



July 14, 2023

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 29, 2024
(Three Months Ended May 31, 2023)

[Japanese GAAP]

Company name: KANTSU CO., LTD.

Listing: Tokyo Stock Exchange

Securities code: 9326

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Scheduled date of filing of Quarterly Report:

July 14, 2023

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting:

Yes (for individual investors)

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 29, 2024
(March 1, 2023 – May 31, 2023)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2023	2,776	7.9	60	(54.4)	57	(53.3)	41	(46.0)
Three months ended May 31, 2022	2,571	-	132	-	123	-	76	-

Note: Comprehensive income

Three months ended May 31, 2023: 41 million yen (down 46.0%)

Three months ended May 31, 2022: 76 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2023	4.07	3.95
Three months ended May 31, 2022	7.46	7.20

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2023	9,209	3,015	32.7
As of Feb. 28, 2023	9,471	3,259	34.4

Reference: Shareholders' equity

As of May 31, 2023: 3,014 million yen

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

2. Dividends

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

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

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,579	9.2	102	(46.4)	82	(52.8)	55	(50.5)	5.41
Full year	11,756	12.0	669	70.8	624	73.1	387	(38.3)	37.37

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

*** Notes**

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

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting-based estimates, and restatements

- | | |
|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

(4) Number of outstanding shares (common shares)

- | | | | |
|--|-------------------|----------------------------------|-------------------|
| 1) Number of shares outstanding at the end of the period (including treasury shares) | | | |
| As of May 31, 2023: | 10,308,150 shares | As of Feb. 28, 2023: | 10,308,150 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of May 31, 2023: | 300,093 shares | As of Feb. 28, 2023: | 93 shares |
| 3) Average number of shares outstanding during the period | | | |
| Three months ended May 31, 2023: | 10,158,057 shares | Three months ended May 31, 2022: | 10,264,182 shares |

The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forward-looking statements

Earnings forecasts and other forward-looking statements in this document are based on information that was available when this information was announced and on assumptions as of the announcement date concerning uncertainties that may affect results of operations in the future. Consequently, these statements are not promises by KANTSU regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 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 July 14, 2023.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of KANTSU as of May 31, 2023.

(1) Explanation of Results of Operations

During the first quarter of the current fiscal year (March 1 to May 31, 2023), Japan's economy exhibited a moderate recovery trend amid an enhancing employment and income environment. Despite this, the economic outlook remained uncertain, primarily due to a significant surge in prices, global monetary tightening, and various other contributing factors.

In this current setting, with the aim of bolstering its corporate value, the KANTSU Group disclosed the "Notice Concerning the Rolling of the Medium-Term Business Plan" on April 14, 2023. To foster the expansion of the KANTSU Group's business, 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, driving initiatives to establish ourselves as the one and only partner. Our relentless efforts were aimed at achieving sustained growth of sales and earnings in both businesses.

Sales increased 7.9% from one year earlier to 2,776 million yen, operating profit decreased 54.4% to 60 million yen, ordinary profit decreased 53.3% to 57 million yen and profit attributable to owners of parent decreased 46.0% to 41 million yen.

Business segment performance was as follows.

Business segment sales are sales to external customers and segment profit or loss is based on operating profit in the quarterly consolidated income statement.

Logistics services business

To increase customer satisfaction, improvement activities aimed at raising quality and productivity continued with emphasis on EC/catalog logistics support services. Moreover, we intensified our endeavors to attract new customers, by using the internet more effectively, including SEO measures, and fostering customer engagement through collaborative efforts with partner companies.

As a result, net sales increased 8.2% from one year earlier to 2,637 million yen and segment profit decreased 78.7% to 21 million yen because of the long time that space at new distribution centers remained vacant.

IT automation business

We received large orders for our warehouse management system Cloud Thomas Pro. Regarding the checklist system Annie, there was a robust reinforcement in sales for the New Employee Immediate Productivity Package, and steadily acquired new customers.

