Summary of Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 2025 [Japanese Standards]

October 29, 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 the Semi-annual Securities Report: November 13, 2024
Date to start distributing dividends: November 29. 2024
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, 2025 (April 1, 2024, to September 30, 2024)

(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 2025	88,090	(1.5)	6,282	(17.3)	6,540	(23.9)
First 2Qs, Fiscal Year Ended March 2024	89,399	10.9	7,596	54.6	8,593	51.2

Note: Comprehensive income was ¥4,916 million (-47.3%) for the first two quarters of the fiscal year ending March 2025 and ¥9,322 million (6.5%) for the first two quarters of the fiscal year ended March 2024.

	Profit attributable to owners of parent		Profit per share	Diluted profit per share
	Millions of yen	%	Yen	Yen
First 2Qs, Fiscal Year Ending March 2025	4,163	(37.1)	123.63	—
First 2Qs, Fiscal Year Ended March 2024	6,619	85.1	196.52	—

Note: The Company conducted a 4-for-1 stock split of its common shares as of April 1, 2024. “Profit per share” has been calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
September 30, 2024	177,150	95,359	50.6
March 31, 2024	179,019	92,697	48.7

Reference: Equity capital was ¥89,716 million as of September 30, 2024, and ¥87,166 million as of March 31, 2024.

2. Dividends

	Dividend				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 2024	—	160.00	—	240.00	400.00
Fiscal Year Ending March 2025	—	45.00			
Fiscal Year Ending March 2025 (Forecast)			—	60.00	105.00

Note: Revision to the most recent dividend forecasts previously released: Yes

*The Company conducted a 4-for-1 stock split of its common shares as of April 1, 2024. Dividends for the fiscal year ended March 31, 2024 represent the actual dividend amounts before the stock split. The dividend forecast for the fiscal year ending March 31, 2025 represents the amount after the stock split. 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, 2025 (April 1, 2024, to March 31, 2025)

(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	178,000	0.5	15,000	2.1	15,000	(8.5)

	Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Yen
Full Year	12,300	(0.9)	365.23

Note: Revision to the most recent performance forecasts previously released: Yes

* The Company conducted a 4-for-1 stock split of its common shares as of April 1, 2024." Profit per share" in the Forecast of Consolidated Business Results takes into account the impact of the stock split. For details, refer to the Notice Regarding Performance and Dividend Forecasts released today.

Notes:
(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting methods specific to preparation of semi-annual 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 2025:	36,458,112	Fiscal Year ended March 2024:	36,458,112

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

2Q, Fiscal Year ending March 2025:	2,780,580	Fiscal Year ended March 2024:	2,779,968

3. Average number of shares outstanding:

2Q, Fiscal Year ending March 2025:	33,677,834	2Q, Fiscal Year ended March 2024:	33,682,424

Note: The Company conducted a 4-for-1 stock split of its common shares as of April 1, 2024. "Number of shares issued and outstanding as of the period-end," "number of treasury shares as of the period-end" and "average number of shares outstanding" have been calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

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 "(3) Explanation of Forecast of Consolidated Business Results and Other Forward-looking Information" under "1. Overview of Business Results, etc.," on page 4 of the attachment.

Contents of the Attachment

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period under Review

During the first two quarters of the fiscal year ending March 31, 2025 (April 1, 2024 to September 30, 2024), the Japanese economy continued on its moderate recovery trend despite certain setbacks in personal consumption.

However, 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 the construction and manufacturing industries as well as weak exports affected by the economic downturn in the Chinese real estate market. In terms of the overseas situation, also, global crude steel output declined from the same period of the previous year due to reduced production in China and the downturn in demand for steel products in Europe, despite the increasing 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, 2025, decreased by 4.4% from a year earlier to 41.84 million tons. According to the announcement by the World Steel Association, crude steel output from January to September 2024 decreased by 1.9% worldwide compared to a year earlier at 1,394.10 million tons, while that in India increased by 5.8% from a year earlier to 110.30 million tons.

