

Financial Results for the Fiscal Year Ended March 31, 2024

May 14, 2024

KATO WORKS CO., LTD.

株式
会社

加藤製作所

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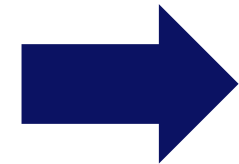
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Summary of consolidated financial results

Net sales

57,498 million yen

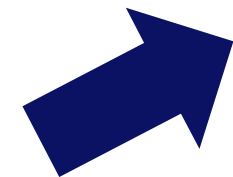
(Previous FY: 57,530 million yen, -0.1% year on year)



Operating profit

1,654 million yen

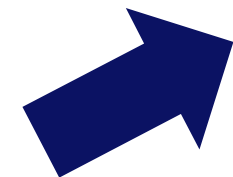
(Previous FY: 1,258 million yen, +31.4% year on year)



Ordinary profit

2,575 million yen

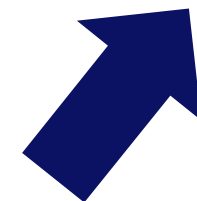
(Previous FY: 1,865 million yen, +38.1% year on year)



Profit attributable to owners of parent

4,235 million yen

(Previous FY: 2,403 million yen, +76.3% year on year)



Summary of consolidated financial results

(1) Net sales and profit

- Net sales are unchanged from the previous fiscal year at 57,498 million yen.
 - ✓ The ratio of overseas net sales increased from 28.8% to 33.3%.
 - ✓ Domestic net sales (40,961 => 38,360 million yen, -6.4% year on year)
 - ✓ Overseas net sales (16,569 => 19,138 million yen, +15.5% year on year)
- Operating profit increased 31.4% due to improved profitability and weaker yen.
- Ordinary profit increased 38.1% due to foreign exchange gains from weaker yen and increased rental income in the hotel business.
- Profit attributable to owners of parent increased 76.3% due to posting of -1,386 million yen of income taxes - deferred (which boosted profit) after reviewing recoverability of deferred tax assets.

(2) Status by segment (manufacturing base)

- Japan: Although the limited supply of major components for some mobile cranes has continued, exports for Asia has recovered. Sales of hydraulic excavators decreased due to increased competition in Japan, but exports for United States remained firm.
- China: Severe environment for sales continued due to a market downturn, and net sales were on a downtrend.
- Europe: Net sales are flat at the same level as the previous fiscal year.

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

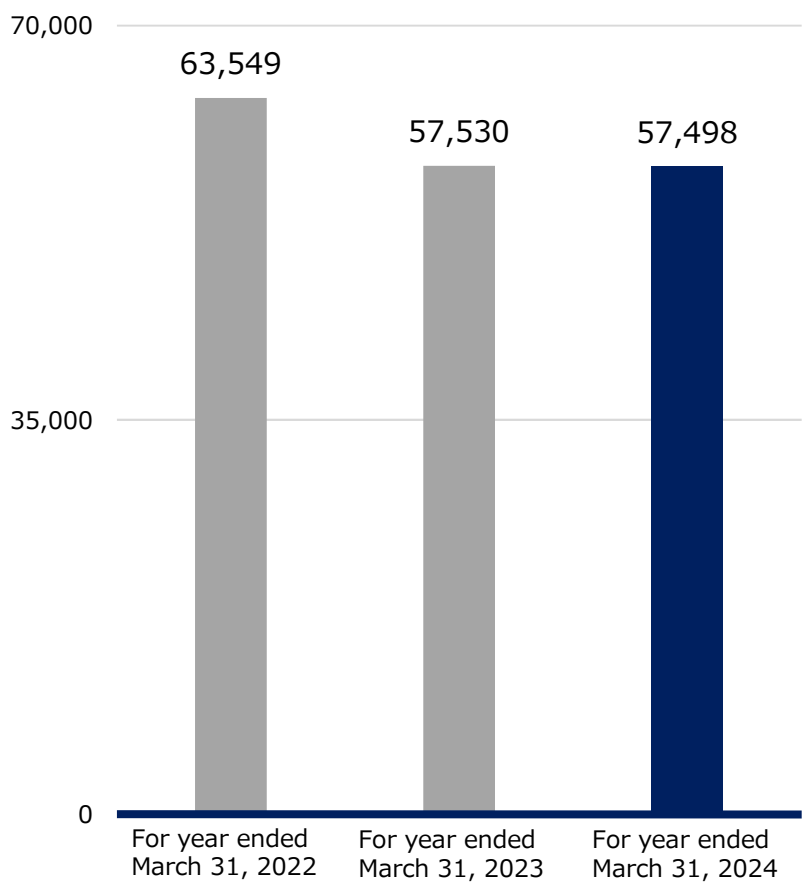
Changes in consolidated financial results



