



April 14, 2022

Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2022

[Japanese GAAP]

Company name: KANTSU CO., LTD. Listing: Tokyo Stock Exchange
 Securities code: 9326 URL: <https://www.kantsu.com/>
 Representative: Hisahiro Tatsushiro, Representative Director and President
 Contact: Tadashi Katayama, Managing Director Tel: +81-6-6224-3361
 Scheduled date of Annual General Meeting of Shareholders: May 27, 2022
 Scheduled date of filing of Annual Securities Report: May 30, 2022
 Scheduled date of payment of dividend: May 30, 2022
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and securities analysts)
 (All amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2022

(March 1, 2021 – February 28, 2022)

(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	%
Fiscal year ended Feb. 28, 2022	10,099	6.0	729	74.5	687	79.4	463	63.9
Fiscal year ended Feb. 28, 2021	9,530	30.5	418	43.5	383	50.0	283	66.0

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 28, 2022	45.74	44.01	21.5	8.1	7.2
Fiscal year ended Feb. 28, 2021	31.66	30.00	25.5	5.5	4.4

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Feb. 28, 2022: - Fiscal year ended Feb. 28, 2021: -

Notes: 1. KANTSU conducted a 3-for-1 common stock split effective on September 1, 2021. Net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the fiscal year ended February 28, 2021.

2. Equity in earnings of affiliates is not shown because KANTAU has no affiliates.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2022	9,484	2,726	28.7	265.71
As of Feb. 28, 2021	7,532	1,595	21.1	167.12

Reference: Shareholders' equity (million yen) As of Feb. 28, 2022: 2,726 As of Feb. 28, 2021: 1,591

Note: KANTSU conducted a 3-for-1 common stock split effective on September 1, 2021. Net assets per share has been calculated as if this stock split had taken place at the beginning of the fiscal year ended February 28, 2021.

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 28, 2022	805	(1,093)	900	3,012
Fiscal year ended Feb. 28, 2021	187	(650)	675	2,400

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio	Dividend on equity
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Feb. 28, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Feb. 28, 2022	-	0.00	-	10.00	10.00	102	21.9	4.6
Fiscal year ending Feb. 28, 2023 (forecast)	-	0.00	-	10.00	10.00		16.9	

3. Earnings Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 – February 28, 2023)

On March 1, 2022, KANTSU established wholly owned subsidiary KANTSU Business Services Co., Ltd. As a result, KANTSU will begin preparing consolidated financial statements in the first quarter of the fiscal year ending February 28, 2023. Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 5 and the press release dated today titled "Notice of Consolidated Forecast and Start of Consolidated Financial Reports" for more details.

* Notes

(1) 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

(2) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Feb. 28, 2022:	10,262,400 shares	As of Feb. 28, 2021:	9,546,000 shares
----------------------	-------------------	----------------------	------------------

2) Number of treasury shares at the end of the period

As of Feb. 28, 2022:	93 shares	As of Feb. 28, 2021:	- shares
----------------------	-----------	----------------------	----------

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2022:	10,143,729 shares	Fiscal year ended Feb. 28, 2021:	8,938,673 shares
----------------------------------	-------------------	----------------------------------	------------------

Note: KANTSU conducted a 3-for-1 common stock split effective on September 1, 2021. The number of shares outstanding at the end of the period (including treasury shares), the number of treasury shares at the end of the period and the average number of shares outstanding during the period have been calculated as if this stock split had taken place at the beginning of the fiscal year ended February 28, 2021.

This financial report is not subject to audit 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. Overview of Results of Operations, (4) Outlook” on page 5 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 April 14, 2022.

Announcement of information concerning business plan and growth potential

“Information concerning business plan and growth potential” that was announced on July 28, 2021, included the plan for the next provision of this information in late April 2022. The announcement of this information is now planned for approximately late May 2022.

Contents of Attachments

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	4
(3) Cash Flows	4
(4) Outlook	5
2. Basic Approach to the Selection of Accounting Standards	5
3. Non-consolidated Financial Statements and Notes	6
(1) Non-consolidated Balance Sheet	6
(2) Non-consolidated Statement of Income	8
(3) Non-consolidated Statement of Changes in Equity	10
(4) Non-consolidated Statement of Cash Flows	12
(5) Notes to Non-consolidated Financial Statements	13
Going Concern Assumption	13
Equity in Earnings of Affiliates	13
Segment Information	13
Per Share Information	15
Subsequent Events	15

2. Overview of Results of Operations

This section is a summary of the financial position, results of operations and cash flows of KANTSU in the fiscal year that ended on February 28, 2022.

