Annual Securities Report

(The 130th fiscal year)

KROSAKI HARIMA CORPORATION

Contents

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[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	June 29, 2021
[Accounting Period]	The 130th Fiscal Year (from April 1, 2020, to March 31, 2021)
[Company Name]	KROSAKI HARIMA Kabushiki Kaisha
[Company Name in English]	KROSAKI HARIMA CORPORATION (the "Company")
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[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Securities Membership Corporation, Fukuoka Stock Exchange (2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka, Japan)

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal period	126th fiscal year	127th fiscal year	128th fiscal year	129th fiscal year	130th fiscal year
Period of account	March 2017	March 2018	March 2019	March 2020	March 2021
Net sales	108,371	123,977	142,347	137,395	113,661
Ordinary profit	7,844	8,991	11,289	9,764	6,361
Profit attributable to owners of parent	4,426	5,656	7,868	6,444	4,334
Comprehensive income	6,555	7,590	5,456	3,796	7,579
Net assets	50,775	57,755	56,236	57,233	63,288
Total assets	116,702	131,031	135,422	126,942	130,354
Net assets per share (Yen)	5,507.72	6,321.82	6,297.94	6,436.93	7,133.91
Basic earnings per share (Yen)	524.88	670.96	933.76	765.04	514.63
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	39.8	40.7	39.2	42.7	46.1
Return on equity (%)	10.1	11.3	14.8	12.0	7.6
Price earnings ratio (Times)	8.4	7.5	5.9	5.3	9.5
Net cash provided by (used in) operating activities	(2,792)	2,687	10,270	9,068	10,080
Net cash provided by (used in) investing activities	(2,182)	(2,368)	(2,265)	(7,044)	(4,946)
Net cash provided by (used in) financing activities	4,955	740	(6,721)	(3,475)	(3,608)
Cash and cash equivalents at end of period	3,052	4,271	5,376	3,785	5,301
Number of employees (Persons)	4,365 [1,850]	4,439 [1,910]	4,735 [2,207]	4,827 [2,218]	4,802 [2,637]

(Notes)
1. "Net sales" is presented exclusive of consumption taxes, etc.
2. "Diluted earnings per share" are not shown for the 126th fiscal year through the 130th fiscal year, since there was no dilutive shares.
3. Number of employees shows the number of full-time employees. The average number of temporary employees each year is included in square brackets "[ ]" below the number of employees.
4. Effective October 1, 2017, the Company conducted a one-for-ten share consolidation of its common shares. Accordingly, the net assets per share and basic earnings per share were calculated on the assumption that said consolidation of shares was conducted at the beginning of the 126th fiscal year.
5. The "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of the 128th fiscal year, and the key financial data for the 127th fiscal year are data to which such accounting standards were retroactively applied.

(2) Financial data etc. of the Filing Company

(Millions of yen, unless otherwise stated)

Fiscal period	126th fiscal year	127th fiscal year	128th fiscal year	129th fiscal year	130th fiscal year
Period of account	March 2017	March 2018	March 2019	March 2020	March 2021
Net sales	82,399	92,574	101,556	96,013	80,429
Ordinary profit	6,785	7,293	7,222	6,855	5,909
Profit	4,443	5,374	6,130	5,048	4,616
Share capital	5,537	5,537	5,537	5,537	5,537
Total number of issued shares (Shares)	91,145,280	9,114,528	9,114,528	9,114,528	9,114,528
Net assets	40,769	45,771	48,016	50,139	54,414
Total assets	94,990	104,989	110,192	104,656	106,268
Net assets per share (Yen)	4,834.62	5,430.80	5,699.28	5,952.23	6,460.40
Dividends per share (Yen) [Of the above, interim dividends per share] (Yen)	13.00 [5.00]	125.00 [5.00]	280.00 [100.00]	220.00 [100.00]	150.00 [40.00]
Basic earnings per share (Yen)	526.86	637.50	727.51	599.21	548.11
Diluted earnings per share (Yen)	–	–	–	–	–
Equity ratio (%)	42.9	43.6	43.6	47.9	51.2
Return on equity (%)	11.6	12.4	13.1	10.3	8.8
Price earnings ratio (Times)	8.4	7.9	7.6	6.8	8.9
Dividend payout ratio (%)	24.7	26.7	38.5	36.7	27.4
Number of employees (Persons)	1,190 [215]	1,329 [218]	1,379 [256]	1,471 [245]	1,526 [211]
Total shareholder return (%) (Comparison index: TOPIX total return index)	181.3 [114.7]	212.7 [132.9]	243.8 [126.2]	194.6 [114.2]	232.9 [162.3]
Highest share price (Yen)	479	571 * 5,880	9,230	6,730	5,210
Lowest share price (Yen)	225	404 * 4,345	4,725	3,660	2,769

(Notes)
1. “Net sales” is presented exclusive of consumption taxes, etc.
2. “Diluted earnings per share” are not shown for the 126th fiscal year through the 130th fiscal year, since there was no dilutive shares.
3. Number of employees shows the number of full-time employees. The average number of temporary employees each year is included in square brackets “[ ]” below the number of employees.
4. Effective October 1, 2017, the Company conducted a one-for-ten share consolidation of its common shares. Accordingly, the net assets per share and basic earnings per share were calculated on the assumption that said consolidation of shares was conducted at the beginning of the 126th fiscal year.

5. The dividends per share for the 127th fiscal year are ¥125.00 including interim dividends of ¥5.00 per share and year-end dividends of ¥120.00 per share. As the Company conducted a one-for-ten share consolidation of its common shares effective October 1, 2017, the interim dividends of ¥5.00 per share represent the amount of dividends prior to the consolidation and the year-end dividends of ¥120.00 per share represent the amount of dividends after the consolidation.
6. The "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of the 128th fiscal year, and the key financial data for the 127th fiscal year are data to which such accounting standards were retroactively applied.
7. The highest and lowest share prices refer to those of the First Section of the Tokyo Stock Exchange.
8. An asterisk (*) indicates the stock price after the ex-rights date due to the share consolidation (10 shares into one share, effective October 1, 2017).

2. Corporate History

Year/Month		Corporate History
1918	Oct.	Founded KUROSAKI REFRACTORIES CO., LTD. for the manufacture and sales of firebricks.
1942	July	Merged with Oboshi Taika Renga Co., Ltd., making it the Oboshi Plant.
1944	June	Merged with Showa Taika Zairyo Co., Ltd.
1944	Sept.	Merged with Tsurumi Refractories Co., Ltd., making it the Shimizu Plant (closed in March 2008).
1949	May	Listed on Tokyo Stock Exchange, Inc. and Osaka Securities Exchange Co., Ltd. (delisted from the Osaka Securities Exchange (presently Tokyo Stock Exchange) in December 2003).
1949	June	Listed on the Fukuoka Stock Exchange.
1953	June	Founded Krosaki Furnace Construction Co., Ltd. (previously Krosaki Furnace Corporation).
1956	Oct.	Capital participation from Yawata Iron & Steel Co., Ltd. (presently NIPPON STEEL CORPORATION).
1956	Oct.	Separated the Oboshi Plant, and founded Krosaki Furnace Materials Co., Ltd. (closed in March 2009, liquidation complete in October 2009).
1962	Apr.	Founded Krosaki Refractories Raw Materials Co., Ltd. (acquired by KROSAKI INDUSTRY CO., LTD. (presently the Company) in October 2003).
1972	Oct.	Founded KROSAKI INDUSTRY CO., LTD. (presently the Company).
1978	Apr.	Founded KROSAKI MACHINE INDUSTRIES CO., LTD. (presently the Company).
1978	Apr.	Founded Krosaki Refractories Industries Co., Ltd. (closed in March 2004).
1985	Apr.	Established the Fine Ceramics Business Department (presently the Ceramics Business Division).
1986	May	Founded the Ceramics Development Center as a joint development project with Nippon Steel Corporation (presently NIPPON STEEL CORPORATION).
1989	Oct.	Acquired shares from the Spanish corporation ARISTEGUI MATERIAL REFRACTARIO, S. A., and made it the Company’s subsidiary. Said subsidiary changed its name into AMR Refractarios, S. A. (presently Krosaki Amr Refractarios, S. A., a consolidated subsidiary).
1993	Mar.	Constructed a distribution warehouse in Osaka prefecture, and made it available for rent in the next month (sold in January 2019).
1995	Mar.	Constructed a shopping center in Osaka prefecture, and made it available for rent in the next month.
1995	Dec.	Founded Wuxi Krosaki Sujia Refractories Co., Ltd. (presently a consolidated subsidiary) with Wuxi Sujia Magnesia-Carbon Bricks (presently Jiangsu Sujia Group) in China.
1999	Apr.	Merged with consolidated subsidiary Krosaki Furnace Corporation.
1999	Oct.	Signed a contract for the merger of the Company with Harima Ceramic Co., Ltd. (on April 1, 2000).
2000	Apr.	Merged with Harima Ceramic Co., Ltd. and changed its name into Krosaki Harima Corporation. Along with the merger, the Company has made 2 subsidiaries of Harima Ceramic Co., Ltd., Micron Co., Ltd. (presently NIPPON STEEL Chemical & Material Co., Ltd. Micron Division) and HARIMIC (MALAYSIA) SDN. BHD. its own consolidated subsidiary. Since the Company sold all of Micron Co., Ltd.’s shares in June 2006, the two companies are no longer consolidated subsidiaries.
2002	May	Acquired shares from Kyushu Refractories Co., Ltd. (presently the Company) and made it the Company’s consolidated subsidiary.
2002	Aug.	Founded Krosaki USA Inc. (presently a consolidated subsidiary) in the United States with ITOCHU CERATECH CORPORATION.
2003	Jan.	Founded Krosaki Harima (Shanghai) International Trading Co., Ltd. (presently Krosaki Harima (Shanghai) Enterprise Management Co., Ltd., a consolidated subsidiary).
2003	Oct.	KROSAKI INDUSTRY CO., LTD. (presently the Company) acquired Krosaki Refractories Raw Materials Co., Ltd., a consolidated subsidiary, and Krosaki Business Service Co., Ltd., a non-consolidated subsidiary accounted for using equity method.
2004	Jan.	Founded SN Refratecture Tokai Co., Ltd. (presently a consolidated subsidiary) with Toshiba Ceramics Co., Ltd. (presently CoorsTek KK), based on the alliance (agreed in December 2003) with said company to develop refractories for continuous casting of steel.
2005	Feb.	Founded K&K CORPORATION (presently the Company) with KIKUTAKE SANGYOU.
2006	Apr.	KROSAKI MACHINE INDUSTRIES CO., LTD. (presently the Company) merged the non-consolidated subsidiary Japan Basalt Industries Co., Ltd.

