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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 4, 2022

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Code number: 5602

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Scheduled date of filing quarterly securities report: November 4, 2022

Scheduled date of commencing dividend payments: December 5, 2022

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled

Stock exchange listing: Tokyo

URL: <https://www.kurimoto.co.jp>

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
September 30, 2022	54,054	18.3	2,277	692.1	2,350	544.9	1,633	744.7
September 30, 2021	45,704	(16.7)	287	(86.2)	364	(83.0)	193	(86.3)

(Note) Comprehensive income: Six months ended September 30, 2022: ¥1,842 million [365.7%]

Six months ended September 30, 2021: ¥395 million [(81.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	133.86	—
September 30, 2021	15.86	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	138,685	69,020	48.8
As of March 31, 2022	139,722	67,619	47.5

(Reference) Equity: As of September 30, 2022: ¥67,716 million

As of March 31, 2022: ¥66,342 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	35.00	—	35.00	70.00
Fiscal year ending March 31, 2023	—	40.00	—	—	—
Fiscal year ending March 31, 2023 (Forecast)	—	—	—	40.00	80.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	115,000	8.5	5,000	19.8	5,000	19.6	3,700	26.8	303.12

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
September 30, 2022: 13,098,490 shares
March 31, 2022: 13,098,490 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2022: 892,872 shares
March 31, 2022: 896,195 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2022: 12,204,533 shares
Six months ended September 30, 2021: 12,196,943 shares

(Note) The number of treasury shares to be deducted for calculating the total number of treasury shares at the end of the period and the average number of shares during the period includes the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets under the Board Benefit Trust (BBT) (12,405 shares in the six months ended September 30, 2022; 19,556 shares in the six months ended September 30, 2021; 15,894 shares in the fiscal year ended March 31, 2022).

* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecasts and other notes

Financial results forecasts and other forward-looking statements provided in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to "1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 3 of the Attachments for conditions forming the basis for financial results forecasts, and notes regarding the use of financial results forecasts.

(Supplementary explanatory materials on quarterly financial results, etc.)

Supplementary explanatory materials on quarterly financial results, etc. will be made available on the Company's website on Friday, November 25, 2022.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the six months ended September 30, 2022, amid the impact of COVID-19, the Japanese economy was expected to recover as infection numbers decreased following progress in the vaccination rollout. However, a sense of uncertainty remained regarding the economic situation given concerns over Russia's prolonged invasion of Ukraine, higher resource prices, and accelerating inflation mainly due to yen depreciation.

Under these circumstances, the Group has continued production activities by encouraging work from home and other practices in sales and administrative divisions, while taking measures giving top priority to safety and health in production divisions of factories to prevent the spread of COVID-19.

For the Group's financial results for the six months ended September 30, 2022, net sales increased by ¥8,349 million year on year to ¥54,054 million, as a result of increased sales in the Lifeline business, Machinery System business, and Industrial Materials business.

For profit and loss, operating profit increased by ¥1,990 million year on year to ¥2,277 million, and ordinary profit increased by ¥1,985 million year on year to ¥2,350 million reflecting mainly increased profit resulting from net sales growth. Profit attributable to owners of parent increased by ¥1,440 million year on year to ¥1,633 million primarily due to the recording of gain on sale of investment securities and income taxes.

Operating results by segment were as follows:

In the Lifeline business, net sales increased by ¥3,220 million year on year to ¥27,932 million, mainly due to increased sales in the Pipe Systems Division and Valve Systems Division.

Operating profit increased by ¥802 million year on year to ¥1,543 million, mainly reflecting increased sales of high-value-added products, despite the impact of rising raw material prices.

In the Machinery System business, net sales increased by ¥2,600 million year on year to ¥12,479 million, mainly due to an increase in sales related to presses in the Plant Engineering & Machinery Division, as well as an increase in shipments of crushers and casting parts in the Materials & Machinery Division.

Operating profit increased by ¥650 million year on year to ¥260 million, mainly reflecting revenue growth both in the Plant Engineering & Machinery Division and the Materials & Machinery Division.

In the Industrial Materials business, net sales increased by ¥2,529 million year on year to ¥13,642 million, mainly due to increased shipments of air conditioning equipment and civil engineering material products in the Construction Materials Division, as well as increased shipments of products for sewage systems and FRP inspection passages in the Plastic Products Division.

Operating profit increased by ¥580 million year on year to ¥494 million, mainly reflecting revenue growth both in the Construction Materials Division and the Plastic Products Division, despite the impact of rising raw material prices.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the consolidated fiscal year under review decreased by ¥1,037 million from the end of the previous consolidated fiscal year to ¥138,685 million, mainly due to a decrease in notes and accounts receivable - trade, and contract assets.

