

Dear Shareholders,

Listed company name: KROSAKI HARIMA CORPORATION
 Representative: Kazuhiro Egawa, President
 Securities Code: 5352

Notice of Determination of the Policy of a Short-Form Merger with Ariake Materials Co., Ltd.

This is to announce that KROSAKI HARIMA CORPORATION (“the Company”) resolved at the meeting of its Board of Directors held on December 25, 2020, to absorb Ariake Materials Co., Ltd (hereinafter “AMC”), a wholly-owned consolidated subsidiary of the Company, effective October 1, 2021, as detailed below.

Conclusion of the merger agreement between both parties is scheduled for March 24, 2021.

Because the merger is a simple absorption-type merger with a wholly-owned consolidated subsidiary, the disclosure of information is partially omitted.

1. Purpose of the Merger

AMC manufactures fine ceramics, which the Company purchases and sells to its clients. As such, AMC has played an important part in the ceramics businesses of the Company Group.

In these times of revolutionary changes, however, we have judged that it would be best to consolidate AMC into the Company and promote a united management of manufacturing, sales and development activities to secure the Group’s manufacturing skills and technologies and enhance its production efficiency and quality, thereby maintaining and enhancing the Group’s manufacturing capabilities and competitiveness in a sustainable manner. Therefore, we have reached the decision to conduct an absorptive merger of AMC.

Through the merger of the Company and AMC, we will seek to maintain and enhance the Group’s manufacturing capabilities and competitiveness by consolidating both parties’ manufacturing operations; to increase management efficiency by consolidating management resources; and to reduce administrative costs by consolidating the overhead divisions, thereby further strengthening the business foundations of the Group.

2. Summary of the Merger

(1) Schedule of the merger

December 25, 2020	Resolution of the Board of Directors’ Meeting regarding the determination of the merger policy
March 24, 2021 (planned)	Resolution of the Board of Directors’ Meeting regarding the conclusion of the merger agreement
March 24, 2020 (planned)	Conclusion of the merger agreement
October 1, 2021 (planned)	Effective date of the merger

Notes:

1. The Company will conduct this merger without obtaining the approval of its general meeting of shareholders, as the merger meets the simple merger requirements set forth in Article 796, Paragraph 2, of the Companies Act.

2. AMC will conduct this merger without obtaining the approval of its general meeting of shareholders, as the merger meets the short-form merger requirements set forth in Article 784, Paragraph 1, of the Companies Act.

(2) Method of the merger

The Company, as the surviving company, will absorb AMC, which will be dissolved upon the merger.

(3) Allotment in relation to the merger

Because the Company owns all the outstanding shares of AMC, there will be no issuance of new shares, transfer of treasury shares or any other consideration upon the merger.

(4) Treatment of stock acquisition rights and convertible bonds of the dissolving company

There are no stock acquisition rights and convertible bonds issued by AMC.

3. Information on the parties concerned in the merger (as of September 30, 2020)

	Surviving company	Dissolving company
(1) Company name	KROSAKI HARIMA CORPORATION	Ariake Materials Company, Limited
(2) Head office location	1-1, Higashihama-machi, Yahatanishi-ku, Kitakyushu City, Fukuoka Prefecture	1-21-1 Nishiminato-machi, Oomuta City, Fukuoka Prefecture
(3) Name and title of representative	Kazuhiro Egawa, President	Tatsuro Mitsudome, President
(4) Lines of business	Refractory, furnace, ceramics and real estate	Manufacturing of fine ceramics
(5) Capital	¥5,537 million	¥100 million
(6) Date established	October 14, 1918	March 30, 1993
(7) Number of shares issued	9,114,528 shares	2,000 shares
(8) Fiscal year-end	March 31	March 31
(9) Major shareholders and shareholding ratio *Treasury shares included in the calculation of the shareholding ratios	Nippon Steel Corporation: 42.88% Custody Bank of Japan (trust account): 4.33% The Master Trust Bank of Japan, Ltd. (trust account): 4.04% RE FUND 107-CLIENT AC: 2.15% The Bank of Fukuoka, Ltd.: 2.04% *In addition to the above, there are 691,000 shares of treasury stock owned (shareholding ratio: 7.59%) by the Company.	KROSAKI HARIMA CORPORATION: 100.00%

(10) Operating results and financial position for the fiscal year that ended most recently	KROSAKI HARIMA CORPORATION (Consolidated, for the year ended March 2020)	Ariake Materials Company, Limited (Non-consolidated, for the year ended March 2020)
Net assets	¥57,233 million	¥462 million
Total assets	¥126,942 million	¥820 million
Net assets per share	¥6,436.93	¥231,051.00
Net sales	¥137,395 million	¥1,037 million
Operating income	¥9,387 million	¥59 million
Ordinary income	¥9,764 million	¥59 million
Net income attributable to owners of the parent	¥6,444 million	¥38 million
Net income per share	¥765.04	¥19,040.48

4. Conditions after the Merger

(1) Company name	KROSAKI HARIMA CORPORATION
(2) Head office location	1-1, Higashihama-machi, Yahatanishi-ku, Kitakyushu City, Fukuoka Prefecture
(3) Name and title of representative	Kazuhiro Egawa, President
(4) Lines of business	Refractory, furnace, ceramics and real estate
(5) Capital	¥5,537 million
(6) Fiscal year-end	March 31

5. Effect on financial outlook

Because this is an absorption-type merger of a wholly-owned consolidated subsidiary, there will be no effect on the consolidated financial outlook of the Company.

(Reference) Consolidated performance forecasts for the fiscal year ending March 31, 2021 (released on October 30, 2020) and consolidated operating results for the year ended March 31, 2020

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
Performance forecasts for the year ending March 31, 2021	113,000	4,000	5,000	3,400
Operating results for the year ended March 31, 2020	137,395	9,387	9,764	6,444