Forward-looking statements are based on the judgments of KANTSU as of February 28, 2022.

(2) Results of Operations

During the current fiscal year (March 1, 2021 to that ended on February 28, 2022), restrictions on some economic activities in Japan continued because of the pandemic. Although the number of COVID-19 cases declined around September 2021, another upturn of the pandemic occurred beginning in January 2022. As a result, the outlook for the economy is still uncertain.

In the logistics sector, the business climate remains challenging as the pandemic continues along with worries about the possibility of another wave of infections. Companies are increasing the use of the e-commerce to sell products and services. All of these trends continued throughout the fiscal year.

To meet the demand for logistics, 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. Based on this plan, there have been many activities to provide services for the growing e-commerce market. Two major strategies for growth are the construction of large refrigerated and frozen warehouses and measures to grow rapidly as an IT vendor.

Due to these activities, sales increased 6.0% year-on-year to 10,099 million yen, operating profit increased 74.5% to 729 million yen, ordinary profit increased 79.4% to 687 million yen and profit increased 63.9% to 463 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 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 fiscal year ended 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 fiscal year have been restated to facilitate direct comparisons with performance in the current fiscal year.

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, logistics consulting services, sub-leasing services, etc.

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, sub-leasing services, etc.
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, etc.

Note: In addition to the above businesses, there is a segment called others for activities not included in these reportable segments. 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. Sales decreased in some categories of this business, mainly due to a shift to different freight rate contracts for some customers, a review of business relationships with low profit margins, and a decline in shipment volumes of some customers caused by the pandemic. Meanwhile, we conducted many activities to receive 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 (direct-to-consumer) Distribution Center in Amagasaki (about 17,200 square meters). In addition, we started operating a refrigerated and frozen warehouse at the EC/Catalog Distribution Center in Amagasaki in February 2022 and the Tokyo Primary Center in the city of Niiza in Saitama prefecture (about 27,400 square meters). To receive orders involving the use of these two centers from new customers, we reinforced SEO and other measures for the effective use of the internet.

As a result, net sales increased 4.6% year-on-year to 9,568 million yen and segment profit increased 92.9% to 613 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 46.0% year-on-year to 433 million yen and segment profit increased 10.3% to 122 million yen.

Other businesses

Technology education services for foreign trainees were 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 pandemic did not have a significant impact on these activities. As a result, sales, including the employment assistance service for people with developmental disabilities that was launched in December 2020, were firm.

As a result, net sales increased 11.6% year-on-year to 96 million yen and segment loss was 6 million yen, compared with a loss of 11 million yen one year earlier.

Results by business segment for the fiscal year ended 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		9,393,087	93.0	4.7	-		
Outsourced order processing services		111,863	1.1	20.5	-		
Others		63,955	0.6	(25.3)	-		
Logistics services business		9,568,907	94.8	4.6	613,598	6.4	92.9
IT automation business		433,530	4.3	46.0	122,712	28.3	10.3
Other businesses		96,597	1.0	11.6	(6,957)	-	-
Total for reportable segments		10,099,035	100.0	6.0	729,353	7.2	74.5

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

(2) Financial Position

Total assets at the end of the current fiscal year were 9,484 million yen, an increase of 1,951 million yen from the end of the previous fiscal year. Liabilities were 6,757 million yen, an increase of 820 million yen and net assets were 2,726 million yen, an increase of 1,131 million yen.

The major changes are as follows.

Current assets

Current assets increased 531 million yen to 4,673 million yen.

This was attributable primarily to a decrease of 160 million yen in accounts receivable-trade and an increase of 625 million yen in cash and deposits due to procurement of funds, mainly using long-term borrowings and the exercise of share acquisition rights.

Non-current assets

Non-current assets increased 1,420 million yen to 4,810 million yen.

There were increases of 407 million yen in buildings mainly due to the new refrigerated and frozen warehouse, 50 million yen in tools, furniture and fixtures due to the installation of material handling equipment at distribution centers, 93 million yen in construction in progress due to the construction of the new refrigerated and frozen warehouse, 247 million yen in lease assets because of the new automated warehouse, and 320 million yen in guarantee deposits for new distribution centers.

Current liabilities

Current liabilities increased 171 million yen to 2,007 million yen.

This was attributable mainly to increases of 261 million yen in other under current liabilities mainly due to accounts payable involving equipment at the refrigerated and frozen warehouse, and 67 million yen in income taxes payable, while there was a decrease of 168 million yen in accounts payable-trade.

Non-current liabilities

Non-current liabilities increased 648 million yen to 4,750 million yen.

