Summary of Consolidated Financial Statements for the Fiscal Year Ended March 2022 [Japanese Standards]

May 13, 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 hold the Ordinary General Meeting of Shareholders to approve results: June 29, 2022
Date to start distributing dividends: June 30, 2022
Date to submit the Securities Report: June 29, 2022
Supplementary documents for this summary of financial statements: Yes
Explanation meeting for institutional investors and analysts on this summary of financial statements: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021, to March 31, 2022)

(1) Consolidated Business Results (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	%
Fiscal Year Ended March 2022	133,778	17.7	7,566	52.9	8,679	36.4
Fiscal Year Ended March 2021	113,661	(17.3)	4,949	(47.3)	6,361	(34.8)

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Millions of yen	%	Yen	Yen
Fiscal Year Ended March 2022	5,490	26.7	615.91	—
Fiscal Year Ended March 2021	4,334	(32.7)	514.63	—

Note: Comprehensive income was ¥7,815 million (3.1%) for the fiscal year ended March 2022 and ¥7,579 million (99.7%) for the fiscal year ended March 2021.

	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
	%	%	%
Fiscal Year Ended March 2022	8.8	6.4	5.7
Fiscal Year Ended March 2021	7.6	4.9	4.4

Reference: Share of profit of entities accounted for using equity method was ¥444 million for the fiscal year ended March 2022, and ¥465 million for the fiscal year ended March 2021.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2022	142,694	69,084	45.8	7,759.14
March 31, 2021	130,354	63,288	46.1	7,133.91

Reference: Equity capital was ¥65,344 million as of March 31, 2022, and ¥60,087 million as of March 31, 2021.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year Ended March 2022	4,120	(3,608)	(1,022)	5,012
Fiscal Year Ended March 2021	10,080	(4,946)	(3,608)	5,301

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 Ended March 2022	—	100.00	—	100.00	200.00
Fiscal Year Ending March 2023 (Forecast)	—	—	—	—	—

	Total dividends (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Millions of yen	%	%
Fiscal Year Ended March 2021	1,263	29.1	2.2
Fiscal Year Ended March 2022	1,684	30.7	2.7
Fiscal Year Ending March 2023 (Forecast)		—	

*The forecast of the interim and year-end dividends for the fiscal year ending March 2023 have not yet been determined because a decision will be made by considering the consolidated payout ratio policy to date and 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 Fiscal Year Ending March 31, 2023 (April 1, 2022, to March 31, 2023)

(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	148,000	10.6	10,000	32.2	10,000	15.2

	Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Yen
Full Year	6,500	18.4	771.77

* For details, see “(4) Outlook for the Future” under “1. Overview of Business Results” on page 4 of the attachment.

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 HARIMACERACORPORATION, which had been a consolidated subsidiary of the Company, was dissolved as of April 1, 2021as 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.

(2) 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 “(5) Notes to the Consolidated Financial Statements” under “3. Consolidated Financial Statements and Major Notes” on page 12 of the attachment.

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

1. Number of shares issued and outstanding as of the period-end (including treasury shares):
   Fiscal Year ended March 2022: 9,114,528 Fiscal Year ended March 2021: 9,114,528
2. Number of treasury shares as of the period-end:
   Fiscal Year ended March 2022: 692,845 Fiscal Year ended March 2021: 691,705
3. Average number of shares outstanding:
   Fiscal Year ended March 2022: 8,422,186 Fiscal Year ended March 2021: 8,423,284

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021, to March 31, 2022)

(1) Non-Consolidated Business Results (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	%
Fiscal Year Ended March 2022	90,097	12.0	3,904	17.2	5,753	(2.6)
Fiscal Year Ended March 2021	80,429	(16.2)	3,332	(38.4)	5,909	(13.8)

	Profit		Profit per share	Diluted profit per share
	Millions of yen	%	Yen	Yen
Fiscal Year Ended March 2022	5,972	29.4	709.15	—
Fiscal Year Ended March 2021	4,616	(8.5)	548.11	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2022	110,994	58,504	52.7	6,946.90
March 31, 2021	106,268	54,414	51.2	6,460.40

Reference: Equity capital was ¥58,504 million as of March 31, 2022, and ¥54,414 million as of March 31, 2021.

