



Consolidated Financial Results for the Three Months Ended June 30, 2024 [J-GAAP]

August 6, 2024

Company name: Cross Cat Co., Ltd.
 Stock exchange listing: Tokyo
 Code number: 2307
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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 Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(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	%
Three months ended June 30, 2024	3,880	12.2	304	24.8	343	22.6	222	27.0
June 30, 2023	3,458	(2.1)	244	(35.9)	279	(30.5)	175	(27.9)

(Note) Comprehensive income Three months ended June 30, 2024: ¥ 257 million [(1.2)%]
 Three months ended June 30, 2023: ¥ 261 million [22.8 %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	15.65	—
June 30, 2023	11.86	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	7,426	4,718	63.5
March 31, 2024	9,466	5,083	53.7

(Reference) Equity: As of June 30, 2024: ¥ 4,718 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
Fiscal year ended March 31, 2024	Yen	Yen	Yen	Yen	Yen
Fiscal year ending March 31, 2025	—	0.00	—	28.00	28.00
Fiscal year ending March 31, 2025 (Forecast)	—	0.00	—	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
First half (cumulative)	7,740	8.1	680	1.5	720	1.5	440	(7.0)	30.89
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):

June 30, 2024: 17,005,674 shares

March 31, 2024: 17,005,674 shares

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

June 30, 2024 2,920,632 shares

March 31, 2024 2,760,632 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024 14,225,701 shares

Three months ended June 30, 2023 14,788,820 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. Qualitative Information on Quarterly Financial Results

(1) Explanation of operating results

During the three months ended June 2024 (April 2024 to June 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 commodity prices resulting from the sharp weakening of the 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 ¥3,880 million (up 12.2% compared to the previous corresponding period; hereinafter “year-on-year”), which is an increase over the previous corresponding period. By industry sector, sales to financial services and to government agencies, municipalities, and public corporations were particularly strong, increasing by 16.9% and 46.7%, respectively, year-on-year. On the other hand, sales to the credit sector decreased 11.8% year-on-year.

On the profit front, while personnel expenses swelled mainly due to wage hikes and increased hiring of new graduates as part of efforts to secure and train human resources, revenues also increased significantly, resulting in an operating profit of ¥304 million (up 24.8% year-on-year), an ordinary profit of ¥343 million (up 22.6% year-on-year), and profit attributable to owners of parent of ¥222 million (up 27.0% year-on-year).

(2) Explanation of financial position

Total assets at the end of the quarter under review decreased by ¥2,039 million to ¥7,426 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 ¥717 million as well as a decrease in accounts receivable - trade and contract assets of ¥1,321 million.

Liabilities decreased by ¥1,674 million to ¥2,708 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 ¥1,200 million and a decrease in income taxes payable of ¥344 million.

Net assets decreased by ¥364 million to ¥4,718 million from ¥5,083 million at the end of the previous fiscal year. The main factors were a decrease from dividends paid of ¥398 million and an increase in treasury shares of ¥223 million as a result of repurchases.

As a result, the equity ratio at the end of the quarter under review was 63.5%, up 9.8 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 both the six months ending September 2024 and 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 June 30, 2024
Assets		
Current assets		
Cash and deposits	2,339,462	1,621,957
Accounts receivable - trade, and contract assets	4,467,414	3,145,937
Other	212,494	203,630
Allowance for doubtful accounts	(4,441)	(3,120)
Total current assets	7,014,931	4,968,404
Non-current assets		
Property, plant and equipment		
Buildings and structures	463,360	465,000
Accumulated depreciation	(201,099)	(206,563)
Buildings and structures, net	262,260	258,436
Tools, furniture and fixtures	337,148	333,317
Accumulated depreciation	(227,446)	(229,283)
Tools, furniture and fixtures, net	109,702	104,034
Leased assets	19,708	19,708
Accumulated depreciation	(12,670)	(13,373)
Leased assets, net	7,038	6,335
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	409,879	399,682
Intangible assets		
Goodwill	174,596	162,125
Other	170,698	151,613
Total intangible assets	345,295	313,739
Investments and other assets		
Other	1,695,912	1,744,920
Total investments and other assets	1,695,912	1,744,920
Total non-current assets	2,451,087	2,458,342
Total assets	9,466,019	7,426,747

