April 14, 2023

Consolidated Financial Results for the Fiscal Year Ended February 28, 2023

[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 29, 2023
Scheduled date of filing of Annual Securities Report: May 30, 2023
Scheduled date of payment of dividend: May 30, 2023
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional and individual investors and securities analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 2022 – February 28, 2023)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2023	10,493	-	392	-	360	-	628	-
Fiscal year ended Feb. 28, 2022	-	-	-	-	-	-	-	-

Note: Comprehensive income Fiscal year ended Feb. 28, 2023: 628 million yen (-%)
Fiscal year ended Feb. 28, 2022: - million yen (-%)

	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, 2023	61.15	59.02	21.0	3.8	3.7
Fiscal year ended Feb. 28, 2022	-	-	-	-	-

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Feb. 28, 2023: - Fiscal year ended Feb. 28, 2022: -

Notes: 1. Figures for the fiscal year ended February 28, 2022 and year-on-year changes are not presented because KANTSU began to prepare consolidated financial statements from the fiscal year ended February 28, 2023.
2. Equity in earnings of affiliates is not presented as KANTSU does not have an affiliate.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2023	9,471	3,259	34.4	316.08
As of Feb. 28, 2022	-	-	-	-

Reference: Shareholders' equity As of Feb. 28, 2023: 3,258 million yen As of Feb. 28, 2022: - million yen

Note: Figures as of February 28, 2022 are not presented because KANTSU began to prepare consolidated financial statements from the fiscal year ended February 28, 2023.

(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, 2023	216	1,005	(1,020)	3,214
Fiscal year ended Feb. 28, 2022	-	-	-	-

Note: Figures as of February 28, 2022 are not presented because KANTSU began to prepare consolidated financial statements from the fiscal year ended February 28, 2023.

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, 2022	-	0.00	-	10.00	10.00	102	-	-
Fiscal year ended Feb. 28, 2023	-	0.00	-	10.00	10.00	103	16.4	3.4
Fiscal year ending Feb. 29, 2024 (forecast)	-	0.00	-	10.00	10.00		-	

Note: Dividend payout ratio (consolidated) and dividends on equity (consolidated) for the fiscal year ended February 28, 2022 are not presented because KANTSU started preparing consolidated financial statements from the fiscal year ended February 28, 2023.

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

(Percentages represent year-on-year changes)

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

*** Notes**

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

Newly added: - Excluded: -

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" on page 14 of the attachments for further information.

(3) Number of outstanding shares (common shares)

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

As of Feb. 28, 2023:	10,308,150 shares	As of Feb. 28, 2022:	10,262,400 shares

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

As of Feb. 28, 2023:	93 shares	As of Feb. 28, 2022:	93 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2023:	10,271,019 shares	Fiscal year ended Feb. 28, 2022:	10,143,729 shares

Note: KANTSU conducted a 3-for-1 common stock split effective on September 1, 2021. 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, 2022.

Reference: Summary of non-consolidated business results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 2022 – February 28, 2023)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2023	10,493	3.9	388	(46.7)	355	(48.3)	624	34.5
Fiscal year ended Feb. 28, 2022	10,099	6.0	729	74.5	687	79.4	463	63.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 28, 2023	60.78	58.66
Fiscal year ended Feb. 28, 2022	45.74	44.01

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2023	9,471	3,255	34.4	315.71
As of Feb. 28, 2022	9,484	2,726	28.7	265.71

Reference: Shareholders' equity As of Feb. 28, 2023: 3,254 million yen As of Feb. 28, 2022: 2,726 million yen

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 4 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, 2023.

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1. Overview of Results of Operations

This document is a summary of the financial condition, results of operations and cash flows of the KANTSU Group for the fiscal year that ended on February 28, 2023.

Forward-looking statements are based on the judgments of the KANTSU Group as of February 28, 2023. Furthermore, KANTSU established KANTSU Business Services Co., Ltd. as a wholly owned subsidiary on March 1, 2022, and began preparing consolidated financial statements from the current fiscal year. Therefore, we have not presented year-on-year comparisons with the previous fiscal year or with the end of the previous fiscal year.

(1) Results of Operations

During the fiscal year that ended on February 28, 2023, although there are still negative effects of the pandemic, socio-economic activities in Japan began returning to normal as pandemic restrictions were lifted. Nevertheless, the economic outlook remained uncertain due to a sharp rise in the prices of resources and raw materials caused by the tense situation in Ukraine and the sharp depreciation of the yen.

In the logistics industry, which is closely linked to services of the KANTSU Group, there were downturns in demand in some sectors of e-commerce logistics as pandemic safety restrictions on activities ended and China's zero-COVID policy briefly halted international cargo movements to and from China. In addition, in the apparel category of the e-commerce market, the speed of the growth of foreign-owned fast fashion companies in Japan is increasing. In this business climate, demand for the KANTSU Group's logistics services remained firm.

