

Financial Results for the Six Months Ended September 30, 2022

November 10, 2022
KATO WORKS CO., LTD.



I. Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022





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Summary of consolidated financial results

- While net sales for the six months ended September 30, 2022 were 26,171 million yen, a decrease of 15.5% year on year, the Company recorded a significant improvement in profits, returning to profitability.

	Results for the six months ended September 30, 2021		Results for the six months ended September 30, 2022	(Unit: millions of yen) YOY comparison [percentage change]
Net sales	30,959		26,171	(4,787) [-15.5%]
Operating profit (loss)	(1,033)		301	+1,334
Ordinary profit (loss)	(932)		999	+1,932
Profit (loss) attributable to owners of parent	(988)		953	+1,941

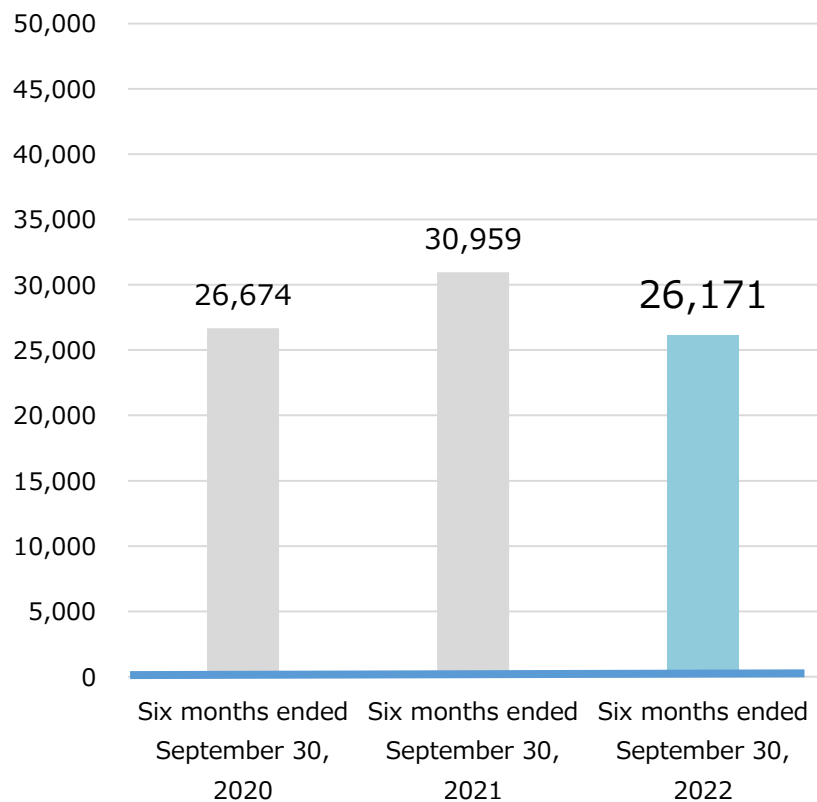
Changes in consolidated financial results



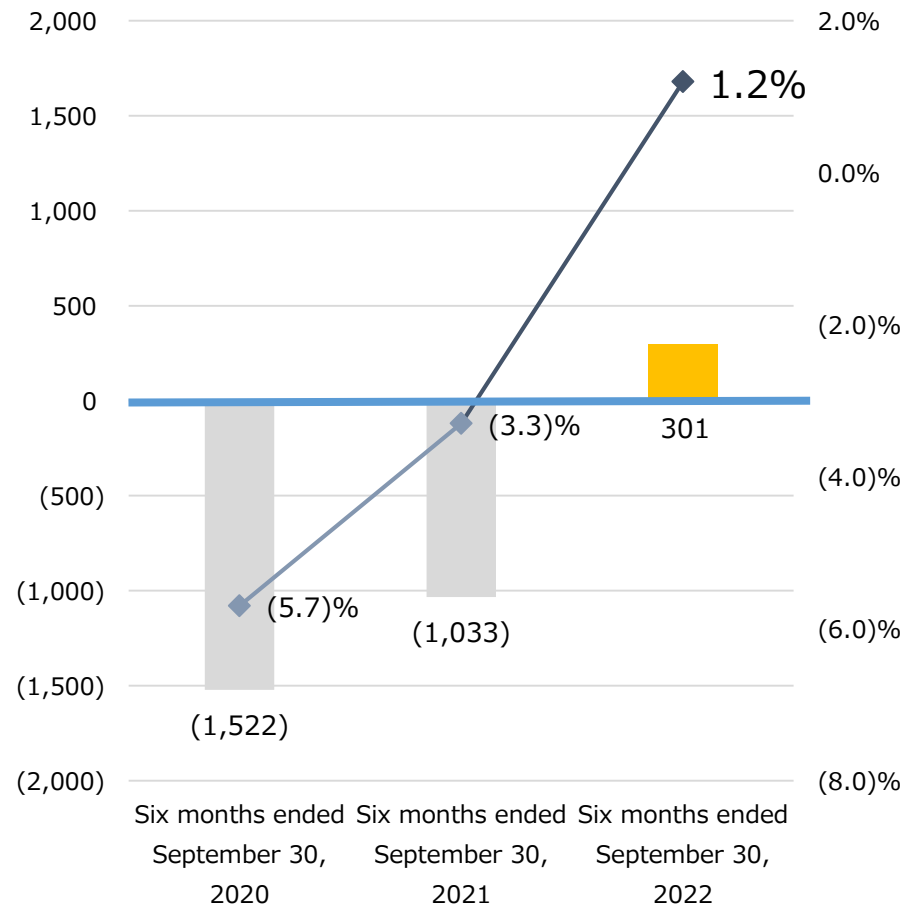
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(Unit: millions of yen)

