

Translation

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## Summary of Consolidated Financial Results for the Year Ended September 30, 2022 (Based on Japanese GAAP)

November 14, 2022

Company name: KATO SANGYO CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 9869 URL <http://www.katosangyo.co.jp>  
 Representative: President and Representative Director Kazuya Kato  
 Director  
 Inquiries: Chief of Administration Headquarters Shigenori Tsuguie TEL 0798-33-7650  
 Scheduled date of ordinary general meeting of shareholders: December 23, 2022  
 Scheduled date to file Securities Report: December 26, 2022  
 Scheduled date to commence dividend payments: December 26, 2022  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended September 30, 2022 (from October 1, 2021 to September 30, 2022)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended September 30, 2022	1,035,664	–	13,413	–	15,387	–	11,276	–
Year ended September 30, 2021	1,137,101	2.9	11,612	0.3	13,281	0.5	8,385	(7.4)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/Operating revenue
	Yen	Yen	%	%	%
Year ended September 30, 2022	329.95	–	8.5	3.9	1.3
Year ended September 30, 2021	238.32	–	6.6	3.5	1.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2022	400,792	140,188	33.7	4,018.57
As of September 30, 2021	384,102	135,560	33.9	3,757.48

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended September 30, 2022	15,083	(6,268)	(8,214)	82,208
Year ended September 30, 2021	14,257	(9,359)	(7,144)	81,305

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended September 30, 2021	–	36.00	–	36.00	72.00	2,530	30.2	2.0
Year ended September 30, 2022	–	38.00	–	45.00	83.00	2,829	25.1	2.1
Year ending September 30, 2023 (Forecast)	–	43.00	–	46.00	89.00		30.2	

3. Forecast of consolidated financial results for the year ending September 30, 2023 (from October 1, 2022 to September 30, 2023)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending March 31, 2023	530,000	2.9	7,200	2.5	8,050	(0.2)	5,050	(4.0)	150.18
Full year	1,067,000	3.0	13,700	2.1	15,400	0.1	9,900	(12.2)	294.42

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	38,153,115 shares	As of September 30, 2021	38,153,115 shares
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Number of treasury shares at the end of the period

As of September 30, 2022	4,527,890 shares	As of September 30, 2021	3,503,341 shares
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Average number of shares during the period

Year ended September 30, 2022	34,176,879 shares	Year ended September 30, 2021	35,188,380 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of September 30, 2021	As of September 30, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	82,273	83,419
Notes and accounts receivable - trade	136,881	–
Notes receivable - trade	–	1,270
Accounts receivable - trade	–	149,137
Investments in leases	661	712
Securities	–	500
Merchandise and finished goods	27,150	29,262
Work in process	3	3
Raw materials and supplies	248	273
Other	8,974	7,662
Allowance for doubtful accounts	(686)	(620)
<b>Total current assets</b>	<b>255,508</b>	<b>271,621</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	17,167	16,555
Machinery, equipment and vehicles, net	2,256	1,927
Tools, furniture and fixtures, net	1,148	1,156
Land	24,373	24,310
Leased assets, net	1,475	1,229
Construction in progress	1,273	1,771
Other, net	397	392
<b>Total property, plant and equipment</b>	<b>48,092</b>	<b>47,343</b>
<b>Intangible assets</b>		
Goodwill	943	673
Software	5,351	4,930
Telephone subscription right	45	45
Other	177	124
<b>Total intangible assets</b>	<b>6,517</b>	<b>5,774</b>
<b>Investments and other assets</b>		
Investment securities	48,380	48,236
Guarantee deposits	5,978	6,271
Investment property, net	2,938	2,863
Deferred tax assets	277	483
Retirement benefit asset	2,438	2,303
Investments in leases	9,077	10,924
Other	4,993	5,055
Allowance for doubtful accounts	(98)	(85)
<b>Total investments and other assets</b>	<b>73,984</b>	<b>76,052</b>
<b>Total non-current assets</b>	<b>128,594</b>	<b>129,170</b>
<b>Total assets</b>	<b>384,102</b>	<b>400,792</b>

(Millions of yen)

