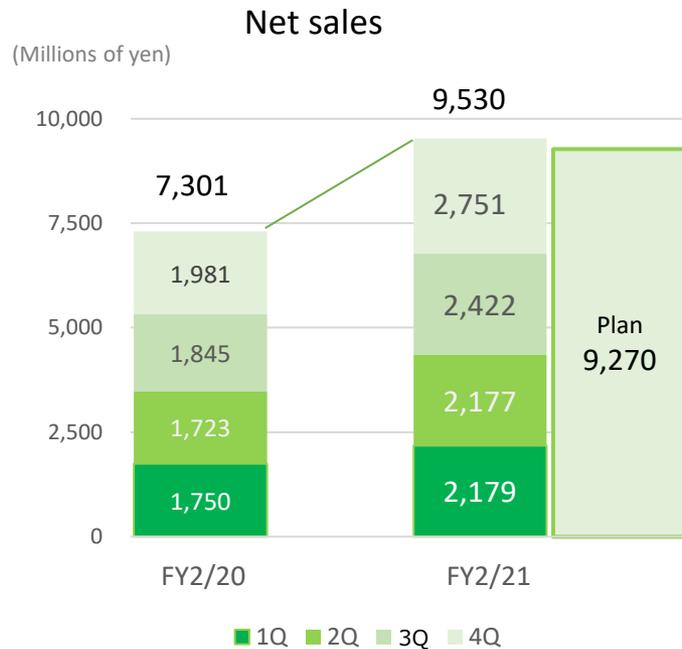
IV. FY2/21 Financial Summary

1. FY2/21 Financial Highlights

Sales of the core EC/catalog logistics support services increased 34.3% YoY and sales of software sales and use services increased 46.9% YoY due to strengthened sales activities.

Operating profit was up 43.5% YoY despite up-front investments for growth, including a new distribution center (floor area of about 9,300 m²) because Tokyo area distribution centers reached full capacity.

Net sales	9,530	million yen	(up	30.5	% YoY)
Operating profit	418	million yen	(up	43.5	% YoY)



2. FY2/21 Results Summary



Sales and earnings increased due to strong growth of sales in the logistics services business.

(Millions of yen, %)

	FY2/20		FY2/21		YoY change	
	Results	% to net sales	Results	% to net sales	Amount	%
Net sales	7,301	100.0	9,530	100.0	2,228	30.5
Gross profit	974	13.3	1,126	11.8	151	15.6
SG&A expenses	683	9.4	707	7.4	24	3.7
Operating profit	291	4.0	418	4.4	126	43.5
Ordinary profit	255	3.5	383	4.0	127	50.0
Profit	170	2.3	283	3.0	112	66.0
EPS (Yen)	74.95	-	94.99	-	-	-
ROE (%)	31.20	-	25.52	-	-	-

* KANTSU conducted a 50-for-1 common stock split on October 30, 2019. EPS has been calculated as if this stock split had taken place at the beginning of the fiscal year ended February 28, 2019.

3. Quarterly Results Summary



Sales continue to increase from quarter to quarter. Up-front expenses in the third quarter contributed to fourth quarter earnings. Net sales exceeded the plan and operating profit was about the same as the plan.

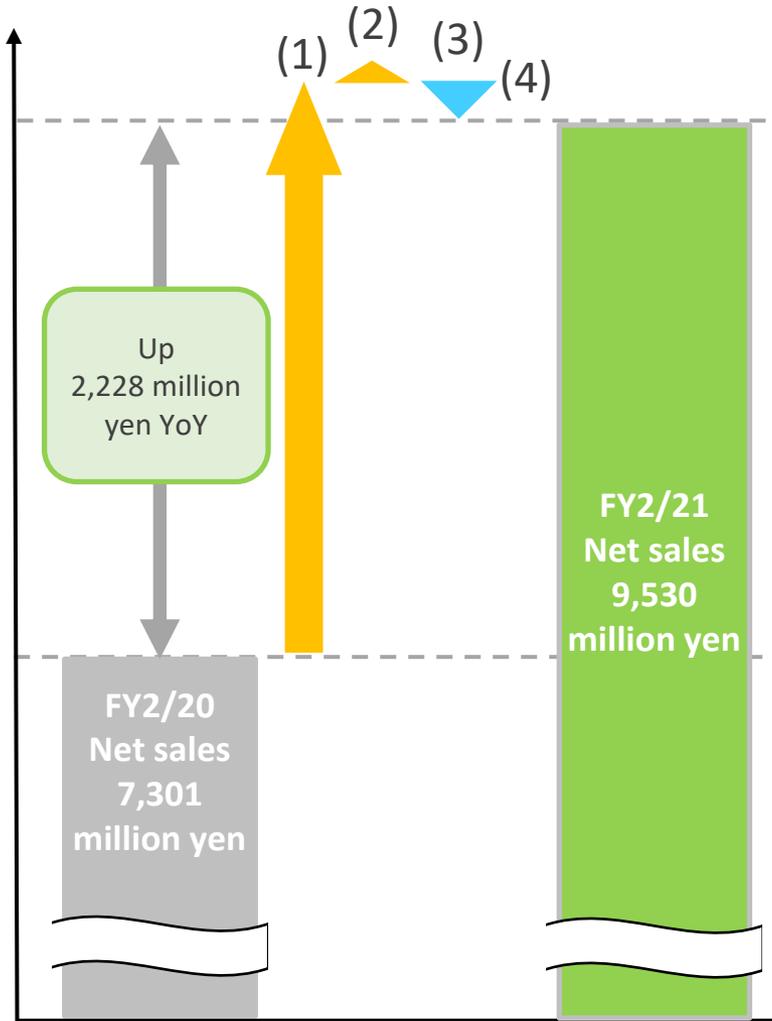
(Millions of yen, %)