To continue increasing corporate value, the KANTSU Group focused on strategic initiatives for growth. The goal in the logistics services business is the addition of more distribution centers for the growth of this business. In the IT automation business, the goal is to increase activities to receive orders from new customers. By taking these actions, we are determined to achieve the sustained growth of sales and earnings in both businesses.

Sales were 10,493 million yen, operating profit was 392 million yen, ordinary profit was 360 million yen and profit attributable to owners of parent was 628 million yen. Earnings include extraordinary income of 1,068 million yen for a gain on sale of non-current assets, which includes the sale of a distribution center owed by KANTSU (land and building) in the city of Higashi-Osaka in February 2023. There is also an extraordinary loss of 341 million yen for an addition to provision for business restructuring, which includes the expected loss resulting from the relocation of the operations of the distribution center that was sold.

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 consolidated income statement.

Logistics services business

To increase customer satisfaction, improvement activities aimed at raising quality and productivity continued with emphasis on EC/catalog logistics support services. Sales to existing customers were about 10% less than in the previous fiscal year. This business used SEO measures and other steps for adding new customers by using the internet more effectively to receive orders from new customers through distribution centers such as the Tokyo Primary Center in the city of Niiza in Saitama prefecture (about 27,400 square meters) that was established in February 2022, the D-to-C II Distribution Center in Amagasaki in Hyogo prefecture (about 13,200 square meters) that was established in August 2022, and the Aggrebase in in Amagasaki in Hyogo prefecture (about 14,200 square meters) that was started operating in December 2022. In addition, there were many activities to increase the percentage of customer contacts that result in orders. Most significant is measures for increasing opportunities to explain our many activities for providing outstanding services. One example is providing our customers with guided tours of our Head Office showroom (Amagasaki, Hyogo prefecture), which was completed in February 2022.

As a result, net sales were 9,837 million yen and segment profit was 189 million yen.

IT automation business

There were strong sales of the warehouse management system Cloud Thomas and Cloud Thomas Pro to new customers. Furthermore, the Group established a capital and business alliance with Canon IT Solutions Inc. in April 2022 for joint promotional activities to win new projects. To sign up new customers for the Annie check list system, we started sales to external customers of the New Employee Immediate Productivity Package, which is a system created by KANTSU for making newly hired employees productive very quickly.

As a result, net sales were 546 million yen and segment profit was 197 million yen.

Other businesses

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

As a result, net sales were 109 million yen and segment profit was 5 million yen.

Results by business segment for the fiscal year ended February 28, 2023

(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	9,618,429	91.7	-	-		
	Outsourced order processing services	126,390	1.2	-	-		
	Others	92,737	0.9	-	-		
Logistics services business		9,837,558	93.7	-	189,128	1.9	-
IT automation business		546,477	5.2	-	197,665	36.2	-
Other businesses		109,685	1.0	-	5,354	4.9	-
Total for reportable segments		10,493,721	100.0	-	392,148	3.7	-

Note: Year-on-year changes are not presented because KANTSU began to prepare consolidated financial statements from the fiscal year ended February 28, 2023.

(2) Financial Position

Total assets at the end of the current fiscal year were 9,471 million yen. Liabilities were 6,211 million yen and net assets were 3,259 million yen.

The major changes are as follows.

Current assets

Current assets were 5,154 million yen.

This was attributable primarily to 3,432 million yen in cash and deposits, 277 million yen in electronically recorded monetary claims-operating and 972 million yen in accounts receivable-trade.

Non-current assets

Non-current assets were 4,317 million yen.

This was attributable primarily to 1,426 million yen in buildings and 1,089 million yen in leasehold and guarantee deposits.

Current liabilities

Current liabilities were 2,160 million yen.

This was attributable mainly to 264 million yen in accounts payable-trade, 795 million yen in current portion of long-term borrowings, 318 million yen in income taxes payable and provision for business restructuring of 321 million yen.

Non-current liabilities

Non-current liabilities were 4,051 million yen.

This was attributable mainly to 3,228 million yen in long-term borrowings and 371 million yen in asset retirement obligations.

Net assets

Net assets were 3,259 million yen.

Share capital was 788 million yen, the capital surplus was 774 million yen and retained earnings were 1,695 million yen.

(3) Cash flows

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year increased 201 million yen from the end of the previous fiscal year to 3,214 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 216 million yen.

Major positive factors include profit before income taxes of 921 million yen, depreciation of 410 million yen and an increase of 330 million yen in provision for business restructuring. Major negative factors include a gain on sale of fixed assets of 1,068 million yen, trade receivables of 112 million yen and income taxes paid of 268 million yen.

Cash flows from investing activities

Net cash provided by investing activities totaled 1,005 million yen.

Major positive factors include proceeds from sales of property, plant and equipment of 2,190 million yen. Major negative factors include the purchase of property, plant and equipment of 811 million yen, purchase of intangible assets of 157 million yen and payments of leasehold and guarantee deposits of 159 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 1,020 million yen.

