



Financial Results

for the Six Months Ended
September 30, 2023
(April – September)

November 10, 2023

KATO WORKS CO., LTD.

I. Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023

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|--|---------|
| 1. Summary of consolidated financial results | P.2-P.3 |
| 2. Changes in consolidated financial results, Changes in quarterly net sales | P.4-P.6 |
| 3. Consolidated statement of income | P.7 |
| 4. Analysis of changes in operating profit (loss) | P.8 |
| 5. Consolidated balance sheet | P.9 |
| 6. Consolidated statement of cash flows | P.10 |
| 7. Changes in consolidated net sales by principal item | P.11 |
| 8. Consolidated net sales by destination (excluding Japan) | P.12 |

II. Consolidated Financial Results Forecast for Fiscal Year Ending March 31, 2024

- | | |
|--|------|
| 1. Consolidated financial results forecast for fiscal year ending March 31, 2024 | P.13 |
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III. TOPICS

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|-----------|-----------|
| 1. TOPICS | P.14-P.15 |
|-----------|-----------|

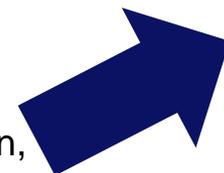
Summary of consolidated financial results

KATO

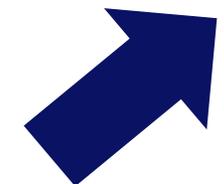
進化の奥の更なる真価へ

**Net
sales****29,568 million yen**

(Results for the six months ended September 30, 2022: **26,171** million yen,
YOY percentage change: **13.0%**)

**Operating
profit****800 million yen**

(Results for the six months ended September 30, 2022: **301** million yen,
YOY percentage change: **165.6%**)

**Ordinary
profit****1,604 million yen**

(Results for the six months ended September 30, 2022: **999** million yen,
YOY percentage change: **60.5%**)

**Profit
attributable to
owners of parent****2,521 million yen**

(Results for the six months ended September 30, 2022: **953** million yen,
YOY percentage change: **164.6%**)



(1) Status of net sales and revenue

- Domestic net sales (18,966 million yen → 19,947 million yen, increased by 5.2%)
Overseas net sales (7,205 million yen → 9,621 million yen, increased by 33.5%)
The overseas net sales ratio increased from 27.5% to 32.5%, with overseas sales driving overall sales and revenue.
- The improved profitability and the effect of the weaker yen helped to set an operating surplus in place.

(2) Status by segment (manufacturing base)

- Japan: Domestic sales remained solid, while exports remained strong due to favorable economic conditions in Europe and the United States, increased demand, and the impact of exchange rates.
- China: Sales decreased year on year due to the continued difficult sales environment.
- Europe: Sales increased supported by solid demand.

* There is no manufacturing base in the Americas, only sales through exports from Japan.

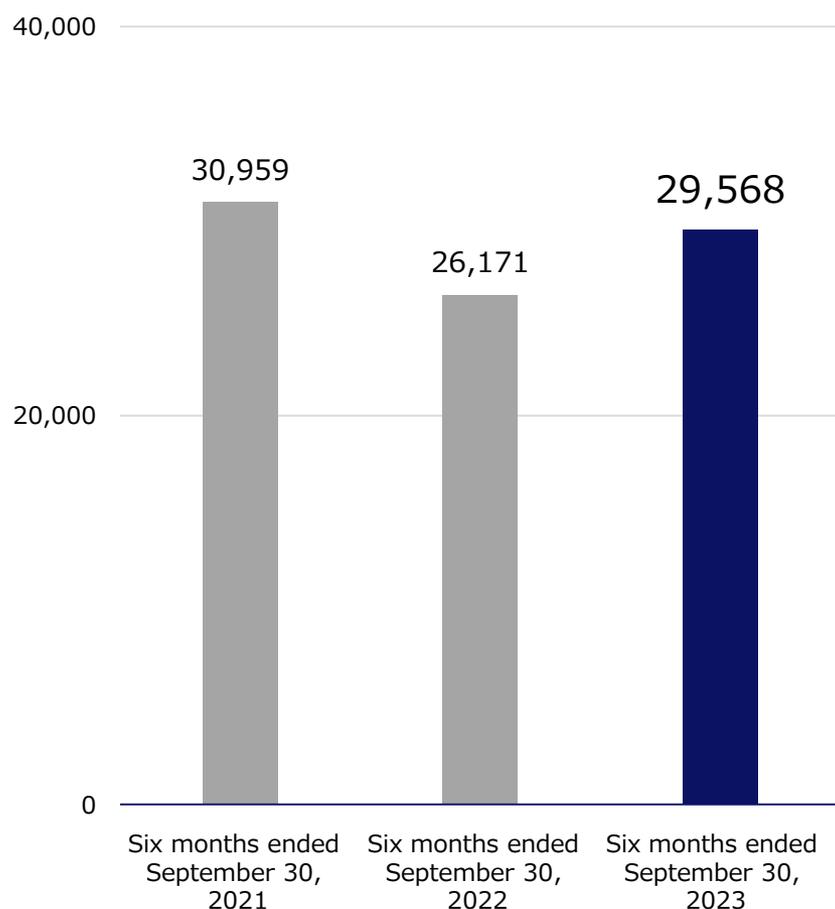
Changes in consolidated financial results



