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

January 31, 2024

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 13, 2024
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, 2024 (April 1, 2023, to December 31, 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 3Qs, Fiscal Year Ending March 2024	134,349	9.7	11,945	63.3	13,048	59.5
First 3Qs, Fiscal Year Ended March 2023	122,481	23.8	7,313	16.6	8,182	20.1

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Millions of yen	%	Yen	Yen
First 3Qs, Fiscal Year Ending March 2024	9,532	79.5	1,132.04	—
First 3Qs, Fiscal Year Ended March 2023	5,309	19.1	630.46	—

Note: Comprehensive income was ¥11,881 million (31.8%) for the first three quarters of the fiscal year ending March 2024 and ¥9,012 million (61.5%) for the first three quarters of the fiscal year ended March 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
December 31, 2023	169,489	86,697	48.2
March 31, 2023	163,340	77,858	45.0

Reference: Equity capital was ¥81,648 million as of December 31, 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)				240.00	400.00

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	176,500	6.8	14,200	27.1	15,500	28.3

	Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Yen
Full Year	13,200	59.4	1,567.60

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):

3Q, 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:

3Q, Fiscal Year ending March 2024:	694,357	Fiscal Year ended March 2023:	693,629

3. Average number of shares outstanding:

3Q, Fiscal Year ending March 2024:	8,420,512	3Q, Fiscal Year ended March 2023:	8,421,471

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 2
(1) Explanation of Business Results 2
(2) Explanation of Forecast of Consolidated Business Results and Other Forward-looking Information 3
2. Quarterly Consolidated Financial Statements and Major Notes 4
(1) Quarterly Consolidated Balance Sheets 4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income 6
(3) Notes to Quarterly Consolidated Financial Statements 8
(Notes on Going Concern Assumption) 8
(Notes on Significant Changes in Shareholders' Equity) 8
(Significant Subsequent Events) 8
3. Others 10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the first three quarters of the fiscal year ending March 31, 2024 (April 1, 2023 to December 31, 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 a recovery trend has continued 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 crude steel output mainly due to the decreased demand for steel products for construction lead by the labor shortage as well as weak exports affected by the economic downturn in the Chinese real estate market, while demand for steel products for automobile production has been on a recovery trend due to the easing of the semiconductor shortage. Looking at the overseas situation, 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, despite the continued weak demand for steel products due to the economic downturn in Europe. Domestic total crude steel output in the first three quarters of the fiscal year ending March 31, 2024, decreased by 1.3% from a year earlier to 65.37 million tons. According to the announcement by the World Steel Association, crude steel output from January to December 2023 decreased worldwide by 0.1% from a year earlier to 1,849.70 million tons, while that in India increased by 11.8% from a year earlier to 140.20 million tons.

In this environment, the Group's consolidated net sales for the first three quarters of the fiscal year ending March 31, 2024, increased by 9.7% from a year earlier to ¥134,349 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 materials fields mainly in Europe, 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 three quarters of the fiscal year ending March 31, 2024 increased by 63.3% from a year earlier to ¥11,945 million, ordinary profit increased by 59.5% to ¥13,048 million, and profit attributable to owners of parent increased by 79.5% to ¥9,532 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 10.7% from a year earlier to ¥115,703 million and segment profit increased by 87.5% from a year earlier to ¥10,190 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 materials fields mainly in Europe, 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 5.0% from a year earlier to ¥11,108 million due to orders for large-scale construction projects, but segment profit decreased by 24.3% from a year earlier to ¥484 million owing in part to differences in the composition of orders received.

[Ceramics]

Net sales in the Ceramics segment increased by 1.0% from a year earlier to ¥6,279 million. This was mainly attributable to an increase in orders for ceramic materials for semiconductor lithography equipment and thermal insulation materials for household fuel cells. Segment profit increased by 4.0% from a year earlier to ¥791 million.

[Real Estate]

Net sales in the Real Estate segment remained unchanged from a year earlier at ¥553 million. Segment profit decreased by 4.9% from a year earlier to ¥424 million.