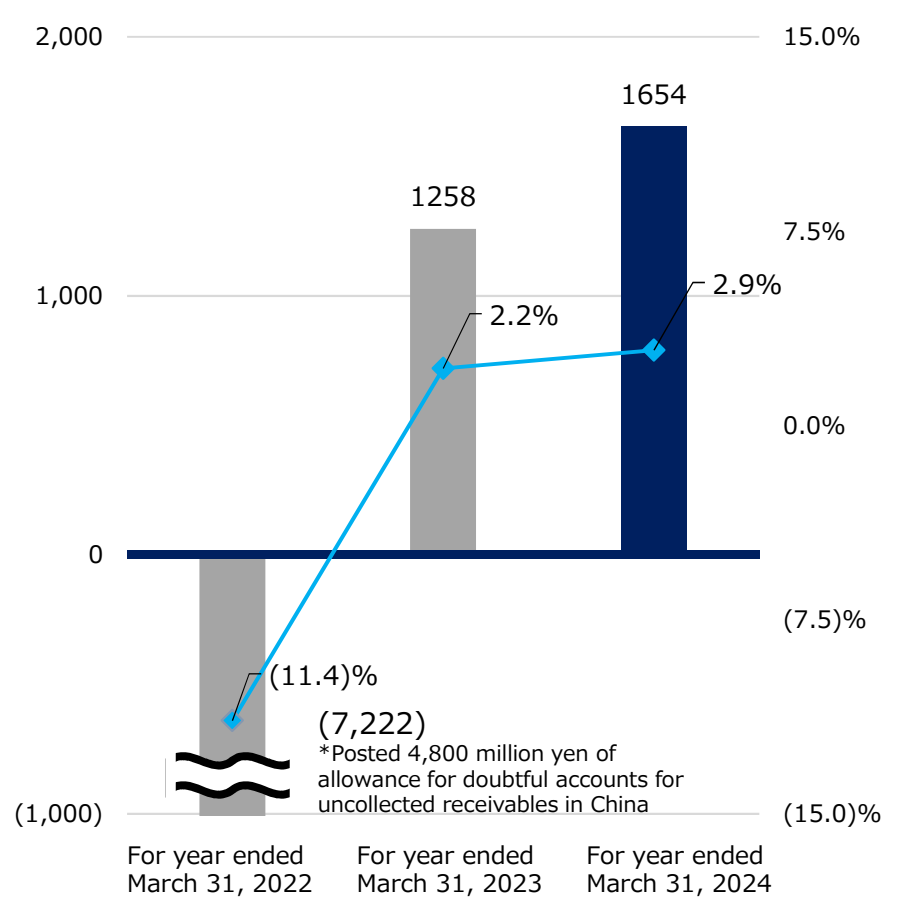
進化の奥の更なる真価へ

(Unit: millions of yen)

Net sales



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

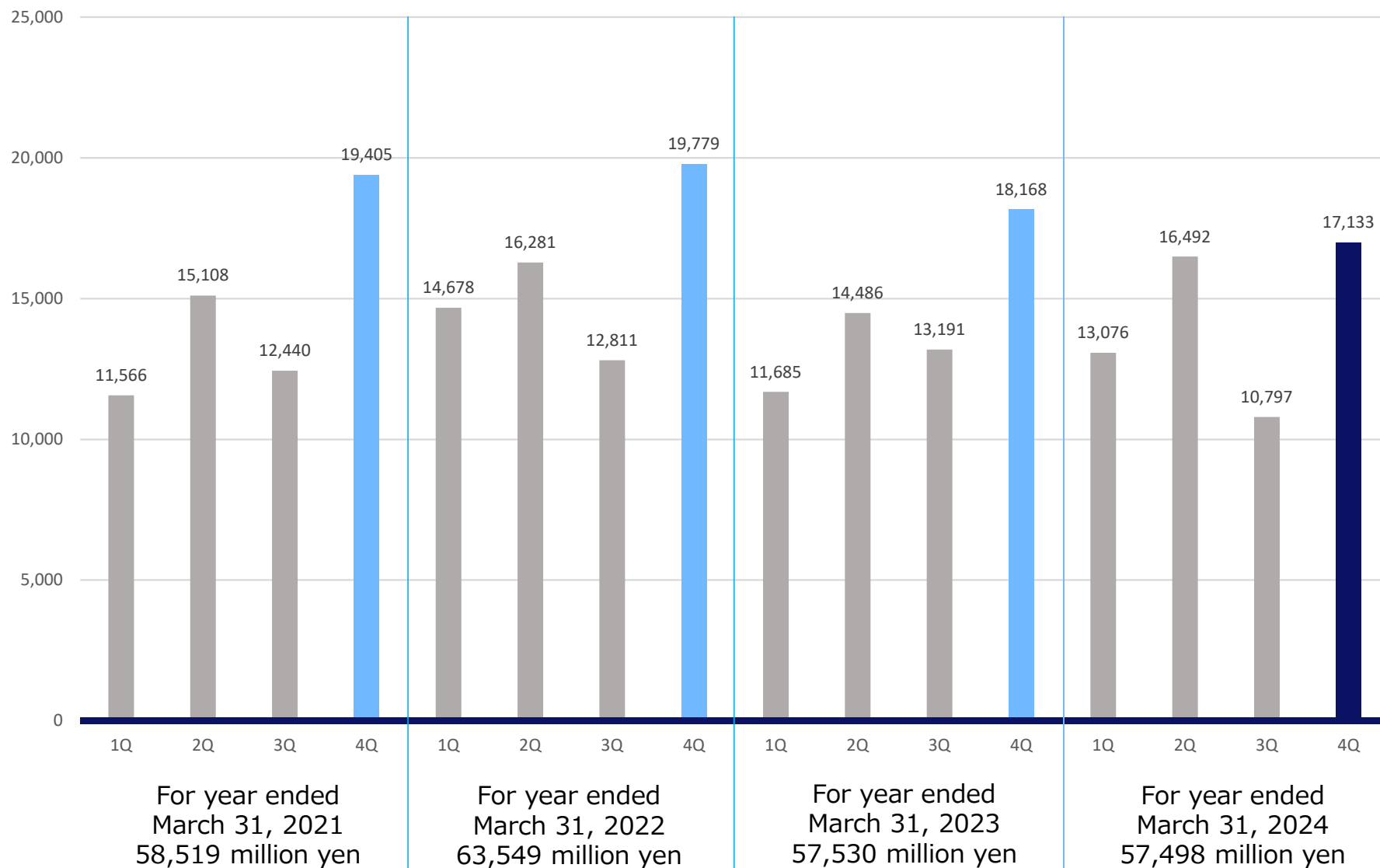


Changes in consolidated financial results (Changes in quarterly net sales)



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(Unit: millions of yen)



