

Translation

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Summary of Consolidated Financial Results for the Year Ended September 30, 2023 (Based on Japanese GAAP)

November 10, 2023

Company name: KATO SANGYO CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 9869 URL <https://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 22, 2023
 Scheduled date to file Securities Report: December 25, 2023
 Scheduled date to commence dividend payments: December 25, 2023
 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, 2023 (from October 1, 2022 to September 30, 2023)

(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, 2023	1,099,391	6.2	16,731	24.7	18,501	20.2	12,002	6.4
Year ended September 30, 2022	1,035,664	–	13,413	–	15,387	–	11,276	–

	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, 2023	356.94	–	8.4	4.3	1.5
Year ended September 30, 2022	329.95	–	8.5	3.9	1.3

(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, 2023	452,867	155,709	33.1	4,452.56
As of September 30, 2022	400,792	140,188	33.7	4,018.57

(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, 2023	14,679	(9,005)	(4,458)	83,491
Year ended September 30, 2022	15,083	(6,268)	(8,214)	82,208

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, 2022	–	38.00	–	45.00	83.00	2,829	25.1	2.1
Year ended September 30, 2023	–	47.00	–	50.00	97.00	3,261	27.2	2.3
Year ending September 30, 2024 (Forecast)	–	55.00	–	58.00	113.00		25.3	

3. Forecast of consolidated financial results for the year ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

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, 2024	572,300	5.1	9,000	1.4	9,750	(0.6)	7,150	11.2	231.33
Full year	1,149,000	4.5	17,000	1.6	18,520	0.1	13,800	15.0	446.49

4. Notes

(1) Changes in significant subsidiaries during the year ended September 30, 2023

(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, 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 September 30, 2023	1,375,021 shares	As of September 30, 2022	4,527,890 shares
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Average number of shares during the period

Year ended September 30, 2023	33,625,137 shares	Year ended September 30, 2022	34,176,879 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	83,419	85,045
Notes receivable - trade	1,270	1,359
Accounts receivable - trade	149,137	183,321
Investments in leases	712	720
Securities	500	–
Merchandise and finished goods	29,262	33,288
Work in process	3	4
Raw materials and supplies	273	352
Other	7,662	7,921
Allowance for doubtful accounts	(620)	(637)
Total current assets	271,621	311,377
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,555	20,474
Machinery, equipment and vehicles, net	1,927	1,902
Tools, furniture and fixtures, net	1,156	1,212
Land	24,310	24,471
Leased assets, net	1,229	1,066
Construction in progress	1,771	1,031
Other, net	392	458
Total property, plant and equipment	47,343	50,618
Intangible assets		
Goodwill	673	1,463
Software	4,930	5,689
Telephone subscription right	45	45
Other	124	86
Total intangible assets	5,774	7,285
Investments and other assets		
Investment securities	48,236	56,465
Guarantee deposits	6,271	6,016
Investment property, net	2,863	2,896
Deferred tax assets	483	375
Retirement benefit asset	2,303	2,833
Investments in leases	10,924	10,203
Other	5,055	4,852
Allowance for doubtful accounts	(85)	(58)
Total investments and other assets	76,052	83,585
Total non-current assets	129,170	141,489
Total assets	400,792	452,867

(Millions of yen)

	As of September 30, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	212,314	246,559
Short-term borrowings	4,234	5,646
Lease liabilities	1,304	1,300
Accounts payable - other	10,838	11,453
Accrued expenses	344	314
Income taxes payable	3,352	3,093
Accrued consumption taxes	1,479	344
Provision for bonuses	1,326	1,375
Provision for bonuses for directors (and other officers)	76	96
Other	1,968	2,066
Total current liabilities	<u>237,239</u>	<u>272,252</u>
Non-current liabilities		
Lease liabilities	9,246	8,374
Deferred tax liabilities	5,391	7,715
Provision for retirement benefits for directors (and other officers)	409	443
Retirement benefit liability	5,369	5,453
Asset retirement obligations	172	172
Other	2,775	2,746
Total non-current liabilities	<u>23,364</u>	<u>24,905</u>
Total liabilities	<u>260,603</u>	<u>297,158</u>
Net assets		
Shareholders' equity		
Share capital	5,934	5,934
Capital surplus	8,532	8,551
Retained earnings	116,384	116,442
Treasury shares	(12,709)	(3,859)
Total shareholders' equity	<u>118,141</u>	<u>127,068</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,067	20,149
Deferred gains or losses on hedges	7	1
Foreign currency translation adjustment	1,883	2,345
Remeasurements of defined benefit plans	24	153
Total accumulated other comprehensive income	<u>16,983</u>	<u>22,649</u>
Non-controlling interests	<u>5,062</u>	<u>5,991</u>
Total net assets	<u>140,188</u>	<u>155,709</u>
Total liabilities and net assets	<u>400,792</u>	<u>452,867</u>

