

## KANTSU | 9326

TSE Growth

Full Report

## Rapidly growing EC logistics specialist Aiming for high growth by leveraging IT technologies



Logistics companies serving the high-growth e-commerce industry are likewise showing strong growth. Kantsu is a specialist in warehouse logistics, undertaking the entire upstream logistics process, from order processing to delivery. The company has also created a highly profitable business by selling its in-house IT systems, which it developed to boost efficiency, to external customers. Its dominant strategy targeting the Kansai (Amagasaki area) and Kanto (Niiza and Tokorozawa areas) regions is also a source of its competitiveness.

## Focus Point

KANTSU is a logistics company that provides rear support for the EC industry. They meet rapidly expanding and more complex logistic needs through their own know-how. The Company also aggressively introduces leading technology to reduce labor needs and is focusing on its own IT systems.

FY	Net Sales (¥mn)	YoY (%)	Oper. Profit (¥mn)	YoY (%)	Recur. Profit (¥mn)	YoY (%)	Profit ATOP (¥mn)	YoY (%)	EPS (¥)	DPS
2019/2 NC	6,468	23.1	126	(21.1)	103	(25.5)	78	40.4	13	-
2020/2 NC	7,302	12.9	291	129.9	255	145.8	170	117.0	25	-
2021/2 NC	9,530	30.5	418	43.5	383	50.0	283	66.0	30	-
2022/2 NC	10,099	6	729	74.5	687	50.0	463	63.9	44	10.0
2023/2 C <sup>*1</sup>	10,493	-	392	-	360	-	628	-	61.2	10.0
2024/2 CE	11,756	12.0	669	70.8	624	73.1	387	(38.3)	37.4	10.0

Source: Compiled by SIR from the company material. Note<sup>\*1</sup>: YoY changes are not shown due to the transition to consolidated financial results.

## Summary

## Recent Business Performance (1Q FY2024/2)

Kantsu announced its 1Q results on July 14, 2023. Sales came in at ¥2,776 mn (+7.9% YoY) and operating profit was ¥60 mn (-54.4% YoY). The main reason for the drop in profit was the extended vacancy time for its expanded floor space in the Logistics Services Business, which pushed segment profit down 78.7% YoY to ¥21.2 mn. Segment sales in the IT Automation Business rose 5.9% YoY to ¥113 mn thanks to major orders, with segment profit up 19.9% YoY to ¥39 mn.

## Logistics Services Business

While sales to new customers in FY2023/2 were solid at ¥1,074 mn (+15% YoY), sales to existing customers were up only slightly at ¥8,763 mn (+1.5% YoY). This was mainly attributable to a reactionary drop in sales to e-commerce businesses, which was temporarily boosted in 2021 by stay-at-home demand amid the COVID-19 pandemic, as well as a drop in sales to customers in the company's mainstay apparel industry owing to intensified competition. The strong performance in new customer acquisition was driven by effective sales promotion activities over the internet, including SEO measures, as well as by the company's efforts in highlighting the efficiency of its Agribase, a joint logistics service that integrates the logistics of manufacturers and distributors.

## IT Automation Business

In FY2023/2, the IT Automation segment continued to achieve high growth with sales of ¥546 mn (+26.0% YoY) and segment profit of ¥197 mn (+61.1% YoY). This was fueled by strong new customer acquisition for the Cloud Thomas and Cloud Thomas Pro warehouse management systems, demonstrating strong demand with usage fees up 10% and customer numbers up by over 20%.

## Key indicators

Share price (7/21)	580
YH (23/7/19)	696
YL (23/3/16)	382
10YH (21/7/21)	1,583
10YL (203/19)	334
Shrs out. (mn, shrs)	10.16
Mrk cap (¥bn)	6.69
23.2 Shr. equity ration	34.4%
23.2 ROE (act)	21.0%
23.2 PBR (act)	1.8x
24.2 Forward PER	15.5x
24.2 DT (CE)	1.72%

## Share Price Chart 52 Weeks



Source: Tradingview

## Team coverage

research@sessapartners.co.jp

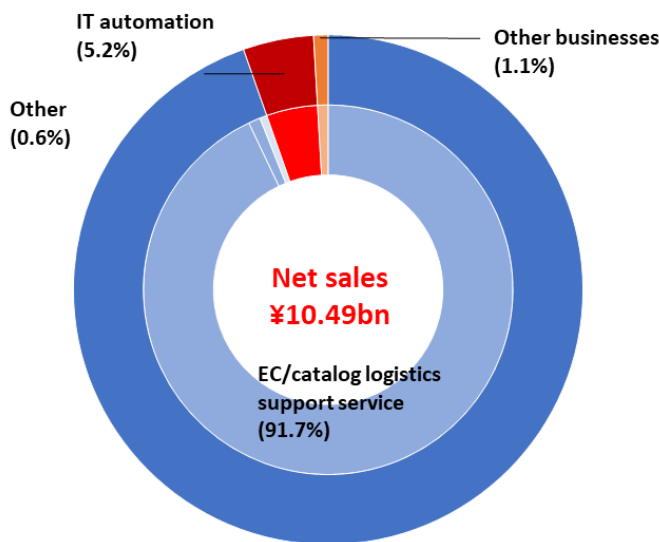
**Company Profile**

KANTSU has two core businesses, its logistics services business and IT automation business. The Company provides logistics services other than delivery for businesses that conduct EC or catalog sales. It has logistics bases with a total floor area of 80,900 *tsubo*\*<sup>1</sup> (1 *tsubo* = 3.3 m<sup>2</sup>), and these include 19 logistics centers in the Kansai and kanto regions.

In addition to offering EC/catalog logistics support services, its core business, KANTSU has commercialized management and operation systems that developed itself.

\*1: Including plans to open by July 2024

**Net sales by service (FY2023/2)**



Logistics Service	EC/catalog logistics support services
	Outsourced order processing services
	Logistics consulting services
IT Automation	Cloud Thomas
	Annie
	e.can
	ippo!
Other businesses	Education services for people with a developmental disability
	Support for pre-school child care
	Technology education services for foreign trainees

The segment is indicated by the area outside the circle, and services KANTSU provide by the area inside the circle.  
Compiled by SIR from the company materials.

