October 11, 2024

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2025 (Six Months Ended August 31, 2024)

[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 Semi-annual Report: October 11, 2024
Scheduled date of payment of dividend: -
Preparation of supplementary materials for financial results: None
Holding of financial results meeting: None

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2025 (March 1, 2024 – August 31, 2024)

(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, 2024	7,579	34.9	99	(39.3)	78	(51.8)	49	(56.8)
Six months ended Aug. 31, 2023	5,619	10.0	164	(14.1)	162	(7.4)	115	2.3

Note: Comprehensive income Six months ended Aug. 31, 2024: 49 million yen (down 56.8%)
Six months ended Aug. 31, 2023: 115 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2024	4.98	4.83
Six months ended Aug. 31, 2023	11.45	11.09

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Aug. 31, 2024	10,395	2,975	28.6
As of Feb. 29, 2024	10,309	3,024	29.3

Reference: Shareholders' equity As of Aug. 31, 2024: 2,973 million yen As of Feb. 29, 2024: 3,023 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/24	-	0.00	-	10.00	10.00
FY2/25	-	0.00			
FY2/25 (forecast)			-	10.00	10.00

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

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 – February 28, 2025)

(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	15,871	32.9	542	32.3	522	28.7	352	609.8	35.06

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

* On September 12, 2024, there was unauthorized access by a third party to some servers used by KANTSU. An examination is under way to determine if this incident will have an effect on the KANTSU Group's results of operations. As a result, the consolidated forecast has not been revised.

*** Notes**

(1) Significant changes in scope of consolidation during the period: None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting Interim 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, 2024:	10,308,150 shares	As of Feb. 29, 2024:	10,308,150 shares

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

As of Aug. 31, 2024:	276,743 shares	As of Feb. 29, 2024:	285,243 shares

3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2024:	10,023,593 shares	Six months ended Aug. 31, 2023:	10,093,771 shares

The current financial report is not subject to quarterly (semi-annual) 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 Interim 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.

Contents of Attachments

1. Qualitative Information on Interim 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. Interim Consolidated Financial Statements and Notes 5
(1) Interim Consolidated Balance Sheet 5
(2) Interim Consolidated Statements of Income and Comprehensive Income 7
Interim Consolidated Statement of Income 7
For the Six-month Period
Interim Consolidated Statement of Comprehensive Income
For the Six-month Period 8
(3) Interim Consolidated Statement of Cash Flows 9
(4) Notes to Interim 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 Interim Consolidated Financial Statements 10
Segment and Other Information 11
Subsequent Events 12

1. Qualitative Information on Interim Consolidated Financial Performance

Forward-looking statements are based on the judgments of KANTSU as of August 31, 2024.

(1) Explanation of Results of Operations

During the first half of the current fiscal year (March 1 to August 31, 2024), the Japanese economy recovered slowly as economic activity continued to increase. Due to the improvement in the economy, the Bank of Japan ended negative interest rates and announced an interest rate hike. However, the outlook for the economy is still uncertain as the yen started to strengthen after the prolonged depreciation and it is difficult to predict how this will affect prices and consumer spending.

We are dedicated to increasing the quality of our services in our logistics services business and IT automation business. Our priority is the provision of services that enable our customers to accomplish their objectives effectively. Additionally, we strengthened our collaborations with suppliers and partner companies for more growth of business activities. Activities are under way to increase our ability to achieve the consistent growth of corporate value to establish a sound base for the medium- to long-term growth of the KANTSU Group.

Net sales increased 34.9% from one year earlier to 7,579 million yen, operating profit decreased 39.3% to 99 million yen, ordinary profit decreased 51.8% to 78 million yen and profit attributable to owners of parent decreased 56.8% to 49 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 Interim 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. Due to the increase in wages in Japan, we are using negotiations and other lines of communication with customers regarding our rates to reflect the higher cost of people who work at warehouses, which expanded during the previous fiscal year. The goal is to improve profitability.

As a result, net sales increased 35.9% from one year earlier to 7,198 million yen and there was a segment loss of 36 million yen compared with a profit of 50 million yen one year earlier.

