

Translation

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Summary of Consolidated Financial Results for the Six Months Ended March 31, 2024 (Based on Japanese GAAP)

May 10, 2024

Company name: KATO SANGYO CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 9869 URL <https://www.katosangyo.co.jp>
 Representative: Representative Director and President Kazuya Kato
 Executive Officer
 Director and Senior Executive Officer
 Inquiries: Chief of Administration Headquarters Shigenori Tsuguie TEL 0798-33-7650
 Scheduled date to file Quarterly Securities Report: May 15, 2024
 Scheduled date to commence dividend payments: June 4, 2024
 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, 2024 (from October 1, 2023 to March 31, 2024)

(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, 2024	583,846	7.2	9,541	7.5	10,442	6.5	7,672	19.4
Six months ended March 31, 2023	544,531	5.7	8,877	26.4	9,804	21.5	6,427	22.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended March 31, 2024	235.59		-	
Six months ended March 31, 2023	191.15		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2024	454,414	156,901	33.1
As of September 30, 2023	452,966	155,709	33.1

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended September 30, 2023	-	47.00	-	50.00	97.00
Year ending September 30, 2024	-	55.00	-	-	-
Year ending September 30, 2024 (Forecast)	-	-	-	58.00	113.00

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
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 six months ended March 31, 2024
 (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: No
- 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, 2024	35,000,000 shares	As of September 30, 2023	35,000,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2024	3,844,725 shares	As of September 30, 2023	1,375,021 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, 2024	32,566,539 shares	Six months ended March 31, 2023	33,625,202 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of September 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	85,045	68,869
Notes and accounts receivable - trade	184,681	189,785
Investments in leases	720	724
Securities	–	500
Merchandise and finished goods	33,288	35,939
Work in process	4	1
Raw materials and supplies	352	724
Other	7,921	8,058
Allowance for doubtful accounts	(637)	(634)
Total current assets	311,377	303,968
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,474	20,081
Machinery, equipment and vehicles, net	1,902	4,566
Tools, furniture and fixtures, net	1,212	1,253
Land	24,471	24,652
Leased assets, net	1,066	1,194
Construction in progress	1,031	204
Other, net	458	717
Total property, plant and equipment	50,618	52,670
Intangible assets		
Goodwill	1,068	2,015
Customer-related intangible assets	493	427
Software	5,689	5,685
Telephone subscription right	45	46
Other	86	70
Total intangible assets	7,384	8,245
Investments and other assets		
Investment securities	56,465	61,621
Guarantee deposits	6,016	6,719
Investment property, net	2,896	2,922
Deferred tax assets	375	325
Retirement benefit asset	2,833	2,950
Investments in leases	10,203	9,840
Other	4,852	5,227
Allowance for doubtful accounts	(58)	(78)
Total investments and other assets	83,585	89,529
Total non-current assets	141,588	150,445
Total assets	452,966	454,414

(Millions of yen)

	As of September 30, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	246,559	243,413
Short-term borrowings	5,646	5,706
Lease liabilities	1,300	1,411
Accounts payable - other	11,453	11,801
Accrued expenses	314	334
Income taxes payable	3,093	4,204
Accrued consumption taxes	344	638
Provision for bonuses	1,375	1,518
Provision for bonuses for directors (and other officers)	96	42
Other	2,066	1,622
Total current liabilities	272,252	270,693
Non-current liabilities		
Long-term borrowings	–	196
Lease liabilities	8,374	8,264
Deferred tax liabilities	7,814	9,612
Provision for retirement benefits for directors (and other officers)	443	274
Retirement benefit liability	5,453	5,396
Asset retirement obligations	172	181
Other	2,746	2,894
Total non-current liabilities	25,004	26,818
Total liabilities	297,257	297,512
Net assets		
Shareholders' equity		
Share capital	5,934	5,934
Capital surplus	8,551	8,426
Retained earnings	116,442	122,232
Treasury shares	(3,859)	(12,954)
Total shareholders' equity	127,068	123,639
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,149	24,307
Deferred gains or losses on hedges	1	0
Foreign currency translation adjustment	2,345	2,124
Remeasurements of defined benefit plans	153	138
Total accumulated other comprehensive income	22,649	26,570
Non-controlling interests	5,991	6,692
Total net assets	155,709	156,901
Total liabilities and net assets	452,966	454,414

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, 2023	Six months ended March 31, 2024
Operating revenue		
Net sales	528,062	566,551
Other operating revenue	16,469	17,295
Total operating revenue	544,531	583,846
Operating costs		
Cost of sales	491,568	527,807
Other costs	13,926	14,226
Total operating costs	505,495	542,033
Gross profit	36,494	38,743
Operating gross profit	39,036	41,812
Selling, general and administrative expenses	30,159	32,271
Operating profit	8,877	9,541
Non-operating income		
Interest income	107	132
Dividend income	441	459
Share of profit of entities accounted for using equity method	60	40
Rental income from real estate	320	337
Reversal of allowance for doubtful accounts	14	–
Electricity sale income	50	48
Other	189	284
Total non-operating income	1,186	1,302
Non-operating expenses		
Interest expenses	91	158
Foreign exchange losses	1	1
Rental expenses on real estate	119	159
Provision of allowance for doubtful accounts	–	5
Electricity sale expenses	23	21
Other	22	54
Total non-operating expenses	259	401
Ordinary profit	9,804	10,442
Extraordinary income		
Gain on sale of non-current assets	6	231
Gain on sale of investment securities	400	1,727
Subsidy income	5	–
Total extraordinary income	411	1,959

