

Results of Operations for the First Quarter of the Fiscal Year Ending February 29, 2024

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

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I. Financial Summary

- First quarter performance was consistent with the plan. New customers were added; no additional rent increases during this fiscal year, which will result in more earnings in the second half.
- In the current business climate, logistics are having a big impact on sales. Many actions will be used to increase the ability to adapt to this new environment.
- **ECOMS** - A next-generation general-purpose order management system

1Q FY2/24 Results Summary

Financial
Summary

Growth
Strategy

Earnings
Forecasts

Medium-term
Business Plan

- Steadily acquiring new customers resulted in higher sales.
- Earnings decreased because of higher rent expenses caused by the end of the rent-free period at new distribution centers.

(Millions of yen, %)

| | 1Q FY2/23 (Results) | 1Q FY2/24 (Results) | YoY change | |
|-------------------------|------------------------|------------------------|------------|--------|
| | | | Amount | % |
| Net sales | 2,571 | 2,776 | 204 | 7.9 |
| Operating profit | 132 | 60 | (72) | (54.4) |
| Ordinary profit | 123 | 57 | (65) | (53.3) |
| Profit | 76 | 41 | (35) | (46.0) |

Segment Results

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- Although higher rent reduced logistics services earnings, there was good progress with adding new customers.
- IT automation sales and earnings increased because of the consistent growth of sales from SaaS utilization fees.

(Millions of yen, %)

| | | 1Q FY2/23 (Results) | 1Q FY2/24 (Results) | YoY change (%) |
|-------------------------------------|------------------|------------------------|------------------------|----------------|
| Logistics Services Business | Net sales | 2,437 | 2,637 | 8.2 |
| | Operating profit | 99 | 21 | (78.7) |
| SaaS utilization fees | Net sales | 67 | 80 | 18.9 |
| Hardware, installation, development | Net sales | 39 | 32 | (16.5) |
| IT Automation Business total | Net sales | 107 | 113 | 5.9 |
| | Operating profit | 33 | 39 | 19.9 |

