

# Results of Operations for the First Quarter of the Fiscal Year Ending February 28, 2023

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

July 14, 2022



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# I. Financial Summary

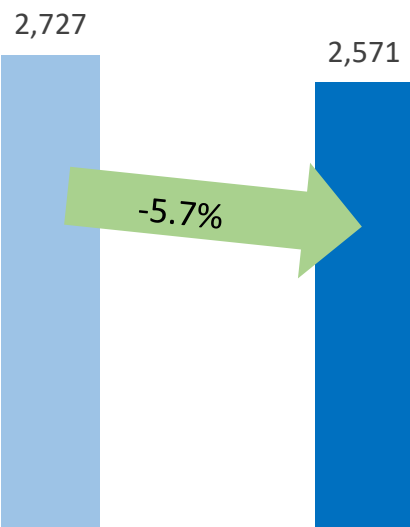
# Highlights | Vs. 1Q FY2/22

Net sales 2,571 million yen (Down 5.7% YoY)

Operating profit 132 million yen (Down 28.0% YoY)

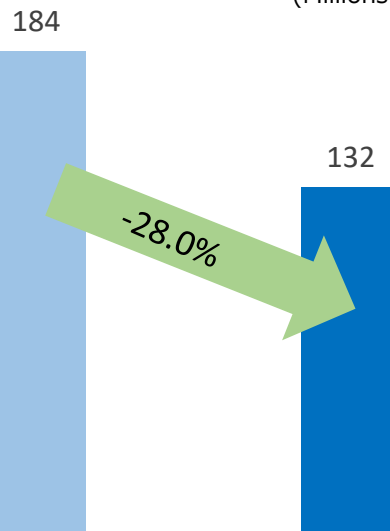
## Net sales

(Millions of yen)



## Operating profit

(Millions of yen)



1Q FY2/22  
Non-consolidated

1Q FY2/23  
Consolidated

1Q FY2/22  
Non-consolidated

1Q FY2/23  
Consolidated

\* Effective from the first quarter of the fiscal year ending February 2023, KANTSU changed to consolidated financial reporting. The year-on-year changes presented in this presentation are comparisons with the non-consolidated figures of 1Q FY2/22.

### <Factors affecting sales>

- ◆ Logistics Services Business
  - **Steadily acquiring new customers.**
  - Existing customers **declined year on year due to the COVID-19 crisis.**
- ◆ IT Automation Business
  - **Utilization fee income has increased steadily** as we acquired new customers.
  - Sales are on track but are lower than one year earlier because of **large spot sales in 1Q FY2/22.**

### <Factors affecting operating profit>

- ◆ Logistics Services Business
  - Fixed costs increased as we **started paying rent for distribution centers** completed in FY2/22.
- ◆ IT Automation Business
  - **Operating profit on target.**

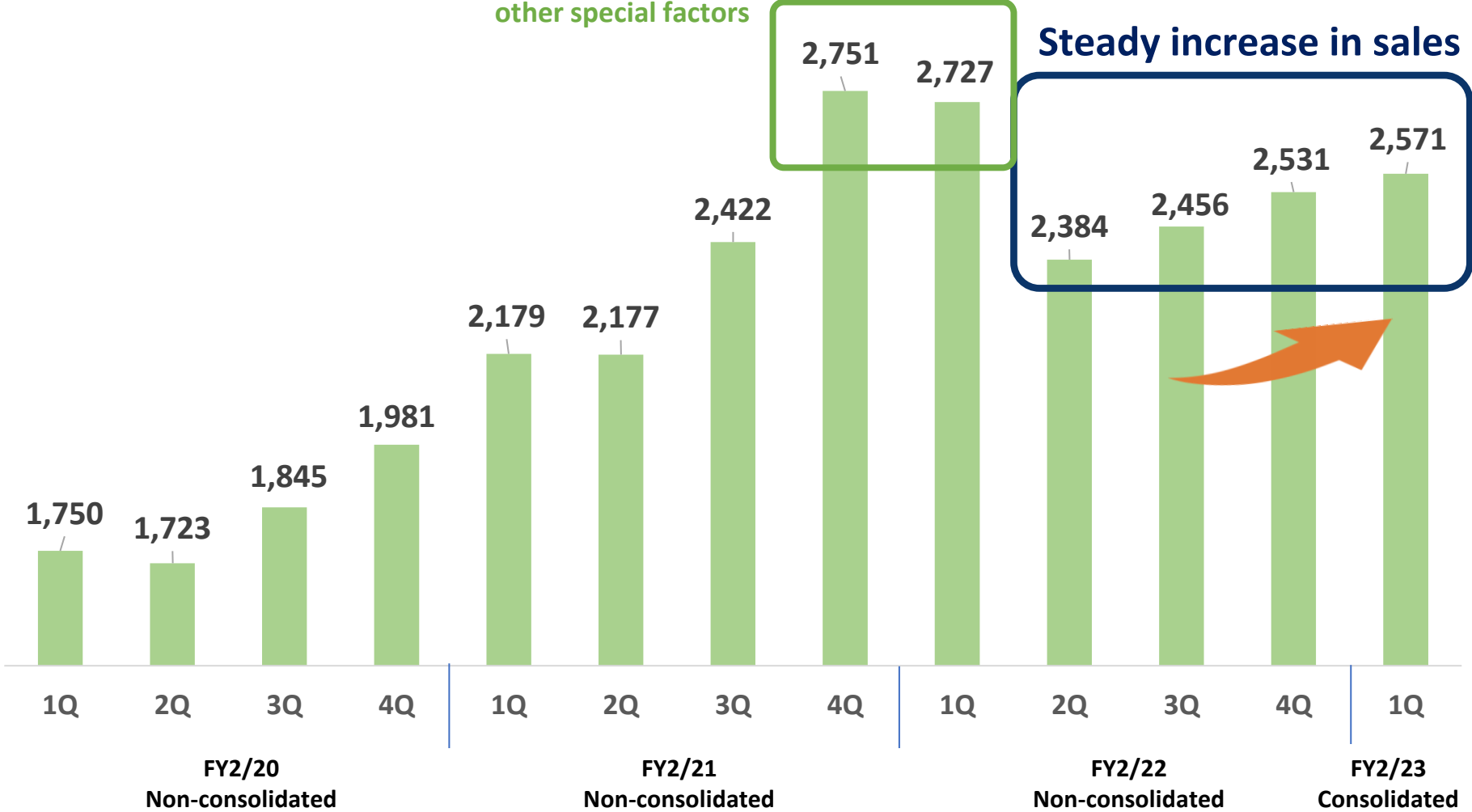
# Quarterly Sales

Sales have continued to increase from the previous quarter amid the reactionary decline.

(Millions of yen)

Higher sales because of the pandemic and other special factors

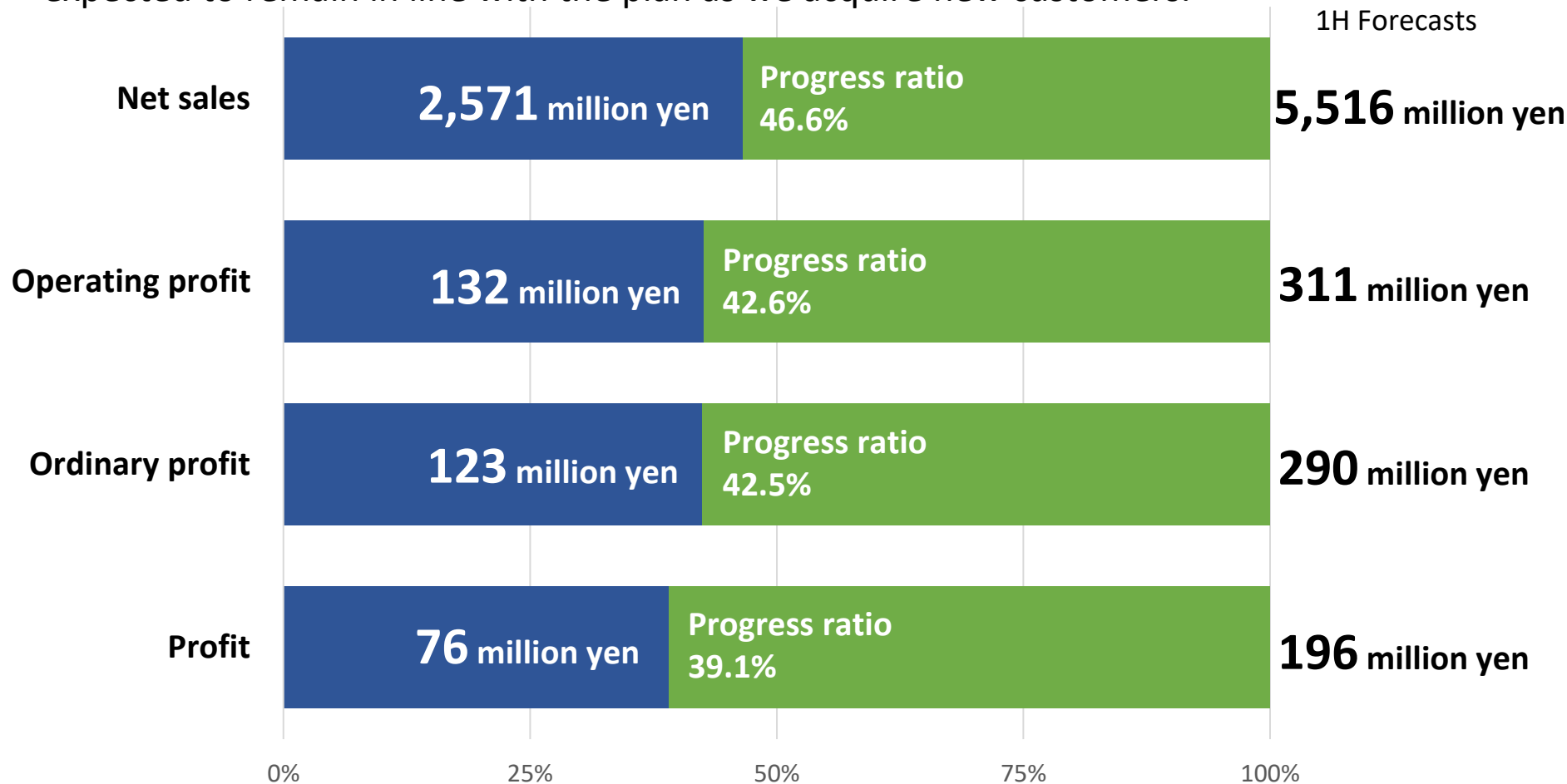
Steady increase in sales



# Highlights | Plan Progress up to 2Q

Steadily acquiring new customers despite a reactionary from the demand spike amid the COVID-19 pandemic in FY2/22.

Performance of the logistics services business in the second quarter (three months) is expected to remain in line with the plan as we acquire new customers.



# 1Q FY2/23 Results Summary

Continued to steadily acquire new customers in both the logistics services and the IT automation businesses.

Results of operation fell short of 1Q FY2/23 because of the reactionary decline from the demand spike associated with the COVID-19 pandemic and large spot orders in 1Q FY2/22.

(Millions of yen, %)

	1Q FY2/23 (Consolidated)	YoY change		1Q FY2/22 (Non-consolidated)
		Amount	%	
<b>Net sales</b>	<b>2,571</b>	(155)	(5.7)	2,727
Gross profit	369	(28)	(7.2)	397
SG&A expenses	236	23	10.8	213
<b>Operating profit</b>	<b>132</b>	(51)	(28.0)	184
<b>Ordinary profit</b>	<b>123</b>	(47)	(27.9)	171
<b>Profit</b>	<b>76</b>	(41)	(35.0)	117
EPS (Yen)	7.46	-	-	11.92

\* 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 FY2/22.

# Segment Sales and Operating Profit

(Millions of yen, %)

		1Q FY2/23 (Consolidated)	YoY change (%)	1Q FY2/22 (Non-consolidated)
Logistics services business	Net sales	2,437	(5.2)	2,569
	Operating profit	99	(32.4)	146
IT automation business	Net sales	107	(20.5)	134
	Operating profit	33	(17.7)	40
Other businesses	Net sales	27	21.0	22
	Operating profit	0	-	(2)
Total	Net sales	2,571	(5.7)	2,727
	Operating profit	132	(28.0)	184