2007	Apr.	Acquired additional shares for SN Refratecture Tokai Co., Ltd., and made it the Company's consolidated subsidiary.
2007	July	As it was becoming a wholly-owned subsidiary of the Company through share exchange, Kyushu Refractories Co., Ltd. (presently the Company) was delisted from the Osaka Securities Exchange (presently Tokyo Stock Exchange).
2007	Aug.	Kyushu Refractories Co., Ltd. (presently the Company) became a wholly-owned subsidiary through share exchange.
2008	Apr.	Merged the non-consolidated subsidiary Kazusa Furnaces Co., Ltd.
2009	July	Acquired shares of Shin-Nikka Thermal Ceramics Corporation, and made it an entity accounted for using equity method. The associate changed its name into Shin-Nippon Thermal Ceramics Corporation.
2009	Aug	Founded Krosakiharima Europe B. V. (presently a consolidated subsidiary) in the Netherlands.
2010	Jan.	Acquired additional shares for K&K CORPORATION (presently the Company), and made it the Company's wholly owned subsidiary.
2010	Apr.	K&K CORPORATION (presently the Company) merged its consolidated subsidiaries, KROSAKI MACHINE INDUSTRIES CO., LTD. and KROSAKI INDUSTRY CO., LTD. The surviving company, K&K CORPORATION, changed its name into KROSAKI HARIMA CERA CORPORATION (presently the Company).
2010	Apr.	Ended the Fine Ceramics business with NIPPON STEEL MATERIALS CO., LTD. (presently NIPPON STEEL Chemical & Material Co., Ltd.), and continued the business individually.
2010	Apr.	Krosaki USA Inc. (now a consolidated subsidiary) and Magnesita Refractories Co. co-founded the consolidated subsidiary Krosaki Magnesita Refractories LLC (closed in September 2018, liquidation completed in March 2019) in the United States.
2010	June	Made the non-consolidated subsidiary accounted for using equity method, Krosaki Harima (Shanghai) International Trading Co., Ltd., a consolidated subsidiary. The new consolidated subsidiary changed its name into Krosaki Harima (Shanghai) Enterprise Management Co., Ltd.
2011	Jan.	Kyushu Refractories Co., Ltd. (presently the Company) merged two of its non-consolidated subsidiaries, Kyutai Dentceram Co., Ltd. and Kyutai Trading Co., Ltd.
2011	Jan.	AMR Refractarios, S. A. changed its name into Krosaki Amr Refractarios, S. A. (presently a consolidated subsidiary).
2011	Apr.	The Company transferred its business related to the manufacture and sales of outer wall material for residential buildings (its Construction Materials business) to Sekisui House, Ltd.
2011	May	Acquired the shares of TATA REFRACTORIES LIMITED in India, and made it the Company's consolidated subsidiary. The new consolidated subsidiary changed its name into TRL KROSAKI REFRACTORIES LIMITED in June 2011.
2012	Jan.	Acquired all issued shares of Ariake Materials Co., Ltd. and made it the Company's consolidated subsidiary.
2012	July	Merged the Company's consolidated subsidiary, Kyushu Refractories Co., Ltd.
2014	Oct.	KIKUTAKE SANGYOU has ceased to be an associate of the Company due to the change of all the shares owned by the Company to preferred shares with no voting rights. Therefore, KIKUTAKE SANGYOU was excluded from the scope of the equity-method treatment.
2015	Feb.	Acquired additional shares for Higashihama Sangyo Co., Ltd., originally a non-entity accounted for using equity method, and made it a wholly owned non-consolidated subsidiary.
2015	Apr.	KROSAKI HARIMA CERA CORPORATION (presently the Company), a consolidated subsidiary, merged Higashihama Sangyo Co., Ltd, the Company's non-consolidated subsidiary.
2015	Apr.	Acquired additional shares for Chugoku Furnace Construction Co., Ltd., a non-entity accounted for using equity method, and made it the Company's non-consolidated subsidiary. The new non-consolidated subsidiary changed its name into Krosaki Furnace Construction Co., Ltd. (presently a consolidated subsidiary).
2016	Apr.	Made Krosaki Furnace Construction Co., Ltd., a consolidated subsidiary.
2016	Dec.	Acquired shares of TRL ASIA PRIVATE LIMITED (which changed its name into TRL KROSAKI ASIA PRIVATE LIMITED in April 2017), a non-consolidated subsidiary (indirectly owned subsidiary), and made it a directly owned subsidiary. TRL ASIA PRIVATE LIMITED and its subsidiary TRL CHINA LIMITED (which changed its name into TRL KROSAKI CHINA LIMITED in March 2017) thereby became the Company's consolidated subsidiaries.

2016	Dec.	Qinhuangdao Shougang Krosaki Refractories Co., Ltd., an entity accounted for using equity method founded jointly with the Shougang Group in January 2005, has ceased to be an associate of the Company due to the partial transfer of ownership interest of said company. Therefore, Qinhuangdao Shougang Krosaki Refractories Co., Ltd. was excluded from the scope of the equity-method treatment.
2017	Mar.	Acquired additional ownership interest of an originally non-entity accounted for using equity method, Yingkou Kyushu Refractories Co., Ltd. (which changed its name into YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD. in March 2017), and made it an entity accounted for using equity method.
2017	July	IFGL Exports Ltd. (which changed its name into IFGL Refractories Limited in October 2017) which had been a non-entity accounted for using equity method was included in the scope of equity-method treatment due to its increased significance.
2018	Nov.	Krosaki Amr Refractarios, S.A. (now a consolidated subsidiary) acquired all issued shares of Spain’s Refractaria, S. A. As a result, Refractaria, S. A. became a consolidated subsidiary.
2018	Dec.	Acquired additional shares for TRL KROSAKI REFRACTORIES LIMITED (now a consolidated subsidiary).
2019	Mar.	Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) became the parent company of the Company.
2021	Apr.	Merged the Company’s consolidated subsidiary KROSAKI HARIMA CERA CORPORATION.

3. Description of Business

The business description of the Company, its 13 consolidated subsidiaries, and 3 entities accounted for using equity method (hereinafter the “Group”), and the positioning of Group companies and their relevant segments in the business are as follows:

Refractories (the manufacture and sales of refractories used by various kinds of industrial furnaces)

The Company manufactures and sells refractories.

SN Refratecture Tokai Co., Ltd. (consolidated subsidiary) manufactures refractories, which the Company purchases and sells to customers.

Wuxi Krosaki Sujia Refractories Co., Ltd. (consolidated subsidiary), TRL KROSAKI CHINA LIMITED (consolidated subsidiary) and YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD. (entity accounted for using equity method) manufacture refractories in China and sell them in markets inside and outside China.

Krosaki Harima (Shanghai) Enterprise Management Co., Ltd. (consolidated subsidiary) manages companies invested in in China and sells refractories in markets inside and outside China.

Krosaki Amr Refractarios, S. A. (consolidated subsidiary) and Refractaria, S. A. (consolidated subsidiary) manufactures refractories in Spain and sells them in markets inside and outside Europe.

TRL KROSAKI REFRACTORIES LIMITED (consolidated subsidiary) and IFGL Refractories Limited (entity accounted for using equity method) manufacture refractories in India and sell them in markets inside and outside India.

KROSAKI HARIMA CERA CORPORATION (consolidated subsidiary) is responsible for the maintenance of facilities, etc. used for the manufacture of refractories, as well as the contracting of business related to the manufacture of refractories, etc.

Krosakiharima Europe B. V. (consolidated subsidiary), based in the Netherlands, manages business strategies related to its investees, and sells refractories in European markets.

Krosaki USA Inc. (consolidated subsidiary) sells refractories in the North American market.