In this environment, the Group's business results for the first two quarters of the fiscal year ending March 31, 2025 suffered decreases in both net sales and profit from a year earlier. This was mainly attributable to the impact of the decreased domestic and overseas crude steel output as well as the one-time cost burden caused by the rising costs of imported raw materials reflecting the weaker yen in the earlier half of the period under review, despite the self-help efforts made by the Group to improve productivity and yields, etc., and the pursuit of various measures set out in the 2025 Revised Management Plan, including the expansion of the India business.

[Net sales]

The Group's net sales decreased by ¥1,308 million from a year earlier to ¥88,090 million (down 1.5% year on year). Although efforts were made to expand the Group's business in the strong Indian steel market, due to the impact of the decrease in domestic and overseas crude steel output, net sales decreased. By region, net sales were ¥46,723 million (down 2.8% year on year) in Japan, ¥21,005 million (up 10.5% year on year) in India, ¥3,986 million (down 22.7% year on year) in Asia, ¥9,598 million (down 8.0% year on year) in Europe, and ¥6,776 million (up 0.4% year on year) in Others. Overseas net sales amounted to ¥41,366 million (up 0.1% year on year), and the ratio of overseas net sales to total net sales was 47.0% (up by 0.7 percentage points year on year).

[Gross profit]

Gross profit decreased by ¥771 million from a year earlier to ¥17,051 million (down 4.3% year on year). The ratio of gross profit to net sales decreased by 0.6 percentage points from a year earlier to 19.4%.

[Operating profit]

Operating profit decreased by ¥1,313 million from a year earlier to ¥6,282 million (down 17.3% year on year), and the ratio of operating profit to net sales decreased by 1.4 percentage points from a year earlier to 7.1%. Selling, general and administrative expenses increased by ¥541 million from a year earlier to ¥10,768 million (up 5.3% year on year).

[Ordinary profit]

Ordinary profit decreased by ¥2,053 million from a year earlier to ¥6,540 million (down 23.9% year on year) and the ratio of ordinary profit to net sales decreased by 2.2 percentage points from a year earlier to 7.4%. Non-operating income decreased by ¥829 million from a year earlier to ¥675 million (down 55.1% year on year) due to a decrease in foreign exchange gains, and non-operating expenses decreased by ¥88 million from a year earlier to ¥418 million (down 17.5% year on year) due to the decrease in interest expenses.

[Profit attributable to owners of parent]

Profit attributable to owners of parent decreased by ¥2,455 million from a year earlier to ¥4,163 million (down 37.1% year on year). Extraordinary income decreased by ¥1,624 million from a year earlier to ¥11 million (down 99.3% year on year) due to a decrease in gain on sale of investment securities, and extraordinary losses decreased by ¥136 million from a year earlier to ¥52 million (down 72.3% year on year) due to a decrease in loss on retirement of non-current assets.

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 decreased by 2.4% from a year earlier to ¥75,279 million. This was attributable to the impact of a decrease in domestic and overseas crude steel output, despite efforts to expand the Group's business in the strong Indian steel market. Segment profit decreased by 14.6% from a year earlier to ¥5,555 million, due primarily to a decrease in net sales as well as the one-time cost burden caused by the rising costs of imported raw materials reflecting the weaker yen in the earlier half of the period under review.

[Furnace]

Net sales in the Furnace segment increased by 11.8% from a year earlier to ¥8,184 million due to the commencement of large-scale construction projects. However, segment profit decreased by 0.1% from a year earlier to ¥299 million owing in part to temporary differences in the composition of orders received.

[Ceramics]

Net sales in the Ceramics segment decreased by 9.7% from a year earlier to ¥3,755 million. This was mainly attributable to a trough in orders received for ceramic materials for semiconductor manufacturing equipment and for thermal insulation materials for household fuel cells. Segment profit decreased by 75.6% from a year earlier to ¥119 million.

[Real Estate]

Net sales in the Real Estate segment remained unchanged from a year earlier at ¥368 million. Segment profit increased by 5.3% from a year earlier to ¥301 million.