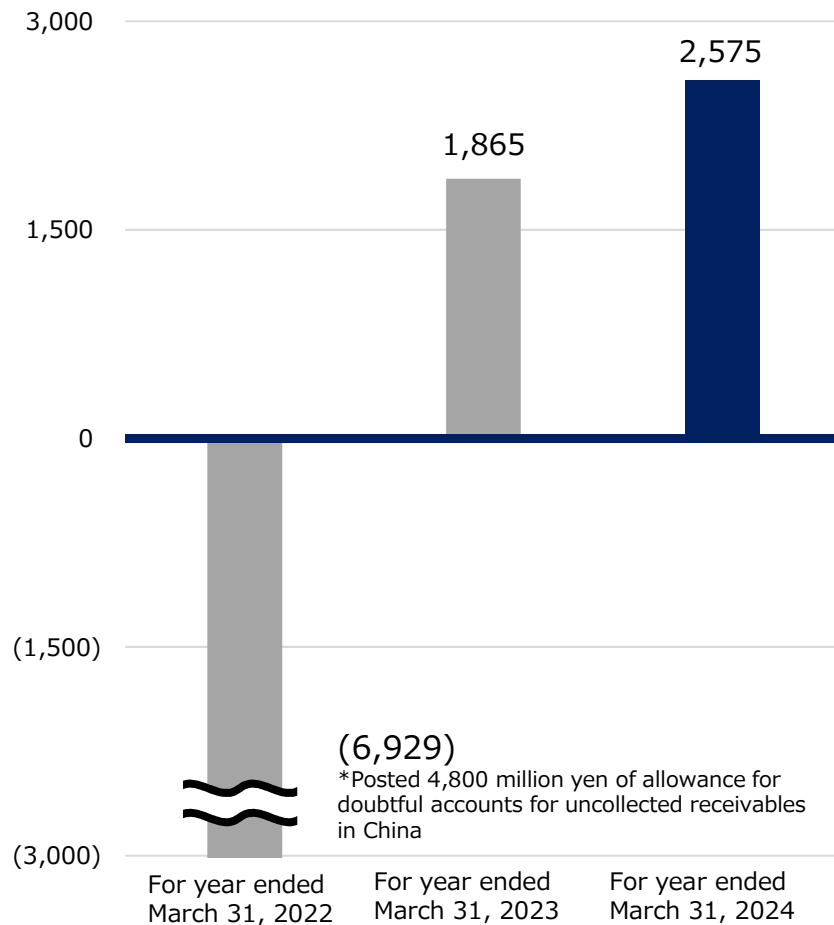
Changes in consolidated financial results



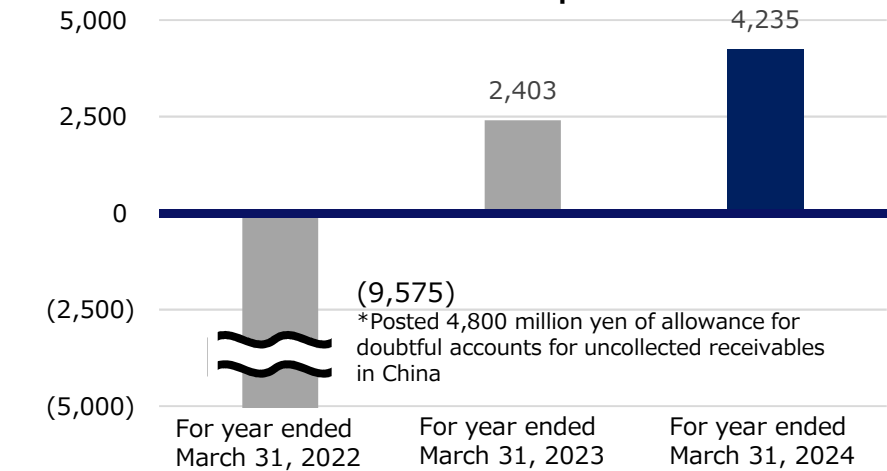
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(Unit: millions of yen)

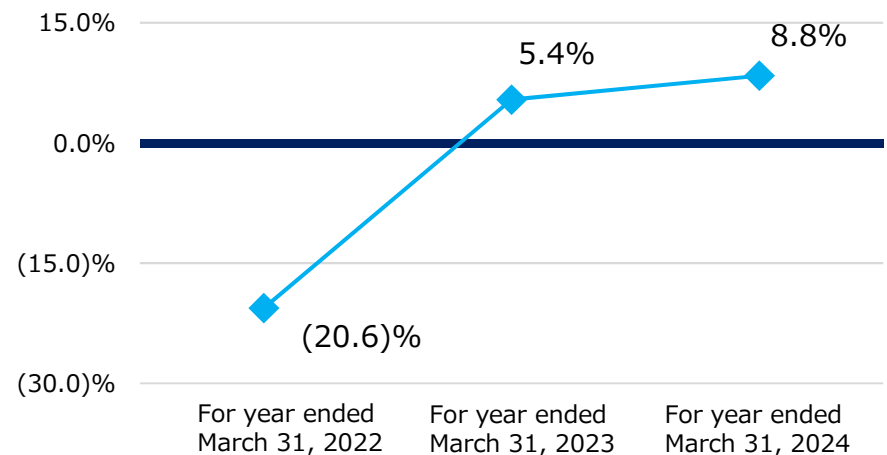
Ordinary profit (loss)



Profit (loss) attributable to owners of parent



ROE (Return on Equity)



Consolidated statement of income

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(Unit: millions of yen)

