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

January 31, 2025

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 start distributing dividends: —
Supplementary documents for this summary of financial statements: Yes
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, 2025 (April 1, 2024, to December 31, 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 3Qs, Fiscal Year Ending March 2025	133,288	(0.8)	10,398	(12.9)	10,954	(16.1)
First 3Qs, Fiscal Year Ended March 2024	134,349	9.7	11,945	63.3	13,048	59.5

Note: Comprehensive income was ¥9,338 million (-21.4%) for the first three quarters of the fiscal year ending March 2025 and ¥11,881 million (31.8%) for the first three 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 3Qs, Fiscal Year Ending March 2025	9,242	(3.0)	274.43	—
First 3Qs, Fiscal Year Ended March 2024	9,532	79.5	283.01	—

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	%
December 31, 2024	181,624	98,265	50.5
March 31, 2024	179,019	92,697	48.7

Reference: Equity capital was ¥91,718 million as of December 31, 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: None

*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.

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: None

* 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.

Notes:

(1) Significant changes 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 2025:	36,458,112	Fiscal Year ended March 2024:	36,458,112

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

3Q, Fiscal Year ending March 2025:	2,780,764	Fiscal Year ended March 2024:	2,779,968

3. Average number of shares outstanding:

3Q, Fiscal Year ending March 2025:	33,677,702	3Q, Fiscal Year ended March 2024:	33,682,051

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.

Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

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 three quarters of the fiscal year ending March 31, 2025 (April 1, 2024 to December 31, 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 domestic crude steel output remaining at a low level mainly due to the decreased demand for steel products for the construction and manufacturing industries as well as the impact of export expansion in China. 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 three quarters of the fiscal year ending March 31, 2025, decreased by 4.3% from a year earlier to 62.55 million tons. According to the announcement by the World Steel Association, crude steel output from January to December 2024 decreased by 0.8% worldwide compared to a year earlier at 1,882.60 million tons, while that in India increased by 6.3% from a year earlier to 149.60 million tons.

In this environment, the Group's business results for the third quarter 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 weak yen, 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 ¥1,060 million from a year earlier to ¥133,288 million (down 0.8% 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 ¥72,773 million (up 0.1% year on year) in Japan, ¥31,747 million (up 9.5% year on year) in India, ¥5,680 million (down 24.0% year on year) in Asia, ¥13,468 million (down 14.3% year on year) in Europe, and ¥9,618 million (up 2.1% year on year) in Others. Overseas net sales amounted to ¥60,514 million (down 1.8%), and the ratio of overseas net sales to total net sales was 45.4% (down 0.5 percentage points year on year).

[Gross profit]

Gross profit decreased by ¥770 million from a year earlier to ¥26,308 million (down 2.8% year on year). The ratio of gross profit to net sales decreased by 0.4 percentage points from a year earlier to 19.7%.

[Operating profit]

Operating profit decreased by ¥1,546 million from a year earlier to ¥10,398 million (down 12.9% year on year), and the ratio of operating profit to net sales decreased by 1.1 percentage points from a year earlier to 7.8%. Selling, general and administrative expenses increased by ¥775 million from a year earlier to ¥15,909 million (up 5.1% year on year).

[Ordinary profit]

Ordinary profit decreased by ¥2,094 million to ¥10,954 million (down 16.1% year-on-year), and the ordinary income margin decreased by 1.5 percentage points to 8.2%. Non-operating income decreased by ¥460 million from a year earlier to ¥1,369 million (down 25.2% year on year) due to a decrease in foreign exchange gains, and non-operating expenses increased by ¥87 million from a year earlier to ¥813 million (up 12.1% year on year) due to an increase in loss on removal of non-current assets.

[Profit attributable to owners of parent]

Profit attributable to owners of parent decreased by ¥290 million from a year earlier to ¥9,242 million (down 3.0% year on year). Extraordinary income increased by ¥2,074 million from a year earlier to ¥3,710 million (up 126.8% year on year) due to an increase in gain on sale of non-current assets, and extraordinary losses decreased by ¥131 million from a year earlier to ¥79 million (down 62.4% 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 3.1% from a year earlier to ¥112,064 million. This was attributable to the impact of a decrease in domestic and overseas crude steel output and a drop in one-time orders, despite efforts to expand the Group’s business in the strong Indian steel market, among others. Segment profit decreased by 13.9% from a year earlier to ¥8,770 million, due primarily to a decrease in sales as well as the one-time cost burden caused by the rising costs of imported raw materials resulting from the weak yen.

[Furnace]

The commencement of large-scale construction projects resulted in net sales in the Furnace segment increasing by 28.6% from a year earlier to ¥14,282 million, while segment profit increased by 78.4% from a year earlier to ¥864 million.