**Services**

**1. Logistics Services Business**

**i) EC/catalog logistics support services**

This is KANTSU’s core business. Services involve undertaking commissioned shipping center operations, such as entering products into inventory, managing inventories, and picking for shipment, for EC business and catalog business operators. Having launched operations around 2000, the company now has a total of 19 locations in the Kansai and Kanto regions (total area of approximately 264,000 sqm). In February 2019, Kantsu entered into a capital and business tie-up with Rakuten, and has been entrusted with the operations of Rakuten Super Logistics Service, a logistics service provided by Rakuten for Rakuten Ichiba store operators.

In addition, the company is focusing on logistics services for frozen and refrigerated foods as the e-commerce distribution ratio in the food industry is low and there is considerable room for growth. In line with this, the company expanded its frozen and refrigerated warehouse capacity for e-commerce distribution from approximately 1,000 sqm in 2021 to approximately 10,000 sqm in 2022. Refrigerated food logistics services typically offer high unit sales and attractive margins.

Thomas



Source: Company's website

### ii) Outsourced order processing services

As part of the outsourced order processing service, the company handles upstream e-commerce workflow, including order confirmation, e-mail support, payment confirmation, etc. When used in conjunction with its e-commerce and logistics support services, Kantsu serves as a one-stop logistics service handling everything from customer orders to product shipments.

### iii) Logistics consulting services

KANTSU also provides consulting services to increase productivity and efficiency through improvements to logistics worksites.

## 2. IT Automation Business

### i) Cloud Thomas, a cloud warehouse management system

This is the core service for the IT automation business. KANTSU has independently developed software for ascertaining items stored in logistics center. The software contributes to accurate inventory management, prevention of mistaken shipments, in-house operation standardization, and greater efficiency by physically managing the movement of all inventory within the warehouse, including between shelves, using barcodes and scanners that can read those barcodes. In addition, the Company has attempted to increase sales by releasing Cloud Thomas Pro, a package specially developed for the food, pharmaceutical, and apparel industries. The Pro offering comes at a higher price versus the standard Cloud Thomas and is designed for larger logistics centers.

In April 2022, Kantsu entered into a capital and business tie-up with Canon IT Solutions Inc. and is working to promote Cloud Thomas.

### ii) Other software

Kantsu is seeing strong interest for its Annie service, which uses checklists to visualize work processes and expertise, after promoting it as a new staff development package to help new hires quickly become proficient in their work. The company also offers its e.can\* software, which automates all aspects of order processing, and is expanding along with the growth of NextEngine. In addition, it offers the ippo! software service, which helps with creating RPA flows and automating operations.

## 3. Other Business

### i) Foreign technical trainee training service

Kantsu has long accepted technical trainees from Myanmar, and has converted its pre-hire training program provided to trainees in Myanmar into a service.

### ii) Other training services

The company offers training and childcare services for people with disabilities, providing support for children with developmental disabilities, and operating an employment transition support office for people with disabilities. In addition, the company is engaged in businesses that help solve social issues, such as running a corporate-sponsored nursery school business.

\* Developed as an extension of Hamee's Next Engine, the industry's top EC order management system. It is now an official Next Engine application.

## Recent Earnings Trends

### FY2023/2 Results Review

Kantsu reported higher sales and lower profits, with sales coming in at ¥10,493 mn (+3.9% YoY) and operating profit at ¥392 mn (-13.0% YoY). Since the company switched to consolidated accounting from FY2023/2, YoY changes are reference figures showing comparisons with non-consolidated figures from the previous year.

In the company's mainstay Logistics Services Business, sales from new customers were solid at ¥1,074 mn (+15% YoY), but sales from existing customers were up only slightly at ¥8,763 mn (+1.5% YoY). This was mainly attributable to a reactionary decline in sales to e-commerce businesses, which was temporarily boosted in 2021 by stay-at-home demand amid the COVID-19 pandemic, as well as a drop in sales to customers in the company's mainstay apparel industry owing to competition from overseas fast-fashion companies. The company has continued to review low-profit contracts and negotiate price increases, which it began doing last year. It has managed to convince low-profit customers to accept price hikes by explaining contributing factors such as soaring electricity costs and minimum wage hikes, and low-profit customers appear to account for about 10% of all customers according to SIR research. The strong performance in new customer acquisition was driven by effective sales promotion activities over the internet, including SEO measures, as well as by the company's efforts in highlighting the efficiency of its Agribase, a joint logistics service that integrates the logistics of manufacturers and distributors. As a result, the Logistics Services Business continued to post higher sales at ¥9,837 mn (+2.8% YoY), while segment profit fell 69% YoY to ¥189 mn on lower utilization stemming from aggressive expansion of floor space.

The IT Automation Business continued to achieve high growth with sales reaching ¥546 mn (+26.0% YoY) and segment profit coming in at ¥197 mn (+61.1% YoY). This was fueled by strong new customer acquisition for the Cloud Thomas and Cloud Thomas Pro warehouse management systems, demonstrating strong demand with usage fees up 10% and customer numbers up by over 20%. Furthermore, the Annie checklist system, which the company promoted as a new staff development package, appears to be receiving favorable reviews.

	FY22/2		FY23/2			
	Net Sales	profit and loss	Net Sales	YoY %	profit and loss	YoY %
Logistics services business	9,568	613	9,837	2.8	189	(69.2)
EC/catalog logistics support services	9,393		9,618	2.4		
Outsourced order processing services	111		126	13.0		
Other Business	63		92	45.0		
IT automation business	433	122	546	26.1	197	61.1
SaaS utilization fees	217		269	24.1		
Hardware, installation, development	216		276	28.0		
Other businesses	97	(7)	110	13.4	5	-

Source: Compiled by SIR from the company IR materials.

### 1Q FY2024/2 Earning

Kantsu announced its 1Q results on July 14, 2023. Sales came in at ¥2,776 mn (+7.9% YoY) and operating profit was ¥60 mn (-54.4% YoY). The main reason for the drop in profit was the extended vacancy time for its expanded floor space in the Logistics Services Business, which pushed segment profit down 78.7% YoY to ¥21.2 mn. Segment sales in the IT Automation Business rose 5.9% YoY to ¥113 mn thanks to major orders for Cloud Thomas Pro, with segment profit up 19.9% YoY to ¥39 mn.

**Outlook for the Full Fiscal Year 2024/2**

Kantsu’s full-year FY2024/2 earnings forecast calls for sales of ¥11,756 mn (+12.0% YoY), operating profit of ¥669 mn (+70.8% YoY), recurring profit of ¥624 mn (+73.1% YoY), and profit attributable to owners of the parent of ¥387 mn, which was down -38.3% YoY since the company recorded a gain on sale of assets in the previous fiscal year.

