Summary of Consolidated Financial Statements for the First Half of the Fiscal Year Ending March 2020 [Japanese Standards]

October 30, 2019

Listed Company Name: KROSAKI HARIMA CORPORATION
Listed on the Tokyo Stock Exchange and the Fukuoka Stock Exchange
Securities Code: 5352 URL: http://www.krosaki.co.jp/
Representative: Kazuhiro Egawa, President
Scheduled date of submitting the quarterly financial statements: November 13, 2019
Scheduled date of starting distributing dividends: November 29, 2019
Supplementary documents for this summary of financial statements: Yes
Explanation meeting for analysts on this summary of financial statements: Yes

(Figures shown are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 2020 (April 1, 2019, to September 30, 2019)

(1) Consolidated Business Results

(The percentages indicate the rates of increase or decrease compared with the preceding fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
1H FY Ending March 2020	70,839	(0.9)	4,889	(10.1)	4,923	(14.7)
1H FY Ending March 2019	71,497	21.8	5,437	40.4	5,768	36.1

	Net income attributable to owners of the parent		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
1H FY Ending March 2020	3,166	(13.3)	375.88	—
1H FY Ending March 2019	3,654	34.0	433.64	—

Reference: Comprehensive income was ¥2,267 million (-17.5%) for the 1H of the FY ending March 2020 and ¥2,747 million (-11.2%) for the 1H of the FY ending March 2019.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2019	129,314	56,551	41.5
March 31, 2019	135,422	56,236	39.2

Reference: Equity capital was ¥53,649 million as of September 30, 2019, and ¥53,059 million as of March 31, 2019.

2. Dividends

	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
FY Ending March 2019	—	100.00	—	180.00	280.00
FY Ending March 2020	—	100.00			
FY Ending March 2020 (Forecast)				—	—

Note: Revision to the most recent dividend forecasts previously released: None

* The forecast of year-end dividend has not been determined, and we plan to disclose that at the time of releasing the summary of consolidated business results for the third quarter of the fiscal year ending March 2020.

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 2020 (April 1, 2019, to March 31, 2020)

(The percentages indicate the rates of increase or decrease compared with the preceding fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full Year	140,000	(1.6)	9,800	(7.1)	10,000	(11.4)

	Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Yen
Full Year	6,300	(19.9)	747.79

Note: Revision to the most recent performance forecasts previously released: Yes

* For details, refer to the Notice of Revision to the Performance Forecasts released today.

Notes:
(1) Changes in important subsidiaries involving a change in the scope of consolidation during the period: None
(2) Adoption of special accounting treatment for preparing the quarterly consolidated financial statements: None
(3) Changes in accounting policies or estimates and retrospective restatements

1. Changes in accounting policies in accordance with revision of accounting standards: None
2. Changes in accounting policies other than above: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

(4) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding as of the period-end (including treasury shares):

1H FY ending March 2020:	9,114,528	FY ending March 2019:	9,114,528

2. Number of treasury shares as of the period-end:

1H FY ending March 2020:	689,967	FY ending March 2019:	689,573

3. Average number of shares outstanding:

1H FY ending March 2020:	8,424,772	1H FY ending March 2019:	8,427,450

*The Summary of Quarterly Consolidated Financial Statements is exempt from a quarterly review by the audit corporation.

*Statement regarding the proper use of financial forecasts and other special remarks:
Forward-looking statements, including the forecast of business results, in this Summary are based on information that has been obtained by the Company to date and certain assumptions that are deemed as reasonable, and the Company does not guarantee the realization of these statements. Please understand that actual results may differ significantly from those statements due to various factors. For details of the forecasts of business results, see “(2) Description of Future Prospects, Including the Forecast of Consolidated Business Results” under “1. Qualitative Information on the Settlement of Accounts for the Period under Review” on page 3 of the Attachment.

Contents of the Attachment

1. Qualitative Information on the Settlement of Accounts for the Period under Review

(1) Description of Business Results

During the first half of the fiscal year ending March 31, 2020, the domestic crude steel output of Japan's steel industry, a major customer of the Krosaki Harima Group, decreased 3.0% from the same period of the previous fiscal year to 50.67 million tons. The Group's consolidated net sales for the first half of the fiscal year ending March 31, 2020, dropped 0.9% from a year earlier to ¥70,839 million, mainly due to decreased order receipts as the Furnace business underwent a period in between large construction project orders that was not offset by increased overseas sales.

