Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 2022 [Japanese Standards]

July 30, 2021

Listed Company Name: KROSAKI HARIMA CORPORATION
Listed on the Tokyo Stock Exchange and the Fukuoka Stock Exchange
Securities Code: 5352 URL: https://www.krosaki.co.jp/
Representative: Kazuhiro Egawa, President
Date to submit quarterly financial statements: August 6, 2021
Date to start distributing dividends: --
Supplementary documents for this summary of financial statements: None
Explanation meeting for institutional investors and analysts on this summary of financial statements: None

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022 (April 1, 2021, to June 30, 2021)

(1) Consolidated Business Results

(The percentages indicate the changes from the same period of the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q, Fiscal Year Ending March 2022	31,721	15.2	2,274	146.1	2,344	77.2
1Q, Fiscal Year Ended March 2021	27,524	(22.1)	924	(60.5)	1,323	(43.7)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Millions of yen	%	Yen	Yen
1Q, Fiscal Year Ending March 2022	1,517	44.3	180.15	—
1Q, Fiscal Year Ended March 2021	1,051	(29.9)	124.80	—

Note: Comprehensive income was ¥1,985 million (121.0%) for the first quarter of the fiscal year ending March 2022 and ¥898 million (-8.3%) for the first quarter of the fiscal year ended March 2021.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2021	131,499	64,134	46.3
March 31, 2021	130,354	63,288	46.1

Reference: Equity capital was ¥60,921 million as of June 30, 2021, and ¥60,087 million as of March 31, 2021.

2. Dividends

	Dividend				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 2021	—	40.00	—	110.00	150.00
Fiscal Year Ending March 2022	—				
Fiscal Year Ending March 2022 (Forecast)		100.00	—	—	—

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

*For details, see the Notice Regarding Performance and Dividend Forecasts released today. The forecast of year-end dividends for the fiscal year ending March 2022 has not yet been determined because a decision will be made by closely observing the trends of business results. These dividend forecasts will be disclosed when it becomes possible to do so.

3. Forecast of Consolidated Business Results for the Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim	65,000	16.8	4,000	174.0	4,000	79.6
Full Year	130,000	14.4	8,000	61.6	8,000	25.8

	Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Yen
Interim	2,750	62.8	326.50
Full Year	5,500	26.9	653.00

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

* For details, see the Notice Regarding Performance and Dividend Forecasts released today.

Notes:

(1) Changes in important subsidiaries involving a change in the scope of consolidation during the period: Yes

(Changes in specified subsidiaries involving a change in the scope of consolidation)

Newly added: 0 company   Company name: --

Excluded: 1 company   Company name: KROSAKI HARIMA CERA CORPORATION

Note: KROSAKI HARIMA CERA CORPORATION, which had been a consolidated subsidiary of the Company, was dissolved as of April 1, 2021 as a result of the absorption-type merger in which the Company is the surviving company and therefore has been excluded from the scope of consolidation effective from the first quarter of the fiscal year ending March 31, 2022.

(2) Adoption of accounting methods specific to preparation of 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: Yes
2. Changes in accounting policies other than above: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

(Note) For details, see “(3) Notes to Quarterly Consolidated Financial Statements” under “2. Quarterly Consolidated Financial Statements and Principal Notes” on page 8 of the attachment.

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

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

1Q, Fiscal Year ending March 2022:	9,114,528	Fiscal Year ended March 2021:	9,114,528

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

1Q, Fiscal Year ending March 2022:	691,818	Fiscal Year ended March 2021:	691,705

3. Average number of shares outstanding:

1Q, Fiscal Year ending March 2022:	8,422,718	1Q, Fiscal Year ended March 2021:	8,423,663

The Summary of Quarterly Consolidated Financial Statements is exempt from the quarterly review by Certified Public Accountants or an 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 forecast of business results, see “(2) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” under “1. Qualitative Information on Quarterly Financial Results” on page 3 of the attachment.

Contents of the Attachment

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first quarter of the fiscal year ending March 31, 2022, the domestic total crude steel output in the steel industry, the Group's main customers, increased by 34.4% year on year, to 24.35 million tons. The global crude steel output from January to June 2021 also increased by 14.4% year on year, to approximately 1,003.90 million tons.

The Group's consolidated net sales for the first quarter of the fiscal year ending March 31, 2022 increased 15.2% from a year earlier to ¥31,721 million, primarily due to a rise in demand for refractories accompanying the increased crude steel output domestic and globally, as well as an increase in ceramic materials for semiconductor manufacturing equipment and electronic components.

Primarily due to the increase in net sales, the Group's consolidated operating profit for the first quarter of the fiscal year ending March 31, 2022 increased 146.1% from a year earlier to ¥2,274 million, and ordinary profit increased 77.2% to ¥2,344 million. The Group's consolidated profit attributable to owners of parent increased 44.3% to ¥1,517 million.