TRL KROSAKI ASIA PRIVATE LIMITED (consolidated subsidiary), based in Singapore, manages business strategies related to its investees.

Furnace (the designing, construction, installation and repair of various kinds of furnaces)

The Company designs, constructs, installs and repairs various kinds of furnaces.

Krosaki Furnace Construction Co., Ltd. (consolidated subsidiary) undertakes construction of furnaces and processing of refractories.

Ceramics (the manufacture and sales of fine ceramics for various industries, and the sales of landscape materials)

The Company manufactures and sells fine ceramics, alongside selling landscape materials.

KROSAKI HARIMA CERA CORPORATION (consolidated subsidiary) is responsible for the contracting of business related to the manufacture of fine ceramics.

Ariake Materials Co., Ltd. (consolidated subsidiary) manufactures fine ceramics, which the Company purchases and sells to customers.

Shin-Nippon Thermal Ceramics Corporation (entity accounted for using equity method) manufactures and sells ceramic fiber.

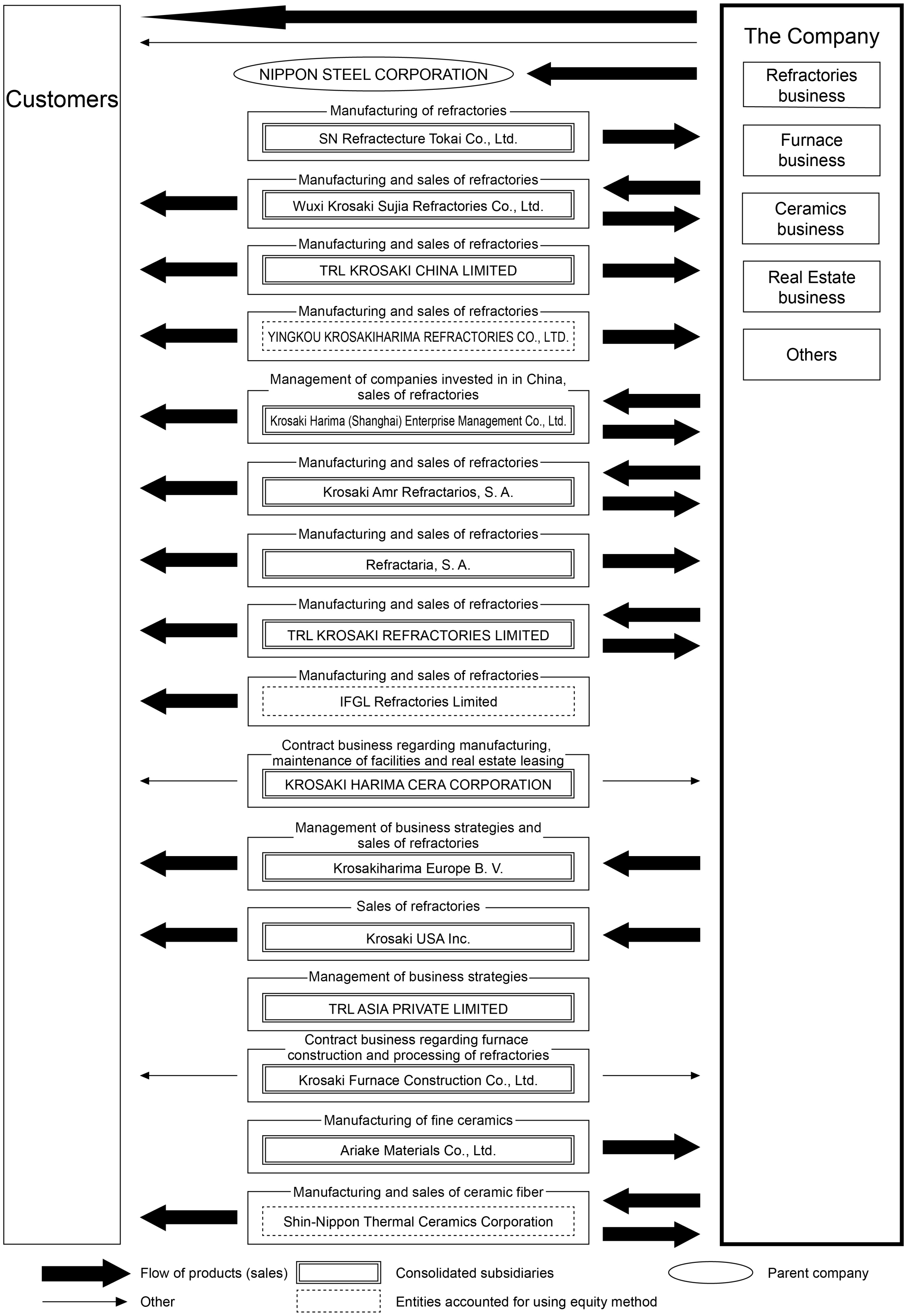
Real Estate (the rental of shops, warehouses, etc.)

The Company and KROSAKI HARIMA CERA CORPORATION (consolidated subsidiary) rents out shops, warehouses, etc.

Others (the manufacturing and sales of lime for steelworks)

The Company manufactures and sells lime for steelworks.

The above is explained in the organizational chart below.



Customers
The Company
Refractories business
Furnace business
Ceramics business
Real Estate business
Others
NIPPON STEEL CORPORATION
Manufacturing of refractories
SN Refractecture Tokai Co., Ltd.
Manufacturing and sales of refractories
Wuxi Krosaki Sujia Refractories Co., Ltd.
Manufacturing and sales of refractories
TRL KROSAKI CHINA LIMITED
Manufacturing and sales of refractories
YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD.
Management of companies invested in in China, sales of refractories
Krosaki Harima (Shanghai) Enterprise Management Co., Ltd.
Manufacturing and sales of refractories
Krosaki Amr Refractarios, S. A.
Manufacturing and sales of refractories
Refractaria, S. A.
Manufacturing and sales of refractories
TRL KROSAKI REFRACTORIES LIMITED
Manufacturing and sales of refractories
IFGL Refractories Limited
Contract business regarding manufacturing, maintenance of facilities and real estate leasing
KROSAKI HARIMA CERA CORPORATION
Management of business strategies and sales of refractories
Krosakiharima Europe B. V.
Sales of refractories
Krosaki USA Inc.
Management of business strategies
TRL ASIA PRIVATE LIMITED
Contract business regarding furnace construction and processing of refractories
Krosaki Furnace Construction Co., Ltd.
Manufacturing of fine ceramics
Ariake Materials Co., Ltd.
Manufacturing and sales of ceramic fiber
Shin-Nippon Thermal Ceramics Corporation
Flow of products (sales)
Other
Consolidated subsidiaries
Entities accounted for using equity method
Parent company

(Notes) 1. In the above chart, flow of products (sales) among the Company's consolidated subsidiaries and entities accounted for using equity method are included in flow of products (sales) towards the Company.

2. KROSAKI HARIMA CERA CORPORATION was absorbed into the Company through a merger on April 1, 2021.

4. Information on Subsidiaries and Associates

Company name	Location	Paid in capital (Millions of yen unless otherwise stated)	Principal business	Ratio of voting rights holding (held) (%)	Relationship
(Consolidated subsidiary)					
SN Refratecture Tokai Co., Ltd.	Kariya City, Aichi	75	Refractories	65.0	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary. The products of the subsidiary are sold by the Company's Sales Department.
KROSAKI HARIMA CERA CORPORATION	Yahatanishi-ku, Kitakyushu City, Fukuoka	50	Refractories, Ceramics, Real Estate	100.0	1 employee of the Company is dispatched to the subsidiary as an officer. 3 employees of the Company concurrently serve as officers of the subsidiary.
Ariake Materials Co., Ltd.	Omuta City, Fukuoka	100	Ceramics	100.0	2 employees of the Company concurrently serve as officers of the subsidiary. The products of the subsidiary are sold by the Company's Sales Department.
Krosaki Furnace Construction Co., Ltd.	Yahatanishi-ku, Kitakyushu City, Fukuoka	10	Furnace	51.0	1 officer and 3 employees of the Company concurrently serve as officers of the subsidiary.
Krosaki Amr Refractarios, S. A.	Guipuzkoa, Spain	(Thousand Euros) 4,597	Refractories	100.0 (100.0)	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
Wuxi Krosaki Sujia Refractories Co., Ltd.	Jiangsu Province, China	(Thousand USD) 14,197	Refractories	68.0	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
Krosaki USA Inc.	Indiana, USA	(Thousand USD) 400	Refractories	90.0	1 employee of the Company is dispatched to the subsidiary as an officer. 1 employee of the Company concurrently serves as an officer of the subsidiary.
Krosaki Harima (Shanghai) Enterprise Management Co., Ltd.	Shanghai City, China	(Thousand USD) 2,400	Refractories	100.0	1 employee of the Company is dispatched to the subsidiary as an officer. 4 employees of the Company concurrently serve as officers of the subsidiary.
Krosakiharima Europe B. V.	Velsen-noord, The Netherlands	(Thousand Euros) 499	Refractories	100.0	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
TRL KROSAKI REFRACTORIES LIMITED	West Bengal, India	(Thousand Indian Rupees) 209,000	Refractories	77.62	1 officer and 3 employees of the Company concurrently serve as officers of the subsidiary.
TRL KROSAKI ASIA PRIVATE LIMITED	Singapore	(Thousand Singapore Dollars) 12,993	Refractories	97.0 (37.0)	1 employee of the Company concurrently serves as officer of the subsidiary.
TRL KROSAKI CHINA LIMITED	Liaoning Province, China	(Thousand USD) 8,200	Refractories	100.0 (100.0)	1 officer and 1 employee of the Company concurrently serve as officers of the subsidiary.
Refractaria, S. A	Asturias, Spain	(Thousand Euros) 657	Refractories	100.0 (100.0)	3 employees of the Company concurrently serve as officers of the subsidiary.
(Entity accounted for using equity method)					
Shin-Nippon Thermal Ceramics Corporation	Sakai-ku, Sakai City, Osaka	490	Ceramics	50.0	1 employee of the Company is dispatched to the associate as an officer. 1 officer and 1 employee of the Company concurrently serve as officers of the associate.