(Millions of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Extraordinary losses		
Loss on sale and retirement of non-current assets	32	15
Loss on disaster	–	3
Loss on valuation of investment securities	8	73
Loss on cancellation of leases	0	0
Loss on business restructuring	–	57
Total extraordinary losses	41	149
Profit before income taxes	10,174	12,252
Income taxes - current	3,165	3,944
Income taxes - deferred	64	0
Total income taxes	3,229	3,945
Profit	6,945	8,307
Profit attributable to non-controlling interests	517	634
Profit attributable to owners of parent	6,427	7,672

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Profit	6,945	8,307
Other comprehensive income		
Valuation difference on available-for-sale securities	577	4,199
Deferred gains or losses on hedges	(5)	(0)
Foreign currency translation adjustment	(367)	(224)
Remeasurements of defined benefit plans, net of tax	(42)	(15)
Share of other comprehensive income of entities accounted for using equity method	45	(45)
Total other comprehensive income	207	3,913
Comprehensive income	7,152	12,221
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,587	11,553
Comprehensive income attributable to non-controlling interests	565	667

Consolidated statements of cash flows

(Millions of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	10,174	12,252
Depreciation	2,249	2,566
Amortization of goodwill	220	185
Increase (decrease) in allowance for doubtful accounts	(5)	7
Increase (decrease) in provision for retirement benefits for directors (and other officers)	13	(168)
Increase (decrease) in provision for bonuses	64	94
Increase (decrease) in provision for bonuses for directors (and other officers)	(33)	(54)
Decrease (increase) in retirement benefit asset	(197)	(161)
Increase (decrease) in retirement benefit liability	18	(81)
Interest and dividend income	(549)	(592)
Interest expenses	91	158
Foreign exchange losses (gains)	12	(5)
Share of loss (profit) of entities accounted for using equity method	(60)	(40)
Loss (gain) on sale of investment securities	(400)	(1,727)
Loss (gain) on valuation of investment securities	8	73
Loss (gain) on sale of property, plant and equipment	(6)	(227)
Loss on retirement of property, plant and equipment	32	11
Loss on cancellation of leases	0	0
Loss on disaster	–	3
Subsidy income	(5)	–
Loss on business restructuring	–	57
Decrease (increase) in trade receivables	(4,284)	(3,735)
Decrease (increase) in inventories	(1,829)	(2,118)
Increase (decrease) in trade payables	(940)	(3,941)
Decrease (increase) in investments in leases	355	359
Other, net	(1,213)	(149)
Subtotal	3,714	2,766
Interest and dividends received	558	583
Interest paid	(91)	(158)
Income taxes paid	(3,190)	(2,915)
Payments associated with disaster loss	–	(2)
Payments for business restructuring	–	(47)
Net cash provided by (used in) operating activities	991	225

(Millions of yen)

	Six months ended March 31, 2023	Six months ended March 31, 2024
Cash flows from investing activities		
Payments into time deposits	(1,261)	(343)
Proceeds from withdrawal of time deposits	977	1,424
Proceeds from redemption of securities	500	–
Purchase of property, plant and equipment	(3,528)	(2,455)
Proceeds from sale of property, plant and equipment	6	16
Purchase of intangible assets	(920)	(834)
Payments for retirement of property, plant and equipment	(20)	–
Subsidies received	5	–
Purchase of investment securities	(1,694)	(1,539)
Proceeds from sale of investment securities	634	2,023
Proceeds from redemption of investment securities	500	500
Purchase of investment property	–	(12)
Proceeds from sale of investment property	–	228
Loan advances	(481)	(300)
Proceeds from collection of loans receivable	118	156
Payments of leasehold deposits	(2)	(14)
Proceeds from refund of leasehold deposits	30	4
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(2,195)
Net cash provided by (used in) investing activities	(5,136)	(3,340)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	86
Repayments of long-term borrowings	–	(76)
Net increase (decrease) in short-term borrowings	(160)	(62)
Purchase of treasury shares	(0)	(9,126)
Dividends paid	(1,513)	(1,681)
Dividends paid to non-controlling interests	(106)	(184)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(48)	(322)
Repayments of finance lease liabilities	(702)	(728)
Net cash provided by (used in) financing activities	(2,532)	(12,095)
Effect of exchange rate change on cash and cash equivalents	(60)	(44)
Net increase (decrease) in cash and cash equivalents	(6,737)	(15,254)
Cash and cash equivalents at beginning of period	82,208	83,491
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	0	61
Cash and cash equivalents at end of period	75,471	68,297