

# Results of Operations for the First Half of the Fiscal Year Ending February 28, 2022

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

October 14, 2021



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# I. Company Profile

# 1. Company Profile

KANTSU provides logistics services centered on the EC and catalog logistics sectors and IT automation services centered on the Cloud Thomas warehouse management system.

Company name	KANTSU CO., LTD.	
Offices	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:	12 locations in Kansai area, 4 locations in Kanto area
		Total area: 173,200m <sup>2</sup> (As of August 31, 2021)
Established	April 1986	
Representative	Hisahiro Tatsushiro, Representative Director and President	
Capital	784 million yen (As of August 31, 2021)	
Stock listing	Tokyo Stock Exchange (Mothers)	
Number of employees	299 (Regular employees as of August 31, 2021)	
Business	<ul style="list-style-type: none"> <li>■ Logistics services business               <ul style="list-style-type: none"> <li>EC/catalog logistics support services</li> <li>Rakuten Super Logistics services</li> <li>Outsourced order processing services</li> <li>Logistics consulting services</li> </ul> </li> <li>■ IT automation business               <ul style="list-style-type: none"> <li>The Cloud Thomas warehouse management system</li> <li>The Annie check list system</li> </ul> </li> <li>■ Other businesses</li> </ul>	



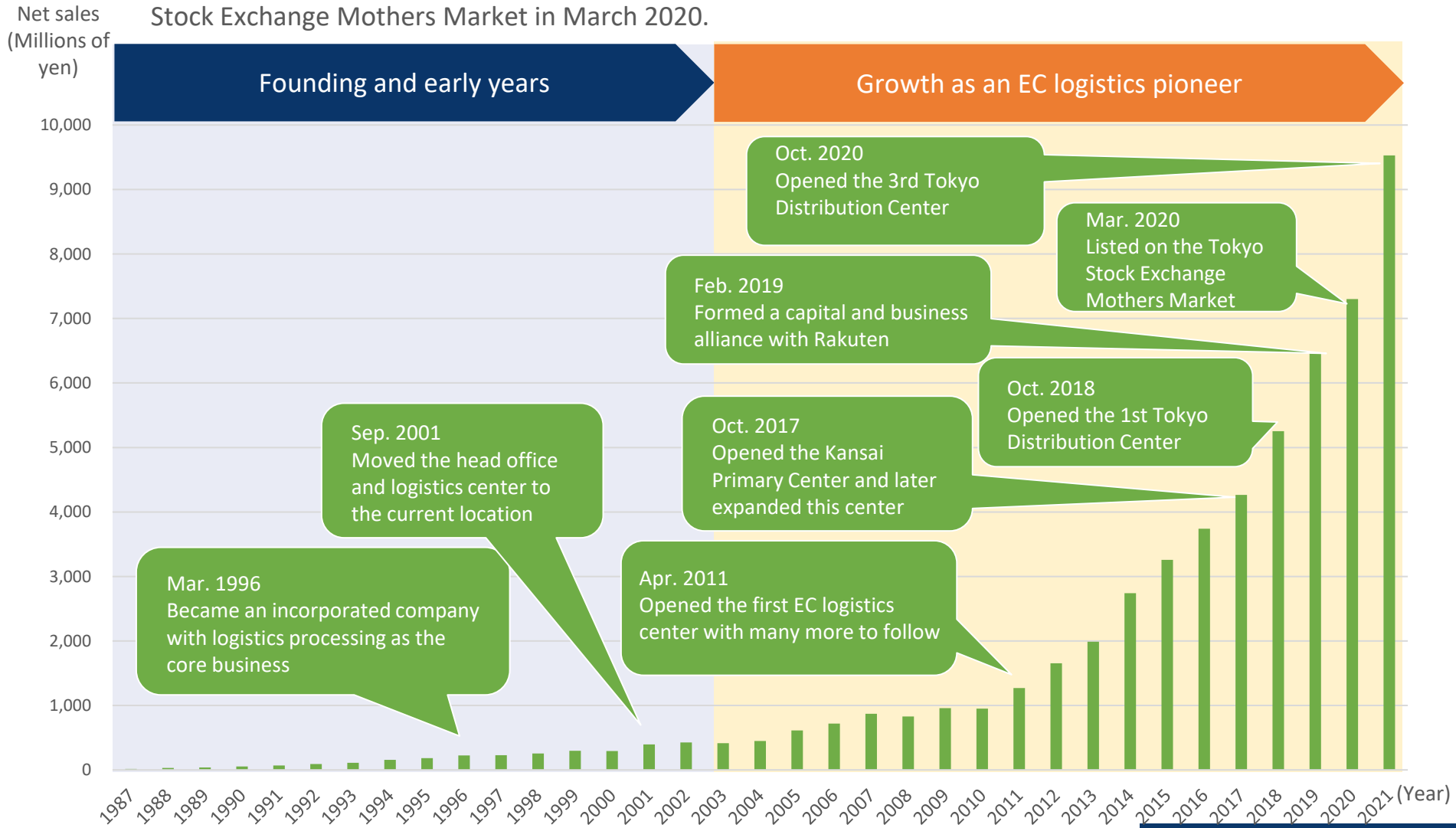
Kansai Primary Center



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

**IT automation business  
(Cloud Thomas, Annie and other systems)**

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. Logistics Services Business

## EC/catalog logistics support services

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

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

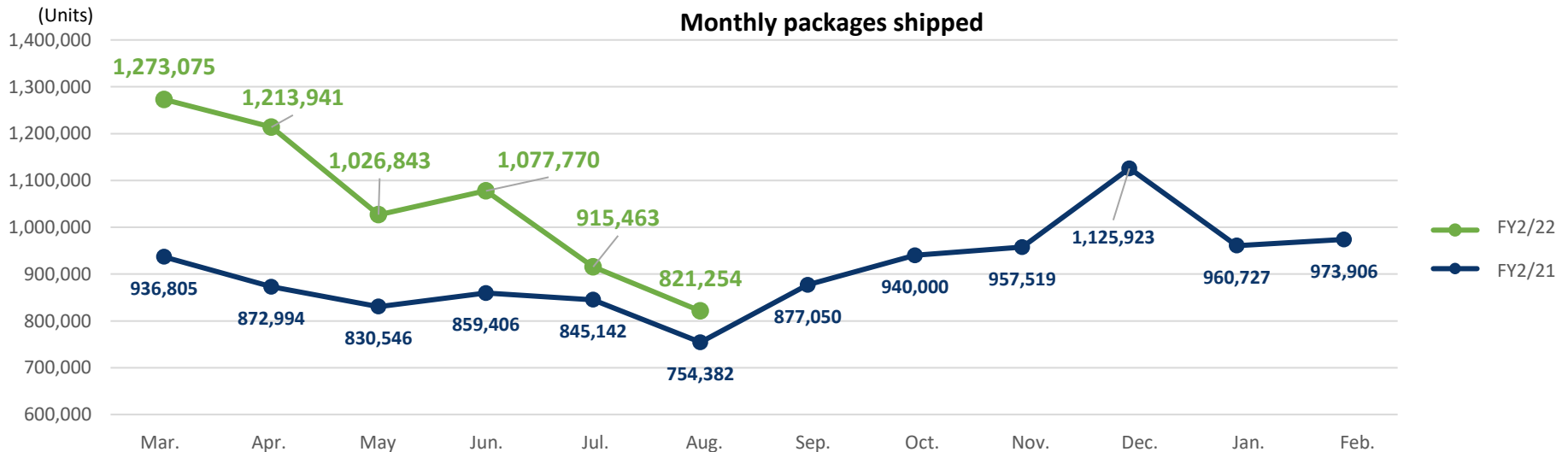
Timely increases and decreases in operations to match changes in the volume of shipments

### 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



Note: Due to an error in part of the method used to calculate the number of packages shipped, figures in prior months have been retrospectively revised.



# 1. Logistics Services Business

## 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 48,600 m<sup>2</sup>, 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.

# 1. Logistics Services Business

## 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.



## 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.



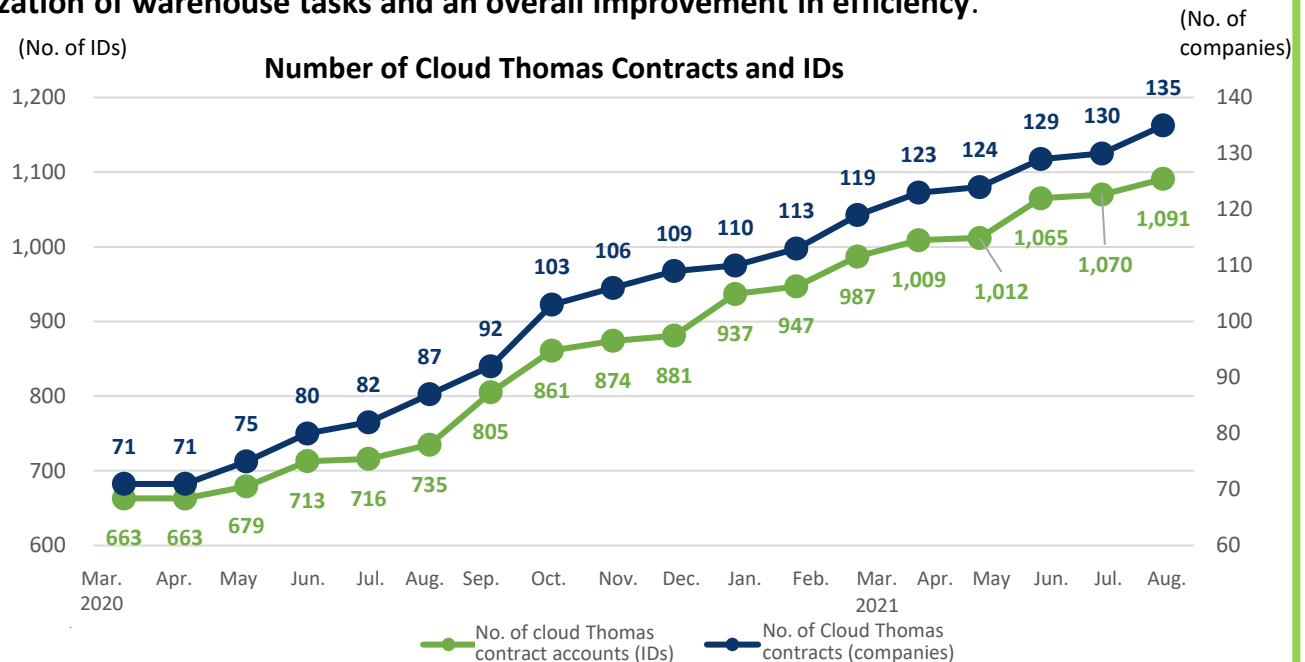
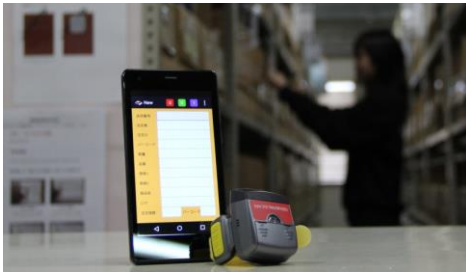
Note: The Yangon BPO Center is operated by a company that has an outsourcing agreement with KANTSU.

