



Consolidated Financial Results for the Nine Months Ended December 31, 2023 [J-GAAP]

February 6, 2024

Company name: Cross Cat Co., Ltd.
 Stock exchange listing: Tokyo
 Code number: 2307
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 Scheduled date of filing quarterly securities report: February 9, 2024
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: No
 Schedule of quarterly 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, 2023

(April 1, 2023 to December 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	11,023	6.1	1,135	(6.5)	1,182	(6.0)	975	20.2
December 31, 2022	10,387	18.1	1,214	53.7	1,257	50.7	811	62.9

Note: Comprehensive income
 Nine months ended December 31, 2023: ¥ 1,009 million [15.6%]
 Nine months ended December 31, 2022: ¥ 873 million [75.8%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	66.90	—
December 31, 2022	54.05	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2023	8,808	4,930	56.0
March 31, 2023	8,593	5,076	59.1

Reference: Equity As of December 31, 2023: ¥ 4,930 million
 As of March 31, 2023: ¥ 5,076 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	Yen	Yen	Yen	Yen	Yen
Fiscal year ending March 31, 2023	—	0.00	—	37.00	37.00
Fiscal year ending March 31, 2024 (Forecast)	—	0.00	—	25.00	25.00

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

Note: Breakdown of the year-end dividend for the fiscal year ended March 31, 2023:

Ordinary dividend: 25.00 yen
 Commemorative dividend (50th anniversary): 12.00 yen

**3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024
(April 1, 2023 to March 31, 2024)**

(% 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	14,700	6.2	1,550	6.1	1,600	6.0	1,070	4.9	71.21

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

*Notes

(1) Changes in significant subsidiaries during the period under review: 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: No

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, 2023: 17,005,674 shares

March 31, 2023: 17,005,674 shares

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

December 31, 2023 2,526,632 shares

March 31, 2023 1,978,832 shares

3) Average number of shares outstanding during the period:

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

Nine months ended December 31, 2022 15,016,846 shares

*Quarterly financial results are exempt from reviews by certified public accountants or an audit corporation.

*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. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

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, 2024 (hereinafter the “quarter under review”).

During the nine months ended December 2023 (April 2023 to December 2023; the “period under review”), the Japanese economy experienced a pickup in personal consumption, reflecting the downgrading of COVID-19 to a class 5 disease under the Infectious Diseases Act in May, and an expansion of inbound demand. However, the economic outlook remains uncertain due to soaring raw materials and energy prices caused by the unstable international situation, and rising commodities prices as the yen weakened.

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 celebrated the 50th anniversary of its founding, and in the final year of its Medium-term Business Plan launched in April 2021, the Group is pursuing four basic strategies to achieve sustainable business growth: expand core businesses; leverage cutting-edge technologies; initiatives of new business domains; and strengthen the Group’s management base. Looking ahead to the next 50 years, the Group will continue to work toward the realization of Society 5.0, a society that balances economic growth with solutions to social issues, and contribute to the achievement of the SDGs, while at the same time “Harmonize Heart and Technology,” staying true to its corporate philosophy.

Net sales for the period under review totaled ¥11,023 million (up 6.1% 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, telecommunications, and public sports betting sectors grew significantly. On the other hand, sales to the government agencies, financial services, and press and publishing sectors were lower than in the previous corresponding period.

On the profit front, personnel expenses increased mainly due to wage hikes and increased hiring of new graduates as part of efforts to secure and train human resources. The cost to sales ratio and SG&A ratio increased 0.1 and 1.3 percentage points year-on-year, respectively, resulting in an operating profit of ¥1,135 million (down 6.5% year-on-year) and ordinary profit of ¥1,182 million (down 6.0% year-on-year). On the other hand, a significant gain on sale of investment securities pushed up profit attributable to owners of parent to ¥975 million (up 20.2% year-on-year).

(2) Explanation of financial position

Total assets at the end of the quarter under review increased by ¥214 million to ¥8,808 million from ¥8,593 million at the end of the previous fiscal year. This was mainly due to an increase in cash and deposits of ¥655 million and a decrease in notes and accounts receivable - trade, and contract assets of ¥450 million.

Liabilities increased by ¥359 million to ¥3,877 million from ¥3,517 million at the end of the previous fiscal year. This was mainly due to an increase in short-term borrowings of ¥500 million.

Net assets decreased by ¥145 million to ¥4,930 million from ¥5,076 million at the end of the previous fiscal year. The main factor was an increase in treasury shares of ¥613 million primarily as a result of repurchases.

