



July 14, 2021

Non-consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2022
(Three Months Ended May 31, 2021)

[Japanese GAAP]

Company name: KANTSU CO., LTD. Listing: Tokyo Stock Exchange (Mothers)
 Securities code: 9326 URL: <https://www.kantsu.com/>
 Representative: Hisahiro Tatsushiro, Representative Director and President
 Contact: Tadashi Katayama, Managing Director Tel: +81-6-4308-8901
 Scheduled date of filing of Quarterly Report: July 14, 2021
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

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

1. Non-consolidated Financial Results for the First Quarter of the Fiscal Year Ended February 28, 2022
(March 1, 2021 – May 31, 2021)

(1) Results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2021	2,727	25.2	184	322.1	171	430.7	117	406.4
Three months ended May 31, 2020	2,179	-	43	-	32	-	23	-

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2021	35.77	34.39
Three months ended May 31, 2020	8.35	7.87

Note: The year-on-year changes for the three months ended May 31, 2021 are not presented because the quarterly financial statements were not prepared in the three months ended May 31, 2020.

(2) Financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%	Million yen	%
As of May 31, 2021	8,067		2,364			29.3
As of Feb. 28, 2021	7,532		1,595			21.1

Reference: Shareholders' equity As of May 31, 2021: 2,364 million yen As of Feb. 28, 2021: 1,591 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/21	-	0.00	-	0.00	0.00
FY2/22	-	-	-	-	-
FY2/22 (forecast)	-	0.00	-	0.00	0.00

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

3. Earnings Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,282	21.3	319	145.9	296	168.3	202	158.9	60.65
Full year	10,756	12.9	670	60.4	635	65.7	428	51.5	134.14

Note: Revision to the most recently announced earnings forecast: Yes

*** Notes**

(1) Application of special accounting methods for presenting quarterly non-consolidated financial statements: Yes

(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 May 31, 2021: | 3,411,750 shares | As of Feb. 28, 2021: | 3,182,000 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of May 31, 2021: | 31 shares | As of Feb. 28, 2021: | - shares |
| 3) Average number of shares outstanding during the period | | | |
| Three months ended May 31, 2021: | 3,297,047 shares | Three months ended May 31, 2020: | 2,788,750 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

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 Non-consolidated Financial Performance, (3) Explanation of Non-consolidated Forecast and Other Forward-looking Statements” on page 4 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Non-consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of Non-consolidated Forecast and Other Forward-looking Statements	4
2. Quarterly Non-consolidated Financial Statements and Notes	5
(1) Quarterly Non-consolidated Balance Sheet	5
(2) Quarterly Non-consolidated Statement of Income	6
For the Three-month Period	6
(3) Notes to Quarterly Non-consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7
Application of Special Accounting Methods for Presenting Quarterly Non-consolidated Financial Statements	7
Segment and Other Information	7

1. Qualitative Information on Quarterly Non-consolidated Financial Performance

Forward-looking statements are based on the judgments of KANTSU as of May 31, 2021.

(1) Explanation of Results of Operations

During the first quarter of the current fiscal year (March 1 to May 31, 2021), there was another upturn in COVID-19 infections and there are still no signs of the end of this crisis. As a result, the economic outlook remains unclear.

In the logistics sector, there has been a steady increase in demand for services, primarily logistics involving the B-to-C category. This demand is backed by the increasing use of telework and the online sale of products and services in response to several states of emergency in Japan and other challenges created by the COVID-19 pandemic that started early in 2020.

To meet this demand, we continued to add and expand distribution centers for establishing an infrastructure for receiving orders from new customers. We also increased search engine optimization (SEO) measures and took other actions for effectively using the internet to start providing services to new customers. The current fiscal year is the first year of the medium-term business plan that ends in February 2024. The plan has three strategies for growth: new large refrigerated and frozen warehouses; grow rapidly as an IT vendor; and start providing services for the last mile. During the first quarter, there were many activities for growth in the e-commerce market.

Due to these activities, first quarter sales increased 25.2% year-on-year to 2,727 million yen, operating profit increased 322.1% to 184 million yen, ordinary profit increased 430.7% to 171 million yen and profit increased 406.4% to 117 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 income statement.

In prior years, there was the single reportable segment of logistics services and all other activities were categorized as others. Beginning with the first quarter of the fiscal year ending in February 2022, the software sales and use services category which was previously included in the logistic services segment has been separately disclosed in a reportable segment called IT automation. Results of operations in the previous first quarter have been restated to facilitate direct comparisons with performance in the current first quarter.