## 2. IT Automation Business

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.**

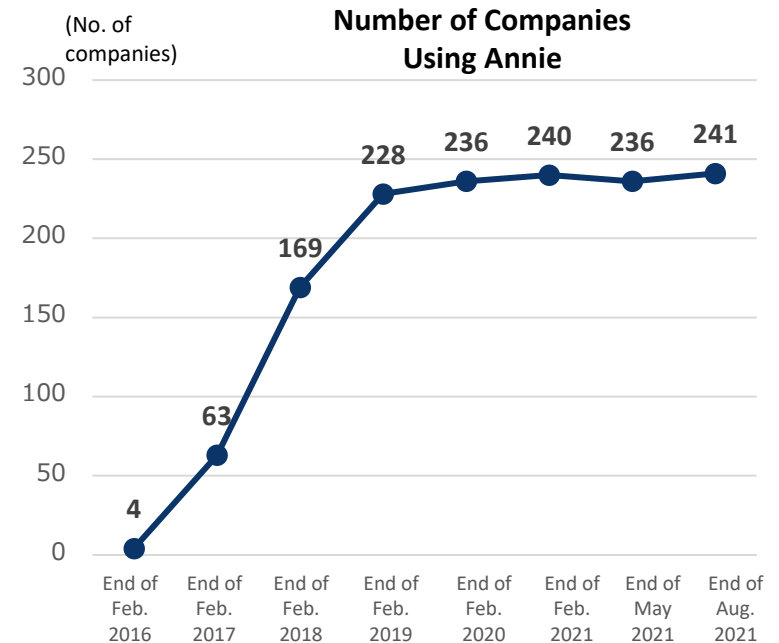
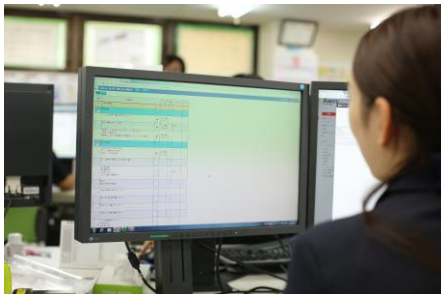


## 2. IT Automation Business

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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. IT Automation Business

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. 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. Other Businesses

## 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 for companies as a benefit for their employees 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.



# 4. Recent Topics

## Tokyo Primary Center, a refrigerated/frozen 3-temperature zone warehouse, to be constructed in the city of Niiza in Saitama prefecture

KANTSU plans to begin operating in February 2022 the Tokyo Primary Center, which will have a total floor area of about 27,400m<sup>2</sup>. Located in the Niiza city in Saitama prefecture, the center will include an about 7,600m<sup>2</sup> refrigerated/frozen warehouse with three temperature zones. The center will help meet the demand for e-commerce logistics as well as refrigerated/frozen warehouse space in the Tokyo area. Building this center will give KANTSU four Tokyo area locations, mainly in or near Niiza, with a total floor area of about 63,500m<sup>2</sup>, further advancing the strategy of establishing a dominant presence in the Tokyo area while meeting the growing need in this area for refrigerated/frozen storage.



Tokyo Primary Center  
About 27,400m<sup>2</sup>



The 3rd Tokyo  
Distribution Center  
About 9,300m<sup>2</sup>



The 4th Tokyo  
Distribution Center  
About 11,200m<sup>2</sup>



The 1st Tokyo  
Distribution Center  
About 15,500m<sup>2</sup>

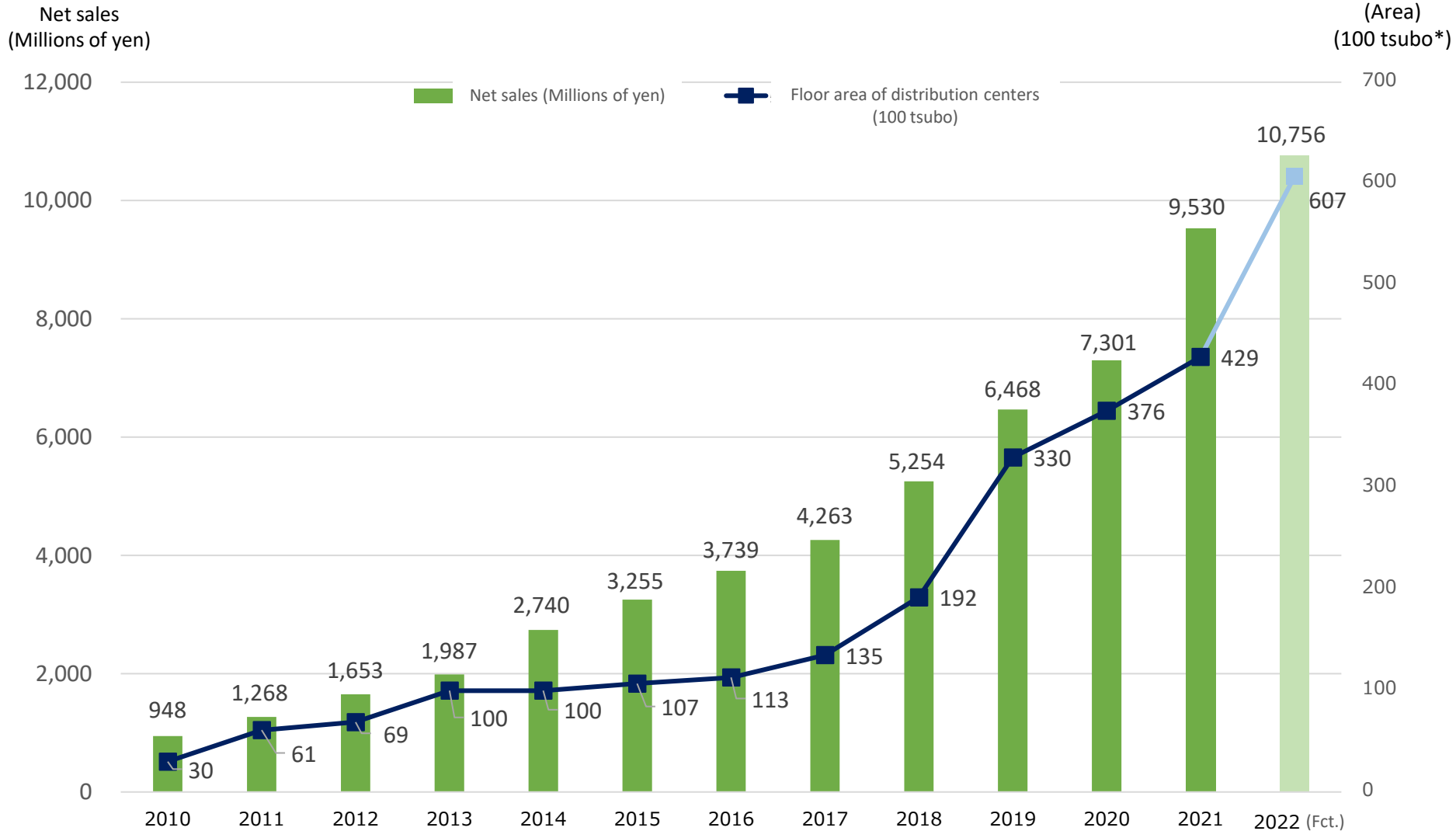


# **III. KANTSU's Strengths**



# 1. A Large and Growing Number of Customers

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

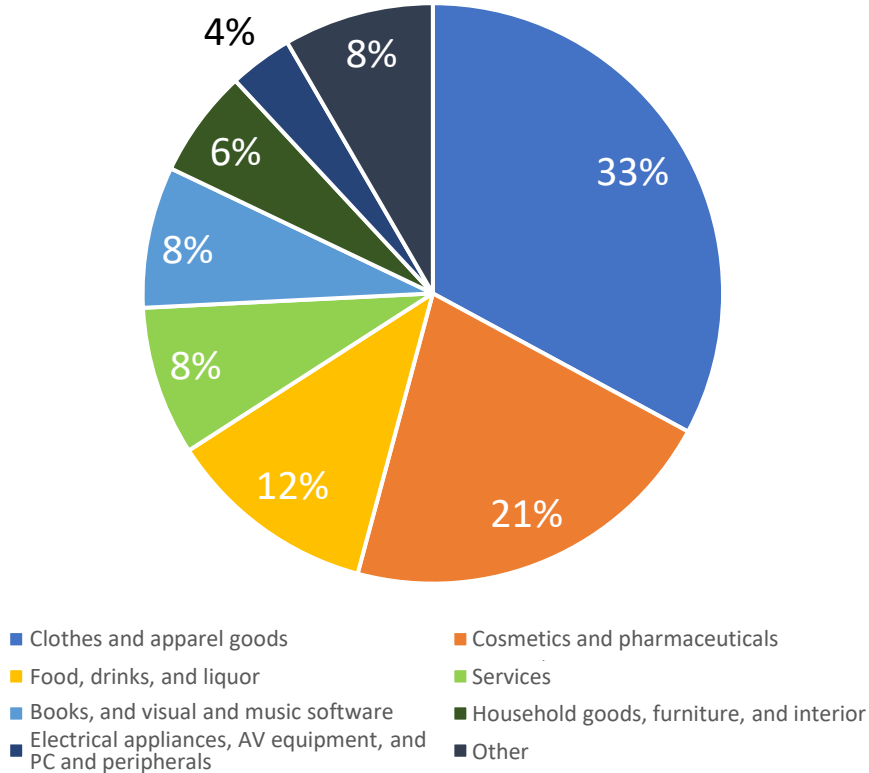


\* A "tsubo" is a unit of area, and one tsubo is equal to 3.305 square meters.

# 1. A Large and Growing Number of Customers

## Support for logistics in many sectors

Sales Composition by Market Sector (1H FY2/22 results)

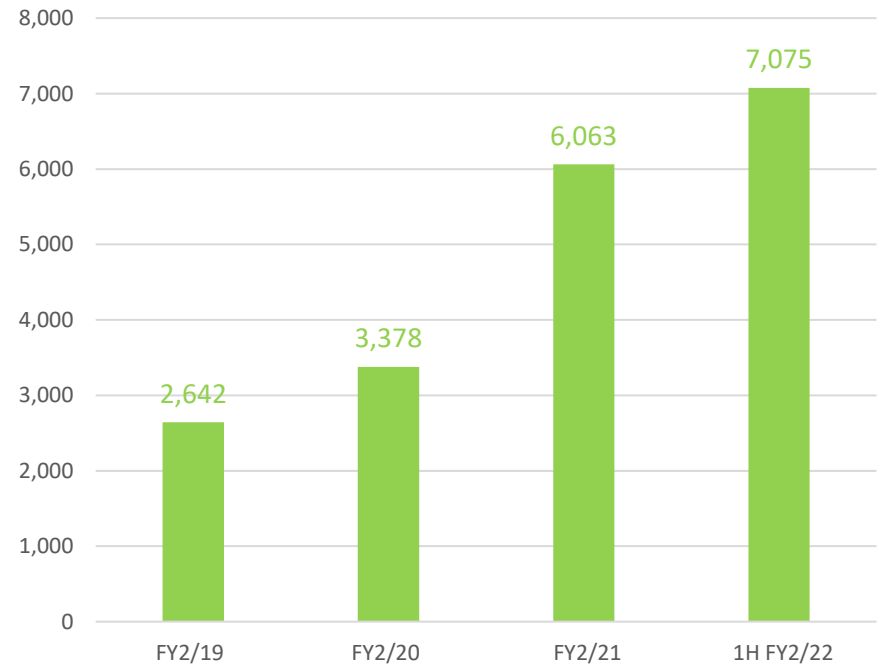


- \* Based on the top 100 companies in 1H FY2/22 sales.
- \* Rakuten Super Logistics services are included in Services.
- \* Sectors are selected for consistency with the Ministry of Economy, Trade and Industry statistics on page 46.