There were increases of 224 million yen in long-term borrowings, 156 million yen in asset retirement obligations due to the new refrigerated and frozen warehouse and automated warehouse, and 231 million yen in lease obligations at the automated warehouse.

Net assets

Net assets increased 1,131 million yen to 2,726 million yen.

Share capital and the capital surplus each increased 335 million yen because of the exercise of share acquisition rights. In addition, retained earnings increased 463 million yen because of profit.

(3) Cash flows

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year increased 611 million yen from the end of the previous fiscal year to 3,012 million yen. The cash flow components during the fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities totaled 805 million yen, compared with 187 million yen provided in the previous fiscal year.

Major positive factors include profit before income taxes of 675 million yen, depreciation of 304 million yen and a decrease in trade receivables of 120 million yen. Major negative factors include a decrease in trade payables of 168 million yen and income taxes paid of 163 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 1,093 million yen, compared with 650 million yen used in the previous fiscal year.

Major negative factors include purchase of property, plant and equipment of 422 million yen, purchase of intangible assets of 114 million yen and payments of leasehold and guarantee deposits of 557 million yen.

Cash flows from financing activities

Net cash provided by financing activities totaled 900 million yen, compared with 675 million yen provided in the previous fiscal year.

Major positive factors include proceeds from long-term borrowings of 1,130 million yen and proceeds from issuance of shares of 653 million yen. Major negative factors include repayments of long-term borrowings of 876 million yen.

(4) Outlook

On March 1, 2022, KANTSU established wholly owned subsidiary KANTSU Business Services Co., Ltd. As a result, KANTSU will begin preparing consolidated financial statements in the first quarter of the fiscal year ending February 28, 2023.

This subsidiary was established for the purposes of optimizing expenses by performing internally the management of equipment at logistics facilities operated by KANTSU and of providing greater speed and flexibility for handling changes in the volume of work at distribution centers, such as during periods when the volume peaks, for the entire group.

The consolidated forecast for the fiscal year ending February 28, 2023 is as follows. More information about the forecast is in the press release dated today titled “Notice of Consolidated Forecast and Start of Consolidated Financial Reports.

Consolidated Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 – February 28, 2023)

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
First half	5,516	311	290	196	19.11 yen
Full year	12,002	943	902	608	59.33yen

Note: No prior-year comparisons are shown because there are no consolidated financial figures for the previous fiscal year. The consolidated forecast is based on information available to the KANTSU's management at the time the materials were prepared. Actual results may differ from these forecasts for a number of reasons.

2. Basic Approach to the Selection of Accounting Standards

KANTSU has a policy of preparing its financial statements using Japanese GAAP to permit comparisons with other fiscal years as well as comparisons with the performance of other Japanese companies.

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

	(Thousands of yen)	
	FY2/21	FY2/22
	(As of Feb. 28, 2021)	(As of Feb. 28, 2022)
Assets		
Current assets		
Cash and deposits	2,592,792	3,218,563
Electronically recorded monetary claims-operating	155,419	196,539
Accounts receivable-trade	1,100,638	940,263
Advance payments to suppliers	108,835	99,347
Prepaid expenses	181,868	209,775
Other	20,371	23,315
Allowance for doubtful accounts	(17,700)	(14,037)
Total current assets	4,142,224	4,673,767
Non-current assets		
Property, plant and equipment		
Buildings	948,103	1,431,211
Accumulated depreciation and impairment	(254,839)	(330,206)
Buildings, net	693,263	1,101,005
Machinery and equipment	330,562	369,333
Accumulated depreciation	(114,956)	(167,696)
Machinery and equipment, net	215,606	201,636
Vehicles	13,288	22,344
Accumulated depreciation	(12,969)	(14,022)
Vehicles, net	318	8,322
Tools, furniture and fixtures	329,864	443,580
Accumulated depreciation	(164,028)	(227,261)
Tools, furniture and fixtures, net	165,836	216,318
Land	1,125,087	1,125,087
Construction in progress	109,111	202,256
Leased assets	17,843	271,727
Accumulated depreciation	(956)	(7,066)
Leased assets, net	16,886	264,660
Total property, plant and equipment	2,326,110	3,119,288
Intangible assets		
Software	259,583	293,276
Other	349	1,896
Total intangible assets	259,933	295,173
Investments and other assets		
Investments in capital	511	511
Long-term loans receivable	36,000	24,000
Long-term prepaid expenses	24,253	22,669
Leasehold and guarantee deposits	584,074	904,839
Distressed receivables	1,467	385
Deferred tax assets	24,139	37,739
Other	136,520	407,429
Allowance for doubtful accounts	(2,243)	(1,161)
Total investments and other assets	804,721	1,396,412
Total non-current assets	3,390,765	4,810,874
Total assets	7,532,989	9,484,642