IT automation business

There was an increase in the number of negotiations concerning large orders for the Cloud Thomas Pro warehouse management system, more sales activities for the New Employee Immediate Productivity Package of the Annie check list system, and success with the addition of new customers.

As a result, net sales increased 23.2% from one year earlier to 331 million yen and segment profit increased 43.0% to 161 million yen.

Other businesses

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

As a result, net sales decreased 3.6% from one year earlier to 49 million yen and there was a segment loss of 25 million yen compared with a profit of 238 thousand yen one year earlier.

Results by business segment for the first half of the fiscal year ending February 28, 2025

(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	7,077,396	93.4	36.7	-		
	Outsourced order processing services	98,870	1.3	17.3	-		
	Others	22,447	0.3	(37.2)	-		
Logistics services business		7,198,714	95.0	35.9	(36,803)	(0.5)	-
IT automation business		331,197	4.4	23.2	161,728	48.8	43.0
Other businesses		49,939	0.6	(3.6)	(25,290)	(50.6)	-
Total for reportable segments		7,579,850	100.0	34.9	99,633	1.3	(39.3)

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets at the end of the second quarter of the current fiscal year increased 86 million yen from the end of the previous fiscal year to 10,395 million yen. Liabilities increased 136 million yen to 7,420 million yen and net assets decreased 49 million yen to 2,975 million yen.

The major changes are as follows.

Current assets

Current assets decreased 84 million yen to 4,744 million yen. This was attributable primarily to a decrease of 270 million yen in cash and deposits, while there was an increase of 251 million yen in accounts receivable-trade.

Non-current assets

Non-current assets increased 170 million yen to 5,651 million yen. This was attributable primarily to a 53 million yen increase in buildings and a 37 million yen increase in software.

Current liabilities

Current liabilities increased 686 million yen to 2,643 million yen. This was attributable mainly to increases of 191 million yen in accounts payable-trade, 200 million yen in short-term borrowings and 179 million yen in lease liabilities.

Non-current liabilities

Non-current liabilities decreased 550 million yen to 4,776 million yen. This was attributable mainly to decreases of 414 million yen in long-term borrowings and 193 million yen in lease liabilities.

Net assets

Net assets decreased 49 million yen to 2,975 million yen. This was attributable mainly to profit attributable to owners of parent of 49 million yen, a 57 million yen decrease in retained earnings mainly due to dividends paid of 100 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter, “cash”) at the end of the second quarter of the current fiscal year decreased 277 million yen from the end of the previous fiscal year to 1,850 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 provided by operating activities totaled 592 million yen, compared with 174 million yen used in the same period of the previous fiscal year. Major positive factors include profit before income taxes of 78 million yen, depreciation of 173 million yen, an increase in trade payables of 191 million yen and income taxes refund of 198 million yen. Major negative factors include an increase in trade receivables of 325 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 493 million yen, compared with 974 million yen used in the same period of the previous fiscal year. Major negative factors include the purchase of property, plant and equipment of 226 million yen, purchase of intangible assets of 205 million yen and payments of leasehold and guarantee deposits of 42 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 377 million yen, compared with 133 million yen used in the same period of the previous fiscal year. Major positive factors include a net increase of short-term borrowings of 200 million yen. Major negative factors include repayments of long-term borrowings of 467 million yen and dividends paid of 95 million yen.

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

KANTSU maintains consolidated forecasts for the fiscal year ending February 28, 2025 that were announced on April 12, 2024 in the “Consolidated Financial Results for the Fiscal Year Ended February 29, 2024.”

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. Interim Consolidated Financial Statements and Notes

(1) Interim Consolidated Balance Sheet

(Thousands of yen)