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

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Operating revenue		
Net sales	1,003,221	1,066,072
Other operating revenue	32,442	33,319
Total operating revenue	1,035,664	1,099,391
Operating costs		
Cost of sales	935,511	992,913
Other costs	28,412	28,451
Total operating costs	963,923	1,021,364
Gross profit	67,710	73,158
Operating gross profit	71,740	78,027
Selling, general and administrative expenses		
Transportation costs	27,279	28,283
Provision of allowance for doubtful accounts	(132)	9
Bad debt expenses	3	4
Remuneration for directors (and other officers)	357	400
Employees' salaries and allowances	12,288	12,999
Provision for bonuses	1,210	1,253
Provision for bonuses for directors (and other officers)	74	107
Retirement benefit expenses	411	506
Provision for retirement benefits for directors (and other officers)	36	38
Welfare expenses	2,363	2,453
Depreciation	3,187	3,264
Rent expenses	3,166	3,240
Information system cost	3,477	3,569
Other	4,602	5,163
Total selling, general and administrative expenses	58,327	61,295
Operating profit	13,413	16,731
Non-operating income		
Interest income	173	233
Dividend income	914	916
Share of profit of entities accounted for using equity method	80	62
Foreign exchange gains	56	18
Rental income from real estate	642	642
Electricity sale income	129	122
Other	567	385
Total non-operating income	2,565	2,380
Non-operating expenses		
Interest expenses	143	224
Rental expenses on real estate	244	267
Provision of allowance for doubtful accounts	74	21
Electricity sale expenses	49	46
Other	79	52
Total non-operating expenses	591	610
Ordinary profit	15,387	18,501

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Extraordinary income		
Gain on sale of non-current assets	1,890	43
Gain on sale of investment securities	77	435
Subsidy income	–	7
Total extraordinary income	1,967	485
Extraordinary losses		
Loss on sale of non-current assets	1	0
Loss on disaster	18	–
Loss on retirement of non-current assets	85	41
Loss on sale of investment securities	–	20
Loss on valuation of investment securities	–	99
Loss on cancellation of leases	1	1
Loss on abandonment of inventories	–	7
Loss on business restructuring	–	6
Total extraordinary losses	106	177
Profit before income taxes	17,248	18,809
Income taxes - current	5,380	5,861
Income taxes - deferred	79	41
Total income taxes	5,460	5,902
Profit	11,788	12,906
Profit attributable to non-controlling interests	511	904
Profit attributable to owners of parent	11,276	12,002

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Profit	11,788	12,906
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,524)	5,280
Deferred gains or losses on hedges	7	(6)
Foreign currency translation adjustment	2,112	382
Remeasurements of defined benefit plans, net of tax	(396)	128
Share of other comprehensive income of entities accounted for using equity method	100	78
Total other comprehensive income	(700)	5,864
Comprehensive income	11,087	18,770
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,727	17,667
Comprehensive income attributable to non-controlling interests	360	1,103

Consolidated statements of changes in equity

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)
Cancellation of treasury shares					-
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)
Cancellation of treasury shares							-
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

