

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended June 30, 2024 (Based on Japanese GAAP)

August 9, 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 commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended June 30, 2024 (from October 1, 2023 to June 30, 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	%
Nine months ended June 30, 2024	869,658	6.8	12,883	0.6	14,421	(0.0)	10,688	11.5
Nine months ended June 30, 2023	814,328	6.0	12,812	29.5	14,425	23.9	9,582	7.2

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended June 30, 2024	332.53	–
Nine months ended June 30, 2023	284.97	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	458,907	157,886	32.9
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	Yen	Yen	Yen	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)				65.00	120.00

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) Significant changes in the scope of consolidation during the nine months ended June 30, 2024: Yes

(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 June 30, 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 June 30, 2024	3,844,741 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)

Nine months ended June 30, 2024	32,143,157 shares	Nine months ended June 30, 2023	33,625,176 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of September 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	85,045	74,434
Notes and accounts receivable - trade	184,681	190,391
Investments in leases	720	726
Securities	–	500
Merchandise and finished goods	33,288	36,166
Work in process	4	0
Raw materials and supplies	352	609
Other	7,921	7,048
Allowance for doubtful accounts	(637)	(651)
Total current assets	311,377	309,225
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,474	19,999
Machinery, equipment and vehicles, net	1,902	4,573
Tools, furniture and fixtures, net	1,212	1,198
Land	24,471	26,656
Leased assets, net	1,066	1,141
Construction in progress	1,031	1,401
Other, net	458	726
Total property, plant and equipment	50,618	55,696
Intangible assets		
Goodwill	1,068	1,393
Customer-related intangible assets	493	73
Software	5,689	5,601
Telephone subscription right	45	46
Other	86	74
Total intangible assets	7,384	7,188
Investments and other assets		
Investment securities	56,465	59,566
Guarantee deposits	6,016	6,196
Investment property, net	2,896	2,974
Deferred tax assets	375	277
Retirement benefit asset	2,833	2,982
Investments in leases	10,203	9,658
Other	4,852	5,216
Allowance for doubtful accounts	(58)	(76)
Total investments and other assets	83,585	86,796
Total non-current assets	141,588	149,681
Total assets	452,966	458,907

(Millions of yen)

	As of September 30, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	246,559	249,435
Short-term borrowings	5,646	5,583
Current portion of long-term borrowings	—	45
Lease liabilities	1,300	1,422
Accounts payable - other	11,453	11,179
Accrued expenses	314	268
Income taxes payable	3,093	3,006
Accrued consumption taxes	344	800
Provision for bonuses	1,375	1,027
Provision for bonuses for directors (and other officers)	96	48
Other	2,066	2,073
Total current liabilities	272,252	274,891
Non-current liabilities		
Long-term borrowings	—	101
Lease liabilities	8,374	8,016
Deferred tax liabilities	7,814	9,195
Provision for retirement benefits for directors (and other officers)	443	280
Retirement benefit liability	5,453	5,456
Asset retirement obligations	172	181
Other	2,746	2,898
Total non-current liabilities	25,004	26,130
Total liabilities	297,257	301,021
Net assets		
Shareholders' equity		
Share capital	5,934	5,934
Capital surplus	8,551	8,426
Retained earnings	116,442	123,538
Treasury shares	(3,859)	(12,954)
Total shareholders' equity	127,068	124,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,149	23,076
Deferred gains or losses on hedges	1	2
Foreign currency translation adjustment	2,345	2,842
Remeasurements of defined benefit plans	153	130
Total accumulated other comprehensive income	22,649	26,051
Non-controlling interests	5,991	6,889
Total net assets	155,709	157,886
Total liabilities and net assets	452,966	458,907

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Operating revenue		
Net sales	789,538	843,600
Other operating revenue	24,790	26,058
Total operating revenue	814,328	869,658
Operating costs		
Cost of sales	735,278	786,149
Other costs	21,110	21,442
Total operating costs	756,388	807,591
Gross profit	54,259	57,451
Operating gross profit	57,939	62,067
Selling, general and administrative expenses	45,127	49,183
Operating profit	12,812	12,883
Non-operating income		
Interest income	164	186
Dividend income	893	941
Share of profit of entities accounted for using equity method	84	60
Foreign exchange gains	6	–
Rental income from real estate	481	510
Reversal of allowance for doubtful accounts	7	–
Electricity sale income	87	83
Other	282	360
Total non-operating income	2,007	2,143
Non-operating expenses		
Interest expenses	140	230
Foreign exchange losses	–	7
Rental expenses on real estate	186	235
Provision of allowance for doubtful accounts	–	23
Electricity sale expenses	34	32
Other	33	75
Total non-operating expenses	395	605
Ordinary profit	14,425	14,421

