

Financial Results for the Six Months Ended September 30, 2021

November 11, 2021
KATO WORKS CO., LTD.



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Summary of consolidated financial results



- Net sales for the six months ended September 30, 2021 increased by 16.1% year-on-year to 30,959 million yen.
- While the review of cost structure and the improvement of working capital have been ongoing through “KATO Reborn Project”, it will take time for their effects to emerge. Therefore, profits are still on the way to recovery.

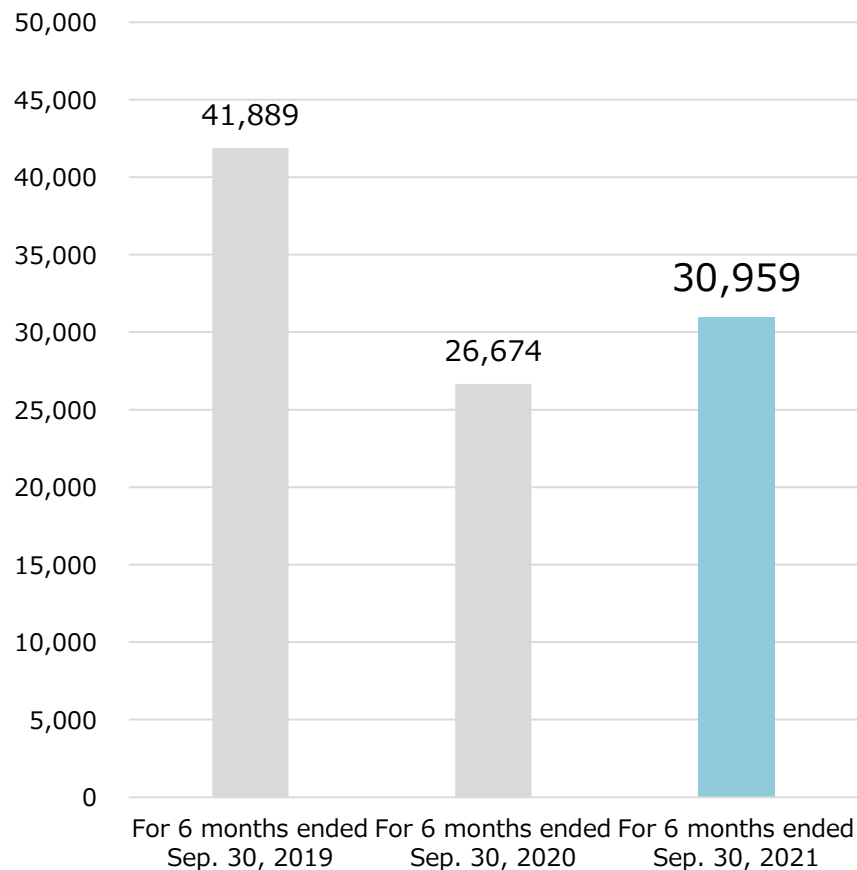
	Results for the six months ended September 30, 2020	➔	Results for the six months ended September 30, 2021	(Unit: millions of yen) YOY comparison The numbers in parentheses are percent changes.
Net sales	26,674	➔	30,959	4,285 [16.1%]
Operating profit (loss)	(1,522)	➔	(1,033)	489 [-]
Ordinary profit (loss)	(1,126)	➔	(932)	193 [-]
Profit (loss) attributable to owners of parent	(1,310)	➔	(988)	322 [-]

Changes in consolidated financial results

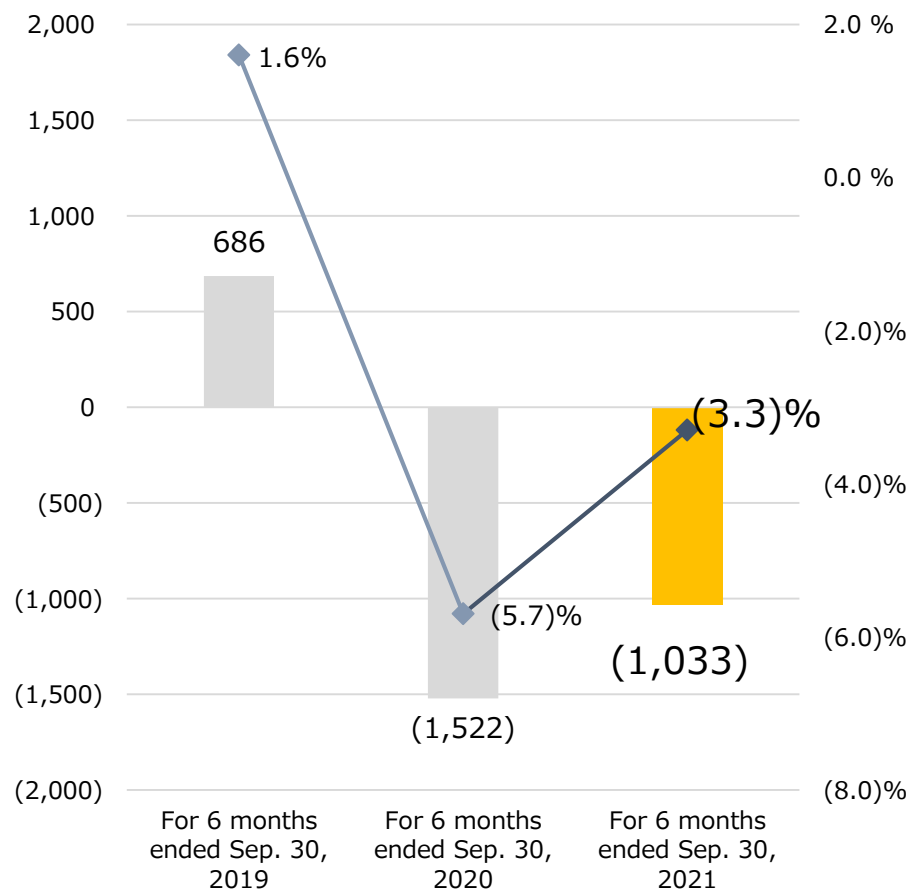


(Unit: millions of yen)