(Millions of yen, %)

	FY2/23 (Consolidated) (Results)	FY2/24 (Consolidated) (Forecasts)	YoY change
<b>EC/catalog logistics support services</b>	9,618	<b>10,600</b>	10.2
<b>Outsourced order processing services</b>	126	<b>120</b>	(5.0)
<b>Others</b>	92	<b>77</b>	(16.6)
<b>Logistics Services Business total</b>	9,837	<b>10,798</b>	<b>9.8</b>
<b>SaaS utilization fees</b>	269	<b>441</b>	63.5
<b>Hardware, installation, development</b>	276	<b>408</b>	47.6
<b>IT Automation Business total</b>	546	<b>849</b>	<b>55.4</b>

Source: Experts from the company IR material.

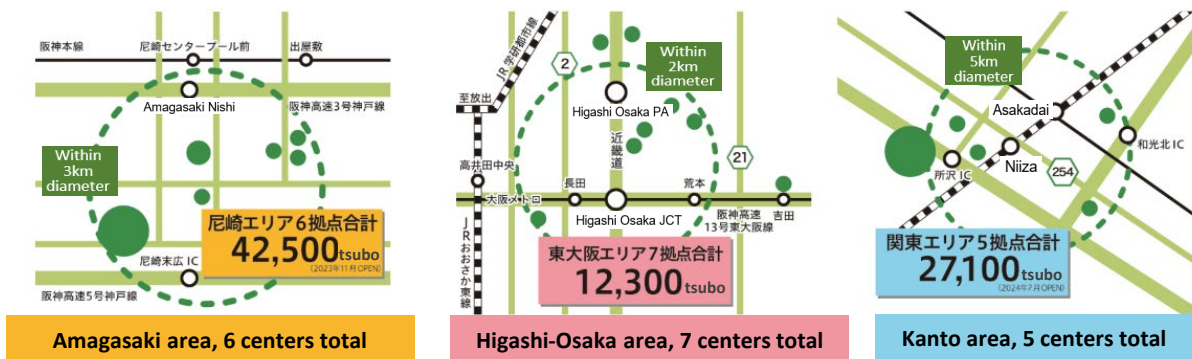
**Segment Trends**

**Logistics Services Business**

Kantsu aims to reach full occupancy at the two logistics centers it established in FY2023/2 (total floor space of approximately 27,500 sqm) while also building its new Kansai Shin Logistics Center II in Amagasaki City this fiscal year with a total floor space of approximately 29,000 sqm to strengthen its ability to meet new demand. In addition, the company is focusing on the Kanto area as a future growth driver, and has decided to open the Kanto Shin Logistics Center in Tokorozawa, Saitama Prefecture, in July 2024, with a total floor space of approximately 26,000 sqm. The company has long said that it will boost its competitiveness by executing its dominant strategy in the Amagasaki area in the Kansai region and in the Niiza area in the Kanto region. This will give the company an advantage in recruiting personnel by flexibly allocating staff according to workload and bolstering its employee welfare system.



Kansai Shin Logistics Center II Rendering



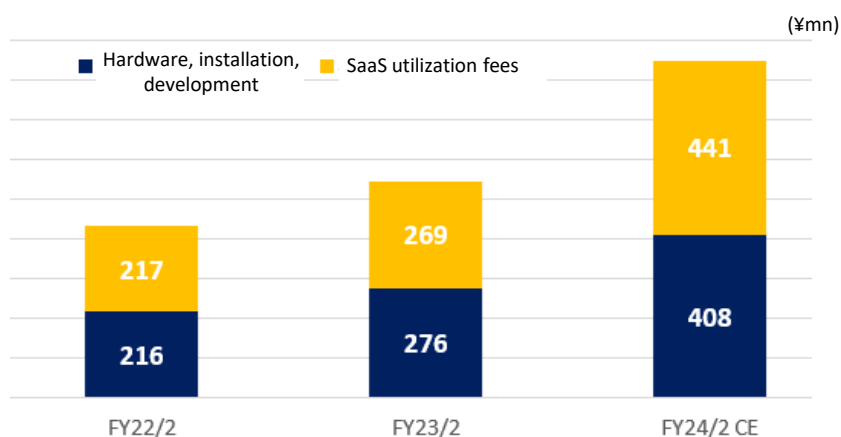
Note: 1 tsubo = 3.3 m<sup>2</sup>

The logistics market for merchandise e-commerce saw special demand on the back of the COVID-19 pandemic, and is also on a growth trajectory over the long term. The Japan Center for Economic Research estimates that parcel deliveries will reach 8.8 billion packages in 2035, up from 4.3 billion packages in 2021, for a CAGR of 4.3%.

### IT Automation Business

In its software sales and subscription services, Kantsu has successfully raised prices and gained new customers for its in-house developed Cloud Thomas and Cloud Thomas Pro warehouse management systems, and expects FY2024/2 sales to grow 55.4% YoY to ¥849 mn. The company decided to provide separate disclosures for SaaS revenues and equipment, installation, and development revenues for this segment beginning with FY2023/2 earnings.

#### Sales of IT Automation Business



\* The Canon Group's largest system integrator posted net sales of ¥87.1 bn (according to FY21/3 announcement)

Starting in October 2023, Kantsu also began selling industry-specific Cloud Thomas systems for the food, medical, and apparel industries. Going forward, it expects further growth in this highly profitable segment by focusing on products including the new staff development software Annie and order process automation software e.can, as well as through its capital and business tie-up with Canon IT Solutions.

### Other Businesses

In its foreign technical trainee training service, Kantsu is taking a cautious stance despite entry restrictions being lifted in Japan, as the political situation in Myanmar, where the company has close ties, remains unstable. On the other hand, its employment transition support services for people with developmental disabilities is growing, and the company expects the segment to start reporting profits consistently.

