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February 13, 2026

Company name: KATO WORKS CO., LTD.
 Representative: Kimiyasu Kato,
 President and Representative Director
 (Code number: 6390)
 Contact: Hidetada Yanagihara,
 Executive Officer and General Manager,
 Finance Control Department
 (Phone: +81-3-3458-1130)

Notice Regarding the Recording of Extraordinary Income Arising from the Deconsolidation of an Overseas Subsidiary and the Revision of Earnings Forecasts

KATO WORKS CO., LTD. hereby announces that, in connection with the “Notice Regarding the Completion of Transfer of Equity Interest in a Consolidated Subsidiary and Recording of Extraordinary Income (Progress of Disclosure)” announced on October 29, 2025, the accounting treatment for the consolidated financial statements associated with the completion of the transfer of the overseas subsidiary has now been finalized, and the amount of extraordinary income to be recorded has been determined. Accordingly, the Company has revised its consolidated earnings forecasts for the fiscal year ending March 31, 2026, which were previously announced on November 13, 2025, as set forth below.

1. Revisions to the forecast

Revisions to the full-year consolidated financial results forecast for the fiscal year ending March 31, 2026 (April 1, 2025 to March 31, 2026)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	57,000	(500)	(1,000)	200	17.42
Revised Forecasts (B)	57,000	(500)	(1,000)	5,800	508.60
Change (B-A)	-	-	-	5,600	
Change (%)	-	-	-	-	
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2025)	52,932	903	1,401	(6,033)	(514.48)

2. Reason for the revisions

In connection with the “Notice Regarding the Completion of Transfer of Equity Interest in a Consolidated Subsidiary and Recording of Extraordinary Income (Progress of Disclosure)” announced on October 29, 2025, the final transfer price for KATO WORKS (CHINA) LTD., the company subject to the transfer, has been finalized.

As a result, the gain on sale of shares of a subsidiary is expected to increase from the previously estimated 1.5 billion yen to 1.8 billion yen.

In addition, with the completion of the transfer and the deconsolidation of this subsidiary, the foreign currency translation adjustments of 5.3 billion yen, which had been recorded in the net assets section of the consolidated balance sheet, will be reversed and added to the gain on sale of shares of a subsidiary. Accordingly, the total gain on sale of shares of a subsidiary, which is recorded as extraordinary income, will amount to 7.1 billion yen. As this significantly exceeds the previous forecast, we are revising upward Profit attributable to Owners of Parent.

This revision to the earnings forecast is primarily due to changes in the amount of extraordinary income resulting from the finalization of accounting treatment associated with the deconsolidation of the overseas subsidiary. There are no changes to net sales, operating profit, or ordinary profit from the previously announced forecast.

The foreign currency translation adjustments had been recorded as a positive amount in the net assets section of the consolidated balance sheet, thereby increasing total net assets; however, upon deconsolidation, this amount will be removed from net assets. On the other hand, the amount reversed will be recorded as extraordinary income and will increase retained earnings through Profit attributable to Owners of Parent, resulting in the two effects being offset within the net assets section.

Accordingly, the portion of the gain on sale of shares of a subsidiary attributable to the reversal of foreign currency translation adjustments represents a reclassification adjustment of accumulated other comprehensive income and has only a limited impact on total net assets. As it does not involve any new cash flows, there is no revision to the dividend forecast accompanying this revision to the earnings forecast.

*The financial results forecast and other forward-looking statements described herein are based on the information currently available to the Company and certain assumptions that the Company considers reasonable, and actual financial results may significantly differ from the forecast and statements due to various factors.

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