As a result, net sales increased 5.9% from one year earlier to 113 million yen and segment profit increased 19.9% to 39 million yen.

Other businesses

In other businesses segment, sales from after-school day services for children with disabilities and support services for people with disabilities to change jobs were steady.

As a result, net sales decreased 8.7% from one year earlier to 25 million yen and there was a segment loss of 649 thousand yen, compared with a segment profit of 67 thousand yen one year earlier.

Results by business segment for the first quarter of the fiscal year ending 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	2,578,903	92.9	8.1	-	-	-
Outsourced order processing services	40,398	1.5	35.2	-	-	-
Others	18,194	0.7	(15.0)	-	-	-
Logistics services business	2,637,497	95.0	8.2	21,200	0.8	(78.7)
IT automation business	113,592	4.1	5.9	39,989	35.2	19.9
Other businesses	25,032	0.9	(8.7)	(649)	(2.6)	-
Total for reportable segments	2,776,122	100.0	7.9	60,540	2.2	(54.4)

(2) Explanation of Financial Position

Total assets at the end of the first quarter decreased 262 million yen from the end of the previous fiscal year to 9,209 million yen. Liabilities decreased 18 million yen to 6,193 million yen and net assets decreased 243 million yen to 3,015 million yen.

The major changes are as follows.

Current assets

Current assets decreased 914 million yen to 4,240 million yen. This was attributable primarily to a decrease of 1,156 million yen in cash and deposits due to the acquisition of investment securities, non-current assets and treasury shares and payment of income taxes, while there was an increase of 96 million yen in accounts receivable-trade and contract assets.

Non-current assets

Non-current assets increased 651 million yen to 4,968 million yen. This was attributable primarily to a 352 million yen increase in investment securities, and a 118 million yen increase in leasehold and guarantee deposits mainly due to payment of security deposit for new distribution centers.

Current liabilities

Current liabilities decreased 209 million yen to 1,951 million yen. This was attributable mainly to a decrease of 292 million yen in income taxes payable due to the payment of income taxes, while there was an increase of 44 million yen in accounts payable-trade.

Non-current liabilities

Non-current liabilities increased 190 million yen to 4,242 million yen. This was attributable mainly to an increase of 183 million yen in long-term borrowings.

Net assets

Net assets decreased 243 million yen to 3,015 million yen. This was attributable mainly to profit attributable to owners of parent of 41 million yen, a 61 million yen decrease in total retained earnings due to dividends paid of 103 million yen, and a 182 million yen increase in treasury shares.

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

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

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the KANTSU’s management at the time the materials were prepared. Actual results may differ substantially from these forecasts for a number of reasons.

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

(Thousands of yen)

	FY2/23 (As of Feb. 28, 2023)	First quarter of FY2/24 (As of May 31, 2023)
Assets		
Current assets		
Cash and deposits	3,432,524	2,275,555
Electronically recorded monetary claims-operating	277,472	274,768
Accounts receivable-trade	972,380	-
Accounts receivable-trade and contract assets	-	1,069,157
Securities	-	100,000
Merchandise	302	-
Work in process	4,189	6,181
Other	473,321	520,514
Allowance for doubtful accounts	(5,927)	(5,953)
Total current assets	5,154,264	4,240,224
Non-current assets		
Property, plant and equipment		
Buildings, net	1,426,273	1,473,052
Machinery, equipment and vehicles, net	162,131	180,661
Land	138,871	138,871
Leased assets, net	240,332	234,250
Construction in progress	114,429	114,429
Other, net	291,158	372,493
Total property, plant and equipment	2,373,198	2,513,758
Intangible assets		
Software	259,651	277,498
Other	349	349
Total intangible assets	260,001	277,847
Investments and other assets		
Investment securities	-	352,144
Long-term loans receivable	12,000	24,000
Deferred tax assets	146,732	146,732
Leasehold and guarantee deposits	1,089,583	1,208,568
Other	436,509	446,536
Allowance for doubtful accounts	(776)	(776)
Total investments and other assets	1,684,049	2,177,206
Total non-current assets	4,317,249	4,968,812
Total assets	9,471,514	9,209,037
Liabilities		
Current liabilities		
Accounts payable-trade	264,734	308,901
Current portion of long-term borrowings	795,352	795,403
Income taxes payable	318,381	26,344
Provision for bonuses	34,458	51,810
Lease liabilities	26,922	26,965
Provision for business restructuring	321,967	293,279
Other	398,593	448,367
Total current liabilities	2,160,410	1,951,070
Non-current liabilities		
Long-term borrowings	3,228,071	3,411,493
Asset retirement obligations	371,904	385,990
Lease liabilities	221,035	214,277
Provision for business restructuring	9,000	9,000
Other	221,277	221,277
Total non-current liabilities	4,051,288	4,242,039
Total liabilities	6,211,699	6,193,110