	FY2/24 (As of Feb. 29, 2024)	Second quarter of FY2/25 (As of Aug. 31, 2024)
Assets		
Current assets		
Cash and deposits	2,360,782	2,089,945
Electronically recorded monetary claims-operating	288,428	315,377
Notes receivable-trade	-	47,034
Accounts receivable-trade	1,259,465	1,511,106
Securities	200,000	200,000
Work in process	24,450	19,772
Other	700,744	566,525
Allowance for doubtful accounts	(5,167)	(5,181)
Total current assets	4,828,705	4,744,579
Non-current assets		
Property, plant and equipment		
Buildings, net	1,463,552	1,517,524
Machinery, equipment and vehicles, net	147,794	168,216
Land	561,478	570,576
Leased assets, net	223,233	210,220
Construction in progress	9,900	12,650
Other, net	459,083	461,582
Total property, plant and equipment	2,865,042	2,940,770
Intangible assets		
Goodwill	104,539	99,312
Software	157,889	195,127
Other	25,649	90,369
Total intangible assets	288,078	384,810
Investments and other assets		
Investment securities	192,010	175,198
Long-term loans receivable	24,000	24,000
Deferred tax assets	106,320	106,320
Leasehold and guarantee deposits	1,512,133	1,488,104
Other	493,958	535,174
Allowance for doubtful accounts	(776)	(3,149)
Total investments and other assets	2,327,647	2,325,647
Total non-current assets	5,480,768	5,651,228
Total assets	10,309,473	10,395,808

(Thousands of yen)

	FY2/24 (As of Feb. 29, 2024)	Second quarter of FY2/25 (As of Aug. 31, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	515,225	706,320
Short-term borrowings	-	200,000
Current portion of long-term borrowings	965,706	911,850
Income taxes payable	11,715	48,925
Provision for bonuses	28,000	29,423
Lease liabilities	28,990	208,264
Other	407,991	538,924
Total current liabilities	1,957,629	2,643,707
Non-current liabilities		
Long-term borrowings	4,458,791	4,044,673
Asset retirement obligations	455,446	471,545
Lease liabilities	200,013	6,377
Other	212,613	254,205
Total non-current liabilities	5,326,864	4,776,801
Total liabilities	7,284,494	7,420,509
Net assets		
Shareholders' equity		
Share capital	788,275	788,275
Capital surplus	768,275	768,275
Retained earnings	1,640,832	1,583,774
Treasury shares	(174,004)	(166,626)
Total shareholders' equity	3,023,378	2,973,698
Share acquisition rights	1,600	1,600
Total net assets	3,024,978	2,975,298
Total liabilities and net assets	10,309,473	10,395,808

(2) Interim Consolidated Statements of Income and Comprehensive Income

Interim Consolidated Statement of Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)	First six months of FY2/25 (Mar. 1, 2024 – Aug. 31, 2024)
Net sales	5,619,617	7,579,850
Cost of sales	4,909,087	6,857,068
Gross profit	710,530	722,782
Selling, general and administrative expenses	546,254	623,148
Operating profit	164,276	99,633
Non-operating income		
Interest income	11,067	8,318
Other	8,677	11,492
Total non-operating income	19,745	19,811
Non-operating expenses		
Interest expenses	19,068	20,904
Share of loss of entities accounted for using equity method	-	16,812
Other	2,380	3,298
Total non-operating expenses	21,449	41,015
Ordinary profit	162,571	78,430
Profit before income taxes	162,571	78,430
Income taxes	46,966	28,545
Profit	115,604	49,884
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	115,604	49,884

Interim Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Thousands of yen)

	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)	First six months of FY2/25 (Mar. 1, 2024 – Aug. 31, 2024)
Profit	115,604	49,884
Comprehensive income	115,604	49,884
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	115,604	49,884
Comprehensive income attributable to non-controlling interests	-	-