## Steady growth of sales from outsourced logistics operations

Net sales (Thousands of yen)

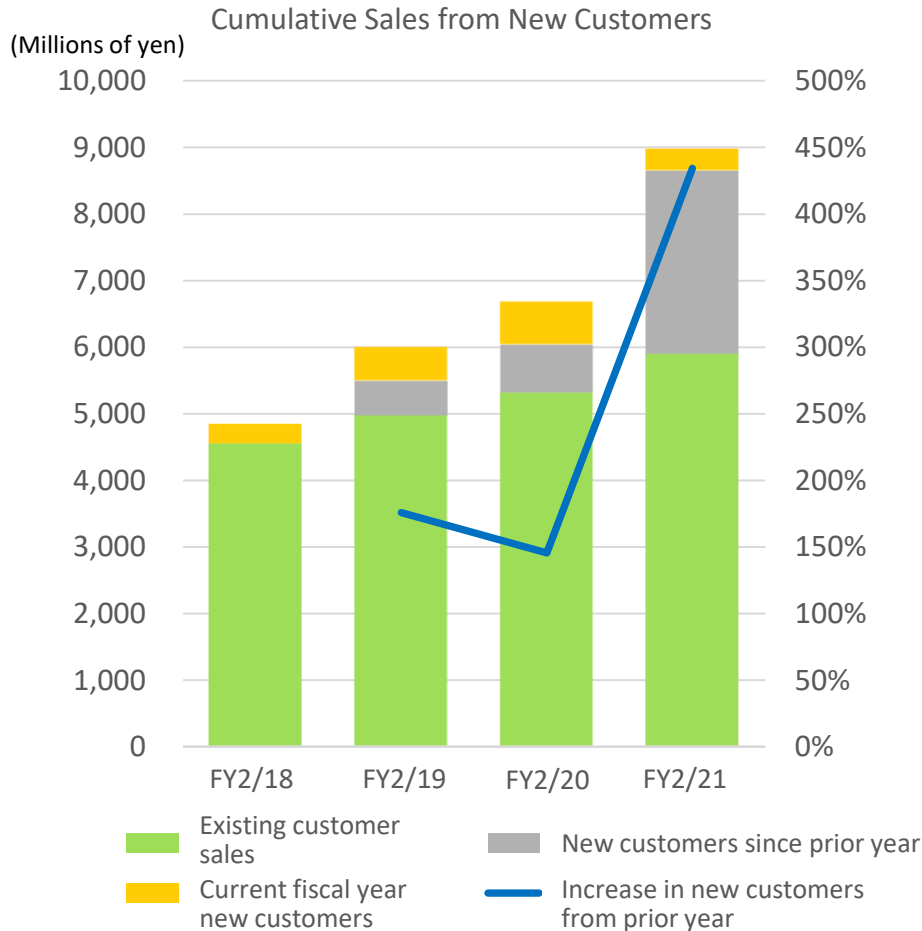
Average Monthly Sales Per Client Company



- \* Based on the top 100 companies in 1H FY2/22 sales.
- \* Calculated after excluding Rakuten Super Logistics services sales

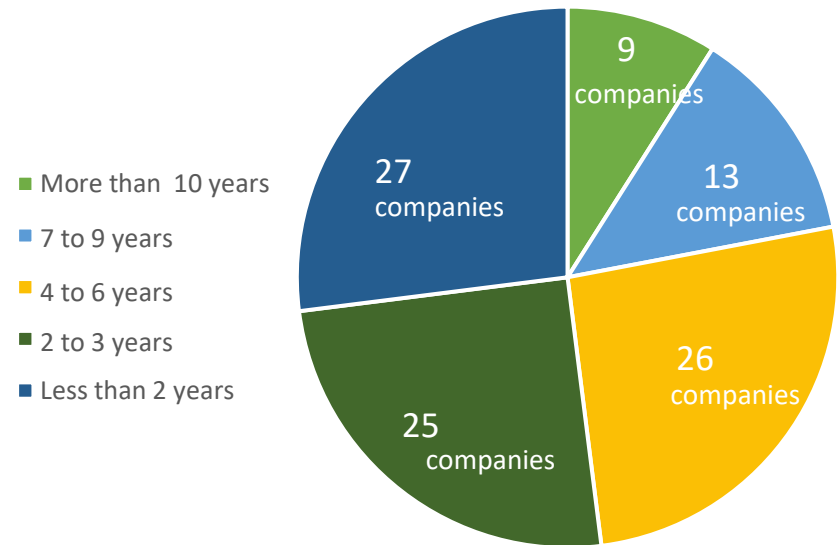
# 1. A Large and Growing Number of Customers

New customers contribute to KANTSU's growth every year



The number of new customers is increasing but relationships of at least four years are still about half of all customers  
We maintain logistics support relationships for a long-time with our customers

Length of Customer Relationships (FY2/21 results)



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

\*Sales from EC and catalog logistics support services

## 2. Ability to Attract New Customers

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

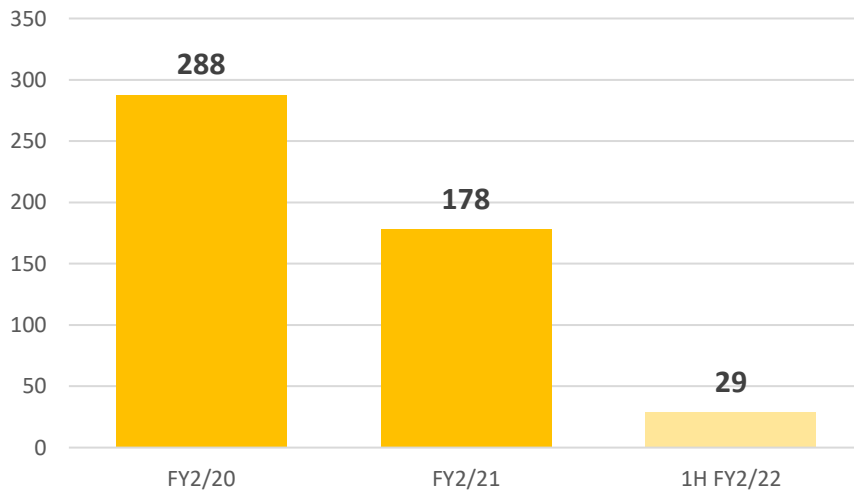
### Warehouse Study Tours (Seminars)

**Warehouse Study Tours** have hosted more than 200 people every year since they began in 2014. 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.

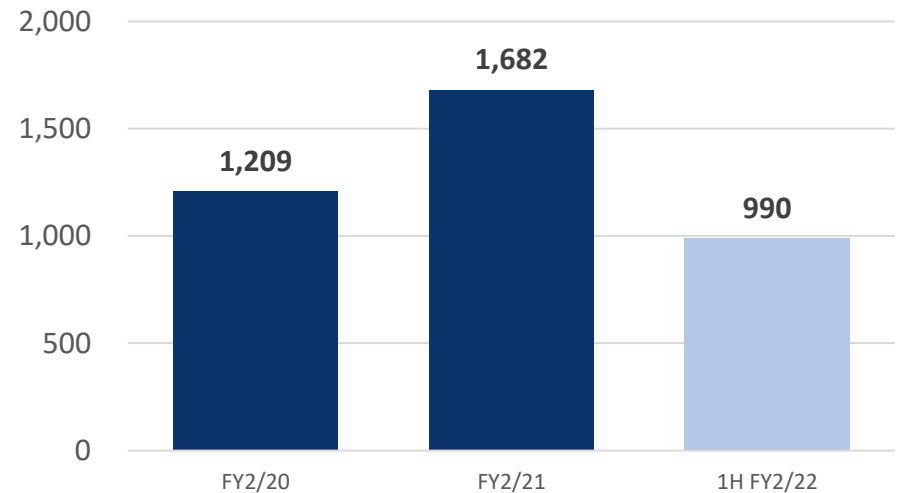
### Web Marketing

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. Web marketing immediately started producing benefits and there have been many improvements over the years, such as search engine optimization. Currently, we perform our own web marketing operations and provide web marketing consulting to customers who ask for this service.

Number of participants



Number of inquiries



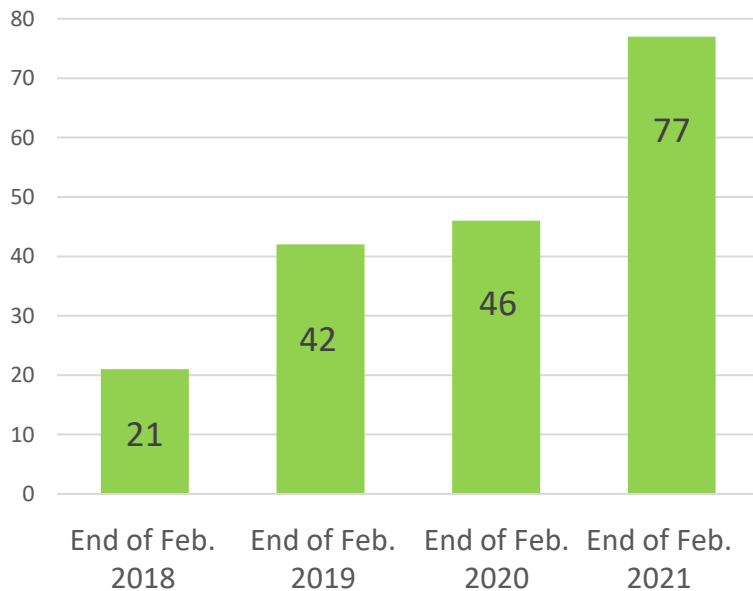
# 3. Recruiting, Training and Productivity

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

## ■ Recruiting

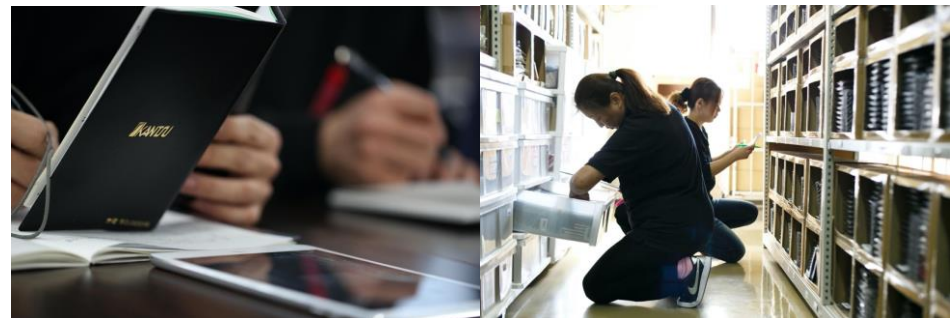
- Started using foreign technical trainees in June 2017
- Trainees receive vocational and Japanese language lessons before coming to Japan
- We hire trainees every year, who are productive workers immediately after arriving in Japan due to preliminary training
- We are constantly improving the infrastructure 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 standard publication/Evaluation sheet





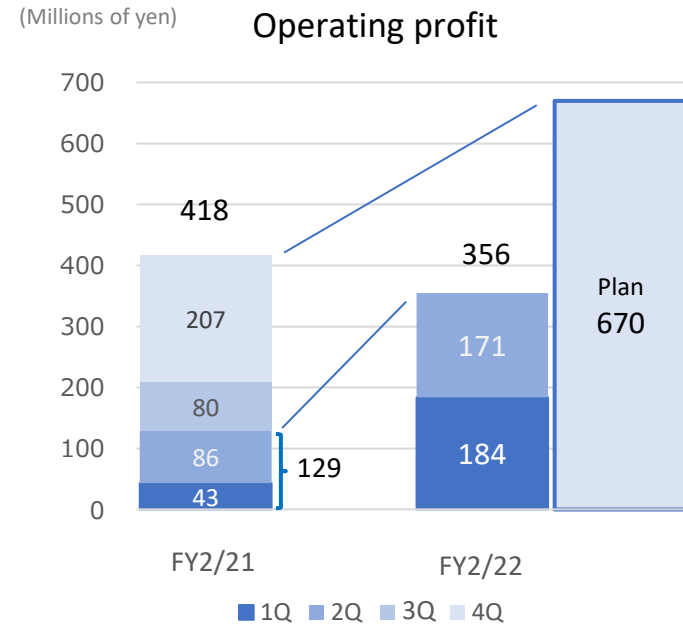
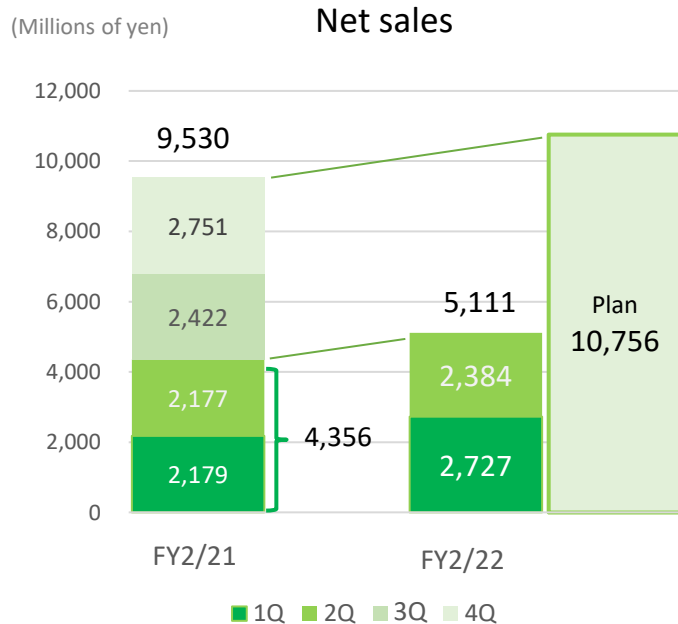
## **IV. 1H FY2/22 Financial Summary**

# 1. 1H FY2/22 Financial Highlights

- Operating profit was 175% higher than one year earlier.

