Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 2024 [Japanese Standards]

October 31, 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: November 13, 2023
Date to start distributing dividends: November 29, 2023
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 First Half of the Fiscal Year Ending March 31, 2024 (April 1, 2023, to September 30, 2023)

(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 2Qs, Fiscal Year Ending March 2024	89,399	10.9	7,596	54.6	8,593	51.2
First 2Qs, Fiscal Year Ended March 2023	80,591	23.8	4,914	16.7	5,685	24.7

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Millions of yen	%	Yen	Yen
First 2Qs, Fiscal Year Ending March 2024	6,619	85.1	786.09	—
First 2Qs, Fiscal Year Ended March 2023	3,576	18.5	424.74	—

Note: Comprehensive income was ¥9,322 million (6.5%) for the first two quarters of the fiscal year ending March 2024 and ¥8,750 million (120.7%) for the first two quarters of the fiscal year ended March 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2023	171,313	85,489	47.0
March 31, 2023	163,340	77,858	45.0

Reference: Equity capital was ¥80,565 million as of September 30, 2023, and ¥73,528 million as of March 31, 2023.

2. Dividends

	Dividend				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 2023	—	110.00	—	180.00	290.00
Fiscal Year Ending March 2024	—	160.00			
Fiscal Year Ending March 2024 (Forecast)			—	210.00	370.00

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

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023, to March 31, 2024)

(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	174,000	5.3	13,600	21.7	14,500	20.0

	Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Yen
Full Year	12,400	49.7	1,472.58

Note: Revision to the most recent performance forecasts previously released: Yes
*For details, refer to 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):

2Q, Fiscal Year ending March 2024:	9,114,528	Fiscal Year ended March 2023:	9,114,528

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

2Q, Fiscal Year ending March 2024:	694,075	Fiscal Year ended March 2023:	693,629

3. Average number of shares outstanding:

2Q, Fiscal Year ending March 2024:	8,420,606	2Q, Fiscal Year ended March 2023:	8,421,545

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 two quarters of the fiscal year ending March 31, 2024 (April 1, 2023 to September 30, 2023), the Japanese economy continued to face an uncertain outlook due to the hike in resource and energy prices, which was triggered by the prolonged Russia's invasion of Ukraine, rising prices around the world, and sharp foreign exchange rate fluctuations due to monetary tightening in many countries, among other factors, while economic activities have been on a gradual recovery trend following the easing of the restrictions on activities caused by COVID-19.

The steel industry, the Group's main customers, saw only a slow recovery in domestic steel demand mainly due to the slow recovery of the Chinese economy and the economic slowdown in Europe and the United States, while demand for steel products for automobile production has been on a recovery trend due to the easing of the semiconductor shortage. On the other hand, global crude steel output recovered to the level of the same period of the previous year due to an increase in demand for steel products in some regions, such as India. Domestic total crude steel output in the first two quarters of the fiscal year ending March 31, 2024 decreased by 2.3% from a year earlier to 43.76 million tons. According to the announcement by the World Steel Association, crude steel output from January to September 2023 increased worldwide by 0.1% from a year earlier to 1,406.40 million tons, while that in India increased by 11.6% from a year earlier to 104.10 million tons.

In this environment, the Group's consolidated net sales for the first two quarters of the fiscal year ending March 31, 2024 increased by 10.9% from a year earlier to ¥89,399 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 the first two quarters of the fiscal year ending March 31, 2024, in addition to the steady progress in passing the rising prices of raw material and energy and other cost increases on to selling prices in the Refractories segment since last fiscal year.

Primarily due to the increase in net sales, the Group's consolidated operating profit for the first two quarters of the fiscal year ending March 31, 2024 increased by 54.6% from a year earlier to ¥7,596 million, ordinary profit increased by 51.2% to ¥8,593 million, and profit attributable to owners of parent increased 85.1% to ¥6,619 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 (loss) are based on operating profit (loss).

[Refractories]

Net sales in the Refractories segment increased by 12.3% from a year earlier to ¥77,137 million and segment profit increased by 78.7% from a year earlier to ¥6,508 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 the first two quarters of the fiscal year ending March 31, 2024, in addition to the steady progress in passing the rising prices of raw material and energy and other cost increases on to selling prices since last fiscal year.

[Furnace]

Net sales in the Furnace segment increased by 4.6% from a year earlier to ¥7,323 million due to orders for large-scale construction projects, but segment profit decreased by 27.1% from a year earlier to ¥300 million owing in part to differences in the composition of orders received.

[Ceramics]

Net sales in the Ceramics segment increased by 0.5% from a year earlier to ¥4,157 million. This was mainly attributable to an increase in orders for ceramic materials for semiconductor lithography equipment and increased sales of thermal insulation materials for household fuel cells, despite the impact of a decline in orders for ceramic materials for electronic components and the deterioration of the semiconductor market as customers worked to adjust their supply and demand. Segment profit decreased by 11.3% from a year earlier to ¥490 million due to differences in the composition of orders received.

[Real Estate]

Net sales in the Real Estate segment remained unchanged from a year earlier at ¥368 million. Segment profit decreased by 4.6% from a year earlier to ¥286 million.

[Others]

Net sales in the Others segment increased by 7.3% from a year earlier to ¥411 million. Segment profit increased 10.5 times from a year earlier to ¥11 million.