	(Thousands of yen)	
	FY2/21 (As of Feb. 28, 2021)	FY2/22 (As of Feb. 28, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	472,002	303,249
Current portion of long-term borrowings	813,820	842,710
Accounts payable - other	240,011	177,849
Accrued expenses	24,997	18,644
Income taxes payable	109,726	176,742
Advances received	50,121	69,703
Deposits received	24,254	8,643
Provision for bonuses	30,272	38,088
Lease obligations	3,893	26,763
Provision for bonuses for directors (and other officers)	-	16,531
Other	66,907	328,892
Total current liabilities	1,836,007	2,007,818
Non-current liabilities		
Long-term borrowings	3,852,065	4,076,578
Asset retirement obligations	73,177	229,315
Lease obligations	15,042	246,494
Other	161,406	197,674
Total non-current liabilities	4,101,691	4,750,062
Total liabilities	5,937,699	6,757,881
Net assets		
Shareholders' equity		
Share capital	449,606	785,299
Capital surplus		
Legal capital surplus	429,606	765,299
Other capital surplus	6,000	6,000
Total capital surplus	435,606	771,299
Retained earnings		
Other retained earnings		
Retained earnings brought forward	706,285	1,170,272
Total retained earnings	706,285	1,170,272
Treasury shares	-	(109)
Total shareholders' equity	1,591,498	2,726,761
Share acquisition rights	3,792	-
Total net assets	1,595,290	2,726,761
Total liabilities and net assets	7,532,989	9,484,642

(2) Non-consolidated Statement of Income

	(Thousands of yen)	
	FY2/21	FY2/22
	(Mar. 1, 2020 – Feb. 28, 2021)	(Mar. 1, 2021 – Feb. 28, 2022)
Net sales	9,530,453	10,099,035
Cost of sales	8,424,806	8,527,449
Gross profit	1,105,646	1,571,585
Selling, general and administrative expenses	687,574	842,231
Operating profit	418,072	729,353
Non-operating income		
Interest income	614	579
Dividend income	302	4
Reversal of allowance for doubtful accounts	6,336	921
Rental income from land and buildings	2,280	2,160
Subsidy income	13,289	13,406
Gain on sale of goods	2,011	3,791
Other	5,603	1,527
Total non-operating income	30,436	22,390
Non-operating expenses		
Interest expenses	43,451	44,916
Going public expenses	4,936	-
Share acquisition rights issuance costs	9,565	825
Settlement package	-	9,818
Other	7,202	8,353
Total non-operating expenses	65,156	63,914
Ordinary profit	383,353	687,830
Extraordinary income		
Gain on sale of investment securities	17,226	-
Gain on sale of non-current assets	-	2
Total extraordinary income	17,226	2
Extraordinary losses		
Loss on sale of non-current assets	6,978	-
Loss on retirement of non-current assets	1,582	11,457
Impairment losses	-	615
Total extraordinary losses	8,561	12,072
Profit before income taxes	392,019	675,760
Income taxes-current	138,321	225,372
Income taxes-deferred	(29,317)	(13,600)
Total income taxes	109,003	211,772
Profit	283,015	463,987

Cost of Sales Statement

(Thousands of yen)

Item		FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)		FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	
		Amount	%	Amount	%
I Labor cost		1,603,746	19.0	1,975,344	23.2
II Expenses	Note	6,814,470	80.9	6,503,491	76.3
Cost of products manufactured		8,418,216	99.9	8,478,835	99.4
Beginning merchandise inventory		-		-	
Cost of purchased goods		6,590		48,614	
Total		6,590		48,614	
Ending merchandise inventory		-		-	
Cost of goods sold		6,590	0.1	48,614	0.6
Total cost of sales		8,424,806	100.0	8,527,449	100.0

Note: Major breakdown of expenses is as follows:

(Thousands of yen)

Item	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)
Freight-out and transportation expenses	3,776,878	3,214,531
Outsourcing expenses	274,675	283,490
Rent expenses	1,617,684	1,719,910
Depreciation	211,263	264,184

(3) Non-consolidated Statement of Changes in Equity

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at beginning of period	110,750	90,750	6,000	96,750	423,269	423,269	-	630,769
Changes during period								
Issuance of new shares	338,856	338,856		338,856				677,713
Profit					283,015	283,015		283,015
Purchase of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	338,856	338,856	-	338,856	283,015	283,015	-	960,728
Balance at end of period	449,606	429,606	6,000	435,606	706,285	706,285	-	1,591,498