Liabilities decreased by ¥2,438 million from the end of the previous consolidated fiscal year to ¥69,664 million, mainly owing to decreases in short-term and long-term borrowings.

Net assets increased by ¥1,400 million from the end of the previous consolidated fiscal year to ¥69,020 million. This is mainly attributable to increases in foreign currency translation adjustment, as well as in retained earnings after recording profit, offsetting dividends payments.

Cash Flows

(Cash flows from operating activities)

Net cash provided by operating activities during the six months ended September 30, 2022 amounted to ¥3,926 million. This is mainly attributable to the recording of profit before income taxes and depreciation, and a decrease in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities during the six months ended September 30, 2022 amounted to ¥595 million. This is mainly attributable to the purchase of property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash used in financing activities during the six months ended September 30, 2022 amounted to ¥4,632 million. This is mainly attributable to the repayments of short-term and long-term borrowings, and dividends payments.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Considering the recent financial results and other factors, the Company has revised the consolidated financial results forecast for the fiscal year ending March 31, 2023, released on May 13, 2022. Please refer to the “Notice of Revision to Financial Results Forecast” (only available in Japanese) released on October 31, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	21,358	20,248
Notes and accounts receivable - trade, and contract assets	35,482	31,402
Electronically recorded monetary claims - operating	8,964	9,073
Merchandise and finished goods	9,736	11,744
Work in process	8,575	10,721
Raw materials and supplies	3,650	3,787
Other	1,507	1,497
Allowance for doubtful accounts	(126)	(117)
Total current assets	89,149	88,357
Non-current assets		
Property, plant and equipment		
Land	13,787	13,787
Other, net	18,737	18,851
Total property, plant and equipment	32,525	32,638
Intangible assets		
Other	1,773	1,587
Total intangible assets	1,773	1,587
Investments and other assets		
Investment securities	11,526	11,360
Other	4,831	4,826
Allowance for doubtful accounts	(83)	(85)
Total investments and other assets	16,274	16,101
Total non-current assets	50,573	50,327
Total assets	139,722	138,685

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,104	15,378
Electronically recorded obligations - operating	13,556	13,628
Short-term borrowings	22,250	18,950
Current portion of long-term borrowings	1,222	670
Income taxes payable	426	848
Provision for bonuses	1,896	1,791
Other provisions	585	547
Other	6,804	8,053
Total current liabilities	61,846	59,869
Non-current liabilities		
Long-term borrowings	714	399
Provisions	20	13
Retirement benefit liability	8,830	8,719
Other	690	662
Total non-current liabilities	10,256	9,795
Total liabilities	72,102	69,664
Net assets		
Shareholders' equity		
Share capital	31,186	31,186
Capital surplus	6,873	6,873
Retained earnings	27,029	28,236
Treasury shares	(1,802)	(1,796)
Total shareholders' equity	63,287	64,499
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,256	3,158
Deferred gains or losses on hedges	1	7
Foreign currency translation adjustment	44	241
Remeasurements of defined benefit plans	(247)	(190)
Total accumulated other comprehensive income	3,054	3,217
Non-controlling interests	1,277	1,304
Total net assets	67,619	69,020
Total liabilities and net assets	139,722	138,685

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	45,704	54,054
Cost of sales	35,394	41,220
Gross profit	10,309	12,833
Selling, general and administrative expenses	10,022	10,556
Operating profit	287	2,277
Non-operating income		
Dividend income	162	192
Other	127	149
Total non-operating income	290	342
Non-operating expenses		
Interest expenses	73	75
Fixed asset retirement expenses	61	95
Other	78	99
Total non-operating expenses	213	269
Ordinary profit	364	2,350
Extraordinary income		
Gain on sale of investment securities	–	68
Reversal of provision for loss on disaster	0	–
Other	–	1
Total extraordinary income	0	70
Extraordinary losses		
Loss on valuation of golf club membership	–	2
Impairment losses	41	–
Other	14	–
Total extraordinary losses	56	2
Profit before income taxes	308	2,418
Income taxes - current	86	722
Income taxes - deferred	(42)	14
Total income taxes	44	737
Profit	263	1,680
Profit attributable to non-controlling interests	70	47
Profit attributable to owners of parent	193	1,633

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	263	1,680
Other comprehensive income		
Valuation difference on available-for-sale securities	15	(98)
Deferred gains or losses on hedges	(0)	6
Foreign currency translation adjustment	59	196
Remeasurements of defined benefit plans, net of tax	58	57
Total other comprehensive income	131	161
Comprehensive income	395	1,842
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	325	1,795
Comprehensive income attributable to non-controlling interests	70	46

