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Harmonize Heart and Technology

Consolidated Financial Results for the Nine Months Ended December 31, 2024 [J-GAAP]

February 5, 2025

Company name: Cross Cat Co., Ltd.
Stock exchange listing: Tokyo
Code number: 2307
URL: https://www.xcat.co.jp
Representative: Mitsunori Yamane, President & CEO
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Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on financial results: No
Schedule of financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	12,135	10.1	1,415	24.6	1,458	23.4	961	(1.4)
December 31, 2023	11,023	6.1	1,135	(6.5)	1,182	(6.0)	975	20.2

(Note) Comprehensive income Nine months ended December 31, 2024: ¥ 1,175 million [16.4 %]
Nine months ended December 31, 2023: ¥ 1,009 million [15.6 %]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	67.98	—
December 31, 2023	66.90	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	9,043	5,661	62.6
March 31, 2024	9,466	5,083	53.7

(Reference) Equity: As of December 31, 2024: ¥ 5,661 million
As of March 31, 2024: ¥ 5,083 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	0.00	—	28.00	28.00
Fiscal year ending March 31, 2025	—	0.00	—		
Fiscal year ending March 31, 2025 (Forecast)				28.00	28.00

(Note) Revision to the most recently announced dividend forecasts: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	15,600	4.5	1,580	3.8	1,630	3.8	1,040	(20.7)	73.01

(Note) Revision to the most recently announced financial results forecast: No

* Notes

(1) Significant changes in the scope of consolidation during the period: No

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

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatements

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatements: No

(4) Total number of shares issued (common shares)

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

December 31, 2024: 17,005,674 shares

March 31, 2024: 17,005,674 shares

2) Number of treasury shares at the end of the period:

December 31, 2024: 2,900,874 shares

March 31, 2024: 2,760,632 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 14,141,571 shares

Nine months ended December 31, 2023: 14,577,998 shares

*Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: No

*Statement for proper use of business forecasts and other cautionary notes:

The forecasts and other forward-looking statements presented in this document are based on information presently available to the Company and certain assumptions that the Company considers reasonable, and are not intended to be a commitment of achievement by the Company. Actual results may differ materially due to changes in various factors.

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1. Overview of Operating Results, etc. for the Period Under Review

(1) Overview of operating results for the period under review

Forward-looking statements in this document are based on judgments made by management as of the end of the third quarter of the fiscal year ending March 31, 2025 (hereinafter the "quarter under review").

During the nine months ended December 2024 (April 2024 to December 2024; the "period under review"), the Japanese economy continued to show a moderate recovery trend against the backdrop of an improved employment and income environment and rising inbound demand. On the other hand, the economic outlook remains uncertain due to factors such as soaring raw material and energy prices caused by the unstable international situation, and rising prices resulting from the weak yen.

In the information service industry, where Cross Cat Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") operate, the promotion of Digital Transformation (DX) with cutting-edge technologies such as Cloud Computing, Artificial Intelligence (AI), Internet of Things (IoT), Big Data, and Robotic Process Automation (RPA) continues to gain momentum, and companies are expected to expand their appetite for IT investments to boost competitiveness.

Amid such a business environment, the Group has launched a new Medium-term Business Plan, "Growing Value 2026," in April 2024 and is proactively engaged in various measures based on our basic policy of "improving our service quality by combining the quality, efficiency, expertise, and know-how, which are the elements of our value offering, while aiming to contribute to our customers' success."

Net sales for the period under review totaled ¥12,135 million (up 10.1% compared to the previous corresponding period; hereinafter "year-on-year"), which is an increase over the previous corresponding period. By industry sector, sales to the credit sector decreased 15.2% year-on-year. On the other hand, sales to financial services and to government agencies, municipalities, and public corporations were particularly strong, increasing by 10.2% and 46.1%, respectively, year-on-year.

On the profit front, while personnel expenses increased mainly due to wage hikes and the hiring of new graduates as part of our proactive efforts to secure and train human resources, revenues from main businesses also increased significantly, resulting in an operating profit of ¥1,415 million (up 24.6% year-on-year) and an ordinary profit of ¥1,458 million (up 23.4% year-on-year). However, profit attributable to owners of parent declined 1.4% year-on-year to ¥961 million primarily due to the gain on sale of investment securities recorded in the same period of the previous fiscal year.

(2) Overview of financial position for the period under review

Total assets at the end of the quarter under review decreased by ¥422 million to ¥9,043 million from ¥9,466 million at the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits of ¥457 million as well as a decrease in accounts receivable - trade and contract assets of ¥93 million.

Liabilities decreased by ¥1,001 million to ¥3,381 million from ¥4,382 million at the end of the previous fiscal year. This was mainly due to a decrease in short-term borrowings of ¥500 million, a decrease in income taxes payable of ¥290 million, and a decrease in provision for bonuses of ¥220 million.

Net assets increased by ¥578 million to ¥5,661 million from ¥5,083 million at the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥562 million.

As a result, the equity ratio at the end of the quarter under review was 62.6%, up 8.9 percentage points from 53.7% at the end of the previous fiscal year.