Net sales



Operating profit (loss)/ Operating profit (loss) margin



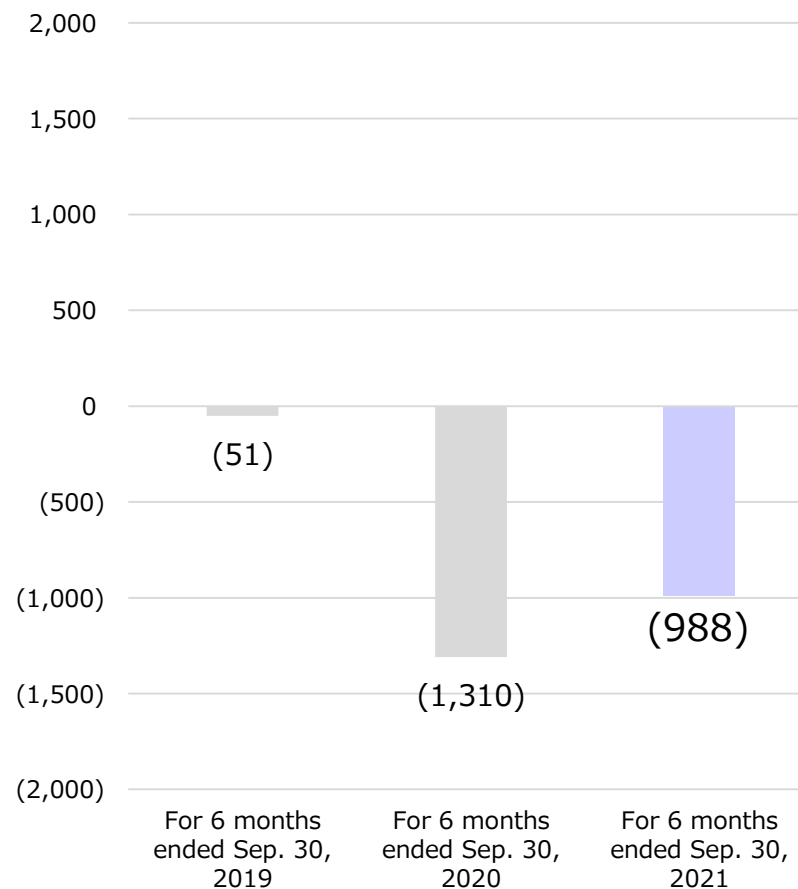
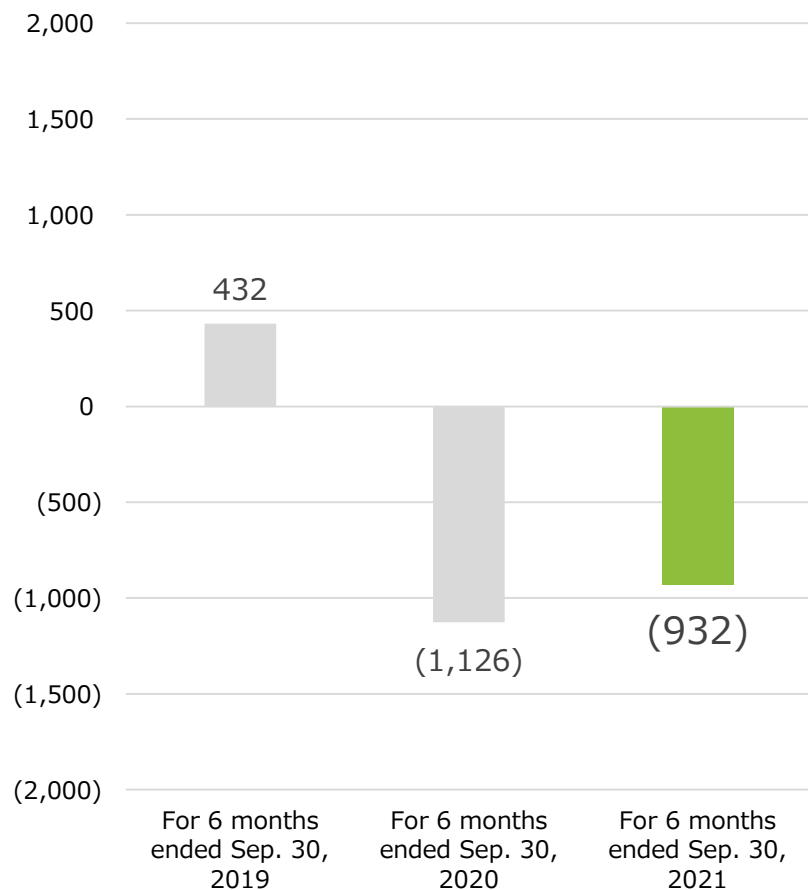
Changes in consolidated financial results



(Unit: millions of yen)

— Ordinary profit (loss) —

— Profit (loss) attributable to owners of parent —



Consolidated statement of income

(Unit: millions of yen)