Previous reportable segments

Reportable segment	Main Services
Logistics services business	EC/catalog logistics support services, Rakuten Super Logistics services, the Cloud Thomas warehouse management system, the Annie check list system, outsourced order processing services and logistics consulting services

Note: In addition to the logistics services business, there was a segment called others for activities not included in this reportable segment. Others was primarily technology education services for foreign trainees and other education services.

Revised reportable segments

Reportable segment	Main Services
Logistics services business	EC/catalog logistics support services, Rakuten Super Logistics services, outsourced order processing services and logistics consulting services
IT automation business	The Cloud Thomas warehouse management system, the Annie check list system, the e.can system for the automatic processing of orders received and the ippo! service for outsourced robotic process automation (RPA) production

Note: In addition to the logistics services business, there is a segment called others for activities not included in this reportable segment. Others is primarily technology education services for foreign trainees and other education services.

Logistics services business

To increase customer satisfaction, improvement activities aimed at raising productivity continued with emphasis on EC/catalog logistics support services. There are also activities for receiving orders from new customers. Most significant are the April 2021 completion of a new EC/Catalog Distribution Center in the city of Amagasaki in Hyogo prefecture (about 18,500 square meters) and the June 2021 completion of a D-to-C Distribution Center in Amagasaki (about 17,200 square meters). We are reinforcing SEO and using other measures for the effective use of the internet to attract new customers.

As a result, net sales increased 22.8% year-on-year to 2,569 million yen and segment profit increased 816.8% to 146 million yen.

IT automation business

There were strong sales of the Cloud Thomas warehouse management system to new customers. In addition, there were sales of logistics automation hardware associated with new Cloud Thomas users. We also strengthened capabilities for support services, including by increasing the number of support service personnel, to build an even stronger framework for sales activities.

Although there was no big change in the number of companies using the Annie check list system, the number of orders increased for the e.can system for the automatic processing of orders received and for the ippo! service for outsourced RPA production.

As a result, net sales increased 118.1% year-on-year to 134 million yen and segment profit increased 29.6% to 40 million yen.

Other businesses

Technology education services for foreign trainees was unable to operate mainly because of the suspension of operations of schools in Myanmar due to the COVID-19 crisis. However, other educational services performed well because the state of emergency did not have a significant impact on these activities.

As a result, net sales decreased 7.1% year-on-year to 22 million yen and segment loss was 2 million yen, compared with a loss of 3 million yen in the previous fiscal year.

Results by business segment for the first quarter of the fiscal year ending February 28, 2022 (Thousands of yen)

Segment	Net sales			Segment profit (loss) (operating profit (loss))			
	Services	Amount	Comp. (%)	YoY change (%)	Amount	Operating profit on net sales (%)	YoY change (%)
EC/catalog logistics support services		2,526,416	92.6	23.5	-		
Outsourced order processing services		26,138	1.0	6.4	-		
Others		17,414	0.6	(25.1)	-		
Logistics services business		2,569,968	94.2	22.8	146,789	5.7	816.8
IT automation business		134,842	4.9	118.1	40,529	30.1	29.6
Other businesses		22,666	0.8	(7.1)	(2,921)	-	-
Total for reportable segments		2,727,478	100.0	25.2	184,397	6.8	322.1

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

(2) Explanation of Financial Position

Total assets at the end of the first quarter were 8,067 million yen, an increase of 534 million yen from the end of the previous fiscal year. Liabilities were 5,702 million yen, a decrease of 235 million yen and net assets were 2,364 million yen, an increase of 769 million yen.

The major changes are as follows.

Current assets

Current assets increased 315 million yen to 4,458 million yen. This was attributable primarily to a decrease of 61 million yen in accounts receivable-trade and an increase of 348 million yen in cash and deposits, mainly the result of the exercise of share acquisition rights.

Non-current assets

Non-current assets increased 218 million yen to 3,609 million yen. There was an increase of 149 million yen in leasehold and guarantee deposits due to payment of leasehold deposits associated with new distribution centers.

Current liabilities

Current liabilities decreased 199 million yen to 1,636 million yen. This was attributable mainly to decreases of 137 million yen in accounts payable-trade and 49 million yen in income taxes payable due to payment of income taxes.

Non-current liabilities

Non-current liabilities decreased 35 million yen to 4,065 million yen. There was a decrease of 38 million yen in long-term borrowings mainly due to contractual repayments.

Net assets

Net assets increased 769 million yen to 2,364 million yen. Share capital and the capital surplus each increased 327 million yen because of the exercise of share acquisition rights. In addition, retained earnings increased 117 million yen because of the first quarter profit.

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

KANTSU has revised non-consolidated forecasts for the first half of the fiscal year ending February 28, 2022 (March 1 to August 31, 2021) that were announced on April 14, 2021. For details, please refer to the announcement regarding revision of non-consolidated forecast (Japanese version only) announced today.