	For the year ended March 31, 2023		For the year ended March 31, 2024		Year-on-year	
	Amount	Percentage	Amount	Percentage	Amount change	Percent change
Net sales	57,530	100.0%	57,498	100.0%	(32)	(0.1)%
Cost of sales	48,429	84.2%	46,978	81.7%	(1,451)	(3.0)%
Gross profit	9,100	15.8%	10,520	18.3%	1,419	15.6%
Selling, general and administrative expenses	7,841	13.6%	8,866	15.4%	1,024	13.1%
Operating profit	1,258	2.2%	1,654	2.9%	395	31.4%
Non-operating income (expenses)	606	1.1%	921	1.6%	314	51.9%
Ordinary profit	1,865	3.2%	2,575	4.5%	709	38.1%
Extraordinary income (losses)	636	1.1%	531	0.9%	(105)	(16.5)%
Profit before income taxes	2,501	4.3%	3,106	5.4%	604	24.2%
Income taxes	49	0.1%	(992)	(1.7)%	(1,042)	-
Profit (loss) attributable to non-controlling interests	48	0.1%	(136)	(0.2)%	(185)	-
Profit (loss) attributable to owners of parent	2,403	4.2%	4,235	7.4%	1,832	76.3%
ROE		5.4%		8.8%		+3.4 points

Cost of sales ratio improved

Cost of sales ratio improved by 2.5 points from 84.2% to 81.7%. This is due to the measures for higher and enhanced profitability in the Medium-term Management Plan.

Non-operating income (expenses)

Foreign exchange gains from weaker yen increased by 271 million year on year. The increase of rental income in the hotel business expanded by 80 million yen year on year.

SGA expenses increased

SGA expenses increased by 1,024 million yen from 7,841 million yen to 8,866 million yen. Recovery of salary and bonus, etc. in the previous year has continued.

Income taxes

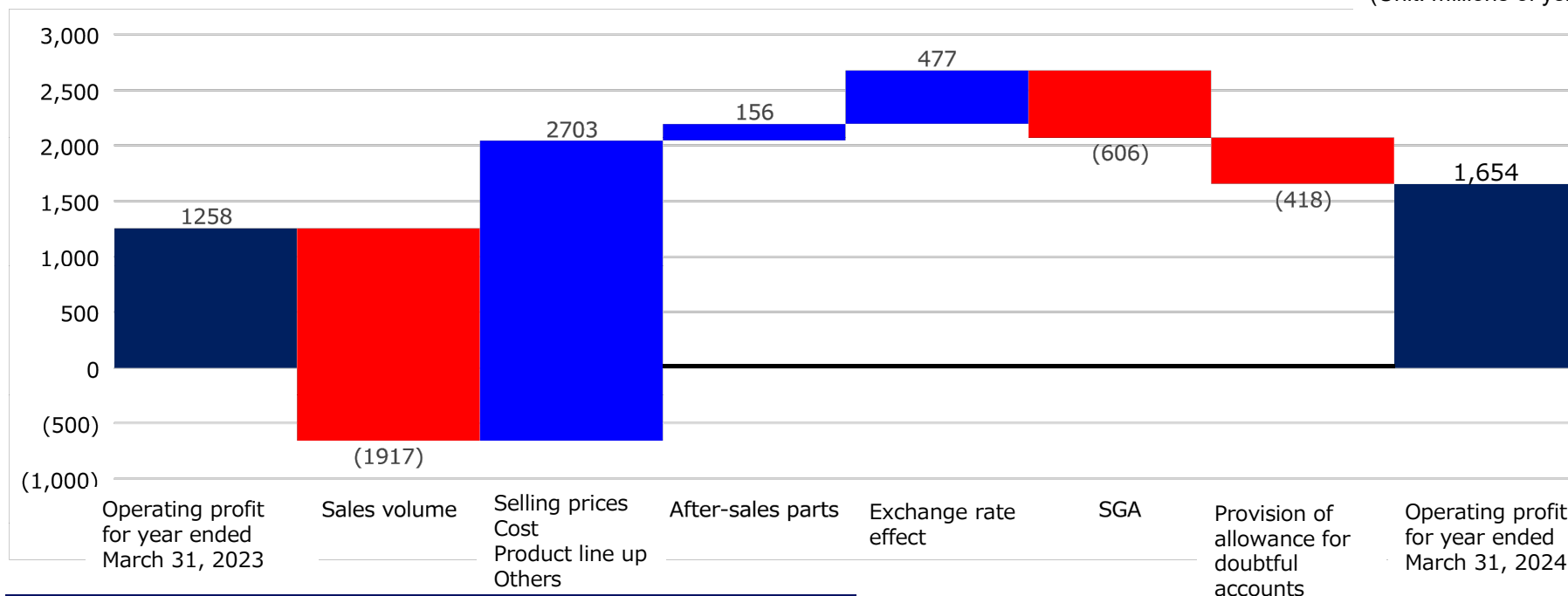
Posted -1,386 million yen of income taxes - deferred (which boosted profit) after reviewing recoverability of deferred tax assets.

Analysis of changes in operating profit (loss)



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(Unit: millions of yen)



Factors of changes in operating profit (loss)

- Decrease in sales volume (1,917) million yen
- Changes in selling prices/cost/product line up/others 2,703 million yen
- Sales enhancement of after-sales parts 156 million yen
- Fluctuation in exchange rates 477 million yen
- Increase in SGA (606) million yen
- Provision of allowance for doubtful accounts (418) million yen

1,654 million yen
+396 million yen
year on year

Although the sales volume decreased, repricing of the products and the measures for improved and enhanced profitability as well as weaker yen contributed to the increase of operating profit by 396 million yen year on year.

