

Consolidated Financial Results < under Japanese GAAP >

For Six Months Ended September 30 ,2023

November 10 ,2023

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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 Scheduled date to file quarterly securities report: November 10 ,2023
 Scheduled date to commence dividend payments: —
 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 ,2023

(from April 1 ,2023 to September 30 ,2023)

(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 ,2023	30,129	7.3	802	—	1,307	115.4	1,157	—
September 30 ,2022	28,070	1.6	50	(94.9)	607	(50.9)	30	(95.4)

Note Comprehensive income : For six months ended September 30 ,2023 1,592 million yen 29.1 %
 For six months ended September 30 ,2022 1,233 million yen (6.9) %

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six Months ended September 30 ,2023	125.36	—
September 30 ,2022	3.24	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30 ,2023	79,420	38,283	48.2
March 31 ,2023	74,480	37,066	49.5

Reference: Equity
 As of September 30 ,2023 38,276 million yen
 As of March 31 ,2023 36,864 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 2023	—	30.00	—	0.00	30.00
FY March 2024	—	0.00			
FY March 2024 (forecast)			—	30.00	30.00

Note: Revisions to the forecast of cash dividends most recently announced: No

3. Consolidated Financial Forecast(April 1 ,2023 through March 31 ,2024)

(% 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
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
	61,450	2.9	1,000	412.9	1,600	54.7	840	—	90.99

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 ,2023	9,650,803	shares
As of March 31 ,2023	9,650,803	shares

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

As of September 30 ,2023	419,742	shares
As of March 31 ,2023	419,082	shares

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

For six months ended September 30 ,2023	9,231,381	shares
For six months ended September 30 ,2022	9,280,694	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 31,2023	September 30 ,2023
Assets		
Current assets		
Cash and deposits	8,413	8,780
Notes and accounts receivable - trade, and contract assets	12,605	11,530
Electronically recorded monetary claims - operating	6,502	7,177
Merchandise and finished goods	3,979	4,544
Work in process	4,687	6,365
Raw materials and supplies	3,038	3,106
Other	810	1,472
Allowance for doubtful accounts	(18)	(17)
Total current assets	40,018	42,960
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,635	7,691
Machinery, equipment and vehicles, net	12,083	12,404
Other, net	6,912	6,449
Total property, plant and equipment	25,631	26,546
Intangible assets		
Goodwill	—	666
Other	604	573
Total intangible assets	604	1,240
Investments and other assets	8,226	8,673
Total non-current assets	34,461	36,459
Total assets	74,480	79,420

		(Millions of yen)	
As of		March 31,2023	September 30 ,2023
Liabilities			
Current liabilities			
Notes and accounts payable - trade		5,314	4,559
Electronically recorded obligations - operating		6,761	7,156
Short-term borrowings		3,810	4,935
Current portion of bonds payable		—	10
Current portion of long-term borrowings		2,359	4,454
Income taxes payable		279	685
Provision for bonuses		547	573
Provision for product warranties		99	52
Provision for loss on construction contracts		24	2
Other		4,730	4,652
Total current liabilities		23,927	27,081
Non-current liabilities			
Bonds payable		—	5
Long-term borrowings		7,514	7,584
Provision for environmental measures		30	29
Retirement benefit liability		5,241	5,454
Other		699	982
Total non-current liabilities		13,486	14,055
Total liabilities		37,413	41,137
Net assets			
Shareholders' equity			
Share capital		8,640	8,640
Capital surplus		5,084	5,080
Retained earnings		20,103	21,077
Treasury shares		(793)	(794)
Total shareholders' equity		33,034	34,003
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities		1,579	1,688
Foreign currency translation adjustment		2,259	2,567
Remeasurements of defined benefit plans		(9)	17
Total accumulated other comprehensive income		3,829	4,273
Non-controlling interests		202	6
Total net assets		37,066	38,283
Total liabilities and net assets		74,480	79,420

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

(Millions of yen)

	September 30 ,2022	September 30 ,2023
For the six months ended		
Net sales	28,070	30,129
Cost of sales	24,858	26,118
Gross profit	3,211	4,010
Selling, general and administrative expenses	3,161	3,208
Operating profit	50	802
Non-operating income		
Interest income	24	59
Dividend income	61	52
Share of profit of entities accounted for using equity method	163	77
Foreign exchange gains	214	240
Gain on sale of scraps	77	113
Other	86	126
Total non-operating income	627	670
Non-operating expenses		
Interest expenses	68	139
Other	1	25
Total non-operating expenses	70	164
Ordinary profit	607	1,307
Extraordinary income		
Gain on sale of non-current assets	99	—
Gain on sale of investment securities	—	587
Total extraordinary income	99	587
Extraordinary losses		
Loss on retirement of non-current assets	136	90
Restructuring expenses	244	—
Total extraordinary losses	380	90
Profit before income taxes	326	1,804
Income taxes - current	288	554
Income taxes - deferred	77	119
Total income taxes	366	674
Profit (loss)	(40)	1,130
Loss attributable to non-controlling interests	(70)	(27)
Profit attributable to owners of parent	30	1,157