Plan Progress

Financial
Summary

Growth
Strategy

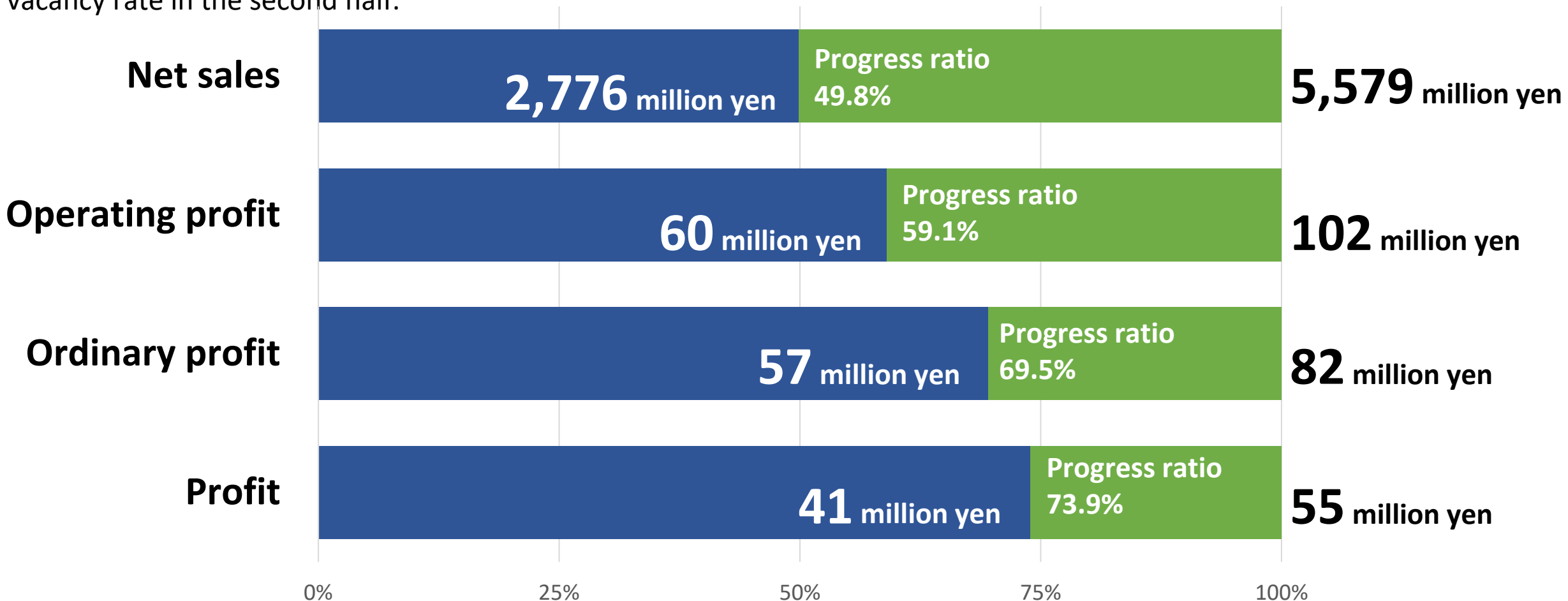
Earnings
Forecasts

Medium-term
Business Plan

- First quarter performance was generally as planned.

Planning on achieving the fiscal year earnings target due partly to an expected decrease in the vacancy rate in the second half.

1H sales/earnings plan



Logistics Services Business Sales Composition

Financial
Summary

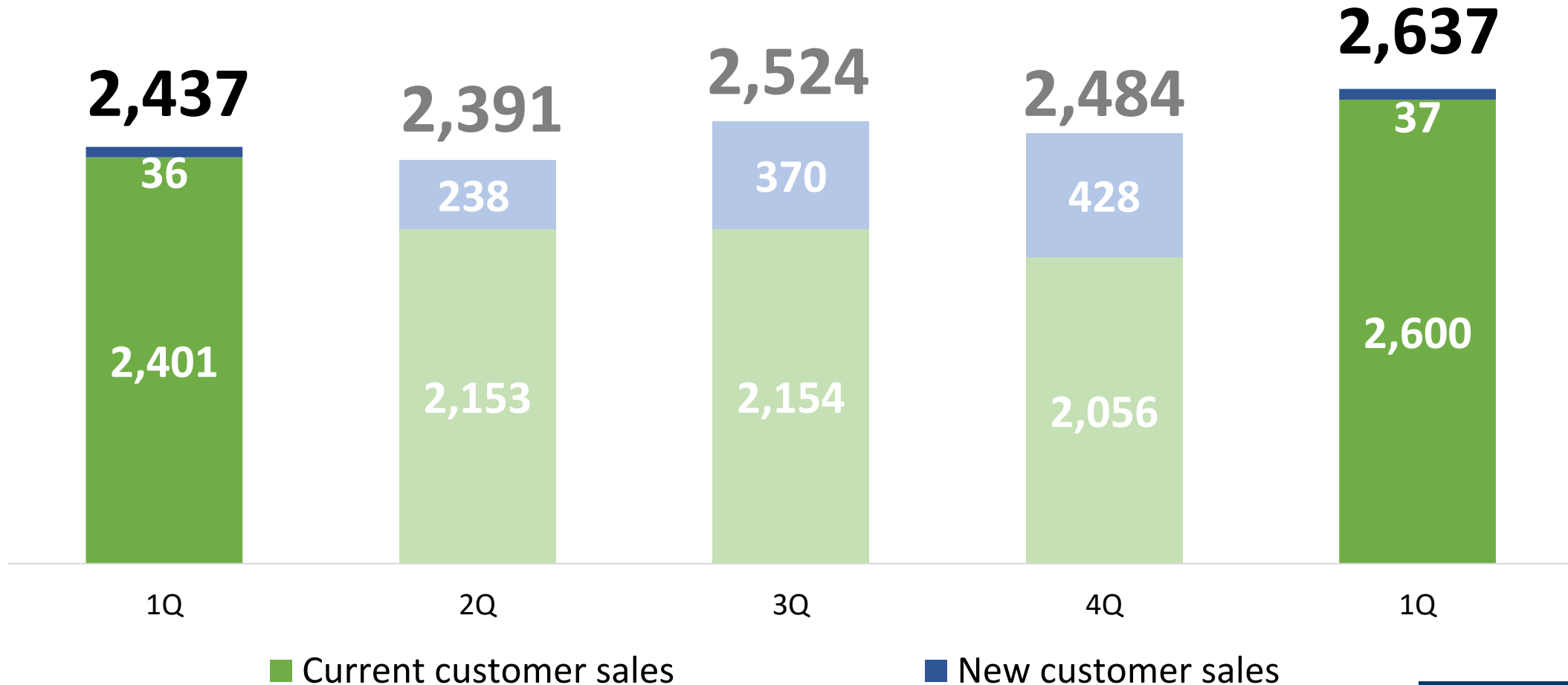
Growth
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- Increasing new customer sales continued to contribute to sales growth.
- New customer sales are increasing as planned and are expected to reach the FY2/24 target of 1,000 million yen, which is about the same as in FY2/23.