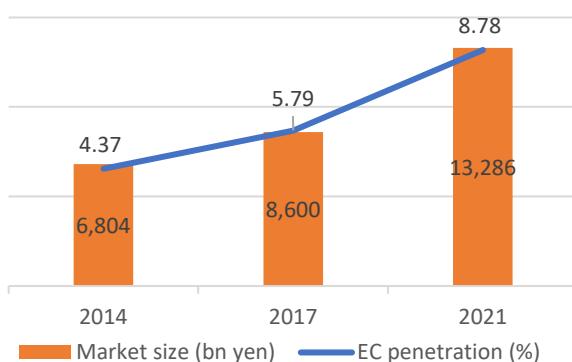
### Market Environment

The logistics industry, which the Company belongs to, is expected to continue to grow on account of strong growth in the merchandise EC market. Most recent 2019 to 2021, the industry benefited from demand as a result of people spending more time at home because of the Covid-19 pandemic, and the merchandise EC market grew from ¥10.515 tn to ¥13.2865 tn as the percentage of business conducted by e-commerce rose from 6.76% to 8.78% (survey by Ministry of Economy, Trade, and Industry). Although there are concerns of a falloff in this type of demand, there is substantial room for growth because a smaller percentage of business is conducted via e-commerce in Japan than other developed countries.

The rapidly growing market for reused items and continued demand from subscription business, not the traditional demand for storing and shipping, is forecast to grow in the future. In addition, the types of merchandise sales are becoming more diverse because of digitalization, and logistics needs are increasing for a wide range of consumers, from small ones to large ones. The Company can be expected to grow by responding to changes in the role of logistics.

Taking a look at e-commerce market size and adoption rate by product in the merchandise e-commerce field in 2021, the food and beverage field boasts the largest market size at over ¥2.5 tn, but with a remarkably low adoption rate of 3.77%.

Merchandise EC Market Environment



Category	Market Size 2021 (¥ bn)	EC penetration (%)
Food products, alcoholic/nonalcoholic beverages	2,520	3.77
Home electronics, audiovisual equip., PCs, peripherals	2,458	38.13
Books, DVDs, CDs	1,752	46.20
Cosmetics, pharmaceuticals	855	7.52
Interior goods, furniture, household products	2,275	28.25
Clothing accessories	2,428	21.15
Cars motorcycles, related parts	302	3.86
Other	696	1.96

Source: SIR based on 2022 scale of the domestic EC market released by METI

### 2024 Problem in the Logistics Industry

The Act on Workplace Reform, which was passed into law in 2018 and is being phased in starting in 2019, will introduce a cap on overtime hours in the transportation industry in April 2024. In addition to the high logistics demand from the e-commerce industry, the restricted working hours of delivery drivers have led to a concerted effort by the entire logistics industry to improve efficiency.

The June 19 announcement of a business tie-up between long-time competitors, the Japan Post Group and the Yamato Group, was reported by the media with surprise, but likely reflects a sense of crisis in the industry. Although Kantsu's main business is warehouse logistics and the company does not provide any transportation services, there is a need for it to partner with transportation companies or create new services that help boost efficiency from the perspective of streamlining the logistics industry. According to a survey conducted by the Ministry of Land, Infrastructure, Transport and Tourism in 2021, the top two reasons behind the difficulty for truck operators to comply with driver working hours are due to "wait times at the receiver" and "wait times at the sender," and improving efficiency in cooperation with carriers at logistics facilities is a key industry-wide challenge.

### Rolling medium-term management plan (FY2024/2-FY2026/2)

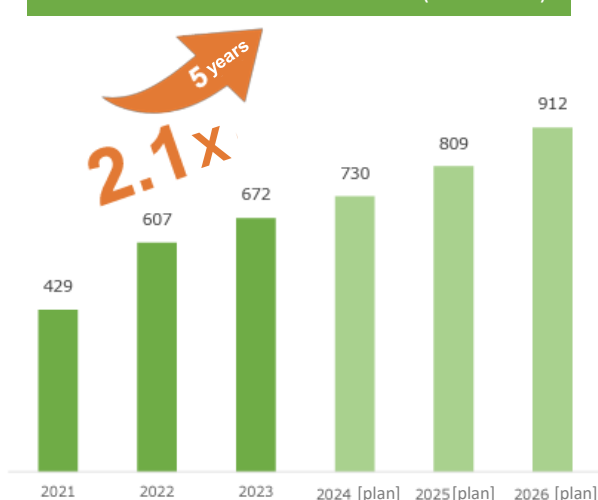
Kantsu announced its three-year rolling medium-term management plan at the time of its FY2023/2 earnings announcement. The plan calls for average annual sales growth of 15.3% over the next three years, and operating profit of ¥893 mn, approximately 2.3 times the FY2023/2 results. The company is actively looking into M&A opportunities, but has not included any M&A impact in this plan. In terms of the three-year average growth rate by segment, the company expects the Logistics Service Business to grow substantially faster than the industry average at 13.5%, and the IT Automation Business to grow at 43.3%. By expanding logistics centers and making capital investments in automation equipment such as logistics robots, the company aims to achieve faster growth than the e-commerce market, with plans to post FY2026/2 sales of ¥14,380 mn (+53.3% vs. FY2023/2) in the Logistics Services Business. In the IT Automation Business, the company plans to push forward with software investment centered on Cloud Thomas. It aims to triple sales to ¥1,600 mn by FY2026/2 versus FY2023/2 by strengthening alliances through sales activities and establishing its position as an IT vendor. While the IT Automation Business only accounts for 7.9% of projected total sales in FY2024/2, its profit contribution will likely be substantial given the segment's high profit margin.

### Medium-term Business Plan (FY22/2-FY24/2)

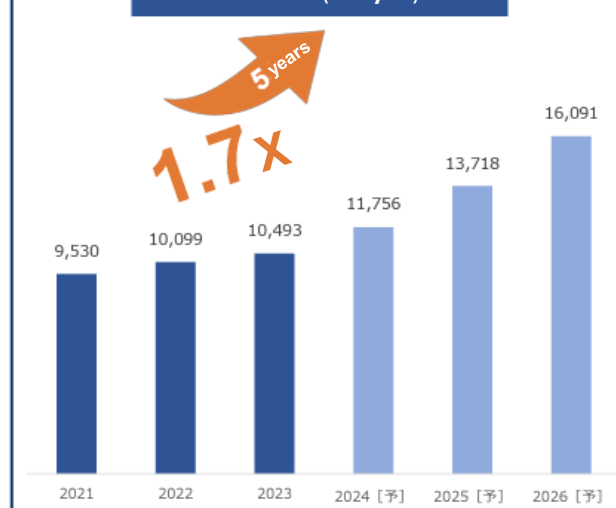
¥million, %	Actual		Mid-term Business Plan						
	FY23/2		FY24/2	YoY (%)	FY25/2	YoY (%)	FY26/2	YoY (%)	Chg(%) vs. FY23/2
<b>Net sales</b>	<b>10,493</b>	<b>100.0</b>	<b>11,756</b>	<b>12.0</b>	<b>13,718</b>	<b>16.7</b>	<b>16,091</b>	<b>17.3</b>	<b>53.3</b>
Logistics service	9,837	96.0	10,798	9.8	12,409	14.9	14,380	15.9	46.2
IT automation	546	3.1	849	55.4	1,200	41.3	1,600	33.3	192.8
Other businesses	110	0.9	108	(1.5)	109	1.0	110	1.0	0.5
Gross profit	1,368	11.8	1,784	30.5	2,096	17.5	2,470	17.8	1,076.2
<b>Operating profit</b>	<b>392</b>	<b>4.4</b>	<b>669</b>	<b>70.8</b>	<b>752</b>	<b>12.3</b>	<b>893</b>	<b>18.8</b>	<b>127.8</b>
Recurring profit	360	4.0	624	73.1	740	18.5	880	18.9	143.8
Net profit	628	3.0	387	(38.3)	465	20.1	560	20.3	(10.8)