(Thousands of yen)

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(4,673)	(4,673)	-	626,096
Changes during period				
Issuance of new shares				677,713
Profit				283,015
Purchase of treasury shares				-
Net changes in items other than shareholders' equity	4,673	4,673	3,792	8,465
Total changes during period	4,673	4,673	3,792	969,194
Balance at end of period	-	-	3,792	1,595,290

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of period	449,606	429,606	6,000	435,606	706,285	706,285	-	1,591,498
Changes during period								
Issuance of new shares	335,692	335,692		335,692				671,384
Profit					463,987	463,987		463,987
Purchase of treasury shares							(109)	(109)
Net changes in items other than shareholders' equity								
Total changes during period	335,692	335,692	-	335,692	463,987	463,987	(109)	1,135,262
Balance at end of period	785,299	765,299	6,000	771,299	1,170,272	1,170,272	(109)	2,726,761

(Thousands of yen)

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	-	-	3,792	1,595,290
Changes during period				
Issuance of new shares				671,384
Profit				463,987
Purchase of treasury shares				(109)
Net changes in items other than shareholders' equity	-	-	(3,792)	(3,792)
Total changes during period	-	-	(3,792)	1,131,470
Balance at end of period	-	-	-	2,726,761

(4) Non-consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2/21	FY2/22
	(Mar. 1, 2020 – Feb. 28, 2021)	(Mar. 1, 2021 – Feb. 28, 2022)
Cash flows from operating activities		
Profit before income taxes	392,019	675,760
Depreciation	239,229	304,350
Impairment losses	-	615
Increase (decrease) in allowance for doubtful accounts	(1,447)	(4,745)
Increase (decrease) in provision for bonuses	(3,145)	7,815
Increase (decrease) in provision for bonuses for directors (and other officers)	-	16,531
Interest and dividend income	(916)	(583)
Interest expenses	43,451	44,916
Loss (gain) on sale of non-current assets	6,978	(2)
Loss on retirement of non-current assets	1,582	11,457
Loss (gain) on sale of investment securities	(17,226)	-
Decrease (increase) in trade receivables	(416,643)	120,337
Decrease (increase) in advance payments to suppliers	(37,225)	9,487
Increase (decrease) in trade payables	91,887	(168,752)
Increase (decrease) in accounts payable - other	(21,345)	(37,399)
Other, net	57,177	34,089
Subtotal	334,373	1,013,876
Interest and dividends received	916	583
Interest paid	(43,135)	(45,652)
Income taxes paid	(104,609)	(163,344)
Net cash provided by (used in) operating activities	187,545	805,463
Cash flows from investing activities		
Payments into time deposits	(48,813)	(13,808)
Proceeds from withdrawal of time deposits	120,000	-
Purchase of property, plant and equipment	(539,067)	(422,527)
Proceeds from sale of property, plant and equipment	57	191
Purchase of intangible assets	(130,569)	(114,503)
Proceeds from sale of investment securities	44,794	-
Loan advances	-	(35,000)
Proceeds from collection of loans receivable	1,000	48,000
Payments of leasehold and guarantee deposits	(115,125)	(557,999)
Proceeds from refund of leasehold and guarantee deposits	-	10,176
Purchase of insurance funds	(3,594)	(44,406)
Proceeds from long-term deposits received	27,842	36,268
Other, net	(6,963)	-
Net cash provided by (used in) investing activities	(650,438)	(1,093,609)
Cash flows from financing activities		
Proceeds from long-term borrowings	800,000	1,130,000
Repayments of long-term borrowings	(805,051)	(876,597)
Repayments of lease obligations	(717)	(6,234)
Proceeds from issuance of shares	675,362	653,049
Proceeds from issuance of share acquisition rights	6,143	-
Purchase of treasury shares	-	(109)
Net cash provided by (used in) financing activities	675,737	900,108
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	212,843	611,962
Cash and cash equivalents at beginning of period	2,188,148	2,400,992
Cash and cash equivalents at end of period	2,400,992	3,012,955

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

Not applicable.

Equity in Earnings of Affiliates

Not applicable.

Segment Information

1. Overview of reportable segments

The KANTSU's reportable segments are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

Beginning with the fiscal year ended 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.

Segment information for the previous fiscal year have been restated to facilitate direct comparisons with performance in the current fiscal year.

The main services of this segment are as follows.