[Ceramics]

Net sales in the Ceramics segment decreased by 11.4% from a year earlier to ¥5,563 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 66.3% from a year earlier to ¥266 million.

[Real Estate]

Net sales in the Real Estate segment remained unchanged from a year earlier at ¥553 million. Segment profit increased by 5.6% from a year earlier to ¥447 million.

[Others]

Net sales in the Others segment increased by 17.2% from a year earlier to ¥826 million. Segment profit decreased by 11.4% from a year earlier to ¥49 million.

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

The financial position as of December 31, 2024 was as follows.

1) Assets

The Group's consolidated total assets increased by ¥2,605 million from the previous fiscal year-end to ¥181,624 million. Current assets increased by ¥2,961 million to ¥122,127 million, and non-current assets decreased by ¥356 million to ¥59,496 million.

A primary factor for the increase in current assets was an increase in notes and accounts receivable - trade, and contract assets. The main factor for the decrease in non-current assets was a decrease due to sale of investment securities.

2) Liabilities

The Group's consolidated total liabilities decreased by ¥2,962 million from the previous fiscal year-end to ¥83,358 million. Current liabilities decreased by ¥6,089 million to ¥52,594 million and non-current liabilities increased by ¥3,126 million to ¥30,764 million.

A primary factor for the decrease in current liabilities was a decrease in income taxes payable. 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 ¥5,567 million from the previous fiscal year-end to ¥98,265 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

At this time, the Group has not made any changes to the forecast of consolidated business results for the fiscal year ending March 31, 2025, which had been released on October 29, 2024.

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, 2024 (As of March 31, 2024)	3Q, Fiscal Year Ending March 31, 2025 (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	8,484	8,937
Notes and accounts receivable - trade, and contract assets	63,677	66,387
Merchandise and finished goods	18,460	17,163
Work in process	4,651	5,028
Raw materials and supplies	16,025	16,302
Other	8,485	8,805
Allowance for doubtful accounts	(619)	(496)
Total current assets	119,166	122,127
Non-current assets		
Property, plant and equipment		
Buildings and structures	47,798	48,869
Accumulated depreciation	(32,106)	(32,838)
Buildings and structures, net	15,692	16,031
Machinery, equipment and vehicles	77,785	79,103
Accumulated depreciation	(60,970)	(61,399)
Machinery, equipment and vehicles, net	16,815	17,704
Tools, furniture and fixtures	6,302	6,472
Accumulated depreciation	(4,665)	(4,885)
Tools, furniture and fixtures, net	1,637	1,586
Land	6,758	7,303
Construction in progress	1,789	2,694
Total property, plant and equipment	42,693	45,320
Intangible assets		
Goodwill	3,733	3,363
Other	557	630
Total intangible assets	4,290	3,994
Investments and other assets		
Investment securities	6,838	4,134
Retirement benefit asset	4,348	4,286
Deferred tax assets	157	131
Other	1,753	1,864
Allowance for doubtful accounts	(229)	(234)
Total investments and other assets	12,869	10,181
Total non-current assets	59,852	59,496
Total assets	179,019	181,624

(Millions of yen)

	Fiscal Year Ended March 31, 2024 (As of March 31, 2024)	3Q, Fiscal Year Ending March 31, 2025 (As of December 31, 2024)
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	6,443	5,695
Accounts payable - trade	19,111	17,207
Short-term borrowings	14,386	6,522
Commercial papers	3,000	12,000
Income taxes payable	2,884	718
Provision for bonuses	3,828	2,089
Provision for loss on construction contracts	111	76
Asset retirement obligations	45	53
Other	8,871	8,231
Total current liabilities	58,683	52,594
Non-current liabilities		
Long-term borrowings	19,495	22,026
Deferred tax liabilities	2,884	3,308
Provision for retirement benefits for directors (and other officers)	491	573
Retirement benefit liability	547	622
Asset retirement obligations	137	137
Other	4,081	4,096
Total non-current liabilities	27,638	30,764
Total liabilities	86,321	83,358
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	1,971	1,971
Retained earnings	72,125	77,831
Treasury shares	(1,669)	(1,671)
Total shareholders' equity	77,965	83,669
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,408	1,974
Deferred gains or losses on hedges	15	39
Foreign currency translation adjustment	3,545	3,998
Remeasurements of defined benefit plans	2,231	2,036
Total accumulated other comprehensive income	9,200	8,049
Non-controlling interests	5,531	6,546
Total net assets	92,697	98,265
Total liabilities and net assets	179,019	181,624