	FY2/20				FY2/21						
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Fiscal year	Vs. plan	FY plan
Net sales	1,750	1,723	1,845	1,981	2,179	2,177	2,422	2,751	9,530	102.8	9,270
Gross profit	198	206	289	280	217	260	254	393	1,126	93.6	1,203
SG&A expenses	167	169	180	165	173	174	173	186	707	91.9	770
Operating profit	30	37	109	114	43	86	80	207	418	96.6	432
Ordinary profit	24	29	99	101	32	78	74	198	383	97.0	395
Profit	16	20	67	66	23	55	55	148	283	114.0	248
EPS (Yen)	7.16	8.99	29.73	29.07	8.35	18.35	18.43	47.58	94.99	-	83.79

*1 KANTSU conducted a 50-for-1 common stock split on October 30, 2019. EPS has been calculated as if this stock split had taken place at the beginning of the fiscal year ended February 29, 2020.

*2 Figures for FY2/20 1Q and 2Q have not been reviewed by an audit firm.

4. Analysis of Change in Net Sales



(1) Higher sales of EC/catalog logistics support services

New customers, full FY contribution of prior-year new customers, higher volume for Rakuten Super Logistics

+2,288 million yen YoY

(2) Higher sales of software sales and use services

Due to the steady addition of new Cloud Thomas customers

+94 million yen YoY

(3) Lower sales of other logistics services

Mainly due to withdrawal from the merchandise sales business in FY2/20

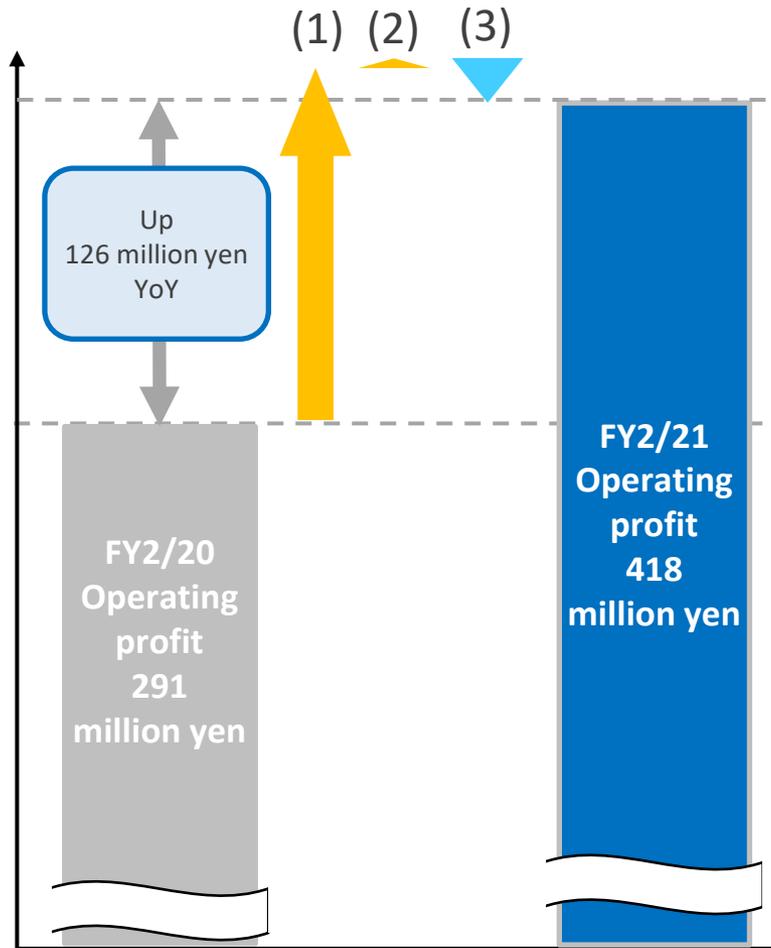
-154 million yen YoY

(4) Higher sales of other businesses

Sales of technology education services for foreign trainees decreased but the sales of the corporate nursery school business were higher