(Logistic services)

- EC/catalog logistics support services
- Outsourced order processing services
- Rakuten Super Logistics services
- Logistics consulting services
- Sub-leasing services

(IT automation)

- Cloud Thomas warehouse management system
- Annie check list system
- e.can system for the automatic processing of orders received
- ippo! service for outsourced robotic process automation (RPA) production, and others

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting policies for reportable segments are generally the same as those described in the "Significant Accounting Policies".

Segment profit for reportable segments are based on operating profit.

There are no inter-segment transfers.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on non-consolidated financial statements
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	9,146,901	297,033	9,443,935	86,518	9,530,453	-	9,530,453
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	9,146,901	297,033	9,443,935	86,518	9,530,453	-	9,530,453
Segment profit (loss)	318,018	111,205	429,224	(11,151)	418,072	-	418,072
Segment assets	4,350,248	184,928	4,535,177	78,162	4,613,339	2,919,650	7,532,989
Other items							
Depreciation	190,253	48,076	238,329	899	239,229	-	239,229
Increase in property, plant and equipment and intangible assets	592,797	61,242	654,040	3,279	657,319	-	657,319

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. The 2,792,927 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of cash and deposits that cannot be attributed to reportable segments.

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on non-consolidated financial statements
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	9,568,907	433,530	10,002,438	96,597	10,099,035	-	10,099,035
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	9,568,907	433,530	10,002,438	96,597	10,099,035	-	10,099,035
Segment profit (loss)	613,598	122,712	736,310	(6,957)	729,353	-	729,353
Segment assets	5,690,137	219,339	5,909,477	74,332	5,983,809	3,500,832	9,484,642
Other items							
Depreciation	263,717	39,490	303,207	1,142	304,350	-	304,350
Increase in property, plant and equipment and intangible assets	1,086,465	57,018	1,143,483	-	1,143,483	-	1,143,483

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. The 3,500,832 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of cash and deposits that cannot be attributed to reportable segments.

Per Share Information

(Yen)

	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)
Net assets per share	167.12	265.71
Net income per share	31.66	45.74
Diluted net income per share	30.00	44.01

Notes: 1. In accordance with a resolution approved at the Board of Directors on July 14, 2021, KANTSU conducted a 3-for-1 common stock split on September 1, 2021. Net assets per share, net income per share and diluted net income per share have been calculated as if this stock split had taken place at the beginning of the fiscal year ended February 28, 2021.

2. The basis of calculating the net income per share and the diluted net income per share is as follows:

(Thousands of yen)

	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)
(1) Net income per share		
[Basis for calculation]		
Profit	283,015	463,987
Amounts not attributable to common shareholders	-	-
Profit applicable to common shares	283,015	463,987
Average number of common shares outstanding during the period (shares)	8,938,673	10,143,729
(2) Diluted net income per share		
[Basis for calculation]		
Adjustment to profit	-	-
Increase in number of common shares (shares)	495,549	399,416
[of which share acquisition rights (shares)]	[495,549]	[399,416]
Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Subsequent Events**Capital and Business Alliance and Secondary Offering of Stock**

The KANTSU Board of Directors approved a resolution on April 14, 2022 to establish a capital and business alliance with Canon IT Solutions Inc. and an alliance contract was signed with this company. In conjunction with this alliance, Hisahiro Tatsushiro, the Representative Director and President of KANTSU, will sell part of his holding of KANTSU common shares to Canon IT Solutions. The summary is as follows.

I. Summary of the alliance**1. Purpose and reason for the alliance**

The logistics services business provides EC/catalog logistics support services, including merchandise receipt, inventory management, picking, packaging and other services primarily for companies that sell merchandise. The IT automation business provides services involving the use of the Cloud Thomas warehouse management system and other logistics services primarily to companies that sell merchandise.

As the e-commerce market grew, KANTSU has provided EC/catalog logistics support services by supplying customized logistics services that precisely match the requirements of each customer. By creating the ideal environment for every customer, KANTSU has focused on providing services with emphasis on improvements and other aspects of quality. At the same time, KANTSU has increased the scale of its operations by adding and expanding distribution centers. Cloud Thomas, a warehouse management system developed by KANTSU, is provided as part of EC/catalog logistics support services for the purposes of reducing erroneous logistics tasks and improving the quality and productivity of logistics activities. KANTSU has revised and upgraded this software many times to further increase its performance. Due to these activities, Cloud Thomas is used as part of e-commerce and catalog sales logistics services as well as by companies in many other market sectors. Furthermore, the number of companies with contracts for using Cloud Thomas is increasing steadily.