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	308	2,418
Depreciation	1,301	1,456
Impairment losses	41	–
Increase (decrease) in allowance for doubtful accounts	26	(7)
Interest and dividend income	(163)	(193)
Interest expenses	73	75
Decrease (increase) in trade receivables	7,018	5,653
Decrease (increase) in inventories	(4,286)	(4,259)
Increase (decrease) in trade payables	(1,619)	(268)
Increase (decrease) in retirement benefit liability	55	(28)
Loss (gain) on valuation of short-term and long-term investment securities	12	–
Loss (gain) on sale of short-term and long-term investment securities	–	(68)
Loss (gain) on sale of property, plant and equipment and intangible assets	–	(1)
Loss on retirement of property, plant and equipment and intangible assets	9	8
Other, net	(1,865)	(796)
Subtotal	912	3,987
Interest and dividends received	192	231
Interest paid	(73)	(75)
Income taxes paid	(446)	(218)
Net cash provided by (used in) operating activities	584	3,926
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(0)	(0)
Proceeds from sale of short-term and long-term investment securities	–	93
Purchase of property, plant and equipment and intangible assets	(1,070)	(685)
Proceeds from sale of property, plant and equipment and intangible assets	0	3
Proceeds from collection of loans receivable	0	0
Other, net	(47)	(7)
Net cash provided by (used in) investing activities	(1,117)	(595)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	800	(3,300)
Repayments of long-term borrowings	(334)	(866)
Repayments of lease liabilities	(18)	(18)
Purchase of treasury shares	(0)	(0)
Dividends paid	(488)	(427)
Dividends paid to non-controlling interests	(26)	(19)
Net cash provided by (used in) financing activities	(67)	(4,632)
Effect of exchange rate change on cash and cash equivalents	46	190
Net increase (decrease) in cash and cash equivalents	(553)	(1,110)
Cash and cash equivalents at beginning of period	20,359	21,299
Cash and cash equivalents at end of period	19,805	20,188

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.

(Changes in accounting policies)

The Company has adopted the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Fair Value Measurement Guidance") from the beginning of the first quarter of the consolidated fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This has no impact on quarterly consolidated financial statements.

(Segment information, etc.)

[Segment Information]

I For the six months ended September 30, 2021

1. Information on net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment			Total	Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Lifeline business	Machinery System business	Industrial Materials business			
Net sales						
Net sales to outside customers	24,711	9,879	11,113	45,704	—	45,704
Inter-segment net sales or transfers	33	49	10	94	(94)	—
Total	24,745	9,929	11,123	45,798	(94)	45,704
Segment income (loss)	741	(389)	(86)	265	22	287

(Notes) 1. Adjustment of segment income (loss) of ¥22 million includes ¥7 million for inter-segment transaction eliminations, ¥132 million for allocation difference of selling, general and administrative expenses and experimentation and research expenses borne by each reportable segment, and ¥(117) million for inventory adjustments.

2. Adjustments are made to reconcile segment income (loss) to operating profit reported on the quarterly consolidated statements of income.

2. Information on impairment losses on non-current assets and goodwill by reportable segment

(Significant impairment losses related to non-current assets)

Impairment losses on assets for rent were recorded as "Adjustment."

The amount of such impairment losses was ¥41 million for the six months ended September 30, 2022.

(Significant changes in goodwill)

There is no relevant information.

(Significant gain on negative goodwill)

There is no relevant information.

II For the six months ended September 30, 2022

1. Information on net sales and income (loss) by reportable segment

(Million yen)

	Reportable segment			Total	Adjustment (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	Lifeline business	Machinery System business	Industrial Materials business			
Net sales						
Net sales to outside customers	27,932	12,479	13,642	54,054	–	54,054
Inter-segment net sales or transfers	60	40	26	128	(128)	–
Total	27,992	12,520	13,668	54,182	(128)	54,054
Segment income	1,543	260	494	2,298	(20)	2,277

(Notes) 1. Adjustment of segment income of ¥(20) million includes ¥5 million for inter-segment transaction eliminations, ¥9 million for allocation difference of selling, general and administrative expenses and experimentation and research expenses borne by each reportable segment, and ¥(35) million for inventory adjustments.

2. Adjustments are made to reconcile segment income to operating profit reported on the quarterly consolidated statements of income.

2. Information on impairment losses on non-current assets and goodwill by reportable segment

(Significant impairment losses related to non-current assets)

There is no relevant information.

(Significant changes in goodwill)

There is no relevant information.

(Significant gain on negative goodwill)

There is no relevant information.