Consolidated balance sheet



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(Unit: millions of yen)

			As of March 31, 2023		As of March 31, 2024		Year-on-year	
			Amount	Percentage	Amount	Percentage	Amount change	
Assets	Current assets	Cash and deposits	19,977	20.2%	22,566	21.4%	2,589	Increase in trade receivables (+1,072 million yen) 25,060 million yen => 26,132 million yen Turnover period As of Mar. 31, 2023: 159 days => As of Mar. 31, 2024: 165.9 days
		Trade receivables	25,060	25.4%	26,132	24.8%	1,072	
		Inventories	31,583	32.0%	35,521	33.7%	3,938	Increase in inventories (+3,938 million yen) 31,583 million yen => 35,521 million yen Turnover period As of Mar. 2023: 200.4 days => As of Mar. 2024: 225.5 days
		Other	(948)	(1.0)%	(1,405)	(1.3)%	(457)	
		Total current assets	75,672	76.6%	82,814	78.6%	7,142	
	Non-current assets	Property, plant and equipment	19,131	19.4%	16,833	16.0%	(2,297)	Decrease in Property, plant and equipment (-2,297 million yen) 19,131 million yen => 16,833 million yen Sale of factory facilities in Thailand (-1,418 million yen) Impairment of factory in China (-764 million yen)
		Intangible assets	414	0.4%	706	0.7%	291	
		Investments and other assets	3,580	3.6%	4,976	4.7%	1,395	
		Total non-current assets	23,126	23.4%	22,515	21.4%	(611)	
	Total assets	98,799	100.0%	105,330	100.0%	6,531		
Liabilities and Net assets	Liabilities	Trade payables	13,942	14.1%	13,624	12.9%	(318)	Increase in investments and other assets (+1,395 million yen) 3,580 million yen => 4,976 million yen Posted deferred tax assets (1,448 million yen)
		Interest-bearing debt	34,151	34.6%	36,357	34.5%	2,205	
		Other	3,799	3.8%	3,797	3.6%	(1)	
		Total liabilities	51,893	52.5%	53,779	51.1%	1,886	
	Net assets	Retained earnings	30,781	31.2%	34,431	32.7%	3,649	Increase in interest-bearing debt (+2,205 million yen) 34,151 million yen => 36,357 million yen Increased due to refinancing with repayments of long-term borrowings
		Valuation and translation adjustments	4,901	5.0%	5,977	5.7%	1,076	
		Other	11,223	11.4%	11,141	10.6%	(81)	
		Total net assets	46,906	47.5%	51,551	48.9%	4,644	
Total liabilities and net assets	98,799	100.0%	105,330	100.0%	6,531			

Consolidate statement of cash flows

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(Unit: millions of yen)

		For the year ended March 31, 2023	For the year ended March 31, 2024
		Amount	Amount
Cash flows from operating activities	Profit (loss) before income taxes	2,501	3,106
	Depreciation	1,576	1,424
	Decrease (increase) in trade receivables	3,736	(178)
	Decrease (increase) in inventories	730	(3,905)
	Increase (decrease) in trade payables	517	(761)
	Other, net	(2,592)	(382)
Net cash provided by (used in) operating activities		6,471	(696)
Cash flows from investing activities	Purchase of property, plant and equipment	(197)	(852)
	Other, net	1,567	2,480
Net cash provided by (used in) investing activities		1,369	1,627
Cash flows from financing activities	Increase (decrease) in interest-bearing debt	(6,477)	1,986
	Other, net	(129)	(584)
Net cash provided by (used in) financing activities		(6,606)	1,401
Increase (decrease)	Effect of exchange rate change	73	56
	Net increase (decrease)	1,308	2,389
Cash and cash equivalents at beginning of period		18,669	19,977
Cash and cash equivalents at end of period		19,977	22,366
Balance of interest-bearing debt		34,151	36,357

CF from operating activities

- Increase of inventories due to production increase

CF from investing activities

- Sale of factory facilities in Thailand
- Acquisition of factory facilities and software

CF from financing activities

- Repayment of long-term borrowings
- Financing for future production increase

Changes in consolidated net sales by principal item



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(Unit: millions of yen)

	For the year ended March 31, 2022		For the year ended March 31, 2023		For the year ended March 31, 2024		Year-on-year	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount change	Percent change
Mobile cranes								
Domestic sales	30,889	48.6%	31,521	54.8%	29,673	51.6%	(1,847)	(5.9)%
Overseas sales	6,274	9.9%	3,669	6.4%	4,560	7.9%	891	24.3%
Subtotal	37,163	58.5%	35,190	61.2%	34,234	59.5%	(956)	(2.7)%
Construction equipment								
Domestic sales	11,463	18.0%	8,533	14.8%	7,803	13.6%	(730)	(8.6)%
Overseas sales	13,825	21.8%	12,898	22.4%	14,504	25.2%	1,606	12.5%
Subtotal	25,288	39.8%	21,431	37.3%	22,308	38.8%	876	4.1%
Industrial equipment								
Domestic sales	1,078	1.7%	906	1.6%	883	1.5%	(23)	(2.6)%
Overseas sales	17	0.0%	1	0.0%	72	0.1%	70	-
Subtotal	1,096	1.7%	908	1.6%	955	1.7%	47	5.2%
Total								
Domestic sales	43,431	68.3%	40,961	71.2%	38,360	66.7%	(2,601)	(6.4)%
Overseas sales	20,117	31.7%	16,569	28.8%	19,138	33.3%	2,568	15.5%
Total	63,549	100.0%	57,530	100.0%	57,498	100.0%	(32)	(0.1)%

Mobile cranes

Domestic sales: Despite stable orders, net sales are flat at the same level as the previous fiscal year due to limited supply of major components for some mobile cranes.
Overseas sales: Strengthened sales activities in Asia

Construction equipment

Domestic sales: Net sales decreased due to increased competition.
Overseas sales: China market was sluggish while net sales for North American market was strong.

Principal items

Mobile cranes



Mobile cranes

They can be used in various sites due to their superior traveling performance. They can work on narrow roads, and thus are used for the construction of buildings, houses and infrastructures.