Major positive factors include proceeds from long-term borrowings of 1,150 million yen. Major negative factors include repayments of long-term borrowings of 2,045 million yen and dividends paid of 102 million yen.

(4) Outlook

1) Overview

According to the 2021 Report of the Industry, Economy Research Outsourcing Business (E-commerce Transaction Survey) of the Ministry of Economy, Trade and Industry, the e-commerce market in Japan, which is closely linked to major services of the KANTSU Group, increased 7.35% from 19.3 trillion yen in 2021 to 20.7 trillion yen in the B-to-C category and the B-to-C e-commerce share of the entire B-to-C sector increased by 0.7 point to 8.78%. In the retail merchandise sector, the B-to-C e-commerce category increased 8.61% from 12.2 trillion yen in 2020 to 13.2 trillion yen in 2021 as the steady growth of this category continued.

In the EC/catalog logistics support services segment, the primary business of the KANTSU Group, two distribution centers with a total floor area of about 27,000 square meters opened during the fiscal year that ended in February 2023 and a distribution center with a floor area of almost 29,000 square meters is scheduled to start operating in November 2023 in the city of Amagasaki in Hyogo prefecture. New distribution centers to meet new sources of demand are being accompanied by measures to step up the activities for the digital transformation of logistics. For existing customers, there are activities to improve efficiency by continuing to improve the quality and productivity of logistics services with the goal of raising customer satisfaction. For the Cloud Thomas warehouse management system, activities will continue for adding new customers, including the utilization of the capital and business alliance with Canon IT Solutions. We will continue to develop more functions and make other advances in order to further improve the convenience of this system.

In the fiscal year ending in February 2024, we forecast a 12.0% increase in net sales to 11,756 million yen, a 70.8% increase in operating profit to 669 million yen, a 73.1% increase in ordinary profit to 624 million yen, and a 38.3% decrease in profit attributable to owners of parent to 387 million yen. This forecast is based on the following assumptions.

2) Assumptions

Sales

The forecast for sales is an increase of 12.0% to 11,756 million yen.

KANTSU is dedicated to providing a stable logistics environment to current customers along with improvements in services. There will be activities to maintain and increase the volume of business. To add new customers, there will be sales activities that include invitations to tour warehouses, where participants can learn lessons from our web marketing activities in prior years. There are also activities for strengthening relationships with current customers and partner companies and for using alliances and other joint activities to attract new customers. Measures to add new customers also include seeking opportunities to start new businesses.

Logistics services business

Based on the forecast, this segment is expected to account for 91.9% of sales in the fiscal year ending in February 2024. This business consists primarily of EC/catalog logistics support services, outsourced order processing services and logistics consulting services.

The sales forecast is mainly the sum of expected sales for individual customers based on sales in the current fiscal year. The forecast also includes expected sales for new customers where sales discussions are progressing and there is a significant likelihood that KANTSU will start providing services during the current fiscal year. The decision about including a prospective new customer in the forecast is based on how close the sales process is to reaching a final decision about placing an order and the estimated difficulty of receiving an order from the prospective customer. Furthermore, additions of new customers in prior years are taken into account. After studying prospects for adding new customers during the next fiscal year, KANTSU believes that a forecast for new customer sales has been determined within a reasonable range.

Consequently, the logistics services sales forecast is the sum of the outlook for sales for individual current customers, which includes a decline in sales for some customers during the current fiscal year, and sales for new customers. The forecast also includes the expected contribution to sales for an entire fiscal year of customers that were added during the current fiscal year. The result is a sales forecast of 10,798 million yen, which is 9.8% higher than in the previous fiscal year.

IT automation business

There was strong sales growth of 26.1% in the fiscal year that ended in February 2023 in this segment. Major components of this segment are the Cloud Thomas warehouse management system, Annie check list system and e.can order processing automation system.

The forecast also includes expected sales for current customers where sales discussions are progressing and there is a significant likelihood that KANTSU will start providing services during the current fiscal year. The decision about including a prospective new customer in the forecast is based on how close the sales process is to reaching a final decision about placing an order and the estimated difficulty of receiving an order from the prospective customer. Furthermore, additions of new customers and customized software development performance in prior years are taken into account as well as expected sales growth due to measures to strengthen logistics digital transformation sales and conduct joint activities using the capital and business alliance with Canon IT Solutions. The sales forecast for current customers is the sum of expected sales from utilization fees from individual customers by using the outlook for the utilization of services based on performance in the previous fiscal year. The result is a sales forecast of 849 million yen, which is 55.4% higher than in the previous fiscal year.

Other businesses

Other businesses are educational services for foreign technical trainees and other educational services. The provision of educational services for foreign technical trainees is expected to continue to be difficult for some time because of the pandemic and political unrest in Myanmar, a country that accounts for a large share of these trainees. As a result, the sales forecast is based on a conservative outlook. In other educational services, the forecast is based on a reasonable estimate that uses the expected school utilization rate and other factors in accordance with performance in the previous fiscal year. The result is a sales forecast of 108 million yen, which is 1.0% lower than in the previous fiscal year.