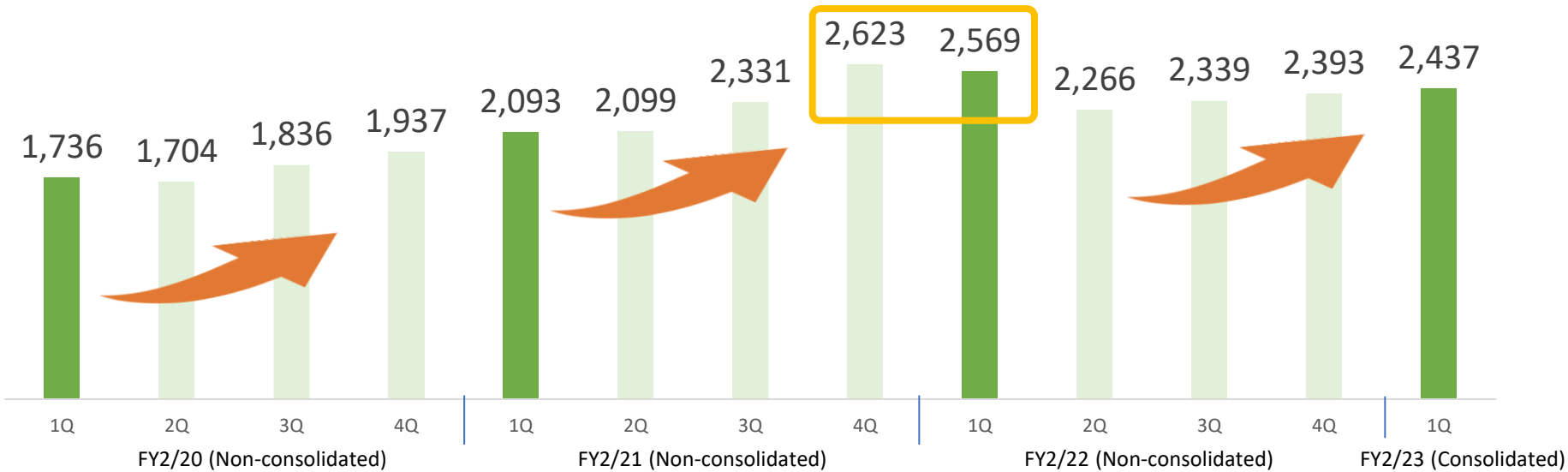


# Logistics Services Business Results

## Segment sales

Higher sales because of the pandemic and other special factors

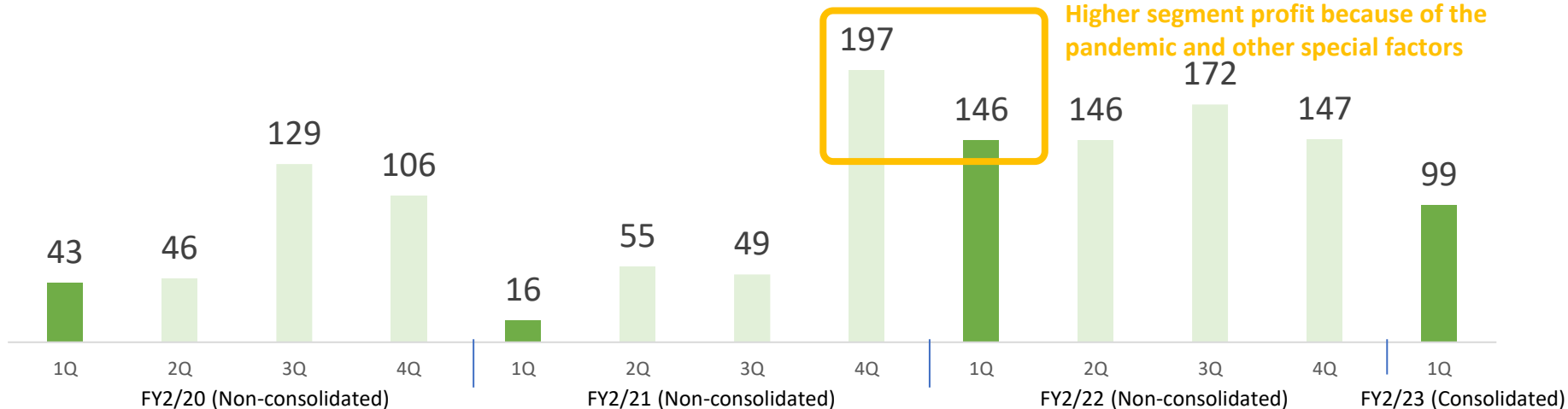
(Millions of yen)



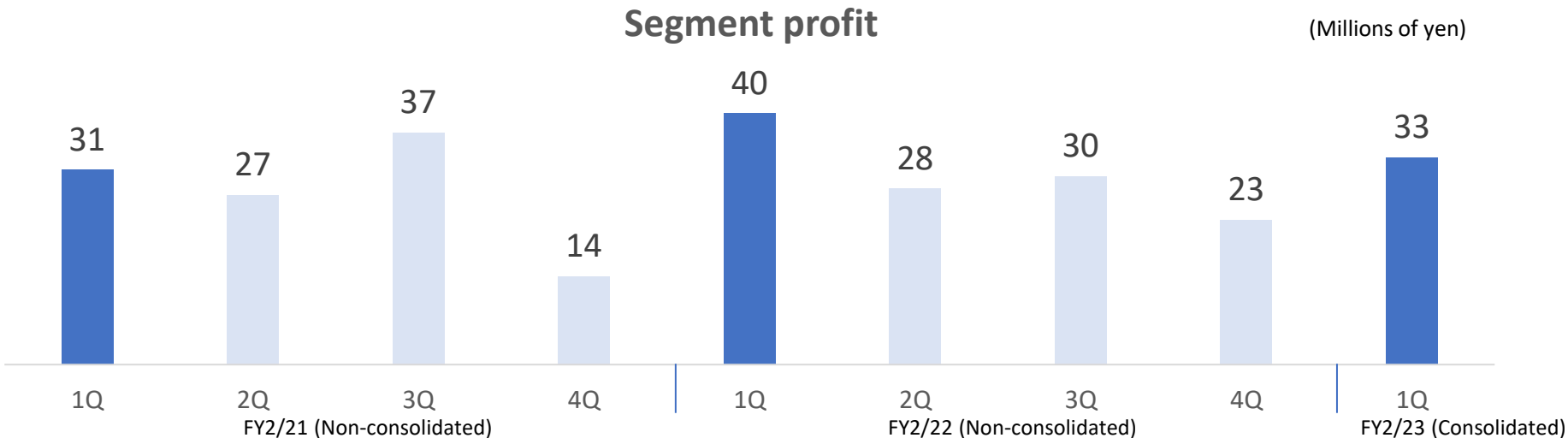
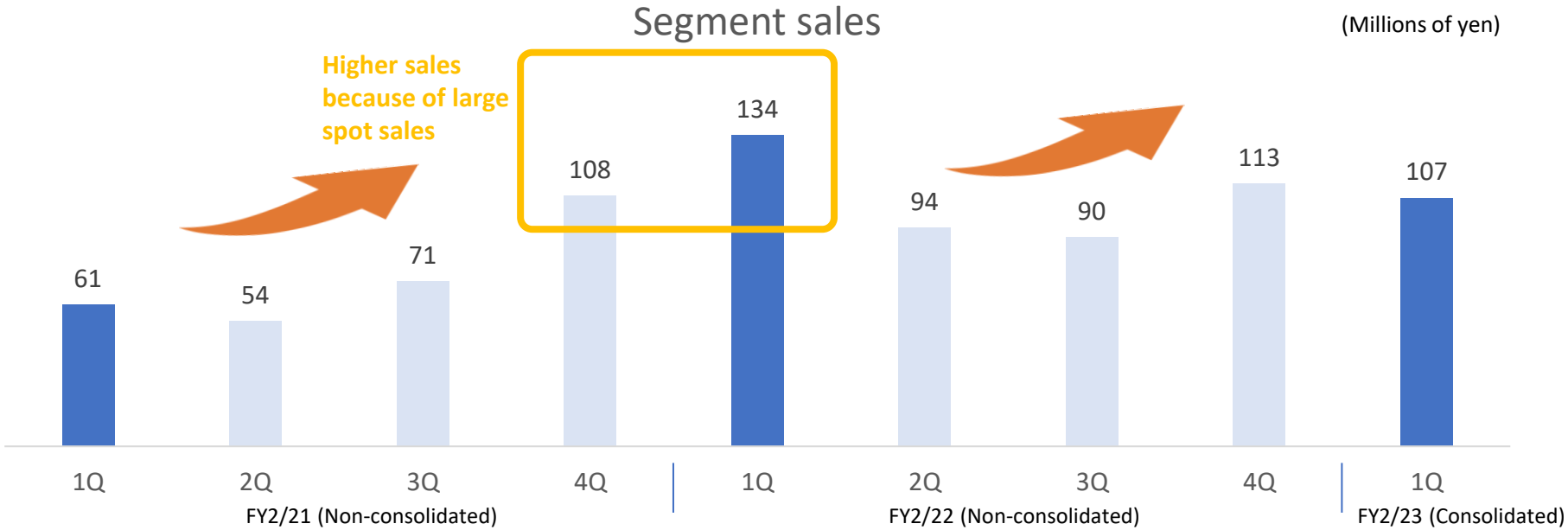
## Segment profit

Higher segment profit because of the pandemic and other special factors

(Millions of yen)



# IT Automation Business Results



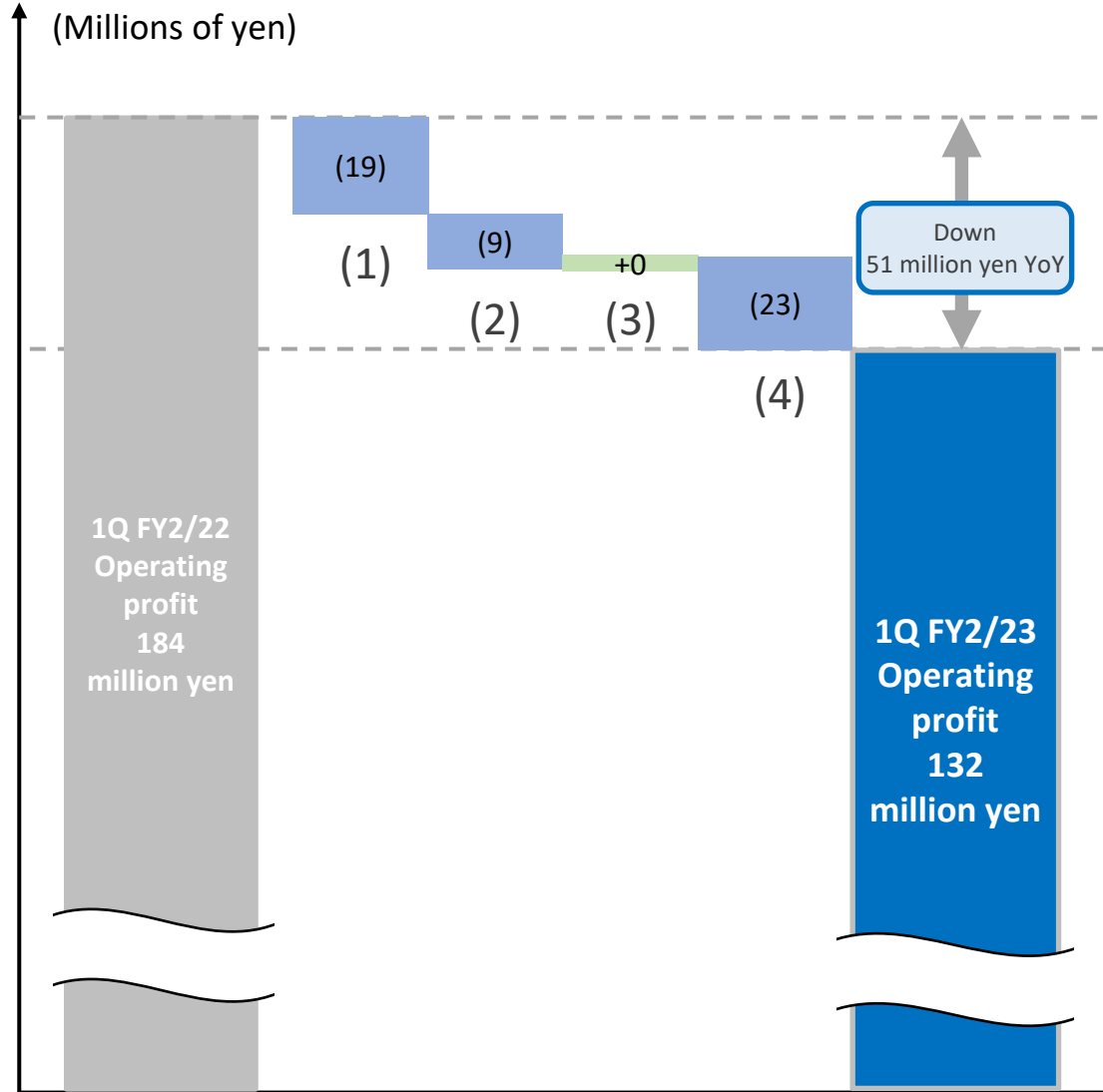
# Analysis of Change in Operating Profit

## (1) Lower gross profit in the logistics services business

- Customer shipments decreased due to the reactionary decline from the demand spike related to the COVID-19 pandemic in the previous year.

## (2) Lower gross profit in the IT automation business

- Spot sales decreased by 54 million yen compared with 1Q FY2/22.