The Summary of Consolidated Financial Statements is exempt from auditing 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 “(4) Outlook for the Future” under “1. Overview of Business Results” on page 4 of the attachment.

Contents of the Attachment

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2022, the economic environment surrounding the Group saw demand significantly recover as a whole, compared to the previous fiscal year, which was severely affected by the COVID-19 pandemic.

The domestic total crude steel output in the steel industry, the Group's main customers, increased by 15.5% year on year, to 95.63 million tons. On the other hand, the global crude steel output during the calendar year 2021 increased by 3.7% year on year, to 1,950.50 million tons, exceeding 1,900 million ton for the first time.

Under these circumstances, the Group has implemented various initiatives including strengthening the global strategy to expand earnings during the fiscal year ended March 31, 2022 with a view to establishing itself as one of the world's finest ceramic companies, which is the basic policy of the Krosaki Harima Group 2025 Management Plan. For example, the Group implemented domestic and global capital investment, established a partnership with ArcelorMittal Refractories, a refractory products manufacturer arm of the ArcelorMittal Group for manufacturing technology licensing, technical assistance and sales of refractory products targeting European steel mills; and concluded a manufacturing technology licensing agreement with the Brazilian refractory products manufacturer INDÚSTRIAS BRASILEIRAS DE ARTIGOS REFRÁTARIOS LTDA. to facilitate the refractory products business targeting the South American market.

The business performance of the Group in the fiscal year under review was as follows.

[Net Sales]

The Group's consolidated net sales increased by 17.7% from a year earlier to ¥133,778 million, primarily owing to expanded sales of ceramic materials for semiconductor manufacturing equipment and electronic components, in addition to the increased demand for refractories resulting from an increase in domestic and global crude steel output.

[Profit/Loss]

Primarily due to the increase in net sales, the Group's consolidated operating profit increased by 52.9% from a year earlier to ¥7,566 million, ordinary profit increased by 36.4% to ¥8,679 million. The Group's consolidated profit attributable to owners of parent increased by 26.7% to ¥5,490 million.

Due to the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) (the "Revenue Recognition Standard") and other accounting standards, net sales increased by ¥242 million and operating profit, ordinary profit and profit before income taxes each increased by ¥46 million for the fiscal year ended March 31, 2022.

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] (Manufacturing and sale of overall refractories used for various industrial furnaces)

Net sales in the Refractories segment increased by 21.5% from a year earlier to ¥110,659 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 by 82.9% from a year earlier to ¥5,149 million.

Due to the application of the Revenue Recognition Standard and other accounting standards, segment net sales increased by ¥242 million and segment profit increased by ¥46 million.

[Furnace] (Design, construction and repairs of various furnaces)

Net sales in the Furnace segment decreased by 3.7% from a year earlier to ¥13,226 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 by 9.4% from a year earlier to ¥668 million.

[Ceramics] (Manufacturing and sale of fine ceramics for various industries and sale of landscape materials)

Net sales in the Ceramics segment increased by 14.5% from a year earlier to ¥8,486 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 by 60.1% from a year earlier to ¥1,124 million.

[Real Estate] (Renting out stores and warehouses, etc.)

Net sales in the Real Estate segment decreased by 11.3% from a year earlier to ¥737 million. Segment profit decreased by 11.7% from a year earlier to ¥592 million.

[Others] (Manufacturing and sale of lime for iron mills)

Net sales in Others segment increased by 5.8% from a year earlier to ¥668 million. Segment profit increased by 48.4% from a year earlier to ¥36 million.

(2) Overview of Financial Position for the Year under Review

1) Assets

The Group’s consolidated total assets at the end of the fiscal year ended March 2022 increased by ¥12,339 million from the previous year-end to ¥142,694 million. Current assets increased by ¥11,832 million to ¥91,328 million and non-current assets increased by ¥507 million to ¥51,365 million.