Fiscal year ended September 30, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,934	8,532	116,384	(12,709)	118,141
Changes during period					
Dividends of surplus			(3,093)		(3,093)
Profit attributable to owners of parent			12,002		12,002
Purchase of treasury shares				(0)	(0)
Cancellation of treasury shares			(8,850)	8,850	–
Purchase of shares of consolidated subsidiaries		19			19
Net changes in items other than shareholders' equity					
Total changes during period	–	19	58	8,849	8,926
Balance at end of period	5,934	8,551	116,442	(3,859)	127,068

	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	15,067	7	1,883	24	16,983	5,062	140,188
Changes during period							
Dividends of surplus							(3,093)
Profit attributable to owners of parent							12,002
Purchase of treasury shares							(0)
Cancellation of treasury shares							–
Purchase of shares of consolidated subsidiaries							19
Net changes in items other than shareholders' equity	5,081	(6)	461	128	5,665	928	6,594
Total changes during period	5,081	(6)	461	128	5,665	928	15,521
Balance at end of period	20,149	1	2,345	153	22,649	5,991	155,709

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	17,248	18,809
Depreciation	4,535	4,599
Amortization of goodwill	396	344
Increase (decrease) in allowance for doubtful accounts	(84)	7
Increase (decrease) in provision for retirement benefits for directors (and other officers)	28	33
Increase (decrease) in provision for bonuses	(11)	47
Increase (decrease) in provision for bonuses for directors (and other officers)	17	20
Decrease (increase) in retirement benefit asset	(473)	(385)
Increase (decrease) in retirement benefit liability	46	125
Interest and dividend income	(1,087)	(1,149)
Interest expenses	143	224
Foreign exchange losses (gains)	(44)	(0)
Share of loss (profit) of entities accounted for using equity method	(80)	(62)
Loss (gain) on sale of investment securities	(77)	(415)
Loss (gain) on valuation of investment securities	–	99
Loss (gain) on sale of property, plant and equipment	(1,889)	(42)
Loss on retirement of property, plant and equipment	54	41
Loss on retirement of intangible assets	31	–
Subsidy income	–	(7)
Loss on cancellation of leases	1	1
Loss on abandonment of inventories	–	6
Loss on disaster	18	–
Loss on business restructuring	–	6
Decrease (increase) in trade receivables	(9,818)	(33,857)
Decrease (increase) in inventories	(1,425)	(3,596)
Increase (decrease) in trade payables	9,067	34,026
Decrease (increase) in investments in leases	708	712
Other, net	1,032	267
Subtotal	18,337	19,858
Interest and dividends received	1,107	1,182
Interest paid	(143)	(224)
Income taxes paid	(4,207)	(6,130)
Payments associated with disaster loss	(10)	–
Payments for business restructuring	–	(6)
Net cash provided by (used in) operating activities	15,083	14,679

(Millions of yen)

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2023
Cash flows from investing activities		
Payments into time deposits	(1,305)	(2,226)
Proceeds from withdrawal of time deposits	1,283	1,972
Proceeds from redemption of securities	–	500
Purchase of property, plant and equipment	(3,605)	(5,861)
Proceeds from sale of property, plant and equipment	653	15
Purchase of intangible assets	(1,333)	(2,489)
Payments for retirement of property, plant and equipment	(47)	(21)
Subsidies received	–	7
Purchase of investment securities	(4,289)	(4,538)
Proceeds from sale of investment securities	501	846
Proceeds from redemption of investment securities	–	3,500
Purchase of investment property	(5)	(15)
Proceeds from sale of investment property	2,010	58
Loan advances	(38)	(481)
Proceeds from collection of loans receivable	26	350
Payments of leasehold deposits	(134)	(5)
Proceeds from refund of leasehold deposits	14	55
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(671)
Net cash provided by (used in) investing activities	(6,268)	(9,005)
Cash flows from financing activities		
Repayments of long-term borrowings	(175)	–
Net increase (decrease) in short-term borrowings	(70)	170
Purchase of treasury shares	(3,025)	(0)
Dividends paid	(2,564)	(3,093)
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	(1,488)	(1,379)
Net cash provided by (used in) financing activities	(8,214)	(4,458)
Effect of exchange rate change on cash and cash equivalents	302	67
Net increase (decrease) in cash and cash equivalents	902	1,282
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	82,208	83,491