Cost of sales

In the logistics services segment, the outlook for personnel expenses is based on the number of people at each logistics business site when the budgets for these sites are established as well as the staffing plans that reflect expected periods of high and low volumes of work. This forecast also includes expected leasing expenses, which reflect new locations, expansions and other changes to business sites, and expected outsourcing expenses, which reflect the outlook for changes in outsourcing. The estimate for depreciation includes the outlook for the acquisition of logistics automation equipment, freezer and refrigeration equipment, material handling equipment and other depreciable assets. For shipping expenses, the estimate is based on the forecast for the volume of shipments that was determined when establishing the sales forecast. Other components of the cost of sales are based on the outlook for increases or decreases in sales in accordance with the performance of individual logistics business sites in the prior years. In the IT automation segment, the personnel expense forecast is based on expected working hours for software development and other activities in the information systems staffing plan. The depreciation forecast was determined by using depreciation expenses in prior years and adjusting for software that was removed during the current fiscal year and by adding depreciation expenses for depreciable assets to be acquired during the next fiscal year based on the fiscal year software development plan. Other components of the cost of sales are based on sales in prior years and adjusted based on the outlook for increases or decreases in sales.

As a result, the efficiency of business operations is expected to increase due to new automation and other equipment at distribution centers, the development of an upgraded version of the Cloud Thomas warehouse management system, and other improvements. Increases are expected for personnel expenses, shipping expenses and leasing expenses, which are the major components of the cost of sales. The result is a cost of sales forecast of 9,971 million yen, which is 9.3% higher than in the previous fiscal year.

Selling, general and administrative expenses

The forecast for these expenses, which is based on expenses in the current fiscal year, is primarily the sum of personnel expenses, software maintenance fees and IT system expenses, leasing expenses for office space, and expenses for administrative and system development operations, where the number of employees is expected to increase.

The result is a selling, general and administrative expense forecast of 1,115 million yen, which is 14.3% higher than in the previous fiscal year.

Operating profit

Due to the outlook for sales to increase, as was explained earlier, operating profit is expected to be 669 million yen, 70.8% higher than in the previous fiscal year.

Ordinary profit

The ordinary profit forecast is 624 million yen, 73.1% higher than in the previous fiscal year. The forecast for extraordinary income and losses is based on the current fiscal year and a reasonable outlook for extraordinary income and losses that will be recorded in the fiscal year ending in February 2024.

Profit attributable to owners of parent

The profit attributable to owners of parent forecast is 387 million yen, down 38.3% from the previous fiscal year.

This profit was affected by extraordinary income and losses in the current fiscal year. In the fiscal year ending in February 2024, based on conservative assumptions, no extraordinary income is expected and an extraordinary loss of approximately 50 million yen for the retirement of non-current assets is expected.

Consolidated Forecast for the Fiscal Year Ending February 29, 2024

(Millions of yen; %)

	FY2/2024 Consolidated Forecast		[Reference] Consolidated Financial Results FY2/2023	
	Forecast	%	Result	%
EC/catalog logistics support services	10,600	90.2	9,618	91.7
Outsourced order processing services	120	1.0	126	1.2
Other	77	0.7	92	0.9
Logistics services business	10,798	91.9	9,837	93.7
Cloud Thomas	704	6.0	403	3.8
Other	144	1.2	142	1.3
IT automation business	849	7.2	546	5.2
Other businesses	108	0.9	109	1.0
Net sales	11,756	100.0	10,493	100.0
Operating profit	669	5.7	392	3.7
Ordinary profit	624	5.3	360	3.4
Profit attributable to owners of parent	387	3.3	628	6.0

2. Basic Approach to the Selection of Accounting Standards

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

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY2/23 (As of Feb. 28, 2023)
Assets	
Current assets	
Cash and deposits	3,432,524
Electronically recorded monetary claims-operating	277,472
Accounts receivable-trade	972,380
Merchandise	302
Work in process	4,189
Other	473,321
Allowance for doubtful accounts	(5,927)
Total current assets	5,154,264
Non-current assets	
Property, plant and equipment	
Buildings, net	1,426,273
Machinery, equipment and vehicles, net	162,131
Land	138,871
Leased assets, net	240,332
Construction in progress	114,429
Other, net	291,158
Total property, plant and equipment	2,373,198
Intangible assets	
Software	259,651
Other	349
Total intangible assets	260,001
Investments and other assets	
Long-term loans receivable	12,000
Deferred tax assets	146,732
Leasehold and guarantee deposits	1,089,583
Other	436,509
Allowance for doubtful accounts	(776)
Total investments and other assets	1,684,049
Total non-current assets	4,317,249
Total assets	9,471,514

(Thousands of yen)