As a result, the equity ratio at the end of the quarter under review was 56.0%, down 3.1 percentage points from 59.1% 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 full-year consolidated financial results forecast in the consolidated financial results for the fiscal year ended March 31, 2023 announced on May 11, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	1,983,974	2,639,959
Notes and accounts receivable - trade, and contract assets	4,114,491	3,664,354
Other	147,209	196,404
Allowance for doubtful accounts	(4,087)	(3,644)
Total current assets	6,241,588	6,497,073
Non-current assets		
Property, plant and equipment		
Buildings and structures	426,769	461,228
Accumulated depreciation	(205,821)	(227,127)
Buildings and structures, net	220,947	234,100
Tools, furniture and fixtures	288,417	311,492
Accumulated depreciation	(216,573)	(229,496)
Tools, furniture and fixtures, net	71,844	81,995
Leased assets	19,708	19,708
Accumulated depreciation	(9,854)	(11,966)
Leased assets, net	9,854	7,742
Land	30,877	30,877
Other	1,500	1,500
Accumulated depreciation	(1,499)	(1,499)
Other, net	0	0
Total property, plant and equipment	333,524	354,716
Intangible assets		
Goodwill	224,481	187,067
Customer-related assets	36,642	30,535
Software	170,662	130,759
Other	4,202	21,395
Total intangible assets	435,988	369,758
Investments and other assets		
Investment securities	1,061,422	1,045,026
Deferred tax assets	131,032	108,905
Leasehold and guarantee deposits	261,874	331,830
Other	128,542	100,757
Total investments and other assets	1,582,871	1,586,520
Total non-current assets	2,352,384	2,310,995
Total assets	8,593,972	8,808,068

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	521,768	578,881
Contract liabilities	66,249	94,863
Short-term borrowings	700,000	1,200,000
Lease liabilities	3,097	3,097
Income taxes payable	284,009	203,162
Provision for bonuses	355,176	129,616
Provision for loss on orders received	8,175	8,379
Asset retirement obligations	—	23,600
Other	634,580	647,148
Total current liabilities	2,573,056	2,888,748
Non-current liabilities		
Lease liabilities	7,742	5,419
Deferred tax liabilities	80,093	158,526
Retirement benefit liability	627,309	626,239
Asset retirement obligations	188,177	178,866
Other	41,584	19,858
Total non-current liabilities	944,906	988,909
Total liabilities	3,517,963	3,877,658
Net assets		
Shareholders' equity		
Share capital	1,000,000	1,000,000
Capital surplus	—	14,490
Retained earnings	4,138,119	4,557,416
Treasury shares	(615,243)	(1,228,598)
Total shareholders' equity	4,522,876	4,343,309
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	569,548	602,593
Remeasurements of defined benefit plans	(16,415)	(15,492)
Total accumulated other comprehensive income	553,132	587,101
Total net assets	5,076,009	4,930,410
Total liabilities and net assets	8,593,972	8,808,068

(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, 2022	For the nine months ended December 31, 2023
Net sales	10,387,963	11,023,035
Cost of sales	7,867,106	8,359,453
Gross profit	2,520,857	2,663,581
Selling, general and administrative expenses	1,306,672	1,527,934
Operating profit	1,214,184	1,135,646
Non-operating income		
Interest income	6	7
Dividend income	28,081	17,305
Subsidy income	4,992	20,642
Other	11,094	10,513
Total non-operating income	44,175	48,469
Non-operating expenses		
Interest expenses	477	1,725
Other	—	192
Total non-operating expenses	477	1,918
Ordinary profit	1,257,882	1,182,198
Extraordinary income		
Gain on sale of investment securities	—	263,334
Other	—	4,000
Total extraordinary income	—	267,334
Extraordinary losses		
Loss on retirement of non-current assets	1,276	426
Total extraordinary losses	1,276	426
Profit before income taxes	1,256,605	1,449,106
Income taxes - current	331,315	388,248
Income taxes - deferred	113,698	85,567
Total income taxes	445,013	473,816
Profit	811,591	975,289
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	811,591	975,289

Quarterly Consolidated Statements of Comprehensive Income
 Nine months ended December 31

(Thousands of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	811,591	975,289
Other comprehensive income		
Valuation difference on available-for-sale securities	64,301	33,045
Remeasurements of defined benefit plans, net of tax	(2,457)	922
Total other comprehensive income	61,844	33,968
Comprehensive income	873,436	1,009,258
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	873,436	1,009,258
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Notes in case of significant changes in shareholders' equity

The Company repurchased 570,000 treasury shares in accordance with a resolution of the Board of Directors meeting held on May 23, 2023. In addition, the Company used 22,200 treasury shares as restricted stock compensation on August 14, 2023, in accordance with a resolution of the Board of Directors meeting held on July 25, 2023. As a result, capital surplus and treasury shares increased by ¥14,490 thousand and ¥613,355 thousand, respectively, during the nine months ended December 31, 2023, resulting in a capital surplus of ¥14,490 thousand and treasury shares of ¥1,228,598 thousand at the end of the quarter under review.