Primary factors for the increase in current assets consist of an increase in merchandise and finished goods and an increase in raw materials and supplies mainly due to an increase in net sales. The main factor behind the increase in non-current assets was an increase in machinery, equipment and vehicles due to acquisition of machinery and equipment.

2) Liabilities

The Group’s consolidated total liabilities at the end of the fiscal year ended March 2022 increased by ¥6,543 million from the previous year-end to ¥73,609 million. Current liabilities increased by ¥3,238 million to ¥48,410 million and non-current liabilities increased by ¥3,305 million to ¥25,198 million.

The primary factor for the increase in current liabilities was an increase in accounts payable - trade. The main factor for the increase in non-current liabilities was an increase in long-term borrowings.

3) Net assets

The Group’s consolidated net assets at the end of the fiscal year ended March 2022 increased by ¥5,795 million from the previous year-end to ¥69,084 million.

A primary factor for the increase in net assets was an increase in retained earnings due to the recording of profit attributable to owners of parent.

Due to the application of the Revenue Recognition Standard, etc., the cumulative effect of application was reflected on net assets at the beginning of the fiscal year ended March 2022, and the beginning balance of retained decreased by ¥83 million.

As a result, the Group's equity ratio at the end of the fiscal year ended March 2022 was 45.8%.

Net assets per share increased from ¥7,133.91 at the previous year-end to ¥7,759.14.

(3) Overview of Cash Flows for the Year under Review

The Group's cash and cash equivalents (hereinafter "cash") at the end of the fiscal year ended March 2022 decreased by ¥289 million from the previous year-end to ¥5,012 million.

The status of consolidated cash flows for the fiscal year ended March 2022 and contributing factors were as follows.

1) Cash flows from operating activities

Net cash provided in operating activities amounted to ¥4,120 million compared with ¥10,080 million provided for the previous year. This consisted primarily of ¥8,578 million in profit before income taxes, a ¥3,189 million increase in trade payables, ¥3,247 million in depreciation, and a ¥6,971 million increase in inventories.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥3,608 million compared with ¥4,946 million used for the previous year. This consisted primarily of a ¥3,652 million payment for the purchase of non-current assets including some facilities.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥1,022 million compared with ¥3,608 million used for the previous year. This consisted primarily of ¥6,745 million in proceeds from long-term borrowings, ¥5,522 million repayments of long-term borrowings, and ¥1,769 million in dividends paid.

(4) Outlook for the Future

The Group's consolidated net sales for the fiscal year ending March 31, 2023 are expected to increase from the fiscal year under review, primarily owing to the expected increase in ceramic materials for semiconductor manufacturing equipment and electronic components, in addition to the increased demand for refractories and maintenance of steel manufacturing facilities accompanied by an increase in crude steel output mainly overseas. In line with the increase in net sales, the Group expects to attain increase in profit from the fiscal year under review.

The performance forecasts may vary significantly due to factors such as fluctuations in demand for refractories associated with changes in crude steel output and the escalation of costs resulting from the increase in prices of materials and supplies, overseas transportation and energy caused by the weakening of the yen and other factors.

2. Basic Policy on the Selection of Accounting Standards

Although the Group is promoting the global development of its businesses, we intend to apply the Japanese accounting standards for preparing consolidated financial statements for the time being. For the application of the International Financial Reporting Standards, we will take the best possible responses upon consideration of the domestic and overseas circumstances.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)
Assets		
Current assets:		
Cash and deposits	5,301	5,012
Notes and accounts receivable - trade	43,293	―
Notes and accounts receivable - trade, and contract assets	―	44,666
Merchandise and finished goods	11,490	16,103
Work in process	3,197	3,293
Raw materials and supplies	9,868	13,772
Other	6,634	8,846
Allowance for doubtful accounts	(291)	(366)
Total current assets	79,496	91,328
Non-current assets:		
Property, plant and equipment		
Buildings and structures	42,499	43,744
Accumulated depreciation	(29,564)	(30,231)
Buildings and structures, net	12,935	13,513
Machinery, equipment and vehicles	67,338	70,467
Accumulated depreciation	(55,122)	(57,023)
Machinery, equipment and vehicles, net	12,215	13,443
Tools, furniture and fixtures	4,944	5,319
Accumulated depreciation	(3,881)	(4,170)
Tools, furniture and fixtures, net	1,063	1,148
Land	6,732	6,646
Construction in progress	2,422	1,581
Total property, plant and equipment	35,369	36,333
Intangible assets		
Goodwill	4,493	4,270
Other	485	506
Total intangible assets	4,978	4,776
Investments and other assets		
Investment securities	6,563	6,328
Retirement benefit asset	2,071	2,108
Deferred tax assets	473	162
Other	1,586	1,893
Allowance for doubtful accounts	(184)	(236)
Total investments and other assets	10,510	10,255
Total non-current assets	50,858	51,365
Total assets	130,354	142,694