Net sales



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



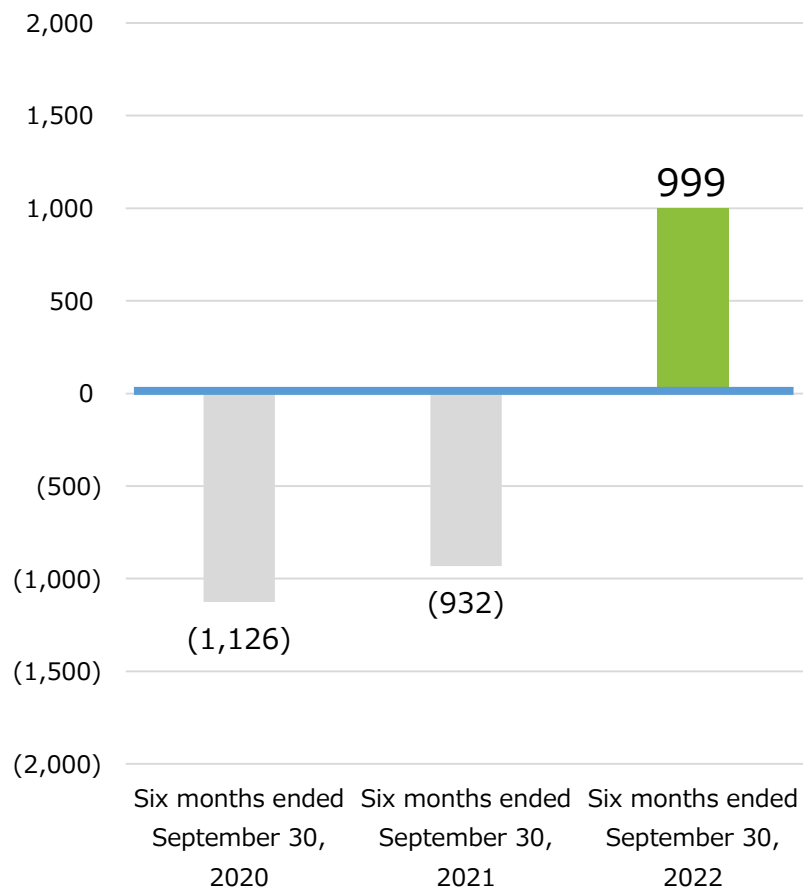
Changes in consolidated financial results



