Consolidated Financial Results < under Japanese GAAP >

For the Year Ended March 31 ,2023

May 12 ,2023

Company name:	Kitagawa Corporation
Listing:	Tokyo Stock Exchange
Securities code:	6317
URL:	https://www.kiw.co.jp/
Representative:	Yuji Kitagawa, Representative Director & chairman and president and Executive Officer
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Scheduled date of annual general meeting of shareholders:	June 23 ,2023
Scheduled date to file annual securities report:	June 26 ,2023
Scheduled date to commence dividend payments:	—
Preparation of supplementary material on annual financial results:	Yes
Holding of financial results briefing:	Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended March 31 ,2023

(from April 1 ,2022 to March 31 ,2023)

(1) Consolidated operating results (% indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31 ,2023	59,700	1.7	194	(90.7)	1,034	(66.2)	(418)	—
March 31 ,2022	58,676	20.4	2,101	281.3	3,062	162.3	(951)	—

Note Comprehensive income : For the fiscal year ended March 31 ,2023 1,025 million yen — %

For the fiscal year ended March 31 ,2022 (1,204) million yen — %

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31 ,2023	(45.15)	—	(1.1)	1.4	0.3
March 31 ,2022	(101.59)	—	(2.6)	4.2	3.6

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended March 31 ,2023 196 million yen

For the fiscal year ended March 31 ,2022 122 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
March 31 ,2023	74,480	37,066	49.5	3,993.20
March 31 ,2022	73,311	36,735	49.6	3,880.59

Reference: Equity

As of March 31 ,2023 36,864 million yen

As of March 31 ,2022 36,326 million yen

(3) Consolidated cash flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
As of	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31 ,2023	2,807	(2,802)	(686)	8,148
March 31 ,2022	3,499	(4,702)	(675)	8,600

2. Dividends

	dividends per share					Total dividends paid（annual）	Payout ratio （consolidated）	Dividends to net assets(consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY March 2022	—	25.00	—	25.00	50.00	468	—	1.3
FY March 2023	—	30.00	—	0.00	30.00	276	—	0.8
FY March 2024 (forecast)	—	0.00	—	30.00	30.00		46.3	

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

(% indicate year-on-year changes from full of fiscal year and first half of the previous fiscal year, respectively.)

	Net sales		Operating profit		ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
2Q(first half)	29,450	4.9	300	499.5	500	(17.6)	550	—	59.24
Full year	58,800	(1.5)	700	259.0	1,100	6.3	600	—	64.81

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) 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

(3) Number of issued shares (common shares)

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

As of March 31 ,2023	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 March 31 ,2023	419,082	shares
As of March 31 ,2022	289,782	shares

(iii) Average number of shares outstanding during the period

FY ended March 31 ,2023	9,258,380	shares
FY ended March 31 ,2022	9,361,486	shares

(Reference) Non-consolidated financial results

1. Non-consolidated financial results for the financial year ended

(1) Non-consolidated operating results (% indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31 ,2023	54,015	1.8	1,382	(43.4)	2,935	(24.6)	381	(5.7)
March 31 ,2022	53,041	21.3	2,440	229.8	3,895	133.0	405	61.4

	Earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31 ,2023	41.25	—
March 31 ,2022	43.28	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
March 31 ,2023	71,807	35,234	49.1	3,816.73
March 31 ,2022	70,605	35,207	49.9	3,761.06

Reference: Equity

As of March 31 ,2023 35,234 million yen

As of March 31 ,2022 35,207 million yen

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	March 31,2023
Assets		
Current assets		
Cash and deposits	8,852	8,413
Notes receivable - trade	935	745
Accounts receivable - trade	9,692	10,019
Contract assets	1,331	1,840
Electronically recorded monetary claims - operating	7,446	6,502
Merchandise and finished goods	4,372	3,979
Work in process	4,560	4,687
Raw materials and supplies	2,644	3,038
Other	755	810
Allowance for doubtful accounts	(18)	(18)
Total current assets	40,573	40,018
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,342	17,317
Accumulated depreciation	(10,188)	(10,682)
Buildings and structures, net	6,154	6,635
Machinery, equipment and vehicles	48,482	52,977
Accumulated depreciation	(37,861)	(40,894)
Machinery, equipment and vehicles, net	10,620	12,083
Land	3,777	3,855
Leased assets	361	366
Accumulated depreciation	(166)	(194)
Leased assets, net	195	172
Construction in progress	3,352	2,368
Other	2,794	3,038
Accumulated depreciation	(2,285)	(2,521)
Other, net	508	516
Total property, plant and equipment	24,608	25,631
Intangible assets	606	604
Investments and other assets		
Investment securities	3,138	3,701
Deferred tax assets	241	40
Retirement benefit asset	3,946	4,300
Other	240	226
Allowance for doubtful accounts	(43)	(43)
Total investments and other assets	7,523	8,226
Total non-current assets	32,738	34,461
Total assets	73,311	74,480