In April 2021, the new EC/Catalog Distribution Center (about 15,900m<sup>2</sup>) reached full capacity.  
 In June 2021, the utilization rate of the new D-to-C Distribution Center (about 17,200m<sup>2</sup>) was about 70%.

Net sales	5,111	million yen	(Up 17.3 % YoY)
Operating profit	356	million yen	(Up 174.5 % YoY)



## 2. 1H FY2/22 Results Summary

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

(Millions of yen, %)

	1H FY2/21		1H FY2/22		YoY change	
	Results	% to net sales	Results	% to net sales	Amount	%
<b>Net sales</b>	4,356	100.0	<b>5,111</b>	<b>100.0</b>	<b>754</b>	<b>17.3</b>
Gross profit	468	10.7	769	15.0	301	64.3
SG&A expenses	338	7.8	412	8.1	74	22.0
<b>Operating profit</b>	129	3.0	<b>356</b>	<b>7.0</b>	<b>226</b>	<b>174.5</b>
<b>Ordinary profit</b>	110	2.5	<b>334</b>	<b>6.5</b>	<b>223</b>	<b>202.1</b>
<b>Profit</b>	78	1.8	<b>230</b>	<b>4.5</b>	<b>151</b>	<b>193.5</b>
EPS (Yen)	9.07	-	22.91	-	-	-

\* IT automation is a new reportable segment beginning with 1Q FY2/22. Due to a reexamination of software development depreciation expenses and other reasons associated with this new segment, 10 million yen of depreciation that was in SG&A expenses in 1H FY2/21 has been reclassified as cost of sales.

\* KANTSU conducted a 3-for-1 stock split on September 1, 2021. EPS has been calculated as if this stock split had taken place at the beginning of FY2/21.



## 3. Quarterly Results Summary

First half performance was in line with the fiscal year plan. Sales were 47.5% of the plan and operating profit was 53.1% of the plan.

(Millions of yen, %)

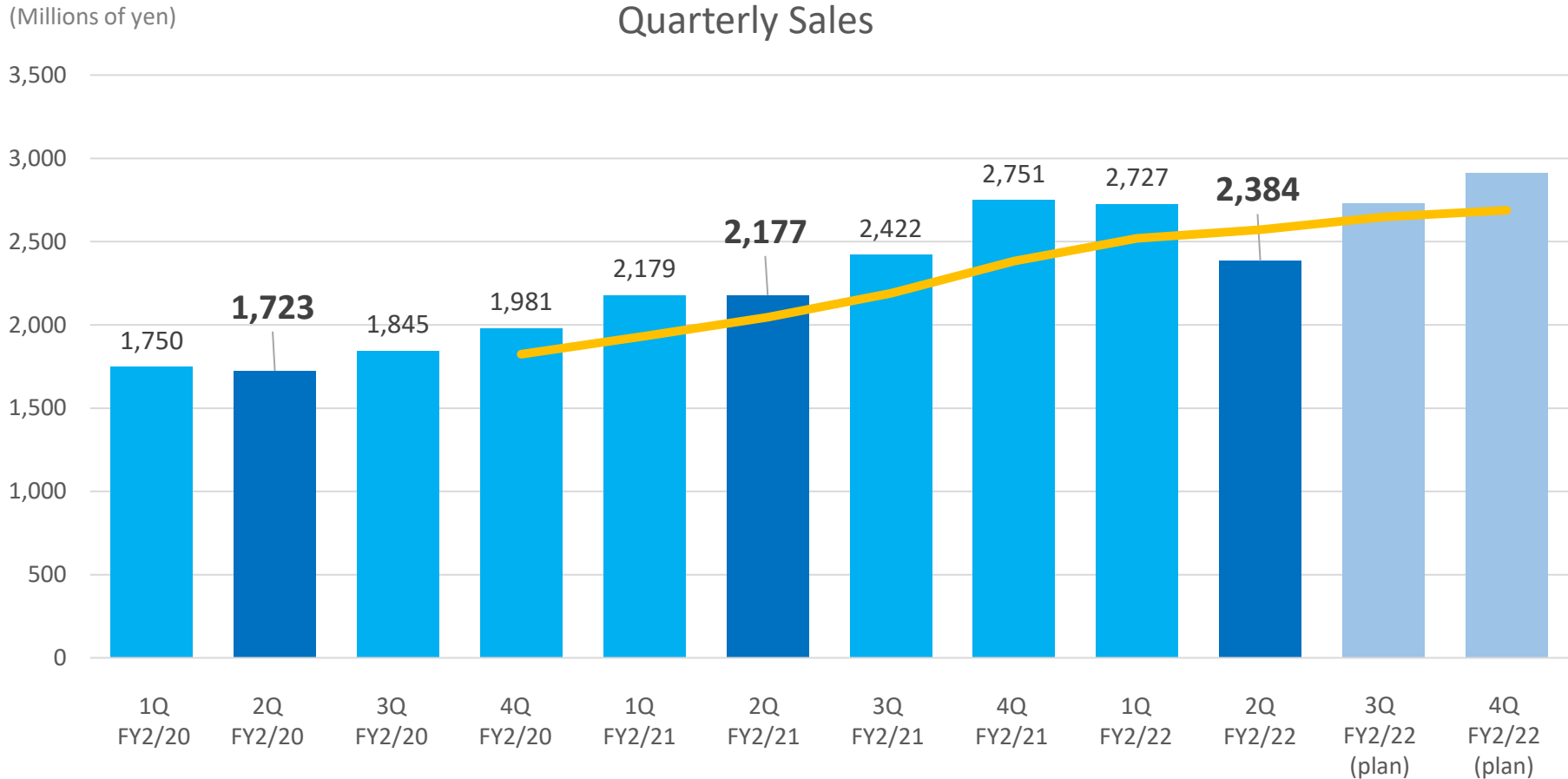
	FY2/21				FY2/22					
	1Q	2Q	3Q	4Q	1Q	2Q	1H	Vs. 1H plan	Vs. FY plan	FY plan
<b>Net sales</b>	<b>2,179</b>	<b>2,177</b>	<b>2,422</b>	<b>2,751</b>	<b>2,727</b>	<b>2,384</b>	<b>5,111</b>	<b>96.8</b>	<b>47.5</b>	<b>10,756</b>
Gross profit	212	255	264	393	397	371	769	101.9	47.8	1,608
SG&A expenses	168	169	183	186	213	199	412	94.7	44.0	937
<b>Operating profit</b>	<b>43</b>	<b>86</b>	<b>80</b>	<b>207</b>	<b>184</b>	<b>171</b>	<b>356</b>	<b>111.6</b>	<b>53.1</b>	<b>670</b>
<b>Ordinary profit</b>	<b>32</b>	<b>78</b>	<b>74</b>	<b>198</b>	<b>171</b>	<b>163</b>	<b>334</b>	<b>112.6</b>	<b>52.7</b>	<b>635</b>
<b>Profit</b>	<b>23</b>	<b>55</b>	<b>55</b>	<b>148</b>	<b>117</b>	<b>112</b>	<b>230</b>	<b>113.4</b>	<b>53.7</b>	<b>428</b>
EPS (Yen)	2.78	6.12	6.14	15.86	11.92	10.95	22.91	-	-	42.27

\* IT automation is a new reportable segment beginning with 1Q FY2/22. Due to a reexamination of software development depreciation expenses and other reasons associated with this new segment, 10 million yen of depreciation that was in SG&A expenses in 2Q FY2/21 has been reclassified as cost of sales.

\* KANTSU conducted a 3-for-1 stock split on September 1, 2021. EPS has been calculated as if this stock split had taken place at the beginning of FY2/21.

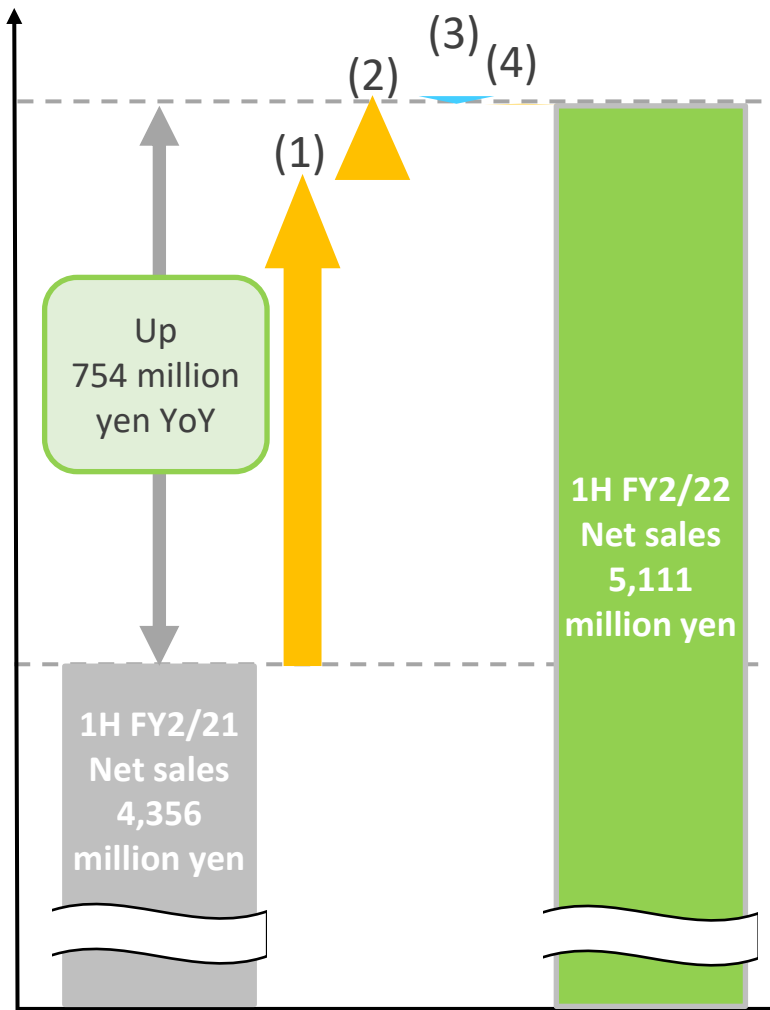
# 3. Quarterly Results Summary

Steady year-on-year growth of quarterly sales



\*The yellow line is a moving average using the average of sales in the four-quarter period ending in each quarter.