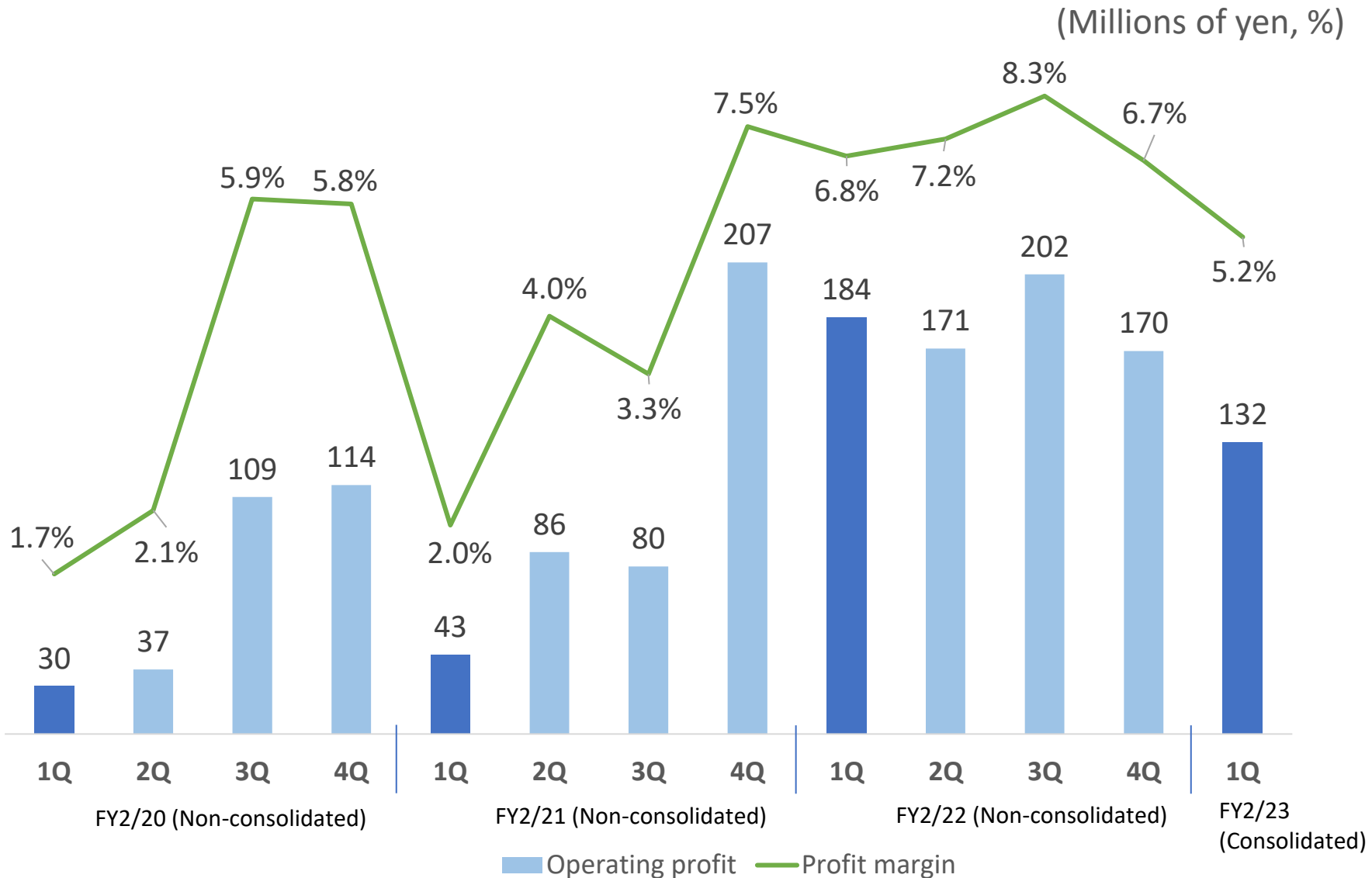


## (3) Higher gross profit in the other businesses

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

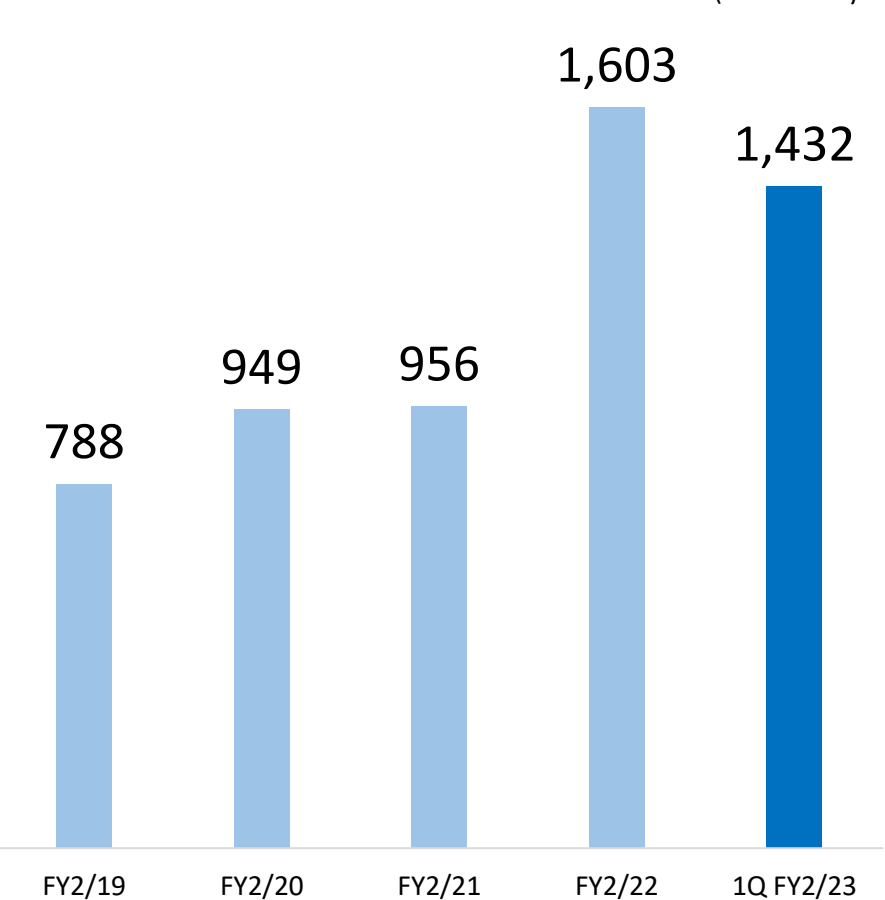
- Head office rent
- Taxes and dues
- Depreciation (server investments, etc.)

# Quarterly Operating Profit



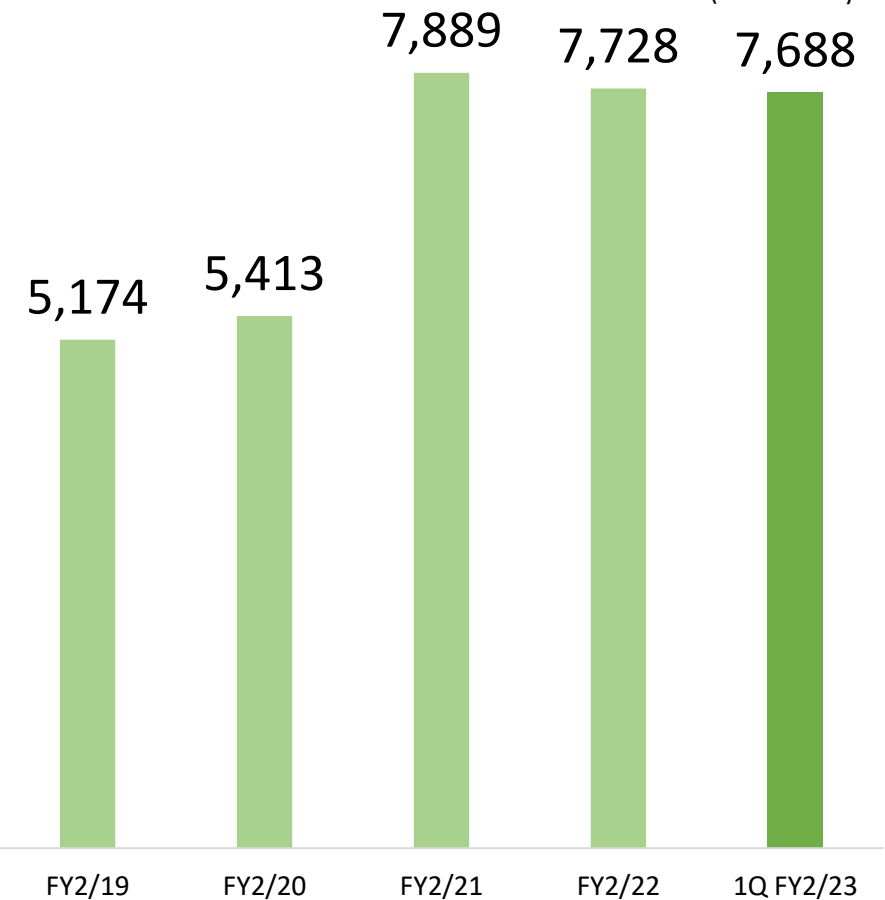
# Sales Composition | Sources of Sales Growth

Logistics Services Business Sales for New Customers (Millions of yen)



\* Sales for new customers are the total of sales during the prior 12 months for newly acquired customers.

Logistics Services Business Sales for Existing Customers (Millions of yen)

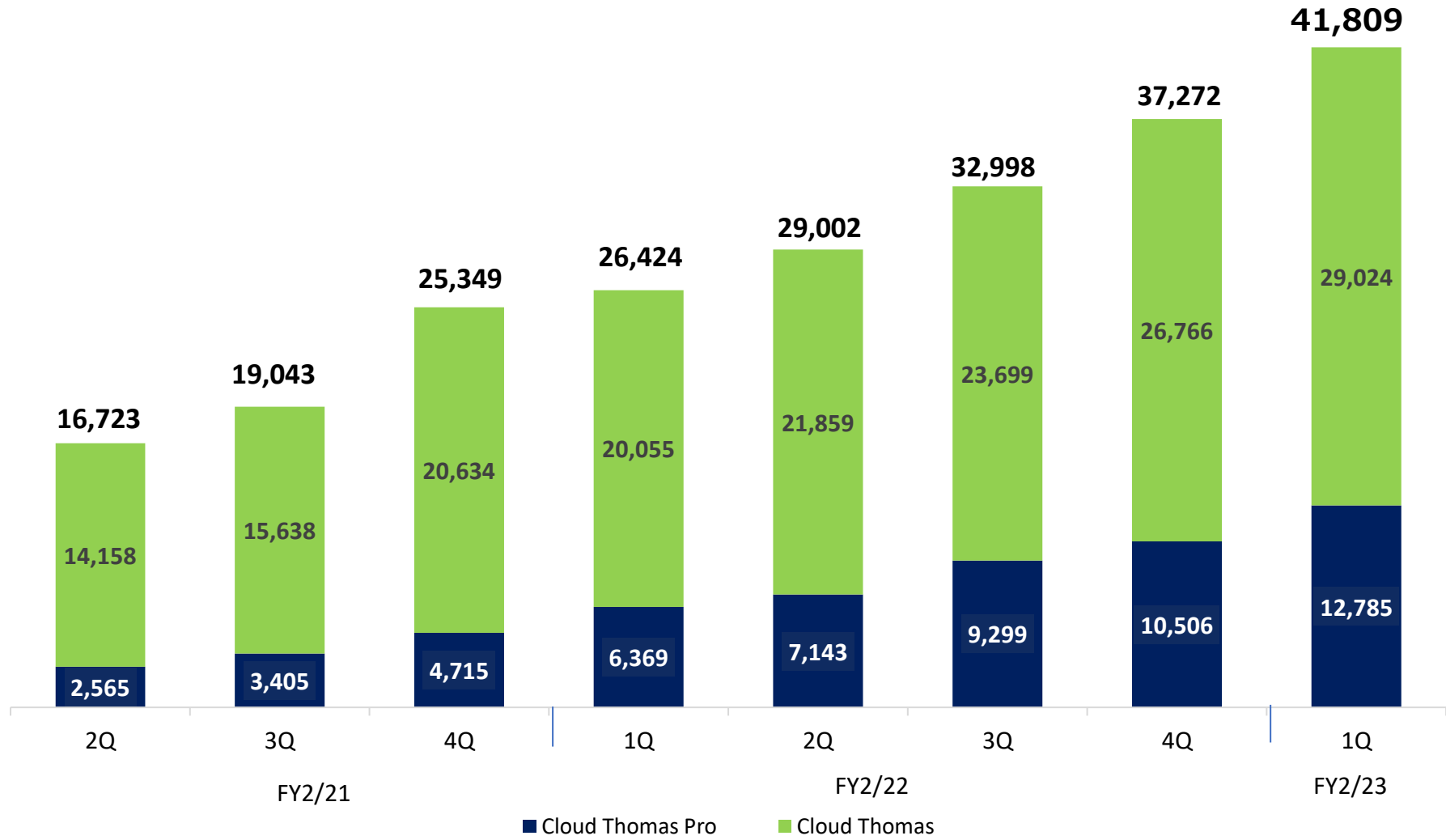


\* Sales to existing customers is the amount obtained by deducting the total sales to new customers during the prior 12-month period from the total sales of the logistics services business in the same period.

# Sales Composition | Sources of Sales Growth

Cloud Thomas Utilization Fees

(Thousands of yen)



# Condensed Balance Sheet

(Millions of yen, %)

	As of May 31, 2022 (Consolidated)		YoY change		As of Feb. 28, 2022 (Non-consolidated)	
	Amount	Composition			Amount	Composition
<b>Current assets</b>	<b>4,177</b>	<b>44.2</b>	<b>(496)</b>		<b>4,673</b>	<b>49.3</b>
Cash and deposits	2,682	28.4	(535)	Decrease due to capital investment expenditure for refrigerated/frozen warehouses, payment of corporation tax, etc.	3,218	33.9
Accounts receivable	1,128	12.0	(8)		1,136	12.0
Other	366	3.9	47		318	3.4
<b>Non-current assets</b>	<b>5,265</b>	<b>55.8</b>	<b>454</b>	Increase due to capital investment in refrigerated/frozen warehouses	<b>4,810</b>	<b>50.7</b>
Property, plant and equipment	3,523	37.3	404		3,119	32.9
Intangible assets	306	3.2	10		295	3.1
Investments and other assets	1,435	15.2	39		1,396	14.7
<b>Total assets</b>	<b>9,442</b>	<b>100.0</b>	<b>(41)</b>		<b>9,484</b>	<b>100.0</b>
<b>Current liabilities</b>	<b>1,669</b>	<b>17.7</b>	<b>(338)</b>	Decrease due to settlement of accounts payable related to capital investment and payment of income tax payable	<b>2,007</b>	<b>21.2</b>
Accounts payable	323	3.4	20		303	3.2
Interest-bearing debt	890	9.4	20		869	9.2
Other	455	4.8	(379)		835	8.8
<b>Non-current liabilities</b>	<b>5,067</b>	<b>53.7</b>	<b>317</b>	Increase in long-term borrowings	<b>4,750</b>	<b>50.1</b>
Interest-bearing debt	4,518	47.8	195		4,323	45.6
Other	549	5.8	122		426	4.5
<b>Total liabilities</b>	<b>6,737</b>	<b>71.3</b>	<b>(20)</b>		<b>6,757</b>	<b>71.3</b>
<b>Total net assets</b>	<b>2,705</b>	<b>28.7</b>	<b>(21)</b>		<b>2,726</b>	<b>28.7</b>
<b>Total liabilities and net assets</b>	<b>9,442</b>	<b>100.0</b>	<b>(41)</b>		<b>9,484</b>	<b>100.0</b>

# Capital Expenditures

- Capital expenditures, mainly for new distribution centers, are proceeding mostly as planned.