Primarily due to the decreased net sales, the Group's consolidated operating income for the first half of the year under review declined 10.1% from a year earlier to ¥4,889 million and ordinary income fell 14.7% to ¥4,923 million. The Group's consolidated net income attributable to owners of the parent decreased 13.3% to ¥3,166 million.

Consolidated business performance by industry segment was as follows.

The net sales of each segment represent sales to external customers and do not include intersegment sales or transfers. Segment profit is reconciled with operating income in the consolidated statement of income.

[Refractories]

The Refractories segment's net sales for the first half of the fiscal year ending March 31, 2020, increased 1.0% from the same period of the previous fiscal year to ¥58,956 million, owing to the increased overseas sales. Due to continuing strong yen and successful cost-reduction efforts, segment profit increased 9.8% to ¥3,667 million.

[Furnace]

The Furnace segment's net sales for the first half of the fiscal year ending March 31, 2020, decreased 10.3% from a year earlier to ¥7,788 million, as it suffered from a period in between the receipts of large construction project orders. Due to the net sales decrease, segment profit decreased 56.0% to 456 million.

[Ceramics]

The Ceramics segment's net sales for the first half of the fiscal year ending March 31, 2020, decreased 8.8% from a year earlier to ¥3,299 million, owing to the decreased demand from the semiconductor manufacturing equipment and electronic parts industries, which are the Group's major customers. Due to the net sales decrease, segment profit decreased 38.7% to 379 million.

[Real Estate]

The Real Estate segment's net sales for the first half of the fiscal year ending March 31, 2020 decreased 9.5% from a year earlier to ¥415 million. Segment profit decreased 5.3% to ¥356 million.

[Others]

The Others segment's net sales for the first half of the fiscal year ending March 31, 2020 increased 9.5% from a year earlier to ¥379 million. Regarding profitability, a segment loss of ¥19 million was recorded compared with a segment loss of ¥0 million for the same period of the previous fiscal year.

(2) Description of Future Prospects, Including the Forecast of Consolidated Business Results

The Company revised today (October 30, 2019) the performance forecasts for the fiscal year ending March 31, 2020 announced on May 10, 2019. For details, refer to the Notice of Revision to the Performance Forecasts released today.

The performance forecasts may vary significantly due to such reasons as fluctuations in demand for refractories caused by changes in crude steel output.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY Ending March 2019 (As of March 31, 2019)		FY Ending March 2020 First Half (As of September 30, 2019)	
ASSETS				
Current assets:				
Cash and deposits		5,378		3,903
Notes and accounts receivable—trade		53,112		47,744
Merchandise and finished goods		12,348		12,298
Work in process		3,870		4,029
Raw materials and supplies		10,815		10,906
Other		3,913		3,335
Allowance for doubtful accounts		(344)		(347)
Total current assets		**89,094**		**81,870**
Noncurrent assets:				
Property, plant and equipment:				
Buildings and structures	39,057		40,634	
Accumulated depreciation	(28,443)		(28,707)	
Buildings and structures (net)		10,614		11,926
Machinery, equipment and vehicles	62,232		62,867	
Accumulated depreciation	(53,788)		(54,063)	
Machinery, equipment and vehicles (net)		8,444		8,803
Tools, furniture and fixtures	4,557		4,513	
Accumulated depreciation	(3,807)		(3,717)	
Tools, furniture and fixtures (net)		750		796
Land		6,856		6,821
Construction in progress		3,017		2,866
Total property, plant and equipment		29,684		31,214
Intangible assets:				
Goodwill		5,742		5,234
Other		496		462
Total intangible assets		6,238		5,697
Investments and other assets:				
Investment securities		6,475		6,596
Long-term loans receivable		0		0
Net defined benefit asset		1,963		1,934
Deferred tax assets		471		467
Other		1,666		1,704
Allowance for doubtful accounts		(174)		(170)
Total investments and other assets		10,404		10,532
Total noncurrent assets		**46,328**		**47,444**
Total assets		**135,422**		**129,314**

(Millions of yen)

