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

January 31, 2022

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: February 10, 2022
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 Third Quarter of the Fiscal Year Ending March 31, 2022 (April 1, 2021, to December 31, 2021)

(1) Consolidated Business Results

(Percentages indicate 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	%
First 3Qs, Fiscal Year Ending March 2022	98,910	18.6	6,273	111.5	6,812	65.3
First 3Qs, Fiscal Year Ended March 2021	83,364	(20.8)	2,965	(57.8)	4,121	(43.5)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Millions of yen	%	Yen	Yen
First 3Qs, Fiscal Year Ending March 2022	4,456	48.4	529.17	—
First 3Qs, Fiscal Year Ended March 2021	3,003	(37.0)	356.51	—

Note: Comprehensive income was ¥5,581 million (55.1%) for the first three quarters of the fiscal year ending March 2022 and ¥3,598 million (-4.5%) for the first three quarters of the fiscal year ended March 2021.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2021	135,959	66,850	46.6
March 31, 2021	130,354	63,288	46.1

Reference: Equity capital was ¥63,407 million as of December 31, 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	—	100.00	—		
Fiscal Year Ending March 2022 (Forecast)				100.00	200.00

Note: Revision to the most recent dividend forecasts previously released: Yes
*For details, refer to the Notice Regarding Dividend Forecasts released today.

3. Forecast of Consolidated Business Results for the Fiscal 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	%
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
Full Year	5,500	26.9	653.02

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

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):

3Q, 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:

3Q, Fiscal Year ending March 2022:	692,728	Fiscal Year ended March 2021:	691,705

3. Average number of shares outstanding:

3Q, Fiscal Year ending March 2022:	8,422,347	3Q, Fiscal Year ended March 2021:	8,423,418

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 Forecasts 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 three quarters 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 22.9% year on year, to 72.62 million tons. The global crude steel output from January to December 2021 also increased by 3.7% year on year, to approximately 1,950.5 million tons.

The Group's consolidated net sales for the first three quarters of the fiscal year ending March 31, 2022 increased 18.6% from a year earlier to ¥98,910 million, primarily due to a rise in demand for refractories accompanying the increased crude steel output both domestically and globally, as well as an increase in ceramic materials for semiconductor manufacturing equipment and electronic components.

Primarily due to an increase in net sales, the Group's consolidated operating profit for the first three quarters of the fiscal year ending March 31, 2022 increased 111.5% from a year earlier to ¥6,273 million, ordinary profit increased 65.3% to ¥6,812 million, and profit attributable to owners of parent increased 48.4% to ¥4,456 million.

Due to 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 for the first three quarters of the fiscal year ending March 31, 2022 increased by ¥220 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥34 million.

Operating results by business segment for the first three quarters of the fiscal year ending March 31, 2022 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 22.6% from a year earlier to ¥81,873 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 200.6% from a year earlier to ¥4,535 million.

Due to the application of the Revenue Recognition Standard and other accounting standards, net sales increased by ¥220 million, and profit increased by ¥34 million.

[Furnace]

Net sales in the Furnace segment decreased 4.5% from a year earlier to ¥9,648 million, mainly reflecting reduced order receipts due to the timing between large-scale construction projects. Primarily due to the net sales decrease, segment profit decreased 13.1% from a year earlier to ¥409 million.

[Ceramics]

Net sales in the Ceramics segment increased 15.3% from a year earlier to ¥6,311 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 60.4% from a year earlier to ¥852 million.

[Real Estate]

Net sales in the Real Estate segment decreased 11.3% from a year earlier to ¥553 million. Segment profit decreased 12.1% from a year earlier to ¥442 million.

[Others]

Net sales in Others segment increased 36.2% from a year earlier to ¥524 million. Segment profit was ¥36 million (compared with a segment loss of ¥34 million for the same period in the previous fiscal year).

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

As of the time this report is prepared, there has been no change to the Group’s consolidated financial results forecasts for the fiscal year ending March 31, 2022, released on May 12, 2021.

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)	3Q, Fiscal Year Ending March 31, 2022 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	5,301	4,917
Notes and accounts receivable - trade	43,293	–
Notes and accounts receivable - trade, and contract assets	–	43,378
Merchandise and finished goods	11,490	13,792
Work in process	3,197	3,526
Raw materials and supplies	9,868	11,737
Other	6,634	8,550
Allowance for doubtful accounts	(291)	(329)
Total current assets	79,496	85,573
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,499	42,624
Accumulated depreciation	(29,564)	(29,936)
Buildings and structures, net	12,935	12,687
Machinery, equipment and vehicles	67,338	69,163
Accumulated depreciation	(55,122)	(56,468)
Machinery, equipment and vehicles, net	12,215	12,695
Tools, furniture and fixtures	4,944	5,151
Accumulated depreciation	(3,881)	(4,073)
Tools, furniture and fixtures, net	1,063	1,077
Land	6,732	6,717
Construction in progress	2,422	2,453
Total property, plant and equipment	35,369	35,631
Intangible assets		
Goodwill	4,493	4,215
Other	485	487
Total intangible assets	4,978	4,703
Investments and other assets		
Investment securities	6,563	6,541
Retirement benefit asset	2,071	1,797
Deferred tax assets	473	169
Other	1,586	1,737
Allowance for doubtful accounts	(184)	(195)
Total investments and other assets	10,510	10,050
Total non-current assets	50,858	50,385
Total assets	130,354	135,959