Company name	Location	Paid in capital (Millions of yen unless otherwise stated)	Principal business	Ratio of voting rights holding (held) (%)	Relationship
YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD.	Liaoning Province, China	(Thousand Chinese yuan) 36,500	Refractories	49.0	3 employees of the Company concurrently serve as officers of the associate.
IFGL Refractories Limited	Odisha, India	(Thousand Indian Rupees) 360,393	Refractories	15.51	2 employees of the Company concurrently serve as officers of the associate.
(Parent company) NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,524	Steelworks, others	Voting rights held 46.9 (0.0)	2 employees of this company concurrently serve as officers of the Company.

(Notes) 1. Name of business segments of consolidated subsidiaries and entities accounted for using equity method in the box of “Principal business” are the same as those stated in the segment information.

2. The ratio of voting rights holding (held) indirectly is shown in parentheses “( )” in the boxes “Ratio of voting rights holding (held).”
3. KROSAKI HARIMA CERA CORPORATION, Krosaki Amr Refractarios S. A., Wuxi Krosaki Sujia Refractories Co., Ltd., Krosaki Harima (Shanghai) Enterprise Management Co., Ltd., TRL ASIA PRIVATE LIMITED, and TRL KROSAKI CHINA LIMITED are specified subsidiaries of the Company.
4. None of the above companies, with the exception of NIPPON STEEL CORPORATION, file Securities Registration Statements or Securities Reports.
5. TRL KROSAKI REFRACTORIES LIMITED’s net sales (excluding inter-segment net sales among consolidated subsidiaries) accounted for more than 10% of the total consolidated net sales.

   Key profit/loss information:

(a) Net sales	¥20,362 million
(b) Ordinary profit	¥617 million
(c) Profit	¥567 million
(d) Net assets	¥7,624 million
(e) Total assets	¥16,879 million

5. Employees

(1) Consolidated Companies

As of March 31, 2021

Name of business segment	Number of employees (Persons)
Refractories	3,768 (2,463)
Furnace	631 (97)
Ceramics	262 (48)
Others	2 (－)
Company-wide (shared)	139 (29)
Total	4,802 (2,637)

(Notes) 1. Number of employees shows the number of full-time employees. The average number of temporary employees each year is shown in parentheses "( )" next to the number of employees.
2. Temporary employees include fixed-term and part-time employees, but exclude dispatched employees.
3. For companies that end their fiscal years in December, number of employees is as of December 31, 2020.

(2) The Filing Company

As of March 31, 2021

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
1,526 (211)	39.4	11.5	6,145

Name of business segment	Number of employees (Persons)
Refractories	732 (94)
Furnace	558 (68)
Ceramics	95 (20)
Others	2 (－)
Company-wide (shared)	139 (29)
Total	1,526 (211)

(Notes) 1. Number of employees shows the number of full-time employees. The average number of temporary employees each year is shown in parentheses "( )" next to the number of employees.
2. Temporary employees include fixed-term and part-time employees, but exclude dispatched employees.
3. Average annual salary includes bonuses and non-standard wages.

(3) Status of labor union

The labor union of the Company, named the Krosaki Harima Union, belongs to the All Japan Federation of Ceramics Industry Workers.

The Company's union combined with the labor union of KROSAKI HARIMA CERA CORPORATION to form the Krosaki Harima Labor Federation. The Federation currently has 1,587 members. The Federation is scheduled to be dissolved as of September 30, 2021 as a result of the Company's merger with KROSAKI HARIMA CERA CORPORATION on April 1, 2021.

Among the Company's consolidated subsidiaries, Krosaki Amr Refractarios, S. A. and TRL KROSAKI REFRACTORIES LIMITED have labor unions.

SN Refratecture Tokai Co., Ltd., Ariake Materials Co., Ltd., Krosaki Furnace Construction Co., Ltd., Wuxi Krosaki Sujia Refractories Co., Ltd., Krosaki USA Inc., Krosaki Harima (Shanghai) Enterprise Management Co., Ltd., Krosakiharima Europe B. V., TRL KROSAKI ASIA PRIVATE LIMITED, TRL KROSAKI CHINA LIMITED and Refractaria, S. A. do not have labor unions.

There are no special issues concerning the relationship between the Group and its labor unions.

II. Business Overview

1. Management Policies, Business Environment and Issues to be Addressed, etc.

Forward-looking statements contained in this document are based on judgments of the Group that were made as of the end of the fiscal year ended March 31, 2021.

(1) Basic management policy of the Company

The Group, under its mission, is committed to playing an important role in global industrial development, and to making contributions to the prosperity of society by providing high-value products and technology for the ceramics industry worldwide through continuous innovation. We aim to be a trusted enterprise by providing the best quality as well as the most reliable products to our customers under our goal to “Provide No. 1 Value to Customers Worldwide.”

We also make every effort to increase shareholders’ profit by pursuing all activities which will maximize the business value.

(2) Targeted financial data, medium- to long-term management strategies of, and issues to be addressed by the Company

1) Results of the 2020 Medium-Term Management Plan (from FY2018 to FY2020)

In the first two years of the 2020 Medium-Term Management Plan, demand was relatively robust. However, in FY2020, the business environment surrounding the Group was extremely severe. While demand was declining in the wake of U.S.-China trade tensions, domestic and overseas economic activities sharply slowed down due to the global COVID-19 pandemic. As a result, domestic crude steel production for the fiscal year ended March 31, 2021 fell below 90 million tons for the first time since FY1971 to approximately 83 million tons.

The decrease in production was not only caused by the temporary factor of the COVID-19 pandemic, but also by a structural decline in demand for steel due to a shrinking population. To address this, the steel industry in Japan has been implementing radical reforms of production facility structure.

As a result, the Group achieved the profit levels defined in the Plan in FY2018 and FY2019. However, in the fiscal year ended March 31, 2021, the final year of the Company’s Medium-Term Management Plan, the Group posted consolidated net sales of ¥113,661 million and consolidated ordinary profit of ¥6,361 million (ROS (rate of sales) 5.6%), all of which did not reach the planned levels, largely affected by the decreased demand in Japan and abroad.

Meanwhile, we made the following efforts during the 2020 Medium-Term Management Plan and achieved several successful outcomes in terms of enhancement of management base.

For the Refractories segment, we reformed the production system of the Bizen BOF Brick plant to increase capacity, quality, productivity, and cost competitiveness. We also worked on automation and invested in rationalization at each plant.

For overseas markets, the Group made several efforts to increase income. For example, to promote our global strategies, we acquired additional shares of TRL KROSAKI REFRACTORIES LIMITED, a consolidated subsidiary in India, and acquired Refractaria, S.A. in Spain. In addition, the Group proactively promoted capital investment mainly in India to capture the demand and increase sales, as well as facilitated cooperation with partner companies overseas.

For the Furnace segment, the Group endeavored to enhance maintenance work for steel manufacturing facilities, to receive large-scale orders steadily such as refurbishment of coke ovens, blast furnaces, and hot stoves, and to obtain new construction projects in the environmental field including biomass power generation.

For the Ceramics segment, the Group strengthened the business base by increasing its production capacity as demand is expected to increase in the semiconductor manufacturing equipment industry and the electronic components industry due to growth of information and communication technology. In addition, we proactively worked on increasing sales of thermal insulation materials for fuel cells.

Looking forward, the Group aims at further business growth by carrying out the 2025 Management Plan as shown below while further enhancing the outcomes from the 2020 Medium-Term Management Plan.

2) 2025 Management Plan

Looking ahead to medium- to long-term economic and social conditions, the Group has formulated and started working on the 2025 Management Plan, with an implementation period until the fiscal year ending March 31, 2026. Under the Plan, the Group aims to be “one of the world’s leading comprehensive ceramics companies that support the steel and other industries.”