	FY Ending March 2019 (As of March 31, 2019)	FY Ending March 2020 First Half (As of September 30, 2019)
LIABILITIES		
Current liabilities:		
Notes and accounts payable—trade	16,407	14,628
Electronically recorded payables	7,944	6,378
Short-term loans payable	17,164	9,783
Commercial paper	7,000	8,000
Income taxes payable	2,698	1,457
Provision for bonuses	2,757	2,865
Provision for loss on construction contracts	243	107
Provision for environmental measures	1,013	540
Other current liabilities	7,473	6,350
Total current liabilities	**62,702**	**50,112**
Noncurrent liabilities:		
Long-term loans payable	11,785	17,573
Deferred tax liabilities	280	451
Provision for directors' retirement benefits	550	559
Provision for product warranties	2	1
Net defined benefit liability	605	560
Asset retirement obligations	25	25
Other	3,234	3,477
Total long-term liabilities	**16,483**	**22,650**
Total liabilities	**79,186**	**72,763**
NET ASSETS		
Shareholders' equity:		
Capital stock	5,537	5,537
Capital surplus	2,000	2,000
Retained earnings	46,771	48,357
Treasury stock	(1,633)	(1,635)
Total shareholders' equity	**52,676**	**54,260**
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,598	1,682
Deferred gains or losses on hedges	15	(18)
Foreign currency translation adjustment	(1,508)	(2,509)
Remeasurements of defined benefit plans	277	234
Total accumulated other comprehensive income	**383**	**(610)**
Non-controlling interests	**3,176**	**2,901**
Total net assets	**56,236**	**56,551**
Total liabilities and net assets	**135,422**	**129,314**

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

Quarterly Consolidated Statement of Income

(Millions of yen)

	FY Ending March 2019 First Half (April 1, 2018, to September 30, 2018)	FY Ending March 2020 First Half (April 1, 2019, to September 30, 2019)
Net sales	71,497	70,839
Cost of sales	58,057	57,243
Gross profit	**13,439**	**13,596**
Selling, general and administrative expenses	8,002	8,706
Operating income	**5,437**	**4,889**
Non-operating income:		
Interest income	11	14
Dividends income	66	80
Equity in earnings of affiliates	219	224
Foreign exchange gains	262	—
Other	194	146
Total non-operating income	**754**	**466**
Non-operating expenses:		
Interest expenses	154	199
Compensation expenses	72	—
Other	—	13
Foreign exchange losses	196	219
Total non-operating expenses	423	432
Ordinary income	**5,768**	**4,923**
Extraordinary income:		
Gain on sales of noncurrent assets	162	62
Reversal of foreign currency translation adjustment	—	69
Total extraordinary income	—	0
	162	132
Extraordinary loss:		
Loss on sales of noncurrent assets	0	0
Loss on retirement of noncurrent assets	80	25
Loss on sales of shares of subsidiaries & associates	—	10
Impairment loss	22	—
Environment expenses	—	310
Other	0	3
Total extraordinary loss	102	350
Net income before income taxes	**5,828**	**4,705**
Income taxes—current	1,901	1,116
Income taxes—deferred	(128)	153
Total income taxes	1,772	1,270
Net income	**4,055**	**3,435**
Net income attributable to non-controlling interests	**401**	**268**
Net income attributable to owners of the parent	**3,654**	**3,166**

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY Ending March 2019 First Half (April 1, 2018, to September 30, 2018)	FY Ending March 2020 First Half (April 1, 2019, to September 30, 2019)
Net income	4,055	3,435
Other comprehensive income		
Valuation difference on available-for-sale securities	(278)	84
Deferred gains or losses on hedges	(8)	(34)
Foreign currency translation adjustment	(975)	(1,093)
Remeasurements of defined benefit plans	26	(42)
Share of other comprehensive income of associates accounted for using equity method	(72)	(80)
Total other comprehensive income	(1,308)	(1,167)
Comprehensive income	2,747	2,267
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,514	2,172
Comprehensive income attributable to non-controlling interests	233	94

(3) Notes to the Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

None

(Notes on a Significant Change in Shareholders' Equity)

None

3. Others

Trend of Quarterly Business Results

(Millions of yen)

	Previous Fiscal Year				Fiscal Year Under Review	
	First Quarter (April to June)	Second Quarter (July to Sept.)	Third Quarter (Oct. to Dec.)	Fourth Quarter (Jan. to March)	First Quarter (April to June)	Second Quarter (July to Sept.)
Net Sales	35,445	36,051	37,189	33,660	35,342	35,497
Operating income	2,957	2,479	3,011	2,094	2,342	2,547
Ordinary income	3,092	2,676	3,035	2,484	2,350	2,572
Net income attributable to owners of the parent	1,957	1,696	2,291	1,922	1,498	1,667