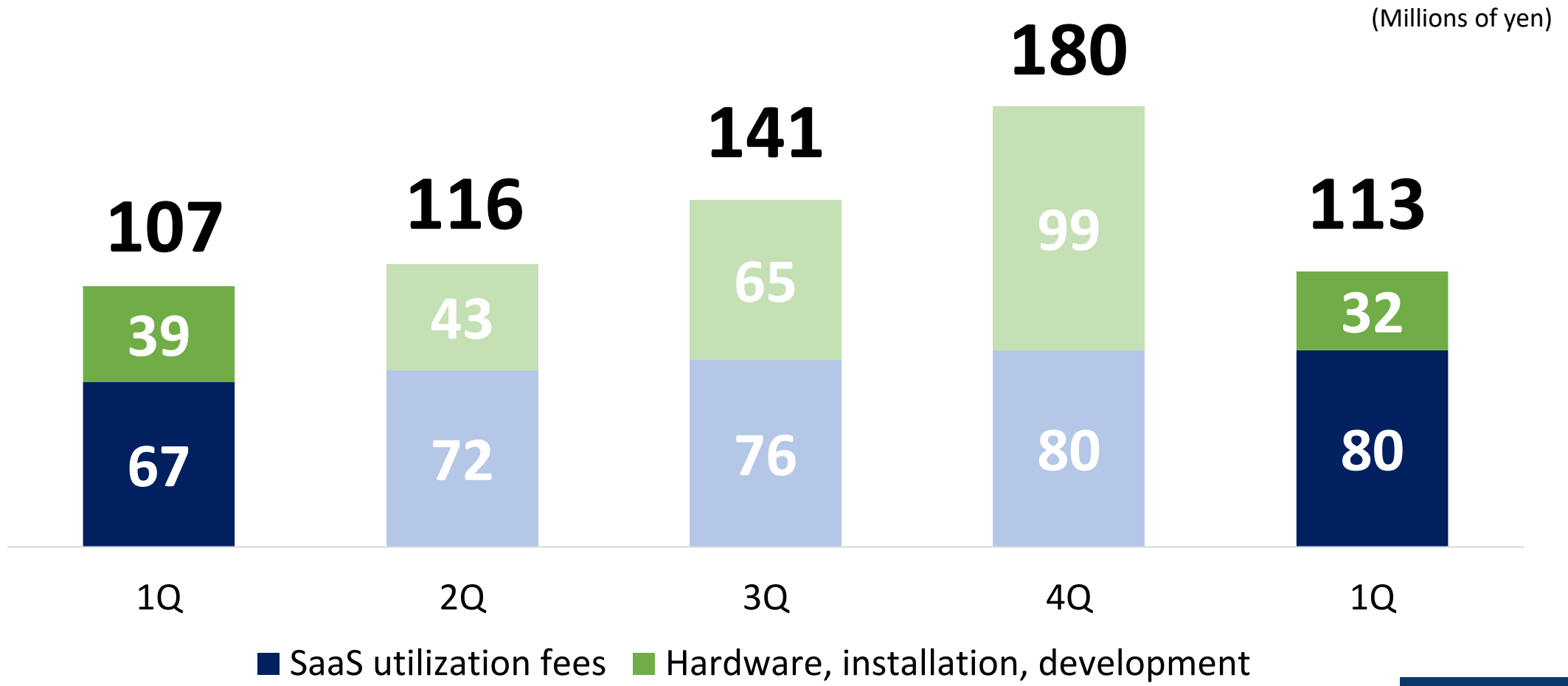
(Millions of yen)



IT Automation Business Sales Composition



- Consistent growth of sales from SaaS utilization fees.
- KANTSU's growth rate in the warehouse management system market continues to be far higher than that of any competitor.





II. Growth Strategy

The quality of logistics services is having a big impact on physical store sales, as shown by the performance of Amazon Prime. Even more measures to upgrade the quality of delivery services as similar activities are taking place at Rakuten Ichiba and other internet shopping malls.

Issue 1 Build a 365-day shipping framework

- Kansai area
Operating three distribution centers (about 80,300m²)
- Kanto area
Operating two distribution centers (about 38,400m²)

→ Plan to start 365-day shipping operations at other locations to meet the requests of customers.