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)
Liabilities		
Current liabilities:		
Notes payable - trade	236	—
Electronically recorded obligations - operating	5,240	6,603
Accounts payable - trade	13,158	16,943
Short-term borrowings	9,685	8,863
Commercial papers	7,000	6,000
Income taxes payable	1,214	1,231
Provision for bonuses	2,167	2,785
Provision for loss on construction contracts	82	105
Provision for environmental measures	58	—
Asset retirement obligations	160	—
Other	6,168	5,877
Total current liabilities	45,172	48,410
Non-current liabilities:		
Long-term borrowings	16,098	19,334
Deferred tax liabilities	1,122	1,170
Provision for retirement benefits for directors (and other officers)	488	492
Retirement benefit liability	697	473
Asset retirement obligations	25	25
Other	3,460	3,702
Total non-current liabilities	21,893	25,198
Total liabilities	67,065	73,609
Net Assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	2,000	2,000
Retained earnings	53,781	57,419
Treasury shares	(1,644)	(1,650)
Total shareholders' equity	59,675	63,308
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,052	1,833
Deferred gains or losses on hedges	4	199
Foreign currency translation adjustment	(2,313)	(797)
Remeasurements of defined benefit plans	668	801
Total accumulated other comprehensive income	412	2,036
Non-controlling interests	3,201	3,739
Total net assets	63,288	69,084
Total liabilities and net assets	130,354	142,694

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year from April 1, 2020, to March 31, 2021	Fiscal Year from April 1, 2021, to March 31, 2022
Net sales	113,661	133,778
Cost of sales	93,105	108,969
Gross profit	20,556	24,809
Selling, general and administrative expenses	15,606	17,242
Operating profit	4,949	7,566
Non-operating income		
Interest income	31	24
Dividend income	108	157
Share of profit of entities accounted for using equity method	465	444
Foreign exchange gains	287	716
Subsidy income	744	17
Other	373	321
Total non-operating income	2,009	1,681
Non-operating expenses		
Interest expenses	242	300
Loss on removal of non-current assets	96	121
Other	257	145
Total non-operating expenses	596	567
Ordinary profit	6,361	8,679
Extraordinary income		
Gain on sale of non-current assets	205	59
Gain on sale of investment securities	203	23
Gain on sale of shares of subsidiaries and associates	119	—
Total extraordinary income	528	82
Extraordinary losses		
Loss on sale of non-current assets	7	0
Loss on retirement of non-current assets	72	90
Loss on valuation of investment securities	0	20
Impairment losses	162	71
Environmental expenses	41	—
Loss on disaster	39	—
Other	26	0
Total extraordinary losses	351	183
Profit before income taxes	6,539	8,578
Income taxes—current	1,866	2,390
Income taxes—deferred	56	249
Total income taxes	1,923	2,640
Profit	4,616	5,937
Profit attributable to non-controlling interests	281	447
Profit attributable to owners of parent	4,334	5,490

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year from April 1, 2020, to March 31, 2021	Fiscal Year from April 1, 2021, to March 31, 2022
Profit	4,616	5,937
Other comprehensive income		
Valuation difference on available-for-sale securities	1,012	(219)
Deferred gains or losses on hedges	4	195
Foreign currency translation adjustment	753	1,562
Remeasurements of defined benefit plans, net of tax	1,127	132
Share of other comprehensive income of entities accounted for using equity method	66	207
Total other comprehensive income	2,963	1,878
Comprehensive income	7,579	7,815
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,216	7,115
Comprehensive income attributable to non-controlling interests	363	700