[Outline of the 2025 Management Plan]

- Implement radical measures to strengthen the business structure to cope with structural changes in domestic demand for refractories
- For the overseas business, increase sales by using its technological strength and expand business through cooperation with partner companies
- For the Furnace segment, expand the scope of maintenance work in the iron and steel field and increase sales in the energy-saving industrial furnace and incinerator fields
- For the Ceramics segment, increase sales in the semiconductor manufacturing equipment, environment-related and electronic components fields, and expand into new business fields
- Pursue higher-level business in the safety, environment, disaster prevention, and internal control fields; strive for carbon neutrality and SDG initiatives; and promote digital transformation (DX)

By promoting the aforementioned measures, we aim to achieve ROS of 8% or higher. (Example: consolidated net sales of ¥150,000 million and consolidated ordinary profit of ¥12,000 million in the fiscal year ending March 31, 2026)

2. Business and Other Risks

Of the matters related to the status of business, accounting, and other information stated in this annual securities report, management recognizes that the following matters may have a material impact on the financial condition, results of operations, and cash flows of consolidated companies.

Forward-looking statements contained in this document are based on judgments of the Group that were made as of the submission date of this annual securities report (June 29, 2021).

1) Economic trends

The Refractories and Furnace segments are largely influenced by the crude steel production volume of the steel industry. Accordingly, the reduction in crude steel production volume in Japan and overseas (due to the prolonged global COVID-19 pandemic and the deterioration of steel supply and demand between Japan and China) could have a significant adverse effect on the Group’s business performance, etc.

The Ceramics segment mainly engages in manufacturing products for the semiconductor manufacturing equipment industry and the electronic components industry. Accordingly, capital investment trends in each industry and market trends could have an adverse effect on the Group’s business performance, etc.

In light of this risk, we will strengthen our profitability by optimizing our production, maintenance, and construction systems (through means such as establishing flexible production, maintenance, and construction systems).

2) Relationship with specific business partners

NIPPON STEEL CORPORATION is one of the Group’s principal business partners on an ongoing basis, and the Group also has transactions with NIPPON STEEL’s group companies. The ratio of the Group’s sales to NIPPON STEEL group companies is approximately 47.0% (on a consolidated basis, fiscal year ended March 31, 2021).

Accordingly, the trends of the steelmaking segment of the NIPPON STEEL Group and the trading conditions with any of its group companies could have a significant adverse effect on the Group’s business performance, etc.

In light of this risk, we will aggressively promote global development by expanding sales in growth markets such as India and increasing our share of target customers in the mature markets of Europe and the U.S., in addition to specific business partners. Furthermore, in addition to the Refractories and Furnace segments, we will focus on the Ceramics segment, which is expected to grow as a business field in the future.

3) Outbreak of pandemics

In 2020, COVID-19 started spreading around the world, and it remains uncertain when the COVID-19 pandemic will end. This prolonged pandemic could seriously interfere with the Group’s business activities and have a significant adverse effect on the Group’s business performance, etc.

In light of this risk, we have set up an emergency headquarters to formulate a business continuity plan (developing preventive measures and emergency response systems) while taking measures to put safety first in accordance with the conditions of the pandemic. In Japan, we are promoting work from home, regular ventilation in the offices, and the installation of partitions to prevent the spread of droplets. In our bases overseas, we are also taking appropriate measures in accordance with laws, regulations, and instructions of governments of respective countries and regions. Until the pandemic ends, we continue to develop alternative production systems using our global network and diversify our procurement sources while taking measures to put safety first.

4) Occurrence of large-scale disasters

The Group has manufacturing bases in Japan and overseas. If a large-scale disaster were to cause extensive damage to employees, buildings, or equipment at these bases and were forced to suspend operations, the Group's production capacity could be reduced. This could have a significant adverse effect on the Group's business performance, etc.

In light of this risk, we are formulating a disaster-response manual and a business continuity plan, establishing an employee safety confirmation system, reinforcing buildings against earthquakes, and conducting disaster prevention drills. In addition, we are developing alternative production systems using our global network.

5) Occurrence of information security incidents

The Group conducts business activities using computer systems and communication networks that connect them in various scenes. In addition, more employees work from home due to the impact of COVID-19. Under such circumstances, cyberattacks or other unauthorized access to the Company's network will cause data corruption, data tampering, or exposure of confidential information of the Company and our business partners. This may cause the Group a loss of social confidence and a severe adverse impact on its business performance, etc.

In light of such risks, we will take measures to further enhance security by becoming a member of NSG-CSIRT (the Nippon Steel Group's Computer Security Incident Response Team). The Group aims to improve awareness of information management across the Group through means such as providing e-learning programs for information security and conducting training on targeted email attacks without previous notice. We strive to enhance security through those measures.

6) Fluctuation in raw material prices

Refractories have their raw materials primarily imported from China, and Chinese-made refractories are imported as procurements in great quantities. As liquefied natural gas (LNG) and heavy oil are used as fuels for firing at some manufacturing processes of refractories, a rise in LNG prices and crude oil prices could result in higher manufacturing and transportation costs and a price hike in purchased products.

Prolonged increases in raw material prices, procurement prices, LNG prices, and crude oil prices could have an adverse effect on the Group's business performance, etc.

In light of this risk, we are persistently negotiating with customers to transfer costs to sales prices and are also considering to diversify our procurement sources.

7) Country risk due to high dependency on specific countries

The Group operates globally. China is above all important as a global manufacturing base. The Group's purchases of raw materials of refractories, etc., largely depend on procurement from China. Furthermore, the country is also important as a sales base.

Any restrictions, policy changes, confusion, etc. in China could have an adverse effect on the Group's business performance, etc.

In addition, the Company includes TRL KROSAKI REFRACTORIES LIMITED (India) in the scope of consolidation as a consolidated subsidiary, with sales of ¥20,362 million (fiscal year ended March 31, 2021).

In case its operations are disrupted due to any restrictions, policy changes, confusion, etc., in India, the resulting circumstances could have an adverse effect on the Group's business performance, etc.

8) Fluctuations in foreign currency exchange rates

The Group operates globally. In preparing the consolidated financial statements of the Group, local currency denominated items, including sales, expenses, and assets in the respective countries and regions around the world, are converted into Japanese yen. The converted values of these items may vary depending on the exchange rates in effect at the time of conversion.

As for the Group, with the total amount of imports currently higher than that of exports, the appreciation of the yen against other currencies favorably affects the Group's business performance, etc., in general. In contrast, depreciation of the yen adversely affects the Group's business performance, etc. However, if the yen appreciates rapidly near the end of a fiscal period, foreign exchange losses might result from the accounts receivable denominated in local currencies when converted into yen. In this case, the conversion results could adversely affect the Group's business performance, etc.

In light of this risk, we hedge foreign currency exchange fluctuation risk by using forward foreign exchange contracts based on certain rules for certain foreign currency-denominated trade receivables and payables.

9) Legal restriction regarding the Group's business activities

The Group is subject to a variety of legal restrictions for all its business activities, including the Commercial Transactions Act, Antimonopoly Act, labor laws, intellectual property laws, environmental laws, Building Standards Act, and Construction Business Act.

Accordingly, if the Group incurs liability for damages in accordance with these legal restrictions, or in case any relevant laws or regulations are amended or abolished in the future, or a new legal restriction is stipulated, the costs that arise in order to deal with them could have an adverse effect on the Group's business performance, etc.

10) Value fluctuations of investment securities held

The Group holds approximately ¥6,563 million of investment securities (consolidated, as of March 31, 2021). In case the value of these securities declines due to sluggish business results at the investees or deteriorated market conditions in the securities markets, it could have an adverse effect on the Group's business performance, etc.

11) Relationships with alliance partners

The Group is promoting its global business by carrying out and reinforcing mutual alliances with leading refractory manufacturers in the target countries through measures such as technology alliances, capital tie-ups, and equity participations under the basic strategy of providing products and technologies in major steel markets in the world.

In case the anticipated synergies cannot be achieved, or if the alliance relationship is terminated due to whatever reason, the Group will be forced to review the strategy and the initially anticipated business development could be adversely affected.

3. Management's Analysis of Financial Position, Business Performance, and Cash Flows

(1) Overview of Business Performance, etc.

An overview of the financial position, business performance, and cash flows ("business results, etc.") of the Group (the Company and its consolidated subsidiaries and entities accounted for using equity method) during the fiscal year ended March 31, 2021 is as follows.

1) Business performance

Regarding the economic environment surrounding the Group during the fiscal year ended March 31, 2021, the economy was largely impacted by the COVID-19 pandemic.

In the steel industry, a major customer of the Group, domestic crude steel production during the fiscal year ended March 31, 2021 decreased 15.9% year on year to 82.79 million tons, posting a year-on-year decrease for four consecutive years, and falling below 90 million tons for the first time since FY1971. On the other hand, global crude steel production from January to December 2020 decreased only by 0.9% to 1,863.98 million tons owing to an increase in production in China.

The decrease in the domestic crude steel production was not only caused by the temporary factor of the COVID-19 pandemic, but also by a structural decline in demand for steel due to a shrinking population. To address this, the steel industry in Japan has been implementing radical reforms of production facility structure.

As the business environment surrounding the Group was becoming increasingly severe, the Group strived to establish its position as "one of the world's leading manufacturers of comprehensive refractories for the iron and steel industry," as set forth in the basic policy of the 2020 Medium-Term Management Plan. In the fiscal year ended March 31, 2021, the final year of the Plan, the Group took various initiatives with a focus on solidifying our business base toward the future. Such initiatives include the advancement of integration of the Company and KROSAKI HARIMA CERA CORPORATION that plays a central role of the Group's domestic production.

The Group's business results of the fiscal year ended March 31, 2021 are as follows.