(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, 2024 (April 1, 2023, to December 31, 2023)	First 3Qs, Fiscal Year Ending March 31, 2025 (April 1, 2024, to December 31, 2024)
Net sales	134,349	133,288
Cost of sales	107,270	106,980
Gross profit	27,079	26,308
Selling, general and administrative expenses	15,134	15,909
Operating profit	11,945	10,398
Non-operating income		
Interest income	22	43
Dividend income	129	142
Insurance claim income	133	38
Share of profit of entities accounted for using equity method	257	253
Foreign exchange gains	944	545
Other	341	346
Total non-operating income	1,829	1,369
Non-operating expenses		
Interest expenses	458	284
Loss on removal of non-current assets	104	359
Other	162	170
Total non-operating expenses	725	813
Ordinary profit	13,048	10,954
Extraordinary income		
Gain on sale of non-current assets	90	2,372
Gain on sale of investment securities	1,545	1,337
Total extraordinary income	1,636	3,710
Extraordinary losses		
Loss on sale of non-current assets	14	4
Loss on retirement of non-current assets	196	19
Impairment losses	-	55
Other	0	-
Total extraordinary losses	211	79
Profit before income taxes	14,473	14,585
Income taxes - current	3,715	3,004
Income taxes - deferred	534	1,147
Total income taxes	4,249	4,152
Profit	10,223	10,433
Profit attributable to non-controlling interests	691	1,190
Profit attributable to owners of parent	9,532	9,242

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First 3Qs, Fiscal Year Ended March 31, 2024 (April 1, 2023, to December 31, 2023)	First 3Qs, Fiscal Year Ending March 31, 2025 (April 1, 2024, to December 31, 2024)
Profit	10,223	10,433
Other comprehensive income		
Valuation difference on available-for-sale securities	(685)	(1,432)
Deferred gains or losses on hedges	(166)	24
Foreign currency translation adjustment	2,536	480
Remeasurements of defined benefit plans, net of tax	(103)	(194)
Share of other comprehensive income of entities accounted for using equity method	75	27
Total other comprehensive income	1,657	(1,094)
Comprehensive income	11,881	9,338
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,988	8,090
Comprehensive income attributable to non-controlling interests	892	1,247

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Segments of an Enterprise and Related Information)

(Segment Information)

I. For the third quarter of the fiscal year ended March 31, 2024 (April 1, 2023 to December 31, 2023)

Net sales and profits or losses by reportable segment

(Millions of yen)

	Reportable Segments					Others (Note 1)	Total	Adjust-ments (Note 2)	Consoli-dated (Note 3)
	Refractories	Furnace	Ceramics	Real Estate	Subtotal				
Net sales									
External customers	115,703	11,108	6,279	553	133,644	705	134,349	—	134,349
Inter-segment or transfer	111	207	—	—	319	—	319	(319)	—
Total	115,815	11,316	6,279	553	133,964	705	134,669	(319)	134,349
Segment profit	10,190	484	791	424	11,891	55	11,946	(1)	11,945

(Notes) 1. The "Others" category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.

2. An adjustment of ¥(1) million in segment profit primarily consists of the elimination amount of unrealized gains.

3. Segment profit is adjusted for operating profit in the quarterly consolidated statements of income.

II. For the third quarter of the fiscal year ending March 31, 2025 (April 1, 2024 to December 31, 2024)

Net sales and profits or losses by reportable segment

(Millions of yen)

	Reportable Segments					Others (Note 1)	Total	Adjust-ments (Note 2)	Consoli-dated (Note 3)
	Refractories	Furnace	Ceramics	Real Estate	Subtotal				
Net sales									
External customers	112,064	14,282	5,563	553	132,462	826	133,288	—	133,288
Inter-segment or transfer	51	259	—	—	310	—	310	(310)	—
Total	112,115	14,542	5,563	553	132,773	826	133,599	(310)	133,288
Segment profit	8,770	864	266	447	10,349	49	10,398	0	10,398

(Notes) 1. The "Others" category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.

2. An adjustment of ¥0 million in segment profit primarily consists of the elimination amount of unrealized gains.

3. Segment profit is adjusted for operating profit in the quarterly consolidated statements of income.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Statements of Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the third quarter of the fiscal year ending March 31, 2025. Meanwhile, depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the third quarter of the fiscal year ended March 31, 2024 and ending March 31, 2025 are as follows:

(Millions of yen)

	3Q, Fiscal Year Ended March 31, 2024 (April 1, 2023, to December 31, 2023)	3Q, Fiscal Year Ending March 31, 2025 (April 1, 2024, to December 31, 2024)
Depreciation	2,868	3,138
Amortization of goodwill	402	428

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	45,357	44,041	44,950	42,679	43,939	44,150	45,198
Operating profit	4,133	3,462	4,349	2,747	3,121	3,161	4,115
Ordinary profit	4,754	3,839	4,454	3,340	3,561	2,978	4,414
Profit attributable to owners of parent	3,078	3,541	2,913	2,883	2,156	2,007	5,078