Due the application of accounting standards such as the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) (the "Revenue Recognition Standard"), net sales increased by ¥157 million, and operating profit and ordinary profit each increased by ¥19 million.

Operating results by business segment are as follows:

The net sales of each segment represent sales to external customers and do not include inter-segment sales or transfers. The amounts of segment profit (loss) are based on operating profit (loss).

[Refractories]

Net sales in the Refractories segment increased 18.7% from a year earlier to ¥26,236 million, mainly due to the increased demand for refractories resulting from an increase in domestic and global crude steel output. Primarily due to the net sales increase, segment profit increased 236.3% to ¥1,628 million.

Due to the application of the Revenue Recognition Standard and other accounting standards, net sales increased by ¥157 million, and profit increased by ¥19 million.

[Furnace]

Net sales in the Furnace segment decreased 2.0% from a year earlier to ¥3,101 million, mainly reflecting reduced order receipts due to the timing between large-scale construction projects. Primarily due to cost reductions from improved efficiency in furnace construction, segment profit increased 37.1% to ¥149 million.

[Ceramics]

Net sales in the Ceramics segment increased 8.1% from a year earlier to ¥2,006 million, primarily owing to expanded sales of ceramic materials for semiconductor manufacturing equipment and electronic components. Primarily due to the increase in net sales, segment profit increased 91.4% to ¥337 million.

[Real Estate]

Net sales in the Real Estate segment decreased 11.3% from a year earlier to ¥184 million. Segment profit decreased 13.5% to ¥148 million.

[Others]

Net sales in Others segment increased 1.1% from a year earlier to ¥191 million. Segment profit was ¥15 million (compared with a segment loss of ¥17 million for the same period in the previous fiscal year).

(2) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information

The Group’s consolidated financial results forecasts for the first six months of the fiscal year ending March 31, 2022, were still undetermined in the “Summary of Consolidated Financial Statements for the Fiscal Year Ending March 2021 [Japanese Standards]” released on May 12, 2021, but were announced today. For details, please refer to the “Notice Regarding Performance and Dividend Forecasts” announced today.

Financial results forecasts may vary significantly due to factors such as fluctuations in demand for refractories associated with changes in crude steel output as well as market trends for refractory materials.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	1Q, Fiscal Year Ending March 31, 2022 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	5,301	5,529
Notes and accounts receivable - trade	43,293	―
Notes and accounts receivable - trade, and contract assets	―	42,848
Merchandise and finished goods	11,490	12,196
Work in process	3,197	3,581
Raw materials and supplies	9,868	10,341
Other	6,634	6,840
Allowance for doubtful accounts	(291)	(289)
Total current assets	79,496	81,050
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,499	42,670
Accumulated depreciation	(29,564)	(29,860)
Buildings and structures, net	12,935	12,810
Machinery, equipment and vehicles	67,338	68,368
Accumulated depreciation	(55,122)	(55,639)
Machinery, equipment and vehicles, net	12,215	12,728
Tools, furniture and fixtures	4,944	5,044
Accumulated depreciation	(3,881)	(3,953)
Tools, furniture and fixtures, net	1,063	1,090
Land	6,732	6,747
Construction in progress	2,422	1,997
Total property, plant and equipment	35,369	35,374
Intangible assets		
Goodwill	4,493	4,345
Other	485	516
Total intangible assets	4,978	4,862
Investments and other assets		
Investment securities	6,563	6,461
Retirement benefit asset	2,071	2,074
Deferred tax assets	473	218
Other	1,586	1,650
Allowance for doubtful accounts	(184)	(193)
Total investments and other assets	10,510	10,211
Total non-current assets	50,858	50,449
Total assets	130,354	131,499

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	1Q, Fiscal Year Ending March 31, 2022 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,394	12,657
Electronically recorded obligations - operating	5,240	5,580
Short-term borrowings	9,685	10,870
Commercial papers	7,000	9,000
Income taxes payable	1,214	502
Provision for bonuses	2,167	1,305
Provision for loss on construction contracts	82	82
Provision for environmental measures	58	24
Asset retirement obligations	160	160
Other	6,168	6,197
Total current liabilities	45,172	46,380
Non-current liabilities		
Long-term borrowings	16,098	15,008
Deferred tax liabilities	1,122	1,214
Provision for retirement benefits for directors (and other officers)	488	454
Retirement benefit liability	697	663
Asset retirement obligations	25	25
Other	3,460	3,619
Total non-current liabilities	21,893	20,984
Total liabilities	67,065	67,364
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	2,000	2,000
Retained earnings	53,781	54,288
Treasury shares	(1,644)	(1,645)
Total shareholders' equity	59,675	60,182
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,052	1,998
Deferred gains or losses on hedges	4	16
Foreign currency translation adjustment	(2,313)	(1,951)
Remeasurements of defined benefit plans	668	676
Total accumulated other comprehensive income	412	738
Non-controlling interests	3,201	3,213
Total net assets	63,288	64,134
Total liabilities and net assets	130,354	131,499