[Others]

Net sales in the Others segment increased by 16.6% from a year earlier to ¥705 million. Segment profit increased by 133.8% from a year earlier to ¥55 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 October 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, 2023 (As of March 31, 2023)	3Q, Fiscal Year Ending March 31, 2024 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	4,426	7,615
Notes and accounts receivable - trade, and contract assets	55,180	61,536
Merchandise and finished goods	18,282	17,243
Work in process	4,168	4,566
Raw materials and supplies	16,995	15,174
Other	9,606	8,068
Allowance for doubtful accounts	(435)	(460)
Total current assets	108,224	113,744
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,810	46,934
Accumulated depreciation	(30,956)	(31,806)
Buildings and structures, net	14,854	15,128
Machinery, equipment and vehicles	73,257	76,773
Accumulated depreciation	(58,667)	(60,760)
Machinery, equipment and vehicles, net	14,589	16,013
Tools, furniture and fixtures	5,662	6,054
Accumulated depreciation	(4,385)	(4,549)
Tools, furniture and fixtures, net	1,277	1,504
Land	6,691	6,779
Construction in progress	1,897	1,792
Total property, plant and equipment	39,310	41,217
Intangible assets		
Goodwill	3,852	3,687
Other	514	568
Total intangible assets	4,366	4,255
Investments and other assets		
Investment securities	7,580	6,213
Retirement benefit asset	2,302	2,230
Deferred tax assets	147	138
Other	1,633	1,924
Allowance for doubtful accounts	(225)	(235)
Total investments and other assets	11,439	10,271
Total non-current assets	55,116	55,745
Total assets	163,340	169,489

(Millions of yen)

	Fiscal Year Ended March 31, 2023 (As of March 31, 2023)	3Q, Fiscal Year Ending March 31, 2024 (As of December 31, 2023)
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	7,458	6,060
Accounts payable - trade	17,580	16,800
Short-term borrowings	10,918	9,678
Commercial papers	11,000	10,000
Income taxes payable	1,552	2,276
Provision for bonuses	3,212	1,960
Provision for loss on construction contracts	27	70
Other	9,427	8,552
Total current liabilities	61,177	55,400
Non-current liabilities		
Long-term borrowings	17,465	20,137
Deferred tax liabilities	2,160	2,320
Provision for retirement benefits for directors (and other officers)	438	489
Retirement benefit liability	505	522
Asset retirement obligations	25	25
Other	3,708	3,896
Total non-current liabilities	24,304	27,391
Total liabilities	85,481	82,791
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	1,971	1,971
Retained earnings	62,572	69,241
Treasury shares	(1,654)	(1,660)
Total shareholders' equity	68,427	75,090
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,549	2,863
Deferred gains or losses on hedges	155	(10)
Foreign currency translation adjustment	520	2,932
Remeasurements of defined benefit plans	875	772
Total accumulated other comprehensive income	5,101	6,557
Non-controlling interests	4,330	5,049
Total net assets	77,858	86,697
Total liabilities and net assets	163,340	169,489

(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, 2023 (April 1, 2022, to December 31, 2022)	First 3Qs, Fiscal Year Ending March 31, 2024 (April 1, 2023, to December 31, 2023)
Net sales	122,481	134,349
Cost of sales	100,718	107,270
Gross profit	21,763	27,079
Selling, general and administrative expenses	14,450	15,134
Operating profit	7,313	11,945
Non-operating income		
Interest income	23	22
Dividend income	173	129
Insurance claim income	10	133
Share of profit of entities accounted for using equity method	287	257
Foreign exchange gains	725	944
Other	348	341
Total non-operating income	1,568	1,829
Non-operating expenses		
Interest expenses	354	458
Loss on removal of non-current assets	193	104
Other	150	162
Total non-operating expenses	699	725
Ordinary profit	8,182	13,048
Extraordinary income		
Gain on sale of non-current assets	99	90
Gain on sale of investment securities	1	1,545
Gain on sales of investments in capital	118	-
Total extraordinary income	219	1,636
Extraordinary losses		
Loss on sale of non-current assets	49	14
Loss on retirement of non-current assets	26	196
Other	-	0
Total extraordinary losses	76	211
Profit before income taxes	8,325	14,473
Income taxes - current	1,730	3,715
Income taxes - deferred	666	534
Total income taxes	2,396	4,249
Profit	5,928	10,223
Profit attributable to non-controlling interests	619	691
Profit attributable to owners of parent	5,309	9,532