	For the 6 months ended Sep. 30, 2020		For the 6 months ended Sep. 30, 2021		Year-on-year	
	Amount	Percentage	Amount	Percentage	Amount change	Percent change
Net sales	26,674	100.0%	30,959	100.0%	4,285	16.1%
Cost of sales	24,035	90.1%	27,235	88.0%	3,199	13.3%
Gross profit	2,638	9.9%	3,724	12.0%	1,085	41.1%
Selling, general and administrative expenses	4,161	15.6%	4,757	15.4%	596	14.3%
Operating profit (loss)	(1,522)	(5.7)%	(1,033)	(3.3)%	489	-
Non-operating income (expenses)	396	1.5%	100	0.3%	(295)	(74.6)%
Ordinary profit (loss)	(1,126)	(4.2)%	(932)	(3.0)%	193	-
Extraordinary income (losses)	108	0.4%	15	0.0%	(93)	(86.1)%
Profit (loss) before income taxes	(1,018)	(3.8)%	(917)	(3.0)%	100	-
Income taxes	316	1.2%	46	0.1%	(270)	(85.5)%
Profit (loss) attributable to non- controlling interests	(24)	(0.1)%	24	0.1%	49	-
Profit (loss) attributable to owners of parent	(1,310)	(4.9)%	(988)	(3.2)%	322	-

➤ Increase in gross profit (up 41.1% year-on-year)

2,638 million yen → 3,724 million yen
[1,085 million yen]

→ Consecutive year-on-year increase from the first quarter

➤ Improvement of cost of sales ratio

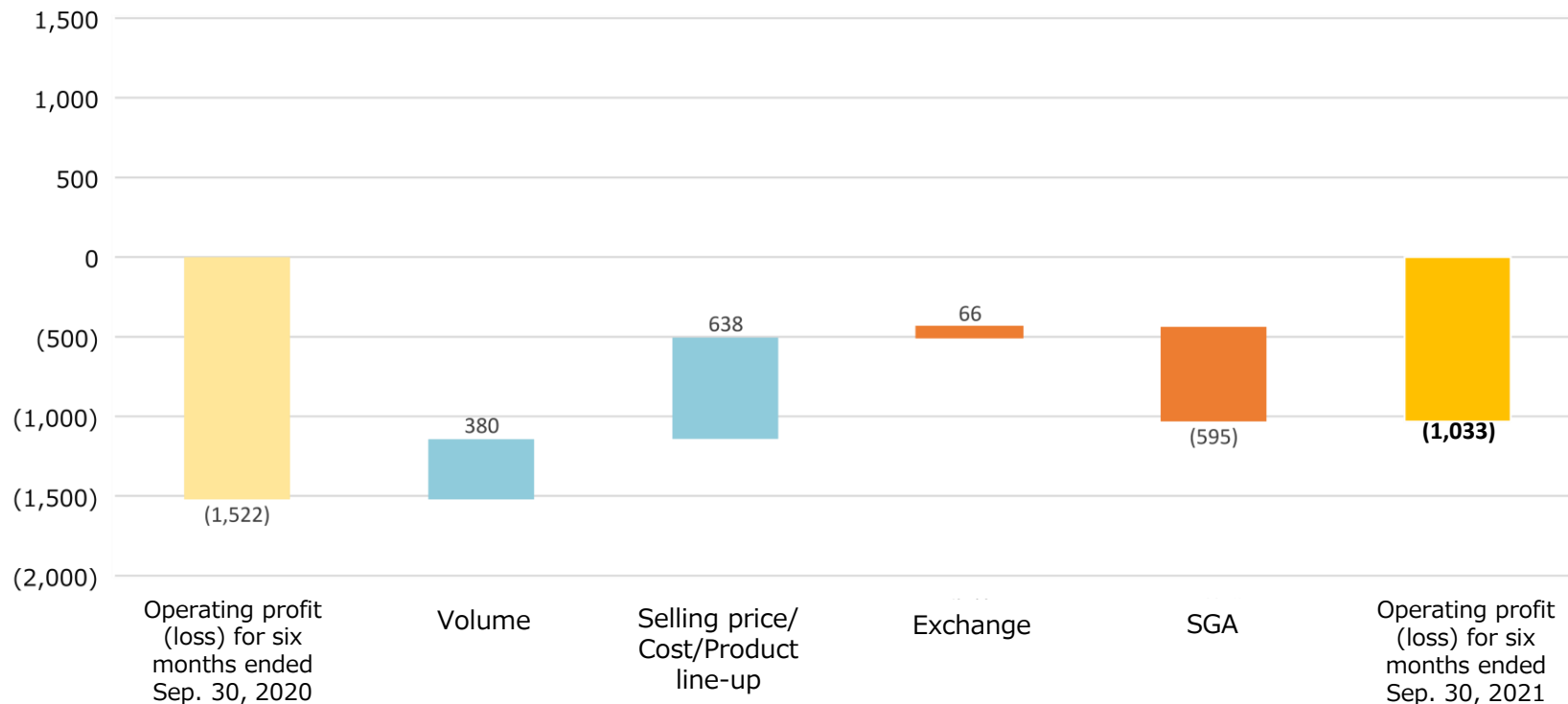
90.1% → 88.0%
[(2.1)%]

→ End of the production adjustment until the previous year under the COVID-19 pandemic

Analysis of changes in operating profit (loss)



(Unit: millions of yen)



➤ Factors of changes in operating profit (loss)

- * Increase in sales volume 380 million yen
- * Changes in selling prices/costs/product line-up 638 million yen
- * Fluctuations in exchange 66 million yen
- * Increase in selling, general and administrative expenses (595) million yen



489 million yen

Consolidated balance sheet



(Unit: millions of yen)