# 4. Analysis of Change in Net Sales



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

Switch of cargo transport rate contracts for some customers reduced sales but sales were higher because of sales from new customers in FY2/21 and 1Q FY2/22

**+651 million yen YoY**

## (2) Growth in the IT automation business

The number of contracts is increasing and there were strong sales of logistics automation hardware associated with new Cloud Thomas users in 1Q

**+112 million yen YoY**

## (3) Lower sales of other logistics services

Sales decreased mainly because of cancelations of warehouse study tours mainly because of the COVID-19 pandemic

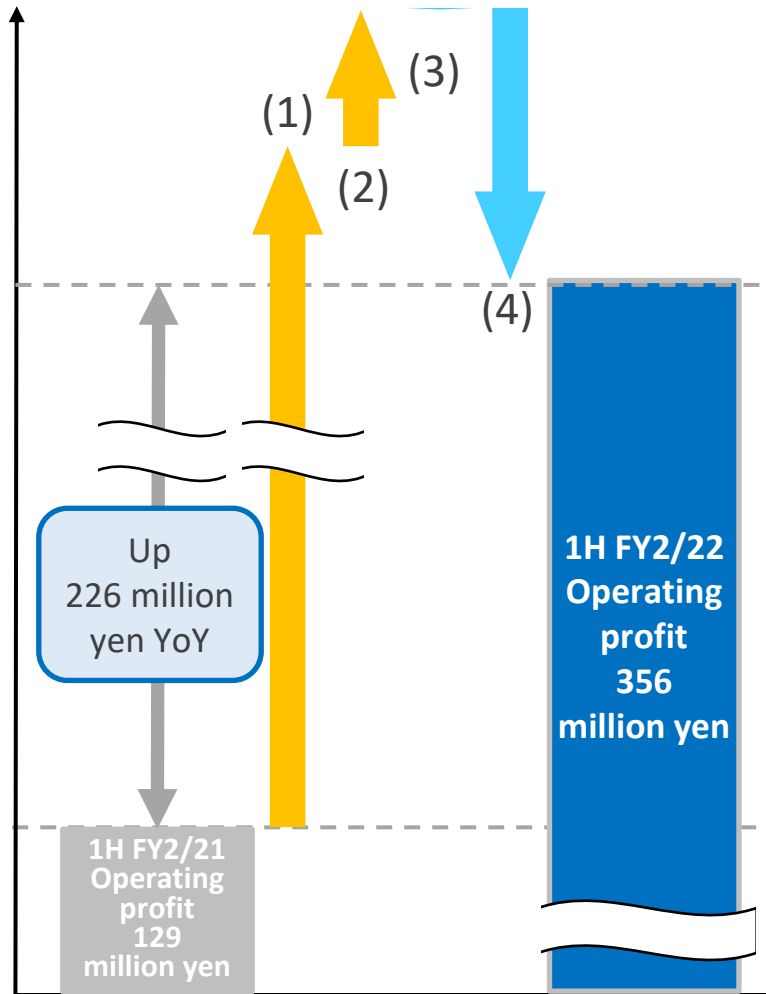
**-7 million yen YoY**

## (4) Lower sales of other businesses

Sales of technology education services for foreign trainees decreased mainly due to the COVID-19 pandemic

**-1 million yen YoY**

# 5. Analysis of Change in Operating Profit



**(1) Higher gross profit in the logistics services business**

Mainly due to higher sales in the EC/catalog logistics support services category

**+261 million yen YoY**

**(2) Higher gross profit in the IT automation business**

Higher earnings as the contribution of sales growth outweighed expenses for more people and other measures to upgrade maintenance operations

**+39 million yen YoY**

**(3) Lower gross profit in the other businesses**

Although the performance of existing services is strong, there was a small decrease because of higher expenses due to the employment assistance service for people with developmental disabilities that was started in December 2020.

**-0 million yen YoY**

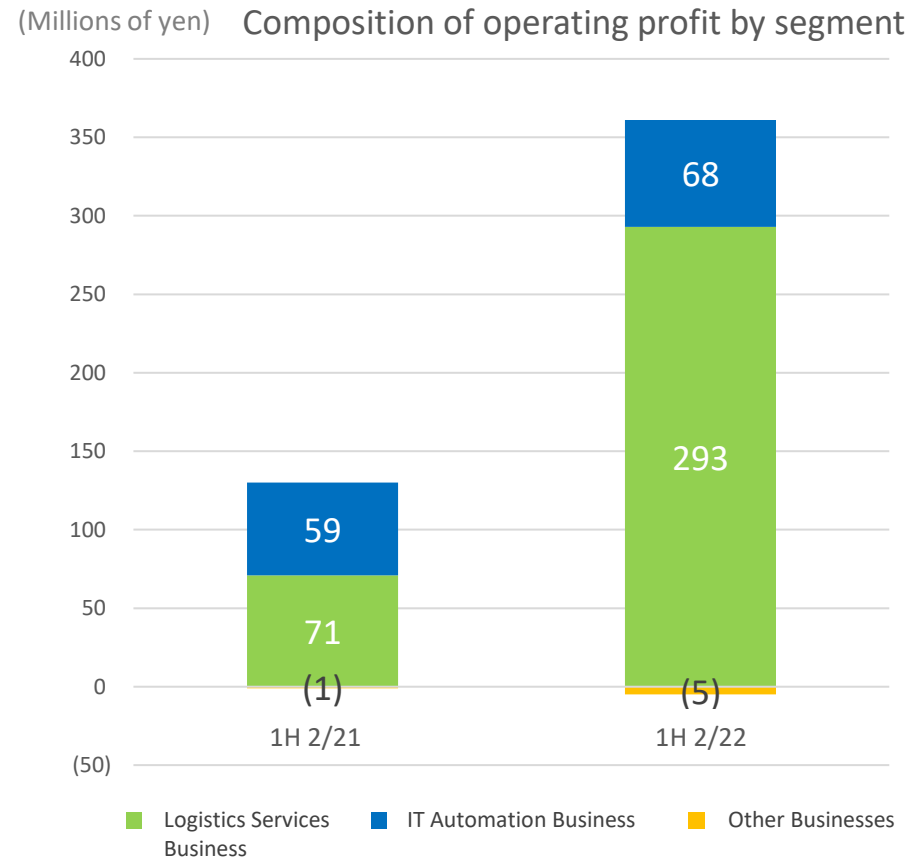
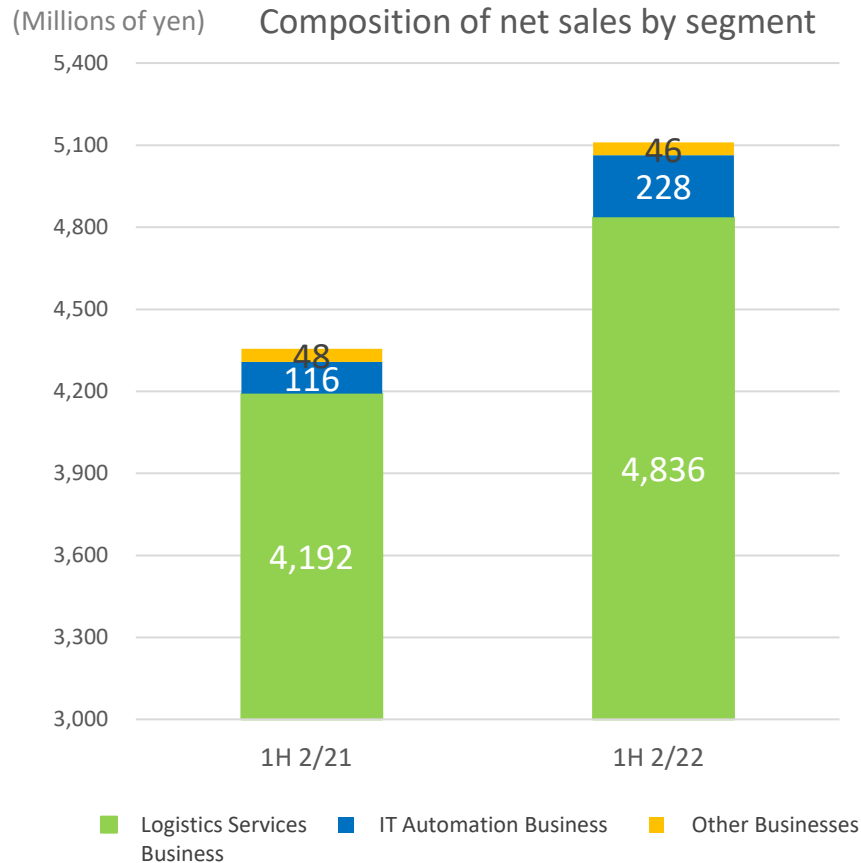
**(4) Higher SG&A expenses (negative)**

Attributable mainly to expenses for strengthening administrative functions and advertising and marketing activities

**-74 million yen YoY**

# 6. Business Segments (1) Overall

- Sales were higher in the logistics services business and IT automation business as the contribution to consolidated sales and earnings of the IT automation business continued to increase.



# 6. Business Segments

## (2) Logistics Services Business

- Switch of cargo transport rate contracts for some customers reduced sales but sales were up 643 million yen (15.4%) from one year earlier because of sales from new customers in FY2/21 and 1Q FY2/22.
- A small increase in the profit margin because of sales growth and the switch of cargo transport rate contracts. The segment profit increased 221 million yen (308.8%) from one year earlier.

(Millions of yen, %)

		1H FY2/21		1H FY2/22		YoY change	
		Results	% to sales	Results	% to sales	Amount	%
	EC/catalog logistics support services	4,099	97.8	4,750	98.2	651	15.9
	Outsourced order processing services	49	1.2	52	1.1	2	6.0
	Others	42	1.0	32	0.7	(10)	(24.2)
	<b>Segment sales</b>	<b>4,192</b>	<b>100.0</b>	<b>4,836</b>	<b>100.0</b>	<b>643</b>	<b>15.4</b>
	<b>Segment profit</b>	<b>71</b>	<b>1.7</b>	<b>293</b>	<b>6.1</b>	<b>221</b>	<b>308.8</b>

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

# 6. Business Segments

## (3) IT Automation Business

- Segment sales increased 112 million yen (96.2%) primarily because of the increasing number of Cloud Thomas contracts and higher sales of logistics automation hardware as the number of Cloud Thomas users increased in 1Q.
- Segment profit increased 9 million yen (16.2%). Logistics automation hardware sales raised cost of sales ratio and there were expenses associated with the 2020 release of Thomas Pro and for strengthening support operations.

(Millions of yen, %)

		1H FY2/21		1H FY2/22		YoY change	
		Results	% to sales	Results	% to sales	Amount	%
	Cloud Thomas	68	58.8	174	76.4	106	155.0
	Other	48	41.2	53	23.6	5	12.1
<b>Segment sales</b>		<b>116</b>	<b>100.0</b>	<b>228</b>	<b>100.0</b>	<b>112</b>	<b>96.2</b>
<b>Segment profit</b>		<b>59</b>	<b>50.8</b>	<b>68</b>	<b>30.1</b>	<b>9</b>	<b>16.2</b>

# 6. Business Segments

## (4) Other Businesses

- Technology education services for foreign trainees sales were down because of the inability to provide services to new classes of trainees due to the pandemic and other reasons. However, there was only a small decrease in sales because of a big increase in sales of other education services, including the employment assistance service for people with developmental disabilities, which started in December 2020.
- The segment loss increased 4 million yen because of higher expenses due to the start of the employment assistance service for people with developmental disabilities.