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2021 (from April 1, 2020, to March 31, 2021):

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,537	2,000	50,794	(1,641)	56,691
Cumulative effects of changes in accounting policies					—
Restated balance	5,537	2,000	50,794	(1,641)	56,691
Changes during period					
Dividends of surplus			(1,347)		(1,347)
Profit attributable to owners of parent			4,334		4,334
Purchase of treasury shares				(3)	(3)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	2,987	(3)	2,983
Balance at end of period	5,537	2,000	53,781	(1,644)	59,675

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,041	0	(3,052)	(458)	(2,469)	3,010	57,233
Cumulative effects of changes in accounting policies							—
Restated balance	1,041	0	(3,052)	(458)	(2,469)	3,010	57,233
Changes during period							
Dividends of surplus							(1,347)
Profit attributable to owners of parent							4,334
Purchase of treasury shares							(3)
Net changes in items other than shareholders' equity	1,010	4	738	1,127	2,881	190	3,071
Total changes during period	1,010	4	738	1,127	2,881	190	6,055
Balance at end of period	2,052	4	(2,313)	668	412	3,201	63,288

For the fiscal year ended March 31, 2022 (from April 1, 2021, to March 31, 2022):

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,537	2,000	53,781	(1,644)	59,675
Cumulative effects of changes in accounting policies			(83)		(83)
Restated balance	5,537	2,000	53,697	(1,644)	59,591
Changes during period					
Dividends of surplus			(1,768)		(1,768)
Profit attributable to owners of parent			5,490		5,490
Purchase of treasury shares				(5)	(5)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	3,721	(5)	3,716
Balance at end of period	5,537	2,000	57,419	(1,650)	63,308

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,052	4	(2,313)	668	412	3,201	63,288
Cumulative effects of changes in accounting policies							(83)
Restated balance	2,052	4	(2,313)	668	412	3,201	63,205
Changes during period							
Dividends of surplus							(1,768)
Profit attributable to owners of parent							5,490
Purchase of treasury shares							(5)
Net changes in items other than shareholders' equity	(219)	195	1,516	132	1,624	538	2,163
Total changes during period	(219)	195	1,516	132	1,624	538	5,879
Balance at end of period	1,833	199	(797)	801	2,036	3,739	69,084

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year from April 1, 2020, to March 31, 2021	Fiscal Year from April 1, 2021, to March 31, 2022
Cash flows from operating activities:		
Profit before income taxes	6,539	8,578
Depreciation	2,814	3,247
Impairment losses	162	71
Amortization of goodwill	459	482
Increase (decrease) in allowance for doubtful accounts	(18)	84
Increase (decrease) in provision for bonuses	(588)	608
Increase (decrease) in provision for environmental measures	(9)	(58)
Increase (decrease) in retirement benefit liability	99	(239)
Increase (decrease) in other provisions	(75)	22
Interest and dividend income	(139)	(181)
Interest expenses	242	300
Foreign exchange losses (gains)	32	(33)
Share of loss (profit) of entities accounted for using equity method	(465)	(444)
Loss (gain) on sale of non-current assets	(198)	(59)
Loss on retirement of non-current assets	72	90
Loss (gain) on sale of investment securities	(203)	(23)
Loss (gain) on sale of shares of subsidiaries and associates	(119)	—
Decrease (increase) in trade receivables	4,519	(956)
Decrease (increase) in inventories	1,989	(6,971)
Increase (decrease) in trade payables	(876)	3,189
Other, net	(3,796)	(1,282)
Subtotal	10,441	6,427
Interest and dividends received	566	390
Interest paid	(242)	(297)
Income taxes paid	(684)	(2,400)
Net cash provided by (used in) operating activities	10,080	4,120
Cash flows from investing activities:		
Purchase of non-current assets	(5,779)	(3,652)
Proceeds from sale of non-current assets	364	101
Payments for retirement of non-current assets	(137)	(185)
Proceeds from withdrawal of time deposits	2	—
Proceeds from sale of investment securities	338	71
Proceeds from sales of investments in capital of subsidiaries and associates	76	51
Proceeds from sale of shares of subsidiaries and associates	135	—
Loan advances	(0)	(1)
Proceeds from collection of loans receivable	20	16
Other, net	33	(9)
Net cash provided by (used in) investing activities	(4,946)	(3,608)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(195)	700
Increase (decrease) in commercial papers	(2,000)	(1,000)
Proceeds from long-term borrowings	2,687	6,745
Repayments of long-term borrowings	(2,592)	(5,522)
Purchase of treasury shares	(3)	(5)
Dividends paid	(1,347)	(1,769)
Dividends paid to non-controlling interests	(172)	(162)
Other, net	15	(9)
Net cash provided by (used in) financing activities	(3,608)	(1,022)
Effect of exchange rate change on cash and cash equivalents	(9)	221
Net increase (decrease) in cash and cash equivalents	1,516	(289)
Cash and cash equivalents at beginning of period	3,785	5,301
Cash and cash equivalents at end of period	5,301	5,012