	FY2/23 (As of Feb. 28, 2023)
Liabilities	
Current liabilities	
Accounts payable-trade	264,734
Current portion of long-term borrowings	795,352
Income taxes payable	318,381
Provision for bonuses	34,458
Lease liabilities	26,922
Provision for business restructuring	321,967
Other	398,593
Total current liabilities	2,160,410
Non-current liabilities	
Long-term borrowings	3,228,071
Asset retirement obligations	371,904
Lease liabilities	221,035
Provision for business restructuring	9,000
Other	221,277
Total non-current liabilities	4,051,288
Total liabilities	6,211,699
Net assets	
Shareholders' equity	
Share capital	788,275
Capital surplus	774,275
Retained earnings	1,695,773
Treasury shares	(109)
Total shareholders' equity	3,258,214
Share acquisition rights	1,600
Total net assets	3,259,814
Total liabilities and net assets	9,471,514

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Net sales	10,493,721
Cost of sales	9,125,658
Gross profit	1,368,063
Selling, general and administrative expenses	975,914
Operating profit	392,148
Non-operating income	
Interest income	379
Rental income from land and buildings	2,484
Subsidy income	13,976
Gain on sale of goods	5,606
Compensation Income	9,722
Other	6,913
Total non-operating income	39,083
Non-operating expenses	
Interest expenses	51,161
Share issuance costs	5,660
Share acquisition rights issuance costs	7,657
Other	6,017
Total non-operating expenses	70,496
Ordinary profit	360,735
Extraordinary income	
Gain on sale of non-current assets	1,068,001
Total extraordinary income	1,068,001
Extraordinary losses	
Loss on retirement of non-current assets	152,833
Provision for business restructuring	341,980
Other	12,571
Total extraordinary losses	507,384
Profit before income taxes	921,351
Income taxes-current	402,221
Income taxes-deferred	(108,993)
Total income taxes	293,227
Profit	628,124
Profit attributable to non-controlling interests	-
Profit attributable to owners of parent	628,124

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Profit	628,124
Comprehensive income	628,124
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	628,124
Comprehensive income attributable to non-controlling interests	-

(3) Consolidated Statement of Changes in Equity

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	785,299	771,299	1,170,272	(109)	2,726,761
Changes during period					
Issuance of new shares	2,976	2,976			5,952
Dividends of surplus			(102,623)		(102,623)
Profit attributable to owners of parent			628,124		628,124
Net changes in items other than shareholders' equity					
Total changes during period	2,976	2,976	525,501	-	531,453
Balance at end of period	788,275	774,275	1,695,773	(109)	3,258,214

(Thousands of yen)

	Share acquisition rights	Total net assets
Balance at beginning of period	-	2,726,761
Changes during period		
Issuance of new shares		5,952
Dividends of surplus		(102,623)
Profit attributable to owners of parent		628,124
Net changes in items other than shareholders' equity	1,600	1,600
Total changes during period	1,600	533,053
Balance at end of period	1,600	3,259,814

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY2/23 (Mar.1,2022–Feb.28,2023)
Cash flows from operating activities	
Profit before income taxes	921,351
Depreciation	410,890
Increase (decrease) in allowance for doubtful accounts	(8,495)
Increase (decrease) in provision for bonuses	(3,629)
Increase (decrease) in provision for business restructuring	330,967
Interest and dividend income	(383)
Interest expenses	51,161
Loss (gain) on sale of non-current assets	(1,068,001)
Loss on retirement of non-current assets	152,833
Decrease (increase) in trade receivables	(112,665)
Decrease (increase) in inventories	(2,944)
Increase (decrease) in trade payables	(38,515)
Other, net	(99,650)
Subtotal	532,919
Interest and dividends received	383
Interest paid	(48,640)
Income taxes paid	(268,020)
Net cash provided by (used in) operating activities	216,642
Cash flows from investing activities	
Payments into time deposits	(13,804)
Purchase of property, plant and equipment	(811,588)
Proceeds from sale of property, plant and equipment	2,190,095
Purchase of intangible assets	(157,170)
Proceeds from collection of loans receivable	12,000
Payments of leasehold and guarantee deposits	(159,462)
Other, net	(54,538)
Net cash provided by (used in) investing activities	1,005,532
Cash flows from financing activities	
Proceeds from long-term borrowings	1,150,000
Repayments of long-term borrowings	(2,045,865)
Repayments of lease liabilities	(25,299)
Proceeds from issuance of shares	994
Dividends paid	(102,337)
Proceeds from issuance of share acquisition rights	6,200
Payments for cancellation of share acquisition rights	(4,600)
Net cash provided by (used in) financing activities	(1,020,907)
Net increase (decrease) in cash and cash equivalents	201,267
Cash and cash equivalents at beginning of period	3,012,955
Cash and cash equivalents at end of period	3,214,222

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Application of Accounting Standards for Revenue Recognition

The Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the beginning of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

Accordingly, for software development contracts, the Company changed the method of recognizing revenue over a certain period of time as the performance obligation to transfer services to the customer is satisfied, when control over the services is transferred to the customer over a certain period of time, from the contract to which the completion basis was previously applied. For small or very short term development contracts, revenue is recognized when the performance obligation is fully satisfied.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the current fiscal year, is added to or subtracted from retained earnings at the beginning of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. However, the Company has applied the method prescribed in Paragraph 86 of this standard and has not retrospectively applied the new accounting policy to contracts in which almost all revenue were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year. In addition, the effect of the application of these standards on the consolidated financial statements is insignificant and there is no impact on the balance of retained earnings at the beginning of the current fiscal year.

