

Consolidated Financial Results < under Japanese GAAP >

For Six Months Ended September 30 ,2022

November 11 ,2022

Company name:	Kitagawa Corporation
Listing:	Tokyo Stock Exchange
Securities code:	6317
URL:	https://www.kiw.co.jp/
Representative:	Yuji Kitagawa, Representative Director, Chairman, President and Executive Officer
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Telephone:	+81-847-45-4560
Scheduled date to file quarterly securities report:	November 11 ,2022
Scheduled date to commence dividend payments:	December 1 ,2022
Preparation of supplementary material on quarterly financial results:	Yes
Holding of quarterly financial results briefing:	Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for six months ended September 30 ,2022

(from April 1 ,2022 to September 30 ,2022)

(1) Consolidated operating results (% indicate change from same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six Months ended September 30 ,2022	28,070	1.6	50	(94.9)	607	(50.9)	30	(95.4)
September 30 ,2021	27,620	28.9	975	—	1,237	—	656	—

Note	Comprehensive income :	For six months ended September 30 ,2022	1,233 million yen	(6.9) %
		For six months ended September 30 ,2021	1,324 million yen	— %

	Basic earnings per share	Diluted earnings per share
Six Months ended	Yen	Yen
September 30 ,2022	3.24	—
September 30 ,2021	70.11	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30 ,2022	74,156	37,552	49.9
March 31 ,2022	73,311	36,735	49.6

Reference:	Equity	As of September 30 ,2022	37,005 million yen
		As of March 31 ,2022	36,326 million yen

2. Dividends

	dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY March 2022	—	25.00	—	25.00	50.00
FY March 2023	—	30.00			
FY March 2023 (forecast)			—	20.00	50.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated Financial Forecast(April 1 ,2022 through March 31 ,2023)

(% indicate year-on-year changes from full of fiscal year.)

	Net sales		Operating income		ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	60,000	2.3	300	(85.7)	1,200	(60.8)	100	—	10.78

Note: Revisions to the financial results forecast announced most recently:

Yes

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No

Newly included: —

Excluded: —

- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

- (3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: No

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatement: No

- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30 ,2022	9,650,803	shares
As of March 31 ,2022	9,650,803	shares

- (ii) Number of treasury shares at the end of the period

As of September 30 ,2022	418,647	shares
As of March 31 ,2022	289,782	shares

- (iii) Average number of shares outstanding during the period

For six months ended September 30 ,2022	9,280,694	shares
For six months ended September 30 ,2021	9,361,796	shares

Quarterly financial results reports are not audited by certified public accountants or auditing firms.

Explanation for the appropriate use of performance forecasts and other special notes:

The statements regarding forecast of financial results in this report are based on the information that is available, as well as estimates, assumptions and projections that are believed to be reasonable at the time of publication, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ from forecast values.

Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

As of	March 31,2022	September 30 ,2022
Assets		
Current assets		
Cash and deposits	8,852	9,605
Notes and accounts receivable - trade, and contract assets	11,959	11,598
Electronically recorded monetary claims - operating	7,446	5,584
Merchandise and finished goods	4,372	4,338
Work in process	4,560	5,108
Raw materials and supplies	2,644	3,003
Other	755	864
Allowance for doubtful accounts	(18)	(16)
Total current assets	40,573	40,086
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,154	6,753
Machinery, equipment and vehicles, net	10,620	12,554
Other, net	7,833	6,394
Total property, plant and equipment	24,608	25,702
Intangible assets	606	591
Investments and other assets	7,523	7,776
Total non-current assets	32,738	34,070
Total assets	73,311	74,156

(Millions of yen)

As of	March 31,2022	September 30 ,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,394	4,973
Electronically recorded obligations - operating	6,420	6,170
Short-term borrowings	2,867	3,701
Current portion of long-term borrowings	1,249	1,308
Income taxes payable	808	230
Provision for bonuses	684	668
Provision for product warranties	115	79
Other	4,508	4,792
Total current liabilities	22,048	21,925
Non-current liabilities		
Long-term borrowings	9,116	9,093
Provision for environmental measures	44	43
Retirement benefit liability	4,998	5,111
Other	367	429
Total non-current liabilities	14,528	14,678
Total liabilities	36,576	36,604
Net assets		
Shareholders' equity		
Share capital	8,640	8,640
Capital surplus	5,091	5,084
Retained earnings	21,032	20,828
Treasury shares	(617)	(792)
Total shareholders' equity	34,146	33,760
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,240	1,213
Foreign currency translation adjustment	1,099	2,132
Remeasurements of defined benefit plans	(160)	(100)
Total accumulated other comprehensive income	2,179	3,244
Non-controlling interests	408	546
Total net assets	36,735	37,552
Total liabilities and net assets	73,311	74,156

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Millions of yen)