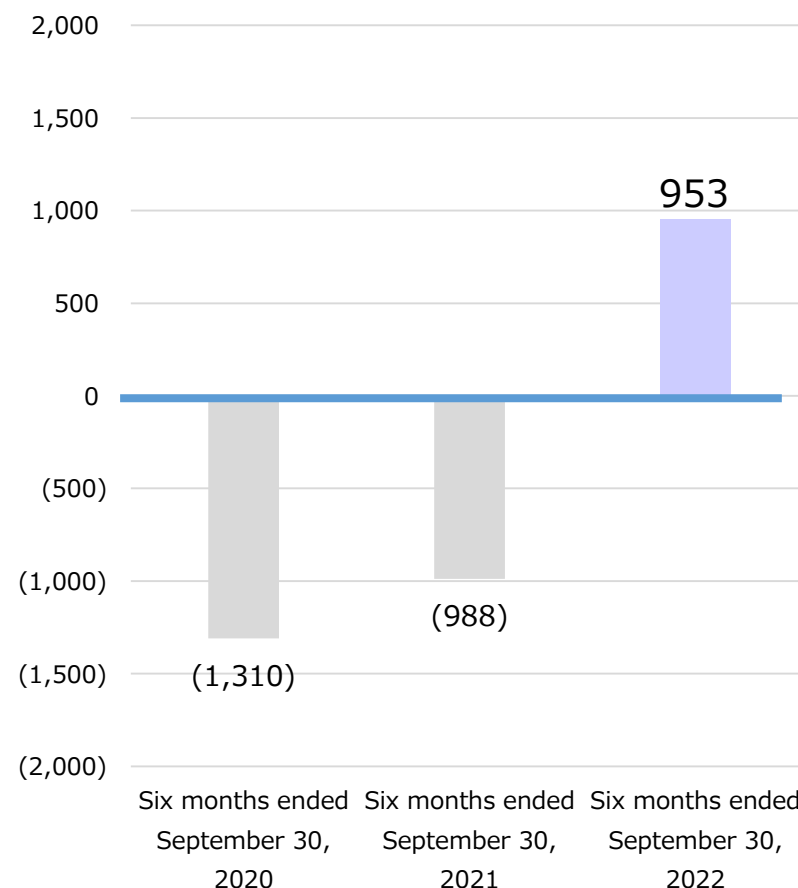
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(Unit: millions of yen)

Ordinary profit (loss)



Profit (loss) attributable to owners of parent



Consolidated statement of income

(Unit: millions of yen)

	For the six months ended September 30, 2021		For the six months ended September 30, 2022		Year-on-year	
	Amount	Percentage	Amount	Percentage	Amount change	Percent change
Net sales	30,959	100.0%	26,171	100.0%	(4,787)	(15.5)%
Cost of sales	27,235	88.0%	22,061	84.3%	(5,173)	(19.0)%
Gross profit	3,724	12.0%	4,109	15.7%	385	10.4%
Selling, general and administrative expenses	4,757	15.4%	3,808	14.6%	(949)	(19.9)%
Operating profit (loss)	(1,033)	(3.3)%	301	1.2%	1,334	-
Non-operating income (expenses)	100	0.3%	698	2.7%	597	593.6%
Ordinary profit (loss)	(932)	(3.0)%	999	3.8%	1,932	-
Extraordinary income (losses)	15	0.0%	0	0.0%	(15)	(100.0)%
Profit (loss) before income taxes	(917)	(3.0)%	999	3.8%	1,917	-
Income taxes	46	0.1%	53	0.2%	7	15.2%
Profit (loss) attributable to non- controlling interests	24	0.1%	(6)	0.0%	(31)	-
Profit (loss) attributable to owners of parent	(988)	(3.2)%	953	3.6%	1,941	-

➤ Improvement of cost sales ratio

Profitability improved due to production cost reductions and selling price revisions, etc.

88.0% → 84.3% (a 3.7 percentage point decrease)

➤ Increase in non-operating income

Non-operating income increased due to foreign exchange gains resulting from the weaker yen, etc.