(Millions of yen, %)

		1H FY2/21		1H FY2/22		YoY change	
		Results	% to sales	Results	% to sales	Amount	%
	Technology education services for foreign trainees	13	28.3	5	12.3	(7)	(58.0)
	Other education services	34	71.7	41	87.7	6	19.0
	<b>Segment sales</b>	<b>48</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>(1)</b>	<b>(2.8)</b>
	<b>Segment profit</b>	<b>(1)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>



# 7. Condensed Balance Sheet

	As of Feb. 28, 2021		As of August 31, 2021		YoY change
	Amount	Composition	Amount	Composition	
<b>Current assets</b>	<b>4,142</b>	<b>55.0</b>	<b>4,456</b>	<b>54.4</b>	<b>314</b>
Cash and deposits	2,592	34.4	2,984	36.4	391
Accounts receivable	1,256	16.7	1,036	12.6	(219)
Other	293	3.9	435	5.3	142
<b>Non-current assets</b>	<b>3,390</b>	<b>45.0</b>	<b>3,741</b>	<b>45.6</b>	<b>350</b>
Property, plant and equipment	2,326	30.9	2,470	30.1	144
Intangible assets	259	3.5	293	3.6	33
Investments and other assets	804	10.7	977	11.9	172
<b>Total assets</b>	<b>7,532</b>	<b>100.0</b>	<b>8,197</b>	<b>100.0</b>	<b>664</b>
<b>Current liabilities</b>	<b>1,836</b>	<b>24.4</b>	<b>1,624</b>	<b>19.8</b>	<b>(211)</b>
Accounts payable	472	6.3	270	3.3	(201)
Interest-bearing debt	817	10.9	803	9.8	(13)
Other	546	7.3	550	6.7	4
<b>Non-current liabilities</b>	<b>4,101</b>	<b>54.4</b>	<b>4,080</b>	<b>49.8</b>	<b>(20)</b>
Interest-bearing debt	3,867	51.3	3,820	46.6	(46)
Other	234	3.1	260	3.2	25
<b>Total liabilities</b>	<b>5,937</b>	<b>78.8</b>	<b>5,705</b>	<b>69.6</b>	<b>(232)</b>
<b>Total net assets</b>	<b>1,595</b>	<b>21.2</b>	<b>2,491</b>	<b>30.4</b>	<b>896</b>
<b>Total liabilities and net assets</b>	<b>7,532</b>	<b>100.0</b>	<b>8,197</b>	<b>100.0</b>	<b>664</b>

(Millions of yen, %)

Increase mainly due to exercise of share acquisition rights

Higher guarantee deposits due to new distribution centers

Decrease because FY2/21 ended on a weekend and lower cargo transport expenses

Increase mainly due to exercise of share acquisition rights

## 8. Cash Flows and Other Information

### Cash Flow Summary

(Millions of yen)

	FY2/21		FY2/22	
	First half	Fiscal year	First half	Main factors
Operating cash flows	39	187	420	Profit before income taxes
Investing cash flows	(292)	(650)	(627)	Installation of equipment and payment of leasehold deposits associated with new distribution centers
Financing cash flows	295	675	591	Exercise of share acquisition rights, etc.
Cash and cash equivalents at end of period	2,231	2,400	2,785	

### Capital Expenditures/ Depreciation

(Millions of yen)

	FY2/21		FY2/22	
	1Q	1H	1Q	1H
Capital expenditures (non-current assets)	102	379	284	638
Total depreciation	52	108	70	143

# 9. Capital Expenditures

## Plan and Actual Expenditures

(As of August 31, 2021) (Millions of yen)

Project	Purpose	Plan	Payment made	Start/Finish
Construction of Tokyo Primary Center (Wako, Saitama)	More space for current customers and space for new customers (11,200m <sup>2</sup> )	184	146	Dec. 2019 to Oct. 2021
Construction of a D-to-C Distribution Center (Amagasaki, Hyogo)	More space for current customers and space for new customers (17,200m <sup>2</sup> )	265	152	May 2021 to Feb. 2022
Use of robots at distribution centers	Expanded the use of logistics robots and other automation equipment	400	33	Mar. 2021 to Feb. 2022
Software development	Reinforce functions of the Cloud Thomas warehouse management system and other improvements	300	65	Mar. 2021 to Feb. 2023
Add new distribution centers (One center in Amagasaki, Hyogo) (One center in Niiza, Saitama)	More space for current customers and space for new customers (About 46,000m <sup>2</sup> for both centers)	747	325	Mar. 2021 to Feb. 2023
Add new refrigerated/frozen warehouse (Niiza, Saitama)	For serving new customers using e-commerce for frozen and refrigerated food products	640	-	Feb. 2022 to Apr. 2022

Payments made  
Lease deposits 133 million yen  
Others 12 million yen

Payments made  
Lease deposits 139 million yen  
Others 13 million yen

Payments made  
Logistics automation hardware 33 million yen

Payments made  
Lease deposits 227 million yen  
Refrigeration/freezing equipment 57 million yen  
Others 40 million yen



# **V. FY2/22 Earnings Forecasts**

# 1. FY2/22 Earnings Forecasts

- Forecast net sales to increase 12.9% YoY and operating profit to increase 60.4% YoY.

(Millions of yen, %)

	FY2/21 Results		FY2/22 Forecasts		YoY change	
	Results	% to net sales	Forecasts	% to net sales	Amount	%
<b>Net sales</b>	<b>9,530</b>	<b>100.0</b>	<b>10,756</b>	<b>100.0</b>	<b>1,226</b>	<b>12.9</b>
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
<b>Operating profit</b>	<b>418</b>	<b>4.4</b>	<b>670</b>	<b>6.2</b>	<b>252</b>	<b>60.4</b>
<b>Ordinary profit</b>	<b>383</b>	<b>4.0</b>	<b>635</b>	<b>5.9</b>	<b>251</b>	<b>65.7</b>
<b>Profit</b>	<b>283</b>	<b>3.0</b>	<b>428</b>	<b>4.0</b>	<b>145</b>	<b>51.5</b>
EPS (Yen)	31.66	-	42.27	-	-	-

\* KANTSU conducted a 3-for-1 stock split on September 1, 2021. EPS has been calculated as if this stock split had taken place at the beginning of FY2/21.

## 2. Business Segments

### (1) Logistics Services Business

- Two new distribution centers in Amagasaki, Hyogo prefecture (total of about 35,700m<sup>2</sup>) 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)
	<b>Segment sales</b>	<b>9,146</b>	<b>100.0</b>	<b>10,292</b>	<b>100.0</b>	<b>1,145</b>	<b>12.5</b>

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

\* Beginning with 1Q FY2/22, the software sales and use services category is a separate business segment called IT automation. Due to this change, software sales and use services have been deducted from FY2/21 results in 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 (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
	<b>Segment sales</b>	<b>297</b>	<b>100.0</b>	<b>349</b>	<b>100.0</b>	<b>52</b>	<b>17.6</b>

\* 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 28 million yen, or 33.1%, because of the expected sales of the employment assistance service for people with developmental disabilities, which was started in FY2/21.

(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
	<b>Segment sales</b>	<b>86</b>	<b>100.0</b>	<b>115</b>	<b>100.0</b>	<b>28</b>	<b>33.1</b>



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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 (%)
<b>Net sales</b>	<b>10,756</b>	100.0	12.9	<b>13,105</b>	100.0	21.8	<b>15,370</b>	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
<b>Operating profit</b>	<b>670</b>	6.2	60.4	<b>796</b>	6.1	18.8	<b>1,095</b>	7.1	37.6
<b>Ordinary profit</b>	<b>635</b>	5.9	65.7	<b>750</b>	5.7	18.1	<b>1,050</b>	6.8	40.0
<b>Profit</b>	<b>428</b>	4.0	51.5	<b>506</b>	3.9	18.1	<b>708</b>	4.6	40.0
<b>ROE</b>	At least <b>15.0%</b>		-	At least <b>15.0%</b>		-	At least <b>15.0%</b>		-

## 2. Medium-term Plan for Business Segments

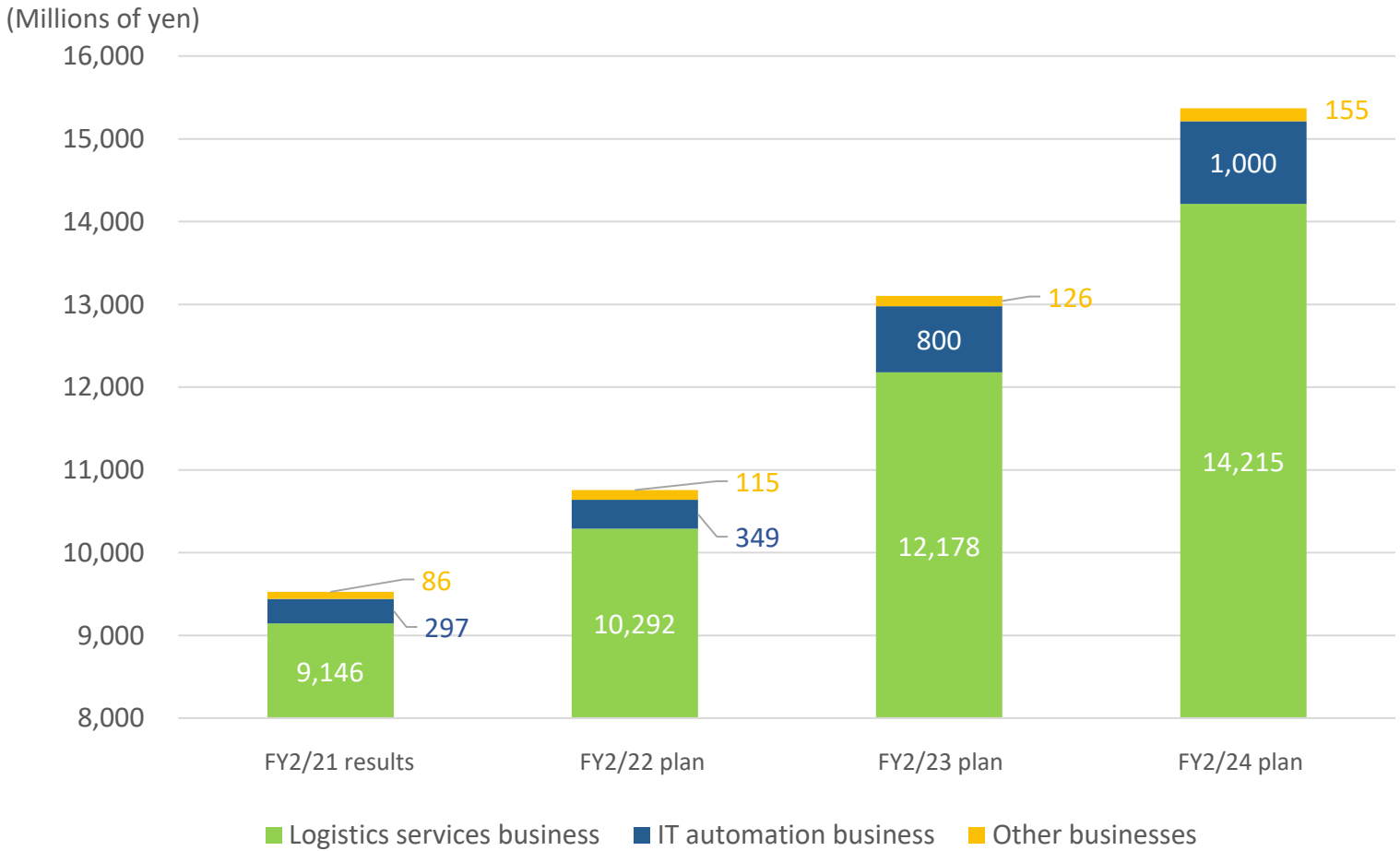
- In the logistics services business, the goal is to use capital expenditures for distribution center expansion and robots and other automated logistics equipment in order to grow faster than the e-commerce market.
- In the IT automation business, the goal is to become recognized as an IT vendor by making 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
<b>Net sales</b>	<b>10,756</b>	<b>100.0</b>	<b>12.9</b>	<b>13,105</b>	<b>100.0</b>	<b>21.8</b>	<b>15,370</b>	<b>100.0</b>	<b>17.3</b>
<b>Gross profit</b>	<b>1,608</b>	<b>15.0</b>	<b>42.9</b>	<b>1,833</b>	<b>14.0</b>	<b>14.0</b>	<b>2,280</b>	<b>14.8</b>	<b>24.4</b>