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	First quarter of FY2/24 (As of May 31, 2023)
Net assets		
Shareholders' equity		
Share capital	788,275	788,275
Capital surplus	774,275	774,275
Retained earnings	1,695,773	1,634,070
Treasury shares	(109)	(182,293)
Total shareholders' equity	3,258,214	3,014,327
Share acquisition rights	1,600	1,600
Total net assets	3,259,814	3,015,927
Total liabilities and net assets	9,471,514	9,209,037

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

(Thousands of yen)

	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)
Net sales	2,571,766	2,776,122
Cost of sales	2,202,368	2,437,105
Gross profit	369,398	339,017
Selling, general and administrative expenses	236,686	278,476
Operating profit	132,711	60,540
Non-operating income		
Interest income	151	4,936
Rental income from land and buildings	1,017	427
Subsidy income	1,294	1,701
Gain on sale of goods	1,173	1,685
Other	868	415
Total non-operating income	4,505	9,166
Non-operating expenses		
Interest expenses	12,135	10,522
Other	1,650	1,533
Total non-operating expenses	13,786	12,056
Ordinary profit	123,430	57,650
Extraordinary losses		
Loss on retirement of non-current assets	0	-
Warehouse transfer expenses	12,571	-
Total extraordinary losses	12,571	-
Profit before income taxes	110,858	57,650
Income taxes	34,246	16,273
Profit	76,612	41,377
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	76,612	41,377

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

	(Thousands of yen)	
	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)
Profit	76,612	41,377
Comprehensive income	76,612	41,377
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	76,612	41,377
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

KANTSU purchased 300,000 treasury shares pursuant to resolution of the Board of Directors meeting on April 14, 2023. As a result, treasury shares increased 182,184 thousand yen during the first quarter of the current fiscal year to 182,293 thousand yen at the end of the first quarter.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of income taxes

The tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Segment and Other Information**Segment Information**

I. First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment	Amounts shown on quarterly consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	2,437,119	107,224	2,544,343	27,422	2,571,766	-	2,571,766
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	2,437,119	107,224	2,544,343	27,422	2,571,766	-	2,571,766
Segment profit	99,301	33,341	132,643	67	132,711	-	132,711

Notes: 1. Others are businesses that are not included in the reportable segments and mainly consist of technology education services for foreign trainees and other education services.

2. Segment profit is consistent with operating profit recorded in the quarterly consolidated statement of income.

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

Not applicable.

II. First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment	Amounts shown on quarterly consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	2,637,497	113,592	2,751,090	25,032	2,776,122	-	2,776,122
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	2,637,497	113,592	2,751,090	25,032	2,776,122	-	2,776,122
Segment profit (loss)	21,200	39,989	61,190	(649)	60,540	-	60,540

Notes: 1. Others are businesses that are not included in the reportable segments and mainly consist of technology education services for foreign trainees and other education services.

2. Segment profit (loss) is consistent with operating profit recorded in the quarterly consolidated statement of income.

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

Not applicable.

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.