Segment Information

1. Overview of reportable segments

The KANTSU Group’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.

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 method of accounting for the reported operating segments is in accordance with the accounting policy adopted to prepare the consolidated financial statements.

Segment profit for reportable segments is based on operating profit.

There are no inter-segment transfers.

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

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023) (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	9,837,558	546,477	10,384,036	109,685	10,493,721	-	10,493,721
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	9,837,558	546,477	10,384,036	109,685	10,493,721	-	10,493,721
Segment profit	189,128	197,665	386,793	5,354	392,148	-	392,148
Segment assets	5,178,880	200,603	5,379,483	74,862	5,454,345	4,017,168	9,471,514
Other items							
Depreciation	368,683	40,836	409,520	1,370	410,890	-	410,890
Increase in property, plant and equipment and intangible assets	976,733	74,309	1,051,042	425	1,051,468	-	1,051,468

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 4,017,168 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)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Net assets per share	316.08
Net income per share	61.15
Diluted net income per share	59.02

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

(Thousands of yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Net income per share	
Profit attributable to owners of parent	628,124
Amounts not attributable to common shareholders	-
Profit attributable to owners of parent applicable to common shares	628,124
Average number of common shares outstanding during the period (shares)	10,271,019
Diluted net income per share	
Adjustment to profit attributable to owners of parent	-
Increase in number of common shares (shares)	370,824
[of which stock option (shares)]	[370,824]
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 Purchase of Third-party Allotment of Stock

The KANTSU Board of Directors approved a resolution on April 14, 2023 to establish a capital and business alliance with Spicescode, Inc. The alliance has been established and KANTSU has purchased stock newly issued by Spicescode that was sold by using a third-party allotment. In addition, KANTSU plans to purchase Spicescode stock from current shareholders. These acquisitions of stock are expected to make Spicescode an equity-method affiliate of KANTSU. The following is a summary of these actions.

1. Purpose and reason for the alliance

The logistics services business provides merchandise receipt, inventory management, picking, packaging and other support services primarily for companies that sell merchandise using the e-commerce and catalog channels. The IT automation business provides services involving the use of the Cloud Thomas warehouse management system and other services primarily to companies that sell merchandise and to companies in the logistics sector.

As the e-commerce market grew, the KANTSU Group has provided e-commerce and catalog sales support services by supplying customized logistics services that precisely match the requirements of each customer. By creating the ideal environment for every customer, the KANTSU Group has focused on providing services with emphasis on improvements and other aspects of quality. In addition, KANTSU operates an outsourced order processing and management service that covers every aspect of the backyard operations of customers' e-commerce sales activities. The service encompasses confirmation of orders received from customers, e-mail messages to customers, confirmation of the receipt of payments, data for shipping instructions, and other tasks. Combining this service with EC/catalog logistics support services results in one-stop outsourcing convenience for customers. Cloud Thomas, a warehouse management system developed by KANTSU, is provided as part of e-commerce and catalog sales 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 Cloud Thomas 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. The KANTSU Group's strategy for growth is to strengthen partnerships with customers, partner companies and suppliers in order to become the "one and only partner" with the goal of further increasing customer satisfaction. These activities are expected to increase sales of existing services as well as establish a base for the addition of new services for serving an even broader spectrum of customers. The objective is more growth of corporate value.

The vision of Spicescode is to "build a sustainable supply chain for the food industry." To accomplish this, the company provides Localmet Order, a central kitchen service that allows restaurants to sell original menu items and use the internet for the easy and speedy preparation of meals. In the food industry, the food preparation stage has created a major barrier. By using the internet to create a network of central kitchens and food factories, Spicescode makes it possible to provide small-scale, high-quality services for the outsourcing of food preliminary preparation work and the production of e-commerce food products. Localmet Order eliminates the need for chefs to spend time on preparatory work and other tasks with little creativity. Chefs can instead spend their time on tasks with high productivity. Currently, many well-known restaurant companies in Japan are using Localmet Order to improve how they do their work.

This capital and business alliance with Spicescode is expected to produce the following synergies for both companies. As a result, KANTSU believes that the purchase of Spicescode stock using the third-party allotment will contribute to the growth of corporate value due to the KANSU Group's medium to long-term growth of sales and earnings.