[Others]

Net sales in the Others segment increased by 21.7% from a year earlier to ¥501 million. Segment profit decreased by 61.9% from a year earlier to ¥4 million.

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

The financial position as of September 30, 2024 was as follows.

1) Assets

The Group's consolidated total assets decreased by ¥1,868 million from the previous fiscal year-end to ¥177,150 million. Current assets decreased by ¥2,487 million to ¥116,679 million, and non-current assets increased by ¥618 million to ¥60,471 million.

A primary factor for the decrease in current assets was a decrease in accounts receivable - other included in other current assets. The main factor for the increase in non-current assets was an increase in machinery, equipment and vehicles associated with the acquisition of machinery and equipment.

2) Liabilities

The Group's consolidated total liabilities decreased by ¥4,531 million from the previous fiscal year-end to ¥81,790 million. Current liabilities decreased by ¥6,733 million to ¥51,949 million and non-current liabilities increased by ¥2,202 million to ¥29,840 million.

A primary factor for the decrease in current liabilities was a decrease in electronically recorded obligations - operating. The main factor for the increase in non-current liabilities was an increase in long-term borrowings.

3) Net assets

The Group's net assets increased by ¥2,662 million from the previous fiscal year-end to ¥95,359 million.

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

(3) 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, 2025, which had been released on July 31, 2024. 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. Semi-annual Consolidated Financial Statements and Major Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2024 (As of March 31, 2024)	2Q, Fiscal Year Ending March 31, 2025 (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	8,484	8,428
Notes and accounts receivable - trade, and contract assets	63,677	66,450
Merchandise and finished goods	18,460	17,061
Work in process	4,651	4,624
Raw materials and supplies	16,025	16,437
Other	8,485	4,193
Allowance for doubtful accounts	(619)	(517)
Total current assets	119,166	116,679
Non-current assets		
Property, plant and equipment		
Buildings and structures	47,798	48,575
Accumulated depreciation	(32,106)	(32,855)
Buildings and structures, net	15,692	15,720
Machinery, equipment and vehicles	77,785	79,665
Accumulated depreciation	(60,970)	(62,276)
Machinery, equipment and vehicles, net	16,815	17,388
Tools, furniture and fixtures	6,302	6,463
Accumulated depreciation	(4,665)	(4,856)
Tools, furniture and fixtures, net	1,637	1,607
Land	6,758	7,166
Construction in progress	1,789	2,352
Total property, plant and equipment	42,693	44,234
Intangible assets		
Goodwill	3,733	3,338
Other	557	634
Total intangible assets	4,290	3,973
Investments and other assets		
Investment securities	6,838	6,139
Retirement benefit asset	4,348	4,309
Deferred tax assets	157	158
Other	1,753	1,906
Allowance for doubtful accounts	(229)	(249)
Total investments and other assets	12,869	12,263
Total non-current assets	59,852	60,471
Total assets	179,019	177,150

(Millions of yen)

	Fiscal Year Ended March 31, 2024 (As of March 31, 2024)	2Q, Fiscal Year Ending March 31, 2025 (As of September 30, 2024)
Liabilities		
Current liabilities		
Notes payable - trade	-	6
Electronically recorded obligations - operating	6,443	4,483
Accounts payable - trade	19,111	17,239
Short-term borrowings	14,386	8,141
Commercial papers	3,000	9,000
Income taxes payable	2,884	1,818
Provision for bonuses	3,828	3,753
Provision for loss on construction contracts	111	78
Asset retirement obligations	45	53
Other	8,871	7,375
Total current liabilities	58,683	51,949
Non-current liabilities		
Long-term borrowings	19,495	21,712
Deferred tax liabilities	2,884	2,749
Provision for retirement benefits for directors (and other officers)	491	542
Retirement benefit liability	547	564
Asset retirement obligations	137	137
Other	4,081	4,134
Total non-current liabilities	27,638	29,840
Total liabilities	86,321	81,790
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	1,971	1,971
Retained earnings	72,125	74,268
Treasury shares	(1,669)	(1,670)
Total shareholders' equity	77,965	80,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,408	2,862
Deferred gains or losses on hedges	15	0
Foreign currency translation adjustment	3,545	4,644
Remeasurements of defined benefit plans	2,231	2,101
Total accumulated other comprehensive income	9,200	9,609
Non-controlling interests	5,531	5,643
Total net assets	92,697	95,359
Total liabilities and net assets	179,019	177,150