Net sales

Net sales fell 17.3% compared to the previous fiscal year to ¥113,661 million. The reasons for the fall include lower demand for refractories and a decrease in maintenance work for steel manufacturing facilities due to a decline in domestic crude steel production, as well as a decrease in orders for large-scale construction projects in the Furnace segment.

Profit and loss

As a result of a decrease in net sales, operating profit stood at ¥4,949 million, down 47.3% compared to the previous fiscal year, and ordinary profit stood at ¥6,361 million, a decrease of 34.8% compared to the previous fiscal year. Profit attributable to owners of parent in the fiscal year ended March 31, 2021 was ¥4,334 million, down 32.7% compared to the previous fiscal year.

Business results by segment are as follows.

The net sales of each segment only include sales to external customers, and inter-segment sales and transfers are not included. Segment profit (loss) is on an operating profit (loss) basis.

Refractories (the manufacture and sales of refractories used by various kinds of industrial furnaces)

Net sales in the Refractories segment stood at ¥91,055 million, a decrease of 20.3% compared to the previous fiscal year, as a result of lower demand for refractories due to a decline in domestic crude steel production. Due to factors including a decrease in net sales, segment profit was ¥2,815 million, a decrease of 59.6% compared to the previous fiscal year.

Furnace (the designing, construction, installation and repair of various kinds of furnaces)

Mainly due to a decrease in maintenance work for steel manufacturing facilities as a result of a decline in domestic crude steel production and a decrease in orders for large-scale construction projects, net sales of the Furnace segment stood at ¥13,730 million, down 7.0% compared to the previous fiscal year. Due to factors including a decrease in net sales, segment profit was ¥737 million, a decrease of 16.1% compared to the previous fiscal year.

Ceramics (the manufacture and sales of fine ceramics for various industries, and sales of landscape materials)

Net sales increased by 10.4% year on year to ¥7,412 million due to factors including increased sales of thermal insulation materials for fuel cells. Due to factors including an increase in depreciation due to capital investments and changes in the product line-up of fine ceramics products, segment profit was ¥702 million, a decrease of 9.4% compared to the previous fiscal year.

Real Estate (the lease of shops, warehouses, etc.)

Net sales stood at ¥830 million, a slight decrease compared to the previous fiscal year and segment profit was ¥671 million, a decrease of 5.0% compared to the previous fiscal year.

Others (the manufacturing and sales of lime for steelworks)

Net sales of the other business segment stood at ¥631 million, a decrease of 21.6% compared to the previous fiscal year and segment profit was ¥24 million (compared with segment loss of ¥64 million in the previous fiscal year).

2) Financial condition

a. Assets

The Group's consolidated total assets at the end of the fiscal year ended March 31, 2021 increased by ¥3,411 million from the previous fiscal year end to ¥130,354 million. Current assets decreased by ¥1,291 million to ¥79,496 million and non-current assets increased by ¥4,703 million to ¥50,858 million.

Primary factors for the fall in current assets were a decrease in notes and accounts receivable - trade due to lower sales. Primary factors for the increase in non-current assets were an increase in machinery, equipment and vehicles due to acquisition of machinery and equipment, and an increase in investment securities due to higher share prices.

b. Liabilities

The Group's consolidated total liabilities at the end of the fiscal year ended March 31, 2021 decreased by ¥2,643 million from the previous fiscal year end to ¥67,065 million. Current liabilities fell by ¥926 million to ¥45,172 million and non-current liabilities decreased by ¥1,716 million to ¥21,893 million.

Primary factors for the decrease in current liabilities include a decrease in commercial papers. Primary factors for the decrease in non-current liabilities include a fall in long-term borrowings.

c. Net assets

The Group's consolidated net assets at the end of the fiscal year ended March 31, 2021 increased by ¥6,055 million from the previous fiscal year end to ¥63,288 million.

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

As a result, the Group's equity ratio at the end of the fiscal year ended March 31, 2021 was 46.1%.

Net assets per share increased from ¥6,436.93 at the previous fiscal year end to ¥7,133.91.

3) Status of cash flows

The Group's cash and cash equivalents (hereinafter, "net cash") at the end of the fiscal year ended March 31, 2021 increased by ¥1,516 million from the previous fiscal year end to ¥5,301 million.

Status of cash flows during the fiscal year ended March 31, 2021 and their primary factors are explained below.

a. Cash flows from operating activities

Net cash provided by operating activities amounted to ¥10,080 million compared to an inflow of ¥9,068 million for the previous fiscal year.

This consisted primarily of ¥6,539 million in profit before income taxes, a ¥4,519 million decrease in trade receivables, ¥2,814 million in depreciation, and a ¥1,989 million decrease in inventories.

b. Cash flows from investing activities

Net cash used in investing activities amounted to ¥4,946 million compared to an outflow of ¥7,044 million for the previous fiscal year.

This consisted primarily of ¥5,779 million in purchase of non-current assets including facilities.

c. Cash flows from financing activities

Net cash used in financing activities amounted to ¥3,608 million compared to an outflow of ¥3,475 million for the previous fiscal year.

This consisted primarily of ¥2,687 million in proceeds from long-term borrowings, ¥2,592 million in repayment of long-term borrowings, and a ¥2,000 million decrease in commercial papers.

4) Production, orders received, and sales

a. Production results

Production results by business segment for the fiscal year ended March 31, 2021 are as follows.

Business segment	Production (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	68,028	(17.8)
Furnace	13,330	(7.3)
Ceramics	4,732	10.7
Others	616	(19.0)
Total	86,707	(15.1)

(Notes) 1. Transactions between segments are eliminated.
2. Amounts are based on production cost.
3. There are no production results for the Real Estate segment.

b. Orders received

Orders received by business segment for the fiscal year ended March 31, 2021 are as follows.

Business segment	Orders received (Millions of yen)	Increase (decrease) from previous fiscal year (%)	Orders in hand (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	90,512	(20.1)	8,546	(6.0)
Furnace	13,657	(7.5)	1,150	(5.9)
Ceramics	7,416	10.3	637	0.6
Others	633	(20.5)	57	3.3
Total	112,220	(17.2)	10,392	(5.5)

(Notes) 1. Transactions between segments are eliminated.
2. The Real Estate segment is not included as its activities cannot be categorized as order-receiving.

c. Sales results

Sales results by business segment for the fiscal year ended March 31, 2021 are as follows.

Business segment	Sales (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	91,055	(20.3)
Furnace	13,730	(7.0)
Ceramics	7,412	10.4
Real Estate	830	(0.0)
Others	631	(21.6)
Total	113,661	(17.3)

(Notes) 1. Transactions between segments are eliminated.

2. Sales results by major customer and their share among total sales results

Customer	Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
	Sales (Millions of yen)	Percentage (%)	Sales (Millions of yen)	Percentage (%)
NIPPON STEEL CORPORATION	57,083	41.5	47,898	42.1

(2) Details of Analysis and Discussion of Status of Business Performance, etc. from Management's Perspective

Details of the recognition, analysis and discussion of the status of business performance, etc. of the Group from management's perspective are as follows.

The forward-looking statements included in this section are based on judgment as at the end of the fiscal year ended March 31, 2021.

1) Significant accounting policies and estimates

The Group prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan. The preparation of these consolidated financial statements requires the use of estimates and predictions that affect the financial condition, business performance and cash flows of the fiscal year ended March 31, 2021. The Group makes ongoing estimates and predictions based on assumptions considered reasonable in light of past results and conditions. Consequently, the actual results may differ from these estimates due to the nature of uncertainty of these estimates.

The details are described in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, [Notes], (Significant accounting estimates)" and "2. Non-consolidated Financial Statements, etc., (1) Financial Statements, [Notes], (Significant accounting estimates)."

The items for which significant accounting estimates are required are shown below.

(Valuation of consolidated subsidiaries' shares and goodwill)

For ¥15,593 million of investments in consolidated subsidiaries recorded on the Company's balance sheet, in determining whether there was a significant decline in valuation, the real value was estimated based on the discounted present value of the future cash flows of the consolidated subsidiaries. This discounted present value is based on the current conditions and medium-term management plans of the consolidated subsidiaries, along with the future outlook beyond the medium-term management plans and discount rates. However, because there are uncertainties involved in realizing the medium-term management plans and future outlook, the judgment of management on these matters will affect accounting estimates.

As of the end of the fiscal year ended March 31, 2021, ¥4,493 million of goodwill was recorded on the consolidated balance sheet as a result of the acquisition of a consolidated subsidiary. The undiscounted future cash flow of consolidated subsidiaries is used to determine whether to recognize an impairment loss on the goodwill. This undiscounted future cash flow is based on the current conditions and medium-term management plans of the consolidated subsidiaries, along with the future outlook beyond the medium-term management plans. However, because there are uncertainties involved in realizing the medium-term management plans and future outlook, the judgment of management on these matters will affect accounting estimates.

We aim to achieve net sales and profit that are preconditions of the medium-term management plans and future outlook of TRL KROSAKI REFRACTORIES LIMITED by means such as ensuring implementation of action plans.