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)

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 fiscal year ended 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 fiscal year ended 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 fiscal year under review has been added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy has been applied from the beginning balance of said period.

Furthermore, "Notes and accounts receivable - trade," which was presented 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 fiscal year under review. However, 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 to reflect the new presentation method.

As a result, compared with the method before the application of the Revenue Recognition Standard, etc., primary changes in the consolidated balance sheets of the fiscal year ended March 31, 2022 are a decrease in "Notes and accounts receivable - trade, and contract assets" by ¥554 million and an increase in merchandise and finished goods by ¥430 million. On the consolidated statements of income for the fiscal year ended March 31, 2022, net sales increased by ¥242 million, cost of sales increased by ¥196 million, and operating profit, ordinary profit and profit before income taxes each increased by ¥46 million.

Primary changes in the consolidated statements of cash flows of the fiscal year ended March 31, 2022 are an increase in profit before income taxes by ¥46 million, a decrease in trade receivables by ¥266 million and an increase in inventories by ¥196 million.

The balance of retained earnings at the beginning of the period in the consolidated statements of changes in net assets decreased by ¥83 million as a result of reflecting the cumulative effect of applying the standard on net assets at the beginning of the fiscal year ended March 31, 2022.

The effect on per share information is described in the relevant section.

(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 fiscal year ended 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 consolidated financial statements.

(Changes in Presentation)

(Consolidated Balance Sheets)

Accounts payable - trade included in "Notes and accounts payable - trade" under current liabilities in the previous fiscal year is presented as accounts payable - trade from the fiscal year ended March 31, 2022 as there is no balance of notes payable - trade. Figures on the consolidated financial statements of the previous fiscal year have been reclassified in order to reflect the change.

As a result, ¥13,394 million, which was included in "Notes and accounts payable - trade" under current liabilities in the consolidated balance sheets of the previous fiscal year, has been reclassified into notes payable - trade of ¥236 million and accounts payable - trade of ¥13,158 million.

(Consolidated Statements of Income)

As repair and maintenance expenses, which was separately presented under non-operating expenses in the previous fiscal year, accounted for 10% or less of total non-operating expenses, it has been included in "Other" from the fiscal year ended March 31, 2022. Figures on the consolidated financial statements of the previous fiscal year have been reclassified in order to reflect the change.

As a result, repair and maintenance expenses of ¥72 million and "Other" of ¥185 million, which were presented under non-operating expenses in the consolidated statements of income for the previous fiscal year, have been reclassified into "Other" of ¥257 million.

Furthermore, as loss on valuation of investment securities, which was included in "Other" under extraordinary losses in the previous fiscal year, exceeded 10% of total extraordinary losses, it has been presented separately from the fiscal year ended March 31, 2022. Figures on the consolidated financial statements for the previous fiscal year have been reclassified in order to reflect the change.

As a result, ¥26 million presented in “Other” under extraordinary losses in the consolidated statements of income of the previous fiscal year has been reclassified into loss on valuation of investment securities of ¥0 million and “Other” of ¥26 million.