Issue 2 AM order receipt, next- day delivery

KANTSU's solutions

- Using the e.can order processing app for the automation of this step.
- Using the appropriate number of people every day for the number of orders received. Accomplishing this by using the area dominance strategy.
- Improving productivity by using separate management of the working hours for teams used for incoming and outgoing shipments.

→ Due to these actions, we can make deliveries the following day for orders received in the morning of the prior day.

Issue 3 Integrated inventory management/ shipment framework

- Established a warehouse management framework using the Cloud Thomas warehouse management system, which incorporates 30 years of logistics expertise.
- Increased the efficiency of sorting by using the Shutter Assorting System.
- Using automated packaging machines to increase the number of items packaged.

→ Increased shipment accuracy to 8.7ppm (8.7 mistakes in one million shipments).

*The logistics industry average is believed to be 50 to 100ppm.

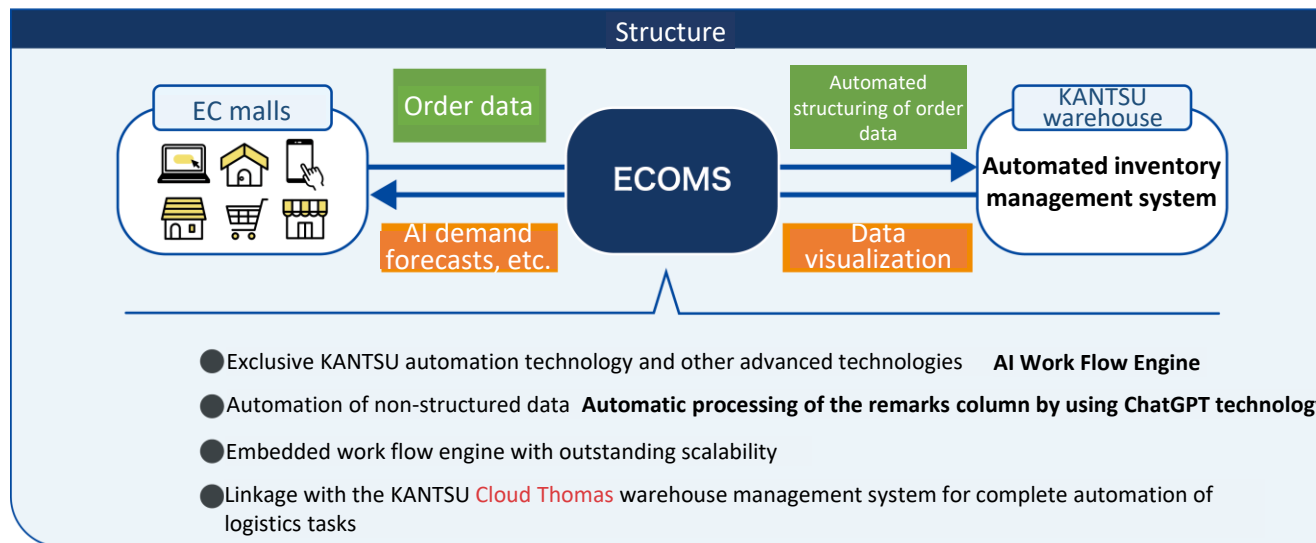
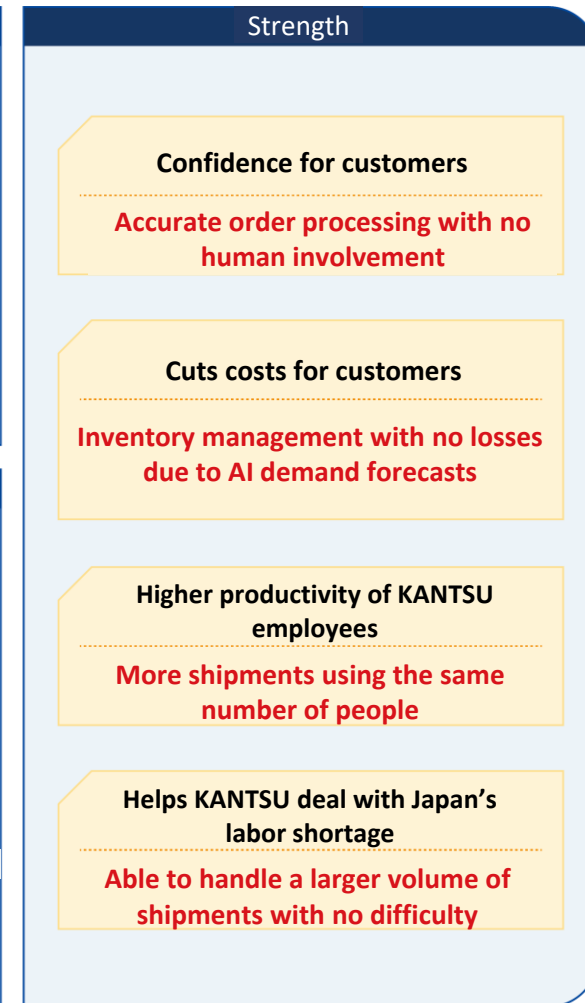
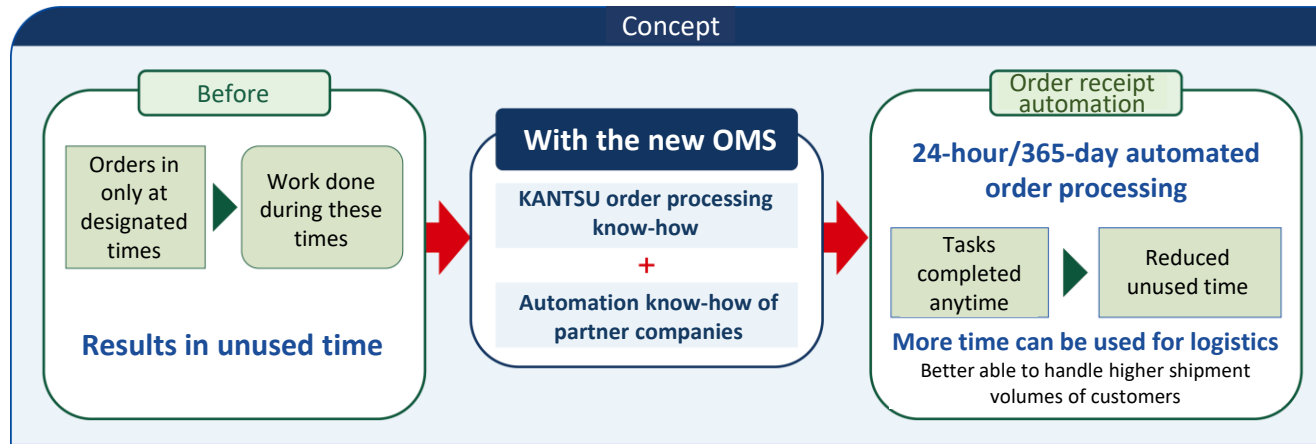
ECOMS