2) Details of the recognition, analysis and discussion of the status of business performance for the fiscal year ended March 31, 2021

a. Details of the recognition, analysis and discussion of the status of business in general

Net sales

Net sales in the fiscal year ended March 31, 2021 decreased by ¥23,733 million from the previous fiscal year to ¥113,661 million (a 17.3% decrease from the previous year). This was primarily due to factors including lower demand for refractories and a decrease in maintenance work for steel manufacturing facilities, which were caused by a decline in domestic crude steel production, and a decrease in orders for large-scale construction projects in the Furnace segment. By region, net sales were ¥71,251 million (a 17.5% decrease from the previous year) in Japan, ¥17,940 million (a 21.6% decrease from the previous year) in India, ¥8,556 million (a 19.7% increase from the previous year) in Asia, ¥9,311 million (a 22.2% decrease from the previous year) in Europe and ¥6,601 million (a 26.9% decrease from the previous year) in Others. Overseas sales amounted to ¥42,409 million (a 16.9% decrease from the previous year), and the ratio of overseas sales to total sales was 37.3% (up by 0.2 points from the previous year).

The Group's sales for the fiscal year ending March 31, 2022 and beyond are expected to show an upturn for reasons such as anticipation of an increase in demand for refractories and maintenance work for steel manufacturing facilities due to an increase in domestic crude steel production, as well as an increase in demand for ceramics materials for semiconductor manufacturing equipment and electronic components.

Gross profit

Gross profit in the fiscal year ended March 31, 2021 decreased by ¥5,919 million from the previous fiscal year to ¥20,556 million (a 22.4% decrease from the previous year) and the ratio of gross profit to net sales decreased by 1.2 points to 18.1% from the previous year as a result of factors including a decrease in net sales.

Operating profit

Operating profit in the fiscal year ended March 31, 2021 decreased by ¥4,438 million from the previous fiscal year to ¥4,949 million (a 47.3% decrease from the previous year) and the ratio of operating profit to net sales decreased by 2.5 points from the previous fiscal year to 4.4%. Selling, general and administrative expenses decreased by ¥1,481 million from the previous fiscal year to ¥15,606 million (an 8.7% decrease from the previous year).

Ordinary profit

Ordinary profit in the fiscal year ended March 31, 2021 decreased by ¥3,402 million from the previous fiscal year to ¥6,361 million (a 34.8% decrease from the previous year) and the ratio of ordinary profit to net sales decreased by 1.5 points from the previous fiscal year to 5.6%. Non-operating income increased by ¥834 million from the previous fiscal year to ¥2,009 million (a 71.0% increase from the previous year), due to the recording of subsidy income, and non-operating expenses decreased by ¥200 million from the previous fiscal year to ¥596 million (a 25.2% decrease from the previous year) due to the decrease in interest expenses.

Profit attributable to owners of parent

Profit attributable to owners of parent in the fiscal year ended March 31, 2021 decreased by ¥2,110 million from the previous fiscal year to ¥4,334 million (a 32.7% decrease from the previous year). Extraordinary income increased by ¥279 million from the previous fiscal year to ¥528 million (a 111.7% increase from the previous year) due to the increase in gain on sale of non-current assets and the recording of gain on sale of shares of subsidiaries and associates, and extraordinary losses decreased by ¥175 million from the previous fiscal year to ¥351 million (a 33.3% decrease from the previous year) due to the decrease in environmental expenses.

An analysis of the factors contributing to changes in ordinary profit is as follows.

In the Refractories segment in Japan, profit decreased due to a decrease in sales associated with the decrease in orders for consumable refractories resulting from crude steel production cuts as well as a decrease in sales resulting from sales price revisions, despite an increase in profit due to change in prices of raw materials and procured goods. Profits of overseas Group companies were also down due to crude steel production cuts in major countries and regions except for China. In addition, profit decreased due to the decline in the performance of the Furnace and the Ceramics segments.

* Fractions less than a million yen are rounded off

･Change in prices of raw materials and procured goods	¥1,730 million
･Decline in orders for refractories	¥(3,000) million
･Sales price revisions	¥(1,910) million
･Cost reductions	¥1,080 million
･Foreign exchange rate fluctuations	¥290 million
･Furnace segment	¥(130) million
･Ceramics segment	¥(40) million
･Group companies	¥(2,270) million
･Non-operating factors	¥850 million

b. Details of the recognition, analysis and discussion of the status of business performance by category stated in segment information

An analysis of the business performance by segment for the fiscal year ended March 31, 2021, is stated in II. Business Overview, 3. Management's Analysis of Financial Position, Business Performance, and Cash Flows, "(1) Overview of Business Performance, etc., 1) Business performance."

c. Details of the analysis and discussion of business performance in light of objective financial data to determine the management policies, management strategies, etc., and achievement status of the management targets

Details of the analysis and discussion of business performance in light of objective financial data to determine the management policies, management strategies, etc., and achievement status of the management targets, are stated in II. Business Overview, 1. Management Policies, Business Environment and Issues to be Addressed, "(2) Targeted financial data, medium- to long-term management strategies of, and issues to be addressed by the Company, 1) Results of the 2020 Medium-Term Management Plan (from FY2018 to FY2020)."

3) Details of the recognition, analysis and discussion of the financial condition for the fiscal year ended March 31, 2021

a. Details of the recognition, analysis and discussion of the status of business in general

An analysis of the financial condition of the fiscal year ended March 31, 2021 is stated in II. Business Overview, 3. Management's Analysis of Financial Position, Business Performance, and Cash Flows, "(1) Overview of Business Performance, etc., 2) Financial condition."

b. Details of the recognition, analysis and discussion of the status of business performance by category stated in segment information

Refractories

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2021 decreased by ¥99 million from the previous fiscal year end to ¥102,593 million.

Primary factor for the decrease in the segment assets was a decrease in notes and accounts receivable - trade due to decreased sales.

Furnace

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2021 increased by ¥454 million from the previous fiscal year end to ¥9,578 million.

Primary factor for the increase in the segment assets was an increase in notes and accounts receivable - trade.

Ceramics

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2021 increased by ¥217 million from the previous fiscal year end to ¥8,132 million.

Primary factor for the increase in the segment assets was an increase in machinery, equipment and vehicles due to capital investments.

Real Estate

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2021 decreased by ¥7 million from the previous fiscal year end to ¥1,117 million.

Others

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2021 increased by ¥120 million from the previous fiscal year end to ¥410 million.

4) Details of the recognition, analysis and discussion of the status of cash flows for the fiscal year ended March 31, 2021

a. Details of the recognition, analysis and discussion of the status of business in general

The Group's analysis of capital resources and cash liquidity for the fiscal year ended March 31, 2021 is stated in II. Business Overview, 3. Management's Analysis of Financial Position, Business Performance, and Cash Flows, "(1) Overview of Business Performance, etc., 3) Status of cash flows."

b. Information on capital resources and cash liquidity

The Group's primary working capital requirements are payments for the purchase of merchandise, as well as manufacturing costs, and sales costs such as selling, general and administrative expenses. The Group's primary capital requirements for investments are for the acquisition of equipment.

The Group's basic policy is to stably secure cash liquidity and a source of cash required for its operations.

Short-term working capital is basically financed through internal reserves and short-term borrowings from financial institutions and commercial papers, while capital investments and long-term working capital are basically financed through long-term borrowings from financial institutions.

Although it remains uncertain when the COVID-19 pandemic will end, there has been no significant issues on the Group's cash flow.

The balance of interest-bearing liabilities as of March 31, 2021 was ¥32,783 million.

4. Material Business Agreements, etc.

(Filing company)

Major technological support provision contracts

Counterparty	Description of support	Contract period
(Brazil) MAGNESITA REFRATARIOS S. A.	Technological support contract for refractories for molten steel level control	3 years from March 2020.

5. Research and Development Activities

The Group conducts R&D activities with a focus on the refractory manufacturing business.

The Refractories segment engages in R&D activities centering on the development of refractories for steel, which are the Company's mainstay products, as well as technologies related to the construction of refractories for the purpose of diversifying businesses.

The Ceramics segment engages in the development of a variety of industrial-use fine ceramics by the Company and Ariake Materials Co., Ltd.

The research and development costs of the Group amounted to ¥905 million for the fiscal year ended March 31, 2021.

(1) Refractories

The Refractories segment develops refractories for steel, which are the Company's mainstay products, as well as technologies related to the construction of refractories for the purpose of diversifying businesses. The R&D activity of the business segment is mainly operated by 21 engineering staffers who work at the Technical Research Laboratory of the Company.

1) Purpose of research and development

- Maintain and strengthen sales competitiveness of refractories for steel
- Reinforce overseas production bases of refractories
- Increase sales channels to markets other than steel
- Improve engineering capabilities through the execution of basic research activities

2) Research themes

- Development of new functional materials
- Technological development for manufacturing process
- Develop originality-focused products

3) Research system

The Group is mainly involved in the research of refractories for steel in general and engages in R&D activities of unique products based on the results of basic research.

The research and development costs incurred related to this business segment were ¥809 million.

(2) Furnace

No research and development costs were incurred related to this business segment.

(3) Ceramics

The Ceramics segment engages in the development of fine ceramics for various industries. The research and development costs incurred related to this business segment were ¥96 million.

(4) Real Estate

No research and development costs were incurred related to this business segment.