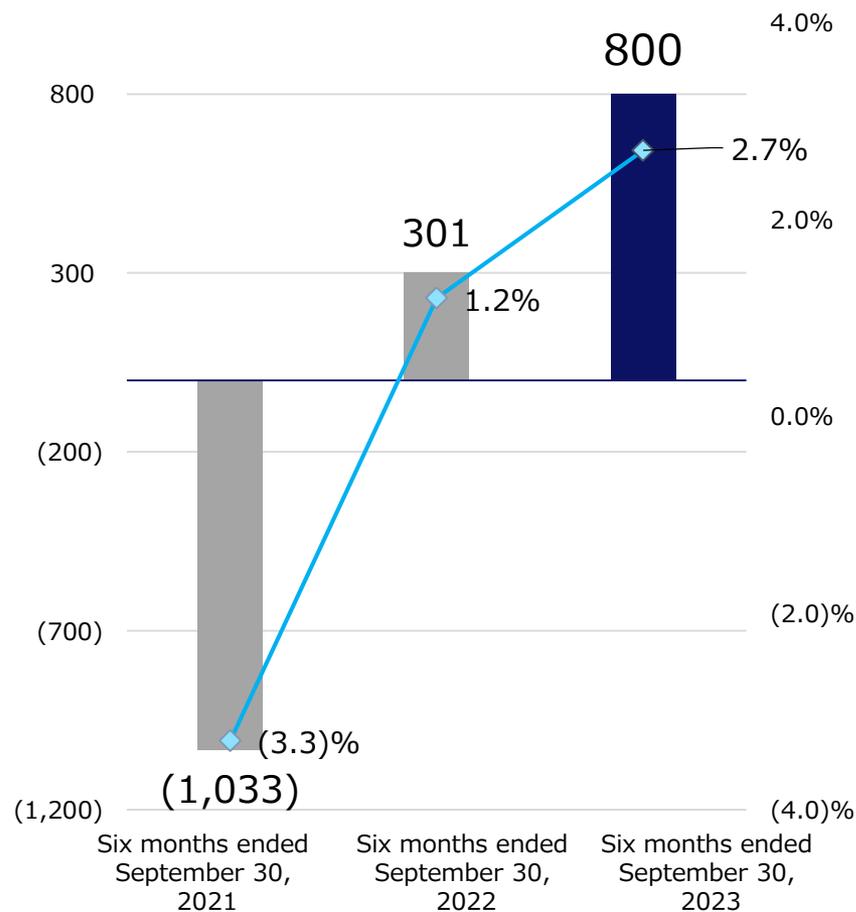
進化の奥の更なる真価へ

(Unit: millions of yen)