Source: Compiled by SIR from company materials.

### Floor area of distribution centers (100 tsubo)



### Net Sales(mn yen)



Source: Expert from company materials *Business Plan and Growth Potential Matters*.

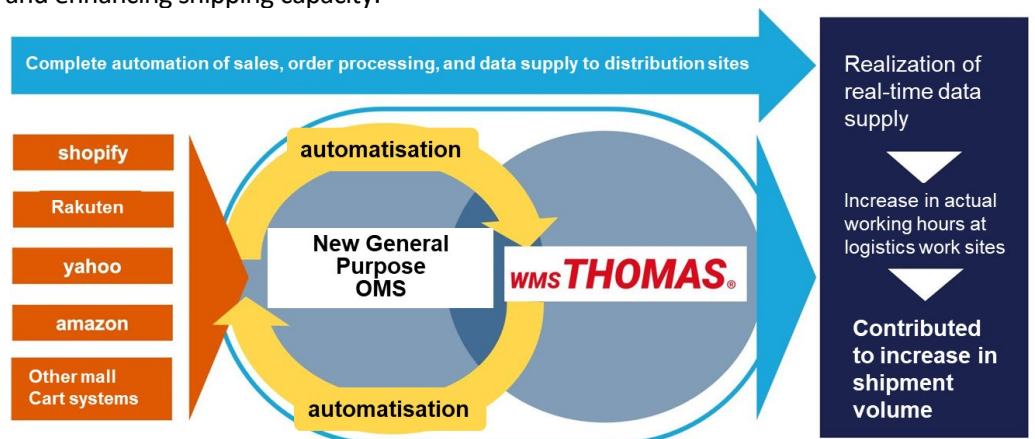
Note: 1 tsubo = 3.3 m<sup>2</sup>



**Growth strategy**

**ECOMS**

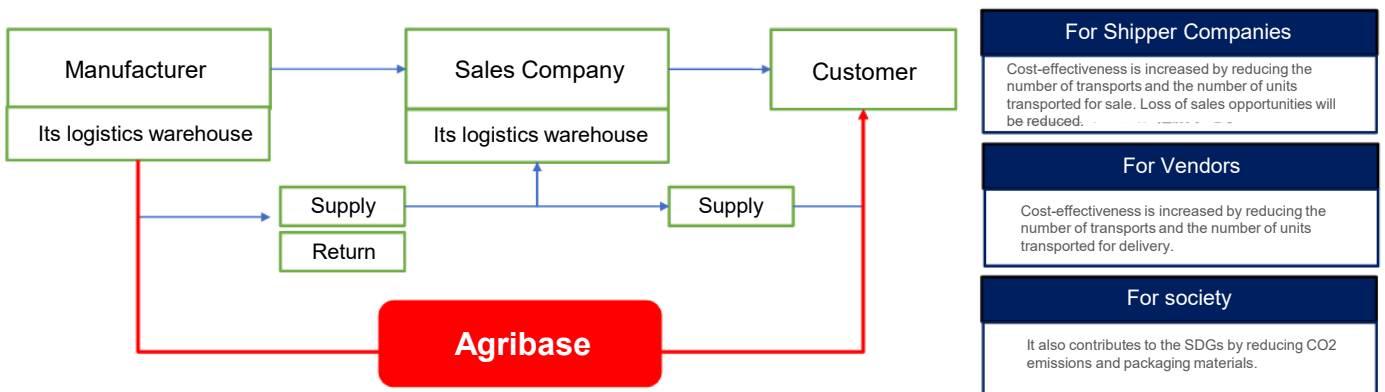
E-commerce giants Amazon, Rakuten, Yahoo, and others are tightening logistics rules for their business partners in order to boost customer delivery satisfaction. More specifically, companies are demanding that the logistics industry expand coverage for next-day delivery, reduce stockout rates, and extend order deadlines, among other things. Kantsu, which considers e-commerce companies to be important customers, has formed a capital and business tie-up with order processing automation and AI company Spicecode Co., Ltd., to develop and provide a next-generation general-purpose OMS to address the needs of the e-commerce industry. The two companies aim to fully automate order processing by combining Spicecode's automation technology with Kantsu's accumulated expertise in order processing operations. By fully automating the entire process from the upstream sales process all the way through to order processing, the company aims to boost its competitiveness by increasing available work hours in the field and enhancing shipping capacity.



Source: Compiled by SIR from the company IR material.