## Plan and Actual Expenditures for New Distribution Centers

(As of May 31, 2022) (Millions of yen)

Project	Purpose	Plan	Payment made	Start/Finish
Construction of a new EC/Catalog Distribution Center (Amagasaki, Hyogo) [Opened in April 2021]	More space for current customers and space for new customers (About 46,000 m <sup>2</sup> for two centers)	747	360	Mar. 2021 to Feb. 2023
Construction of Tokyo Primary Center (Niiza, Saitama) [Opened in February 2022]				
Construction of a D-to-C II Distribution Center (Amagasaki, Hyogo) [To be open in August 2022]	More space for current customers and space for new customers (About 13,200 m <sup>2</sup> )	231	-	Jul. 2022 to Feb. 2023
Add new distribution center (Amagasaki, Hyogo) [To be open in December 2022]	More space for current customers and space for new customers (About 14,200 m <sup>2</sup> )	216	70	Sep. 2021 to Feb. 2024
Add new distribution center (Amagasaki, Hyogo) [To be open in November 2023]	More space for current customers and space for new customers (About 28,800 m <sup>2</sup> )	442	-	Oct. 2023 to Feb. 2025
Add new distribution center (Tokorozawa, Saitama) [To be open in July 2024]	More space for current customers and space for new customers (About 26,100 m <sup>2</sup> )	454	-	Jun. 2024 to Feb. 2026
<b>Total</b>		<b>2,092</b>		



# Capital Expenditures

## Plan and Actual Expenditures for Logistics

(As of May 31, 2022) (Millions of yen)

Project	Purpose	Plan	Payment made	Start/Finish
Add new refrigerated/frozen facilities (Niiza, Saitama)	For serving new customers using e-commerce for frozen and refrigerated food products	370	352	Feb. 2022 to Apr. 2022
Use of robots at distribution centers	Expand the use of robots and other logistics automation hardware	420	-	Jul. 2022 to Feb. 2024

## Plan and Actual Expenditures for Software Development

(As of May 31, 2022) (Millions of yen)

Project	Purpose	Plan	Payment made	Start/Finish
Software development	Reinforce functions of the Cloud Thomas warehouse management system and other improvements	300	137	Mar. 2021 to Feb. 2023
Software development	Reinforce functions of the Cloud Thomas warehouse management system and other improvements	150	-	Mar. 2023 to Feb. 2024

## Expenditures/Depreciation

(Millions of yen)

	FY2/22 (Non-consolidated)				FY2/23 (Consolidated)
	1Q	1H	1Q-3Q	FY	1Q
Expenditures (non-current assets)	284	638	846	1,513	546
Depreciation (total)	70	143	221	304	94



## **II. Earnings Forecasts**

## FY2/23 Earnings Forecasts

Forecast strong earnings growth as the elimination of business relationships with low profit margins during FY2/22 is expected to result in a big increase in profit margin.

(Millions of yen, %)

	FY2/23 Consolidated forecasts	YoY change		FY2/22 Non-consolidated results
		Amount	%	
Net sales	12,002	1,903	18.9	10,099
Gross profit	2,043	472	30.1	1,571
SG&A expenses	1,100	258	30.7	842
Operating profit	943	214	29.3	729
Ordinary profit	902	214	31.1	687
Profit	608	144	31.2	463
EPS (Yen)	59.32	-	-	45.74

\* 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 FY2/22.

\*On March 1, 2022, KANTSU established wholly owned subsidiary KANTSU Business Services Co., Ltd. As a result, KANTSU began preparing consolidated financial statements in 1Q FY2/23.

# Segment Sales and Operating Profit

(Millions of yen, %)

		FY2/23 Consolidated forecasts	YoY change (%)	FY2/22 Non- consolidated results
Logistics services business	Net sales	11,284	17.9	9,568
	IT automation business	600	38.6	433
	Other businesses	118	22.3	96
Total	Net sales	12,002	18.9	10,099
	Operating profit	943	29.3	729

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# **III. Medium-term Business Plan**

# 1. Medium-term Business Plan Overview

- The goal is net sales of 17.9 billion yen and operating profit of 1.6 billion yen in FY2/25 by achieving growth that outpaces the e-commerce market's expansion.

(Millions of yen, %)

	FY2/23			FY2/24			FY2/25		
	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)
Net sales	12,002	100.0	18.9	14,858	100.0	23.8	17,910	100.0	20.5
Gross profit	2,043	17.0	30.1	2,550	17.2	24.8	3,200	17.9	25.5
SG&A expenses	1,100	9.2	30.7	1,299	8.7	18.1	1,553	8.7	19.6
Operating profit	943	7.9	29.3	1,250	8.4	32.6	1,647	9.2	31.7
Ordinary profit	902	7.5	31.1	1,200	8.1	33.0	1,600	8.9	33.3
Profit	608	5.1	31.2	810	5.5	33.0	1,080	6.0	33.3
ROE	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 logistics automation hardware 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.

(Millions of yen, %)

	FY2/23			FY2/24			FY2/25		
	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)	Plan	% to net sales	YoY change (%)
Logistics services business	11,284	94.0	17.9	13,662	92.0	21.1	16,130	90.1	18.1
IT automation business	600	5.0	38.6	1,000	6.7	66.5	1,500	8.4	50.0
Other businesses	118	1.0	22.3	196	1.3	66.0	280	1.6	42.9
<b>Net sales</b>	<b>12,002</b>	<b>100.0</b>	<b>18.9</b>	<b>14,858</b>	<b>100.0</b>	<b>23.8</b>	<b>17,910</b>	<b>100.0</b>	<b>20.5</b>
<b>Gross profit</b>	<b>2,043</b>	<b>17.0</b>	<b>30.1</b>	<b>2,550</b>	<b>17.2</b>	<b>24.8</b>	<b>3,200</b>	<b>17.9</b>	<b>25.5</b>

# 3. Growth Strategy

1

[Corporate strategy]

Goals are business growth by using M&A and higher corporate value due to the stock market listing move to the Prime Market

2

[Strategy for the logistics services business]

Growth through expansion of distribution centers

- Plan to increase distribution center floor area by about 82,300m<sup>2</sup> during the three-year period beginning in FY2/23

3

[Strategy for the logistics services business]

Investments in facilities for the distribution of frozen merchandise to become Japan's leader in the frozen EC logistics sector

- Expand frozen warehouse operations while using automated equipment at warehouses and providing a pleasant and productive workplace environment.

4

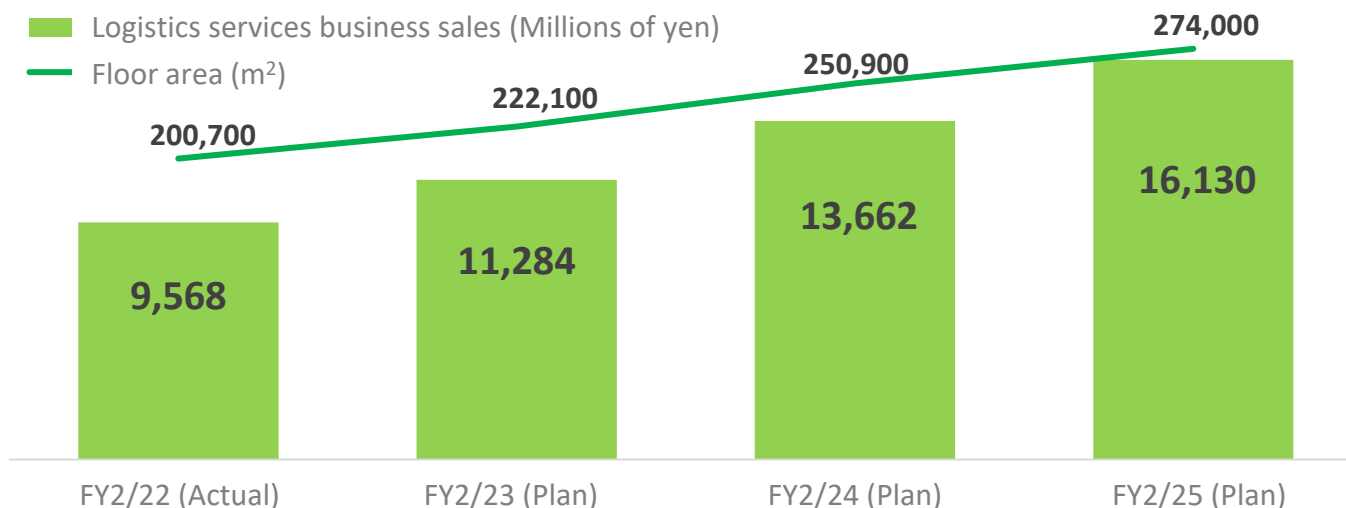
[Strategy for the IT automation business]

Increase activities for receiving orders from new customers

- Use the business alliance with Canon IT Solutions for growth of the IT automation business. Increase sales per customer by focusing sales activities on Cloud Thomas Pro.
- Strengthening sales of logistics hardware that can be linked with Cloud Thomas Pro.



# Capital Expenditure Plan for Distribution Centers



Capital expenditure plan for distribution centers

	Plan (Millions of yen)
Apr. 2021: Construction of EC/Catalog Distribution Center (18,500m <sup>2</sup> )	747
Feb. 2022: Construction of Tokyo Primary Center (27,400m <sup>2</sup> )	-
Jun. 2021: Construction of D-to-C Distribution Center (17,200m <sup>2</sup> )	231
Aug. 2022: Construction of D-to-C II Distribution Center (13,200m <sup>2</sup> )	216
Dec. 2022: Construction of Kansai New Distribution Center (14,200m <sup>2</sup> )	442
Nov. 2023: Construction of Kansai New Distribution Center II (28,800m <sup>2</sup> )	454
Jul. 2024: Construction of Kanto New Distribution Center (26,100m <sup>2</sup> )	420
Starting the use of logistics robots (Jul. 2022 to Feb. 2024)	

\* The amount scheduled for investment in the D-to-C distribution center is not recorded because the initial investment period has expired.

# Issuance of the 5th and 6th Series of Share Acquisition Rights Using a Third-party Allotment (1)

## (1) Mitigating the impact on the share price

- Minimum exercise prices

The 5th series of share acquisition rights is set at 712 yen (100% of the closing price on the trading day immediately before the date of resolution to issue)

The 6th series of share acquisition rights is set at 926 yen (130% of the closing price on the trading day immediately before the date of resolution to issue)

## (2) Avoidance of dilution

- The number of potential shares is fixed at 2,000,000.

(Total of the 5th series of share acquisition rights of 1,300,000 shares and the 6th series of share acquisition rights of 700,000 shares)

[Reference] Changes in EPS and ROE when exercised evenly every month (estimated value)

	FY2/22	FY2/23 Forecasts	FY2/24 Forecasts	FY2/25 Forecasts
EPS (Yen)	45.74	57.99	70.31	87.15
ROE (%)	21.5	18.7	17.5	17.5

\* EPS and ROE are calculated based on the figures announced in the medium-term business plan.

# Issuance of the 5th and 6th Series of Share Acquisition Rights Using a Third-party Allotment (2)

		5th Series of Share Acquisition Rights	6th Series of Share Acquisition Rights
Outline	Date of resolution to issue/ allocation	June 14, 2022/ June 30, 2022	
	Exercise period	July 1, 2022 (Friday) to July 1, 2024 (Monday) (2 years)	
	Number of share acquisition rights Issued	13,000 units	7,000 units
	Number of dilutive shares	1,300,000 shares	700,000 shares
	Latent dilution rate	19.47%	
	Amount to be procured (Estimated net amount)	1,574 million yen	
Exercise price	Initial exercise price	712 yen (100% of the closing price on the day before the date of resolution to issue)	926 yen (130% of the closing price on the day before the date of resolution to issue)
	Maximum exercise price	Not determined	
	Minimum exercise price	712 yen (100% of the closing price on the day before the date of resolution to issue)	926 yen (130% of the closing price on the day before the date of resolution to issue)
	Revision of exercise price	Adjusted to an amount equivalent to 91% of the closing price of the KANTSU common stock on the trading day immediately preceding the effective date of each exercise request.	
Stay-of-exercise request clause		Arbitrary request by KANTSU	
Acquisition clause		Subject to resolution by the Board of Directors, etc.	
Purchase clause		In the event the price falls below 400 yen for 20 consecutive trading days, etc.	
Lock-up		Not to issue or dispose of additional shares	

\* The amount to be procured is calculated on the basis of the initial exercise price (5th series of share acquisition rights: 712 yen, 6th series of share acquisition rights 926 yen).

\* For details, please refer to the press release dated June 14, 2022, "Notice Regarding the Issuance of the 5th and 6th series of Share Acquisition Rights (with Exercise Price Adjustment Clause and Suspension Request Clause) by Third-party Allotment".

\* The closing price ratio on the trading day before the date of resolution to issue is rounded to the first decimal place.

# Issuance of the 5th and 6th Series of Share Acquisition Rights Using a Third-party Allotment (3)

- Allocation of funds for capital expenditures to achieve the Medium-term Business Plan targets.

Specific uses	Overview	Effects	Amount (Millions of yen)	Disbursement schedule
<b>Construction of distribution centers</b>	Kansai New Distribution Center (Amagasaki city, Hyogo) [To be completed in Dec. 2022, 14,200m <sup>2</sup> ]	<b>Sales increase due to floor expansion</b>	<b>145</b>	Jul. 2022 to Feb. 2024
	Kansai New Distribution Center II (Amagasaki city, Hyogo) [To be completed in Nov. 2023, 28,800m <sup>2</sup> ]		<b>442</b>	Oct. 2023 to Feb. 2025
	Kanto New Distribution Center (Tokorozawa city, Saitama) [To be completed in Jul. 2024, 26,100m <sup>2</sup> ]		<b>185</b>	Jun. 2024 to Feb. 2026
	D-to-C II Distribution Center (Amagasaki city, Hyogo) [To be completed in Aug. 2022, 13,200m <sup>2</sup> ]		<b>231</b>	Jul. 2022 to Feb. 2023
<b>Use of logistics automation hardware</b>	Use of robots and other logistics automation hardware	<b>Productivity gains through automation, improved customer convenience, and enhanced functionality</b>	<b>420</b>	Jul. 2022 to Feb. 2024
<b>Software development</b>	Reinforce functions of the Cloud Thomas Pro and Cloud Thomas warehouse management systems and other improvements		<b>150</b>	Mar. 2023 to Feb. 2024

**Total 1,574**

# D-to-C II Distribution Center

## Scheduled opening of the fourth distribution center in Amagasaki

**D-to-C Distribution Center (17,200m<sup>2</sup>)** in the city of Amagasaki, Hyogo prefecture, **started** operations in **June 2021** and is at **full capacity**. To meet demand, **D-to-C II Distribution Center (13,200m<sup>2</sup>)** is under construction in Amagasaki and is scheduled to **start** operations in **August 2022**.