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	608,058	591,727
Short-term borrowings	1,200,000	—
Income taxes payable	402,653	58,001
Provision for bonuses	356,212	217,828
Provision for loss on orders received	9,311	7,136
Other	879,727	826,472
Total current liabilities	3,455,963	1,701,166
Non-current liabilities		
Retirement benefit liability	595,618	602,809
Asset retirement obligations	197,672	198,087
Other	133,681	206,362
Total non-current liabilities	926,972	1,007,258
Total liabilities	4,382,935	2,708,425
Net assets		
Shareholders' equity		
Share capital	1,000,000	1,000,000
Capital surplus	14,490	14,490
Retained earnings	4,893,626	4,717,453
Treasury shares	(1,511,738)	(1,735,578)
Total shareholders' equity	4,396,379	3,996,365
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	679,848	714,834
Remeasurements of defined benefit plans	6,855	7,121
Total accumulated other comprehensive income	686,703	721,956
Total net assets	5,083,083	4,718,322
Total liabilities and net assets	9,466,019	7,426,747

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended June 30

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	3,458,905	3,880,278
Cost of sales	2,618,427	2,960,616
Gross profit	840,478	919,661
Selling, general and administrative expenses	596,303	614,882
Operating profit	244,175	304,778
Non-operating income		
Dividend income	15,826	22,713
Subsidy income	14,527	16,094
Other	5,830	995
Total non-operating income	36,183	39,803
Non-operating expenses		
Interest expenses	356	1,297
Commission expenses	192	165
Total non-operating expenses	548	1,462
Ordinary profit	279,810	343,119
Extraordinary losses		
Loss on retirement of non-current assets	0	577
Total extraordinary losses	0	577
Profit before income taxes	279,810	342,541
Income taxes - current	38,449	49,114
Income taxes - deferred	66,019	70,739
Total income taxes	104,468	119,854
Profit	175,341	222,687
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	175,341	222,687

Quarterly Consolidated Statements of Comprehensive Income
Three months ended June 30

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	175,341	222,687
Other comprehensive income		
Valuation difference on available-for-sale securities	85,507	34,975
Remeasurements of defined benefit plans, net of tax	307	266
Total other comprehensive income	85,815	35,242
Comprehensive income	261,157	257,930
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	261,157	257,930
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on changes in accounting policies)

(Application of the Accounting Standard for Current Income Taxes, etc.)

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 no effect on either the quarterly consolidated financial statements or the consolidated financial statements.

(Notes on segment information, etc.)

For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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

For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 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. As a result, treasury shares increased by ¥223,840 thousand during the three months ended June 30, 2024, resulting in treasury shares of ¥1,735,578 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 three months ended June 30, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024 are as follows.

	For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Depreciation	29,824 thousand yen	34,772 thousand yen
Amortization of goodwill	12,471 thousand yen	12,471 thousand yen

(Significant subsequent events)

(Disposal of treasury shares as restricted stock compensation)

By a resolution of the Board of Directors meeting held on July 24, 2024, the Company resolved to dispose of treasury shares as restricted stock compensation as follows.

1. Overview of the disposal

(1) Payment due date	August 15, 2024
(2) Class and number of shares to be disposed	19,800 common shares of the Company
(3) Disposal value	¥1,331 per share
(4) Total disposal value	¥26,353,800
(5) Planned disposal allottees	Five Directors of the Company (*): 10,600 shares Eight Directors of the Company's subsidiaries: 9,200 shares *Excluding Directors who are Audit & Supervisory Committee Members and Outside Directors

2. Objectives of and reasons for disposal

The purpose of the disposal is for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) to share the benefits and risks of share price fluctuations with the Company's shareholders, thereby increasing their motivation to contribute more than before to raising the Company's share price and enhancing the Company's corporate value.