Net sales

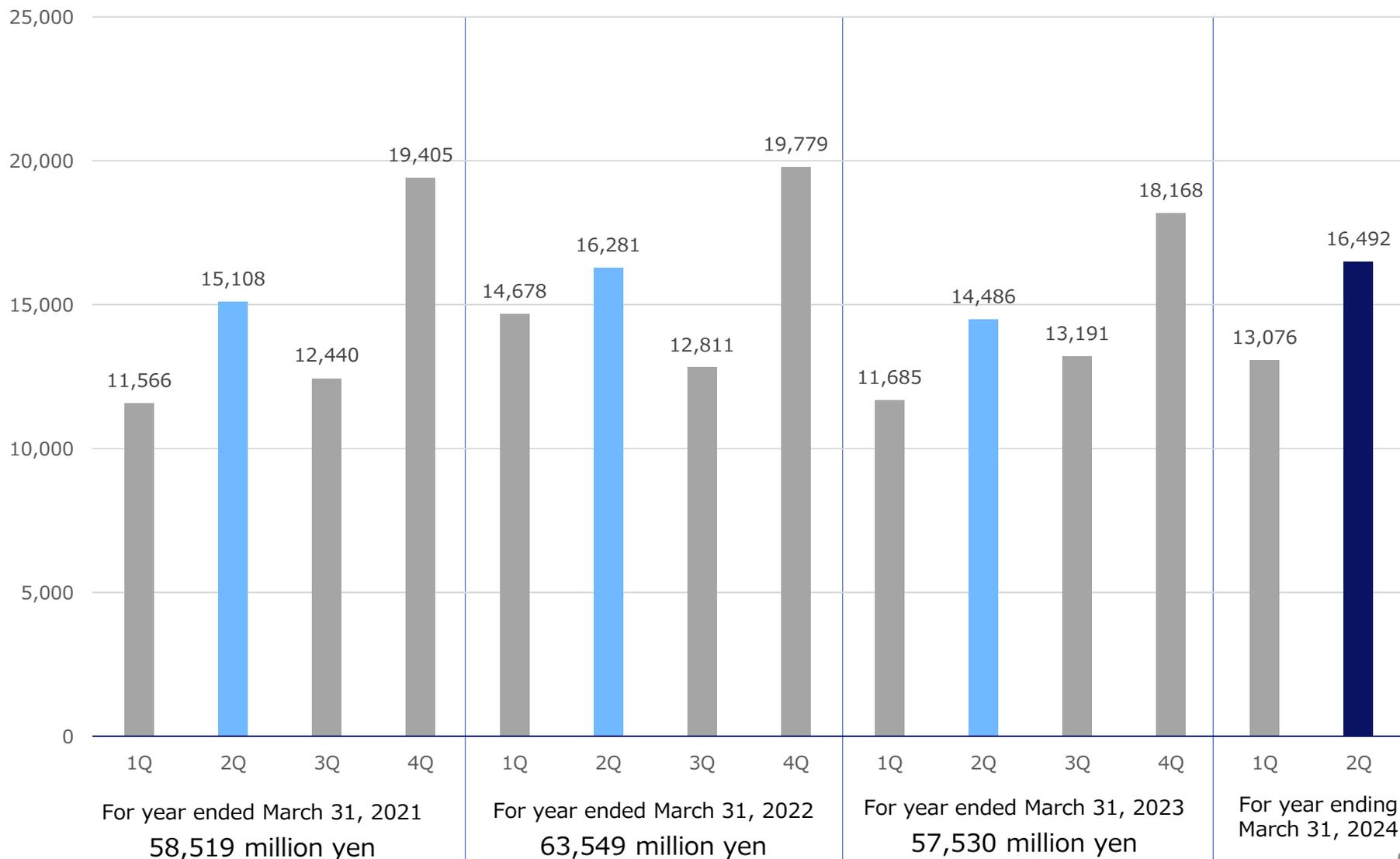


Operating profit/ Operating profit margin



Changes in consolidated financial results (Changes in quarterly net sales)

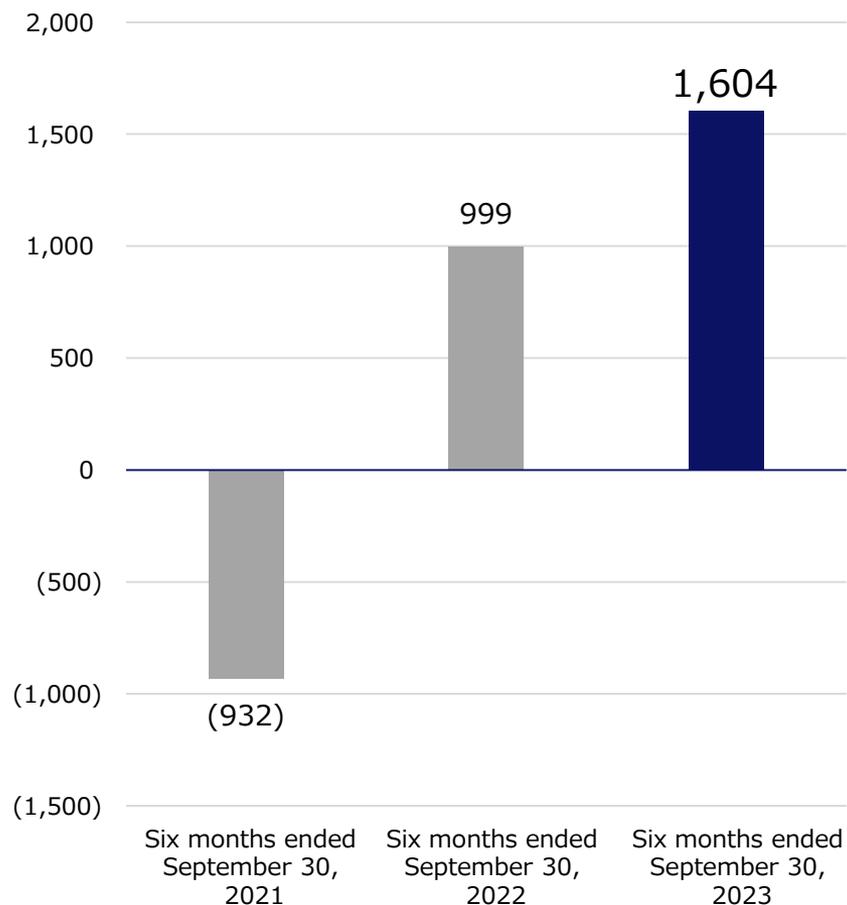
(Unit: millions of yen)