			As of March 31, 2021		As of September 30, 2021		Year-on-year
			Amount	Percentage	Amount	Percentage	Amount change
Assets	Current assets	Cash and deposits	14,782	12.8%	9,319	16.9%	4,536
		Trade receivables	32,813	28.3%	1,085	27.1%	(1,727)
		Inventories	40,814	35.2%	7,844	33.0%	(2,969)
		Other	(2,715)	(2.3)%	(3,418)	(3.0)%	(703)
		Total current assets	85,694	74.0%	84,830	74.0%	(864)
	Non-current assets	Property, plant and equipment	25,235	21.8%	24,735	21.6%	(499)
		Intangible assets	422	0.4%	398	0.3%	(24)
		Investments and other assets	4,469	3.9%	4,638	4.0%	169
		Total non-current assets	30,127	26.0%	29,772	26.0%	(355)
	Total assets		115,822	100.0%	114,603	100.0%	(1,219)
Liabilities and Net assets	Liabilities	Trade payables	12,253	10.6%	14,259	12.4%	2,005
		Interest-bearing debt	46,512	40.2%	43,234	37.7%	(3,278)
		Other	5,561	4.8%	6,090	5.3%	529
		Total liabilities	64,327	55.5%	63,584	55.5%	(743)
	Net assets	Retained earnings	38,188	33.0%	37,065	32.3%	(1,122)
		Valuation and translation adjustments	2,312	2.0%	2,853	2.5%	540
		Other	10,993	9.5%	11,100	9.7%	106
		Total net assets	51,494	44.5%	51,018	44.5%	(475)
	Total liabilities and net assets		115,822	100.0%	114,603	100.0%	(1,219)

➤ **Decrease in trade receivables**

32,813 million yen → 31,085 million yen
 [(1,727) million yen]

→ Trade receivables turnover period improved.
 (As of Mar. 31, 2021 : 204.7 days
 As of Sep. 30, 2021 : 183.2 days)

➤ **Decrease in Inventories**

40,814 million yen → 37,844 million yen
 [(2,969) million yen]

→ Inventory turnover period improved.
 (As of Mar. 31, 2021 : 254.6 days
 As of Sep. 30, 2021 : 223.1 days)

➤ **Decrease in interest-bearing debt**

46,512 million yen → 43,234 million yen
 [(3,278) million yen]

→ Decrease due to repayment of long-term borrowings

Consolidated statement of cash flows



(Unit: millions of yen)

		For the 6 months ended Sep. 30, 2020	For the 6 months ended Sep. 30, 2021
		Amount	Amount
Cash flows from operating activities	Profit (loss) before income taxes	(1,018)	(917)
	Depreciation	1,024	959
	Decrease (increase) in trade receivables	9,235	2,277
	Decrease (increase) in inventories	(1,513)	3,088
	Increase (decrease) in trade payables	(6,856)	1,884
	Other, net	(670)	207
	Net cash provided by (used in) operating activities	200	7,499
Cash flows from investing activities	Purchase of property, plant and equipment	(1,787)	(907)
	Other, net	(138)	180
	Net cash provided by (used in) investing activities	(1,925)	(727)
Cash flows from financing activities	Increase (decrease) in interest-bearing debt	1,602	(3,379)
	Other, net	(113)	(221)
	Net cash provided by (used in) financing activities	1,489	(3,601)
Increase (decrease)	Effect of exchange rate change	29	148
	Net increase (decrease)	(206)	4,704
	Cash and cash equivalents at beginning of period	11,101	14,614
	Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	-
	Cash and cash equivalents at end of period	10,895	19,319

➤ Increase in CF from operating activities

→ Mainly from decrease in trade receivables and decrease in inventories

➤ Decrease in CF from financing activities

→ Mainly from repayment of long-term borrowings

Changes in consolidated net sales by principal item



(Unit: millions of yen)

	For 6 months ended Sep. 30, 2019		For 6 months ended Sep. 30, 2020		For 6 months ended Sep. 30, 2021		Year-on-year	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount change	Percent change
Mobile cranes								
Domestic sales	23,971	57.2%	14,192	53.2%	14,074	45.5%	(118)	(0.8)%
Overseas sales	2,804	6.7%	1,776	6.7%	3,212	10.4%	1,435	80.8%
Subtotal	26,776	63.9%	15,969	59.9%	17,286	55.8%	1,316	8.2%
Construction equipment								
Domestic sales	6,451	15.4%	5,024	18.8%	6,241	20.2%	1,216	24.2%
Overseas sales	8,243	19.7%	5,273	19.8%	6,955	22.5%	1,681	31.9%
Subtotal	14,695	35.1%	10,298	38.6%	13,196	42.6%	2,898	28.1%
Industrial equipment								
Domestic sales	418	1.0%	406	1.5%	474	1.5%	68	16.9%
Overseas sales	0	0.0%	0	0.0%	0	0.0%	0	
Subtotal	418	1.0%	406	1.5%	475	1.5%	69	17.2%
Total								
Domestic sales	30,841	73.6%	19,623	73.6%	20,790	67.2%	1,166	5.9%
Overseas sales	11,048	26.4%	7,050	26.4%	10,168	32.8%	3,118	44.2%
Total	41,889	100.0%	26,674	100.0%	30,959	100.0%	4,285	16.1%

➤ Mobile cranes

Domestic: Demand was on a recovery track but not in full swing yet, and thus leveled off.

Overseas: Sales recovered mainly in products for Asia and Oceania.

➤ Construction equipment

Domestic: Demand remained steady due to recovery in public sector and private sector constructions.

