

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2023 (Based on Japanese GAAP)

May 12, 2023

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 Chief of Administration
 Inquiries: Shigenori Tsuguie TEL 0798-33-7650
 Headquarters
 Scheduled date to file Quarterly Securities Report: May 15, 2023
 Scheduled date to commence dividend payments: June 2, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended March 31, 2023 (from October 1, 2022 to March 31, 2023)

(1) Consolidated operating results (cumulative)

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	%
Six months ended March 31, 2023	544,531	5.7	8,877	26.4	9,804	21.5	6,427	22.2
Six months ended March 31, 2022	515,143	—	7,023	—	8,066	—	5,258	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended March 31, 2023	191.15	—
Six months ended March 31, 2022	151.76	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	402,646	145,672	34.8
As of September 30, 2022	400,792	140,188	33.7

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended September 30, 2022	—	38.00	—	45.00	83.00
Year ending September 30, 2023	—	47.00			
Year ending September 30, 2023 (Forecast)			—	50.00	97.00

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
Full year	1,080,000	4.3	15,300	14.1	17,000	10.5	11,300	0.2	336.06

4. Notes

- (1) Changes in significant subsidiaries during the six months ended March 31, 2023
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of March 31, 2023	35,000,000 shares	As of September 30, 2022	38,153,115 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	1,374,823 shares	As of September 30, 2022	4,527,890 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended March 31, 2023	33,625,202 shares	Six months ended March 31, 2022	34,649,659 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	83,419	76,906
Notes and accounts receivable - trade	150,408	154,453
Investments in leases	712	716
Securities	500	–
Merchandise and finished goods	29,262	30,860
Work in process	3	10
Raw materials and supplies	273	372
Other	7,662	7,157
Allowance for doubtful accounts	(620)	(611)
Total current assets	271,621	269,865
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,555	16,880
Machinery, equipment and vehicles, net	1,927	1,842
Tools, furniture and fixtures, net	1,156	1,243
Land	24,310	24,320
Leased assets, net	1,229	1,203
Construction in progress	1,771	3,394
Other, net	392	314
Total property, plant and equipment	47,343	49,198
Intangible assets		
Goodwill	673	431
Software	4,930	4,977
Telephone subscription right	45	45
Other	124	105
Total intangible assets	5,774	5,560
Investments and other assets		
Investment securities	48,236	50,089
Guarantee deposits	6,271	6,609
Investment property, net	2,863	2,947
Deferred tax assets	483	478
Retirement benefit asset	2,303	2,418
Investments in leases	10,924	10,564
Other	5,055	5,001
Allowance for doubtful accounts	(85)	(87)
Total investments and other assets	76,052	78,022
Total non-current assets	129,170	132,780
Total assets	400,792	402,646

(Millions of yen)

	As of September 30, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	212,314	211,326
Short-term borrowings	4,234	3,942
Lease liabilities	1,304	1,262
Accounts payable - other	10,838	10,019
Accrued expenses	344	301
Income taxes payable	3,352	3,316
Accrued consumption taxes	1,479	294
Provision for bonuses	1,326	1,388
Provision for bonuses for directors (and other officers)	76	42
Other	1,968	1,933
Total current liabilities	237,239	233,827
Non-current liabilities		
Lease liabilities	9,246	8,792
Deferred tax liabilities	5,391	5,651
Provision for retirement benefits for directors (and other officers)	409	423
Retirement benefit liability	5,369	5,365
Asset retirement obligations	172	172
Other	2,775	2,740
Total non-current liabilities	23,364	23,146
Total liabilities	260,603	256,974
Net assets		
Shareholders' equity		
Share capital	5,934	5,934
Capital surplus	8,532	8,551
Retained earnings	116,384	112,448
Treasury shares	(12,709)	(3,858)
Total shareholders' equity	118,141	123,074
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,067	15,590
Deferred gains or losses on hedges	7	2
Foreign currency translation adjustment	1,883	1,568
Remeasurements of defined benefit plans	24	(17)
Total accumulated other comprehensive income	16,983	17,143
Non-controlling interests	5,062	5,454
Total net assets	140,188	145,672
Total liabilities and net assets	400,792	402,646