– Start of a next-generation general-purpose order management system



KANTSU started development of an order management system as part of IT system investments for further improving the quality of deliveries.

→ Started preliminary tests and plan to start trial use for internal business processes in the middle of September.



Expansion of the Tokyo Area Delivery Network

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- Shortage of drivers
- Increasing EC pct. of food sales
- Advances with freezing technologies
- Aging of Japan's population

Actions are needed to upgrade the transport of merchandise requiring temperature management, making this a priority for all logistics companies.

KANTSU has started building a combined network for frozen and refrigerated merchandise. KANTSU is moving quickly on this project, which requires the resources of KANTSU and reliable partner companies.



The project is starting in the Tokyo area by using the KANTSU frozen/refrigerated logistics center in Saitama prefecture.



III. Earnings Forecasts

FY2/24 Sales and Earnings Forecasts

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Business Plan

- First quarter performance was as planned.
- Expect to reach the FY2/24 forecast because of second half earnings, a period when distribution center rent expenses will not increase.

(Millions of yen, %)

| | FY2/23 (Consolidated) (Results) | FY2/24 (Consolidated) (Forecasts) | YoY change | |
|---|---------------------------------------|---|------------|--------|
| | | | Amount | % |
| Net sales | 10,493 | 11,756 | 1,262 | 12.0 |
| Operating profit | 392 | 669 | 277 | 70.8 |
| Ordinary profit | 360 | 624 | 263 | 73.1 |
| Profit attributable to owners of parent | 628 | 387 | (240) | (38.3) |

Forecast by Segment

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- In the logistics services business, the Tokyo Primary Center/Aggrebase is expected to be fully occupied by November 2023.
- In the IT automation business, growth is expected to continue, supported by utilization fee rate increases and a larger number of utilization agreements.