For the six months ended	September 30 ,2021	September 30 ,2022
Net sales	27,620	28,070
Cost of sales	23,670	24,858
Gross profit	3,950	3,211
Selling, general and administrative expenses	2,975	3,161
Operating profit	975	50
Non-operating income		
Interest income	10	24
Dividend income	42	61
Share of profit of entities accounted for using equity method	48	163
Foreign exchange gains	—	214
Gain on sale of scraps	160	77
Subsidy income	10	—
Other	160	86
Total non-operating income	432	627
Non-operating expenses		
Interest expenses	41	68
Foreign exchange losses	112	—
Other	16	1
Total non-operating expenses	170	70
Ordinary profit	1,237	607
Extraordinary income		
Gain on sale of non-current assets	—	99
Gain on sale of investment securities	44	—
Total extraordinary income	44	99
Extraordinary losses		
Loss on retirement of non-current assets	46	136
Provision for product warranties	38	—
Restructuring expenses	—	244
Total extraordinary losses	84	380
Profit before income taxes	1,197	326
Income taxes - current	497	288
Income taxes - deferred	100	77
Total income taxes	597	366
Profit (loss)	599	(40)
Loss attributable to non-controlling interests	(56)	(70)
Profit attributable to owners of parent	656	30

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

For the six months ended	September 30 ,2021	September 30 ,2022
Profit (loss)	599	(40)
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	(27)
Deferred gains or losses on hedges	(3)	—
Foreign currency translation adjustment	684	1,194
Remeasurements of defined benefit plans, net of tax	75	61
Share of other comprehensive income of entities accounted for using equity method	5	45
Total other comprehensive income	724	1,273
Comprehensive income	1,324	1,233
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,253	1,095
Comprehensive income attributable to non-controlling interests	71	138

(3) Consolidated Statements of Cash Flows

(Millions of yen)

For the six months ended	September 30,2021	September 30,2022
Cash flows from operating activities		
Profit before income taxes	1,197	326
Depreciation	1,864	1,560
Increase (decrease) in allowance for doubtful accounts	(1)	(2)
Increase (decrease) in provision for bonuses	36	(15)
Increase (decrease) in retirement benefit liability	136	119
Interest and dividend income	(52)	(86)
Interest expenses	41	68
Share of loss (profit) of entities accounted for using equity method	(48)	(163)
Loss (gain) on sale of property, plant and equipment	—	(99)
Loss on retirement of property, plant and equipment	46	136
Loss (gain) on sale of investment securities	(44)	—
Decrease (increase) in trade receivables	1,208	2,320
Decrease (increase) in inventories	(901)	(486)
Increase (decrease) in trade payables	999	(761)
Increase (decrease) in accrued consumption taxes	(477)	(396)
Other, net	(1,538)	280
Subtotal	2,466	2,800
Interest and dividends received	62	88
Interest paid	(41)	(66)
Income taxes paid	(515)	(846)
Net cash provided by (used in) operating activities	1,972	1,975
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,075)	(1,343)
Proceeds from sale of property, plant and equipment	28	182
Purchase of investment securities	(3)	(5)
Proceeds from collection of loans receivable	31	11
Other, net	(92)	(29)
Net cash provided by (used in) investing activities	(2,111)	(1,185)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(564)	674
Proceeds from long-term borrowings	996	—
Repayments of long-term borrowings	(387)	(561)
Purchase of treasury shares	(1)	(199)
Dividends paid	(187)	(234)
Other, net	(24)	(25)
Net cash provided by (used in) financing activities	(168)	(346)
Effect of exchange rate change on cash and cash equivalents	58	299
Net increase (decrease) in cash and cash equivalents	(248)	742
Cash and cash equivalents at beginning of period	10,349	8,600
Cash and cash equivalents at end of period	10,100	9,342

Segment Information

Industry Segment Information

The six months ended September 30 ,2021

1.Sales and Profit or Loss by reportable segments

(Millions of yen)

	Reportable segment				Other	Total
	Kitagawa Material Technology Company	Kitagawa Sun Tech Company	Kitagawa Global hand Company	Total		
Net sales						
Unaffiliated customers	13,482	9,126	4,760	27,369	251	27,620
Intersegment	120	0	2	123	7	130
Total	13,603	9,126	4,762	27,492	258	27,751
Operating profit (loss)	125	847	546	1,519	(145)	1,374

2.Difference between reportable segment total and consolidated financial statement amounts and main factors in the difference (related to difference adjustment)

(Millions of yen)

Earnings	Six months ended September 30 ,2021
Reportable segment total	1,519
Earnings for Other	(145)
Corporate expenses (note)	(398)
Operating profit in consolidated financial statements	975

Note: Corporate expenses are expenses of administrative divisions of company that are not attributable to reportable segments.

The six months ended September 30 ,2022

1.Sales and Profit or Loss by reportable segments

(Millions of yen)

	Reportable segment				Other	Total
	Kitagawa Material Technology Company	Kitagawa Sun Tech Company	Kitagawa Global hand Company	Total		
Net sales						
Unaffiliated customers	13,072	10,071	4,737	27,881	188	28,070
Intersegment	77	0	6	83	—	83
Total	13,149	10,071	4,744	27,965	188	28,153
Operating profit (loss)	(883)	772	575	464	(94)	369

2.Difference between reportable segment total and consolidated financial statement amounts and main factors in the difference (related to difference adjustment)

(Millions of yen)

Earnings	Six months ended September 30 ,2022
Reportable segment total	464
Earnings for Other	(94)
Corporate expenses (note)	(319)
Operating profit in consolidated financial statements	50

Note: Corporate expenses are expenses of administrative divisions of company that are not attributable to reportable segments.