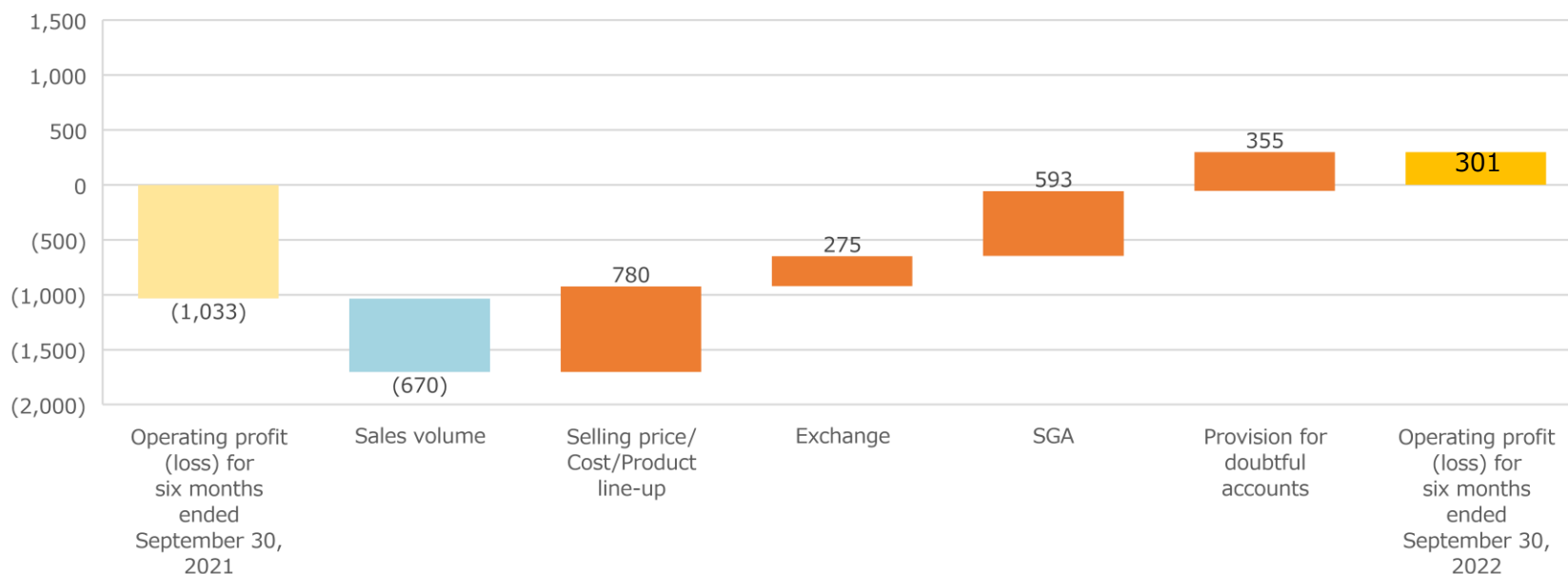
100 million yen → 698 million yen

➤ Decrease in ratio of selling, general and administrative expenses to net sales

The ratio of selling, general and administrative expenses to net sales decreased from 15.4% to 14.6% due to business restructuring efforts

Analysis of changes in operating profit (loss)

(Unit: millions of yen)



➤ Factors of changes in operating profit (loss)

- Decrease in sales volume (670 million) yen
- Changes in selling prices/cost/product line-up 780 million yen
- Fluctuations in exchange 275 million yen
- Decrease in selling, general and administrative expenses 593 million yen
- Decrease in provision for doubtful accounts 355 million yen

▶ 1,334 million yen

Consolidated balance sheet

(Unit: millions of yen)

		As of March 31, 2022		As of September 30, 2022		Year-on-year	
		Amount	Percentage	Amount	Percentage	Amount change	
Assets	Current assets	Cash and deposits	18,669	18.2%	19,628	19.0%	959
		Trade receivables	28,340	27.6%	25,545	24.8%	(2,794)
		Inventories	32,070	31.2%	34,774	33.7%	2,704
		Other	(1,662)	(1.6)%	(1,506)	(1.5)%	156
	Total current assets	77,417	75.4%	78,442	76.0%	1,025	
	Non-current assets	Property, plant and equipment	21,185	20.6%	20,648	20.0%	(536)
		Intangible assets	399	0.4%	407	0.4%	7
		Investments and other assets	3,643	3.5%	3,707	3.6%	63
Total non-current assets	25,228	24.6%	24,763	24.0%	(465)		
Total assets	102,645	100.0%	103,206	100.0%	560		
Liabilities and Net assets	Liabilities	Trade payables	13,159	12.8%	15,349	14.9%	2,189
		Interest-bearing debt	40,230	39.2%	37,918	36.7%	(2,311)
		Other	5,010	4.9%	3,933	3.8%	(1,077)
	Total liabilities	58,400	56.9%	57,201	55.4%	(1,198)	
	Net assets	Retained earnings	28,495	27.8%	29,340	28.4%	844
		Valuation and translation adjustments	4,640	4.5%	5,420	5.3%	780
		Other	11,109	10.8%	11,243	10.9%	133
		Total net assets	44,245	43.1%	46,004	44.6%	1,759
Total liabilities and net assets	102,645	100.0%	103,206	100.0%	560		

Decrease in trade receivables

28,340 million yen → 25,545 million yen
 * The trade receivables turnover period deteriorated due to a decrease in sales
 (As of Mar. 31, 2022: 162.8 days)
 (As of Sep. 30, 2022: 178.1 days)

