Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 2023 [Japanese Standards]

July 29, 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: August 5, 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 First Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022, to June 30, 2022)

(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	%
1Q, Fiscal Year Ending March 2023	40,292	27.0	2,940	29.3	3,429	46.3
1Q, Fiscal Year Ended March 2022	31,721	15.2	2,274	146.1	2,344	77.2

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Millions of yen	%	Yen	Yen
1Q, Fiscal Year Ending March 2023	2,148	41.6	255.06	—
1Q, Fiscal Year Ended March 2022	1,517	44.3	180.15	—

Note: Comprehensive income was ¥4,620 million (132.8%) for the first quarter of the fiscal year ending March 2023 and ¥1,985 million (121.0 %) for the first quarter of the fiscal year ended March 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2022	149,625	72,772	45.8
March 31, 2022	142,694	69,084	45.8

Reference: Equity capital was ¥68,546 million as of June 30, 2022, and ¥65,344 million as of March 31, 2022.

2. Dividends

	Dividend				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 2022	—	100.00	—	100.00	200.00
Fiscal Year Ending March 2023	—				
Fiscal Year Ending March 2023 (Forecast)		110.00	—	—	—

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 2023 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 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	%
Interim	79,000	21.3	4,500	6.9	5,000	9.7
Full Year	159,000	18.9	10,000	32.2	10,500	21.0

	Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Yen
Interim	3,250	7.7	385.91
Full Year	6,750	22.9	801.51

Note: Revision to the most recent performance 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: None

(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: 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):

1Q, Fiscal Year ending March 2023:	9,114,528	Fiscal Year ended March 2022:	9,114,528

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

1Q, Fiscal Year ending March 2023:	692,947	Fiscal Year ended March 2022:	692,845

3. Average number of shares outstanding:

1Q, Fiscal Year ending March 2023:	8,421,595	1Q, Fiscal Year ended March 2022:	8,422,718

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 Forecast of Consolidated Business Results and Other Forward-looking Information” under “1. Qualitative Information on Quarterly Financial Results” on page 2 of the attachment.

Contents of the Attachment

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the first quarter of the fiscal year ending March 31, 2023, the domestic total crude steel output in the steel industry, the Group's main customers, decreased by 5.6% year on year, to 22.99 million tons. The global crude steel output from January to June 2022 also decreased by 5.5% year on year, to 949.40 million tons.

Despite this business environment, the Group's consolidated net sales for the first quarter of the fiscal year ending March 31, 2023 increased 27.0% from a year earlier to ¥40,292 million. This was mainly attributable to the efforts to pass increases in raw material and other costs on to selling prices, and sales expansion by overseas subsidiaries, in the Refractories segment.

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, 2023 increased 29.3% from a year earlier to ¥2,940 million, ordinary profit increased 46.3% to ¥3,429 million, and profit attributable to owners of parent increased 41.6% to ¥2,148 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 by 31.5% from a year earlier to ¥34,502 million. This was mainly attributable to the efforts to pass increases in raw material and other costs on to selling prices and sales expansion by overseas subsidiaries, especially those in India and Europe. Primarily due to the net sales increase, segment profit increased by 41.1% from a year earlier to ¥2,298 million.

[Furnace]

Net sales in the Furnace segment increased by 10.8% from a year earlier to ¥3,437 million owing to orders received for large-scale construction projects. Primarily due to the net sales increase and cost reductions, segment profit increased by 39.2% from a year earlier to ¥208 million.

[Ceramics]

Net sales in the Ceramics segment decreased by 1.1% from a year earlier to ¥1,983 million. This was mainly because, although demand for ceramic materials for electronic components was strong, sales of thermal insulation materials for fuel cells declined owing to the impact of China's COVID-19 lockdowns. Segment profit decreased by 11.0% from a year earlier to ¥300 million due to the decrease in net sales and a falling proportion of high value-added products in the sales mix.

[Real Estate]

Net sales in the Real Estate segment remained unchanged from a year earlier at ¥184 million. Segment profit increased by 1.1% from a year earlier to ¥150 million.

[Others]

Net sales in Others segment decreased by 4.2% from a year earlier to ¥183 million. Segment loss was ¥21 million (compared with a segment profit of ¥15 million for the same period in the previous fiscal year).

(2) Explanation of Forecast of Consolidated Business Results and Other Forward-looking Information

The Group announced today the forecast of consolidated business results for the first two quarters of the fiscal year ending March 31, 2023, which had been undetermined in "Summary of Consolidated Financial Statements for the Fiscal Year Ended March 2022 [Japanese Standards]" released on May 13, 2022. In addition, the Group revised the forecast of consolidated business results for the fiscal year ending March 31, 2023. For details, please refer to the "Notice Regarding Performance and Dividend Forecasts" announced today.