(Segments of an Enterprise and Related Information)

(Segment Information)

1. Description of reportable segments

The Company’s reportable segments are components of the Company, for which discrete financial information is available and the operating results are regularly reviewed by the Company’s Board of Directors to make decisions about resource allocation and assess the performance of the segments.

The Company has business divisions classified by the type of products and services they offer. Each business division plans and determines strategies for the division’s products and services in Japan and overseas, based on which the division conducts its operations.

The Company is composed of business segments based on the business divisions classified by products and services and designates Refractories, Furnace, Ceramics and Real Estate as its four reportable segments.

The Refractories segment engages in the manufacture and sale of general refractories used for various industrial furnaces. The Furnace segment engages in the design, construction and repair of various furnaces. The Ceramics segment engages in the manufacture and sale of fine ceramics for various industries and sale of landscape materials. The Real Estate segment constructs and rents out stores and warehouses, etc., on Company-owned land.

2. Method of calculation for the amounts of net sales, profits or losses, assets, liabilities and other items by reportable segment

The accounting method for the reportable segments is the same as the method for preparing the consolidated financial statements.

The amounts of segment profit or loss are based on operating profit or loss. The amounts of inter-segment sales or transfers are based on current market prices.

As stated in “Changes in Accounting Policies,” the Company adopted the Revenue Recognition Standard, etc. to the consolidated financial statements from the fiscal year ended March 31, 2022. Accordingly, the accounting method has been changed with respect to revenue recognition, and the calculation method of segment profit or loss has been changed in the same manner.

As a result of the change, compared with the previous method, net sales in the Refractories segment increased by ¥242 million and segment profit increased by ¥46 million.

3. Net sales, profits or losses, assets, liabilities and other items by reportable segment

For the fiscal year ended March 31, 2021 (from April 1, 2020, to March 31, 2021):

(Millions of yen)

	Reportable Segments					Others[1]	Total	Adjustments[2]	Total[3]
	Refractories	Furnace	Ceramics	Real Estate	Total				
Net sales									
Net sales to external customers	91,055	13,730	7,412	830	113,029	631	113,661	—	113,661
Inter-segment sales or transfers	6	324	—	—	330	—	330	(330)	—
Total	91,062	14,054	7,412	830	113,360	631	113,992	(330)	113,661
Segment profit	2,815	737	702	671	4,927	24	4,951	(2)	4,949
Segment assets	102,593	9,578	8,132	1,117	121,421	410	121,831	8,523	130,354
Other items									
Depreciation	2,038	402	236	39	2,717	13	2,730	83	2,814
Amortization of goodwill	447	—	12	—	459	—	459	—	459
Increase in property, plant and equipment and intangible assets	3,535	371	580	48	4,535	152	4,688	27	4,715

Notes:

1. The “Others” segment is a business segment, although not designated as a reportable segment, that engages in the manufacture and sale of lime for iron mills.
2. Details of “Adjustments” are as follows.
   (1) An adjustment of negative ¥2 million in segment profit includes ¥330 million eliminated for inter-segment transactions and ¥327 million for the allocation variance of general administrative expenses borne by the reportable segments.
   (2) An adjustment of ¥8,523 million in segment assets represents corporate assets not allocated to the reportable segments, which primarily consist of the long-term investment funds (investment securities) of the parent company and the assets relating to its administrative section.
   (3) Under the “Other items” section, an adjustment of ¥83 million in depreciation and an adjustment of ¥27 million in an increase in property, plant and equipment and intangible assets are related to corporate assets not allocated to the reportable segments.
3. Segment profit are presented so that the total reconciles with operating profit on the consolidated statement of income.