Increase in inventories

32,070 million yen → 34,774 million yen
 * The inventory turnover period deteriorated due to a decrease in sales
 (As of Mar. 31, 2022: 184.1 days)
 (As of Sep. 30, 2022: 242.5 days)

Decrease in interest-bearing debt

40,230 million yen → 37,918 million yen
 * Decreased due to repayment of a portion of long-term borrowings

Consolidated statement of cash flows

(Unit: millions of yen)

		For the six months ended September 30, 2021	For the six months ended September 30, 2022
		Amount	Amount
Cash flows from operating activities	Profit (loss) before income taxes	(917)	999
	Depreciation	959	806
	Decrease (increase) in trade receivables	2,277	3,730
	Decrease (increase) in inventories	3,088	(2,097)
	Increase (decrease) in trade payables	1,884	1,858
	Other, net	207	(1,531)
	Net cash provided by (used in) operating activities	7,499	3,765
Cash flows from investing activities	Purchase of property, plant and equipment	(907)	(85)
	Other, net	180	66
	Net cash provided by (used in) investing activities	(727)	(19)
Cash flows from financing activities	Increase (decrease) in interest-bearing debt	(1,994)	(2,825)
	Other, net	(221)	(143)
	Net cash provided by (used in) financing activities	(2,215)	(2,969)
Increase (decrease)	Effect of exchange rate change	148	182
	Net increase (decrease)	4,704	959
	Cash and cash equivalents at beginning of period	14,614	18,669
	Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	-
	Cash and cash equivalents at end of period	19,319	19,628

➤ **Decrease in CF from operating activities**
Mainly from an increase 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 the six months ended September 30, 2020		For the six months ended September 30, 2021		For the six months ended September 30, 2022		Year-on-year	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount change	Percent change
Mobile cranes								
Domestic sales	14,192	53.2%	14,074	45.5%	14,275	54.5%	201	1.4%
Overseas sales	1,776	6.7%	3,212	10.4%	1,772	6.8%	(1,439)	(44.8)%
Subtotal	15,969	59.9%	17,286	55.8%	16,047	61.3%	(1,238)	(7.2)%
Construction equipment								
Domestic sales	5,024	18.8%	6,241	20.2%	4,168	15.9%	(2,072)	(33.2)%
Overseas sales	5,273	19.8%	6,955	22.5%	5,432	20.8%	(1,523)	(21.9)%
Subtotal	10,298	38.6%	13,196	42.6%	9,600	36.7%	(3,595)	(27.2)%
Industrial equipment								
Domestic sales	406	1.5%	474	1.5%	522	2.0%	47	10.0%
Overseas sales	0	0.0%	0	0.0%	0	0.0%	0	(33.3)%
Subtotal	406	1.5%	475	1.5%	523	2.0%	47	9.9%
Total								
Domestic sales	19,623	73.6%	20,790	67.2%	18,966	72.5%	(1,823)	(8.8)%
Overseas sales	7,050	26.4%	10,168	32.8%	7,205	27.5%	(2,963)	(29.1)%
Total	26,674	100.0%	30,959	100.0%	26,171	100.0%	(4,787)	(15.5)%

➤ Mobile cranes

Domestic: Although demand was on a recovery path and the order backlog remains high, the net sales increase was small as parts were in short supply

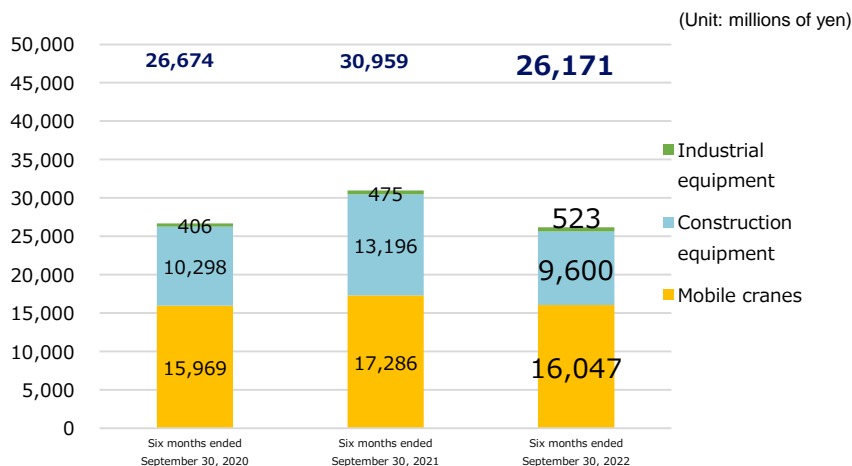
Overseas: Net sales decreased due to the effect of supply chain disruptions