(Millions of yen)

As of	March 31,2022	March 31,2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,394	5,314
Electronically recorded obligations - operating	6,420	6,761
Short-term borrowings	2,867	3,810
Current portion of long-term borrowings	1,249	2,359
Lease liabilities	55	53
Income taxes payable	808	279
Contract liabilities	1,569	1,894
Provision for bonuses	684	547
Provision for bonuses for directors (and other officers)	48	—
Provision for product warranties	115	99
Provision for loss on construction contracts	—	24
Other	2,834	2,782
Total current liabilities	22,048	23,927
Non-current liabilities		
Long-term borrowings	9,116	7,514
Lease liabilities	110	84
Deferred tax liabilities	142	499
Provision for environmental measures	44	30
Retirement benefit liability	4,998	5,241
Other	115	114
Total non-current liabilities	14,528	13,486
Total liabilities	36,576	37,413
Net assets		
Shareholders' equity		
Share capital	8,640	8,640
Capital surplus	5,091	5,084
Retained earnings	21,032	20,103
Treasury shares	(617)	(793)
Total shareholders' equity	34,146	33,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,240	1,579
Foreign currency translation adjustment	1,099	2,259
Remeasurements of defined benefit plans	(160)	(9)
Total accumulated other comprehensive income	2,179	3,829
Non-controlling interests	408	202
Total net assets	36,735	37,066
Total liabilities and net assets	73,311	74,480

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

(Consolidated Statements of Income)

(Millions of yen)

For the years ended	FY2022 March 31,2022	FY2023 March 31,2023
Net sales	58,676	59,700
Cost of sales	50,323	53,191
Gross profit	8,352	6,509
Selling, general and administrative expenses	6,251	6,315
Operating profit	2,101	194
Non-operating income		
Interest income	20	61
Dividend income	83	116
Share of profit of entities accounted for using equity method	122	196
Foreign exchange gains	199	200
Rental income from real estate	54	53
Gain on sale of scraps	352	202
Subsidy income	10	30
Income from contribution to facilities	79	—
Other	163	144
Total non-operating income	1,085	1,007
Non-operating expenses		
Interest expenses	94	161
Other	29	6
Total non-operating expenses	124	168
Ordinary profit	3,062	1,034
Extraordinary income		
Gain on sale of non-current assets	—	98
Gain on sale of investment securities	44	—
Subsidy income	108	—
Total extraordinary income	153	98
Extraordinary losses		
Loss on sale of non-current assets	—	20
Loss on retirement of non-current assets	120	229
Impairment losses	3,705	50
Provision for product warranties	38	16
Restructuring expenses	—	564
Total extraordinary losses	3,863	880
Profit (loss) before income taxes	(647)	252
Income taxes - current	1,135	542
Income taxes - deferred	133	379
Total income taxes	1,269	922
Loss	(1,916)	(669)
Loss attributable to non-controlling interests	(965)	(251)
Loss attributable to owners of parent	(951)	(418)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

For the years ended	FY2022 March 31,2022	FY2023 March 31,2023
Loss	(1,916)	(669)
Other comprehensive income		
Valuation difference on available-for-sale securities	(185)	339
Deferred gains or losses on hedges	(3)	—
Foreign currency translation adjustment	531	1,161
Remeasurements of defined benefit plans, net of tax	355	150
Share of other comprehensive income of entities accounted for using equity method	14	43
Total other comprehensive income	711	1,695
Comprehensive income	(1,204)	1,025
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(446)	1,231
Comprehensive income attributable to non-controlling interests	(758)	(206)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