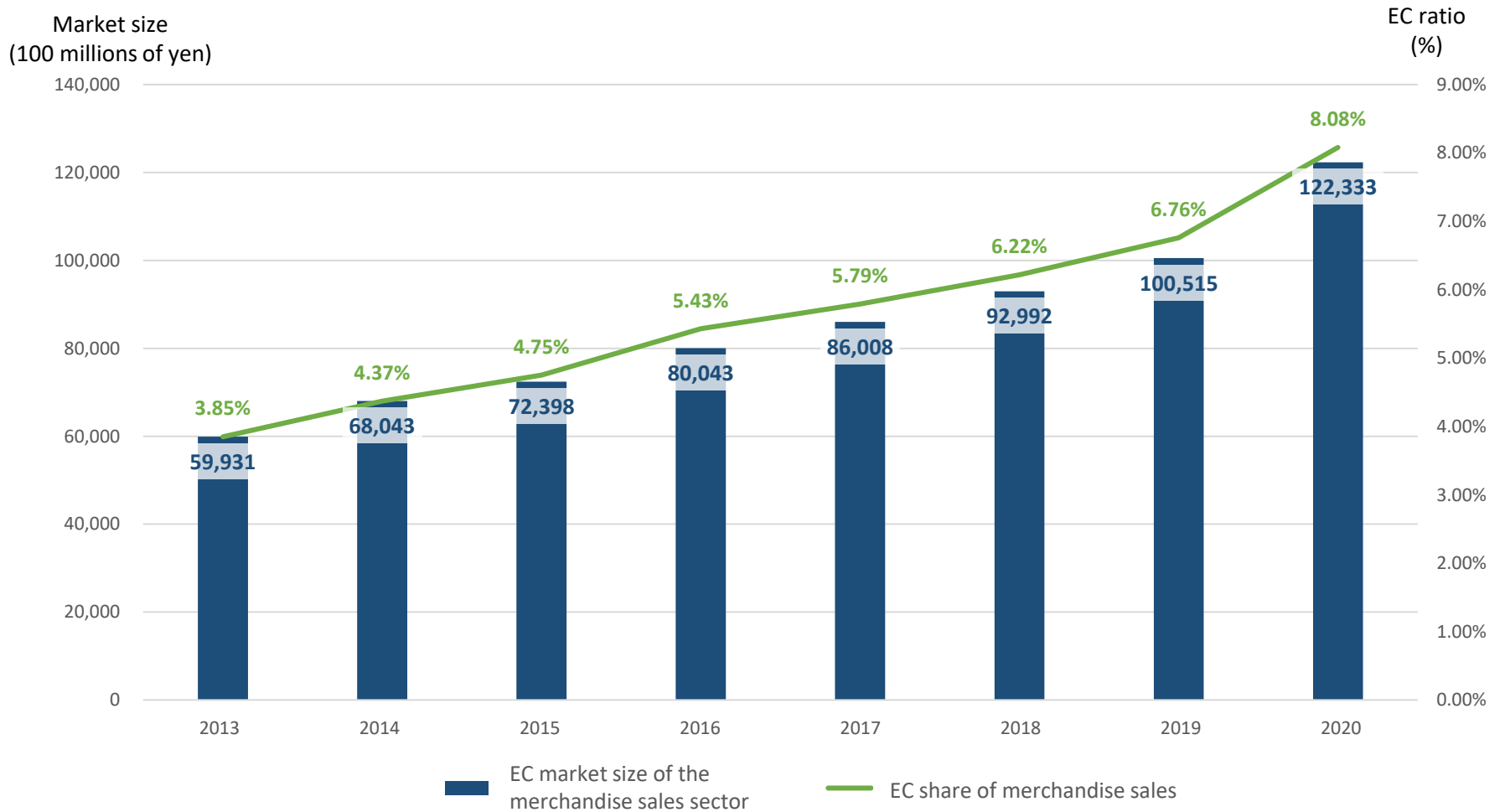
# 2. Business Segment Sales Plan

- 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

Rapid growth of the EC market size of the merchandise sales category is expected to continue



Source: FY2020 Industrial Economic Research Outsourcing Business (Market Survey concerning e-commerce), Ministry of Economy, Trade and Industry

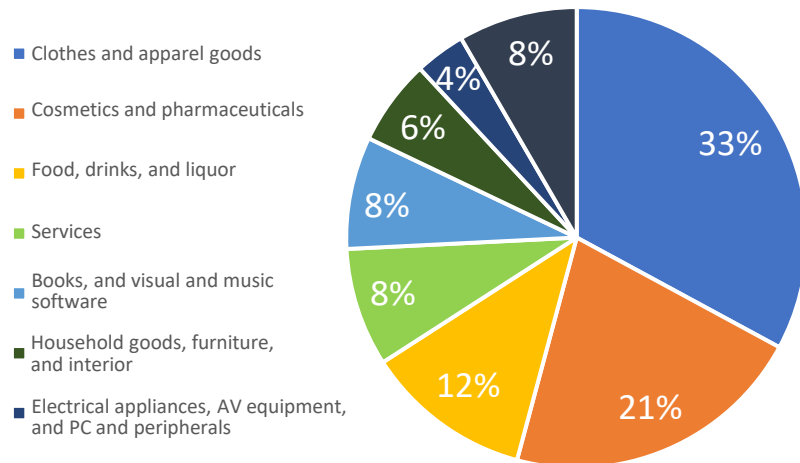
# 3. Market Conditions

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**

	2019	2020	Growth ratio
<b>A. Merchandise sales</b>	<b>¥10,051.5 billion (EC ratio 6.76%)</b>	<b>¥12,233.3 billion (EC ratio 8.08%)</b>	<b>21.71%</b>
B. Services	¥7,167.2 billion	¥4,583.2 billion	(36.05)%
C. Digital technology	¥2,142.2 billion	¥2,461.4 billion	14.9%
Total	¥19,360.9 billion	¥19,277.9 billion	(0.43)%

Reference: KANTSU Market Category Sales Composition (1H FY2/22 results)



\*Percentages are based on the top 100 companies in 1H FY2/22 sales.

\*Rakuten Super Logistics services are included in services.

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

Classification	2019		2020	
	Market size (¥ billion) *Lower column: vs. 2018	EC ratio (%)	Market size (¥ billion) *Lower column: vs. 2019	EC ratio (%)
1 <u>Food, drinks, and liquor</u>	1,823.3 (7.77%)	2.89%	2,208.6 (21.13%)	3.31%
2 <u>Electrical appliances, AV equipment, and PC and peripherals</u>	1,823.9 (10.76%)	32.75%	2,348.9 (28.79%)	37.45%
3 <u>Books, and visual and music software</u>	1,301.5 (7.83%)	34.18%	1,623.8 (24.77%)	42.97%
4 <u>Cosmetics and pharmaceuticals</u>	661.1 (7.75%)	6.00%	778.7 (17.79%)	6.72%
5 <u>Household goods, furniture, and interior</u>	1,742.8 (8.36%)	23.32%	2,132.2 (22.35%)	26.03%
6 <u>Clothes and apparel goods</u>	1,910.0 (7.74%)	13.87%	2,220.3 (16.25%)	19.44%
7 Automobiles, motorcycles, and parts	239.6 (2.04%)	2.88%	278.4 (16.17%)	3.23%
9 Other	549.2 (4.79%)	1.54%	642.3 (16.95%)	1.85%
Total	1,0051.5 (8.09%)	6.76%	12,233.3 (21.71%)	8.08%

Source: FY2020 Industrial Economic Research Outsourcing Business (Market Survey concerning e-commerce), Ministry of Economy, Trade and Industry

## 4. Growth Strategy

### 1 New large refrigerated and frozen warehouses

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

January 2022 (planned) Automated warehouse with 1,050 pallets for frozen merchandise (1,323 ambient temperature pallets)  
EC/Catalog Distribution Center (Amagasaki, Hyogo)

April 2022 (planned) Kanto New Distribution Center (tentative name) in Niiza, Saitama prefecture (about 7,600m<sup>2</sup>)

### 2 Grow rapidly as an IT vendor

- Supply an upgraded version of the Cloud Thomas warehouse management system to strengthen its functions  
Started selling Cloud Thomas Pro in FY2/21 and currently upgrading customization capabilities for the use of this software in midsize and large-scale applications
- 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

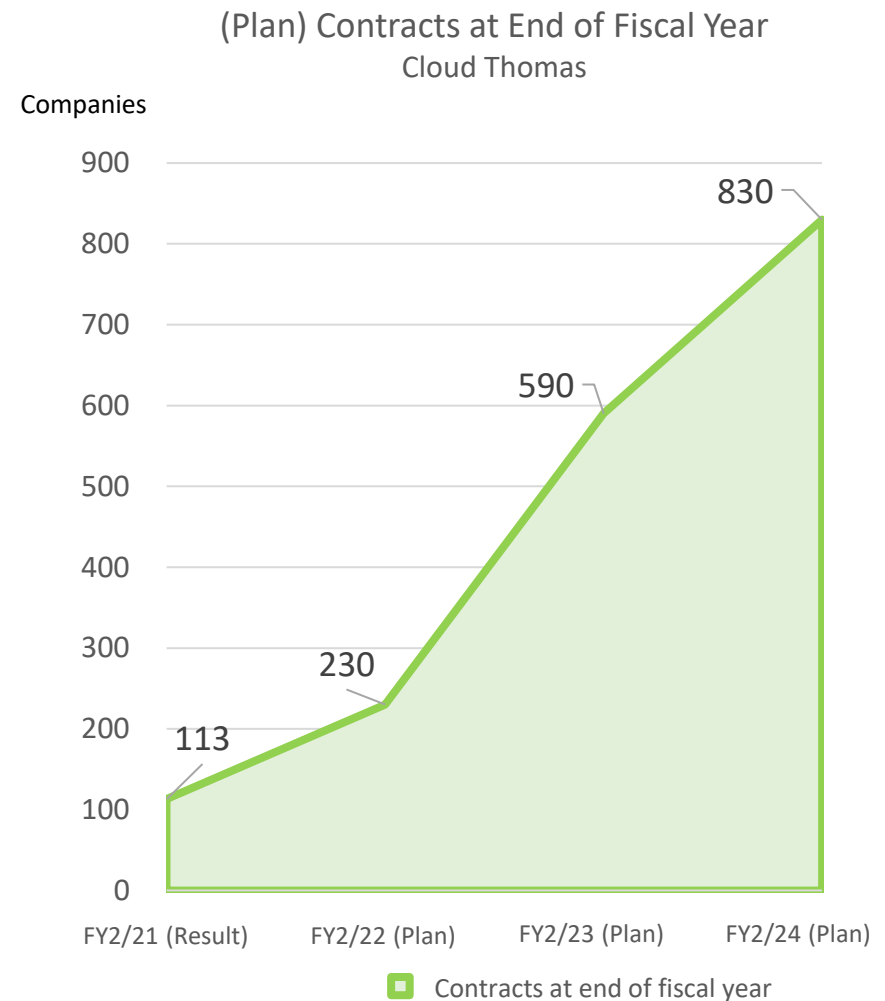
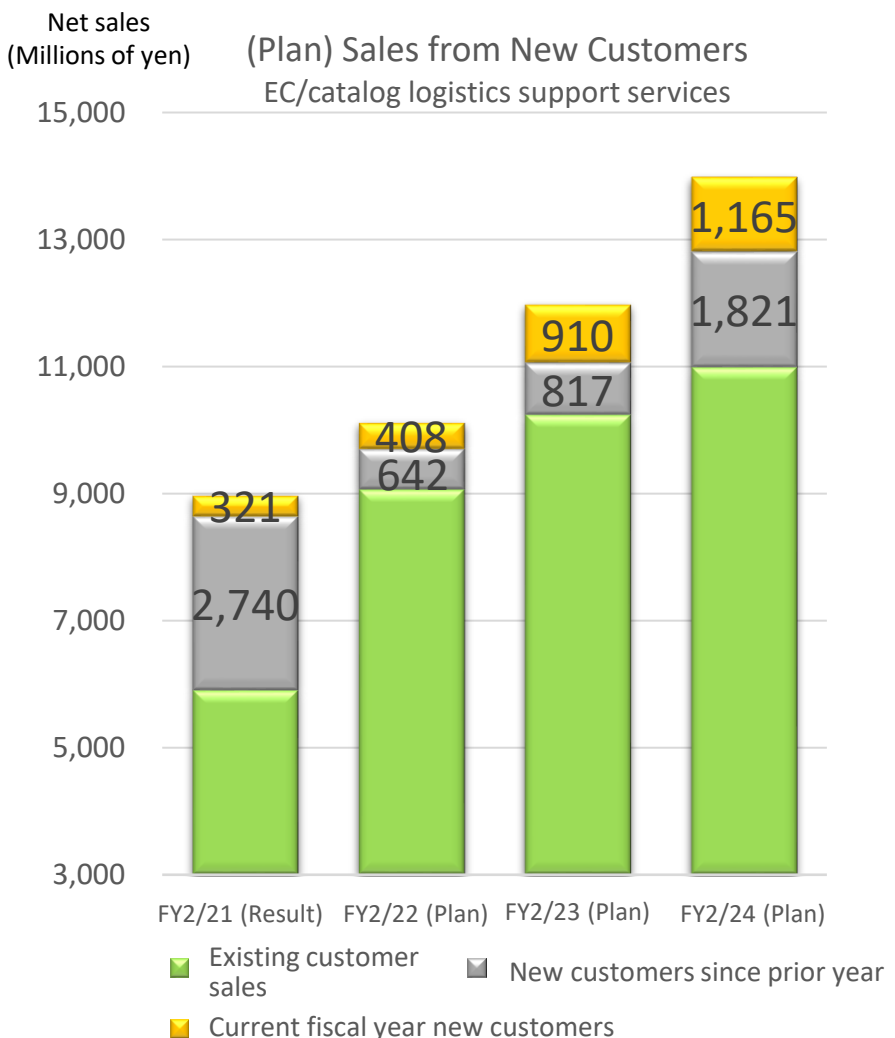
- Increase productivity by using automated logistics equipment and IT systems
- Strengthen functions linked with Cloud Thomas
- Use these advances at many locations to establish a proven record of success