Line up

Rough terrain cranes (cabin integrated for traveling and crane operation)

10 models with 4.9-80t maximum lifting capacity in Japan and 8 models with 13-70t maximum lifting capacity overseas

All terrain cranes (cabins separated for traveling and crane operation)

4 models with 110-300t maximum lifting capacity in Japan and 3 models with 110-130t maximum lifting capacity overseas

Crawler cranes

6 models in Japan and 6 models overseas

Construction equipment



Hydraulic excavators

They have superior traveling performance on rough terrain, and are used for developing land for construction and demolishing structures.

Mid- and large-sized excavators (vehicle body weight: 8-50 tons)

Line up

8 models in Japan and 11 models overseas

Mini excavators

(vehicle body weight: 0.9-10 tons)

Line up

13 models in Japan and 24 models overseas



Crawler carriers

They are used for carrying materials on rough terrain, such as civil works and forestry.

Line up

7 models in Japan and 5 models overseas

Industrial equipment



Street sweepers

Having both high ability to clean up and a compact size

Line up

2 models in Japan



Vacuum trucks

Sucking various objects from sludge to powder and granular materials

Line up

9 models in Japan



Snow sweepers

Adopting a powerful brush and blowing method, and realizing speedy and efficient snow removal

Line up

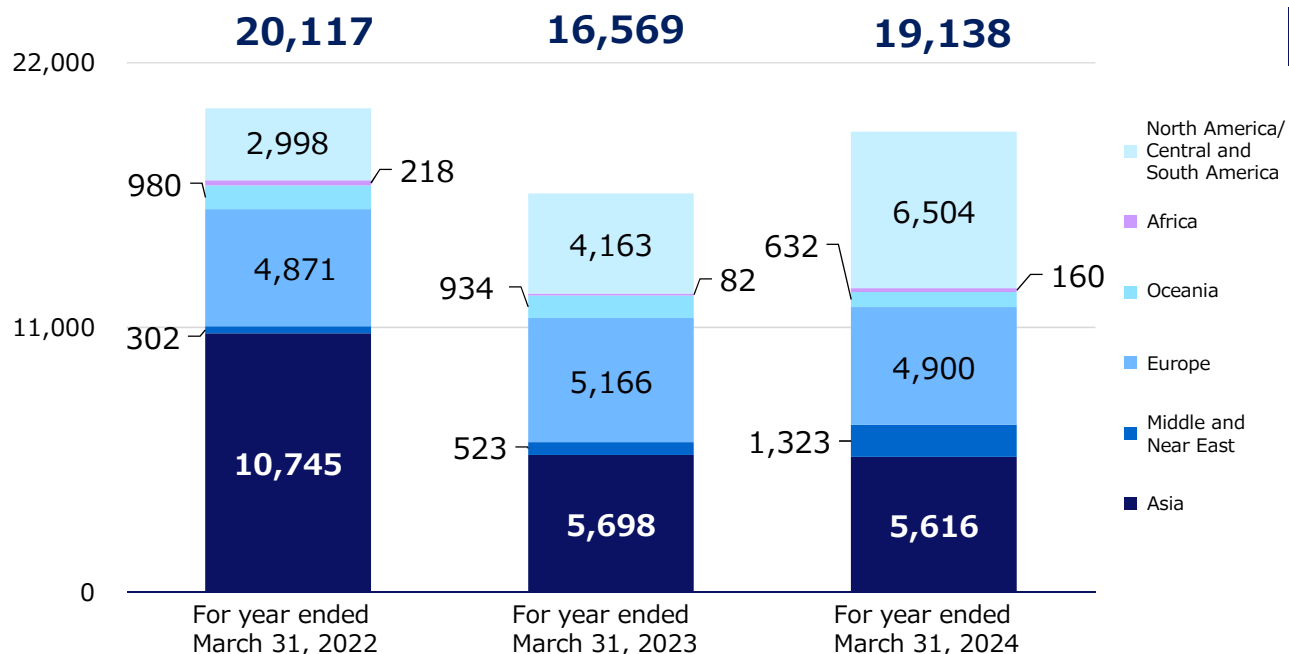
5 models in Japan

Consolidated net sales by destination (excluding Japan)



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(Unit: millions of yen)



Asia (down 1.4% year on year)
5,698 million yen => 5,616 million yen (-81 million yen)
Despite continued sluggish China market, sales activities were enhanced in Southeast Asia.

Europe (down 5.1% year on year)
5,166 million yen => 4,900 million yen (-265 million yen)
Decreased slightly due to slowdown in construction demand

North America/Central and South America (up 56.2% year on year)
4,163 million yen => 6,504 million yen (+2,340 million yen)
Increased significantly due to the increase in infrastructure demand in North America and the effect of foreign exchange rates

	For the year ended March 31, 2022		For the year ended March 31, 2023		For the year ended March 31, 2024		Year-on-year		Composition ratio of total net sales
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Amount change	Percent change	
Asia	10,745	53.4%	5,698	34.4%	5,616	29.3%	(81)	(1.4)%	9.8%
Middle and Near East	302	1.5%	523	3.2%	1,323	6.9%	799	152.5%	2.3%
Europe	4,871	24.2%	5,166	31.2%	4,900	25.6%	(265)	(5.1)%	8.5%
Oceania	980	4.9%	934	5.6%	632	3.3%	(302)	(32.4)%	1.1%
Africa	218	1.1%	82	0.5%	160	0.8%	78	94.1%	0.3%
North America/Central and South America	2,998	14.9%	4,163	25.1%	6,504	34.0%	2,340	56.2%	11.3%
Total overseas net sales	20,117	100.0%	16,569	100.0%	19,138	100.0%	2,568	15.5%	33.3%

Notice concerning the appropriation of surplus (dividend increase)



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	Amount of previous year (For the year ended March 31, 2023)	Latest forecast (Announced February 13, 2024)	Actual amount
Interim dividend	—	20 yen	20 yen
Year-end dividend	30 yen	30 yen	45 yen
Total	30 yen	50 yen	65 yen

Reasons for dividend increase

At the meeting of the Board of Directors held on May 14, 2024, the Company resolved the amendment to the year-end dividend for the 125th fiscal year with a record date of March 31, 2024 as above, which was announced on the same day.