(Millions of yen, %)

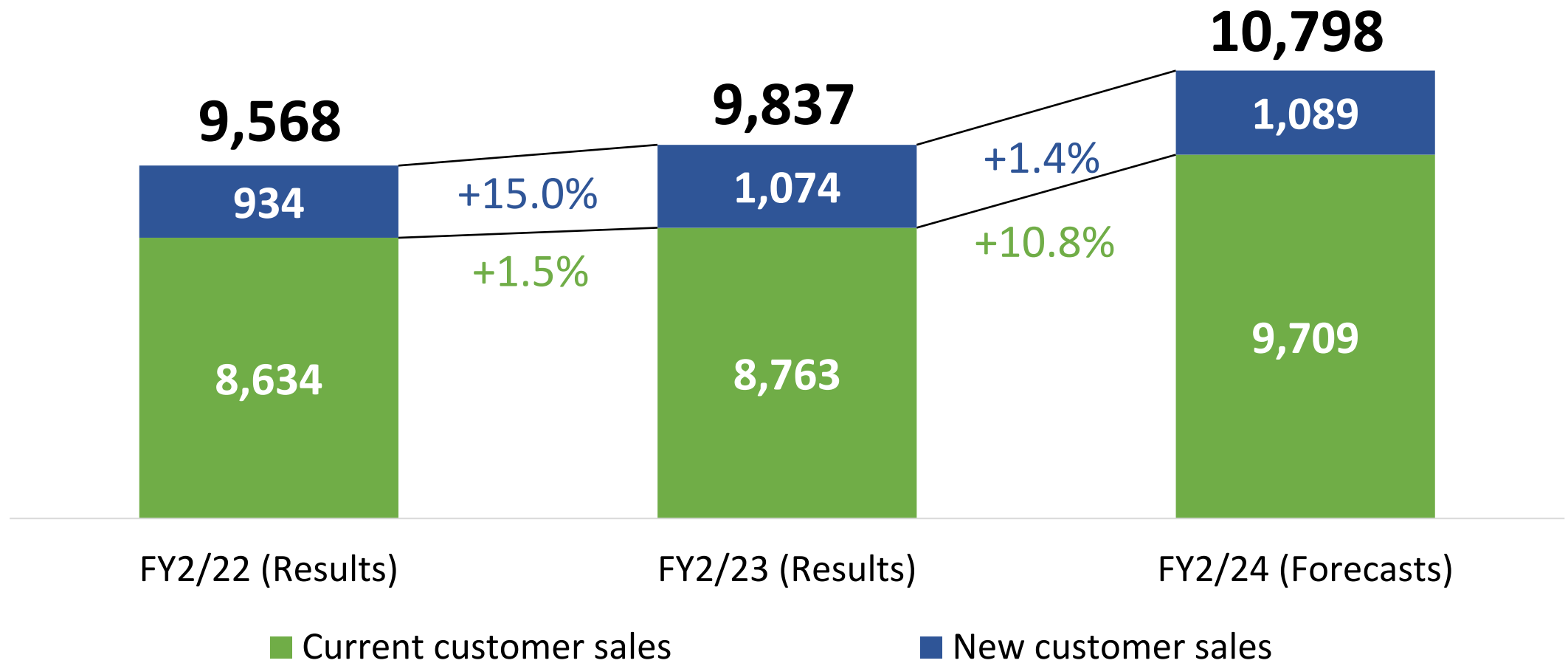
| | FY2/23 (Consolidated) (Results) | FY2/24 (Consolidated) (Forecasts) | YoY change (%) |
|-------------------------------------|---------------------------------------|---|----------------|
| Logistics Services Business | 9,837 | 10,798 | 9.8 |
| SaaS utilization fees | 269 | 441 | 63.5 |
| Hardware, installation, development | 276 | 408 | 47.6 |
| IT Automation Business total | 546 | 849 | 55.4 |

Sales Forecast by Segment (Logistics Services Business)



- Forecast a return to the faster growth of prior years by adding new customers at the same pace as in FY2/23 and maintaining current customer sales.
- Planning on the full occupancy of existing distribution centers and opening of a new center (November 2023).