	As of September 30, 2021	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	202,960	212,314
Short-term borrowings	3,691	4,234
Current portion of long-term borrowings	31	–
Lease liabilities	1,383	1,304
Accounts payable - other	10,088	10,838
Accrued expenses	421	344
Income taxes payable	2,125	3,352
Accrued consumption taxes	188	1,479
Provision for bonuses	1,329	1,326
Provision for bonuses for directors (and other officers)	59	76
Other	974	1,968
Total current liabilities	223,255	237,239
Non-current liabilities		
Long-term borrowings	136	–
Lease liabilities	10,223	9,246
Deferred tax liabilities	6,381	5,391
Provision for retirement benefits for directors (and other officers)	381	409
Retirement benefit liability	5,358	5,369
Asset retirement obligations	171	172
Other	2,634	2,775
Total non-current liabilities	25,286	23,364
Total liabilities	248,542	260,603
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,934	5,934
Capital surplus	8,760	8,532
Retained earnings	107,671	116,384
Treasury shares	(9,702)	(12,709)
Total shareholders' equity	112,663	118,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,383	15,067
Deferred gains or losses on hedges	0	7
Foreign currency translation adjustment	(272)	1,883
Remeasurements of defined benefit plans	420	24
Total accumulated other comprehensive income	17,532	16,983
Non-controlling interests	5,364	5,062
Total net assets	135,560	140,188
Total liabilities and net assets	384,102	400,792

**Consolidated statements of income and consolidated statements of comprehensive income**  
**Consolidated statements of income**

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Operating revenue		
Net sales	1,129,888	1,003,221
Other operating revenue	7,212	32,442
Total operating revenue	1,137,101	1,035,664
Operating costs		
Cost of sales	1,056,536	935,511
Other costs	6,247	28,412
Total operating costs	1,062,783	963,923
Gross profit	73,352	67,710
Operating gross profit	74,317	71,740
Selling, general and administrative expenses		
Transportation costs	28,101	27,279
Provision of allowance for doubtful accounts	3	(132)
Bad debt expenses	1	3
Remuneration for directors (and other officers)	387	357
Employees' salaries and allowances	12,101	12,288
Provision for bonuses	1,258	1,210
Provision for bonuses for directors (and other officers)	57	74
Retirement benefit expenses	495	411
Provision for retirement benefits for directors (and other officers)	36	36
Welfare expenses	2,263	2,363
Depreciation	3,595	3,187
Rent expenses	5,662	3,166
Information system cost	3,704	3,477
Other	5,035	4,602
Total selling, general and administrative expenses	62,705	58,327
Operating profit	11,612	13,413
Non-operating income		
Interest income	169	173
Dividend income	812	914
Share of profit of entities accounted for using equity method	73	80
Foreign exchange gains	40	56
Rental income from real estate	355	642
Electricity sale income	124	129
Other	496	567
Total non-operating income	2,072	2,565
Non-operating expenses		
Interest expenses	109	143
Rental expenses on real estate	167	244
Provision of allowance for doubtful accounts	24	74
Electricity sale expenses	54	49
Other	46	79
Total non-operating expenses	402	591
Ordinary profit	13,281	15,387

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Extraordinary income		
Gain on sale of non-current assets	20	1,890
Gain on sale of investment securities	0	77
Subsidy income	48	–
Total extraordinary income	68	1,967
Extraordinary losses		
Loss on sale of non-current assets	0	1
Impairment losses	190	–
Loss on disaster	–	18
Loss on retirement of non-current assets	48	85
Loss on sale of investment securities	0	–
Loss on valuation of investment securities	204	–
Loss on cancellation of leases	9	1
Total extraordinary losses	453	106
Profit before income taxes	12,896	17,248
Income taxes - current	4,145	5,380
Income taxes - deferred	66	79
Total income taxes	4,212	5,460
Profit	8,684	11,788
Profit attributable to non-controlling interests	298	511
Profit attributable to owners of parent	8,385	11,276

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Profit	8,684	11,788
Other comprehensive income		
Valuation difference on available-for-sale securities	2,035	(2,524)
Deferred gains or losses on hedges	(1)	7
Foreign currency translation adjustment	601	2,112
Remeasurements of defined benefit plans, net of tax	118	(396)
Share of other comprehensive income of entities accounted for using equity method	19	100
Total other comprehensive income	2,773	(700)
Comprehensive income	11,458	11,087
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,111	10,727
Comprehensive income attributable to non-controlling interests	347	360

## Consolidated statements of changes in equity

Fiscal year ended September 30, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,934	8,760	101,745	(6,550)	109,890
Changes during period					
Dividends of surplus			(2,459)		(2,459)
Profit attributable to owners of parent			8,385		8,385
Purchase of treasury shares				(3,152)	(3,152)
Purchase of shares of consolidated subsidiaries					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	5,926	(3,152)	2,773
Balance at end of period	5,934	8,760	107,671	(9,702)	112,663