This is set to be officially decided following the Annual General Meeting of Shareholders to be held on June 27, 2024.

As a basic principle, the Company shall, based on its belief that the return of profits to shareholders is one of its most important management tasks, continue to pay stable dividend while comprehensively taking into account such factors as financial results for each period, dividend payout ratio, and internal reserves needed for future growth.

The full-year financial results for the fiscal year ended March 31, 2024 has beaten the last forecast announced February 13, 2024. Therefore, based on the above policy, the Company has decided to revise (upward) the amount of year-end dividend for the year ended March 31, 2024 from the previously announced 30 yen per share to 45 yen per share. This resulted in 65 yen full-year dividend for the year ended March 31, 2024.

Full-year consolidated financial results forecast for fiscal year ending March 31, 2025



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(Unit: millions of yen)

In addition to improving and enhancing profitability, improving the financial structure and building future business foundations in the last year of the current Medium-term Management Plan, the Group completes the “Global Strategy Map” by retaining the markets in Europe and Americas and rebuilding the businesses in Asian region, and makes its working capital more efficient to achieve a big step in the next Medium-term Management Plan.

For the full-year consolidated financial results forecast for fiscal year ending March 31, 2025, the Group forecasts 70 billion yen of net sales (+21.7% year on year), 2.1 billion yen of operating profit (+27.0% year on year) due to the increase of domestic production and sales, and 1.5 billion yen of ordinary profit (-41.8% year on year) due to uncertainty about foreign exchange.

For the profit attributable to owners of parent, as described in "Readjustments of mini excavator business in China" announced on May 14, 2024, we are now readjusting our overseas business portfolio such as businesses in China and new businesses in India. The forecast for profit attributable to owners of parent will be published as soon as it is known.

	For year ended March 31, 2024		For year ending March 31, 2025 (Forecast)	
	Amount		Amount	Percent change
Net sales	57,498		70,000	21.7%
Operating profit (loss)	1,654		2,100	27.0%
Ordinary profit (loss)	2,575		1,500	(41.8)%
Profit (loss) attributable to owners of parent	4,235		Under examination	—
Dividend per share	Interim	20.00 yen	TBD	—
	Year-end	45.00 yen	TBD	—
	Annual	65.00 yen	TBD	—

The Company's meeting continued listing criteria for Prime Market



The Company did not meet the "tradable share market capitalization" of the continued listing criteria for Prime Market stipulated by Tokyo Stock Exchange, as of March 31, 2023. However, as a result of various initiatives, the Company met all continued listing criteria for Prime Market including the "tradable share market capitalization" as of March 31, 2024 as below.

		No. of shareholders	No. of tradable shares	Tradable share market capitalization	Tradable share ratio	Daily average trading value
The Company's meeting continued listing criteria	As of March 31, 2023	6,575	92,302 units	8.0 billion yen	78.5%	20 million yen
	As of March 31, 2024	6,250	90,908 units	13.2 billion yen	77.4%	120 million yen
Continued listing criteria		800 or more	20,000 units or more	10.0 billion yen or more	35.0% or higher	20 million yen or more
Met or not as of March 31, 2024		Met	Met	Met	Met	Met

The Company continues to work on "Improvement of corporate value," "Enhancement of return of profits to shareholders" and "Enhancement of IR."

Readjustments of mini excavator business in China



For the mini excavator business where the Company's joint venture (subsidiary), Kato SCE (Xiamen) Construction Machinery Co., Ltd. ("KATO SCE") is producing and selling mini excavators in Xiamen City, Fujian Province, CHINA, assuming the liquidation of KATO SCE, the Company is now negotiating with its joint venture partner ("JV Partner") not to renew the joint venture agreement between the JV Partner and the Company which will expire in June 2024, including the disposition of the shares held by such two companies.

KATO SCE was established by jointly funded by IHI Construction Machinery Limited (acquired by the Company thereafter) and SCE Construction Machinery Co., Ltd. in Hong Kong in 2004. After licensing of technology, KATO SCE started producing and selling mini excavators in the following year. Since then, the sales and sales volume of KATO SCE have steadily increased helped by the rapid economic growth of China and high evaluation of the products from the market. Even during the period of economic slowdown in China, KATO SCE have remained in surplus and have delivered strong business results.

In recent years, however, severe business environment has continued, such as decrease in demand for construction machines due to the slowdown of infrastructure investments arising from the slump in real estate business in addition to the rise of the Chinese local manufacturers, and we now see no prospect for recovery.

In such a situation, after examining the future prospect of KATO SCE's business and risks in case of its continuation, the Company has judged it necessary not to renew the joint venture agreement and to fundamentally review the business including the liquidation of KATO SCE. This is a part of the readjustments of our overseas business portfolio for the formulation of foundation for the future ("selection and concentration") described in the current Medium-term Management Plan. As described in "Suspension of production in Kato SCE (Xiamen) Construction Machinery Co., Ltd." announced in March 8, 2024, the Company is now fundamentally reviewing our business, including this case, assuming the liquidation of two manufacturing bases in China which has played a part in the Group's business results for a long time.

Meanwhile, for a next step, in order to form the business foundation in India which has grown to the world's largest populous country by surpassing China as a new growing market, the Company has created the "Office for Indian Business" in the headquarters in January 2024. In addition to capturing huge demand for construction machines in India, a new major market replacing China, the Company will expand its market area including neighbor countries around India to which the Company has not approached so far, and secure medium-and-long term revenues sources.

(Reference)

Company profile of Kato SCE (Xiamen) Construction Machinery Co., Ltd.

