



October 11, 2023

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 29, 2024
(Six Months Ended August 31, 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: Yoshitaku Tatsushiro, Executive Vice President

Tel: +81-6-6224-3361

Scheduled date of filing of Quarterly Report:

October 11, 2023

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results:

Yes

Holding of quarterly financial results meeting:

Yes (for institutional and individual investors)

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 29, 2024
(March 1, 2023 – August 31, 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	%
Six months ended Aug. 31, 2023	5,619	10.0	164	(14.1)	162	(7.4)	115	2.3
Six months ended Aug. 31, 2022	5,107	-	191	-	175	-	113	-

Note: Comprehensive income

Six months ended Aug. 31, 2023: 115 million yen (-%)

Six months ended Aug. 31, 2022: 113 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2023	11.45	11.09
Six months ended Aug. 31, 2022	11.01	10.62

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2023	9,125	3,090	33.9
As of Feb. 28, 2023	9,471	3,259	34.4

Reference: Shareholders' equity

As of Aug. 31, 2023: 3,088 million yen

As of Feb. 28, 2023: 3,258 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/23	-	0.00	-	10.00	10.00
FY2/24	-	0.00	-	10.00	10.00
FY2/24 (forecast)	-	-	-	10.00	10.00

Note: Revision to the most recently announced dividend forecast: None

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
Full year	11,756	12.0	669	70.8	624	73.1	387	(38.3)	37.37

Note: Revision to the most recently announced consolidated forecast: None

*** 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) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

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

- | | |
|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting-based estimates: | None |
| 4) Restatements: | None |

(4) Number of outstanding shares (common shares)

- | | | | |
|--|-------------------|---------------------------------|-------------------|
| 1) Number of shares outstanding at the end of the period (including treasury shares) | | | |
| As of Aug. 31, 2023: | 10,308,150 shares | As of Feb. 28, 2023: | 10,308,150 shares |
| 2) Number of treasury shares at the end of the period | | | |
| As of Aug. 31, 2023: | 300,093 shares | As of Feb. 28, 2023: | 93 shares |
| 3) Average number of shares outstanding during the period | | | |
| Six months ended Aug. 31, 2023: | 10,093,771 shares | Six months ended Aug. 31, 2022: | 10,266,593 shares |

The current financial report is not subject to quarterly review 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” 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 October 11, 2023.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income	7
For the Six-month Period	
Quarterly Consolidated Statement of Comprehensive Income	8
For the Six-month Period	
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	10
Going Concern Assumption	10
Significant Changes in Shareholders' Equity	10
Changes in Significant Subsidiaries during the Period	10
Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	10
Segment and Other Information	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of KANTSU as of August 31, 2023.

(1) Explanation of Results of Operations

During the first half of the current fiscal year (March 1 to August 31, 2023), economic activity in Japan began returning to normal again due in part to the May 2023 decision of the Japanese government to downgrade COVID-19 to the same level as seasonal flu. Japan's economy exhibited a moderate recovery trend amid an enhancing employment and income environment. Despite this, the economic outlook remained uncertain, due to a significant surge in prices and expansion of global inflation.

In this current setting, with the aim of bolstering its corporate value, the KANTSU Group disclosed the "Notice Concerning the Rolling of the Medium-Term Business Plan" on April 14, 2023. We are dedicated to elevating the service quality in both our logistics services business and IT automation business, prioritizing the provision of services that empower our customers to accomplish their objectives effectively. Additionally, we fortified our collaborations with suppliers and partner companies in order to foster the expansion of the KANTSU Group's businesses. There are also M&A activities for adding companies able to contribute to medium- to long-term growth of the KANTSU Group in order to support sustained growth of our corporate value.

Net sales increased 10.0% from one year earlier to 5,619 million yen, operating profit decreased 14.1% to 164 million yen, ordinary profit decreased 7.4% to 162 million yen and profit attributable to owners of parent increased 2.3% to 115 million yen.

Business segment performance was as follows.

Business segment sales are sales to external customers and segment profit or loss is based on operating profit in the quarterly 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. For higher earnings, we are using negotiations with current customers to increase rates for services, cargo transport and other activities and we are taking steps targeting customers who use refrigerated and frozen warehouses, which have high profitability, to increase their utilization of these facilities. However, the operating profit in this business was lower than one year earlier when earnings benefited from large one-time orders.

In addition, many activities continued 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 increased 9.8% from one year earlier to 5,299 million yen and segment profit decreased 57.0% to 50 million yen.

IT automation business

Our warehouse management systems "Cloud Thomas" and "Cloud Thomas Pro" steadily acquired new customers. As a result, net sales increased 20.0% from one year earlier to 268 million yen and segment profit increased 66.4% to 113 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 decreased 6.2% from one year earlier to 51 million yen and segment profit decreased 95.0% to 238 thousand yen.