(i) Joint development of next-generation general-purpose order management system

KANTSU plans to establish a complete link between the Localmet Order central kitchen service of Spicescode and KANTSU's Cloud Thomas warehouse management system. The goal is the joint development of a next-generation order management system for fully automated operations. Consequently, KANTSU believes that this alliance will allow both companies to provide services with even more added value to customers and will increase opportunities to add new customers.

(ii) Sharing of customers, logistics and sales channels in the food sector

KANTSU and Spicescode can use their business infrastructures to expand the services of both companies. The KANTSU Group can provide logistics services to companies using Localmet Order and many other new business schemes will be possible.

Consequently, KANTSU believes that this alliance will create more opportunities for both companies to attract new customers as well as to serve an even broader range of customer segments.

(iii) Strengthen functions of Cloud Thomas

KANTSU and Spicescode plan to use artificial intelligence and other advanced technologies for the joint development of a warehouse management system that competitors in Japan cannot create and that can be competitive worldwide. The new system will be used to upgrade the services of both companies.

Consequently, KANTSU believes that this alliance will create more opportunities for both companies to attract new customers as well as to serve an even broader range of customer segments.

2. Overview of the capital and business alliance

(1) Capital alliance

(i) Purchase of Third-party Allotment of Stock

On April 21, 2023, KANTSU will purchase 2,484 shares of Spicescode class A3 preferred stock that is sold using a third-party allotment.

Notes: 1. Class A preferred stock has priority for distributions from remaining assets and can be converted into Spicescode common stock.

2. KANTSU plans to send one individual to be a director of Spicescode and one individual to be an observer. To quickly accomplish the purposes of this capital and business alliance, the two companies will work together to rapidly benefit from the primary expected synergies that are explained in "1. Purpose and reason for the alliance."

(ii) Purchase of stock from current Spicescode shareholders

Separately from the third-party allotment, based on the terms of the alliance, KANTSU plans to purchase 1,658 shares of Spicescode common stock from current shareholders on July 14, 2023. The names of the shareholders cannot be disclosed because of a confidentiality agreement with Spicescode.

The shareholders selling this stock are expected to be either a Japanese company and one or two individual shareholders or only two individual shareholders. There are no relationships between KANTSU and any of these shareholders regarding capital, personnel or business activities and none of these shareholders is a related party of KANTSU.

Following the purchase of stock from these shareholders, Spicescode is expected to become an equity-method affiliate of KANTSU.

(2) Business alliance

The KANTSU-Spicescode business alliance covers the following activities.

(i) Purchase of Third-party Allotment of Stock
(ii) Purchase of stock from current Spicescode shareholders
(iii) Strengthen functions of Cloud Thomas

To benefit from the expected synergies explained in “1. Purpose and reason for the alliance,” the KANTSU Group and Spicescode have held discussions about specific activities involving the business alliance. The two companies will cooperate concerning the activities that were agreed upon with the goal of quickly creating synergies.

3. Profile of Spicescode (to become an equity-method affiliate)

<table>
<tr><td>(1)</td><td>Company name</td><td colspan="3">Spicescode, Inc.</td></tr>
<tr><td>(2)</td><td>Location</td><td colspan="3">UCF 5F Ginza Wall Building, 6-13-16 Ginza, Chuo-ku, Tokyo</td></tr>
<tr><td>(3)</td><td>Representative</td><td colspan="3">Hirofumi Nakagawa, Representative Director</td></tr>
<tr><td>(4)</td><td>Main business</td><td colspan="3">Development and provision of the Localmet Order service, production and sale of processed food and other products</td></tr>
<tr><td>(5)</td><td>Capital stock</td><td colspan="3">100 million yen (as of April 14, 2023)</td></tr>
<tr><td>(6)</td><td>Established</td><td colspan="3">August 15, 2019</td></tr>
<tr><td>(7)</td><td>Major shareholders and shareholding ratios</td><td colspan="3">Hirofumi Nakagawa: 53.3%
STRIVE III Investment Fund LLP:15.2%</td></tr>
<tr><td rowspan="4">(8)</td><td rowspan="4">Relationships between KANTSU and Spicescode</td><td>Capital</td><td colspan="2">Not applicable.</td></tr>
<tr><td>Personnel</td><td colspan="2">Not applicable.</td></tr>
<tr><td>Business</td><td colspan="2">KANTSU has a business outsourcing contract with Spicescode for handling the company’s logistics operations. In the fiscal year that ended in February 2023, this contract generated sales of 18 million yen.</td></tr>
<tr><td>Related parties</td><td colspan="2">Not applicable.</td></tr>
<tr><td>(9)</td><td colspan="4">Results of operations and financial conditions for the last three (3) years (millions of yen)</td></tr>
<tr><td colspan="2">Fiscal year ends</td><td>FY7/2020</td><td>FY7/2021</td><td>FY7/2022</td></tr>
<tr><td></td><td>Net assets</td><td>37</td><td>149</td><td>67</td></tr>
<tr><td></td><td>Total assets</td><td>40</td><td>158</td><td>81</td></tr>
<tr><td></td><td>Net asset per share</td><td>3,261.65 yen</td><td>(9,597.07) yen</td><td>(16,691.38) yen</td></tr>
<tr><td></td><td>Net sales</td><td>-</td><td>9</td><td>65</td></tr>
<tr><td></td><td>Operating profit</td><td>(38)</td><td>(88)</td><td>(104)</td></tr>
<tr><td></td><td>Ordinary profit</td><td>(38)</td><td>(87)</td><td>(81)</td></tr>
<tr><td></td><td>Profit</td><td>(38)</td><td>(88)</td><td>(81)</td></tr>
<tr><td></td><td>Net income per share</td><td>(3,347.05) yen</td><td>(5,312.59) yen</td><td>(4,924.52) yen</td></tr>
<tr><td></td><td>Dividend per share</td><td>- yen</td><td>- yen</td><td>- yen</td></tr>
</table>