# Tokyo Primary Center

| The Tokyo Primary Center, with refrigerated and frozen storage areas, started operations on February 16, 2022.

**Expansion of the Kanto area distribution center network will be a major source of growth over the next several years.**

- Capable of handling high-volume logistics contracts
- The number of customers is increasing because of our reputation for excellent logistics services among current customers using our Kanto and Kansai area facilities and other positive customer feedback



**27,400m<sup>2</sup> of distribution center space**

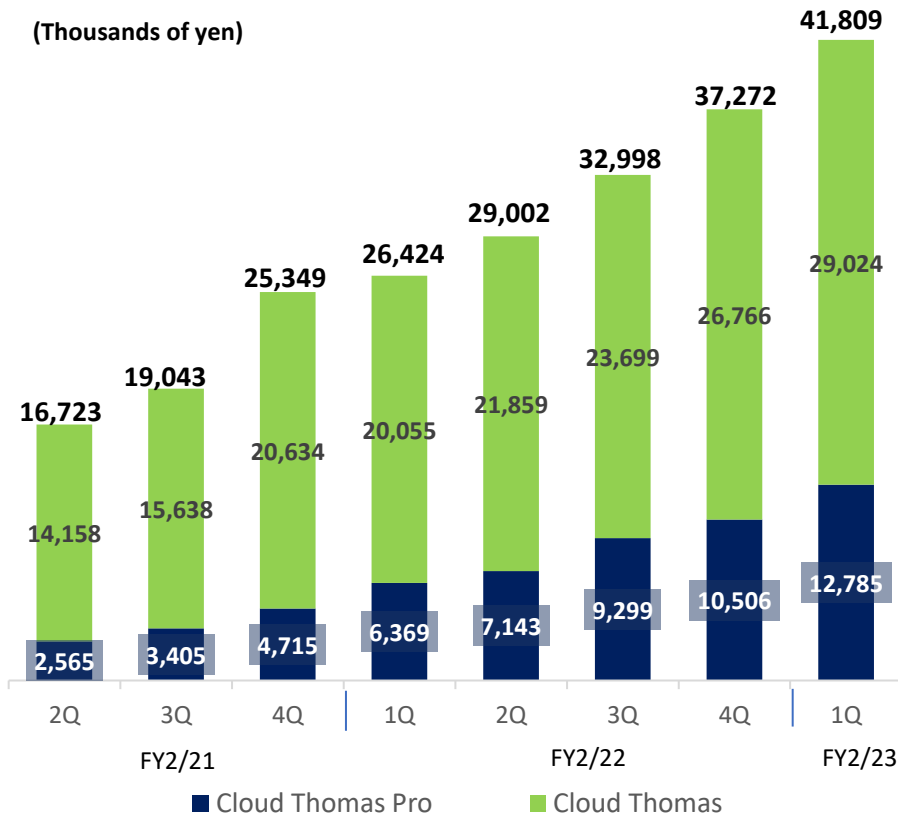


**About 63,500m<sup>2</sup> of floor area in the Kanto area at four distribution centers in the city of Niiza or nearby**

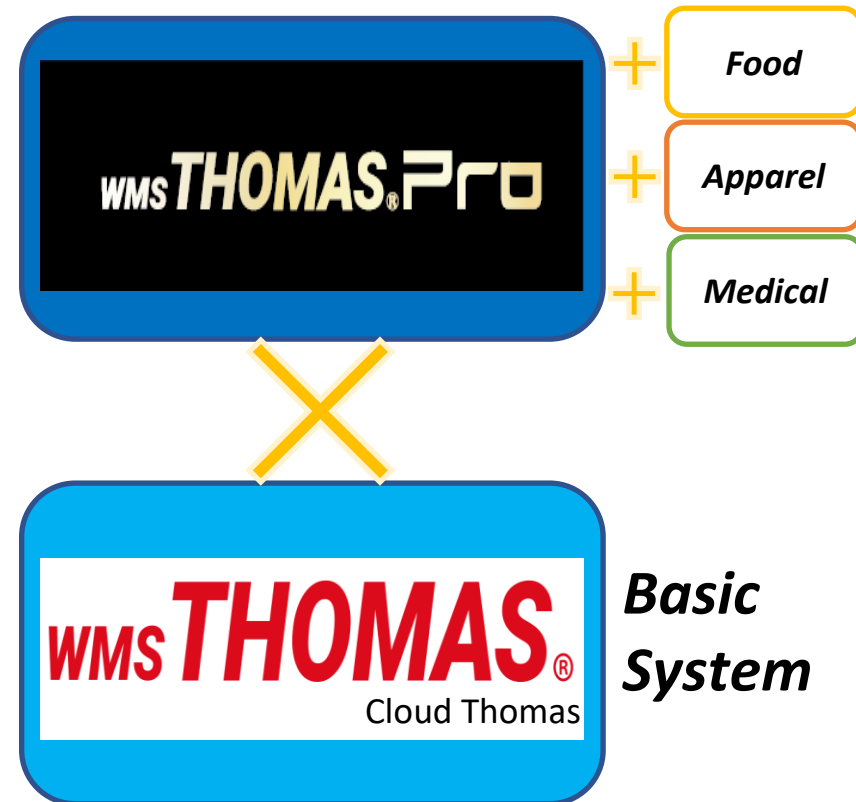
# Growth Strategy for the IT Automation Business

Increase in the number of companies using Cloud Thomas WMS  
 – Aiming to become the leading company in Japan!

Cloud Thomas Utilization Fees



- Expanding the line-up to suit customer size and usage scenarios



# Growth Strategy for the IT Automation Business

## Marketing jointly with Canon IT Solutions!

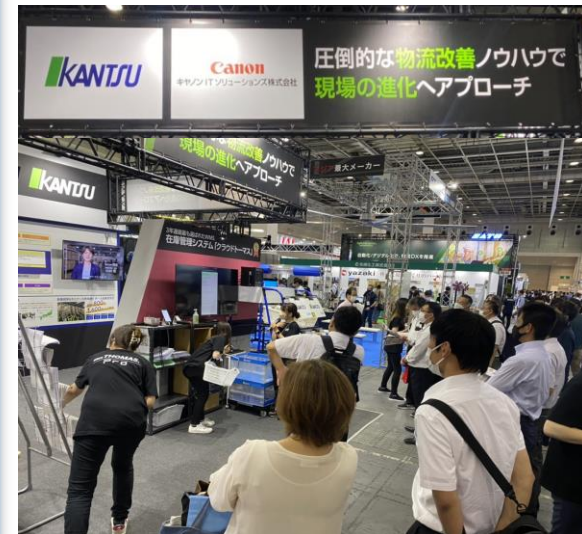


**Canon** Canon IT Solutions Inc.



Mr. Yoshihiko Kukita  
Executive Officer,  
General Manager, West Japan  
Solutions Business Division

We started working with KANTSU only two months ago and this cooperation has already produced new orders. The scale of our activities is large and we are functioning as a unified team. KANTSU has excellent skills and its warehouse management system (WMS) has a proven track record. We are also making progress with providing information to our current customers. In addition, our sales department is working with KANTSU in order to provide customers with information about the WMS and ideas for linking WMS with customers' core IT systems. We are also holding joint sales events. We will continue to use numerous joint activities, such as strengthening the functions of Cloud Thomas Pro, in order to generate significant benefits for both companies. Our goal is to be a source of even more value for our customers.

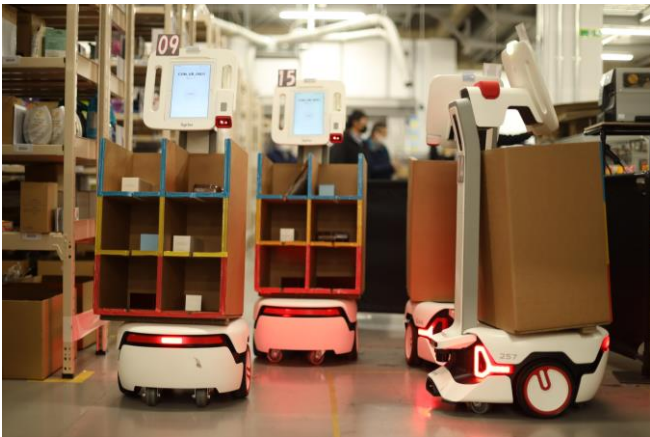


\* Kansai Logix 2022 (June 22 to 24, 2022)



# Growth Strategy for the IT Automation Business

In addition to the provision of Cloud Thomas, we are also strengthening our focus on the sale of logistics hardware for linking with Cloud Thomas!



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# **IV. Summary of Operations**

# What does KANTSU do?

## KANTSU – Supporting the e-commerce businesses and creating new distribution channels in Japan

Rapid growth of the e-commerce sector has dramatically altered logistics in Japan.

Now, e-commerce became the primary component of distribution activities in Japan with an increasing number of links with other channels for selling merchandise to consumers.



KANTSU logistics solutions have been continuously supporting growth of the EC market and the creation of new distribution and sales channels.

- E-commerce logistics

- Refrigerated /frozen

- Outsourced order processing

- Warehouse management system

- Logistics technology

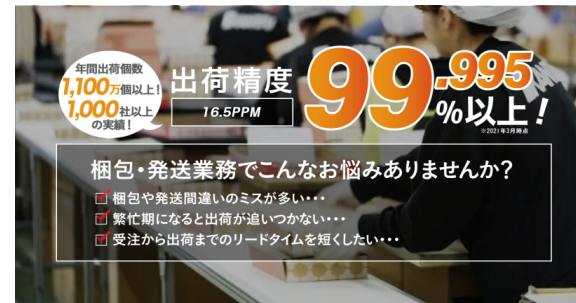
- Multi-channel logistics

- D-to-C logistics

and more...

# A History of Steady Growth

	Major events
1986	Establishment/Start of cargo transportation business
1991	Started operating a delivery center in Higashi Osaka Start of logistics processing services
1992	Establishment of Logistics Department/Start of B-to-B logistics services
1999	Start of EC/catalog logistics support services
2000	Received ISO9001 quality management certification
2001	Moved the head office and distribution center Started to develop a dominant position in the Higashi Osaka area
2007	Received ISO14001 environmental management system certification
2010	Started outsourced order processing services
2014	ISMS (ISO27001) certificate acquisition
2016	Start of the Annie check list system
2017	Started operating the Tokyo Area EC/Catalog Distribution Center in Kashiwa, Chiba prefecture Started full-scale operations in the Kanto area
2017	Started operating the Kansai Primary Center in Amagasaki, Hyogo prefecture Started to develop a dominant position in the Amagasaki area
2019	Started sales of the Cloud Thomas warehouse management system
2019	Formed a capital and business alliance with Rakuten Started Rakuten Super Logistics (RSL) Amagasaki
2020	Listed on the Tokyo Stock Exchange
2021	Started sales of the Cloud Thomas Pro warehouse management system
2022	17 locations in the Kanto/Kansai areas and total area of 200,700m <sup>2</sup>
2022	Formed a capital and business alliance with Canon IT Solutions



Quickly started EC logistics when EC first emerged in Japan



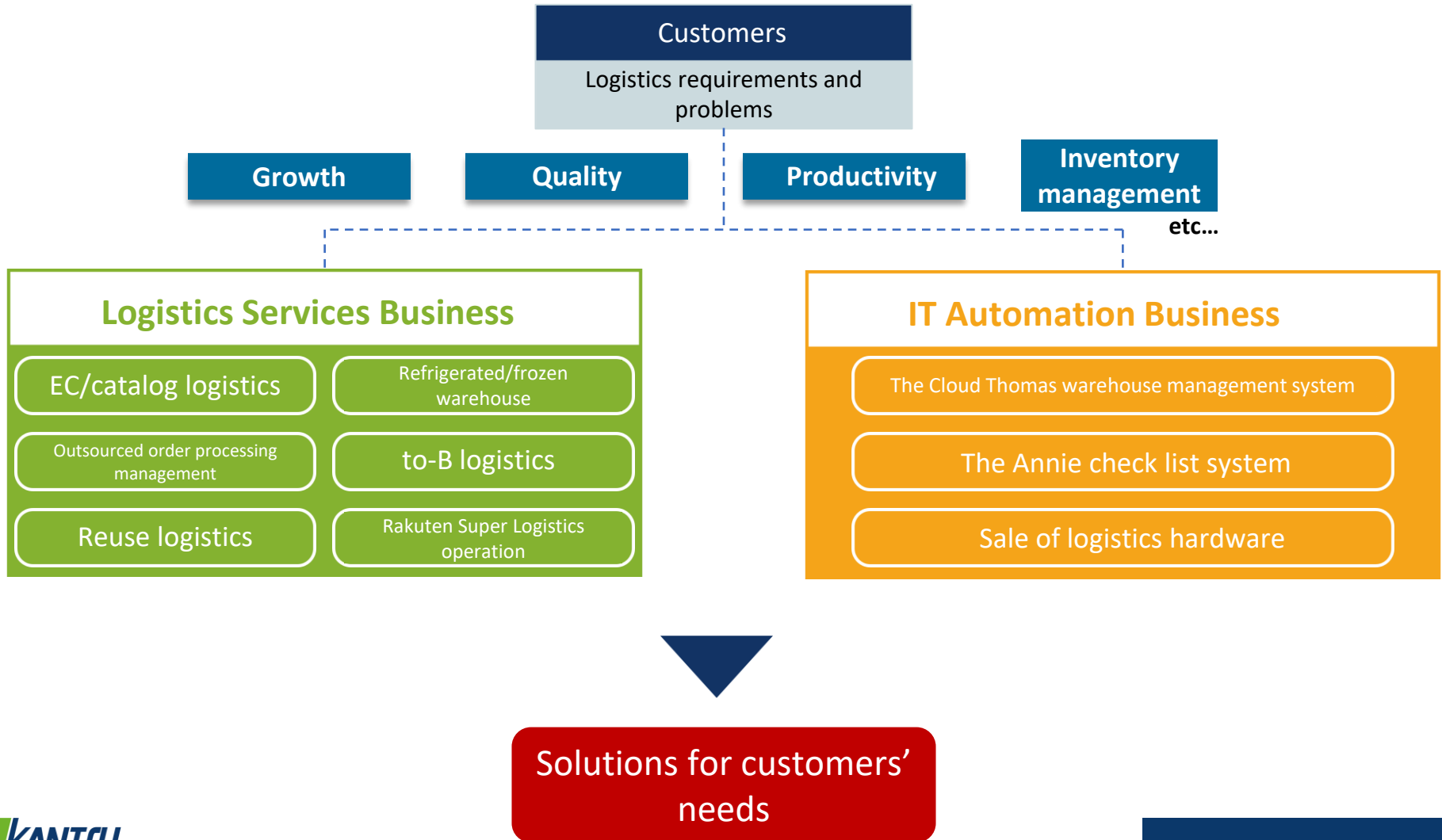
The Cloud Thomas warehouse management system