Results by business segment for the first half of the fiscal year ending February 29, 2024

(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		5,178,988	92.2	9.6		-	
Outsourced order processing services		84,260	1.5	41.9		-	
Others		35,770	0.6	(19.2)		-	
Logistics services business		5,299,019	94.3	9.8	50,918	1.0	(57.0)
IT automation business		268,806	4.8	20.0	113,119	42.1	66.4
Other businesses		51,791	0.9	(6.2)	238	0.5	(95.0)
Total for reportable segments		5,619,617	100.0	10.0	164,276	2.9	(14.1)

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets at the end of the second quarter decreased 346 million yen from the end of the previous fiscal year to 9,125 million yen. Liabilities decreased 176 million yen to 6,035 million yen and net assets decreased 169 million yen to 3,090 million yen.

The major changes are as follows.

Current assets

Current assets decreased 1,029 million yen to 4,125 million yen. This was attributable primarily to a decrease of 1,274 million yen in cash and deposits due to the acquisition of securities and investment securities, property, plant and equipment and treasury shares and payment of income taxes, while there was an increase of 101 million yen in accounts receivable-trade.

Non-current assets

Non-current assets increased 683 million yen to 5,000 million yen. This was attributable primarily to a 352 million yen increase in investment securities and a 120 million yen increase in leasehold and guarantee deposits due to payment of security deposit for new distribution centers.

Current liabilities

Current liabilities decreased 351 million yen to 1,809 million yen. This was attributable mainly to a decrease of 251 million yen in income taxes payable due to the payment of income taxes.

Non-current liabilities

Non-current liabilities increased 174 million yen to 4,226 million yen. This was attributable mainly to an increase of 171 million yen in long-term borrowings.

Net assets

Net assets decreased 169 million yen to 3,090 million yen. This was attributable mainly to profit attributable to owners of parent of 115 million yen, a 12 million yen increase in total retained earnings due to dividends paid of 103 million yen, and the purchase of treasury shares of 182 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter, "cash") at the end of the second quarter of the current fiscal year decreased 1,282 million yen from the end of the previous fiscal year to 1,931 million yen. The cash flow components during the first half and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash used in operating activities totaled 174 million yen. Major positive factors include profit before income taxes of 162 million yen and depreciation of 169 million yen. Major negative factors include an increase in trade receivables of 110 million yen, a decrease in accrued consumption taxes of 86 million yen and income taxes paid of 288 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 974 million yen. Major negative factors include the purchase of short-term and long-term investment securities of 552 million yen, the purchase of property, plant and equipment of 248 million yen, purchase of intangible assets of 69 million yen and payments of leasehold and guarantee deposits of 120 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 133 million yen. Major positive factors include proceeds from long-term borrowings of 800 million yen. Major negative factors include repayments of long-term borrowings of 635 million yen, dividends paid of 102 million yen and purchase of treasury shares of 182 million yen.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

KANTSU maintains consolidated forecasts for the fiscal year ending February 29, 2024 that were announced on April 14, 2023 in the “Consolidated Financial Results for the Fiscal Year Ended February 28, 2023.”

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the KANTSU’s management at the time the materials were prepared. Actual results may differ substantially from these forecasts for a number of reasons.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	Second quarter of FY2/24 (As of Aug. 31, 2023)
Assets		
Current assets		
Cash and deposits	3,432,524	2,157,589
Electronically recorded monetary claims-operating	277,472	285,954
Accounts receivable-trade	972,380	1,074,173
Securities	-	100,000
Merchandise	302	-
Work in process	4,189	5,578
Other	473,321	507,697
Allowance for doubtful accounts	(5,927)	(5,966)
Total current assets	5,154,264	4,125,027
Non-current assets		
Property, plant and equipment		
Buildings, net	1,426,273	1,470,498
Machinery, equipment and vehicles, net	162,131	176,062
Land	138,871	138,871
Leased assets, net	240,332	231,745
Construction in progress	114,429	114,429
Other, net	291,158	382,830
Total property, plant and equipment	2,373,198	2,514,437
Intangible assets		
Software	259,651	288,565
Other	349	6,867
Total intangible assets	260,001	295,432
Investments and other assets		
Investment securities	-	352,144
Long-term loans receivable	12,000	24,000
Deferred tax assets	146,732	146,732
Leasehold and guarantee deposits	1,089,583	1,209,671
Other	436,509	458,723
Allowance for doubtful accounts	(776)	(776)
Total investments and other assets	1,684,049	2,190,495
Total non-current assets	4,317,249	5,000,365
Total assets	9,471,514	9,125,393

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	Second quarter of FY2/24 (As of Aug. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	264,734	287,760
Current portion of long-term borrowings	795,352	788,865
Income taxes payable	318,381	66,924
Provision for bonuses	34,458	34,042
Lease liabilities	26,922	27,815
Provision for business restructuring	321,967	263,692
Other	398,593	339,938
Total current liabilities	2,160,410	1,809,038
Non-current liabilities		
Long-term borrowings	3,228,071	3,399,154
Asset retirement obligations	371,904	386,590
Lease liabilities	221,035	210,642
Provision for business restructuring	9,000	9,000
Other	221,277	220,813
Total non-current liabilities	4,051,288	4,226,200
Total liabilities	6,211,699	6,035,238
Net assets		
Shareholders' equity		
Share capital	788,275	788,275
Capital surplus	774,275	774,275
Retained earnings	1,695,773	1,708,298
Treasury shares	(109)	(182,293)
Total shareholders' equity	3,258,214	3,088,554
Share acquisition rights	1,600	1,600
Total net assets	3,259,814	3,090,154
Total liabilities and net assets	9,471,514	9,125,393