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	3Q, Fiscal Year Ending March 31, 2022 (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,394	15,190
Electronically recorded obligations - operating	5,240	7,170
Short-term borrowings	9,685	13,167
Commercial papers	7,000	4,000
Income taxes payable	1,214	622
Provision for bonuses	2,167	1,401
Provision for loss on construction contracts	82	122
Provision for environmental measures	58	–
Asset retirement obligations	160	–
Other	6,168	6,456
Total current liabilities	45,172	48,131
Non-current liabilities		
Long-term borrowings	16,098	14,763
Deferred tax liabilities	1,122	1,444
Provision for retirement benefits for directors (and other officers)	488	486
Retirement benefit liability	697	470
Asset retirement obligations	25	25
Other	3,460	3,786
Total non-current liabilities	21,893	20,977
Total liabilities	67,065	69,108
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	2,000	2,000
Retained earnings	53,781	56,385
Treasury shares	(1,644)	(1,649)
Total shareholders' equity	59,675	62,275
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,052	2,045
Deferred gains or losses on hedges	4	134
Foreign currency translation adjustment	(2,313)	(1,652)
Remeasurements of defined benefit plans	668	605
Total accumulated other comprehensive income	412	1,132
Non-controlling interests	3,201	3,442
Total net assets	63,288	66,850
Total liabilities and net assets	130,354	135,959

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	First 3Qs, Fiscal Year Ended March 31, 2021 (April 1, 2020 to December 31, 2020)	First 3Qs, Fiscal Year Ending March 31, 2022 (April 1, 2021 to December 31, 2021)
Net sales	83,364	98,910
Cost of sales	68,914	79,961
Gross profit	14,449	18,949
Selling, general and administrative expenses	11,483	12,676
Operating profit	2,965	6,273
Non-operating income		
Interest income	21	18
Dividend income	86	88
Share of profit of entities accounted for using equity method	349	254
Foreign exchange gains	174	330
Subsidy income	660	7
Other	325	249
Total non-operating income	1,616	949
Non-operating expenses		
Interest expenses	181	215
Loss on removal of non-current assets	84	87
Other	194	106
Total non-operating expenses	460	409
Ordinary profit	4,121	6,812
Extraordinary income		
Gain on sale of non-current assets	203	54
Gain on sale of investment securities	203	23
Total extraordinary income	407	77
Extraordinary losses		
Loss on retirement of non-current assets	67	38
Environmental expenses	30	—
Loss on disaster	27	—
Other	3	0
Total extraordinary losses	128	38
Profit before income taxes	4,400	6,851
Income taxes – current	940	1,474
Income taxes - deferred	330	605
Total income taxes	1,270	2,079
Profit	3,129	4,771
Profit attributable to non-controlling interests	126	314
Profit attributable to owners of parent	3,003	4,456

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First 3Qs, Fiscal Year Ended March 31, 2021 (April 1, 2020 to December 31, 2020)	First 3Qs, Fiscal Year Ending March 31, 2022 (April 1, 2021 to December 31, 2021)
Profit	3,129	4,771
Other comprehensive income		
Valuation difference on available-for-sale securities	695	(7)
Deferred gains or losses on hedges	(2)	129
Foreign currency translation adjustment	(236)	660
Remeasurements of defined benefit plans, net of tax	52	(62)
Share of other comprehensive income of entities accounted for using equity method	(39)	90
Total other comprehensive income	468	809
Comprehensive income	3,598	5,581
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,525	5,177
Comprehensive income attributable to non-controlling interests	72	403

(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 respect to construction contracts, in the past, the percentage-of-completion method had been applied to works for which outcomes were deemed certain in so far as the completed portions of the work were concerned, while the completed-contract method had been applied to other works. Since the beginning of the first quarter of the fiscal year ending March 31, 2022, revenue from the contracts for which performance obligations are satisfied over a certain period of time is recognized over time based on the estimated extent of progress toward satisfaction of performance obligations, with the exception of very short-term contracts involving small amounts; meanwhile, revenue from the contracts for which performance obligations are satisfied at one point in time is recognized when the customer completes inspection and acceptance. As for the method to estimate the extent of progress toward satisfaction of performance obligations, the ratio of the cost incurred to the estimated total cost (input method) is being used.

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 nine months ended December 31, 2021, net sales increased by ¥220 million, cost of sales increased by ¥186 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥34 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)	2Q (July to Sept.)	3Q (Oct. to Dec.)
Net sales	27,524	28,147	27,692	30,297	31,721	33,391	33,798
Operating profit	924	535	1,506	1,983	2,274	1,934	2,063
Ordinary profit	1,323	904	1,894	2,239	2,344	2,213	2,254
Profit attributable to owners of parent	1,051	637	1,314	1,331	1,517	1,500	1,439