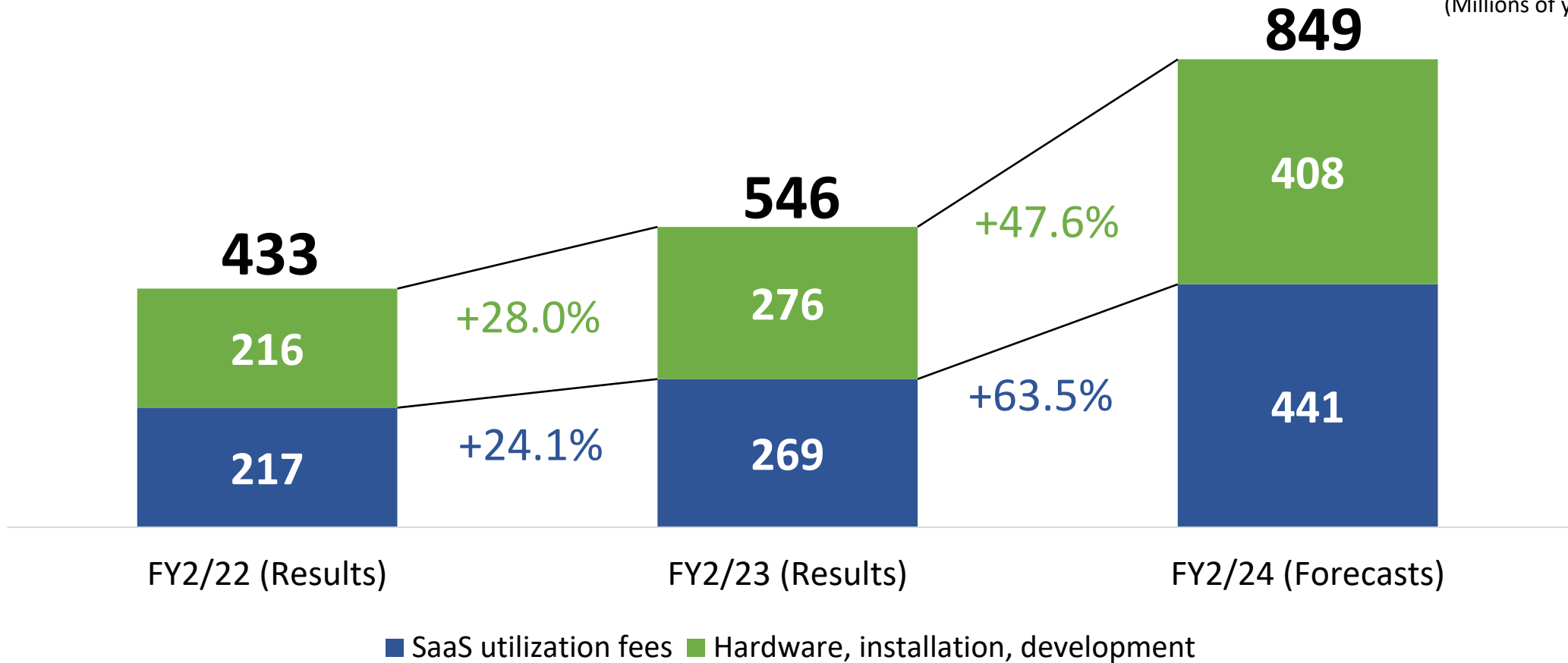
(Millions of yen)



Sales Forecast by Segment (IT Automation Business)

- The goal is a 63% increase in sales solely from SaaS utilization fees.
 ↳ 17% sales increase for Cloud Thomas (due to the increasing number of large orders); 10% rate increase in FY2/23.
- The goal is more growth in the scale of this business by maintaining the industry’s fastest growth rate and expanding along with the entire market.

(Millions of yen)





VI. Medium-term Business Plan

Medium-term Consolidated Business Plan

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- Due to the growth of existing businesses, this business plan is already expected to be achieved easily even with only the addition of business sites included in the investment plan.
- The plan is expected to be accomplished through organic growth (not including M&A).

(Millions of yen, %)

| | FY2/24 | | FY2/25 | | FY2/26 | |
|---|---------------|----------------|---------------|----------------|---------------|----------------|
| | Plan | YoY change (%) | Plan | YoY change (%) | Plan | YoY change (%) |
| Net sales | 11,756 | 12.0 | 13,718 | 16.7 | 16,091 | 17.3 |
| Operating profit | 669 | 70.8 | 752 | 12.3 | 893 | 18.8 |
| Ordinary profit | 624 | 73.1 | 740 | 18.5 | 880 | 18.9 |
| Profit attributable to owners of parent | 387 | (38.3) | 465 | 20.1 | 560 | 20.3 |

Sales Plan by Segment

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- Planning on consistently rapid growth of the logistics services and IT automation businesses due to a combination of existing business sales growth and the addition of new customers.