For the years ended	FY2022 March 31,2022	FY2023 March 31,2023
Cash flows from operating activities		
Profit (loss) before income taxes	(647)	252
Depreciation	3,849	3,220
Impairment losses	3,705	50
Increase (decrease) in allowance for doubtful accounts	2	(0)
Increase (decrease) in provision for bonuses	132	(136)
Increase (decrease) in provision for bonuses for directors (and other officers)	—	(48)
Increase (decrease) in provision for product warranties	76	(15)
Increase (decrease) in provision for environmental measures	(115)	(13)
Increase (decrease) in retirement benefit liability	34	357
Interest and dividend income	(103)	(178)
Interest expenses	94	161
Share of loss (profit) of entities accounted for using equity method	(122)	(196)
Loss on retirement of property, plant and equipment	120	229
Loss (gain) on sale of investment securities	(44)	—
Decrease (increase) in trade receivables	(2,312)	377
Decrease (increase) in inventories	(1,545)	181
Increase (decrease) in trade payables	2,467	194
Increase (decrease) in accrued consumption taxes	(230)	(425)
Other, net	(1,098)	(162)
Subtotal	4,262	3,846
Interest and dividends received	134	165
Interest paid	(93)	(152)
Income taxes paid	(803)	(1,051)
Net cash provided by (used in) operating activities	3,499	2,807
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,644)	(2,978)
Purchase of investment securities	(6)	(10)
Proceeds from collection of loans receivable	63	67
Other, net	(114)	119
Net cash provided by (used in) investing activities	(4,702)	(2,802)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,235)	884
Proceeds from long-term borrowings	1,886	400
Repayments of long-term borrowings	(847)	(1,208)
Purchase of treasury shares	(1)	(200)
Repayments of lease liabilities	(55)	(51)
Dividends paid	(421)	(510)
Net cash provided by (used in) financing activities	(675)	(686)
Effect of exchange rate change on cash and cash equivalents	130	228
Net increase (decrease) in cash and cash equivalents	(1,748)	(452)
Cash and cash equivalents at beginning of period	10,349	8,600
Cash and cash equivalents at end of period	8,600	8,148

Segment Information

Industry Segment Information

The Fiscal year ended March 31,2022

(Millions of yen)

	Reportable segment				Other	Total
	Kitagawa Material Technology Company	Kitagawa Sun Tech Company	Kitagawa Global hand Company	Total		
Net sales						
Unaffiliated customers	27,026	21,336	9,807	58,170	505	58,676
Intersegment	209	0	12	222	7	229
Total	27,236	21,336	9,820	58,393	513	58,906
Operating profit (loss)	(224)	2,381	1,051	3,207	(203)	3,003
Assets	30,826	17,624	12,931	61,383	493	61,876
Other items						
Depreciation	2,839	283	415	3,539	72	3,612
Extraordinary losses (Impairment losses)	3,705	—	—	3,705	—	3,705
Increase (decrease) in tangible and intangible assets	3,517	412	316	4,246	5	4,251

The Fiscal year ended March 31,2023

(Millions of yen)

	Reportable segment				Other	Total
	Kitagawa Material Technology Company	Kitagawa Sun Tech Company	Kitagawa Global hand Company	Total		
Net sales						
Unaffiliated customers	25,936	23,258	9,811	59,006	694	59,700
Intersegment	167	0	10	178	0	178
Total	26,104	23,258	9,822	59,185	694	59,879
Operating profit (loss)	(1,873)	1,539	1,160	826	(108)	718
Assets	29,660	18,531	13,175	61,366	643	62,010
Other items						
Depreciation	2,238	262	433	2,934	49	2,984
Extraordinary losses (Impairment losses)	50	—	—	50	—	50
Increase (decrease) in tangible and intangible assets	1,685	208	398	2,293	41	2,334

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

(Millions of yen)

Net sales	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023
Reportable segment total	58,393	59,185
Net sales for Other	513	694
Elimination of intersegment transaction	(229)	(178)
Net sales in consolidated financial statements	58,676	59,700

(Millions of yen)

Earnings	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023
Reportable segment total	3,207	826
Earnings for Other	(203)	(108)
Corporate expenses（note）	(902)	(523)
Operating profit in consolidated financial statements	2,101	194

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

(Millions of yen)

Assets	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023
Reportable segment total	61,383	61,366
Assets in Other	493	643
Corporate assets(note)	11,435	12,470
Total assets in consolidated financial statements	73,311	74,480

Note: Assets in Other are surplus funds managed by the company,Cross-Shareholdings and assets associated with administrative divisions.

(Millions of yen)

	Reportable segment		Other		Adjustment		Amount in consolidated financial statements	
	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023
Depreciation(note1)	3,539	2,934	72	49	237	236	3,849	3,220
Extraordinary losses (Impairment losses)	3,705	50	—	—	—	—	3,705	50
Increase (decrease) in tangible and intangible assets(note2)	4,246	2,293	5	41	239	1,178	4,490	3,513

Note1: Adjustments for depreciation refers to depreciation expenses related to corporate assets.
Note2: Adjustments for Increase (decrease) in tangible and intangible assets refer to the acquisition of corporate assets.