17 locations in the Kanto/Kansai areas and total floor area of 200,700m<sup>2</sup>

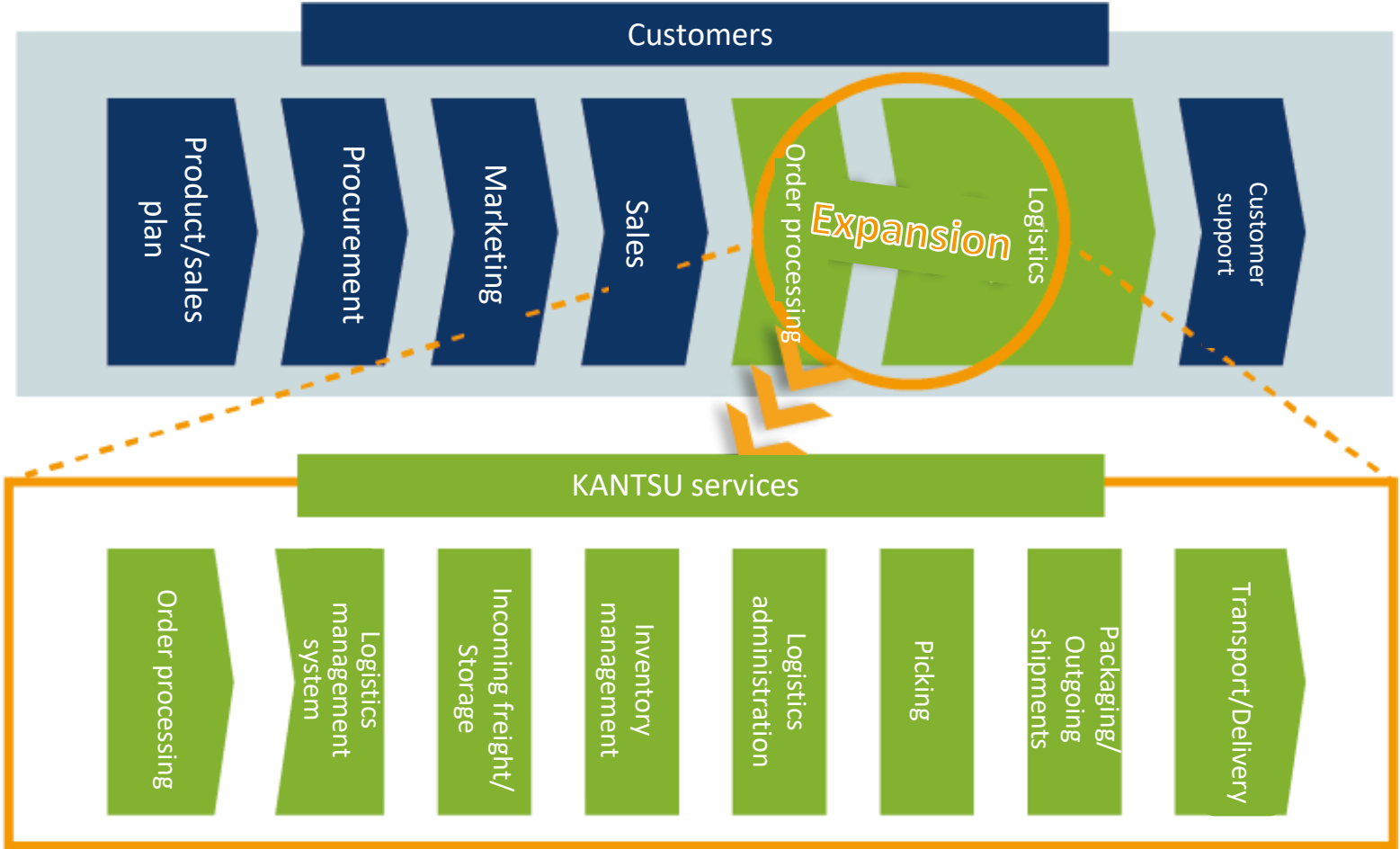
# Our Services

## Growth backed by two business sectors



# Outline of Logistics Services Business

In our core business, we **provide distribution center services for customers** by using highly sophisticated **warehouse operations** for logistics.



A strategy closely linked to customers' needs differentiates KANTSU

### ✓ Superior quality and productivity

Shipment accuracy of more than **99.995%以上!**  
16.5PPM

年間出荷個数 **1,100** 万以上!  
1,000 社以上の実績!

梱包・発送業務でこんなお悩みありませんか?

- ☑ 梱包や発送間違いのミスが多い...
- ☑ 繁忙期になると出荷が追いつかない...
- ☑ 受注から出荷までのリードタイムを短くしたい...

© 2021 年3月時点

### ✓ Superior know-how and experience

月間出荷件数10万件以上を実現

KANTSU can handle growth in the volume of customers' shipments

### ✓ Superior breadth of solutions

The first step for enlarging sales channels

お客様対応のエキスパートが御社の業務をスムーズにします。  
時間を有効に使い、本来の業務に専念できます。

### ✓ Superior capacity

Construction of a 26,400m<sup>2</sup> distribution center in the city of Niiza in Saitama prefecture

- 販売量増による物流対応
- 冷凍冷蔵倉庫での3温度帯対応
- 2拠点運用によるBCP対応
- 配送リードタイム短縮
- 運賃コスト削減

The Cloud Thomas **warehouse management system** has an excellent reputation because it is **backed by a logistics company with considerable logistics expertise**. This system is further differentiated by support that no competitor can match. Logistics professionals from KANTSU help companies design logistics and provide assistance until customers' employees can fully utilize Cloud Thomas.

Solutions for customers' problems involving logistics!

### Using Cloud Thomas

Raised monthly shipment volume by **60%**

Reduced shipment errors by more than **90%**



There are numerous versions of Cloud Thomas to match the warehouse management requirements of every customer



Cloud Thomas Pro for customization



For food products



For medical products



For apparel



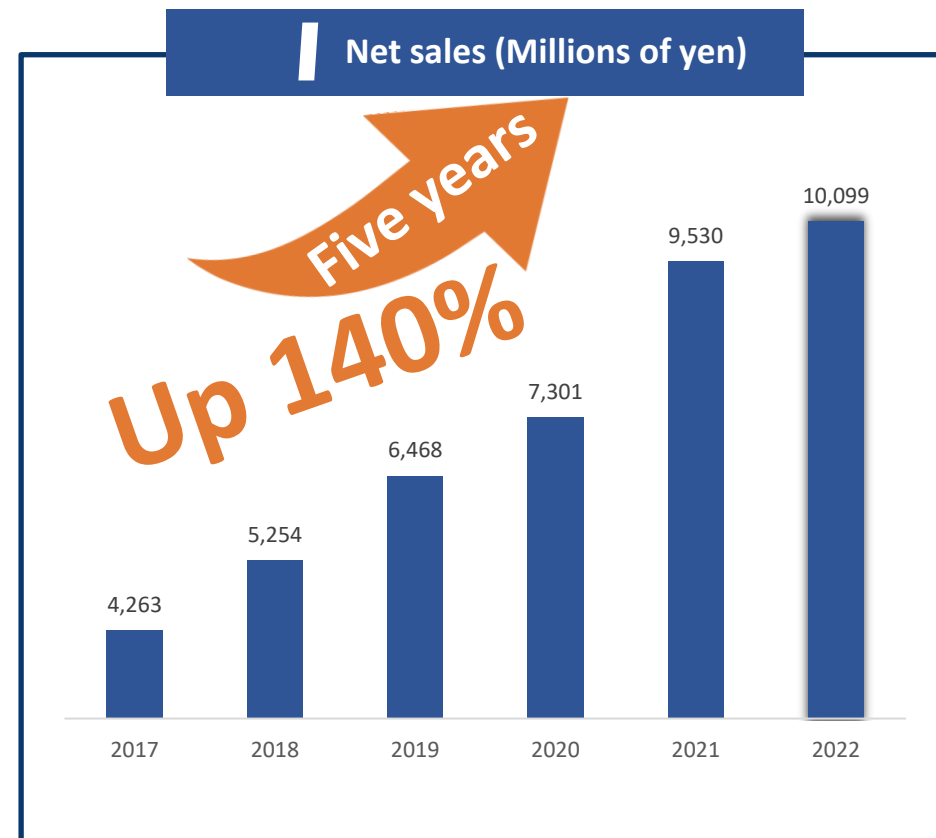
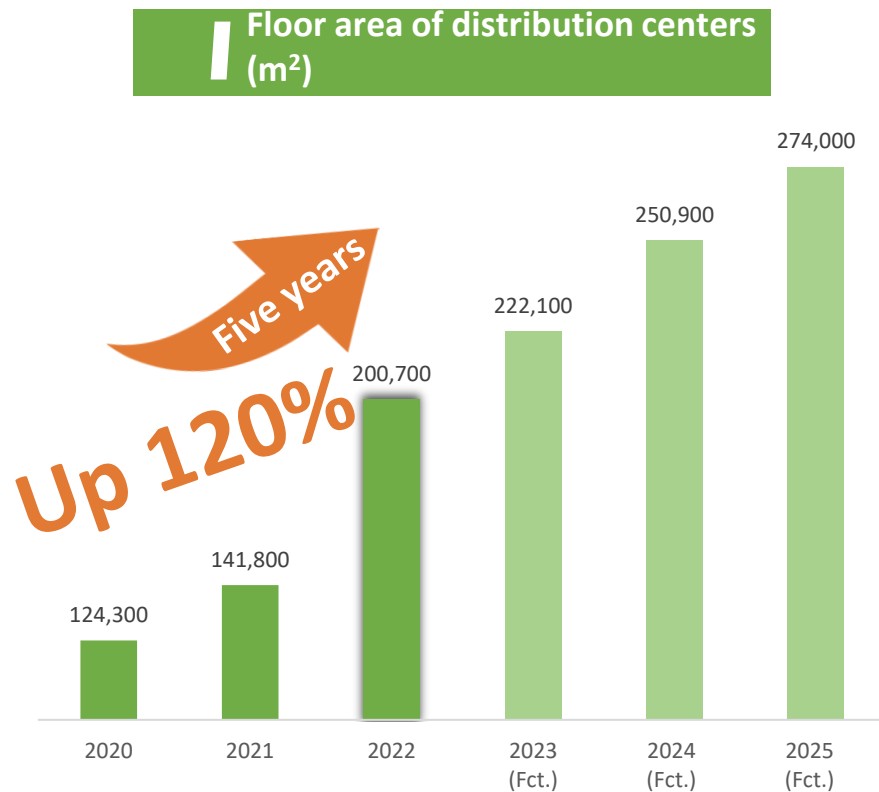
**(1) Rapid growth**

**(2) Sales**

**(3) Operations**

**(4) IT**

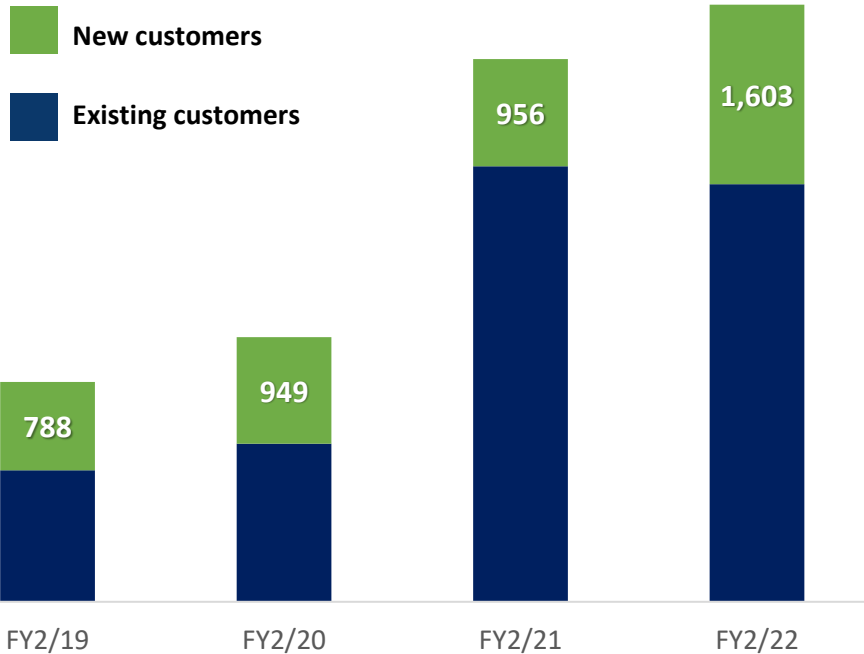
Among the fastest growing logistics companies in Japan in terms of infrastructure expansion and sales growth



### Use of internet to add new customers/Final decisions at distribution centers

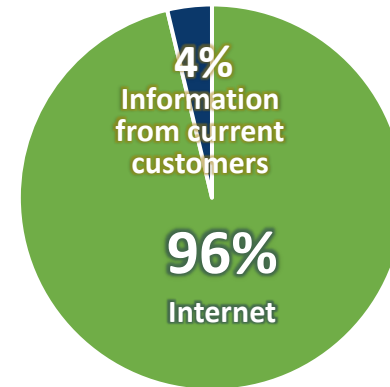
#### Logistics services new/existing customer sales

(Millions of yen)

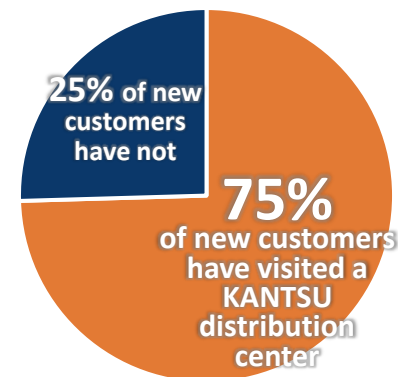


\*Sales for new customers are the total of sales during the prior 12 months for newly acquired customers.