**New business: Agribase**

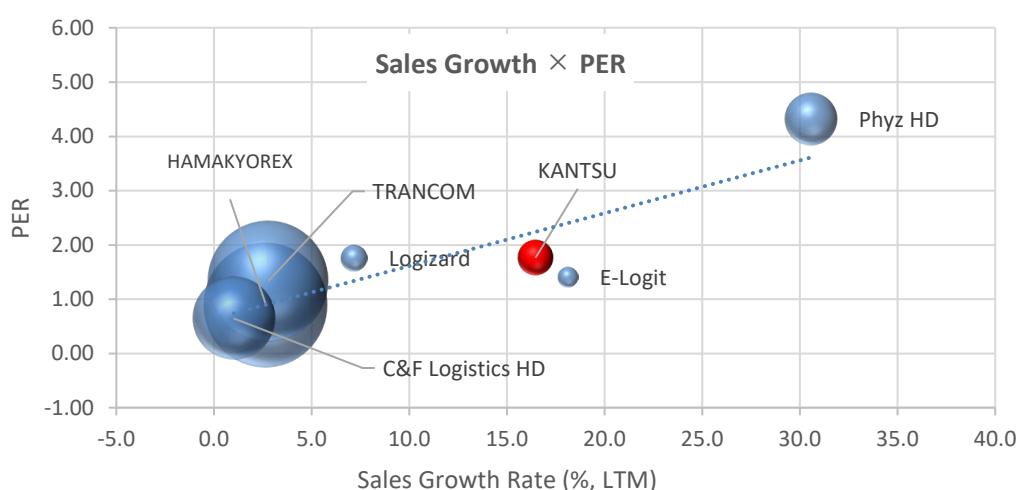
The 2024 Logistics Challenge mentioned earlier involves soaring freight costs, limited cargo volumes, and delivery delays. As a pioneer in warehouse logistics, Kantsu is focusing on the fact that logistics warehouses of manufacturers and sales companies are operated separately, and is advocating a direct delivery model called Agribase, where Kantsu's warehouses provide the functions needed for both. Facilities with Agribase functions include the Tokyo Main Logistics Center (newly built in February 2022) and the D2C II Logistics Center in Amagasaki (newly built in August 2022). In addition to reducing the number of shipments and freight for shippers and carriers, it is also appealing from the perspective of meeting social demands such as reducing CO2 emissions and packaging materials.



Source: Compiled by SIR from the company IR material.

### Share Price Insight

The logistics industry is seen as a growth sector given its rapid growth in parallel with the e-commerce industry. On the other hand, profit margins have been unstable recently owing to special stay-at-home demand during the COVID-19 pandemic and the subsequent reactionary drop in demand, as well as soaring electricity prices and labor cost hikes. Accordingly, the following is an overview of valuations for the warehousing and logistics sector, including Kantsu, using a scatterplot of average sales growth (over 3 years) and P/B ratio (LTM), rather than using profit figures for a single year. Some companies in the logistics industry are not necessarily competitors due to differences in business portfolios such as whether a company offers delivery or IT services. However, the peers selected below include companies with logistics exposure from an investor's perspective, operating logistics centers and offering logistics IT services, with a market capitalization of ¥100 bn or less. Hamakyorex and Trancom, which have large market capitalizations, have low growth rates of less than 3% and low P/B ratios. On the other hand, companies with double-digit growth in sales, including Kantsu, have a noticeable premium valuation with a P/B ratio of more than 1x despite some fluctuation in profits.



Code	Company	Mar. Cap. (mn)	Net Sales Growth (%)	PER	PBR	ROIC (%)*	ROE (%)*	Equity Ratio (%)
9325	PHYZ Holdings	12,080	30.5	15.0	4.3	21.7	33.3	40.7
9327	e-LogiT	1,711	18.1	NA	1.4	NA	NA	23.0
9326	KANTSU	5,314	16.5	9.0	1.8	0.6	20.7	32.8
4391	Logizard	2,953	7.2	16.8	1.8	17.6	16.7	89.3
9058	TRANCOM	65,044	2.8	17.0	1.3	8.3	8.0	67.4
9037	Hamakyorex	69,607	2.6	9.4	0.9	6.7	9.9	54.1
9099	Chilled & Frozen Logistics Holdings	30,369	1.0	9.9	0.6	3.9	6.7	51.3

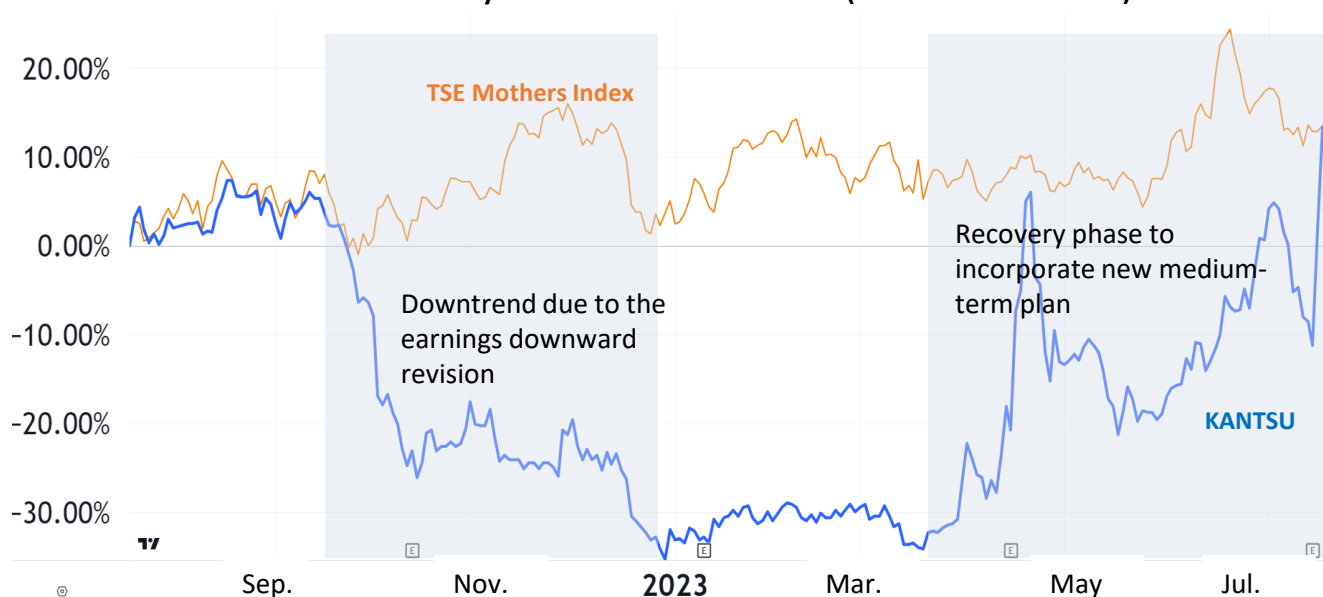
Based on the total of the past four quarters (Last Twelve Months) Source : Compiled by SIR from SPEEDA Data.

Capital efficiency is also important for the logistics sector because it handles real estate (warehouses) as assets. In the case of Kantsu, the company aggressively expanded floor space in the previous fiscal year, and profitability fell until it was able to attract customers and start operations. On the other hand, the company's net income rose substantially following the sale of its Kansai main center building. As a result, ROE rose and ROIC fell, and the previous year's figures are not a useful point of reference. The company expects ROE to come in at 12.8% and ROIC at around 5.7% based on its full-year FY2024/2 earnings forecast.