(2) Semi-annual Consolidated Statements of Income and Semi-annual Consolidated Statements of Comprehensive Income

Semi-annual Consolidated Statements of Income

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2024 (April 1, 2023, to September 30, 2023)	First 2Qs, Fiscal Year Ending March 31, 2025 (April 1, 2024, to September 30, 2024)
Net sales	89,399	88,090
Cost of sales	71,576	71,039
Gross profit	17,822	17,051
Selling, general and administrative expenses	10,226	10,768
Operating profit	7,596	6,282
Non-operating income		
Interest income	14	36
Dividend income	71	72
Insurance claim income	112	8
Share of profit of entities accounted for using equity method	170	151
Foreign exchange gains	874	229
Other	260	177
Total non-operating income	1,504	675
Non-operating expenses		
Interest expenses	303	172
Loss on removal of non-current assets	86	106
Other	116	138
Total non-operating expenses	506	418
Ordinary profit	8,593	6,540
Extraordinary income		
Gain on sale of non-current assets	90	11
Gain on sale of investment securities	1,545	-
Total extraordinary income	1,635	11
Extraordinary losses		
Loss on sale of non-current assets	-	4
Loss on retirement of non-current assets	188	11
Impairment losses	-	36
Total extraordinary losses	188	52
Profit before income taxes	10,041	6,499
Income taxes - current	2,951	1,721
Income taxes - deferred	24	145
Total income taxes	2,975	1,866
Profit	7,065	4,632
Profit attributable to non-controlling interests	446	469
Profit attributable to owners of parent	6,619	4,163

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2024 (April 1, 2023, to September 30, 2023)	First 2Qs, Fiscal Year Ending March 31, 2025 (April 1, 2024, to September 30, 2024)
Profit	7,065	4,632
Other comprehensive income		
Valuation difference on available-for-sale securities	(816)	(545)
Deferred gains or losses on hedges	(76)	(15)
Foreign currency translation adjustment	3,169	865
Remeasurements of defined benefit plans, net of tax	(68)	(129)
Share of other comprehensive income of entities accounted for using equity method	47	108
Total other comprehensive income	2,256	283
Comprehensive income	9,322	4,916
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,556	4,572
Comprehensive income attributable to non-controlling interests	766	344

(3) Notes to Semi-annual Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Significant Subsequent Events)

(Significant Capital Investments)

The Company at the meeting of the Board of Directors held on October 29, 2024, resolved to construct a new plant of TRL KROSAKI REFRACTORIES LIMITED, a consolidated subsidiary of the Company

1. Purpose of the capital investment

   Even among the Indian refractories market, which is expected to continue growing backed by its growing population and economic development, the state of Gujarat, located in the western part of the country, boasts the largest industrial production output in India and with a concentration of cement and steel companies is fast becoming a major demand area for refractories.

   To tap into this demand, we have decided to build a new plant in the state of Gujarat to ensure a stable supply system.

2. Details of the capital investment

(i)	Asset type	Land, buildings, and machinery and equipment
(ii)	Location	Katariya Juna, Gujarat, India
(iii)	Site area	230,000m^2
(iv)	Investment amount	Approximately ¥2,400 million
(v)	Scheduled completion	July 2026

3. Significant impact of this investment on sales and production activities

   The impact of this investment on the consolidated business results for the fiscal year ending March 31, 2025 will be minimal.

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	45,357	44,041	44,950	42,679	43,939	44,150
Operating profit	4,133	3,462	4,349	2,747	3,121	3,161
Ordinary profit	4,754	3,839	4,454	3,340	3,561	2,978
Profit attributable to owners of parent	3,078	3,541	2,913	2,883	2,156	2,007