➤ Construction equipment

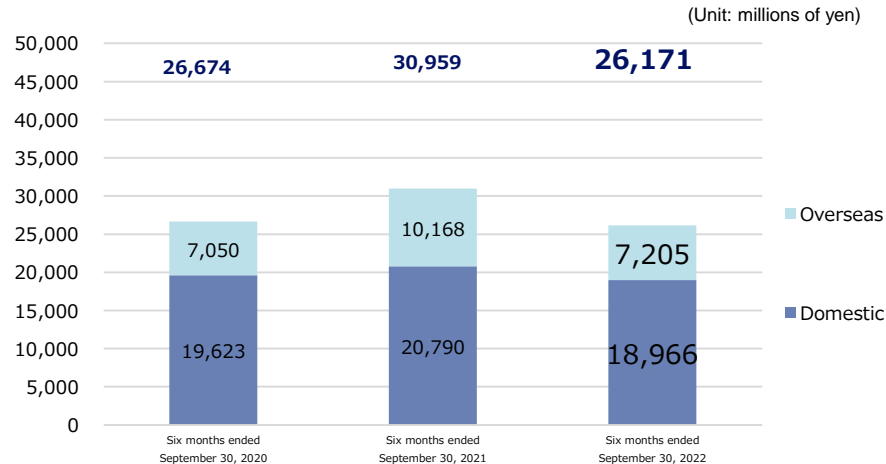
Domestic: Net sales decreased due to the effect of supply chain disruptions

Overseas: Net sales decreased due to supply chain disruptions although the trend of orders received was strong in North America and Europe backed by robust demand

Changes in net sales by principal item



Changes in domestic and overseas net sales



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)



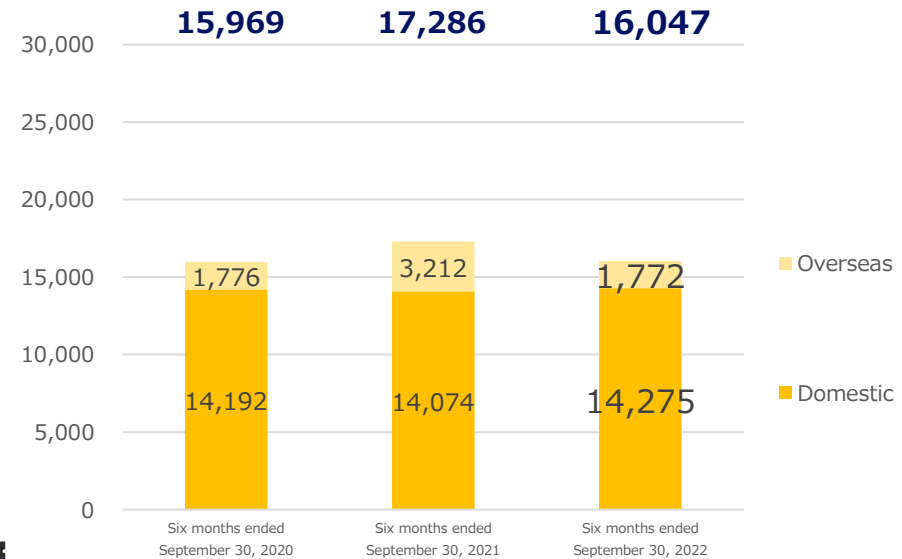
Crawler cranes

- 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)



Changes in net sales

(Unit: millions of yen)



➤ Domestic sales

- Increased 1.4% year on year with higher sales for all terrain cranes and medium- to large-scale rough terrain cranes, supported by enhanced domestic sales activities

➤ Overseas sales

- Decreased 44.8% year on year due to a significant decline in Asia (Taiwan and Thailand)

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

[Explanation of main products]

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)