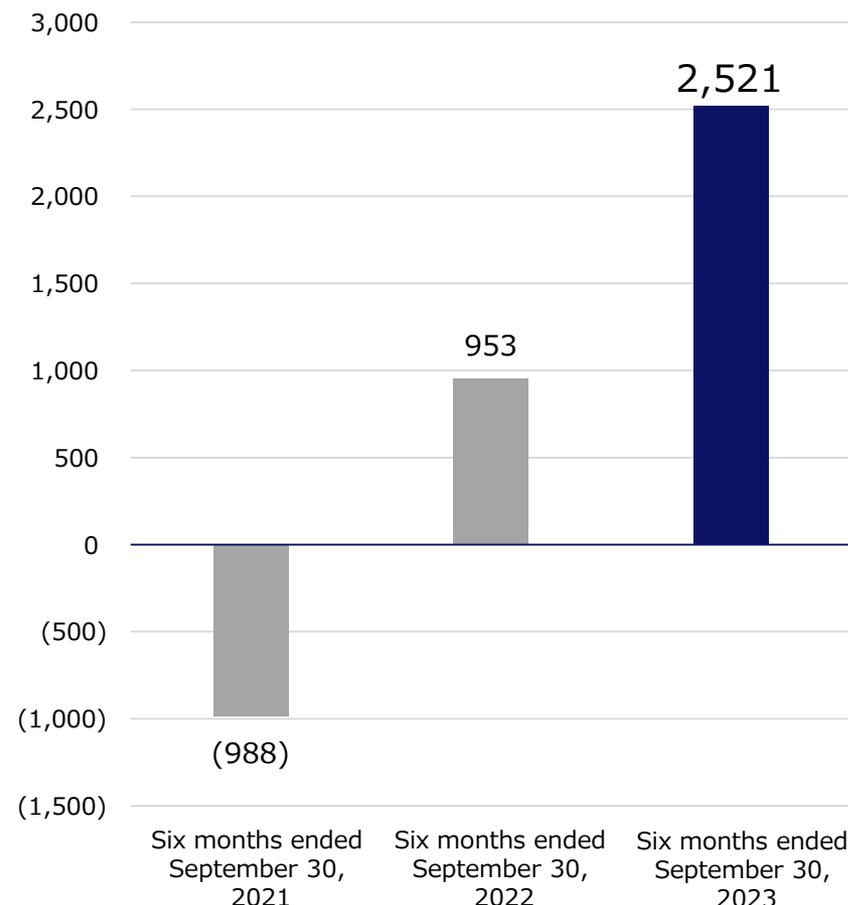
Changes in consolidated financial results

(Unit: millions of yen)

Ordinary profit



Profit attributable to owners of parent



Consolidated statement of income

(Unit: millions of yen)

| | For the six months ended September 30, 2022 | | For the six months ended September 30, 2023 | | Year-on-year | |
|--|--|---------------|--|---------------|---------------|----------------|
| | Amount | Percentage | Amount | Percentage | Amount change | Percent change |
| Net sales | 26,171 | 100.0% | 29,568 | 100.0% | 3,396 | 13.0% |
| Cost of sales | 22,061 | 84.3% | 24,458 | 82.7% | 2,397 | 10.9% |
| Gross profit | 4,109 | 15.7% | 5,109 | 17.3% | 999 | 24.3% |
| Selling, general and administrative expenses | 3,808 | 14.6% | 4,309 | 14.6% | 500 | 13.1% |
| Operating profit | 301 | 1.2% | 800 | 2.7% | 498 | 165.6% |
| Non-operating income (expenses) | 698 | 2.7% | 804 | 2.7% | 106 | 15.2% |
| Ordinary profit | 999 | 3.8% | 1,604 | 5.4% | 604 | 60.5% |
| Extraordinary income (losses) | 0 | 0.0% | 1,255 | 4.2% | 1,255 | - |
| Profit before income taxes | 999 | 3.8% | 2,859 | 9.7% | 1,860 | 186.1% |
| Income taxes | 53 | 0.2% | 372 | 1.3% | 319 | 603.4% |
| Profit attributable to non-controlling interests | (6) | 0.0% | (35) | (0.1)% | (28) | - |
| Profit attributable to owners of parent | 953 | 3.6% | 2,521 | 8.5% | 1,568 | 164.6% |

Improvement in cost sales ratio

84.3% → 82.7% (improved by 1.6 percentage point)
The cost ratio improved due to the success of the measures set forth in the medium-term management plan.

Increase in selling, general and administrative expenses

Mainly due to a 200 million yen increase in domestic and overseas sales promotion expenses and a 207 million yen recovery from reductions in salaries and bonuses in the six months ended September 30, 2022

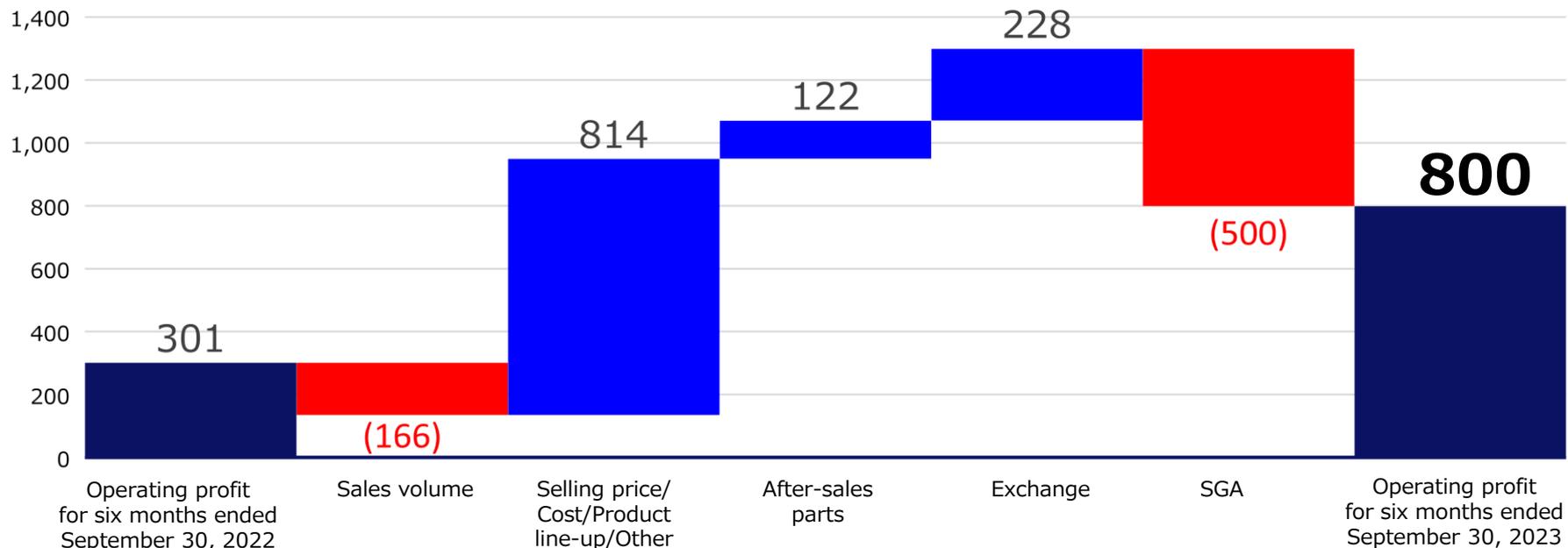
Occurrence of extraordinary income (losses)