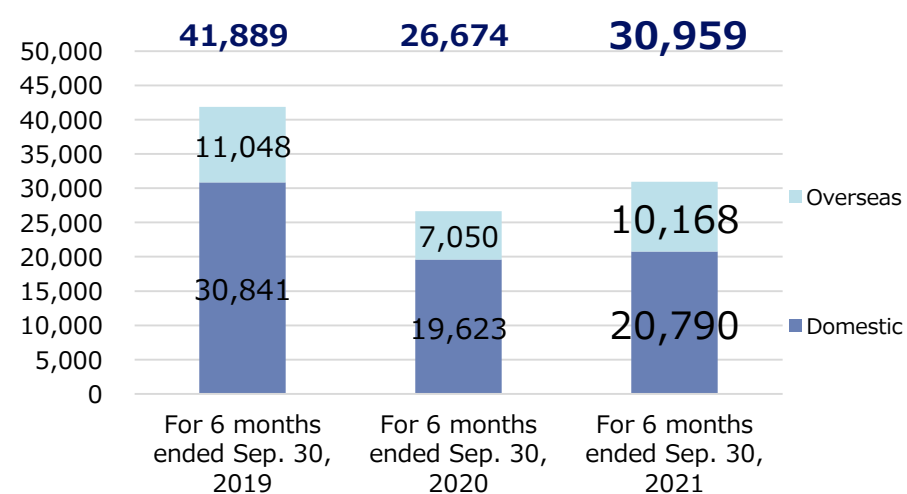
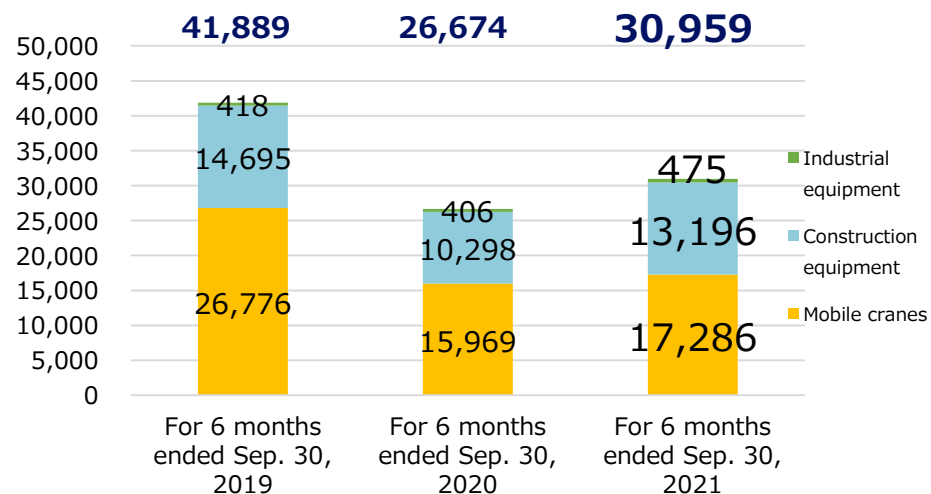
Overseas: Sales increased in North America and Europe.

Changes in net sales by principal item

(Unit: millions of yen)

Changes in domestic and overseas net sales

(Unit: millions of yen)



Changes in consolidated net sales by principal item (Mobile cranes)



[Explanation of main products]

Rough terrain cranes

- Operations for traveling and a crane are available at one operator's cab.
- Excellent in abilities for traveling rough terrain and turning in a small radius
- For domestic (4.9t - 80t, 7 models)
- For overseas (13t - 70t, 8 models)



All terrain cranes

- Operator's cabs are independent respectively for traveling and for crane operations.
- Cranes with abilities for both high-speed traveling and traveling rough terrain
- For domestic (110t - 400t, 5 models)
- For overseas (130t - 300t, 2 models)



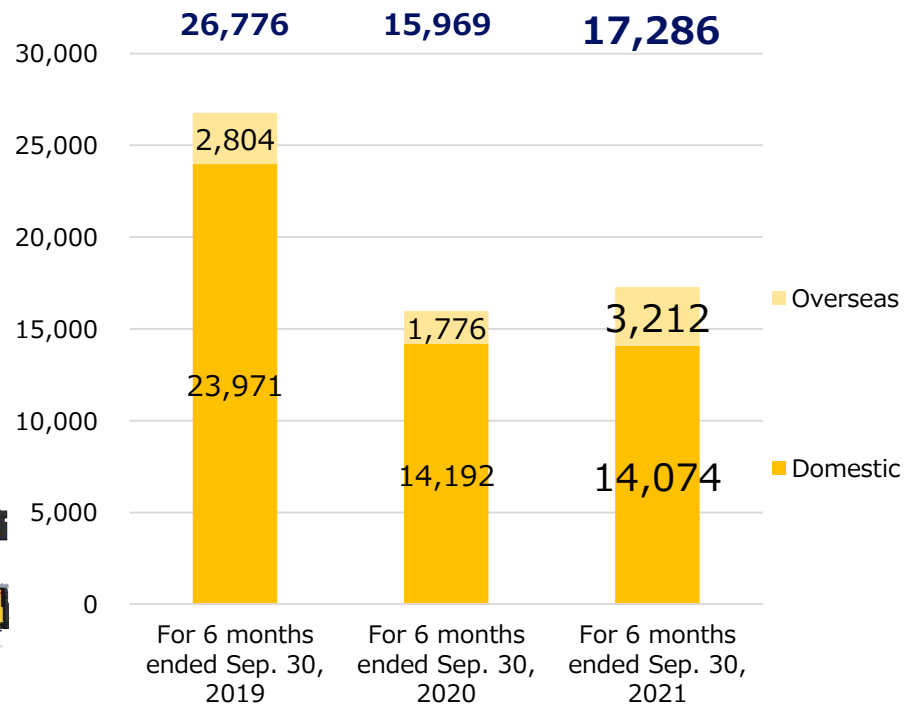
Crawler cranes

- The lattice boom can be used at various sites, depending on its combination.
- The telescopic boom can be set up quickly with an extendable boom.
- For domestic (50t - 200t, 6 models)
- For overseas (55t - 300t, 7 models)



(Unit: millions of yen)

Changes in net sales



➤ Domestic sales

→ While sales of middle-size rough terrain cranes increased, sales of all terrain cranes were stagnant. Therefore, domestic sales were 99.2% on a year-on-year comparison.