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Six-month Period)**

(Thousands of yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Net sales	5,107,376	5,619,617
Cost of sales	4,422,075	4,909,087
Gross profit	685,301	710,530
Selling, general and administrative expenses	494,111	546,254
Operating profit	191,190	164,276
Non-operating income		
Interest income	180	11,067
Rental income from land and buildings	1,507	617
Subsidy income	5,098	3,340
Gain on sale of goods	2,777	3,498
Other	1,472	1,221
Total non-operating income	11,037	19,745
Non-operating expenses		
Interest expenses	24,726	19,068
Other	1,956	2,380
Total non-operating expenses	26,682	21,449
Ordinary profit	175,544	162,571
Extraordinary income		
Gain on sale of non-current assets	697	-
Total extraordinary income	697	-
Extraordinary losses		
Loss on retirement of non-current assets	257	-
Warehouse transfer expenses	12,571	-
Total extraordinary losses	12,828	-
Profit before income taxes	163,413	162,571
Income taxes	50,379	46,966
Profit	113,034	115,604
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	113,034	115,604

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

	(Thousands of yen)	
	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Profit	113,034	115,604
Comprehensive income	113,034	115,604
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	113,034	115,604
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	163,413	162,571
Depreciation	197,176	169,168
Increase (decrease) in allowance for doubtful accounts	332	38
Increase (decrease) in provision for bonuses	(3,475)	(416)
Increase (decrease) in provision for business restructuring	-	(58,275)
Interest and dividend income	(185)	(11,072)
Interest expenses	24,726	19,068
Decrease (increase) in trade receivables	(76,354)	(110,273)
Decrease (increase) in inventories	(13,043)	(1,086)
Increase (decrease) in trade payables	(16,692)	23,025
Increase (decrease) in accrued consumption taxes	(97,991)	(86,293)
Other, net	(20,377)	16,400
Subtotal	157,530	122,855
Interest and dividends received	185	11,072
Interest paid	(25,029)	(19,694)
Income taxes paid	(155,820)	(288,623)
Net cash provided by (used in) operating activities	(23,134)	(174,389)
Cash flows from investing activities		
Payments into time deposits	(6,902)	(6,901)
Purchase of short-term and long-term investment securities	-	(552,144)
Proceeds from redemption of securities	-	100,000
Purchase of property, plant and equipment	(668,812)	(248,880)
Proceeds from sale of property, plant and equipment	4,090	-
Purchase of intangible assets	(76,540)	(69,888)
Payments of leasehold and guarantee deposits	(129,110)	(120,403)
Loan advances	-	(50,000)
Other, net	(25,972)	(25,950)
Net cash provided by (used in) investing activities	(903,247)	(974,169)
Cash flows from financing activities		
Proceeds from long-term borrowings	950,000	800,000
Repayments of long-term borrowings	(455,361)	(635,404)
Repayments of lease liabilities	(11,901)	(13,574)
Dividends paid	(101,948)	(102,500)
Purchase of treasury shares	-	(182,184)
Other, net	4,600	-
Net cash provided by (used in) financing activities	385,389	(133,663)
Net increase (decrease) in cash and cash equivalents	(540,992)	(1,282,222)
Cash and cash equivalents at beginning of period	3,012,955	3,214,222
Cash and cash equivalents at end of period	2,471,962	1,931,999

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

KANTSU purchased 300,000 treasury shares pursuant to resolution of the Board of Directors meeting on April 14, 2023. As a result, treasury shares increased 182,184 thousand yen during the first half of the current fiscal year to 182,293 thousand yen at the end of the second quarter.

Changes in Significant Subsidiaries during the Period

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of income taxes

The tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

Segment and Other Information**Segment Information**

I. First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)

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

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment	Amounts shown on quarterly consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	4,828,138	224,023	5,052,162	55,214	5,107,376	-	5,107,376
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	4,828,138	224,023	5,052,162	55,214	5,107,376	-	5,107,376
Segment profit	118,446	67,975	186,422	4,768	191,190	-	191,190

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. Segment profit is consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, or goodwill, etc. for each reportable segment

Not applicable.

II. First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)

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

(Thousands of yen)

	Reportable segment			Others (Note 1)	Total	Adjustment	Amounts shown on quarterly consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	5,299,019	268,806	5,567,826	51,791	5,619,617	-	5,619,617
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	5,299,019	268,806	5,567,826	51,791	5,619,617	-	5,619,617
Segment profit	50,918	113,119	164,037	238	164,276	-	164,276

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. Segment profit is consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, or goodwill, etc. for each reportable segment

Not applicable.

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.