+0 million yen YoY

5. Analysis of Change in Operating Profit



(1) Higher gross profit in the logistics services business

Net sales growth offset a higher cargo transport expense ratio and up-front expenses for distribution center expansion and other activities

+146 million yen YoY

(2) Improvement in gross profit in the other businesses

Start-up expenses for the new employment assistance service for people with developmental disabilities, but corporate nursery school business earnings increased

+5 million yen YoY

(3) Higher SG&A expenses (negative)

Mainly due to higher personnel expenses for strengthening governance and internal controls

-24 million yen YoY

6. Business Segments

(1) Logistics Services Business



- EC/catalog logistics support services increased 34.3% to 2,288 million yen because of the growth of services provided to new and existing customers.
- Software sales and use services increased 46.9% to 94 million yen because of progress with signing up new Cloud Thomas customers.

(Millions of yen, %)

	FY2/20		FY2/21		YoY change	
	Results	% to sales	Results	% to sales	Amount	%
EC/catalog logistics support services	6,679	92.6	8,968	95.0	2,288	34.3
Outsourced order processing services	100	1.4	92	1.0	(7)	(7.2)
Software sales and use services	202	2.8	297	3.1	94	46.9
Others	233	3.2	85	0.9	(147)	(63.3)
Segment sales	7,215	100.0	9,443	100.0	2,228	30.9
Segment profit	325	4.5	429	4.5	103	31.7

*Rakuten Super Logistics services are included in EC/catalog logistics support services.

6. Business Segments

(1) Other Businesses



- Sales of technology education services for foreign trainees were down because school operations were suspended due to COVID-19. But segment sales increased 0.2% because of sales of the corporate nursery school business that was started in FY2/20.
- The employment assistance service for people with developmental disabilities started operating in December 2020.

(Millions of yen, %)

		FY2/20		FY2/21		YoY change	
		Results	% to sales	Results	% to sales	Amount	%
	Technology education services for foreign trainees	37	43.4	19	22.0	(18)	(49.2)
	Other education services	48	56.6	67	78.0	18	38.0
	Segment sales	86	100.0	86	100.0	0	0.2
	Segment profit	(34)	-	(11)	-	23	-

7. Condensed Balance Sheet



(Millions of yen, %)

	As of Feb. 29, 2020		As of Feb. 28, 2021		YoY change
	Amount	Composition	Amount	Composition	
Current assets	3,526	54.9	4,142	55.0	615
Cash and deposits	2,450	38.2	2,592	34.4	141
Accounts receivable	850	13.2	1,256	16.7	405
Other	225	3.5	293	3.9	67
Non-current assets	2,893	45.1	3,390	45.0	497
Property, plant and equipment	1,996	31.1	2,326	30.9	330
Intangible assets	191	3.0	259	3.5	68
Investments and other assets	705	11.0	804	10.7	98
Total assets	6,420	100.0	7,532	100.0	1,112
Current liabilities	1,659	25.9	1,836	24.4	176
Accounts payable	380	5.9	472	6.3	91
Interest-bearing debt	747	11.6	817	10.9	69
Other	531	8.3	546	7.3	14
Non-current liabilities	4,134	64.4	4,101	54.4	(32)
Interest-bearing debt	3,923	61.1	3,867	51.3	(55)
Other	211	3.3	234	3.1	23
Total liabilities	5,794	90.2	5,937	78.8	143
Total net assets	626	9.8	1,595	21.2	969
Total liabilities and net assets	6,420	100.0	7,532	100.0	1,112

Increase due to higher sales

Increase due to expansion of refrigerated and frozen warehouses and purchases of logistics robots and other automation equipment

Higher guarantee deposits due to new distribution center

Increase mainly due to stock offering and exercise of share acquisition rights

8. Cash Flows and Other Information

Cash Flow Summary

(Millions of yen)

	FY2/20		FY2/21	
	First half	Fiscal year	First half	Fiscal year
Operating cash flows	190	398	39	187
Investing cash flows	25	(401)	(292)	(650)
Financing cash flows	818	653	295	675
Cash and cash equivalents at end of period	2,572	2,188	2,231	2,400

Increase in trade receivables (416)
Profit before income taxes 392
Depreciation 239

Purchase of property, plant and equipment (539)
Purchase of intangible assets (130)

Proceeds from issuance of shares 675

Capital Expenditures/ Depreciation

(Millions of yen)

	FY2/20		FY2/21	
	First half	Fiscal year	First half	Fiscal year
Capital expenditures (non-current assets)	198	574	379	779
Total depreciation	78	173	108	239

*Figures for the first half of FY2/20 have not been reviewed by an audit firm.

