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

January 30, 2023

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, 2023
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, 2023 (April 1, 2022, to December 31, 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	%
First 3Qs, Fiscal Year Ending March 2023	122,481	23.8	7,313	16.6	8,182	20.1
First 3Qs, Fiscal Year Ended March 2022	98,910	18.6	6,273	111.5	6,812	65.3

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Millions of yen	%	Yen	Yen
First 3Qs, Fiscal Year Ending March 2023	5,309	19.1	630.46	—
First 3Qs, Fiscal Year Ended March 2022	4,456	48.4	529.17	—

Note: Comprehensive income was ¥9,012 million (61.5%) for the first three quarters of the fiscal year ending March 2023 and ¥5,581 million (55.1%) for the first three quarters of the fiscal year ended March 2022.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2022	158,490	74,704	44.4
March 31, 2022	142,694	69,084	45.8

Reference: Equity capital was ¥70,403 million as of December 31, 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	—	110.00	—		
Fiscal Year Ending March 2023 (Forecast)				150.00	260.00

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, 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	163,000	21.8	11,000	45.4	11,500	32.5

	Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Yen
Full Year	7,300	33.0	866.82

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: 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):

3Q, 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:

3Q, Fiscal Year ending March 2023:	693,307	Fiscal Year ended March 2022:	692,845

3. Average number of shares outstanding:

3Q, Fiscal Year ending March 2023:	8,421,471	3Q, Fiscal Year ended March 2022:	8,422,347

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 3 of the attachment.

Contents of the Attachment

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the first three quarters of the fiscal year ending March 31, 2023 (April 1, 2022 to December 31, 2022), the Japanese economy continued to face uncertain outlook due to the ongoing high prices of raw materials around the world as well as inflation, rising interest rates and the yen's sharp fall arising from the hike in energy and food prices, which was triggered by Russia's invasion of Ukraine, among other factors.

The steel industry, the Group's main customers, also saw a decline in demand for steel both in Japan and overseas, with the exception of some regions, mainly due to the continued cuts in automobile production against the backdrop of semiconductor shortages and other disruptions in the parts supply chain. Domestic total crude steel output in the first three quarters of the fiscal year ending March 31, 2023 decreased by 8.8% year on year to 66.22 million tons. Worldwide crude steel output from January to November 2022, as announced by the World Steel Association, decreased by 3.7% year on year to 1,691.4 million tons, despite an increase of 6.0% year on year to 114.2 million tons in India.

In this environment, the Group's consolidated net sales for the first three quarters of the fiscal year ending March 31, 2023 increased 23.8% from a year earlier to ¥122,481 million. This was mainly attributable to the Group's efforts to expand business in the strong Indian steel market and to expand sales to non-ferrous metals fields, in addition to steady efforts to pass the rising price of raw material and other cost increases on to selling prices in the Refractories segment. Primarily due to the increase in net sales, the Group's consolidated operating profit for the first three quarters of the fiscal year ending March 31, 2023 increased 16.6% from a year earlier to ¥7,313 million, ordinary profit increased 20.1% to ¥8,182 million, and profit attributable to owners of parent increased 19.1% to ¥5,309 million.

Operating results for each 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 are based on operating profit.

[Refractories]

Net sales in the Refractories segment increased by 27.7% from a year earlier to ¥104,528 million and segment profit increased by 19.8% from a year earlier to ¥5,436 million. This was mainly attributable to the Group's efforts to expand business in the strong Indian steel market and to expand sales to non-ferrous metals fields, in addition to steady efforts to pass the rising price of raw material and other cost increases on to selling prices.

[Furnace]

Net sales in the Furnace segment increased by 9.6% from a year earlier to ¥10,577 million and segment profit increased by 56.4% from a year earlier to ¥640 million owing to orders received for large-scale construction projects including a boiler project for biomass power generation as well as to cost reduction and other efforts, although there was a decline in orders received for maintenance work for steel manufacturing facilities resulting from a drop in crude steel output.

[Ceramics]

Net sales in the Ceramics segment decreased by 1.5% from a year earlier to ¥6,218 million and segment profit decreased by 10.7% from a year earlier to ¥761 million. This was mainly attributable to the decline in orders received for ceramic materials for electronic components as customers worked to adjust their supply and demand.

[Real Estate]

Net sales in the Real Estate segment remained unchanged from a year earlier at ¥553 million. Segment profit increased by 0.7% from a year earlier to ¥446 million.

[Others]

Net sales in Others segment increased by 15.3% from a year earlier to ¥604 million. Segment profit decreased by 35.1% from a year earlier to ¥23 million.

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

As of the time this report is prepared, there has been no change to the Group's forecast of consolidated business results for the fiscal year ending March 31, 2023, released on October 31, 2022.