Business 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 Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)	1Q, Fiscal Year Ending March 31, 2023 (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	5,012	4,519
Notes and accounts receivable - trade, and contract assets	44,666	49,368
Merchandise and finished goods	16,103	16,323
Work in process	3,293	3,763
Raw materials and supplies	13,772	13,599
Other	8,846	10,047
Allowance for doubtful accounts	(366)	(388)
Total current assets	91,328	97,234
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,744	44,331
Accumulated depreciation	(30,231)	(30,624)
Buildings and structures, net	13,513	13,707
Machinery, equipment and vehicles	70,467	72,291
Accumulated depreciation	(57,023)	(58,179)
Machinery, equipment and vehicles, net	13,443	14,112
Tools, furniture and fixtures	5,319	5,422
Accumulated depreciation	(4,170)	(4,245)
Tools, furniture and fixtures, net	1,148	1,176
Land	6,646	6,682
Construction in progress	1,581	1,621
Total property, plant and equipment	36,333	37,300
Intangible assets		
Goodwill	4,270	4,412
Other	506	538
Total intangible assets	4,776	4,951
Investments and other assets		
Investment securities	6,328	6,281
Retirement benefit asset	2,108	2,083
Deferred tax assets	162	171
Other	1,893	1,852
Allowance for doubtful accounts	(236)	(249)
Total investments and other assets	10,255	10,139
Total non-current assets	51,365	52,391
Total assets	142,694	149,625

(Millions of yen)

	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)	1Q, Fiscal Year Ending March 31, 2023 (As of June 30, 2022)
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	6,603	6,434
Accounts payable - trade	16,943	16,747
Short-term borrowings	8,863	10,306
Commercial papers	6,000	8,000
Income taxes payable	1,231	768
Provision for bonuses	2,785	1,523
Provision for loss on construction contracts	105	105
Other	5,877	8,162
Total current liabilities	48,410	52,048
Non-current liabilities		
Long-term borrowings	19,334	18,187
Deferred tax liabilities	1,170	1,772
Provision for retirement benefits for directors (and other officers)	492	470
Retirement benefit liability	473	474
Asset retirement obligations	25	25
Other	3,702	3,873
Total non-current liabilities	25,198	24,804
Total liabilities	73,609	76,853
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	2,000	2,000
Retained earnings	57,419	58,725
Treasury shares	(1,650)	(1,650)
Total shareholders' equity	63,308	64,613
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,833	1,678
Deferred gains or losses on hedges	199	385
Foreign currency translation adjustment	(797)	1,102
Remeasurements of defined benefit plans	801	766
Total accumulated other comprehensive income	2,036	3,932
Non-controlling interests	3,739	4,226
Total net assets	69,084	72,772
Total liabilities and net assets	142,694	149,625

(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, 2022 (April 1, 2021, to June 30, 2021)	1Q, Fiscal Year Ending March 31, 2023 (April 1, 2022, to June 30, 2022)
Net sales	31,721	40,292
Cost of sales	25,352	32,635
Gross profit	6,368	7,656
Selling, general and administrative expenses	4,093	4,715
Operating profit	2,274	2,940
Non-operating income		
Interest income	6	5
Dividend income	42	54
Share of profit of entities accounted for using equity method	0	119
Foreign exchange gains	93	373
Other	68	80
Total non-operating income	211	632
Non-operating expenses		
Interest expenses	65	103
Loss on removal of non-current assets	32	12
Other	43	27
Total non-operating expenses	141	143
Ordinary profit	2,344	3,429
Extraordinary income		
Gain on sale of non-current assets	2	0
Total extraordinary income	2	0
Extraordinary losses		
Loss on sale of non-current assets	―	0
Loss on retirement of non-current assets	5	5
Total extraordinary losses	5	5
Profit before income taxes	2,341	3,423
Income taxes - current	304	423
Income taxes - deferred	431	571
Total income taxes	736	995
Profit	1,605	2,428
Profit attributable to non-controlling interests	87	280
Profit attributable to owners of parent	1,517	2,148

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	1Q, Fiscal Year Ended March 31, 2022 (April 1, 2021, to June 30, 2021)	1Q, Fiscal Year Ending March 31, 2023 (April 1, 2022, to June 30, 2022)
Profit	1,605	2,428
Other comprehensive income		
Valuation difference on available-for-sale securities	(54)	(155)
Deferred gains or losses on hedges	11	185
Foreign currency translation adjustment	390	2,025
Remeasurements of defined benefit plans, net of tax	7	(34)
Share of other comprehensive income of entities accounted for using equity method	25	169
Total other comprehensive income	379	2,191
Comprehensive income	1,985	4,620
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,844	4,044
Comprehensive income attributable to non-controlling interests	140	576

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

3. 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)
Net sales	31,721	33,391	33,798	34,867	40,292
Operating profit	2,274	1,934	2,063	1,293	2,940
Ordinary profit	2,344	2,213	2,254	1,866	3,429
Profit attributable to owners of parent	1,517	1,500	1,439	1,033	2,148