Due to gains on the sale of factory facilities in Thailand

* Already announced on February 13, 2023

Analysis of changes in operating profit (loss)

(Unit: millions of yen)



Factors of changes in operating profit (loss)

- Decrease in sales volume (166) million yen
- Changes in selling prices/cost/product line-up/other 814 million yen
- Sales enhancement of after-sales parts 122 million yen
- Fluctuations in exchange rates 228 million yen
- Increase in SGA (500) million yen

800 million yen
Increased by
499 million yen year on year

Consolidated balance sheet

(Unit: millions of yen)

| | | | As of March 31, 2023 | | As of September 30, 2023 | | Year-on-year | |
|---|---------------------------------|---------------------------------------|----------------------|---------------|--------------------------|---------------|----------------|---|
| | | | Amount | Percentage | Amount | Percentage | Amount change | |
| Assets | Current assets | Cash and deposits | 19,977 | 20.2% | 19,967 | 20.2% | (10) | Decrease in trade receivables (down 235 million yen) 25,060 million yen → 24,824 million yen Turnover period As of Mar. 31, 2023: 159 days → As of Sep. 30, 2023: 153.2 days |
| | | Trade receivables | 25,060 | 25.4% | 24,824 | 25.1% | (235) | |
| | | Inventories | 31,583 | 32.0% | 32,410 | 32.8% | 827 | |
| | | Other | (948) | (1.0)% | (1,042) | (1.1)% | (93) | |
| | Total current assets | | 75,672 | 76.6% | 76,160 | 77.1% | 487 | Increase in inventories (up 827 million yen) 31,583 million yen → 32,410 million yen Turnover period As of Mar. 31, 2023: 200.4 days → As of Sep. 30, 2023: 200 days Inventories increased and the turnover period was at the same level. |
| | Non-current assets | Property, plant and equipment | 19,131 | 19.4% | 18,286 | 18.5% | (844) | |
| | | Intangible assets | 414 | 0.4% | 491 | 0.5% | 76 | |
| | | Investments and other assets | 3,580 | 3.6% | 3,792 | 3.8% | 212 | |
| | Total non-current assets | | 23,126 | 23.4% | 22,570 | 22.9% | (556) | |
| | Total assets | | 98,799 | 100.0% | 98,731 | 100.0% | (68) | |
| Liabilities and Net assets | Liabilities | Trade payables | 13,942 | 14.1% | 14,443 | 14.6% | 500 | Decrease in interest-bearing debt (down 4,951 million yen) 34,379 million yen → 29,427 million yen Decrease due to repayment of long-term borrowings |
| | | Interest-bearing debt | 34,379 | 34.8% | 29,427 | 29.8% | (4,951) | |
| | | Other | 3,571 | 3.6% | 4,941 | 5.0% | 1,370 | |
| | Total liabilities | | 51,893 | 52.5% | 48,812 | 49.4% | (3,080) | |
| | Net assets | Retained earnings | 30,781 | 31.2% | 32,952 | 33.4% | 2,170 | |
| | | Valuation and translation adjustments | 4,901 | 5.0% | 5,720 | 5.8% | 819 | |
| | | Other | 11,223 | 11.4% | 11,245 | 11.4% | 22 | |
| Total net assets | | 46,906 | 47.5% | 49,918 | 50.6% | 3,012 | | |
| Total liabilities and net assets | | 98,799 | 100.0% | 98,731 | 100.0% | (68) | | |