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First 3Qs, Fiscal Year Ended March 31, 2023 (April 1, 2022, to December 31, 2022)	First 3Qs, Fiscal Year Ending March 31, 2024 (April 1, 2023, to December 31, 2023)
Profit	5,928	10,223
Other comprehensive income		
Valuation difference on available-for-sale securities	1,425	(685)
Deferred gains or losses on hedges	(143)	(166)
Foreign currency translation adjustment	1,723	2,536
Remeasurements of defined benefit plans, net of tax	(102)	(103)
Share of other comprehensive income of entities accounted for using equity method	179	75
Total other comprehensive income	3,083	1,657
Comprehensive income	9,012	11,881
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,219	10,988
Comprehensive income attributable to non-controlling interests	792	892

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Significant Subsequent Events)

(Notice regarding Stock Split and Partial Amendment to the Articles of Incorporation)

The Company authorized a stock split and a partial amendment to its Articles of Incorporation at a meeting of the Board of Directors held on January 31, 2024.

(1) Objective of the stock split

The objective of the stock split is to lower the minimum investment price per unit, thereby enhancing liquidity of the Company's shares and expanding its investor base.

(2) Outline of the stock split

(a) Stock split method

The record date of the stock split will be Sunday, March 31, 2024 (since this day falls on a non-business day of the shareholder registry administrator, the substantial record date will be Friday, March 29, 2024). Each share of the Company common stock held by a shareholder whose name appears or is recorded in the shareholder registry as of the end of the record date, will be split into four (4) shares.

(b) Increase in the number of shares resulting from stock split

1	Total number of shares issued before the stock split	9,114,528
2	Increase in issued shares resulting from the stock split	27,343,584
3	Total number of shares issued after the stock split	36,458,112
4	Total number of shares authorized after the stock split	140,000,000

(c) Schedule

1	Public notice date of the record date (scheduled)	Thursday, March 14, 2024
2	Record date	Sunday, March 31, 2024
3	Effective date	Monday, April 1, 2024

(d) Effects on per share information

Per share information based on the assumption the stock split was conducted at the beginning of the previous consolidated fiscal year will be as follows.

	First 3Qs, Fiscal Year Ended March 31, 2023 (April 1, 2022, to December 31, 2022)	First 3Qs, Fiscal Year Ending March 31, 2024 (April 1, 2023, to December 31, 2023)
	Yen	Yen
Profit per share	157.62	283.01

(Note) Diluted profit per share is not given since there are no dilutive shares.

(e) Other

There will be no change in the amount of share capital as a result of the stock split.

(3) Partial amendment to the Articles of Incorporation following the stock split

(a) Reason for amendment

In conjunction with the stock split, the Company will amend the total number of shares authorized to be issued described in Article 6 of its Articles of Incorporation with an effective date of Monday, April 1, 2024, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act of Japan.

(b) Details of amendment

The details of the amendment are as follows.

(Amended portions are underlined.)

Current Articles of Incorporation	After amendment
(Total number of shares authorized) Article 6. The total number of shares authorized by the Company shall be <u>35,000,000</u>.	(Total number of shares authorized) Article 6. The total number of shares authorized by the Company shall be <u>140,000,000</u>.

(c) Schedule

1	Date of the Board of Directors' resolution	Wednesday, January 31, 2024
2	Effective date	Monday, April 1, 2024

(4) Dividends

As the stock split will take effect on April 1, 2024, the year-end dividend for the fiscal year ending March 31, 2024, which has a dividend record date of March 31, 2024, will be paid based on the number of shares before the stock split.

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	40,292	40,299	41,890	42,720	45,357	44,041	44,950
Operating profit	2,940	1,973	2,399	3,860	4,133	3,462	4,349
Ordinary profit	3,429	2,256	2,496	3,901	4,754	3,839	4,454
Profit attributable to owners of parent	2,148	1,428	1,732	2,972	3,078	3,541	2,913