In October 2022, Kantsu downwardly revised its 1H forecasts for operating profit by 38% and recurring profit by 39%. In November, it announced a substantial downward revision to its full-year forecasts, lower projected sales by 13% and operating profit by 63%. The reason for the lower profit forecast came from the challenges faced by existing apparel customers as mentioned earlier, which affected the shipment volume. During this period, Kantsu's share price fell 36% to a low of ¥358 in January 2023, but rebounded sharply after hitting a second low in March 2023 when the company announced its FY2023/2 earnings. In addition to a sharp recovery and a projected 71% YoY increase in operating profit to ¥669 mn, the company's decision to repurchase 2.91% of its outstanding shares was also viewed favorably by the market.

Current share price valuations appear to reflect the performance of the new medium-term management plan outlined on the previous page.

### 1-Year Weekly Relative Performance Trend (vs. TSE Mothers Index)



Source : Compiled by SIR from Trading View

Unlike FY2023/2, when the company experienced the impact of changes in its customers' business environment, there have been no cause for concern in FY2024/2 thus far. Progress in attracting new customers to fill the added floor space from the previous year's aggressive expansion combined with growth in the IT Automation Business may serve as a catalyst to unlock earnings.

Furthermore, Kantsu began paying dividends in FY2022/2 and decided to repurchase shares for the first time this fiscal year. This is a turning point in the company's management, which not only aims to support shareholders but also strives to balance growth and profitability with a focus on capital efficiency. This will likely positively impact valuations over the long term.

## PROFIT &amp; LOSS STATEMENT

¥ mn, %	2018/2	2019/2	2020/2	2021/2	2022/2	2023/2	2024/2 CE
<b>Total Revenue</b>	<b>5,255</b>	<b>6,468</b>	<b>7,302</b>	<b>9,530</b>	<b>10,099</b>	<b>10,494</b>	<b>11,756</b>
Gross Sales	5,255	6,468	7,302	9,530	10,099		
Total Cost of Sales	4,580	5,697	6,327	8,404	8,527	9,126	
Cost of Sales	4,580	5,697	6,327	8,404	8,527	9,126	
Gross Profit	674	771	974	1,126	1,572	1,368	
<i>Gross Margin</i>	<i>12.8</i>	<i>11.9</i>	<i>13.3</i>	<i>11.8</i>	<i>15.6</i>	<i>13.0</i>	
Selling, General and Administrative Expenses	514	644	683	708	842	976	
<b>Operating Profit</b>	<b>161</b>	<b>126</b>	<b>291</b>	<b>418</b>	<b>729</b>	<b>392</b>	<b>669</b>
<i>Operating Profit Margin</i>	<i>3.1</i>	<i>2.0</i>	<i>4.0</i>	<i>4.4</i>	<i>7.2</i>	<i>3.7</i>	<i>5.7</i>
Non-Operating Income	13	10	13	30	22	39	
Interest and Dividends Income	1	1	1	1	1	0	
Non-Operating Expenses	34	33	49	65	64	70	
Interest Expenses	33	32	44	43	45	51	
<b>Ordinary Profit</b>	<b>140</b>	<b>103</b>	<b>255</b>	<b>383</b>	<b>687</b>	<b>361</b>	<b>624</b>
<i>Ordinary Profit Margin</i>	<i>2.7</i>	<i>1.6</i>	<i>3.5</i>	<i>4.0</i>	<i>6.8</i>	<i>3.4</i>	<i>5.3</i>
Extraordinary Gains/Losses	(50)	35	(1)	8	(12)	561	
Extraordinary Gain	6	63	13	17	0	1,068	
Extraordinary Loss	56	28	14	9	12	507	
Pretax Profit	90	139	254	392	676	921	
<i>Pretax Profit Margin</i>	<i>1.7</i>	<i>2.1</i>	<i>3.5</i>	<i>4.1</i>	<i>6.7</i>	<i>8.8</i>	
Income Taxes	34	60	84	109	212	293	
Income Taxes - Current	23	58	89	138	225	402	
Income Taxes - Deferred	11	3	(6)	(29)	(14)	(109)	
<b>Net Profit Attribute to parent company shareholders</b>	<b>56</b>	<b>78</b>	<b>170</b>	<b>283</b>	<b>464</b>	<b>628</b>	<b>387</b>

Source: Compiled by SIR from SPEEDA data.