Consolidated statement of cash flows

(Unit: millions of yen)

| | | For the six months ended September 30, 2022 | For the six months ended September 30, 2023 | CF from operating activities |
|--|--|--|--|--|
| | | Amount | Amount | |
| Cash flows from operating activities | Profit before income taxes | 999 | 2,859 | Cash flows from operating activities amounted to 2,854 million yen due to the increased revenue and collection of accounts receivable - trade. |
| | Depreciation | 806 | 696 | |
| | Decrease (increase) in trade receivables | 3,730 | 1,009 | |
| | Decrease (increase) in inventories | (2,097) | (240) | |
| | Increase (decrease) in trade payables | 1,858 | 50 | |
| | Other, net | (1,531) | (1,521) | |
| Net cash provided by (used in) operating activities | | 3,765 | 2,854 | |
| Cash flows from investing activities | Purchase of property, plant and equipment | (85) | (401) | CF from investing activities Sale of factory facilities in Thailand |
| | Proceeds from sale of property, plant and equipment | 46 | 1,942 | |
| | Other, net | 20 | (115) | |
| Net cash provided by (used in) investing activities | | (19) | 1,426 | |
| Cash flows from financing activities | Increase (decrease) in interest-bearing debt | (2,825) | (4,287) | CF from financing activities Repayment of long-term borrowings |
| | Other, net | (143) | (367) | |
| | Net cash provided by (used in) financing activities | (2,969) | (4,654) | |
| Increase (decrease) | Effect of exchange rate change | 182 | 163 | |
| Net increase (decrease) | | 959 | (210) | |
| Cash and cash equivalents at beginning of period | | 18,669 | 19,977 | |
| Cash and cash equivalents at end of period | | 19,628 | 19,767 | |

Changes in consolidated net sales by principal item

(Unit: millions of yen)

| | For the six months ended September 30, 2021 | | For the six months ended September 30, 2022 | | For the six months ended September 30, 2023 | | Year-on-year | |
|-------------------------------|--|----------------------|--|----------------------|--|----------------------|------------------|-------------------|
| | Amount | Composition ratio | Amount | Composition ratio | Amount | Composition ratio | Amount change | Percent change |
| Mobile cranes | | | | | | | | |
| Domestic sales | 14,074 | 45.5% | 14,275 | 54.5% | 15,682 | 53.0% | 1,406 | 9.9% |
| Overseas sales | 3,212 | 10.4% | 1,772 | 6.8% | 2,525 | 8.5% | 753 | 42.5% |
| Subtotal | 17,286 | 55.8% | 16,047 | 61.3% | 18,207 | 61.6% | 2,160 | 13.5% |
| Construction equipment | | | | | | | | |
| Domestic sales | 6,241 | 20.2% | 4,168 | 15.9% | 3,950 | 13.4% | (218) | (5.2)% |
| Overseas sales | 6,955 | 22.5% | 5,432 | 20.8% | 7,049 | 23.8% | 1,616 | 29.8% |
| Subtotal | 13,196 | 42.6% | 9,600 | 36.7% | 10,999 | 37.2% | 1,398 | 14.6% |
| Industrial equipment | | | | | | | | |
| Domestic sales | 474 | 1.5% | 522 | 2.0% | 314 | 1.1% | (207) | (39.7)% |
| Overseas sales | 0 | 0.0% | 0 | 0.0% | 46 | 0.2% | 45 | - |
| Subtotal | 475 | 1.5% | 523 | 2.0% | 361 | 1.2% | (161) | (31.0)% |
| Total | | | | | | | | |
| Domestic sales | 20,790 | 67.2% | 18,966 | 72.5% | 19,947 | 67.5% | 981 | 5.2% |
| Overseas sales | 10,168 | 32.8% | 7,205 | 27.5% | 9,621 | 32.5% | 2,415 | 33.5% |
| Total | 30,959 | 100.0% | 26,171 | 100.0% | 29,568 | 100.0% | 3,396 | 13.0% |