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

The Group revised today the forecast of consolidated business results for the fiscal year ending March 31, 2024, which had been released on July 28, 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, 2023 (As of March 31, 2023)	2Q, Fiscal Year Ending March 31, 2024 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	4,426	6,479
Notes and accounts receivable - trade, and contract assets	55,180	62,117
Merchandise and finished goods	18,282	17,441
Work in process	4,168	4,738
Raw materials and supplies	16,995	16,273
Other	9,606	8,678
Allowance for doubtful accounts	(435)	(481)
Total current assets	108,224	115,248
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,810	46,899
Accumulated depreciation	(30,956)	(31,632)
Buildings and structures, net	14,854	15,266
Machinery, equipment and vehicles	73,257	77,172
Accumulated depreciation	(58,667)	(60,827)
Machinery, equipment and vehicles, net	14,589	16,344
Tools, furniture and fixtures	5,662	5,985
Accumulated depreciation	(4,385)	(4,559)
Tools, furniture and fixtures, net	1,277	1,426
Land	6,691	6,795
Construction in progress	1,897	1,589
Total property, plant and equipment	39,310	41,422
Intangible assets		
Goodwill	3,852	3,981
Other	514	542
Total intangible assets	4,366	4,524
Investments and other assets		
Investment securities	7,580	6,093
Retirement benefit asset	2,302	2,255
Deferred tax assets	147	171
Other	1,633	1,831
Allowance for doubtful accounts	(225)	(233)
Total investments and other assets	11,439	10,119
Total non-current assets	55,116	56,065
Total assets	163,340	171,313

(Millions of yen)

	Fiscal Year Ended March 31, 2023 (As of March 31, 2023)	2Q, Fiscal Year Ending March 31, 2024 (As of September 30, 2023)
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	7,458	6,357
Accounts payable - trade	17,580	18,348
Short-term borrowings	10,918	11,085
Commercial papers	11,000	13,000
Income taxes payable	1,552	3,095
Provision for bonuses	3,212	3,188
Provision for loss on construction contracts	27	79
Other	9,427	8,086
Total current liabilities	61,177	63,241
Non-current liabilities		
Long-term borrowings	17,465	15,762
Deferred tax liabilities	2,160	1,779
Provision for retirement benefits for directors (and other officers)	438	469
Retirement benefit liability	505	523
Asset retirement obligations	25	25
Other	3,708	4,023
Total non-current liabilities	24,304	22,582
Total liabilities	85,481	85,824
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	1,971	1,971
Retained earnings	62,572	67,676
Treasury shares	(1,654)	(1,657)
Total shareholders' equity	68,427	73,527
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,549	2,733
Deferred gains or losses on hedges	155	78
Foreign currency translation adjustment	520	3,419
Remeasurements of defined benefit plans	875	806
Total accumulated other comprehensive income	5,101	7,037
Non-controlling interests	4,330	4,923
Total net assets	77,858	85,489
Total liabilities and net assets	163,340	171,313

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2023 (April 1, 2022, to September 30, 2022)	First 2Qs, Fiscal Year Ending March 31, 2024 (April 1, 2023, to September 30, 2023)
Net sales	80,591	89,399
Cost of sales	66,086	71,576
Gross profit	14,504	17,822
Selling, general and administrative expenses	9,590	10,226
Operating profit	4,914	7,596
Non-operating income		
Interest income	10	14
Dividend income	56	71
Insurance claim income	2	112
Share of profit of entities accounted for using equity method	213	170
Foreign exchange gains	672	874
Other	210	260
Total non-operating income	1,165	1,504
Non-operating expenses		
Interest expenses	217	303
Loss on removal of non-current assets	116	86
Other	61	116
Total non-operating expenses	394	506
Ordinary profit	5,685	8,593
Extraordinary income		
Gain on sale of non-current assets	8	90
Gain on sale of investment securities	-	1,545
Total extraordinary income	8	1,635
Extraordinary losses		
Loss on sale of non-current assets	1	-
Loss on retirement of non-current assets	9	188
Total extraordinary losses	10	188
Profit before income taxes	5,683	10,041
Income taxes - current	1,479	2,951
Income taxes - deferred	177	24
Total income taxes	1,657	2,975
Profit	4,025	7,065
Profit attributable to non-controlling interests	448	446
Profit attributable to owners of parent	3,576	6,619

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2023 (April 1, 2022, to September 30, 2022)	First 2Qs, Fiscal Year Ending March 31, 2024 (April 1, 2023, to September 30, 2023)
Profit	4,025	7,065
Other comprehensive income		
Valuation difference on available-for-sale securities	1,283	(816)
Deferred gains or losses on hedges	122	(76)
Foreign currency translation adjustment	3,207	3,169
Remeasurements of defined benefit plans, net of tax	(68)	(68)
Share of other comprehensive income of entities accounted for using equity method	180	47
Total other comprehensive income	4,724	2,256
Comprehensive income	8,750	9,322
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,873	8,556
Comprehensive income attributable to non-controlling interests	876	766

(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.)
Net sales	40,292	40,299	41,890	42,720	45,357	44,041
Operating profit	2,940	1,973	2,399	3,860	4,133	3,462
Ordinary profit	3,429	2,256	2,496	3,901	4,754	3,839
Profit attributable to owners of parent	2,148	1,428	1,732	2,972	3,078	3,541