➤ Overseas sales

→ Sales increased mainly in Asia and Oceania, up 80.8% year-on-year.

Changes in consolidated net sales by principal item (Construction equipment)



[Explanation of main products]

(Unit: millions of yen)

Hydraulic excavators

- Excavating machinery with crawler traveling section
- Capable of self-propelling at unspecified places
- Durable and easy to operate
- For domestic (8t - 50t, 7 models)
- For overseas (8t - 38t, 12 models)



Mini excavators

- Small hydraulic excavators
- Usable at various sites with ability to turn a small radius
- For domestic (0.9t - 8t, 15 models)
- For overseas (0.9t - 13t, 22 models)

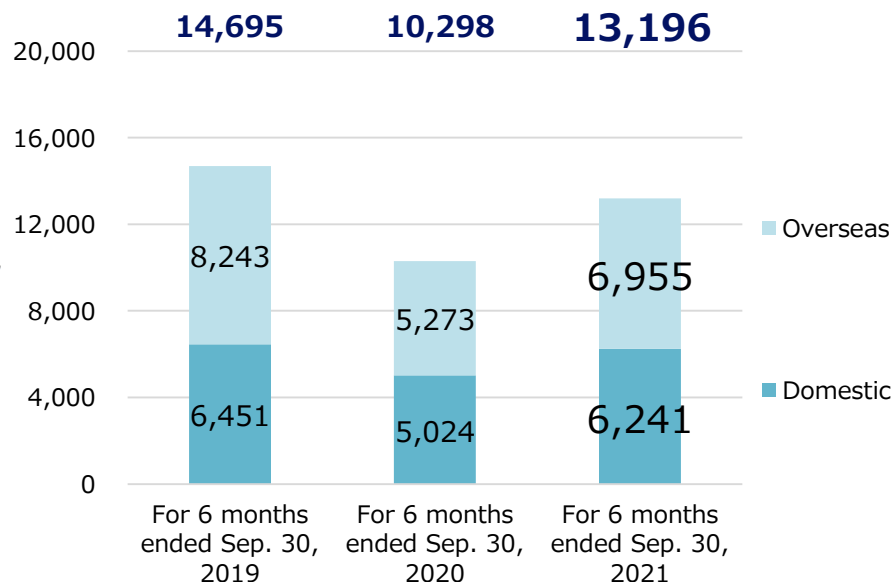


Crawler carriers

- Transporting machine capable of self-propelling at unspecified places
- Usable at various sites with excellent work efficiency
- For domestic (3.7t - 11t, 6 models)
- For overseas (3.7t - 11t, 4 models)



Changes in net sales



➤ Domestic sales

→ Sales steadily grew due to the increased demand, up 24.4% year-on-year.

➤ Overseas sales

→ Sales increased mainly in North America and Europe, up 31.9% year-on-year.

Changes in consolidated net sales by principal item (Industrial equipment)



[Explanation of main products]

Street sweepers

- Having both high ability to clean up and a compact size
- Human-friendly, low-noise, and highly efficient sweeper
- For domestic (2 models)
- For overseas (custom-made)



Vacuum trucks

- Sucking various objects from sludge to powder and granular materials
- Diverse lineup of products including various models from small to large-sized ones
- For domestic (9 models)
- For overseas (custom-made)



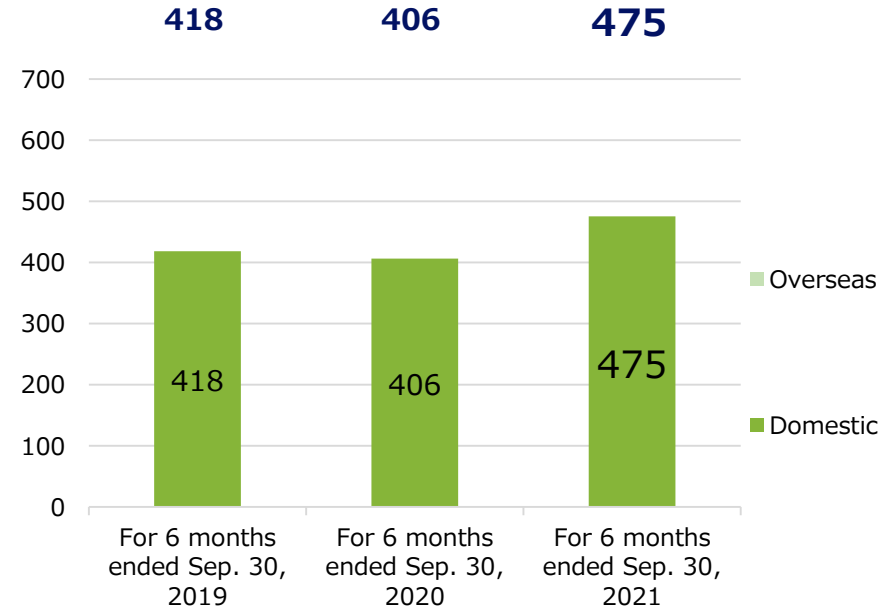
Snow sweepers

- Adopting a powerful brush and blowing method
- Realizing speedy and efficient snow removal
- For domestic (5 models)
- For overseas (custom-made)



(Unit: millions of yen)