(Millions of yen, %)

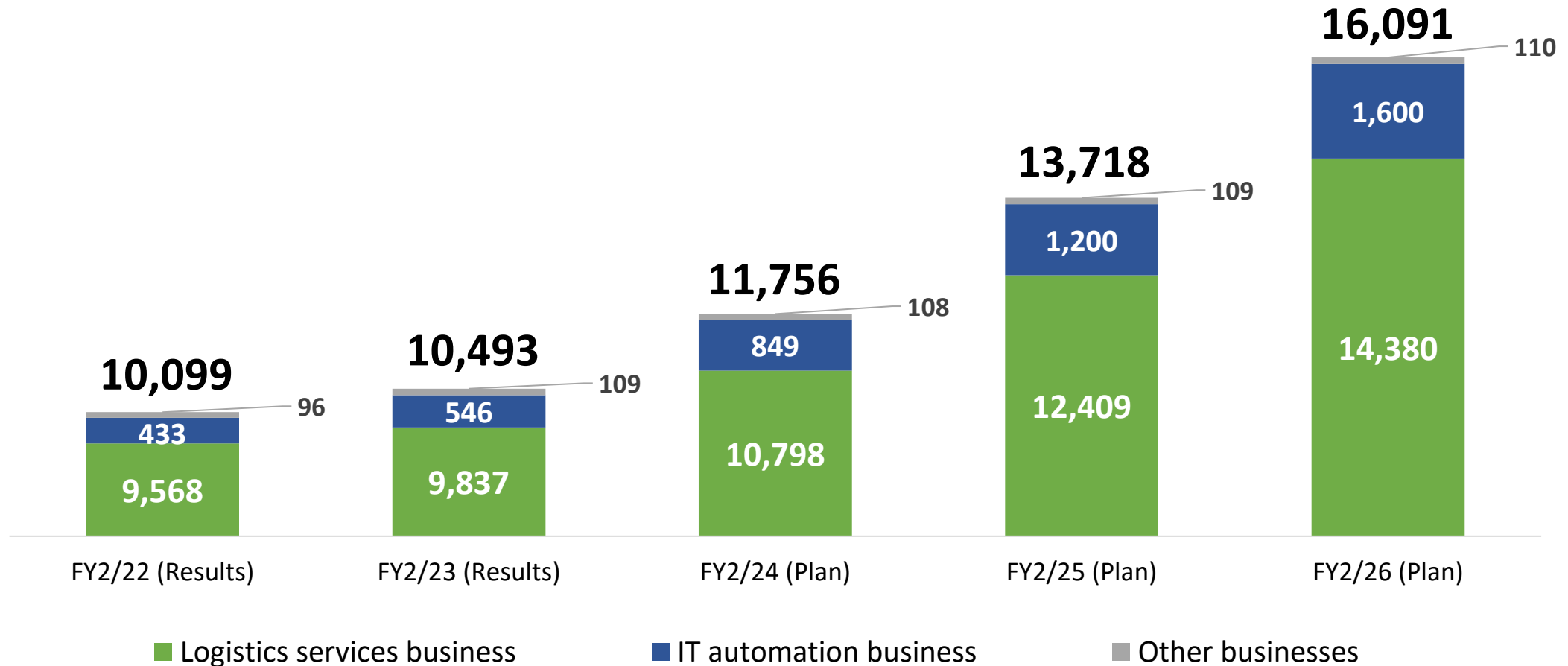
| | FY2/24 (Consolidated) | | FY2/25 (Consolidated) | | FY2/26 (Consolidated) | |
|------------------------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|
| | Plan | YoY change (%) | Plan | YoY change (%) | Plan | YoY change (%) |
| Logistics services business | 10,798 | 9.8 | 12,409 | 14.9 | 14,380 | 15.9 |
| IT automation business | 849 | 55.4 | 1,200 | 41.3 | 1,600 | 33.3 |
| Other businesses | 108 | (1.1) | 109 | 1.0 | 110 | 1.0 |
| Total sales | 11,756 | 12.0 | 13,718 | 16.7 | 16,091 | 17.3 |

Medium-term Consolidated Business Plan



- Planning on sales from new businesses by meeting the needs of new customers while maintaining the steady growth of core businesses.

(Millions of yen)



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