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	1Q, Fiscal Year Ended March 31, 2021 (April 1, 2020, to June 30, 2020)	1Q, Fiscal Year Ending March 31, 2022 (April 1, 2021, to June 30, 2021)
Net sales	27,524	31,721
Cost of sales	22,627	25,352
Gross profit	4,896	6,368
Selling, general and administrative expenses	3,972	4,093
Operating profit	924	2,274
Non-operating income		
Interest income	6	6
Dividend income	53	42
Share of profit of entities accounted for using equity method	83	0
Foreign exchange gains	103	93
Subsidy income	224	1
Other	93	67
Total non-operating income	564	211
Non-operating expenses		
Interest expenses	74	65
Loss on removal of non-current assets	9	32
Other	82	43
Total non-operating expenses	165	141
Ordinary profit	1,323	2,344
Extraordinary income		
Gain on sale of non-current assets	83	2
Total extraordinary income	83	2
Extraordinary losses		
Loss on retirement of non-current assets	0	5
Total extraordinary losses	0	5
Profit before income taxes	1,405	2,341
Income taxes - current	141	304
Income taxes - deferred	207	431
Total income taxes	349	736
Profit	1,056	1,605
Profit attributable to non-controlling interests	4	87
Profit attributable to owners of parent	1,051	1,517

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	1Q, Fiscal Year Ended March 31, 2021 (April 1, 2020, to June 30, 2020)	1Q, Fiscal Year Ending March 31, 2022 (April 1, 2021, to June 30, 2021)
Profit	1,056	1,605
Other comprehensive income		
Valuation difference on available-for-sale securities	320	(54)
Deferred gains or losses on hedges	(1)	11
Foreign currency translation adjustment	(460)	390
Remeasurements of defined benefit plans, net of tax	17	7
Share of other comprehensive income of entities accounted for using equity method	(34)	25
Total other comprehensive income	(157)	379
Comprehensive income	898	1,985
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	943	1,844
Comprehensive income attributable to non-controlling interests	(45)	140

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) (the "Revenue Recognition Standard") and other accounting standards from the beginning of the first quarter of the fiscal year ending March 31, 2022. Revenue is recognized as the amount expected to be received in exchange for promised goods or services when control of said goods or services is transferred to the customer. Previously, refractories revenue was recognized at the time of shipment, but due to the application of this Revenue Recognition Standard, revenue is now recognized when the customer completes inspection and acceptance or when the refractories are delivered to the customer. However, for transactions in which control of refractories is transferred to the customer when said refractories are delivered, revenue continues to be posted in practice at the time of shipment in accordance with Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30; March 26, 2021).

With regard to the application of the Revenue Recognition Standard, etc., in accordance with the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Standard, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter of the fiscal year under review has been added to or subtracted from retained earnings at the beginning of the first quarter of the fiscal year under review, and the new accounting policy has been applied from the beginning balance of said period.

As a result, for the three months ended June 30, 2021, net sales increased by ¥157 million, cost of sales increased by ¥138 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥19 million. Retained earnings at the beginning of the period under review decreased by ¥83 million.

Due to the application of the Revenue Recognition Standard, etc., "Notes and accounts receivable - trade," which was included in "current assets" in the consolidated balance sheets for the previous fiscal year, are included in "Notes and accounts receivable – trade, and contract assets" from the first quarter of the fiscal year under review. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified in accordance with the new approach to presentation.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30; July 4, 2019) (the "Fair Value Standard") and other accounting standards from the beginning of the first quarter of the fiscal year ending March 31, 2022. New accounting policies based on the Fair Value Standard, etc. have been applied prospectively in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value

Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10; July 4, 2019). There is no impact on the quarterly consolidated financial statements.

3. Others

Trend of Quarterly Operating Results

(Millions of yen)

	Previous fiscal year				Fiscal year under review
	1Q (April to June)	2Q (July to Sept.)	3Q (Oct. to Dec.)	4Q (Jan. to March)	1Q (April to June)
Net sales	27,524	28,147	27,692	30,297	31,721
Operating profit	924	535	1,506	1,983	2,274
Ordinary profit	1,323	904	1,894	2,239	2,344
Profit attributable to owners of parent	1,051	637	1,314	1,331	1,517