Changes in net sales



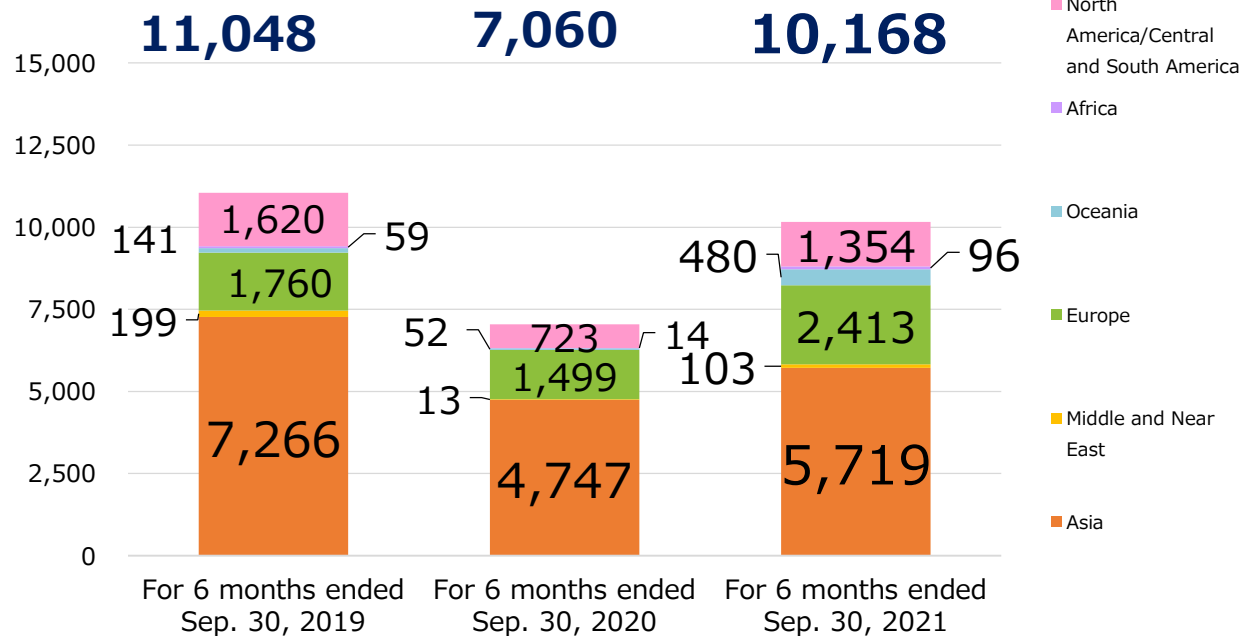
➤ Increase in net sales

→ Net sales increased 17.2% on a year-on-year comparison.

Changes in consolidated net sales by destination (excluding Japan)



(Unit: millions of yen)



- **Asia (Up 20.5% year-on-year)**
4,747 million yen → 5,719 million yen [972 million yen]
→ Sales of mobile cranes increased
- **North America (Up 87.3% year-on-year)**
723 million yen → 1,354 million yen [631 million yen]
→ Sales of Hydraulic excavators increased in North America.
- **Europe (Up 61.0% year-on-year)**
1,499 million yen → 2,413 million yen [914 million yen]
→ Increased due to the impact of capital investment related to infrastructures by NextGenerationEU.

(Unit: millions of yen)

	For 6 months ended Sep. 30, 2019		For 6 months ended Sep. 30, 2020		For 6 months ended Sep. 30, 2021		Year on year		Composition ratio of total net sales
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount change	Percent change	
Asia	7,266	65.8%	4,747	67.3%	5,719	56.2%	972	20.5%	18.5%
Middle and Near East	199	1.8%	13	0.2%	103	1.0%	90	667.2%	0.3%
Europe	1,760	15.9%	1,499	21.3%	2,413	23.7%	914	61.0%	7.8%
Oceania	141	1.3%	52	0.7%	480	4.7%	427	813.1%	1.6%
Africa	59	0.5%	14	0.2%	96	0.9%	81	557.0%	0.3%
North America/Central and South America	1,620	14.7%	723	10.3%	1,354	13.3%	631	87.3%	4.4%
Total overseas net sales	11,048	100.0%	7,050	100.0%	10,168	100.0%	3,118	44.2%	32.8%

Full-year consolidated financial results forecast for fiscal year ending March 31, 2022



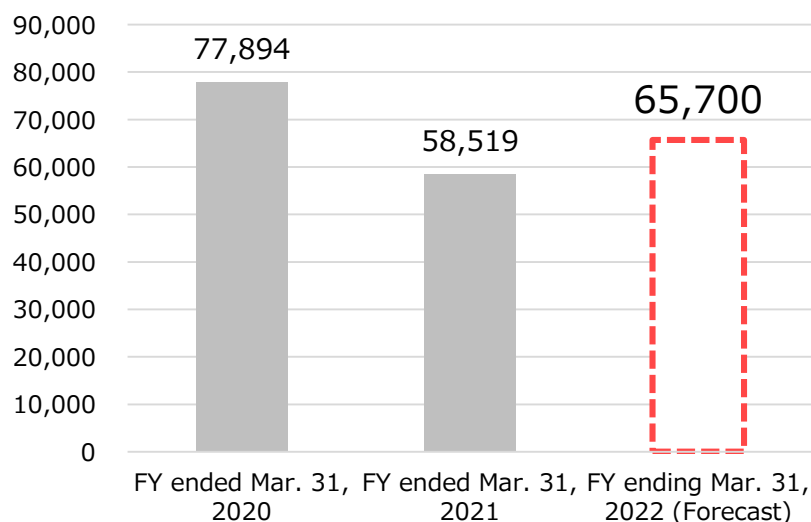
(Unit: millions of yen)

		FY ended Mar. 31, 2021		FY ending Mar. 31, 2022 (Forecast)	
		Amount	Ratio	Amount	Change
Net sales		58,519	100.0%	65,700	12.3%
Operating profit (loss)		(2,810)	(4.8)%	(2,600)	—
Ordinary profit (loss)		(1,921)	(3.3)%	(2,900)	—
Profit (loss) attributable to owners of parent		(5,738)	(9.8)%	(3,100)	—