### Channels used for sales inquiries



### Most final decisions are after distribution center tours

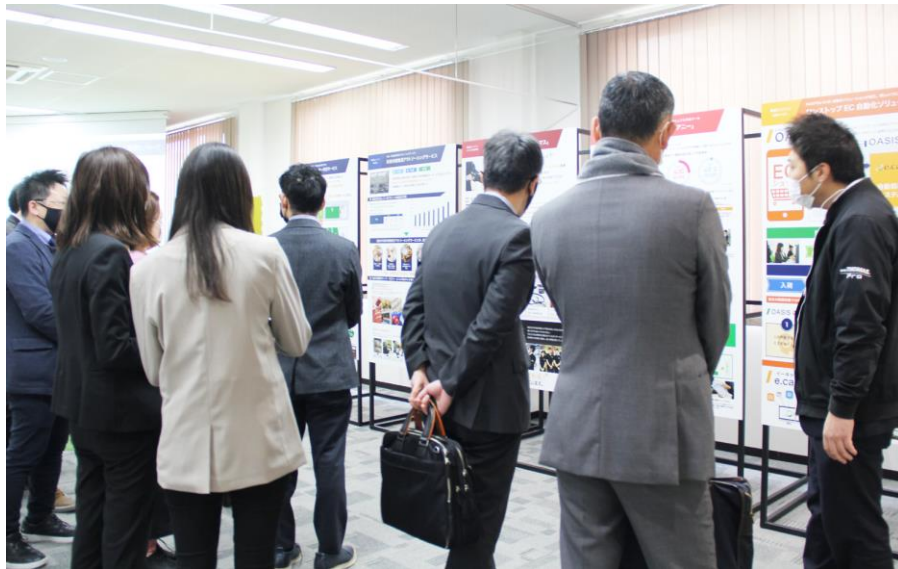


- Only visited a distribution center: 80%
- Only received info about Cloud Thomas: 70%

Enabling even more people to see our operations  
Opened a large showroom on February 21, 2022

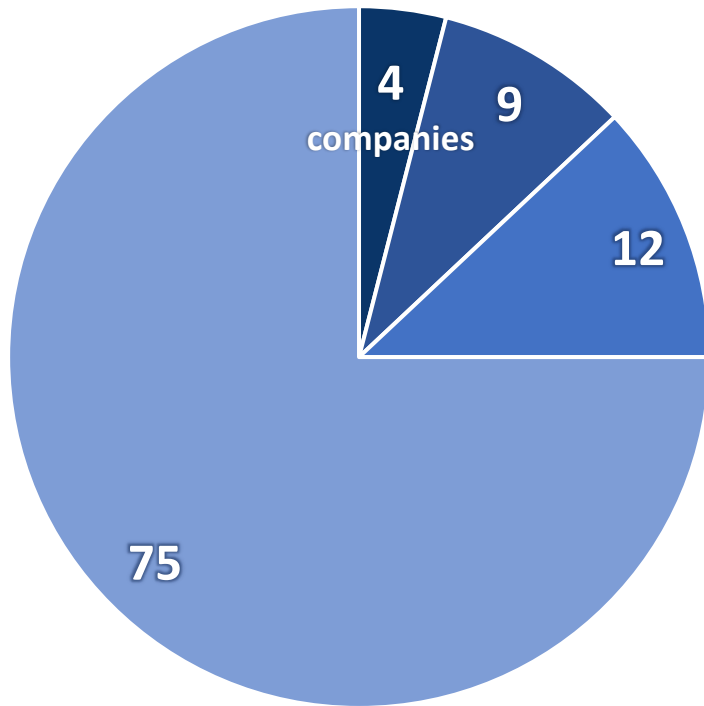
Many people are visiting the showroom every day,  
resulting in a large number of negotiations and new orders.

We expect about **3,000** visitors during FY2/23.



A stable customer base with no significant reliance on a single company

Number of Customers by Share of Sales

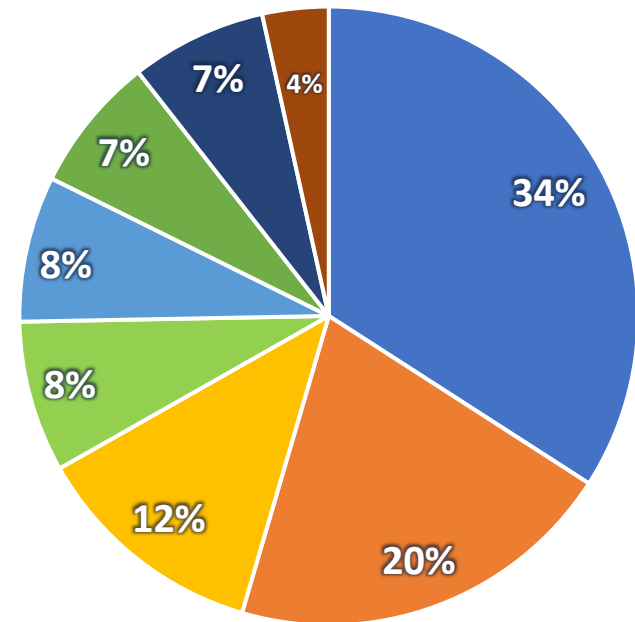


\* Based on the top 100 companies in FY2/22 sales.

- More than 5%
- More than 2% and less than 5%
- More than 1% and less than 2%
- Less than 1%

Support for logistics in many sectors

Sales Composition by Market Sector



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

\* Based on the top 100 companies in FY2/22 sales.

\* Rakuten Super Logistics services are included in Services.

### Customer feedback

Many customers say that our services raised productivity and quality.

Business growth of about **50%**

Big decline in shipping errors, an issue that creates big problems for customers

Daily capacity increased

from **600** to **1,200**

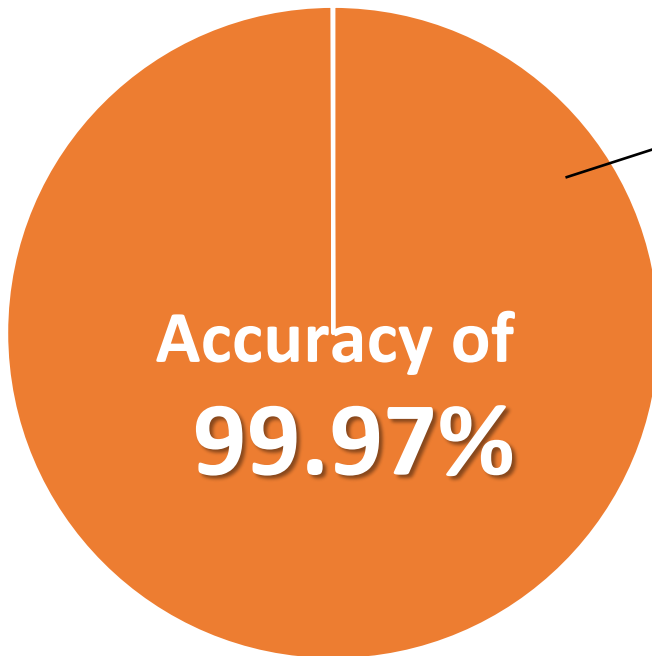
**shipments**, resulting in a consistent volume of shipments

**No shipping errors** for e-commerce sales



**Customers are pleased with the consistently high quality of our logistics**

More than **10 million**  
shipments every year



## **1. Quality Assurance Department**

KANTSU has a department dedicated solely to quality assurance activities.

## **2. Use of logistics technology**

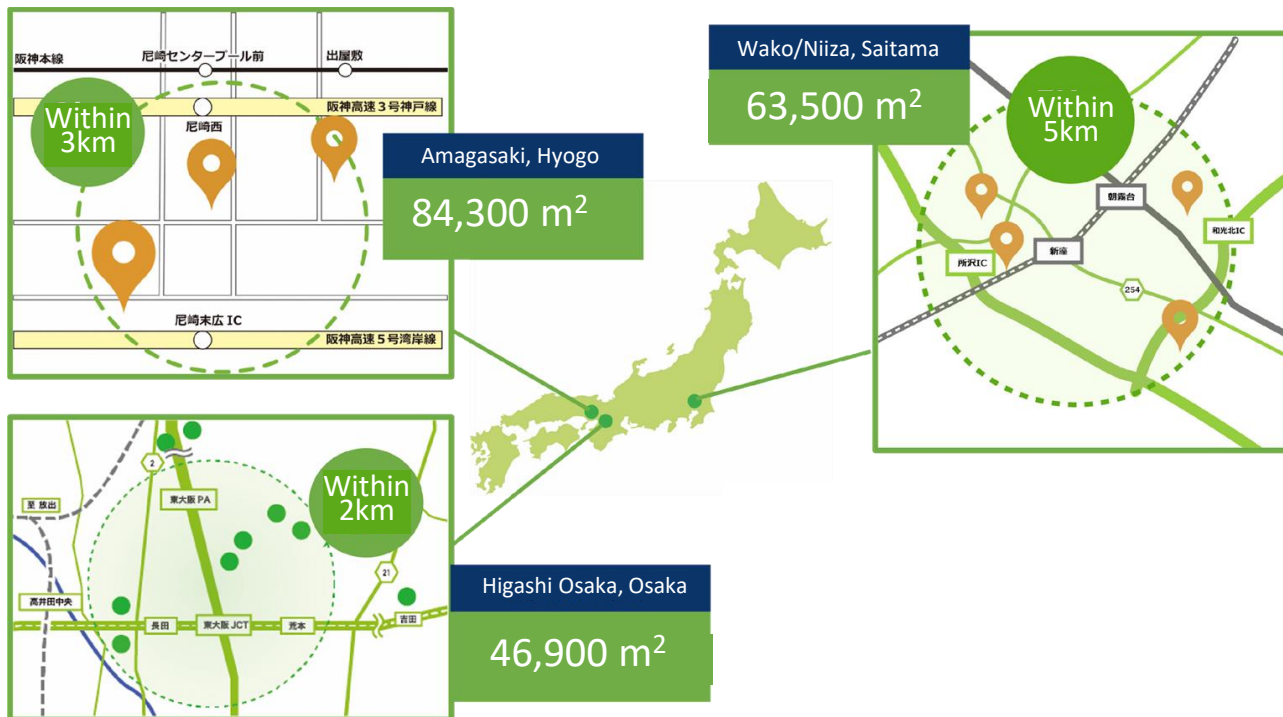
Many activities for improving logistics systems and constant innovations for logistics, such as the use of logistics robots

## **3. Direct employment of logistics operations personnel**

More than 90% of the workforce is employed directly by KANTSU. A commitment to education and our people is the primary reason for the high quality of our distribution center operations.

### Logistics dominance strategy for further upgrading recruiting, adaptability and cargo transport capabilities

1. Placing distribution bases close to each other in selected areas allows moving people from one location to another to handle a high volume of work.
2. Clusters of distribution bases make it easy to establish a framework for employee benefits, raise awareness of the corporate brand in areas where we operate, and recruit people.





Number of systems under development/to be launched

50

### Examples

- Cosmetic surgery backyard management system
- Inventory management system linked to an ordering system for a major manufacturing company
- Product identification systems using image recognition and AI

And more...

Number of systems developed/launched during the past two years  
(As of May 2022)

315

### Examples

- Merchandise inspection system using image recognition for items with no bar codes
- System for the visualization of warehouse personnel assignments
- API for warehouse management system-robot linkage
- Automation control system for refrigerated/frozen warehouses
- Cloud-Thomas-pro for medical apparel food: Industry-specific versions of Cloud Thomas Pro (medical, apparel, food)

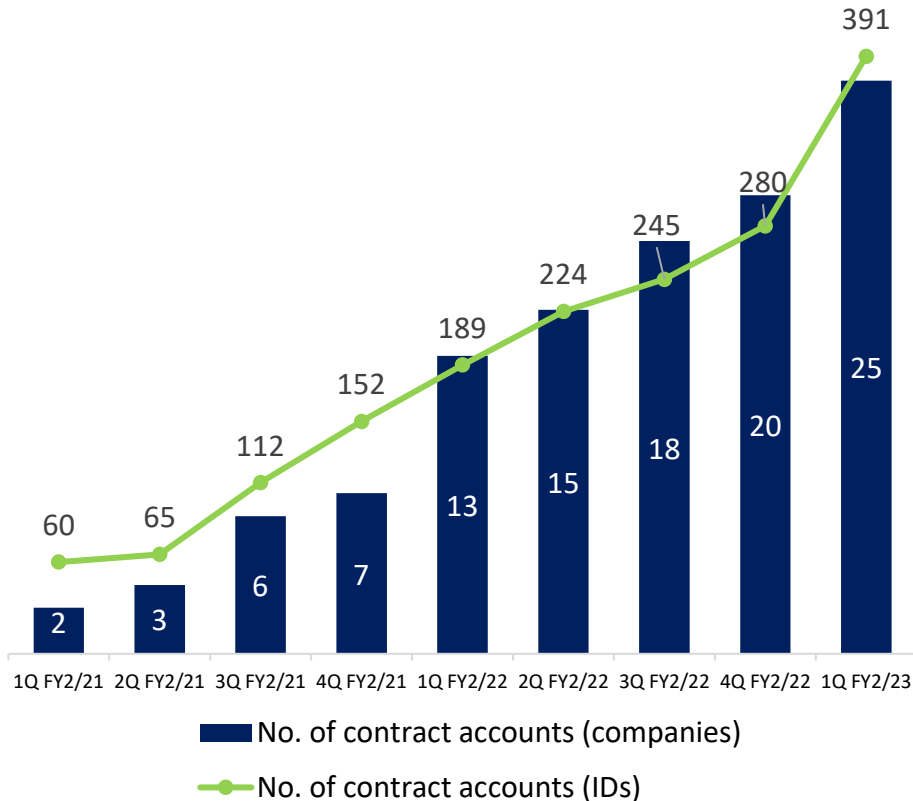
And more...