KANTSU has the growth strategy of “growing rapidly as an IT vendor.” As one step to accomplish this goal, KANTSU

developed Cloud Thomas Pro in February 2021, which is a system that allows providing customized services to individual customers involving the use of relatively large distribution centers. In August 2021, KANTSU announced its own API (Application Programming Interface) in order to provide an environment that facilitates the easy linkage with the core IT systems used by customers. In October 2021, KANTSU released three versions of Cloud Thomas Pro designed for specific industries: Cloud Thomas Pro for Food, Cloud Thomas Pro for Medical and Cloud Thomas Pro for Apparel. Adding these new versions of Cloud Thomas Pro reduces the cost and lead time required for creating functions required by specific industries. More software development activities are planned with the goal of enabling even more companies to use Cloud Thomas Pro.

KANTSU is placing priority on the following two goals for progress with the growth strategy of “growing rapidly as an IT vendor” in order to further increase corporate value.

- (i) To increase the number of high-volume customers, use easy linkage of Cloud Thomas Pro and the core IT systems of customers to enlarge the use of this software to more companies and industries. The aim is to increase the number of companies using Cloud Thomas Pro as well as sales per company using this software.
- (ii) Further differentiate the capabilities of Cloud Thomas Pro by reinforcing and improving functions to meet customers’ requests. The aim is to make this a warehouse management system that more companies will consider using while making this product even easier to use.

With these issues and goals in mind, KANTSU signed a Cloud Thomas sales agent contract with Canon IT Solutions. This company started selling Cloud Thomas on April 27, 2021. In addition, in response to a proposal by Canon IT Solutions, KANTSU and this company held discussions concerning ways to strengthen their relationship as business partners.

Canon IT Solutions provides system integration and consulting services and develops and sells software. The company uses these activities to create many types of solutions for customers. Solutions for the manufacturing and retail sectors are a key strength. Canon IT Solutions provides services for solving a variety of issues at companies in these sectors and a large number of manufacturing and retail companies have used these solutions. One of these services is AvantStage, a total solution for core business tasks. AvantStage has many capabilities: finance/management accounting, production management/planning, sales logistics/purchasing management, and supply and demand planning. The best-of-breed approach is used in order to create the best possible package for each customer by using only components that are needed. Using this approach allows customers to make IT system investments with the desired benefits and no wasted expenditures or functions.

Cloud Thomas raises the efficiency of all distribution center operations, from the receipt of merchandise to the picking, packaging and shipment steps. This software also has the functions required for inventory management, location management and other warehouse tasks. When Cloud Thomas is provided to a new customer, KANTSU utilizes knowledge acquired from using this software at its logistics bases in order to provide assistance that enables each customer to fully utilize the capabilities of Cloud Thomas at its own business sites.

KANTSU and Canon IT Solutions expect the following synergies from the capital and business alliance.

- (i) Make Cloud Thomas Pro even more competitive and strengthen ties with AvantStage

Canon IT Solutions is working on upgrading services that can be offered to medium to semi-large companies in the manufacturing and retail sectors. As part of these activities, Canon IT Solutions plans to create linkage between Cloud Thomas Pro and AvantStage. This is expected to result in opportunities for submitting proposals to companies that are thinking about purchasing or replacing a core IT system. In addition, linkage with AvantStage will make it possible to add capabilities required for warehouse operations in addition to inventory management functions. The aim is to enlarge the lineup of services that can be provided, including KANTSU’s support services for starting to use software, for solving the logistics issues of customers. For these reasons, KANTSU and Canon IT Solutions believe that this capital and business alliance will increase opportunities for both companies to add new customers.

- (ii) Joint promotional activities by KANTSU and Canon IT Solutions

KANTSU and Canon IT Solutions will conduct joint promotional activities for the sale of AvantStage with linkage to Cloud Thomas Pro, such as participation at trade shows and exhibitions and holding webinars. This cooperation is expected to expand the breadth of solution services that both companies can offer their customers.

- (iii) Combined product/service proposals that utilize the customer bases of both companies

The alliance makes it possible for KANTSU and Canon IT Solutions to provide the products and services of both company to their customers, including the Cloud Thomas Pro users of KANTSU and the AvantStage users of Canon IT Solutions as well as users of other products and services. This capability is expected to result in the provision of comprehensive solutions and growth in the number of customers at both companies.

2. Overview of the capital and business alliance

- (1) Summary of capital alliance

KANTSU Representative Director and President Hisahiro Tatsushiro will sell part of his holding of KANTSU common shares to Canon IT Solutions. Please refer to “II. Sale of KANTSU stock” for details of this sale.