**BALANCE SHEET**

¥ mn	2018/2	2019/2	2020/2	2021/2	2022/2	2023/2
<b>Total Assets</b>	<b>3,745</b>	<b>5,327</b>	<b>6,420</b>	<b>7,533</b>	<b>9,485</b>	<b>9,472</b>
<b>Current Assets</b>	<b>2,458</b>	<b>2,832</b>	<b>3,527</b>	<b>4,142</b>	<b>4,674</b>	<b>5,154</b>
Cash Cash Equivalents And Short-term Investments	1,756	1,907	2,451	2,593	3,219	3,433
Cash & Cash Equivalents	1,756	1,907	2,451	2,593	3,219	3,433
Accounts Receivables	458	621	850	1,101		
Other Short-Term Financial Assets	56	73		155	940	972
Inventories	12	22			197	277
Finished Goods and Merchandise	12	22				4
Other Inventories	0	0				0
Advance Paymentss	31	83	72	109		4
Prepaid Expenses	47	83	150	182	99	
Deferred Tax Assets - Current	15	17			210	
Allowance for Doubtful Accounts - Assets	(1)	(4)	(12)	(18)	(14)	(6)
<b>Non-Current Assets</b>	<b>1,286</b>	<b>2,495</b>	<b>2,894</b>	<b>3,391</b>	<b>4,811</b>	<b>4,317</b>
Property, Plant & Equipment (PPE)	827	1,830	1,996	2,326	3,119	2,373
Lands	316	1,120	1,125	1,125	1,125	139
Construction In Progress				109	202	114
Intangible Assets	104	133	192	260	295	260
Investments and Other Assets	355	532	706	805	1,396	1,684
Investment Securities (inc. Subsidiaries and Affiliates)	16	37	23			
Investment Securities	16	37	23			
Long-Term Loans			50	36	24	12
Long-Term Trade Receivables			9	1	0	
Long-term Prepaid Expenses	19	18	26	24	23	
Deferred Tax Assets - Non-Current				24	38	147
Allowance for Doubtful Accounts - Fixed	(1)	(1)	(9)	(2)	(1)	(1)
<b>Total Liabilities</b>	<b>3,542</b>	<b>4,860</b>	<b>5,794</b>	<b>5,938</b>	<b>6,758</b>	<b>6,212</b>
<b>Current Liabilities</b>	<b>1,074</b>	<b>1,336</b>	<b>1,660</b>	<b>1,836</b>	<b>2,008</b>	<b>2,160</b>
Trade Payables	165	257	380	472	303	265
Accounts Payable - Other and Accrued Expenses	182	235	307	265	196	
Short-Term Debt	630	668	748	818	869	822
Short-Term Borrowings	0			0	0	0
Current Portion of Long-term Debt	630	668	748	818	869	822
Current Portion of Long-Term Borrowings	630	668	748	818	869	822
Advances Received	5	23	48	50	70	
<b>Non-Current Liabilities</b>	<b>2,468</b>	<b>3,524</b>	<b>4,134</b>	<b>4,102</b>	<b>4,750</b>	<b>4,051</b>
Long-Term Debt	2,370	3,350	3,923	3,867	4,323	3,449
Long-Term Borrowings	2,370	3,350	3,923	3,867	4,323	3,449
Deferred Tax Liabilities - Non-Current	24	30	5			
Asset Retirement Obligations- Non-Current						372
<b>Total Net Assets</b>	<b>202</b>	<b>467</b>	<b>626</b>	<b>1,595</b>	<b>2,727</b>	<b>3,260</b>
Total Shareholders' Equity	202	467	626	1,595	2,727	3,260
Shareholders' Equity	200	460	631	1,591	2,727	3,258
Capital Stock	20	111	111	450	785	788
Capital Surplus	6	97	97	436	771	774
Retained Earnings	174	253	423	706		
Treasury Stock						
Accumulated Other Comprehensive Income						
Valuation Difference On Available-for-sale Securities	2	7	(5)			
Share Warrants	2	7	(5)			

Source: Compiled by SIR from SPEEDA data.

**CASH FLOW STATEMENT**

¥ mn	2018/2	2019/2	2020/2	2021/2	2022/2	2023/2
<b>Cash Flows from Operating Activities</b>	<b>278</b>	<b>150</b>	<b>398</b>	<b>188</b>	<b>805</b>	<b>217</b>
Depreciation and Amortization - CF	122	130	173	239	304	411
Depreciation - CF			0			
Gain/Loss on Valuation of Securities and Investment Securities	33	0	0	(17)		
Gain/Loss on Sale of Securities and Investment Securities	33	0	0	(17)		
Gain/Loss on Sale of Investment Securities	16	(31)	1	9	11	(915)
<b>Gain/Loss on Sale of PPE</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>
Interest and Dividends Received - Operating CF	(33)	(33)	(43)	(43)	(46)	(49)
Interest Paid - Operating CF	<b>(99)</b>	<b>(1,339)</b>	<b>(402)</b>	<b>(650)</b>	<b>(1,094)</b>	<b>1,006</b>
<b>Cash Flows from Investing Activities</b>	<b>(119)</b>	<b>(15)</b>				
Payments for Purchases of Securities and Investment Securities	(119)	(15)				
Payments for Purchases of Investment Securities	186	0	0	45		
Proceeds from Sales of Securities and Investment Securities	186	0	0	45		
<b>Proceeds from Sales of Investment Securities</b>	<b>(125)</b>	<b>(1,049)</b>	<b>(264)</b>	<b>(539)</b>	<b>(423)</b>	<b>1,378</b>
Purchases/Sales of PPE	(134)	(1,372)	(266)	(539)	(423)	(812)
Payments for Purchases of PPE	9	323	2	0	0	2,190
Proceeds from Sales of PPE	(46)	(70)	(99)	(131)	(115)	(157)
Purchases/Sales of Intangible Assets	(46)	(70)	(99)	(131)	(115)	(157)
Payments for Purchases of Intangible Assets	<b>(194)</b>	<b>1,198</b>	<b>653</b>	<b>676</b>	<b>900</b>	<b>(1,021)</b>
<b>Cash Flows from Financial Activities</b>	<b>640</b>	<b>2,000</b>	<b>1,420</b>	<b>800</b>	<b>1,130</b>	<b>1,150</b>
Increase in Long-Term Debt	640	2,000	1,420	800	1,130	1,150
Proceeds from Long-Term Borrowings	(824)	(981)	(767)	(805)	(877)	(2,046)
Repayments of Long-Term Debt	(804)	(981)	(767)	(805)	(877)	(2,046)
Repayments of Long-Term Borrowings	(20)					
Redemption of Bonds		182		675	653	1
Proceeds from Issuance of Stock						
Cash Dividends Paid						<b>(102)</b>
Foreign exchange adjustment	1	1	0			
Changes in Cash Flow	(15)	11	650	213	612	201
Cash & Cash Equivalent - Beginning	1,542	1,528	1,538	2,188	2,401	3,013
Cash & Cash Equivalent - Ending	1,528	1,538	2,188	2,401	3,013	3,214
<b>Free Cash Flow (FCF)</b>	<b>179</b>	<b>(1,189)</b>	<b>(4)</b>	<b>(462)</b>	<b>(289)</b>	<b>1,223</b>

Source: Compiled by SIR from SPEEDA data.

## LEGAL DISCLAIMER

This report is intended to provide information about the subject company, and it is not intended to solicit or recommend investment. Although the data and information contained in this report have been determined to be reliable, we do not guarantee their authenticity or accuracy.

This report has been prepared by Sessa Partners on behalf of the concerned company for which it has received compensation. Officers and employees of Sessa Partners may be engaged in transactions such as trading in securities issued by the company, or they may have the possibility of doing so in the future. For this reason, the forecasts and information contained in this report may lack objectivity. Sessa Partners assumes no liability for any commercial loss based on use of this report. The copyright of this report belongs to Sessa Partners. Modification, manipulation, distribution or transmission of this report constitutes copyright infringement and is strictly prohibited.



### **Sessa Partners Inc.**

---

#5a i-o Azabu, 2-8-14  
Azabujyuban, Minato-ku, Tokyo  
[info@sessapartners.co.jp](mailto:info@sessapartners.co.jp)