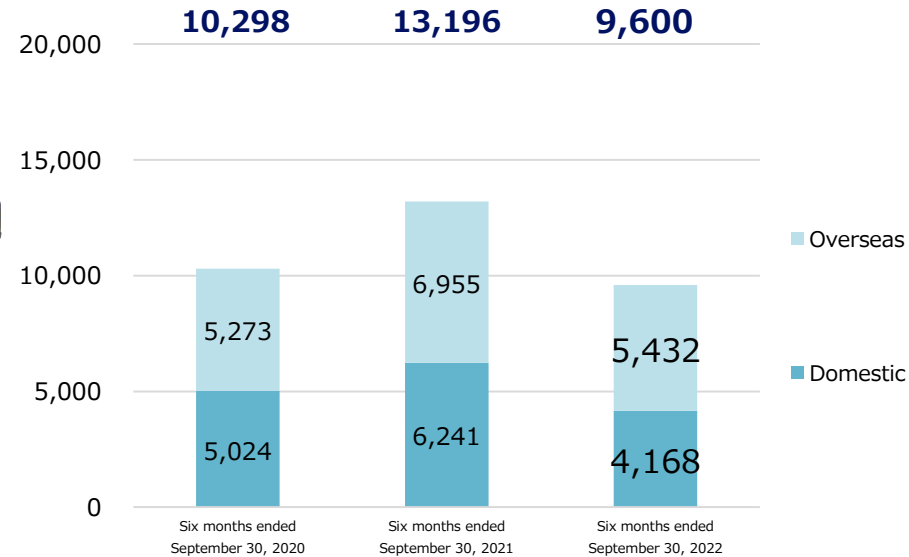
Crawler carriers

- 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

(Unit: millions of yen)



➤ Domestic sales

→ Decreased 33.2% year on year due to the effect of supply chain disruptions

➤ Overseas sales

→ Decreased 21.9% year on year as sales in North America and Europe remained solid but demand in the Chinese market declined

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)