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	15,344	1	(841)	302	14,807	4,866	129,563
Changes during period							
Dividends of surplus							(2,459)
Profit attributable to owners of parent							8,385
Purchase of treasury shares							(3,152)
Purchase of shares of consolidated subsidiaries							–
Net changes in items other than shareholders' equity	2,038	(1)	568	118	2,725	498	3,223
Total changes during period	2,038	(1)	568	118	2,725	498	5,996
Balance at end of period	17,383	0	(272)	420	17,532	5,364	135,560



Fiscal year ended September 30, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,934	8,760	107,671	(9,702)	112,663
Changes during period					
Dividends of surplus			(2,564)		(2,564)
Profit attributable to owners of parent			11,276		11,276
Purchase of treasury shares				(3,006)	(3,006)
Purchase of shares of consolidated subsidiaries		(228)			(228)
Net changes in items other than shareholders' equity					
Total changes during period	–	(228)	8,712	(3,006)	5,477
Balance at end of period	5,934	8,532	116,384	(12,709)	118,141

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	17,383	0	(272)	420	17,532	5,364	135,560
Changes during period							
Dividends of surplus							(2,564)
Profit attributable to owners of parent							11,276
Purchase of treasury shares							(3,006)
Purchase of shares of consolidated subsidiaries							(228)
Net changes in items other than shareholders' equity	(2,315)	7	2,156	(396)	(548)	(301)	(850)
Total changes during period	(2,315)	7	2,156	(396)	(548)	(301)	4,627
Balance at end of period	15,067	7	1,883	24	16,983	5,062	140,188

## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	12,896	17,248
Depreciation	4,365	4,535
Loss (gain) on valuation of investment securities	204	–
Impairment losses	190	–
Amortization of goodwill	393	396
Increase (decrease) in allowance for doubtful accounts	4	(84)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	13	28
Increase (decrease) in provision for bonuses	35	(11)
Increase (decrease) in provision for bonuses for directors (and other officers)	(0)	17
Decrease (increase) in retirement benefit asset	(409)	(473)
Increase (decrease) in retirement benefit liability	60	46
Interest and dividend income	(981)	(1,087)
Interest expenses	109	143
Foreign exchange losses (gains)	(26)	(44)
Share of loss (profit) of entities accounted for using equity method	(73)	(80)
Loss (gain) on sale of investment securities	(0)	(77)
Loss (gain) on sale of property, plant and equipment	(19)	(1,889)
Loss on retirement of property, plant and equipment	46	54
Loss on retirement of intangible assets	–	31
Subsidy income	(48)	–
Loss on cancellation of leases	9	1
Loss on disaster	–	18
Decrease (increase) in trade receivables	(4,549)	(9,818)
Decrease (increase) in inventories	(1,774)	(1,425)
Increase (decrease) in trade payables	6,500	9,067
Decrease (increase) in investments in leases	656	708
Other, net	390	1,032
Subtotal	17,994	18,337
Interest and dividends received	998	1,107
Interest paid	(109)	(143)
Income taxes paid	(4,625)	(4,207)
Payments associated with disaster loss	–	(10)
Net cash provided by (used in) operating activities	14,257	15,083

(Millions of yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022
Cash flows from investing activities		
Payments into time deposits	(1,066)	(1,305)
Proceeds from withdrawal of time deposits	972	1,283
Proceeds from redemption of securities	1,000	–
Purchase of property, plant and equipment	(5,121)	(3,605)
Proceeds from sale of property, plant and equipment	114	653
Purchase of intangible assets	(1,871)	(1,333)
Payments for retirement of property, plant and equipment	(4)	(47)
Subsidies received	48	–
Purchase of investment securities	(1,769)	(4,289)
Proceeds from sale of investment securities	15	501
Purchase of investment property	–	(5)
Proceeds from sale of investment property	–	2,010
Loan advances	(40)	(38)
Proceeds from collection of loans receivable	20	26
Payments of leasehold deposits	(16)	(134)
Proceeds from refund of leasehold deposits	29	14
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,670)	–
Net cash provided by (used in) investing activities	(9,359)	(6,268)
Cash flows from financing activities		
Repayments of long-term borrowings	(99)	(175)
Net increase (decrease) in short-term borrowings	36	(70)
Purchase of treasury shares	(3,171)	(3,025)
Dividends paid	(2,459)	(2,564)
Dividends paid to non-controlling interests	(27)	(43)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(846)
Repayments of finance lease liabilities	(1,421)	(1,488)
Net cash provided by (used in) financing activities	(7,144)	(8,214)
Effect of exchange rate change on cash and cash equivalents	103	302
Net increase (decrease) in cash and cash equivalents	(2,142)	902
Cash and cash equivalents at beginning of period	83,447	81,305
Cash and cash equivalents at end of period	81,305	82,208