(3) Explanation of consolidated financial results forecast and other forward-looking information

The consolidated financial results forecast currently remains unchanged from the consolidated financial results forecast for the full fiscal year as announced on May 15, 2024 in the consolidated financial results for the fiscal year ended March 31, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	2,339,462	1,881,882
Accounts receivable - trade, and contract assets	4,467,414	4,373,945
Other	212,494	217,272
Allowance for doubtful accounts	(4,441)	(4,359)
Total current assets	7,014,931	6,468,740
Non-current assets		
Property, plant and equipment		
Buildings and structures	463,360	397,699
Accumulated depreciation	(201,099)	(147,379)
Buildings and structures, net	262,260	250,319
Tools, furniture and fixtures	337,148	340,086
Accumulated depreciation	(227,446)	(235,296)
Tools, furniture and fixtures, net	109,702	104,789
Leased assets	19,708	19,708
Accumulated depreciation	(12,670)	(14,781)
Leased assets, net	7,038	4,927
Land	30,877	147
Other	1,500	1,500
Accumulated depreciation	(1,499)	(1,499)
Other, net	0	0
Total property, plant and equipment	409,879	360,184
Intangible assets		
Goodwill	174,596	137,183
Other	170,698	132,247
Total intangible assets	345,295	269,430
Investments and other assets		
Investment securities	1,156,377	1,463,360
Other	539,535	481,585
Total investments and other assets	1,695,912	1,944,945
Total non-current assets	2,451,087	2,574,560
Total assets	9,466,019	9,043,301

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	608,058	567,321
Short-term borrowings	1,200,000	700,000
Income taxes payable	402,653	112,302
Provision for bonuses	356,212	135,699
Provision for loss on orders received	9,311	1,660
Other	879,727	761,747
Total current liabilities	3,455,963	2,278,731
Non-current liabilities		
Retirement benefit liability	595,618	612,510
Asset retirement obligations	197,672	198,777
Other	133,681	291,498
Total non-current liabilities	926,972	1,102,786
Total liabilities	4,382,935	3,381,518
Net assets		
Shareholders' equity		
Share capital	1,000,000	1,000,000
Capital surplus	14,490	29,078
Retained earnings	4,893,626	5,456,084
Treasury shares	(1,511,738)	(1,723,868)
Total shareholders' equity	4,396,379	4,761,293
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	679,848	892,833
Remeasurements of defined benefit plans	6,855	7,655
Total accumulated other comprehensive income	686,703	900,489
Total net assets	5,083,083	5,661,783
Total liabilities and net assets	9,466,019	9,043,301

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine months ended December 31

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	11,023,035	12,135,127
Cost of sales	8,359,453	9,176,467
Gross profit	2,663,581	2,958,660
Selling, general and administrative expenses	1,527,934	1,543,468
Operating profit	1,135,646	1,415,192
Non-operating income		
Dividend income	17,305	24,325
Subsidy income	20,642	16,524
Other	10,521	5,790
Total non-operating income	48,469	46,640
Non-operating expenses		
Interest expenses	1,725	2,877
Commission expenses	192	165
Total non-operating expenses	1,918	3,042
Ordinary profit	1,182,198	1,458,790
Extraordinary income		
Gain on sale of investment securities	263,334	—
Insurance claim income	4,000	4,000
Total extraordinary income	267,334	4,000
Extraordinary losses		
Loss on sale of non-current assets	—	28,916
Loss on retirement of non-current assets	426	582
Total extraordinary losses	426	29,499
Profit before income taxes	1,449,106	1,433,291
Income taxes - current	388,248	370,673
Income taxes - deferred	85,567	101,298
Total income taxes	473,816	471,972
Profit	975,289	961,318
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	975,289	961,318

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended December 31

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	975,289	961,318
Other comprehensive income		
Valuation difference on available-for-sale securities	33,045	212,984
Remeasurements of defined benefit plans, net of tax	922	800
Total other comprehensive income	33,968	213,785
Comprehensive income	1,009,258	1,175,104
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,009,258	1,175,104
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on changes in accounting policies)

The Group has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standard"), etc. from the beginning of the first quarter of the fiscal year under review.

With respect to the revisions to the classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment stipulated in the proviso to paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso to paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, hereinafter referred to as the "2022 Revised Guidance"). This change in accounting policy has no effect on the quarterly consolidated financial statements.

In addition, with respect to the revisions related to the treatment in consolidated financial statements of deferring, for tax purposes, gains or losses on sales of shares, etc. of subsidiaries between consolidated companies, the 2022 Revised Guidance has been applied from the beginning of the first quarter of the current fiscal year. This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements for the nine months ended December 31, 2023 and the consolidated financial statements for the previous fiscal year are those after retrospective application. This change in accounting policy has no effect on either the quarterly consolidated financial statements for the nine months ended December 31, 2023 or the consolidated financial statements for the previous fiscal year.

(Notes on segment information, etc.)

For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

This information is omitted as the Group operates in the single segment of information service business and its associated businesses.

For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

This information is omitted as the Group operates in the single segment of information service business and its associated businesses.

(Notes in case of significant changes in shareholders' equity)

The Company repurchased 160,000 treasury shares in accordance with a resolution of the Board of Directors meeting held on June 19, 2024. In addition, the Company used 19,800 treasury shares as restricted stock compensation on August 15, 2024, in accordance with a resolution of the Board of Directors meeting held on July 24, 2024. As a result, capital surplus and treasury shares increased by ¥14,587 thousand and ¥212,130 thousand, respectively, during the nine months ended December 31, 2024, resulting in a capital surplus of ¥29,078 thousand and treasury shares of ¥1,723,868 thousand at the end of the quarter under review.

(Notes on going concern assumption)

Not applicable.

(Notes on statements of cash flows)

No quarterly consolidated statements of cash flows have been prepared for the nine months ended December 31, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended December 31, 2024 are as follows.

	For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)	For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)
Depreciation	108,993 thousand yen	112,637 thousand yen
Amortization of goodwill	37,413 thousand yen	37,413 thousand yen