### 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



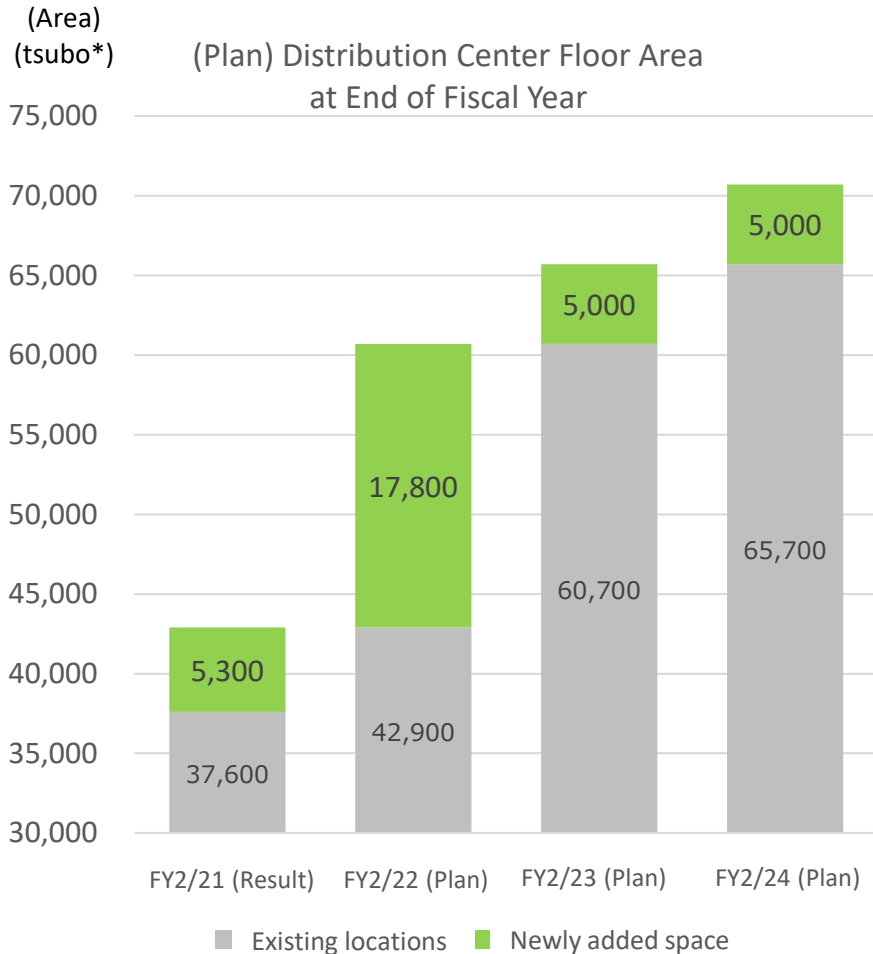
# 6. KPI Number of New Customers



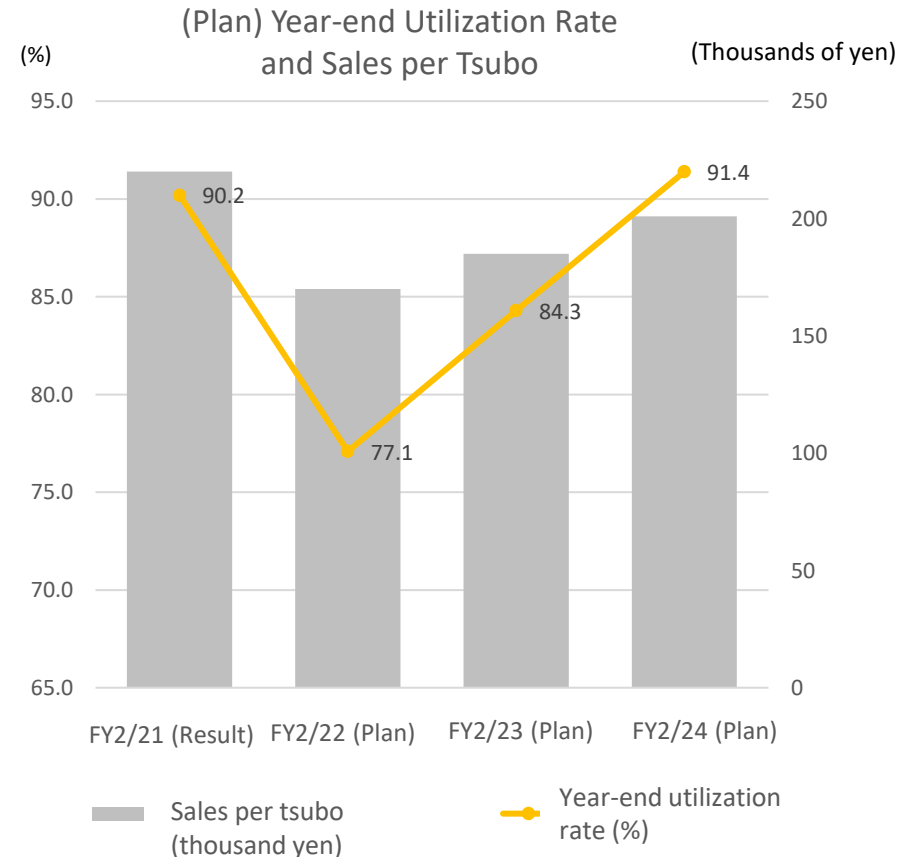
\*Sales from EC and catalog logistics support services

# 6. KPI Scale of Operations and Efficiency

- Plan to complete a 27,400m<sup>2</sup> distribution center in Niiza (Saitama prefecture) at the end of FY2/22 (earlier than originally planned)



- Sales per tsubo and the utilization rate are expected to temporarily decrease in FY2/22 because of the new Niiza distribution center (27,400m<sup>2</sup>) scheduled to open in February 2022. Afterward efficiency is expected to start improving again.



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

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# **Reference: Activities for the Sustainable Development Goals**

# Reference:

## Activities for the Sustainable Development Goals

Category	Activities	Examples
Digital Transformation	<p>Hire young people in Japan and other countries with a desire to learn ICT skills for logistics to become software developers or engineers for the use of ICT at logistics facilities. Give these people skills concerning new logistics facility management methods and ICT by placing them in jobs where they use management processes utilizing logistics facility ICT, develop software and are involved with other related tasks. In addition, use business-academic partnerships and other measures for logistics system and software R&amp;D programs.</p>	<ul style="list-style-type: none"> <li>● Use of logistics robots and robotic process automation</li> <li>● Collaboration with the Department of Industrial and Management Systems, Engineering School of Creative Science and Engineering, Waseda University</li> <li>● Collaboration with the Malaysia-Japan International Institute of Technology</li> <li>● The KANTSU career advancement program</li> </ul>
The environment	<p>Recycle materials used for logistics, reduce the use of paper by using the Cloud Thomas warehouse management system, and increase the use of paperless formats for invoices and contracts. Implement measures for sustainability, such as the use of LED lights at distribution centers to use less energy. Establish a framework for making environmental activities the foundation for the sustained growth of KANTSU.</p>	<ul style="list-style-type: none"> <li>● Recycle packaging materials</li> <li>● Install LED lights</li> <li>● Paperless invoices</li> <li>● Paperless contracts</li> </ul>

### Associated SDGs

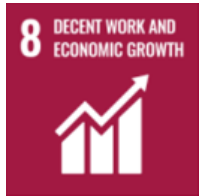


# Reference:

## Activities for the Sustainable Development Goals

Category	Activities	Examples
Employee benefits and training	<p>Operate after-school and other classes for the education of children with developmental disabilities and use after-school daytime care services for these children to help them develop skills and become more independent.</p> <p>Operate employment assistance centers that help people with developmental disabilities who want to find a job and provide support for acquiring knowledge and skills required for employment. Also operate nursery schools for companies as a benefit for their employees and conduct education activities with close ties to regions and communities.</p>	<ul style="list-style-type: none"> <li>● Operation of after-school daytime classes</li> <li>● Operation of employment assistance centers</li> <li>● Operation of nursery schools for companies</li> </ul>
Diversity	<p>Hire foreigners to work as software developers and continuously hire foreign technical trainees for logistics facilities. Established the UT Robotics Research Institute, which performs logistics systems and software R&amp;D, at the Malaysia-Japan International Institute of Technology for increasing the use of new technologies and assisting with the employment of people at companies using these technologies. In addition, KANTSU has many women in management positions and has a strong commitment to employing people with developmental disabilities.</p>	<ul style="list-style-type: none"> <li>● Employment of foreigners</li> <li>● Collaboration with the Malaysia-Japan International Institute of Technology</li> <li>● Women as pct. of all management personnel End of Feb. 2020: 26.3% End of Feb. 2021: 34.5%</li> <li>● Developmental disability people as pct. of total workforce FY2/20: 3.18% FY2/21: 6.29%</li> <li>● Pct. of available child care time off used by KANTSU employees FY2/20: 100% FY2/21: 100%</li> </ul>

### Associated SDGs



# Disclaimer

## Disclaimer and Precautions Concerning Forward-looking Statements

- Information in this presentation and associated materials contains forward-looking statements. These statements are based on the current outlook and forecasts as well as on assumptions that incorporate risk. All forward-looking statements include uncertainties that may result in actual performance that differs from these statements.
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