(3) Interim Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2/24 (Mar. 1, 2023 – Aug. 31, 2023)	First six months of FY2/25 (Mar. 1, 2024 – Aug. 31, 2024)
Cash flows from operating activities		
Profit before income taxes	162,571	78,430
Depreciation	169,168	173,479
Increase (decrease) in allowance for doubtful accounts	38	2,388
Increase (decrease) in provision for bonuses	(416)	1,422
Increase (decrease) in provision for business restructuring	(58,275)	-
Interest and dividend income	(11,072)	(8,323)
Interest expenses	19,068	20,904
Decrease (increase) in trade receivables	(110,273)	(325,622)
Decrease (increase) in inventories	(1,086)	4,678
Increase (decrease) in trade payables	23,025	191,095
Other, net	(69,892)	268,507
Subtotal	122,855	406,958
Interest and dividends received	11,072	8,323
Interest paid	(19,694)	(20,671)
Income taxes paid	(288,623)	-
Income taxes refund	-	198,068
Net cash provided by (used in) operating activities	(174,389)	592,679
Cash flows from investing activities		
Payments into time deposits	(6,901)	(6,902)
Purchase of short-term and long-term investment securities	(552,144)	-
Proceeds from redemption of securities	100,000	-
Purchase of property, plant and equipment	(248,880)	(226,035)
Purchase of intangible assets	(69,888)	(205,638)
Payments of leasehold and guarantee deposits	(120,403)	(42,047)
Other, net	(75,950)	(12,678)
Net cash provided by (used in) investing activities	(974,169)	(493,301)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	200,000
Proceeds from long-term borrowings	800,000	-
Repayments of long-term borrowings	(635,404)	(467,974)
Repayments of lease liabilities	(13,574)	(14,361)
Dividends paid	(102,500)	(95,421)
Purchase of treasury shares	(182,184)	-
Other, net	-	665
Net cash provided by (used in) financing activities	(133,663)	(377,091)
Net increase (decrease) in cash and cash equivalents	(1,282,222)	(277,713)
Cash and cash equivalents at beginning of period	3,214,222	2,128,241
Cash and cash equivalents at end of period	1,931,999	1,850,527

(4) Notes to Interim Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Significant Subsidiaries During the Period

Not applicable.

Application of Special Accounting Methods for Presenting Interim 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 FY2/24 (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 Interim 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 Interim 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 FY2/25 (Mar. 1, 2024 – Aug. 31, 2024)

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 Interim Consolidated statement of income (Note 2)
	Logistics services	IT automation	Sub-total				
Net sales							
External sales	7,198,714	331,197	7,529,911	49,939	7,579,850	-	7,579,850
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	7,198,714	331,197	7,529,911	49,939	7,579,850	-	7,579,850
Segment profit (loss)	(36,803)	161,728	124,924	(25,290)	99,633	-	99,633

Notes: 1. Others are businesses that are not included in the reportable segments and mainly consist of technology education services for foreign trainees and employee benefits and training services.
2. Segment profit is consistent with operating profit recorded in the Interim Consolidated statement of income.

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

Not applicable.

Subsequent Events

IT System Disruption due to Cyberattack

On September 12, 2024, KANTSU confirmed unauthorized access to some servers by a third party. The servers were immediately isolated from external networks to prevent further damage.

On the same day, an incident response headquarters was established to centralize all data and implement countermeasures quickly. The incident response headquarters team asked the KANTSU consulting attorney, an external security adviser and a firm specializing in handling personal information to conduct an investigation to determine any damage, measures to resume using the servers, the cause of the attack and actions that were needed. Currently, activities are proceeding for the restoration of normal operations.

An examination is under way to determine if this incident will have an effect on the KANTSU Group's results of operations.

Cancellation of Shift to a Holding Company Structure

On August 19, 2024, KANTSU announced the plan to change to a holding company structure in a press release titled "Signing of Absorption-type Divestiture Agreement, Change in Trade Name, and Partial Amendments to the Articles of Incorporation for the Shift to a Holding Company Structure by Using an Absorption-type Divestiture." For the change to a holding company structure, the logistics services business was to be divested and absorbed by KANTSU Divestiture Preparation Company, a wholly owned subsidiary, on March 1, 2025.

On October 11, 2024, the KANTSU Board of Directors approved a resolution to cancel the shift to a holding company structure. As a result, the absorption-type divestiture agreement with KANTSU Divestiture Preparation Company has been canceled.

As was stated in "2. Interim Consolidated Financial Statements and Notes, (4) Notes to Interim Consolidated Financial Statements, Subsequent Events, IT System Disruption due to Cyberattack," there was a cyberattack apparently from an external source on September 12, 2024, that disrupted the operation of the IT system. To restore services for customers as quickly as possible and establish a business framework with a new and powerful security system, KANTSU believes that retaining its current organizational structure is necessary for the time being. Consequently, the decision was made to cancel the shift to a holding company structure.

This matter will only have an insignificant effect on the KANTSU Group's results of operations.

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.