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 Non-consolidated Financial Statements and Notes**(1) Quarterly Non-consolidated Balance Sheet**

(Thousands of yen)

	FY2/21 (As of Feb. 28, 2021)	First quarter of FY2/22 (As of May 31, 2021)
Assets		
Current assets		
Cash and deposits	2,592,792	2,941,194
Electronically recorded monetary claims-operating	155,419	169,315
Accounts receivable-trade	1,100,638	1,038,907
Other	311,075	324,032
Allowance for doubtful accounts	(17,700)	(15,421)
Total current assets	4,142,224	4,458,027
Non-current assets		
Property, plant and equipment		
Buildings, net	693,263	701,728
Machinery and equipment, net	215,606	227,921
Land	1,125,087	1,125,087
Other, net	292,153	319,243
Total property, plant and equipment	2,326,110	2,373,981
Intangible assets	259,933	277,511
Investments and other assets		
Leasehold and guarantee deposits	584,074	733,284
Other	222,890	226,760
Allowance for doubtful accounts	(2,243)	(2,243)
Total investments and other assets	804,721	957,802
Total non-current assets	3,390,765	3,609,294
Total assets	7,532,989	8,067,322
Liabilities		
Current liabilities		
Accounts payable-trade	472,002	334,717
Current portion of long-term borrowings	813,820	798,277
Income taxes payable	109,726	60,353
Provision for bonuses	30,272	14,909
Provision for bonuses for directors (and other officers)	-	4,132
Other	410,186	424,323
Total current liabilities	1,836,007	1,636,713
Non-current liabilities		
Long-term borrowings	3,852,065	3,813,863
Asset retirement obligations	73,177	73,223
Other	176,448	178,742
Total non-current liabilities	4,101,691	4,065,828
Total liabilities	5,937,699	5,702,542
Net assets		
Shareholders' equity		
Share capital	449,606	777,329
Capital surplus	435,606	763,329
Retained earnings	706,285	824,231
Treasury shares	-	(109)
Total shareholders' equity	1,591,498	2,364,780
Share acquisition rights	3,792	-
Total net assets	1,595,290	2,364,780
Total liabilities and net assets	7,532,989	8,067,322

(2) Quarterly Non-consolidated Statement of Income
(For the Three-month Period)

(Thousands of yen)

	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)
Net sales	2,179,240	2,727,478
Cost of sales	1,966,605	2,329,487
Gross profit	212,634	397,990
Selling, general and administrative expenses	168,945	213,593
Operating profit	43,688	184,397
Non-operating income		
Interest income	148	137
Reversal of allowance for doubtful accounts	6,075	654
Subsidy income	651	1,251
Other	1,850	1,462
Total non-operating income	8,725	3,505
Non-operating expenses		
Interest expenses	11,437	10,495
Going public expenses	4,936	-
Other	3,807	6,331
Total non-operating expenses	20,180	16,826
Ordinary profit	32,233	171,075
Profit before income taxes	32,233	171,075
Income taxes	8,944	53,129
Profit	23,288	117,946

(3) Notes to Quarterly Non-consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

During the first quarter, share capital and the capital surplus each increased 327 million yen because of the exercise of the 4th series of share acquisition rights with an adjustable exercise price and provision for stopping the exercise of the rights, which were sold using a third-party allotment on November 6, 2020, and the exercise of stock options.

As a result, share capital was 777 million yen and the capital surplus was 763 million yen at the end of the first quarter of the current fiscal year.

Application of Special Accounting Methods for Presenting Quarterly Non-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 FY2/21 (Mar. 1, 2020 – May 31, 2020)

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 non-consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	2,093,011	61,820	2,154,831	24,408	2,179,240	-	2,179,240
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	2,093,011	61,820	2,154,831	24,408	2,179,240	-	2,179,240
Segment profit (loss)	16,010	31,282	47,293	(3,604)	43,688	-	43,688

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 non-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 FY2/22 (Mar. 1, 2021 – May 31, 2021)

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 non-consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	2,569,968	134,842	2,704,811	22,666	2,727,478	-	2,727,478
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	2,569,968	134,842	2,704,811	22,666	2,727,478	-	2,727,478
Segment profit (loss)	146,789	40,529	187,318	(2,921)	184,397	-	184,397

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 non-consolidated statement of income.

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

Not applicable.

3. Information concerning revisions to reportable segments

Due to the increasing importance of software sales and use services, which were previously included in the logistics services segment, these activities have become a reportable segment called the IT automation beginning with the first three months of FY2/22.

Segment information for the first three months of FY2/21 is based on the revised reportable segments.

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.