(2) Details of business alliance

Following the sale of stock by Mr. Tatsushiro to Canon IT Solutions, KANTSU and Canon IT Solutions will take actions based on the capital and business alliance contract for benefiting from the three synergies listed in the preceding section “I. Summary of the alliance 1. Purpose and reason for the alliance.” These joint actions will be determined by a separate agreement of the two companies and will have the goal of generating synergies as quickly as possible.

As a provider of EC/catalog logistics support services and Cloud Thomas, KANTSU has accumulated considerable expertise involving ways to improve and raise the efficiency of warehouse operations. Canon IT Solutions has considerable expertise involving a broad spectrum of solution services, particularly for the manufacturing and retail sectors. This company’s strengths also include its AvantStage, which is a well-known brand, and the ability to provide many categories of services. By leveraging their strengths to create and supply services with new types of value, KANTSU and Canon IT Solutions are determined to increase their corporate value by maximizing the value that they provide to their customers.

(3) Terms of the alliance contract

(i) Capital alliance

The capital and business alliance contract includes a provision for an equity relationship between KANTSU and Canon IT Solutions. The main purpose is to support business alliance activities in order to enable the two companies to understand each other’s management issues and aim for the growth of corporate value. An equity relationship is also expected to strengthen the framework for cooperation. To establish this relationship, Mr. Tatsushiro, the Representative Director and President of KANTSU, will sell 125,000 shares of KANTSU common shares to Canon IT Solutions.

The payment by Canon IT Solutions for this stock will be made after fulfilling conditions such as the seller’s declaration, the credibility and accuracy of the guarantee, and other items stipulated in the contract for the sale of this stock.

(ii) Business alliance

Following the effectiveness of the purchase of KANTSU stock by Canon IT Solutions, the two companies will conduct joint activities in the following areas.

- a. Making Cloud Thomas Pro more competitive and strengthening its linkage with AvantStage
- b. Joint promotional activities
- c. Proposals for products and services using the customer bases of the two companies

3. Profile of Canon IT Solutions Inc.

(1)	Company name	Canon IT Solutions Inc.	
(2)	Location	CANON S TOWER. 16-6, Konan 2-chome, Minato-ku, Tokyo	
(3)	Representative	Akira Kanazawa, President & CEO	
(4)	Business	System integration and consulting services, development and sales of software	
(5)	Capital stock	3,617 million yen (as of December 31, 2021)	
(6)	Established	July 1, 1982	
(7)	Major shareholders and shareholding ratios	Wholly owned by Canon Marketing Japan Inc.	
(8)	Relationships between KANTSU and Canon IT Solutions	Capital	Not applicable.
		Personnel	Not applicable.
		Business	Canon IT Solutions has a sales agent contract with KANTSU for the sale of KANTSU’s Cloud Thomas warehouse management system
		Related parties	Not applicable.

(9) Results of operations and financial conditions for the last three (3) years (millions of yen)			
Fiscal year ends	December 2019	December 2020	December 2021
Net assets	50,719	53,905	55,673
Total assets	79,284	78,249	79,314
Net sales	91,583	87,106	97,571
Operating profit	8,213	7,503	9,440
Ordinary profit	8,379	8,137	9,654
Profit	5,382	5,812	6,708

4. Schedule

(1) Board of Directors' resolution	April 14, 2022
(2) Signing of agreement	April 14, 2022
(3) Payment date (tentative)	April 21, 2022

II. Sale of KANTSU stock

Summary of the sale of KANTSU stock

(1) Class of shares	Common shares
(2) Number of shares	125,000 shares (1.22% of the total number of shares outstanding)
(3) Selling price	846 yen
(4) Total selling price	105,750,000 yen
(5) Seller	Hisahiro Tatsushiro
(6) Method of sale	Transfer of KANTSU common shares to Canon IT Solutions by using an off-market negotiated sale
(7) Subscription period	Not applicable.
(8) Payment date	April 21, 2022
(9) Subscription deposit	Not applicable.
(10) Method for determining the selling price	The price of 846 yen per share is the Tokyo Stock Exchange closing price on April 13, 2022.
(11) Purpose of sale of shares	Mr. Tatsushiro, Representative Director and President of KANTSU, and Canon IT Solutions have signed a contract for the off-market negotiated sale of KANTSU common shares to Canon IT Solutions. In accordance with procedures required by associated laws and regulations, the purpose is to use this sale to transfer ownership of the stock.
(12) Subscription unit	100 shares
(13) Other	In accordance with the Financial Instruments and Exchange Act, KANTSU has submitted a Securities Notice concerning this sale of stock to the Director of the Kinki Finance Bureau.

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.