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Extraordinary income		
Gain on sale of non-current assets	38	234
Gain on sale of investment securities	414	4,070
Subsidy income	7	5
Total extraordinary income	460	4,309
Extraordinary losses		
Loss on sale and retirement of non-current assets	35	20
Impairment losses	–	943
Loss on disaster	–	16
Loss on valuation of investment securities	–	293
Loss on sale of investment securities	20	–
Loss on abandonment of inventories	–	5
Loss on cancellation of leases	0	0
Loss on business restructuring	–	57
Total extraordinary losses	56	1,336
Profit before income taxes	14,829	17,394
Income taxes - current	4,271	5,845
Income taxes - deferred	338	126
Total income taxes	4,610	5,972
Profit	10,219	11,421
Profit attributable to non-controlling interests	637	733
Profit attributable to owners of parent	9,582	10,688

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Profit	10,219	11,421
Other comprehensive income		
Valuation difference on available-for-sale securities	4,398	3,047
Deferred gains or losses on hedges	(6)	1
Foreign currency translation adjustment	(229)	485
Remeasurements of defined benefit plans, net of tax	(63)	(22)
Share of other comprehensive income of entities accounted for using equity method	52	(16)
Total other comprehensive income	4,151	3,494
Comprehensive income	14,370	14,916
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,644	14,051
Comprehensive income attributable to non-controlling interests	725	865

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	14,829	17,394
Depreciation	3,384	4,003
Impairment losses	–	943
Amortization of goodwill	254	319
Increase (decrease) in allowance for doubtful accounts	(8)	21
Increase (decrease) in provision for retirement benefits for directors (and other officers)	23	(162)
Increase (decrease) in provision for bonuses	(426)	(398)
Increase (decrease) in provision for bonuses for directors (and other officers)	(19)	(48)
Decrease (increase) in retirement benefit asset	(300)	(215)
Increase (decrease) in retirement benefit liability	43	(9)
Interest and dividend income	(1,058)	(1,128)
Interest expenses	140	230
Foreign exchange losses (gains)	8	(24)
Share of loss (profit) of entities accounted for using equity method	(84)	(60)
Loss (gain) on sale of investment securities	(394)	(4,070)
Loss (gain) on valuation of investment securities	–	293
Loss (gain) on sale of property, plant and equipment	(38)	(229)
Loss on retirement of property, plant and equipment	35	16
Loss on cancellation of leases	0	0
Loss on disaster	–	16
Loss on abandonment of inventories	–	5
Subsidy income	(7)	(5)
Loss on business restructuring	–	57
Decrease (increase) in trade receivables	(2,463)	(3,925)
Decrease (increase) in inventories	(2,043)	(1,930)
Increase (decrease) in trade payables	1,833	1,948
Decrease (increase) in investments in leases	533	539
Other, net	1,276	1,636
Subtotal	15,515	15,217
Interest and dividends received	1,100	1,140
Interest paid	(140)	(230)
Income taxes paid	(6,063)	(5,917)
Payments associated with disaster loss	–	(15)
Payments for business restructuring	–	(56)
Net cash provided by (used in) operating activities	10,412	10,137

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Cash flows from investing activities		
Payments into time deposits	(1,478)	(415)
Proceeds from withdrawal of time deposits	1,175	1,572
Proceeds from redemption of securities	500	–
Purchase of property, plant and equipment	(3,807)	(6,593)
Proceeds from sale of property, plant and equipment	10	19
Purchase of intangible assets	(1,288)	(1,311)
Payments for retirement of property, plant and equipment	(21)	(0)
Subsidies received	7	5
Purchase of investment securities	(2,353)	(1,601)
Proceeds from sale of investment securities	785	4,635
Proceeds from redemption of investment securities	2,500	500
Purchase of investment property	(5)	(20)
Proceeds from sale of investment property	58	228
Loan advances	(481)	(400)
Proceeds from collection of loans receivable	222	359
Payments of leasehold deposits	(4)	(22)
Proceeds from refund of leasehold deposits	31	6
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(671)	(2,195)
Net cash provided by (used in) investing activities	(4,822)	(5,233)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	87
Repayments of long-term borrowings	–	(133)
Net increase (decrease) in short-term borrowings	(350)	(423)
Purchase of treasury shares	(0)	(9,126)
Dividends paid	(3,093)	(3,394)
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	(1,040)	(1,112)
Net cash provided by (used in) financing activities	(4,640)	(14,610)
Effect of exchange rate change on cash and cash equivalents	(28)	61
Net increase (decrease) in cash and cash equivalents	921	(9,645)
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	83,129	73,906