9. Capital Expenditures (1)

Plan and Actual Expenditures

(As of February 28, 2021) (Millions of yen)

Project	Purpose	Plan	Payment made	Start/Finish
Logistics robots	Efficient picking, packaging, etc.	180	176	Mar. 2020 to Feb. 2021
Kansai Primary Center expansion (Amagasaki, Hyogo)	More space for current customers and space for new customers (8,200 m ²)	101	101	Aug. 2019 to Feb. 2021
Construction of Tokyo Primary Center (Wako, Saitama)	More space for current customers and space for new customers (11,400 m ²)	184	136	Dec. 2019 to Oct. 2021
Software upgrades	Additional functions for Cloud Thomas and Annie	106	109	Mar. 2020 to Feb. 2021
Construction of new Kansai distribution center (Amagasaki, Hyogo)	More space for current customers and space for new customers (17,200 m ²)	265	-	May 2021 to Feb. 2022
Expansion of refrigerated/frozen warehouse (Higashi Osaka-shi, Osaka)	For EC/catalog logistics needs for refrigerated/frozen food products (total of 1,000 m ² after expansion)	137	125	June 2020 to Feb. 2021

Payments made (completed)
inVia 100 million yen
Syrius 76 million yen

Payments made (completed)
Climate control 43 million yen
Lease deposits 27 million yen
Others 30 million yen

Payments made
Lease deposits 133 million yen
Others 2 million yen

Payments made (completed)
Software 109 million yen

Payments made (completed)
Refrigerated and frozen warehouse 125 million yen

9. Capital Expenditures (2)

Plan and Actual Expenditures

(As of February 28, 2021) (Millions of yen)

Project	Purpose	Plan	Payment made	Start/Finish
Use of robots at distribution centers	Increased use of robots after trial use produced an improvement in productivity	400	—	Mar. 2021 to Feb. 2022
Software development	Reinforce functions of the Cloud Thomas warehouse management system, improve convenience of the Annie check list system, and other improvements	300	—	Mar. 2021 to Feb. 2023
Add new distribution centers	Use leases for the addition of three centers of about 16,500 m ² each	747	63	Mar. 2021 to Feb. 2023

Payments made
Lease deposits 63 million yen





V. FY2/22 Earnings Forecasts

1. FY2/22 Earnings Forecasts



- Forecast net sales to increase 12.9% YoY and higher earnings at all levels

(Millions of yen, %)

	FY2/21 Results		FY2/22 Forecasts		YoY change	
	Results	% to net sales	Forecasts	% to net sales	Amount	%
Net sales	9,530	100.0	10,756	100.0	1,226	12.9
Gross profit	1,126	11.8	1,608	15.0	482	42.9
SG&A expenses	707	7.4	937	8.7	229	32.5
Operating profit	418	4.4	670	6.2	252	60.4
Ordinary profit	383	4.0	635	5.9	251	65.7
Profit	283	3.0	428	4.0	145	51.5
EPS (Yen)	94.99	-	134.14	-	-	-

2. Business Segments

(1) Logistics Services Business



- Two new distribution centers in Amagasaki, Hyogo prefecture (total of about 35,700 m²) due to the continuing growth of the EC/catalog logistics support services market.
- Forecast a reduction of about 800 million yen in projected cargo transport sales (but only a negligible effect on earnings at all levels) due to a change in the contracts of some customers but 1,500 million yen of sales from new customers.

(Millions of yen, %)

		FY2/21		FY2/22		YoY change	
		Results	% to sales	Forecasts	% to sales	Amount	%
	EC/catalog logistics support services	8,968	98.1	10,115	98.3	1,146	12.8
	Outsourced order processing services	92	1.0	111	1.1	18	19.7
	Others	85	0.9	66	0.6	(19)	(22.8)
	Segment sales	9,146	100.0	10,292	100.0	1,145	12.5

* Rakuten Super Logistics services are included in EC/catalog logistics support services.

* Beginning with FY2/22 1Q, the software sales and use services category will be separately disclosed in a business segment called IT automation. Accordingly, software sales and use services are excluded from the logistics services business.

2. Business Segments (2) IT Automation Business



- In addition to the Cloud Thomas warehouse management system, we are adding Cloud Thomas Pro, which can be customized to match each customer's requirements and scale of operations, to serve a broader range of customers.
- Cloud Thomas sales are forecast to increase 42 million yen, or 20.8%, which is a conservative outlook that does not include any Cloud Thomas Pro sales.

(Millions of yen, %)

		FY2/21		FY2/22		YoY change	
		Results	% to sales	Forecasts	% to sales	Amount	%
	Cloud Thomas	202	68.2	244	70.1	42	20.8
	Others	94	31.8	104	29.9	10	10.6
Segment sales		297	100.0	349	100.0	52	17.6

*Rakuten Super Logistics services are included in EC/catalog logistics support services.

*Figures for FY2/21 results in the IT automation business use actual figures from software sales and use services in the logistics services business.