Mobile cranes



Domestic sales: Remained solid in line with a moderate economic recovery trend

Overseas sales: Strengthened sales activities mainly in Southeast Asia

Construction equipment

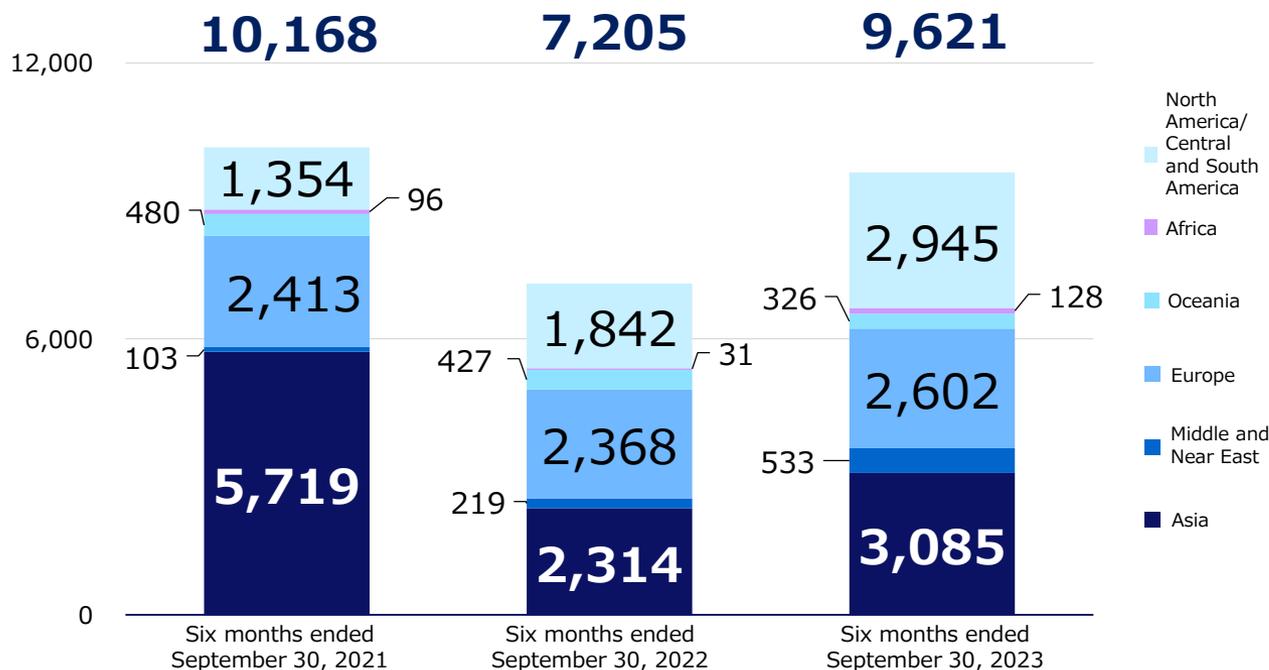


Domestic sales: Decreased due to intensified competition

Overseas sales: Driven mainly by the Americas market

Consolidated net sales by destination (excluding Japan)

(Unit: millions of yen)



Asia (up 33.3% year on year)

2,314 → 3,085 (up 770)
Sales decreased in China, but recovered in other Asian regions.

Europe (up 9.9% year on year)

2,368 → 2,602 (up 233)
Sales increased supported by solid construction demand.

Americas (up 59.9% year on year)

1,842 → 2,945 (up 1,103)
Sales increased due to increased demand for infrastructure development in North America and continued economic boom.

| | For the six months ended September 30, 2021 | | For the six months ended September 30, 2022 | | For the six months ended September 30, 2023 | | Year-on-year | | Composition ratio of total net sales |
|---|---|-------------------|---|-------------------|---|-------------------|---------------|----------------|--------------------------------------|
| | Amount | Composition ratio | Amount | Composition ratio | Amount | Composition ratio | Amount change | Percent change | |
| Asia | 5,719 | 56.2% | 2,314 | 32.1% | 3,085 | 32.1% | 770 | 33.3% | 10.4% |
| Middle and Near East | 103 | 1.0% | 219 | 3.1% | 533 | 5.5% | 313 | 142.5% | 1.8% |
| Europe | 2,413 | 23.7% | 2,368 | 32.9% | 2,602 | 27.0% | 233 | 9.9% | 8.8% |
| Oceania | 480 | 4.7% | 427 | 5.9% | 326 | 3.4% | (101) | (23.8)% | 1.1% |
| Africa | 96 | 0.9% | 31 | 0.4% | 128 | 1.3% | 96 | 304.5% | 0.4% |
| North America/Central and South America | 1,354 | 13.3% | 1,842 | 25.6% | 2,945 | 30.6% | 1,103 | 59.9% | 10.0% |
| Total overseas net sales | 10,168 | 100.0% | 7,205 | 100.0% | 9,621 | 100.0% | 2,415 | 33.5% | 32.5% |

Full-year consolidated financial results forecast for fiscal year ending March 31, 2024



(Unit: millions of yen)

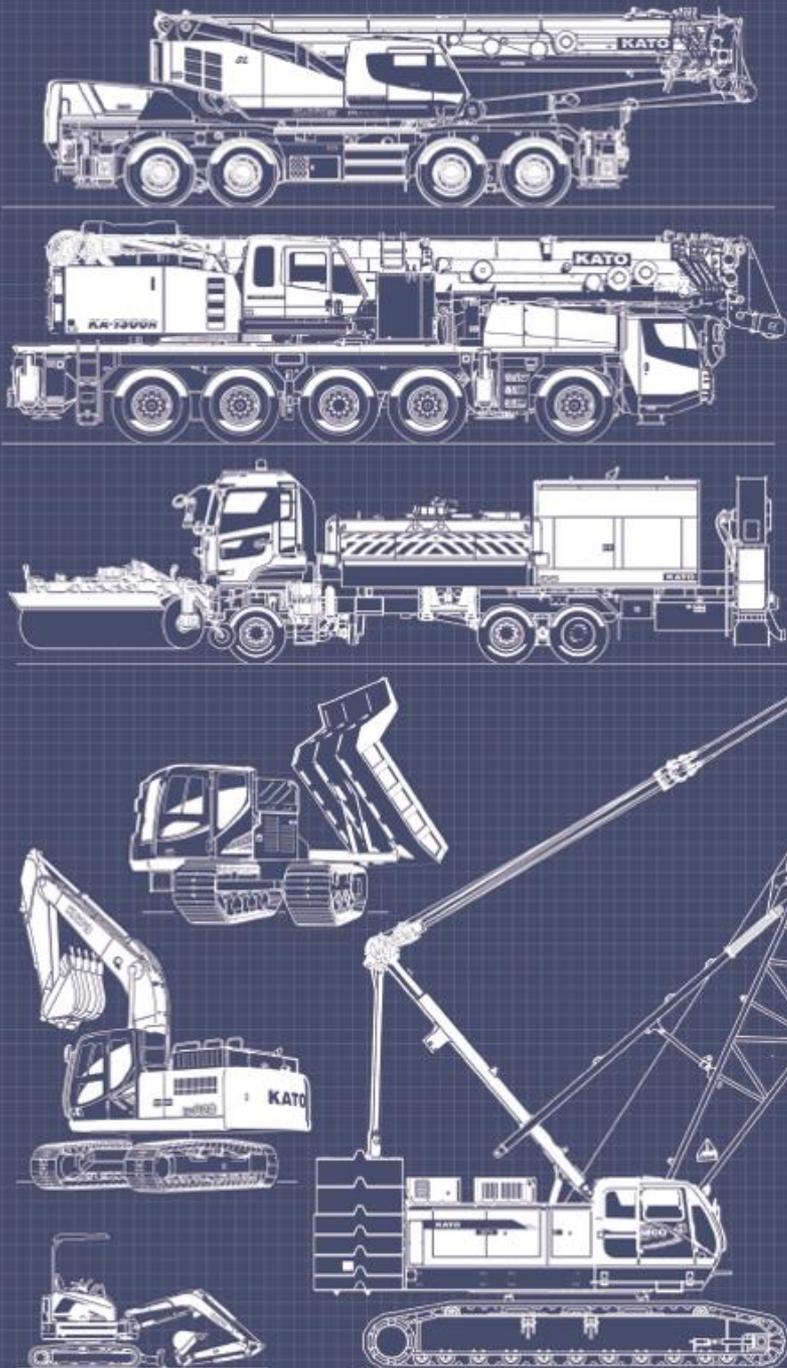
There are no revisions to the full-year consolidated financial results forecast and dividends for the fiscal year ending March 31, 2024 from those previously announced.