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

For the six months ended	September 30 ,2022	September 30 ,2023
Profit (loss)	(40)	1,130
Other comprehensive income		
Valuation difference on available-for-sale securities	(27)	109
Foreign currency translation adjustment	1,194	299
Remeasurements of defined benefit plans, net of tax	61	28
Share of other comprehensive income of entities accounted for using equity method	45	25
Total other comprehensive income	1,273	462
Comprehensive income	1,233	1,592
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,095	1,601
Comprehensive income attributable to non-controlling interests	138	(9)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	September 30,2022	September 30,2023
For the six months ended		
Cash flows from operating activities		
Profit before income taxes	326	1,804
Depreciation	1,560	1,711
Increase (decrease) in allowance for doubtful accounts	(2)	(0)
Increase (decrease) in provision for bonuses	(15)	8
Increase (decrease) in retirement benefit liability	119	151
Interest and dividend income	(86)	(112)
Interest expenses	68	139
Share of loss (profit) of entities accounted for using equity method	(163)	(77)
Loss (gain) on sale of property, plant and equipment	(99)	—
Loss on retirement of property, plant and equipment	136	90
Loss (gain) on sale of investment securities	—	(587)
Decrease (increase) in trade receivables	2,320	987
Decrease (increase) in inventories	(486)	(1,300)
Increase (decrease) in trade payables	(761)	(733)
Increase (decrease) in accrued consumption taxes	(396)	29
Other, net	280	(1,045)
Subtotal	2,800	1,065
Interest and dividends received	88	110
Interest paid	(66)	(141)
Income taxes paid	(846)	(278)
Net cash provided by (used in) operating activities	1,975	755
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,343)	(1,607)
Proceeds from sale of property, plant and equipment	182	4
Purchase of investment securities	(5)	(8)
Proceeds from sale of investment securities	—	739
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,140)
Proceeds from collection of loans receivable	11	35
Other, net	(29)	(30)
Net cash provided by (used in) investing activities	(1,185)	(2,006)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	674	550
Proceeds from long-term borrowings	—	1,900
Repayments of long-term borrowings	(561)	(558)
Purchase of treasury shares	(199)	(0)
Dividends paid	(234)	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(375)
Other, net	(25)	(28)
Net cash provided by (used in) financing activities	(346)	1,487
Effect of exchange rate change on cash and cash equivalents	299	122
Net increase (decrease) in cash and cash equivalents	742	358
Cash and cash equivalents at beginning of period	8,600	8,148
Cash and cash equivalents at end of period	9,342	8,507

Segment Information

Industry Segment Information

Since the first quarter of the current consolidated fiscal year, the order in which segment information are listed has been changed. Accordingly, the order in which segment information are listed for the second quarter of the previous fiscal year has been changed in the same manner.

The six months ended September 30, 2022

1. Sales and Profit or Loss by reportable segments

(Millions of yen)

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

The Six months ended September 30 ,2023
1.Sales and Profit or Loss by reportable segments

(Millions of yen)

	Reportable segment				Other	Total
	Kitagawa Global hand Company	Kitagawa Sun Tech Company	Kitagawa Material Technology Company	Total		
Net sales						
Unaffiliated customers	4,901	10,330	14,503	29,736	392	30,129
Intersegment	78	0	72	151	—	151
Total	4,980	10,330	14,576	29,887	392	30,280
Operating profit (loss)	484	567	205	1,257	(21)	1,236

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 ,2023
Reportable segment total	1,257
Earnings for Other	(21)
Corporate expenses (note)	(434)
Operating profit in consolidated financial statements	802

Note: Corporate expenses are expenses of administrative divisions of company that are not attributable to reportable segments and include expenses related to the acquisition of shares of subsidiaries.

3.Information on Impairment Loss on Fixed Assets and Goodwill, etc. by Reportable Segments
(Significant Changes in the amount of Goodwill)

In "Other" category, Goodwill increased due to the acquisition of Kemet Japan Co.,Ltd. and System Seiko Co.,Ltd. as subsidiaries during the second quarter of the current fiscal year through the acquisition of their shares.The increase in goodwill amounted to 666 million yen in the second quarter of the current fiscal year.

This amount is tentatively calculated since the allocation of the acquisition cost has not been completed as of the end of the second quarter of the current consolidated fiscal year.