2. Business Segments (3) Other Businesses



- Sales of technology education services for foreign trainees are expected to decrease because of COVID-19 and political instability in Myanmar. But segment sales are forecast to increase 33.1% to 28 million yen because of the expected sales of the employment assistance service for people with developmental disabilities, which was started in FY2/20.

(Millions of yen, %)

		FY2/21		FY2/22		YoY change	
		Results	% to sales	Forecasts	% to sales	Amount	%
	Technology education services for foreign trainees	19	22.0	10	9.4	(8)	(43.3)
	Other education services	67	78.0	104	90.6	36	54.7
	Segment sales	86	100.0	115	100.0	28	33.1

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VI. Medium-term Business Plan – 2024 –

1. Medium-term Business Plan Overview



- The goal is net sales of 15.3 billion yen and operating profit of 1.0 billion yen in FY2/24 by achieving growth that outpaces the e-commerce market's expansion.

(Millions of yen, %)

	FY2/22			FY2/23			FY2/24		
	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)
Net sales	10,756	100.0	12.9	13,105	100.0	21.8	15,370	100.0	17.3
Gross profit	1,608	15.0	42.9	1,833	14.0	14.0	2,280	14.8	24.4
SG&A expenses	937	8.7	32.5	1,036	7.9	10.5	1,184	7.7	14.3
Operating profit	670	6.2	60.4	796	6.1	18.8	1,095	7.1	37.6
Ordinary profit	635	5.9	65.7	750	5.7	18.1	1,050	6.8	40.0
Profit	428	4.0	51.5	506	3.9	18.1	708	4.6	40.0
ROE	At least 15.0%		—	At least 15.0%		—	At least 15.0%		—

2. Medium-term Plan for Business Segments



- In the logistics services business, the goal is to use capital expenditures for distribution center expansion and robots and other automated logistics equipment in order to grow faster than the e-commerce market.
- In the IT automation business, the goal is to become recognized as an IT vendor by making software investments, mainly for Cloud Thomas, and using alliances and other measures to strengthen sales activities.

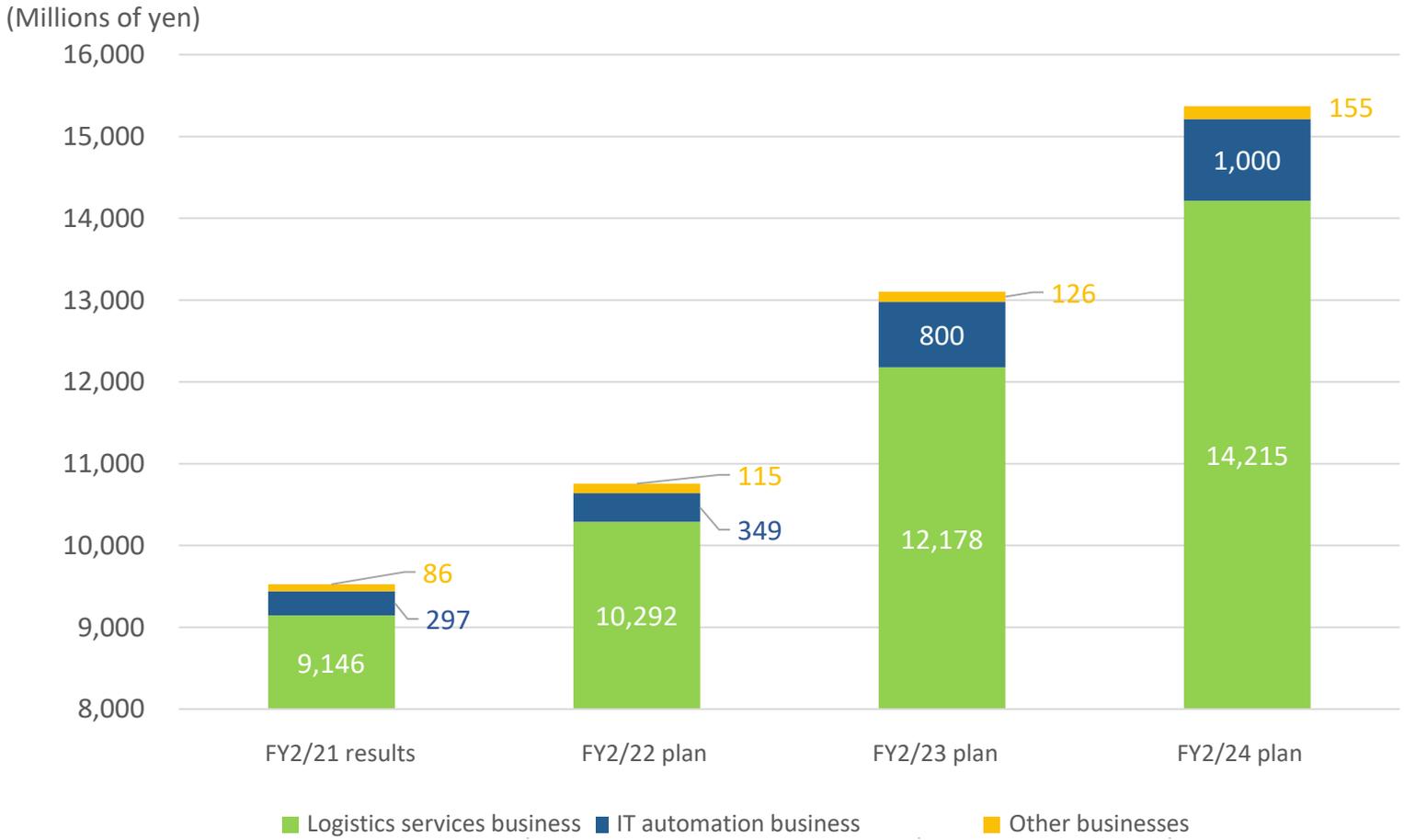
(Millions of yen, %)