Going forward, in addition to the efforts of respective measures set forth in the medium-term management plan, we will focus on developing new products for rapid growth and expanding sales channels in Asia, where construction demand is strong.

Should there be any revisions to the financial results forecast, they will be announced promptly.

| Consolidated financial results forecast | FY ended March 31, 2023 | | FY ending March 31, 2024 (Forecast) | |
|---|-------------------------|--------|--|----------------|
| | Amount | Ratio | Amount | Percent change |
| Net sales | 57,530 | 100.0% | 60,000 | 104.3% |
| Operating profit | 1,258 | 2.0% | 1,200 | 95.4% |
| Ordinary profit | 1,865 | 3.0% | 900 | 48.3% |
| Profit attributable to owners of parent | 2,403 | 4.0% | 2,000 | 83.2% |

| Shareholder returns | | FY ended March 31, 2023 | FY ending March 31, 2024 |
|---------------------|----------|-------------------------|--------------------------|
| Dividend per share | Interim | 0.00 yen | 20.00 yen |
| | Year-end | 30.00 yen | 20.00 yen (forecast) |
| | Annual | 30.00 yen | 40.00 yen (forecast) |



TOPICS

Autonomous driving



Started demonstration experiment on autonomous driving of sweeper trucks

KATO WORKS CO., LTD. started a demonstration experiment on autonomous driving of sweeper trucks in the restricted areas of Chubu Centrair International Airport (Tokoname-shi, Aichi), in collaboration with Shinmei Industry Co., Ltd., Central Japan International Airport Co., Ltd., and Hino Motors, Ltd.

The Company introduced Japan's first autonomous driving car as a sweeper truck in the restricted areas of the airport, including airport runways and taxiways. We use a sweeper truck (vacuum suction type) that has been made highly functional through technological linkage between autonomous driving and sweeping, based on a small truck compatible with autonomous driving (equivalent to Level 2)*1.

*1 Equivalent to Level 2: Autonomous driving functions with personnel onboard checking safety in surroundings under specific conditions (advanced functionality)

SDGs/ESG



Launched a sustainability website

Under the management philosophy of “contributing to society by providing excellent products,” the Company manufactures and sells various types of material-handling machinery, construction machinery, and industrial machinery, having long helped to enrich people’s lives through our business.

In recent years, as environmental considerations, including the issue of global warming, have been increasingly emphasized, each company is required to take proactive measures toward the realization of a sustainable society. In 2023, we newly established a Sustainability Committee chaired by the President. Two subcommittees, “Environment” and “Human Resources,” have also been set up directly under the Committee to formulate measures for each theme from a medium- to long-term perspective and manage the progress. In addition to the activities of both subcommittees, ESG initiatives and various data will be updated on the website as needed.

New products



Started sales of IC70R, a 360-degree slewing crawler carrier

The Company started sales of IC70R, a brand-new 360-degree slewing crawler carrier, in May 2023. This new model has dramatically increased safety and transportability.

In terms of safety, the low center of gravity and control functions reduce the risk of overturning and other accidents. The direct visibility from the cabin is increased, greatly improving visibility for safer operation.

This model complies with the 2014 Standards of the Act on Regulations for Emissions from Non-Road Vehicles and the EPA Tier 4 Emission Standards, which are the standards for the previous model. Moreover, the engine equipped in this model complies with the European Stage V Non-Road Emission Standards, which began to be enforced in 2019, accelerating further environmental considerations.

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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