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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 2, 2023

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Code number: 5602

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Scheduled date of filing quarterly securities report: November 2, 2023

Scheduled date of commencing dividend payments: December 4, 2023

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not 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, 2023 (April 1, 2023 to September 30, 2023)

(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, 2023	59,951	10.9	3,693	62.1	4,032	71.6	2,883	76.5
Six months ended September 30, 2022	54,054	18.3	2,277	692.1	2,350	544.9	1,633	744.7

(Note) Comprehensive income: Six months ended September 30, 2023: ¥5,801 million [214.8%]

Six months ended September 30, 2022: ¥1,842 million [365.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	237.71	—
Six months ended September 30, 2022	133.86	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	148,636	76,995	51.2
As of March 31, 2023	145,164	72,963	49.3

(Reference) Equity: As of September 30, 2023: ¥76,067 million

As of March 31, 2023: ¥71,608 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, 2023	—	40.00	—	50.00	90.00
Fiscal year ending March 31, 2024	—	50.00			
Fiscal year ending March 31, 2024 (Forecast)			—	50.00	100.00

(Note) Revision to the forecast for dividends announced most recently: None

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share	
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
	120,000	(3.9)	6,000	(12.3)	6,000	(12.6)	4,000	(15.4)	331.88	

(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: None
 - 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, 2023: 12,798,490 shares
March 31, 2023: 13,098,490 shares
 - 2) Total number of treasury shares at the end of the period:
September 30, 2023: 828,407 shares
March 31, 2023: 889,485 shares
 - 3) Average number of shares during the period:
Six months ended September 30, 2023: 12,130,511 shares
Six months ended September 30, 2022: 12,204,533 shares
Note on the total number of issued 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) (39,180 shares in the six months ended September 30, 2023; 12,405 shares in the six months ended September 30, 2022; 42,822 shares in the fiscal year ended March 31, 2023).

* 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 and explanation video will be made available in Japanese on the Company's website on Friday, November 24, 2023.

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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, 2023, the Japanese economy, despite the effects of Russia's prolonged invasion of Ukraine, exchange rate fluctuations, higher resource prices, and accelerating inflation, was on a moderate recovery path due to the easing of restrictions on activity and various rules, as the legal classification of COVID-19 was downgraded to a Class V infectious disease according to the Infectious Diseases Law. However, a sense of uncertainty continued to prevail over the future of the economic situation.

Under these circumstances, the Group has been aiming to expand its business and working to further enhance its corporate value and bolster its management base by continuing to strengthen its cost reduction and sales activities.

For the Group's financial results for the six months ended September 30, 2023, net sales increased by ¥5,897 million year on year to ¥59,951 million, as a result of increased sales in all segments - the Lifeline business, the Machinery System business, and the Industrial Materials business.

For profit and loss, operating profit increased by ¥1,415 million year on year to ¥3,693 million, ordinary profit increased by ¥1,682 million year on year to ¥4,032 million, and profit attributable to owners of parent increased by ¥1,249 million year on year to ¥2,883 million, reflecting mainly various cost reduction activities, as well as net sales growth and changes in the sales mix.

Operating results by segment were as follows:

In the Lifeline business, net sales increased by ¥3,161 million year on year to ¥31,093 million, mainly due to sales that were scheduled in the latter half of the year being recorded ahead of schedule in the first half of the year as a result of a client's onsite construction progressing ahead of schedule in the Pipe Systems Division.

Operating profit increased by ¥884 million year on year to ¥2,428 million, mainly reflecting increased revenue both in the Pipe Systems Division and Valve Systems Division.

In the Machinery System business, net sales increased by ¥1,675 million year on year to ¥14,155 million, mainly due to an increase in sales of powder systems and presses in the Plant Engineering & Machinery Division, as well as an increase in sales of crushers and parts in the Materials & Machinery Division.

Operating profit increased by ¥357 million year on year to ¥617 million, mainly reflecting revenue growth in both the Plant Engineering & Machinery Division and the Materials & Machinery Division.