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

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)	3Q, Fiscal Year Ending March 31, 2023 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	5,012	4,900
Notes and accounts receivable - trade, and contract assets	44,666	52,575
Merchandise and finished goods	16,103	17,673
Work in process	3,293	4,054
Raw materials and supplies	13,772	15,542
Other	8,846	11,182
Allowance for doubtful accounts	(366)	(367)
Total current assets	91,328	105,562
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,744	44,373
Accumulated depreciation	(30,231)	(30,851)
Buildings and structures, net	13,513	13,521
Machinery, equipment and vehicles	70,467	73,596
Accumulated depreciation	(57,023)	(59,063)
Machinery, equipment and vehicles, net	13,443	14,532
Tools, furniture and fixtures	5,319	5,590
Accumulated depreciation	(4,170)	(4,349)
Tools, furniture and fixtures, net	1,148	1,240
Land	6,646	6,700
Construction in progress	1,581	1,570
Total property, plant and equipment	36,333	37,565
Intangible assets		
Goodwill	4,270	3,944
Other	506	529
Total intangible assets	4,776	4,474
Investments and other assets		
Investment securities	6,328	7,080
Retirement benefit asset	2,108	2,030
Deferred tax assets	162	146
Other	1,893	1,887
Allowance for doubtful accounts	(236)	(256)
Total investments and other assets	10,255	10,888
Total non-current assets	51,365	52,928
Total assets	142,694	158,490

(Millions of yen)

	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)	3Q, Fiscal Year Ending March 31, 2023 (As of December 31, 2022)
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	6,603	9,067
Accounts payable - trade	16,943	18,496
Short-term borrowings	8,863	11,329
Commercial papers	6,000	9,000
Income taxes payable	1,231	954
Provision for bonuses	2,785	1,627
Provision for loss on construction contracts	105	23
Other	5,877	8,441
Total current liabilities	48,410	58,939
Non-current liabilities		
Long-term borrowings	19,334	17,675
Deferred tax liabilities	1,170	2,363
Provision for retirement benefits for directors (and other officers)	492	507
Retirement benefit liability	473	489
Asset retirement obligations	25	25
Other	3,702	3,786
Total non-current liabilities	25,198	24,847
Total liabilities	73,609	83,786
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	2,000	1,971
Retained earnings	57,419	59,599
Treasury shares	(1,650)	(1,652)
Total shareholders' equity	63,308	65,456
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,833	3,258
Deferred gains or losses on hedges	199	55
Foreign currency translation adjustment	(797)	933
Remeasurements of defined benefit plans	801	698
Total accumulated other comprehensive income	2,036	4,947
Non-controlling interests	3,739	4,300
Total net assets	69,084	74,704
Total liabilities and net assets	142,694	158,490

(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, 2022 (April 1, 2021, to December 31, 2021)	First 3Qs, Fiscal Year Ending March 31, 2023 (April 1, 2022, to December 31, 2022)
Net sales	98,910	122,481
Cost of sales	79,961	100,718
Gross profit	18,949	21,763
Selling, general and administrative expenses	12,676	14,450
Operating profit	6,273	7,313
Non-operating income		
Interest income	18	23
Dividend income	88	173
Share of profit of entities accounted for using equity method	254	287
Foreign exchange gains	330	725
Other	256	359
Total non-operating income	949	1,568
Non-operating expenses		
Interest expenses	215	354
Loss on removal of non-current assets	87	193
Other	106	150
Total non-operating expenses	409	699
Ordinary profit	6,812	8,182
Extraordinary income		
Gain on sale of non-current assets	54	99
Gain on sale of investment securities	23	1
Gain on sales of investments in capital	―	118
Total extraordinary income	77	219
Extraordinary losses		
Loss on sale of non-current assets	―	49
Loss on retirement of non-current assets	38	26
Other	0	―
Total extraordinary losses	38	76
Profit before income taxes	6,851	8,325
Income taxes - current	1,474	1,730
Income taxes - deferred	605	666
Total income taxes	2,079	2,396
Profit	4,771	5,928
Profit attributable to non-controlling interests	314	619
Profit attributable to owners of parent	4,456	5,309

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First 3Qs, Fiscal Year Ended March 31, 2022 (April 1, 2021, to December 31, 2021)	First 3Qs, Fiscal Year Ending March 31, 2023 (April 1, 2022, to December 31, 2022)
Profit	4,771	5,928
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	1,425
Deferred gains or losses on hedges	129	(143)
Foreign currency translation adjustment	660	1,723
Remeasurements of defined benefit plans, net of tax	(62)	(102)
Share of other comprehensive income of entities accounted for using equity method	90	179
Total other comprehensive income	809	3,083
Comprehensive income	5,581	9,012
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,177	8,219
Comprehensive income attributable to non-controlling interests	403	792

(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)	2Q (July to Sept.)	3Q (Oct. to Dec.)
Net sales	31,721	33,391	33,798	34,867	40,292	40,299	41,890
Operating profit	2,274	1,934	2,063	1,293	2,940	1,973	2,399
Ordinary profit	2,344	2,213	2,254	1,866	3,429	2,256	2,496
Profit attributable to owners of parent	1,517	1,500	1,439	1,033	2,148	1,428	1,732