	FY2/22			FY2/23			FY2/24		
	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)
Logistics services business	10,292	95.7	12.5	12,178	92.9	18.3	14,215	92.5	16.7
IT automation business	349	3.2	17.6	800	6.1	129.1	1,000	6.5	25.0
Other businesses	115	1.1	33.1	126	1.0	10.1	155	1.0	22.5
Net sales	10,756	100.0	12.9	13,105	100.0	21.8	15,370	100.0	17.3
Gross profit	1,608	15.0	42.9	1,833	14.0	14.0	2,280	14.8	24.4

2. Business Segment Sales Plan

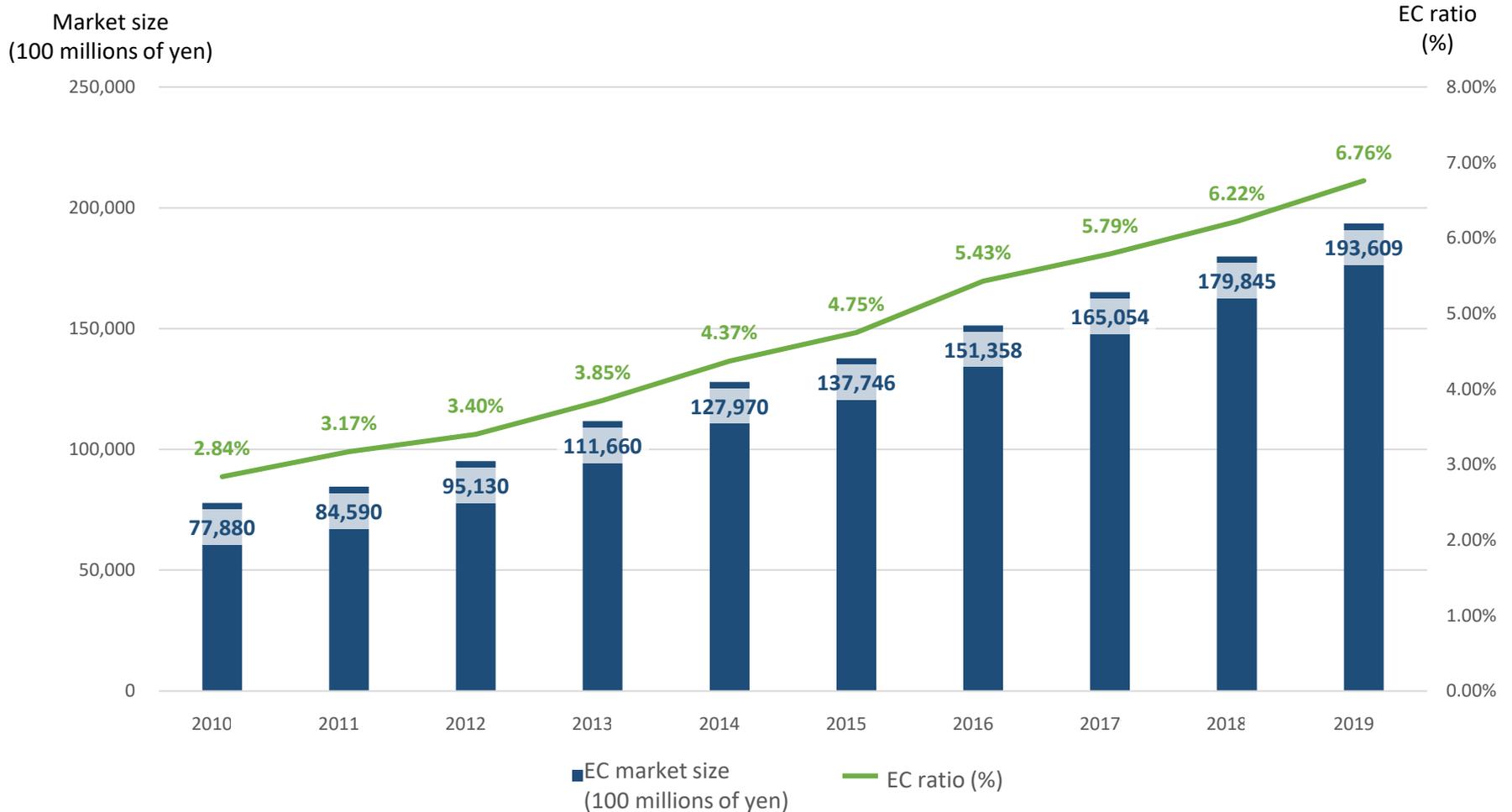


- KANTSU aims for net sales of 14.2 billion yen in the logistics services business and of 1.0 billion yen in the IT automation business in FY2/24.



3. Market Conditions

Expect the e-commerce market to continue growing strongly



Source: Ministry of Economy, Trade and Industry, FY2019 Research Project on International Economy in relation to Formulation of Domestic and Foreign Integrated Economic Growth Strategy

3. Market Conditions

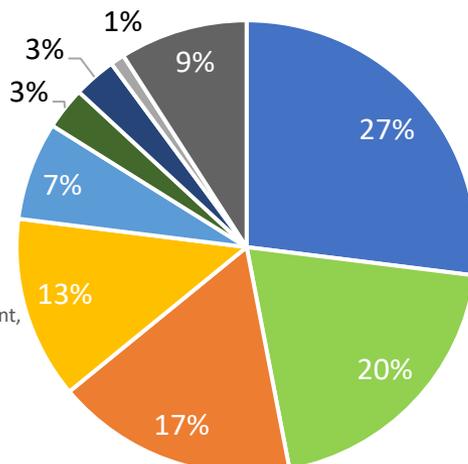
Growth is continuing in the merchandise sales category, the largest component of KANTSU's customer base

B-to-C EC Sector – Market Category Size and Composition Ratio

	2018	2019	Growth ratio
A. Merchandise sales	¥9,299.2 billion (EC ratio 6.22%)	¥10,051.5 billion (EC ratio 6.76%)	8.09%
B. Services	¥6,647.1 billion	¥7,167.2 billion	7.82%
C. Digital technology	¥2,038.2 billion	¥2,142.2 billion	5.11%
Total	¥17,984.5 billion	¥19,360.9 billion	7.65%

Reference: KANTSU Market Category Sales Composition (FY2/21 results)

- Clothes and apparel goods
- Services
- Cosmetics and pharmaceuticals
- Food, drinks, and liquor
- Books, and visual and music software
- Household goods, furniture, and interior