### Sales Volume of Cloud Thomas

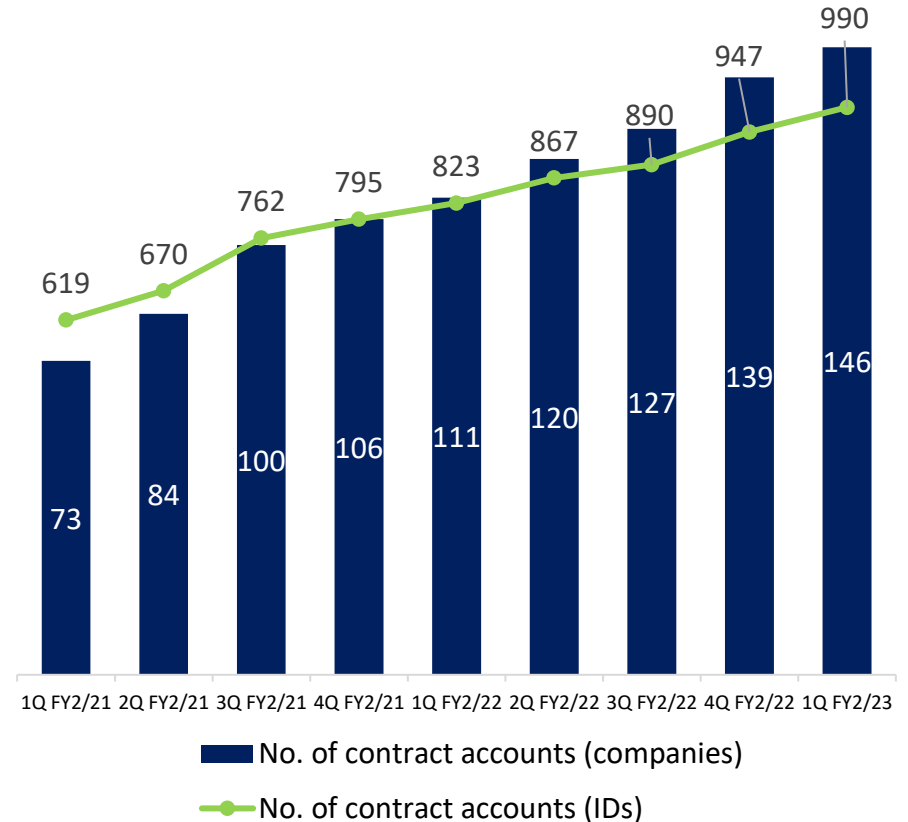
Number of Contracts and IDs

Steady growth in the number of companies with Cloud Thomas and Cloud Thomas Pro contracts.

#### Cloud Thomas Pro



#### Cloud Thomas





# V. Sustainability

# Activities for the Sustainable Development Goals

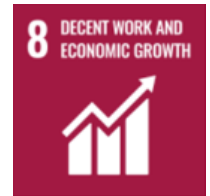
Category	Activities	Examples
Digital transformation	Hire young people in Japan and other countries with a desire to learn ICT skills for logistics to become software developers or engineers for the use of ICT at logistics facilities. Give these people skills concerning new logistics facility management 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&D programs.	<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	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.	<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



# Activities for the Sustainable Development Goals

## Associated SDGs



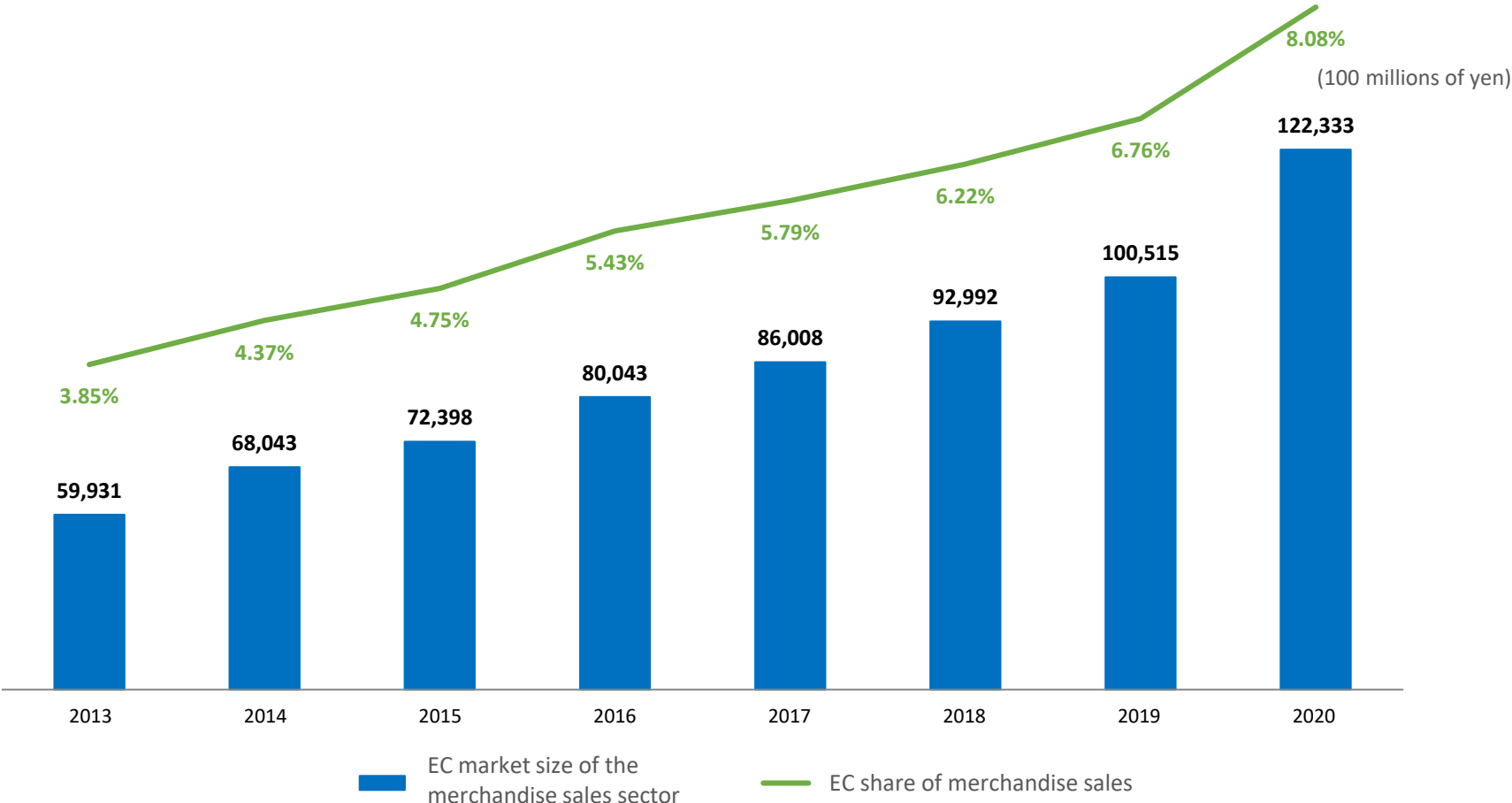
Category	Activities	Examples
Employee benefits and training	<p>Operate after-school and other classes for the education of children with developmental disabilities and use after-school daytime care services for these children to help them develop skills and become more independent.</p> <p>Operate employment 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. 2021: 34.5% End of Feb. 2022: 38.2%</li> <li>● Developmental disability people as pct. of total workforce FY2/21: 6.29% FY2/22: 5.00%</li> <li>● Pct. of available child care time off used by KANTSU employees FY2/21: 100% FY2/22: 100%</li> </ul>

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# **VI. Reference**

# Market Conditions | E-commerce Market (All)

Rapid growth of the EC market size is expected to continue



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

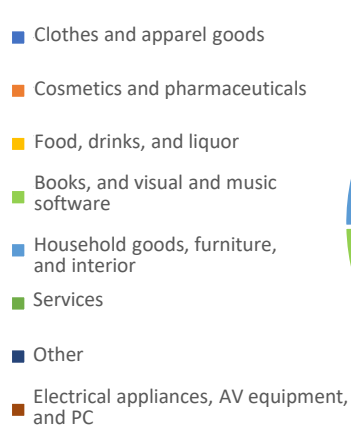
# Market Conditions | E-commerce Market (By Category)

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

	2019	2020	Growth ratio
A. Merchandise sales	¥10,051.5 billion (EC ratio 6.76%)	¥12,233.3 billion (EC ratio 8.08%)	21.71%
B. Services	¥7,167.2 billion	¥4,583.2 billion	(36.05)%
C. Digital technology	¥2,142.2 billion	¥2,461.4 billion	14.90%
Total	¥19,360.9 billion	¥19,277.9 billion	(0.43)%

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



\*Percentages are based on the top 100 companies in 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) <small>*Lower column: vs. 2018</small>	EC ratio (%)	Market size (¥ billion) <small>*Lower column: vs. 2019</small>	EC ratio (%)
1	Food, drinks, and liquor	1,823.3 (7.77%)	2.89%	2,208.6 (21.13%)	3.31%
2	Electrical appliances, AV equipment, and PC and peripherals	1,823.9 (10.76%)	32.75%	2,348.9 (28.79%)	37.45%
3	Books, and visual and music software	1,301.5 (7.83%)	34.18%	1,623.8 (24.77%)	42.97%
4	Cosmetics and pharmaceuticals	661.1 (7.75%)	6.00%	778.7 (17.79%)	6.72%
5	Household goods, furniture, and interior	1,742.8 (8.36%)	23.32%	2,132.2 (22.35%)	26.03%
6	Clothes and apparel goods	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%
8	Other	549.2 (4.79%)	1.54%	642.3 (16.95%)	1.85%
Total		10,051.5 (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



# Company Profile

Company name	KANTSU CO., LTD.	
Offices	<p>Kansai head office: 111-4 Nishimukojimacho, Amagasaki city, Hyogo</p> <p>Nagata office: Oriental Trading Building 3-3-32 Nagatahigashi, Higashi Osaka city, Osaka</p> <p>Umeda office: LINKS UMEDA 8F WeWork LINKS UMEDA 1-1 Ofukacho, Kita-ku, Osaka city, Osaka</p> <p>Tokyo System Development Division: Bunshodo Building 5F, 3-37-1 Kanda Sakuma-cho Chiyoda-ku, Tokyo</p> <p>Logistics bases: 12 locations in Kansai area, 5 locations in Kanto area</p> <p>Total area: 200,700m<sup>2</sup> (As of February 28, 2022)</p>	
Established	April 1986	
Representative	Hisahiro Tatsushiro, Representative Director and President	
Capital	787 million yen (As of May 31, 2022)	
Stock listing	Tokyo Stock Exchange Growth Market (Securities code: 9326)	
Number of employees	293 (Regular employees as of February 28, 2022)	
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>	 <p>Kansai Primary Center</p>  <p>Tokyo Primary Center</p>

# Other Services

## Outsourced order processing services [Logistics Services Business]

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.

QR code for more  
information about the  
outsourced order  
processing services



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

## ippo! – A robotic process automation (RPA) production service [IT Automation Business]



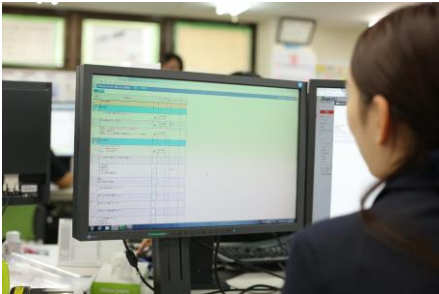
This new service combines the knowledge of KANTSU, which has many accomplishments involving RPA, and BizRobo!, an RPA tool. The result is a service that creates RPA for other companies that want to automate business processes. ippo! is also a service for assisting companies that have started using RPA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

# Other Services

Annie, a cloud-based digital check list system, that started from ideas in our front-line operations.

## The Annie digital check list system [IT Automation Business]

Annie is a cloud-based **digital check list system** that resulted from constant improvements in how KANTSU uses its own check lists. Using a **check list facilitates the visualization** of each step of a task in order to ensure that no step is missed. The result is high-quality business processes for customers. Annie is also an effective tool for remote work and the preparation of important documents.



QR code for more information about the Annie digital check list system

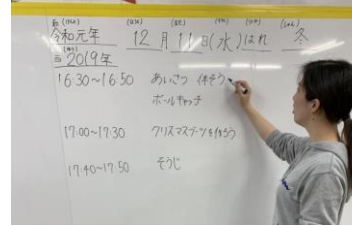


# Other Services

## Education services for people with a developmental disability [Other Businesses]



After-school daytime classes for children with a developmental disability  
Employment assistance center for people with a developmental disability



## Support for pre-school child care [Other Businesses]



Operation of pre-school child care facilities for companies



## Technology education services for foreign trainees [Other Businesses]



Vocational training in Myanmar for people who plan to become foreign trainees in Japan



# 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.
- Risk factors and uncertainties include the condition of industries and markets, interest rate and foreign exchange rate movements, and other factors involving the condition of the Japanese and global economies.
- Although this presentation and other materials were prepared carefully in order to ensure accuracy, KANTSU does not guarantee that these materials are accurate or complete.
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Inquiries

KANTSU CO., LTD. IR Representative

Please use the designated form for IR inquiries.

URL: <https://www.kantsu.com/>

IR Inquiries Form