In the Industrial Materials business, net sales increased by ¥1,060 million year on year to ¥14,702 million, mainly due to sales of air conditioning equipment and noise-reduction products that were scheduled to be recorded in the latter half of the year being recorded ahead of schedule in the first half of the year in the Construction Materials Division.

Operating profit increased by ¥274 million year on year to ¥768 million, mainly reflecting revenue growth in the Construction Materials Division.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of the consolidated fiscal year under review increased by ¥3,472 million from the end of the previous consolidated fiscal year to ¥148,636 million, mainly due to increases in cash and deposits, and a rise in the valuation of investment securities, despite decreases in notes and accounts receivable - trade, and contract assets, and electronically recorded monetary claims - operating.

Liabilities decreased by ¥560 million from the end of the previous consolidated fiscal year to ¥71,640 million, mainly owing to decreases in short-term borrowings, income taxes payable, and provision for bonuses, despite increases in notes and accounts payable – trade and electronically recorded obligations – operating.

Net assets increased by ¥4,032 million from the end of the previous consolidated fiscal year to ¥76,995 million. This is mainly attributable to a decrease in dividends payments, the recording of profit attributable to owners of parent, and an increase in valuation difference on available-for-sale securities.

Cash Flows

(Cash flows from operating activities)

Net cash provided by operating activities during the six months ended September 30, 2023 amounted to ¥8,320 million. This is mainly attributable to the recording of profit before income taxes, depreciation, a decrease in trade receivables, and an increase in trade payables.

(Cash flows from investing activities)

Net cash used in investing activities during the six months ended September 30, 2023 amounted to ¥1,264 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, 2023 amounted to ¥3,991 million. This is mainly attributable to a decrease in short-term borrowings, the repayments of long-term borrowings, the purchase of treasury shares, and dividends payments.

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

The full-year consolidated financial results forecast for the fiscal year ending March 31, 2024 released on May 12, 2023 remains unchanged.

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

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	20,334	23,452
Notes and accounts receivable - trade, and contract assets	40,149	36,395
Electronically recorded monetary claims - operating	10,467	10,017
Merchandise and finished goods	11,338	12,407
Work in process	6,246	7,752
Raw materials and supplies	3,804	3,924
Other	1,253	997
Allowance for doubtful accounts	(127)	(124)
Total current assets	93,466	94,822
Non-current assets		
Property, plant and equipment		
Land	13,846	13,852
Other, net	19,448	19,403
Total property, plant and equipment	33,295	33,255
Intangible assets		
Other	1,443	1,318
Total intangible assets	1,443	1,318
Investments and other assets		
Investment securities	12,347	16,154
Other	4,838	3,236
Allowance for doubtful accounts	(227)	(150)
Total investments and other assets	16,958	19,239
Total non-current assets	51,697	53,813
Total assets	145,164	148,636

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,353	16,910
Electronically recorded obligations - operating	14,257	17,281
Short-term borrowings	19,850	18,010
Current portion of long-term borrowings	696	414
Income taxes payable	2,231	900
Provision for bonuses	2,767	1,831
Other provisions	485	357
Other	6,668	6,036
Total current liabilities	62,311	61,741
Non-current liabilities		
Long-term borrowings	118	60
Provisions	13	10
Retirement benefit liability	8,347	8,351
Other	1,410	1,476
Total non-current liabilities	9,889	9,898
Total liabilities	72,200	71,640
Net assets		
Shareholders' equity		
Share capital	31,186	31,186
Capital surplus	6,873	6,895
Retained earnings	30,828	32,439
Treasury shares	(1,778)	(1,813)
Total shareholders' equity	67,109	68,708
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,212	6,904
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	198	328
Remeasurements of defined benefit plans	87	126
Total accumulated other comprehensive income	4,498	7,358
Non-controlling interests	1,355	928
Total net assets	72,963	76,995
Total liabilities and net assets	145,164	148,636