- Electrical appliances, AV equipment, and PC and peripherals
- Miscellaneous goods
- Other



*Percentages are based on the top 100 companies in FY2/21 sales.

*Rakuten Super Logistics services are included in services.

B-to-C EC Sector Merchandise Sales for Product Categories

Classification	2018		2019	
	Market size (¥ billion)	EC ratio (%)	Market size (¥ billion) *Lower column: vs. 2018	EC ratio (%)
1 <u>Food, drinks, and liquor</u>	1,691.9 (8.60%)	2.64%	1,823.3 (7.77%)	2.89%
2 <u>Electrical appliances, AV equipment, and PC and peripherals</u>	1,646.7 (7.40%)	32.28%	1,823.9 (10.76%)	32.75%
3 <u>Books, and visual and music software</u>	1,207.0 (8.39%)	30.80%	1,301.5 (7.83%)	34.18%
4 <u>Cosmetics and pharmaceuticals</u>	613.6 (8.21%)	5.80%	661.1 (7.75%)	6.00%
5 <u>Household goods, furniture, and interior</u>	1,608.3 (8.55%)	22.51%	1,742.8 (8.36%)	23.32%
6 <u>Clothes and apparel goods</u>	1,772.8 (7.74%)	12.96%	1,910.0 (7.74%)	13.87%
7 Automobiles, motorcycles, and parts	234.8 (7.16%)	2.76%	239.6 (2.04%)	2.88%
8 Office supplies and stationery	220.3 (7.57%)	40.79%	226.4 (2.76%)	41.75%
9 Other	303.8 (9.31%)	0.85%	322.8 (6.26%)	0.92%
Total	9,299.2 (8.12%)	6.22%	10,051.5 (8.09%)	6.76%

Source: Ministry of Economy, Trade and Industry, FY2019 Research Project on International Economy in relation to Formulation of Domestic and Foreign Integrated Economic Growth Strategy

1 New large refrigerated and frozen warehouses

- Strengthen logistics sales services for refrigerated/frozen food EC, a category expected to continue growing

2 Grow rapidly as an IT vendor

- Supply an upgraded version of the Cloud Thomas warehouse management system to strengthen its functions and use alliances for sales activities