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Operating revenue		
Net sales	499,081	528,062
Other operating revenue	16,062	16,469
Total operating revenue	515,143	544,531
Operating costs		
Cost of sales	465,921	491,568
Other costs	13,357	13,926
Total operating costs	479,278	505,495
Gross profit	33,160	36,494
Operating gross profit	35,865	39,036
Selling, general and administrative expenses	28,841	30,159
Operating profit	7,023	8,877
Non-operating income		
Interest income	89	107
Dividend income	433	441
Share of profit of entities accounted for using equity method	50	60
Foreign exchange gains	33	–
Rental income from real estate	327	320
Reversal of allowance for doubtful accounts	–	14
Electricity sale income	52	50
Other	377	189
Total non-operating income	1,364	1,186
Non-operating expenses		
Interest expenses	73	91
Foreign exchange losses	–	1
Rental expenses on real estate	112	119
Provision of allowance for doubtful accounts	60	–
Electricity sale expenses	24	23
Other	50	22
Total non-operating expenses	321	259
Ordinary profit	8,066	9,804
Extraordinary income		
Gain on sale of non-current assets	135	6
Gain on sale of investment securities	76	400
Subsidy income	–	5
Total extraordinary income	211	411

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Extraordinary losses		
Loss on sale and retirement of non-current assets	6	32
Loss on disaster	6	–
Loss on valuation of investment securities	–	8
Provision of allowance for doubtful accounts	0	–
Loss on cancellation of leases	1	0
Total extraordinary losses	14	41
Profit before income taxes	8,264	10,174
Income taxes - current	2,540	3,165
Income taxes - deferred	135	64
Total income taxes	2,676	3,229
Profit	5,588	6,945
Profit attributable to non-controlling interests	329	517
Profit attributable to owners of parent	5,258	6,427

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Profit	5,588	6,945
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,282)	577
Deferred gains or losses on hedges	4	(5)
Foreign currency translation adjustment	423	(367)
Remeasurements of defined benefit plans, net of tax	(67)	(42)
Share of other comprehensive income of entities accounted for using equity method	37	45
Total other comprehensive income	(1,885)	207
Comprehensive income	3,702	7,152
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,526	6,587
Comprehensive income attributable to non-controlling interests	176	565

Consolidated statements of cash flows

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	8,264	10,174
Depreciation	2,245	2,249
Amortization of goodwill	190	220
Increase (decrease) in allowance for doubtful accounts	14	(5)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	15	13
Increase (decrease) in provision for bonuses	(8)	64
Increase (decrease) in provision for bonuses for directors (and other officers)	(30)	(33)
Decrease (increase) in retirement benefit asset	(241)	(197)
Increase (decrease) in retirement benefit liability	(27)	18
Interest and dividend income	(523)	(549)
Interest expenses	73	91
Foreign exchange losses (gains)	(26)	12
Share of loss (profit) of entities accounted for using equity method	(50)	(60)
Loss (gain) on sale of investment securities	(76)	(400)
Loss (gain) on valuation of investment securities	–	8
Loss (gain) on sale of property, plant and equipment	(133)	(6)
Loss on retirement of property, plant and equipment	5	32
Loss on cancellation of leases	1	0
Loss on disaster	6	–
Subsidy income	–	(5)
Decrease (increase) in trade receivables	(9,617)	(4,284)
Decrease (increase) in inventories	(1,021)	(1,829)
Increase (decrease) in trade payables	2,627	(940)
Decrease (increase) in investments in leases	355	355
Other, net	148	(1,213)
Subtotal	2,190	3,714
Interest and dividends received	524	558
Interest paid	(73)	(91)
Income taxes paid	(2,100)	(3,190)
Payments associated with disaster loss	(0)	–
Net cash provided by (used in) operating activities	540	991

(Millions of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Cash flows from investing activities		
Payments into time deposits	(885)	(1,261)
Proceeds from withdrawal of time deposits	889	977
Proceeds from redemption of securities	–	500
Purchase of property, plant and equipment	(1,293)	(3,528)
Proceeds from sale of property, plant and equipment	633	6
Purchase of intangible assets	(677)	(920)
Payments for retirement of property, plant and equipment	–	(20)
Subsidies received	–	5
Purchase of investment securities	(593)	(1,694)
Proceeds from sale of investment securities	496	634
Proceeds from redemption of investment securities	–	500
Purchase of investment property	(2)	–
Loan advances	(35)	(481)
Proceeds from collection of loans receivable	13	118
Payments of leasehold deposits	(127)	(2)
Proceeds from refund of leasehold deposits	9	30
Net cash provided by (used in) investing activities	(1,572)	(5,136)
Cash flows from financing activities		
Repayments of long-term borrowings	(169)	–
Net increase (decrease) in short-term borrowings	(41)	(160)
Purchase of treasury shares	(2)	(0)
Dividends paid	(1,247)	(1,513)
Dividends paid to non-controlling interests	(43)	(106)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(846)	(48)
Repayments of finance lease liabilities	(765)	(702)
Net cash provided by (used in) financing activities	(3,115)	(2,532)
Effect of exchange rate change on cash and cash equivalents	72	(60)
Net increase (decrease) in cash and cash equivalents	(4,074)	(6,737)
Cash and cash equivalents at beginning of period	81,305	82,208
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	0
Cash and cash equivalents at end of period	77,230	75,471