Note: Spicescode has issued common stock and class A1 and class A2 preferred stock. At shareholders meetings, each share of stock has one voting right. In “(7) Major shareholders and shareholding ratios,” the ratios are calculated by dividing shares held by the sum of common stock and the class A1 and class A2 of preferred stock issued.

4. Number of shares to be acquired, acquisition price and share ownership before and after acquisition

(i) Shares held after the third-party allotment (Payment date: April 21, 2023) (Tentative)

(1)	Number of shares held before acquisition	0 shares (Number of voting rights: 0) (Percentage of voting rights: 0.0%)
(2)	Number of shares to be acquired	2,484 shares (Number of voting rights: 2,484)
(3)	Acquisition cost	Class A3 preferred stock of Spicescode (Note1) 149 million yen Fees for due diligence, etc. (estimated) 3 million yen Total (estimated) 152 million yen
(4)	Number of shares to be held after acquisition	2,484 shares (Number of voting rights: 2,484) (Percentage of voting rights: 13.04%) (Note2)

Notes: 1. Class A3 preferred stock has priority for distributions from remaining assets and can be converted into Spicescode common stock. Spicescode has issued 3,346 shares of class A1 preferred stock and 1,721 shares of class A2 preferred stock. Just as for class A3 preferred stock, these two classes of preferred stock have priority for distributions from remaining assets and can be converted into common stock. Holders or registered pledgees of class A1, class A2 and class A3 preferred stock will receive distributions of remaining assets in an order based on the preferred distribution of each class. If remaining assets are less than the sum of these preferred distributions, distributions will be made in proportion to the ratios of the preferred distributions.

2. As with class A1 and class A2 preferred stock, each share of class A3 preferred stock has one voting right at shareholders meetings. The percentages of voting rights are calculated by dividing the number of voting rights by the sum of the number of shares of common stock issued and of the three classes of preferred stock issued. (Same for percentages of voting rights below)

(ii) Shares held after purchasing stock from current shareholders (Purchase date: July 14, 2023) (Tentative)

(1)	Number of shares held before acquisition	2,484 shares (Number of voting rights: 2,484) (Percentage of voting rights: 13.04%)
(2)	Number of shares to be acquired	1,658 shares (Number of voting rights: 1,658)
(3)	Acquisition cost	Common shares of Spicescode To be determined *Total acquisition cost is expected to be about 50 million yen. Fees for due diligence, etc. (estimated) None *Fees are included in fees for due diligence expenses, etc. (estimate) in (i) Shares held after the third-party allotment Total (estimated) To be determined
(4)	Number of shares to be held after acquisition	4,142 shares (Number of voting rights: 4,142) (Percentage of voting rights: 21.74%)

5. Schedule

(1)	Board of Directors' resolution	April 14, 2023
(2)	Signing of capital and business alliance agreement	April 14, 2023
(3)	Third-party allotment payment date (tentative)	April 21, 2023
(4)	Purchase of stock from current shareholders (tentative)	July 14, 2023

(Determination of terms for purchase of treasury stock)

At the Board of Directors meeting held on April 14, 2023, a resolution was approved for the purchase of treasury stock pursuant to Article 156 which is applicable in lieu of Article 165, Paragraph 3 of the Companies Act. Treasury stock will be purchased as follows.

(1) Reason for the acquisition of treasury shares:

To increase capital efficiency and implement flexible capital policies in response to changes in the operating environment.

(2) Resolution of the Board of Directors for the purchase of treasury stock

(i) Type of shares to be acquired:

Common stock of KANTSU

(ii) Total number of shares to be acquired:

UP to 300,000 shares

(2.91% of total shares outstanding, excluding treasury shares)

(iii) Total number of shares to be acquired:

Up to 300,000,000 yen

(iv) Acquisition schedule:

From April 17, 2023 to November 30, 2023

(v) Method of acquisition:

Purchases on the Tokyo Stock Exchange using a discretionary transaction contract

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.