3 Start providing services for the last mile

- Build an infrastructure for services that solve last-mile issues

5. Internal Strategy that Supports the Growth Strategy

1 Strengthen activities using the internet to attract new customers

- Use SEO, an internet advertising strategy and remote sales meetings for effective activities to establish relationships with new customers

2 Use automated logistics equipment and IT systems to improve efficiency

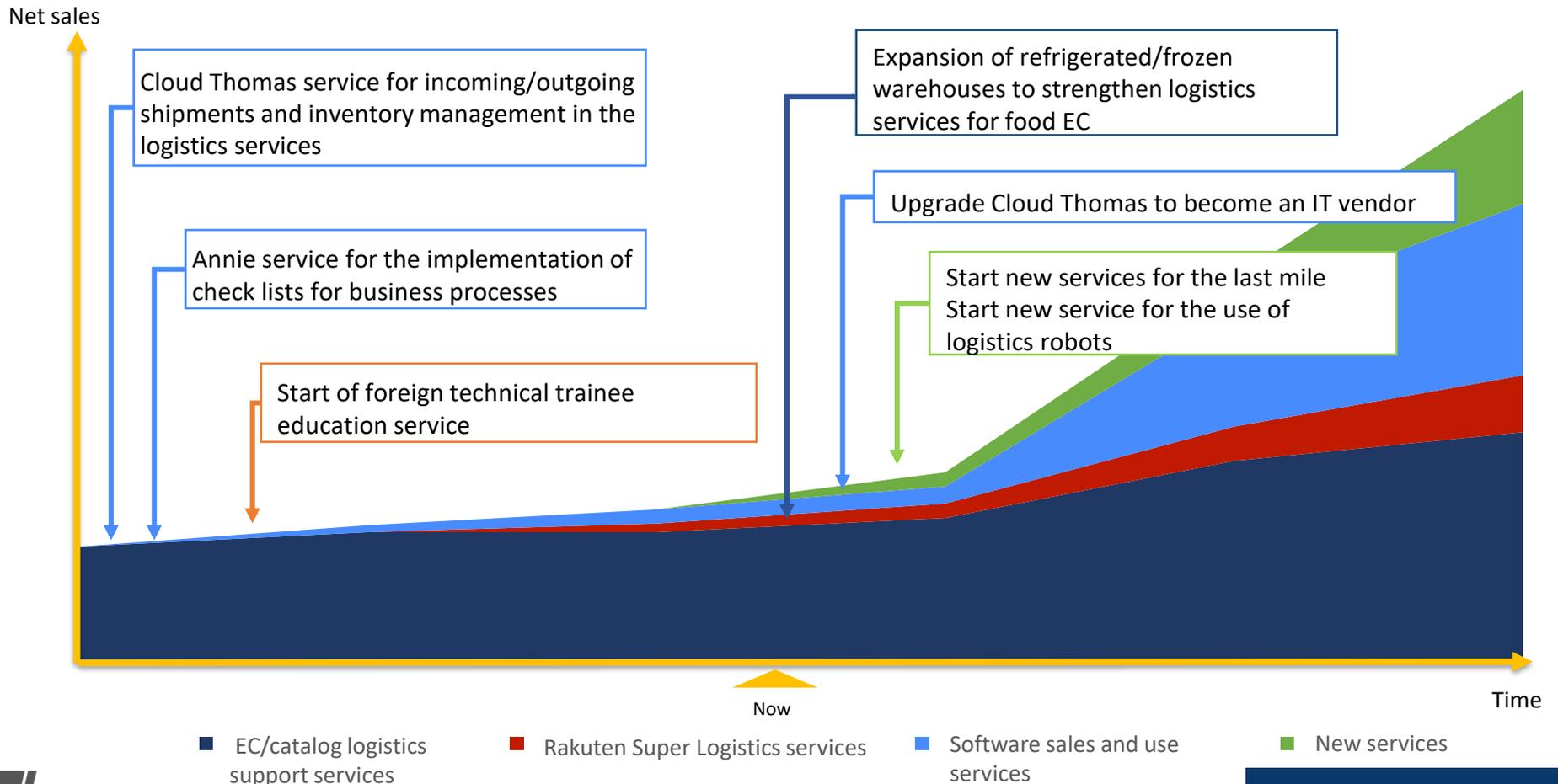
- Increase productivity by using automated logistics equipment and IT systems
- Strengthen functions linked with Cloud Thomas
- Use these advances at many locations to establish a proven record of success

3 Employee recruiting and training

- Increase the use of foreigners, including foreign technical trainees
- Training programs centered on business plans and workplace environment measures
- Use logistics robots to reduce the workload of employees

6. Projected Growth

We are working on the advancement of **logistics technology** by acquiring knowledge concerning AI, automation and robots as distribution center operations move close to the age of robotics. Our goal is to grow rapidly by launching more new services while expanding operations involving EC/catalog logistics support services, Rakuten Super Logistics services and the IT automation business.



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