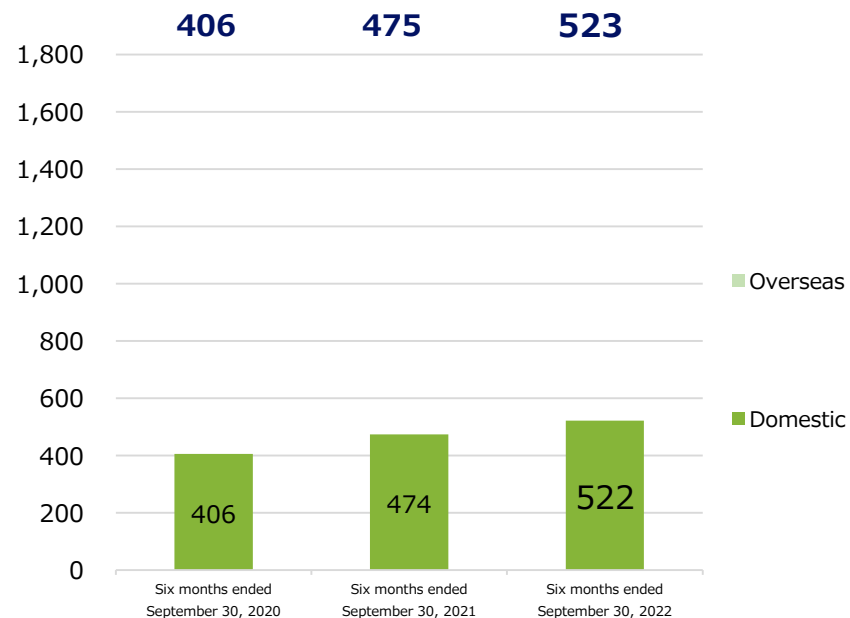
Snow sweepers

- 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

→ Increased 9.9% year on year due to higher net sales in Japan

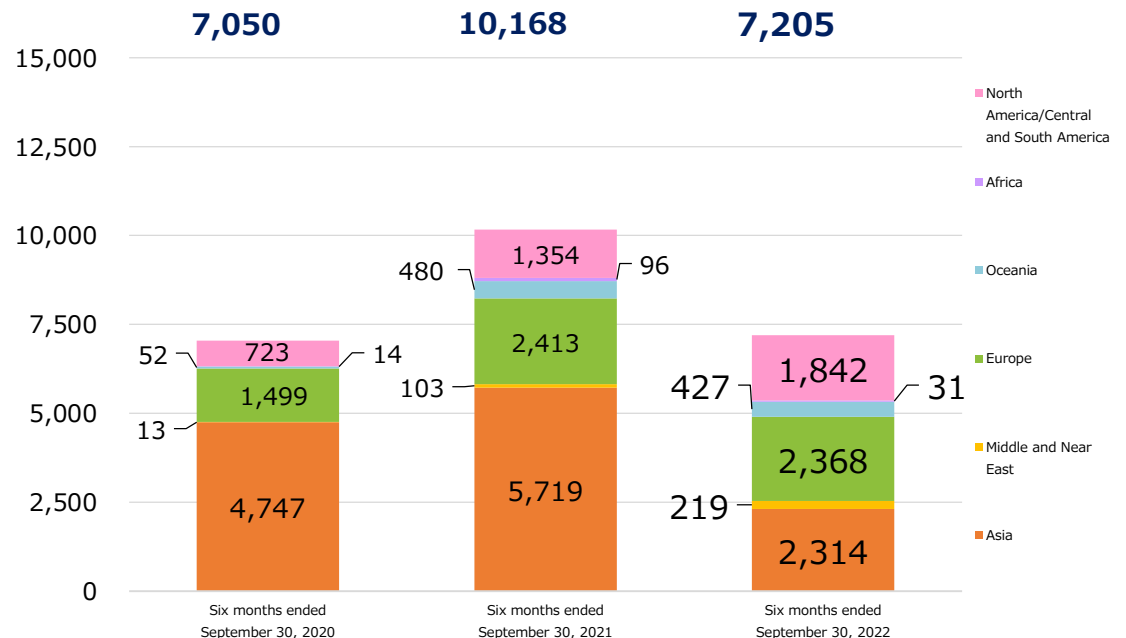
Changes in consolidated net sales by destination (excluding Japan)

(Unit: millions of yen)

	For the six months ended September 30, 2020		For the six months ended September 30, 2021		For the six months ended September 30, 2022		Year-on-year		Composition ratio of total net sales
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount change	Percent change	
Asia	4,747	67.3%	5,719	56.2%	2,314	32.1%	(3,405)	(59.5)%	8.8%
Middle and Near East	13	0.2%	103	1.0%	219	3.1%	116	111.7%	0.8%
Europe	1,499	21.3%	2,413	23.7%	2,368	32.9%	(45)	(1.9)%	9.0%
Oceania	52	0.7%	480	4.7%	427	5.9%	(52)	(11.0)%	1.6%
Africa	14	0.2%	96	0.9%	31	0.4%	(64)	(67.1)%	0.1%
North America/Central and South America	723	10.3%	1,354	13.3%	1,842	25.6%	488	36.0%	7.0%
Total overseas net sales	7,050	100.0%	10,168	100.0%	7,205	100.0%	(2,963)	(29.1)%	27.5%

(Unit: millions of yen)

- **Asia (down 59.5% year on year)**
Decreased due to a continued decline in demand in the Chinese market
5,719 million yen → 2,314 million yen
- **Europe (down 1.9% year on year)**
Decreased due to the effect of supply chain disruptions although the trend of orders received remained solid
2,413 million yen → 2,368 million yen
- **North America/Central and South America (up 36.0% year on year)**
Increased due to brisk demand in the Americas market
1,354 million yen → 1,842 million yen



Full-year consolidated financial results forecast for fiscal year ending March 31, 2023



◆ Consolidated financial results forecast On November 10, 2022, the Company announced the following revisions to the full-year consolidated financial results forecast for the fiscal year ending March 31, 2023 as the shortage of parts resulting from supply chain disruptions and declining demand for construction in the Chinese market are expected to continue for the foreseeable future in the third quarter and beyond. While the business environment remain severe, the Company will strive to improve its performance by implementing a range of measures.

	Results for FY ended March 31, 2022	Results for FY ended March 31, 2022 (excluding one-time factors)	Forecast for FY ending March 31, 2023 (initial plan)	Forecast for FY ending March 31, 2023 (revised November 10, 2022)
Net sales	63,549	63,549	64,100	60,500
Cost sales ratio	89.6%	87.8%	85.4%	86.8%
Operating profit (loss)	(7,222)	(967)	1,300	100
Operating profit (loss) margin	(11.4)%	(1.5)%	2.0%	0.2%
Ordinary profit (loss)	(6,929)	(674)	1,000	400
Profit (loss) attributable to owners of parent	(9,575)	226	600	1,000
Inventories	32,070	32,070	31,000	33,470

◆ Shareholder returns

No revision has been made to the dividends forecast under the initial plan.

		FY ended March 31, 2022	FY ending March 31, 2023 (forecast)
Dividend per share	Interim	0.00 yen	0.00 yen
	Year-end	10.00 yen	10.00 yen
	Total	10.00 yen	10.00 yen

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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