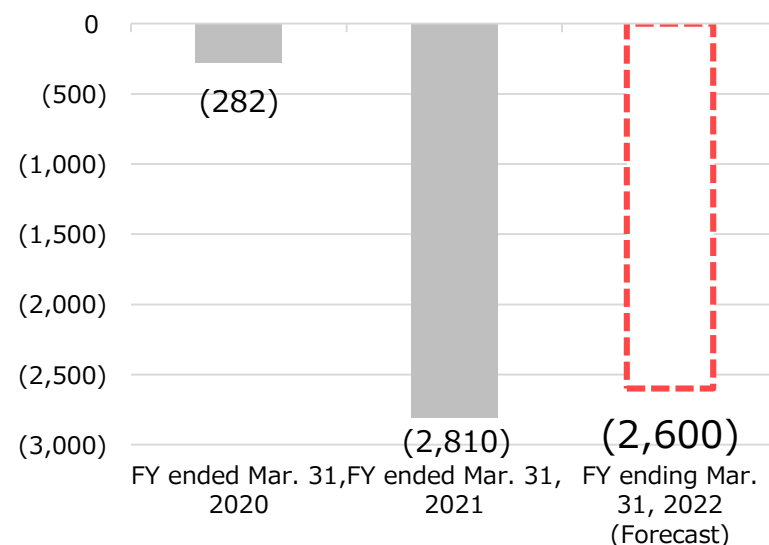
		FY ended Mar. 31, 2021		FY ending Mar. 31, 2022 (Forecast)	
		Interim	Year-end	Interim	Year-end
Dividend per share	Interim		0.00 yen		0.00 yen
	Year-end		10.00 yen		10.00 yen
	Annual		10.00 yen		10.00 yen

➤ While severe business results have continued, we will establish a stable management base and improve earning power by steadily implementing respective measures in accordance with “KATO Reborn Project.”

Net sales



Operating profit (loss)



Progress of KATO Reborn Project



➤ We steadily implemented the measures announced as of August 2021.

Policies	Priority themes	Status of initiatives
Improvement of profitability	Maximizing profits by reviewing product portfolios	Orders increased by putting emphasis on domestic priority customers and products.
	Accelerating product development by concentrating development resources therein	Started initiatives for reducing the development period, determining models which should be preferentially developed and concentrating the resources in it.
	Reviewing the global strategy and restructuring the supply chain	Improved productivity of two plants, moving the production base of small-sized rough terrain cranes.
	Reviewing the fundamental cost structure	Reviewed the cost structure of priority models and reduced production costs with the improved productivity.
	Further focusing on aftermarket	Started the review of operations in order to enhance services.
Improvement of efficiency in use of funds	Improving working capital by strictly managing inventories and trade receivables	Reduced the amount of inventories by exchanging information and enhancing cooperation between sales and production divisions.
	Improving CF with structural reform	Sold underutilized real estates.

➤ Launch of new hydraulic excavator HD-2050-7

As a new series of REGZAM, a large-sized hydraulic excavator was launched, equipped with an exhaust-gas aftertreatment unit and KATO's unique fuel efficient feature.

~From July 2021~

- ✓ Equipped with an engine in conformity with a standard equivalent to 2014 standards for the exceptional case for smaller number of non-road special motor vehicles.
- ✓ Designated as low-noise construction machinery in the designation system for low-noise construction machinery by Ministry of Land, Infrastructure, Transport and Tourism.
- ✓ Improved operation performance by updating each hydraulic system, and making front hydraulic piping larger.
- ✓ Improved durability even at sites under heavy load, strengthening respective front parts and underbody of vehicles.
- ✓ The new control lever with a shape of grip changed reduced operational loads by 20%, which enabled an operator to work comfortably for a long time.



➤ Launch of new rough terrain crane SL-750Rf II

The new-type 75t lifting rough terrain crane was launched, aiming at the highest safeness in the industry and environmental consciousness.

~From June 2021~

- ✓ Highly rigid super boom with six sections
High efficiency and high performance thanks to HYBRIDZOOM, an extendable system fusing lock pin and full power
- ✓ Equipped with the environment-friendly engine in conformity with 2014 emission control regulations for diesel-engine special motor vehicles.
Also designated as low-noise construction machinery.
- ✓ Equipped with a clearance sonar system as standard.
Improved safeness during traveling with an obstacle detection feature with an ultrasonic sensor.
- ✓ Tire air pressure monitoring system is set as an option.
By issuing warning on air pressure of tires and their abnormal temperature to keep air pressure appropriate, fuel efficiency improves and service life of tires becomes longer.



➤ Launch of new rough terrain crane MR-130Rf II

The first 13t rough terrain crane adopting a jib which can be drawn out in air (EJIB TYPE S)

~From August 2021~

- ✓ Realized space-saving for operations for attaching and storing a jib by adopting the jib which can be drawn out in air (EJIB TYPE S).
Also, as attaching and storing the jib became easier, loads on an operator decreased.
- ✓ Equipped with the environment-friendly engine in conformity with 2014 emission control regulations for diesel-engine special motor vehicles.
Also designated as low-noise construction machinery.
- ✓ An outrigger can be selected from two types, H type and X type, depending on various site situations.
- ✓ KATO safety view system is set as an option.
Safeness during both traveling and working improved with our unique surrounding view system and human detection assisting camera.



Contents on the present plans and the forecasts included in this material are based on information presently obtained and certain premises deemed reasonable by the Company. Actual business results, etc. may be significantly different from them due to various factors. Therefore, this material does not promise or guarantee their realization.

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