For the fiscal year ended March 31, 2022 (from April 1, 2021, to March 31, 2022):

(Millions of yen)

	Reportable Segments					Others[1]	Total	Adjustments[2]	Total[3]
	Refractories	Furnace	Ceramics	Real Estate	Total				
Net sales									
Net sales to external customers	110,659	13,226	8,486	737	133,110	668	133,778	—	133,778
Inter-segment sales or transfers	8	358	—	—	366	—	366	(366)	—
Total	110,667	13,584	8,486	737	133,476	668	134,145	(366)	133,778
Segment profit	5,149	668	1,124	592	7,535	36	7,571	(5)	7,566
Segment assets	116,653	8,674	7,950	620	133,897	332	134,230	8,464	142,694
Other items									
Depreciation	2,371	450	319	40	3,181	22	3,204	43	3,247
Amortization of goodwill	473	—	9	—	482	—	482	—	482
Increase in property, plant and equipment and intangible assets	2,756	280	347	—	3,384	1	3,385	80	3,465

Notes:

1. The "Others" segment is a business segment, although not designated as a reportable segment, that engages in the manufacture and sale of lime for iron mills.
2. Details of "Adjustments" are as follows.
   (1) An adjustment of negative ¥5 million in segment profit includes ¥366 million eliminated for inter-segment transactions and ¥361 million for the allocation variance of general administrative expenses borne by the reportable segments.
   (2) An adjustment of ¥8,464 million in segment assets represents corporate assets not allocated to the reportable segments, which primarily consist of the long-term investment funds (investment securities) of the parent company and the assets relating to its administrative section.
   (3) Under the "Other items" section, an adjustment of ¥43 million in depreciation and an adjustment of ¥80 million in an increase in property, plant and equipment and intangible assets are related to corporate assets not allocated to the reportable segments.
3. Segment profit are presented so that the total reconciles with operating profit on the consolidated statement of income.

4. Net sales by region

For the fiscal year ended March 31, 2021 (from April 1, 2020, to March 31, 2021):

(Millions of yen)

Japan	India	Asia	Europe	Others	Total
71,251	17,940	8,556	9,311	6,601	113,661

Note: The net sales by region are calculated by location of customers, which is classified into a nation or a region.

For the fiscal year ended March 31, 2022 (from April 1, 2021, to March 31, 2022):

(Millions of yen)

Japan	India	Asia	Europe	Others	Total
77,669	24,839	8,772	13,296	9,201	133,778

Note: The net sales by region are calculated by location of customers, which is classified into a nation or a region.

(Per Share Information)

	Fiscal Year from April 1, 2020, to March 31, 2021	Fiscal Year from April 1, 2021, to March 31, 2022
Net assets per share	¥7,133.91	¥7,759.14
Profit per share	¥514.63	¥651.91

Notes:

1. Diluted profit per share is not stated because there are no potential stocks.
2. As stated in "Changes in Accounting Policies," the Company applied the Accounting Standard for Revenue Recognition and other accounting standards. As a result, net assets per share decreased by ¥8.74 while profit per share increased by ¥1.20 for the fiscal year ended March 31, 2022.
3. The basis of calculation for profit per share is as follows.

	Fiscal Year from April 1, 2020, to March 31, 2021	Fiscal Year from April 1, 2021, to March 31, 2022
Profit attributable to owners of parent (¥Million)	4,334	5,490
Profit not attributable to shares of common stock (¥Million)	—	—
Profit attributable to owners of parent with shares of common stock (¥Million)	4,334	5,490
Average number of shares of common stock during the period (Thousand)	8,423	8,422

4. The basis of calculation for net assets per share is as follows.

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)
Total net assets (¥Million)	63,288	69,084
Amount of deduction from total net assets (¥Million)	3,201	3,739
[Non-controlling interests]	[3,201]	[3,739]
Net assets attributable to shares of common stock (¥Million)	60,087	65,344
The number of shares of common stock used for the calculation of net assets per share (Thousand)	8,422	8,421

(Significant Subsequent Events)

Not applicable.

4. Others

Trend of Quarterly Business 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.)	4Q (Jan. to March)
Net Sales	27,524	28,147	27,692	30,297	31,721	33,391	33,798	34,867
Operating profit	924	535	1,506	1,983	2,274	1,934	2,063	1,293
Ordinary profit	1,323	904	1,894	2,239	2,344	2,213	2,254	1,866
Profit attributable to owners of parent	1,051	637	1,314	1,331	1,517	1,500	1,439	1,033