(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, 2022	For the six months ended September 30, 2023
Net sales	54,054	59,951
Cost of sales	41,220	44,996
Gross profit	12,833	14,954
Selling, general and administrative expenses	10,556	11,261
Operating profit	2,277	3,693
Non-operating income		
Dividend income	192	210
Insurance claim income	14	124
Other	135	199
Total non-operating income	342	534
Non-operating expenses		
Interest expenses	75	88
Other	194	105
Total non-operating expenses	269	194
Ordinary profit	2,350	4,032
Extraordinary income		
Gain on sale of investment securities	68	-
Gain on reimbursement of capital reduction by affiliated companies	-	18
Other	1	0
Total extraordinary income	70	18
Extraordinary losses		
Loss on valuation of golf club membership	2	0
Total extraordinary losses	2	0
Profit before income taxes	2,418	4,050
Income taxes - current	722	758
Income taxes - deferred	14	350
Total income taxes	737	1,108
Profit	1,680	2,941
Profit attributable to non-controlling interests	47	58
Profit attributable to owners of parent	1,633	2,883

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	1,680	2,941
Other comprehensive income		
Valuation difference on available-for-sale securities	(98)	2,691
Deferred gains or losses on hedges	6	(0)
Foreign currency translation adjustment	196	129
Remeasurements of defined benefit plans, net of tax	57	38
Total other comprehensive income	161	2,859
Comprehensive income	1,842	5,801
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,795	5,743
Comprehensive income attributable to non-controlling interests	46	57

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	2,418	4,050
Depreciation	1,456	1,467
Increase (decrease) in allowance for doubtful accounts	(7)	(79)
Interest and dividend income	(193)	(211)
Interest expenses	75	88
Decrease (increase) in trade receivables	5,653	4,528
Decrease (increase) in inventories	(4,259)	(2,682)
Increase (decrease) in trade payables	(268)	4,754
Increase (decrease) in retirement benefit liability	(28)	59
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)	1
Loss on retirement of property, plant and equipment and intangible assets	8	9
Other, net	(796)	(1,873)
Subtotal	3,987	10,111
Interest and dividends received	231	253
Interest paid	(75)	(89)
Income taxes paid	(218)	(1,956)
Net cash provided by (used in) operating activities	3,926	8,320
Cash flows from investing activities		
Proceeds from paid capital reduction of subsidiaries and associates	-	88
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	(685)	(1,406)
Proceeds from sale of property, plant and equipment and intangible assets	3	21
Proceeds from collection of loans receivable	0	74
Other, net	(7)	(42)
Net cash provided by (used in) investing activities	(595)	(1,264)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,300)	(1,840)
Repayments of long-term borrowings	(866)	(340)
Repayments of lease liabilities	(18)	(36)
Purchase of treasury shares	(0)	(700)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(438)
Dividends paid	(427)	(611)
Dividends paid to non-controlling interests	(19)	(24)
Net cash provided by (used in) financing activities	(4,632)	(3,991)
Effect of exchange rate change on cash and cash equivalents	190	52
Net increase (decrease) in cash and cash equivalents	(1,110)	3,116
Cash and cash equivalents at beginning of period	21,299	20,275
Cash and cash equivalents at end of period	20,188	23,391

(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)

The Company at a meeting of the Board of Directors held on August 4, 2023, resolved to repurchase its treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the said Act, and to cancel its treasury shares in accordance with Article 178 of the Companies Act. Subsequently, by August 31, 2023, the Company had repurchased 242,400 shares of treasury shares at ¥699 million, and cancelled 300,000 shares of treasury shares, effective August 31, 2023. As a result, for the six months ended September 30, 2023, retained earnings and treasury shares decreased by ¥659 million, respectively.

(Segment information, etc.)

[Segment Information]

I 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 (loss)	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.

II For the six months ended September 30, 2023

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	31,093	14,155	14,702	59,951	—	59,951
Inter-segment net sales or transfers	54	56	7	118	(118)	—
Total	31,147	14,211	14,710	60,069	(118)	59,951
Segment income	2,428	617	768	3,814	(121)	3,693

(Notes) 1. Adjustment of segment income of ¥(121) million includes ¥7 million for inter-segment transaction eliminations, ¥292 million for allocation difference of selling, general and administrative expenses and experimentation and research expenses borne by each reportable segment, and ¥(421) 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.