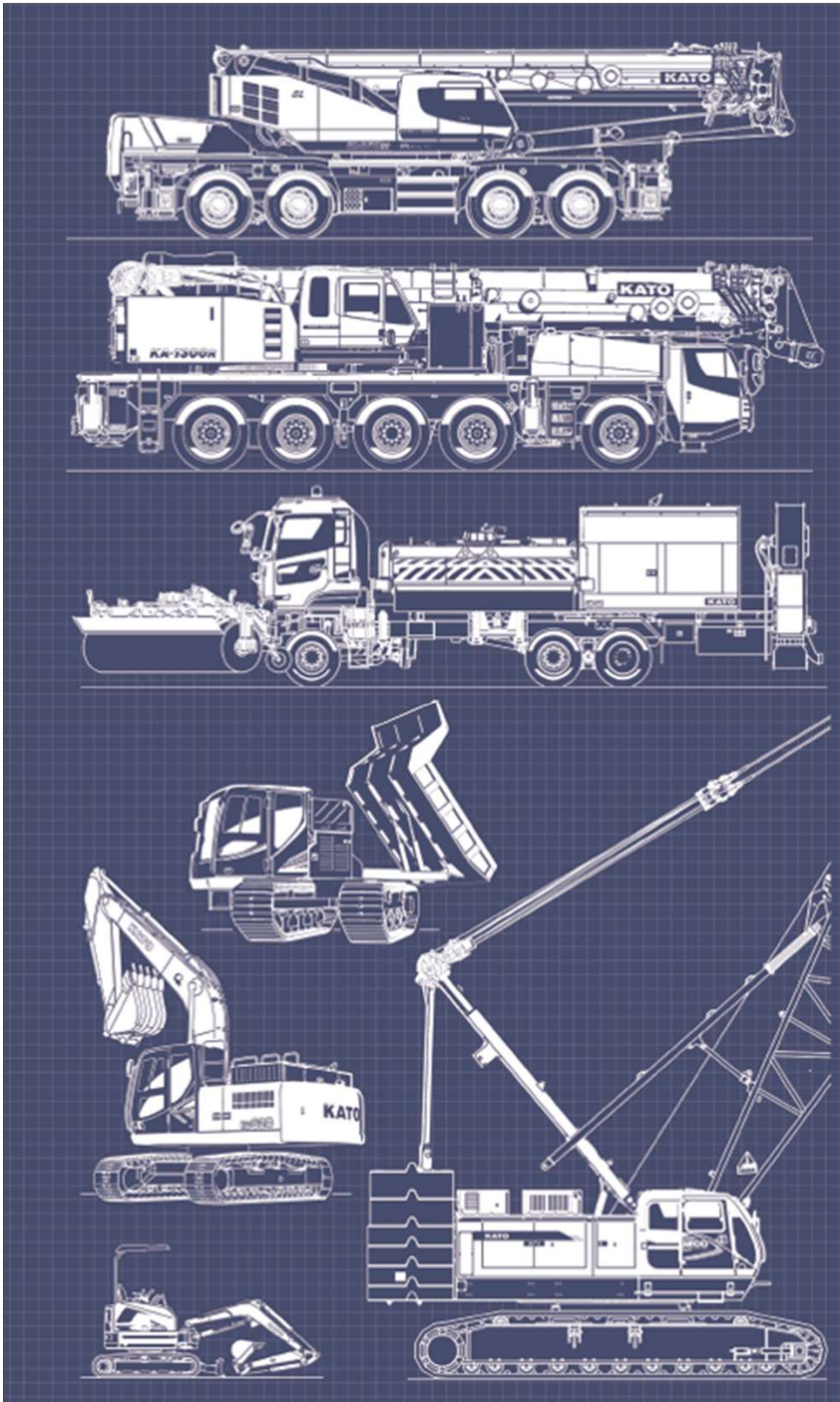
Company name: Kato SCE (Xiamen) Construction Machinery Co., Ltd.

Location: Xiamen City, Fujian Province, CHINA

Date of establishment: October 22, 2004

Capital: 30 million RMB (holding 51.0% of shares)

Business description: Production and sales of products and parts such as hydraulic excavators



TOPICS

TOPICS (1)

Popularizing eco-friendly construction machines in Japan Adding equipment to curb CO₂ emission more to Hybrid Roughter!



The Company partially changed the development program of "Hybrid Roughter" which the Company is now promoting, and will add the unit that uses the outside power source to curb CO₂ emission more and prepare for its mass production.

This change to the development program is to pursue "Eco-friendly rough terrain cranes" as is the concept of Hybrid Roughter. Hybrid Roughter can operate with electricity by using such unit in crane work, and can curb CO₂ emission more in crane work.

As a construction machines manufacturer, the Company has established its basic policy for sustainability to continuously work on solving the environmental and social issues and contribute to the realization of sustainable society through new technology. The Company will develop and popularize Hybrid Roughter with high economic rationality, and aim to sustainably reduce total CO₂ emission.

With the change to the program that such unit and the equipment for connecting such unit to Hybrid Roughter shall be equipped on all construction machines as standard equipment, the commercial launch of Hybrid Roughter, which was previously scheduled to be in spring in 2024, is postponed. The time of launch and the details of the product will be announced as soon as decided. We hope you will look forward to the launch of evolved Hybrid Roughter!

TOPICS (2)

New rough terrain crane with 60t maximum lifting capacity "SL-600RfIII" was launched in April



The model has inherited various performance of its previous model, SL-600RfII and is a rough terrain crane which is eco-friendly while realizing high crane performance, jib specifications, efficient and comfortable work, and higher safety.

The model is a more eco-friendly product than a previous model by adopting the engine that meets the latest exhaust emission regulations.

Standard retail price: 86 million yen
(tax excluded)

* Sales price varies depending on equipment.

Sales target: 100 unit/year

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

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