(5) Others

No research and development costs were incurred related to this business segment.

*Consumption taxes, etc., are not included in the amounts in II. Business Overview.

III. Equipment and Facilities

1. Summary of Capital Investment, etc.

The Group carries out capital investment with focus on the Refractories segment. Including investments in intangible assets, the Group carried out a total of ¥4,715 million in capital investment for the consolidated fiscal year ended March 31, 2021.

In the Refractories segment, a total of ¥3,535 million was invested, with focus on equipment and facilities for the production of continuous casting refractories and refractories for converters, etc.

In the Furnace segment, a total of ¥371 million was invested on outsourcing, etc.

In the Ceramics segment, a total of ¥580 million was invested on equipment and facilities for the production of various industrial-use fine ceramics.

2. Status of Major Equipment

(1) The Filing Company

As of March 31, 2021

Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
					Area (Thousand m^2)	Amount			
Head Office and Yahata Works (Yahatanishi-ku, Kitakyushu City, Fukuoka)	Refractories, Furnace, Ceramics	Production facilities and equipment, facilities and equipment related to furnace construction, others	3,340	1,968	300 [16]	1,316	446	7,072	652
Kimitsu Branch (Kimitsu City, Chiba)	Refractories, Furnace	Production facilities and equipment, facilities and equipment related to furnace construction	755	413	— [5]	—	37	1,207	185
Chiba Plant (Chiba City, Chiba)	Refractories	Production facilities and equipment	162	34	— [16]	—	3	200	3
Ako Plant (Ako City, Hyogo)	Refractories	Production facilities and equipment	423	206	172 [—]	170	13	813	24
Bizen Plant (Bizen City, Okayama)	Refractories, Ceramics	Production facilities and equipment	1,506	813	409 [—]	2,020	34	4,375	42
Takasago Plant (Takasago City, Hyogo)	Refractories, Ceramics	Production facilities and equipment	216	122	66 [—]	25	29	394	17
Kisarazu Plant (Kisarazu City, Chiba)	Refractories	Production facilities and equipment	236	116	91 [—]	682	22	1,058	14
Oita Branch and Plant (Oita City, Oita)	Refractories	Production facilities and equipment	162	2	16 [15]	115	5	286	17

Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
					Area (Thousand m^2)	Amount			
Nagoya Branch and Plant (Tokai City, Aichi)	Refractories, Furnace	Production facilities and equipment, facilities and equipment related to furnace construction	642	617	– [45]	–	99	1,360	148
Muroran Plant (Muroran City, Hokkaido)	Others	Production facilities and equipment	33	142	20 [12]	53	0	230	8
Equipment and Facilities for Real Estate Rental (Izumisano City, Osaka)	Real Estate	Other facilities and equipment	122	–	89 [–]	490	0	612	–

(2) Domestic subsidiaries

As of March 31, 2021

Company name	Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
						Area (Thousand m^2)	Amount			
SN Refratecture Tokai Co., Ltd.	Head Office and Plant (Kariya City, Aichi)	Refractories	Production facilities and equipment, other	89	64	– [33]	–	45	198	72
KROSAKI HARIMA CERA CORPOR-ATION	Head Office and Plant (Yahata-nishi-ku, Kita-kyushu City, Fukuoka)	Refractories	Production facilities and equipment, other	70	465	7 [–]	460	11	1,006	859
Ariake Materials Co., Ltd.	Head Office and Plant (Omuta City, Fukuoka)	Ceramics	Production facilities and equipment, other	102	55	18 [–]	117	23	299	51

(3) Overseas subsidiaries

As of March 31, 2021

Company name	Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen): Buildings and structures	Machinery, equipment and vehicles	Land: Area (Thousand m²)	Land: Amount	Other	Total	Number of employees (Persons)
TRL KROSAKI REFRACTORIES LIMITED	Branch and Plant (Orissa, India)	Refractories	Production facilities and equipment, other	1,474	2,860	1,553 [−]	1	146	4,484	1,289
Krosaki Amr Refractarios, S. A.	Head Office and Plant (Guipuzkoa, Spain)	Refractories	Production facilities and equipment, other	1,167	2,349	26 [−]	725	13	4,255	86
Refractaria, S. A.	Head Office and Plant (Asturias, Spain)	Refractories	Production facilities and equipment, other	132	238	62 [−]	8	19	398	88
Wuxi Krosaki Sujia Refractories Co., Ltd.	Head Office and Plant (Jiangsu Province, China)	Refractories	Production facilities and equipment, other	243	450	− [−]	−	12	706	351
TRL KROSAKI CHINA LIMITED	Head Office and Plant (Liaoning Province, China)	Refractories	Production facilities and equipment, other	419	281	− [−]	−	19	720	199

(Notes)
1. The “Other” item under book value refers to tools, furniture and fixtures, and do not include construction in progress.
2. Some land and buildings are rented from companies other than consolidated companies. The land area of the aforementioned lands is shown in square brackets “[ ].”
3. For companies that end their fiscal years in December, amount, area of rented land, and number of employees are as of December 31, 2020.

3. Plans for Equipment Introduction, Retirement, etc.

(1) Major equipment introduction, etc.

Not applicable

(2) Major equipment retirement, etc.

Not applicable

*Consumption taxes, etc., are not included in the amounts in III. Equipment and Facilities.

IV. Information on the Filing Company

1. Information on the Company's Shares

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of shares authorized to be issued
Common share	35,000,000
Total	35,000,000

2) Total number of shares issued

Class	As of the end of the current fiscal year (Shares) (March 31, 2021)	As of the submission date (Shares) (June 29, 2021)	Stock exchange on which the Company is listed	Description
Common share	9,114,528	9,114,528	First Section of the Tokyo Stock Exchange The Fukuoka Stock Exchange	One unit of stock constitutes 100 shares.
Total	9,114,528	9,114,528	—	—

(2) Status of subscription rights to shares

1) Stock option plans

Not applicable

2) Rights plans

Not applicable

3) Other status of subscription rights to shares

Not applicable

(3) Status in the exercise of bonds with subscription rights to shares with exercise price amendment

Not applicable

(4) Changes in the total number of shares issued and the amount of share capital and other

(Millions of yen, unless otherwise stated)

Date	Changes in the total number of shares issued (Shares)	Balance of the total number of shares issued (Shares)	Changes in share capital	Balance of share capital	Changes in legal capital surplus	Balance of legal capital surplus
October 1, 2017	(82,030,752)	9,114,528	–	5,537	–	5,138

(Note) Based on the resolution at the Annual Shareholders' Meeting held on June 29, 2017, 10 shares of the Company's common shares were consolidated into one share, effective October 1, 2017. Accordingly, the total number of shares issued decreased by 82,030,752 shares to 9,114,528 shares.

(5) Status of shareholders

As of March 31, 2021

Classification	Status of shares (the number of shares per unit is 100 shares)								Status of shares below unit (Shares)
	Govern-ment and local municipal-ities	Japanese financial institutions	Financial instruments business operators	Other Japanese corporations	Foreign corporations, etc.		Individuals, others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	–	32	24	84	85	8	3,563	3,796	–
Number of shares held (Units)	–	18,523	583	41,563	10,839	34	18,705	90,247	89,828
Ratio of shares held (%)	–	20.52	0.65	46.05	12.01	0.04	20.73	100.00	–

(Note) 691,805 shares of treasury shares include 6,918 units in the "Individuals, others" box and 5 shares in the "Status of shares below unit" box.
The aforementioned number of treasury shares is what is listed in the register of shareholders. The actual number of treasury shares is 691,705 as of March 31, 2021.
637 shares held under the name of Japan Securities Depository Center, Inc. are classified as 6 units of shares in the "Other Japanese corporations" box and 37 shares in the "Status of shares below unit" box.

(6) Major shareholders

As of March 31, 2021

Name	Address	Number of shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
NIPPON STEEL CORPORATION	2-6-1, Marunouchi, Chiyoda-ku, Tokyo	3,908	46.40
Custody Bank of Japan, Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo	1,126	13.37
The Master Trust Bank of Japan, Ltd.	2-11-3, Hamamatsucho, Minato-ku, Tokyo	324	3.85
RE FUND 107-CLIENT AC (Standing proxy: Citibank, N.A., Tokyo Branch)	MINISTRIES COMPLEX ALMURQAB AREA KUWAIT KW 13001 (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	196	2.33
The Bank of Fukuoka	2-13-1, Tenjin, Chuo-ku, Fukuoka City, Fukuoka	185	2.21
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT (Standing proxy: Citibank, N.A., Tokyo Branch)	BAHNHOFSTRASSE 45, 8001 ZURICH, SWITZERLAND (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	133	1.59
TOHO GAS Co., Ltd.	19-18, Sakuradacho, Atsuta-ku, Nagoya City, Aichi	70	0.84
YASKAWA Electric Corporation	2-1 Kurosakishiroishi, Yahatanishi-ku, Kitakyushu City, Fukuoka	70	0.83
THE BANK OF NEW YORK MELLON 140042 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A (Shinagawa Intercity Tower A 2-15-1, Konan, Minato-ku, Tokyo)	60	0.71
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6, Marunouchi, Chiyoda-ku, Tokyo Nippon Life Securities Management Division (2-11-3, Hamamatsucho, Minato-ku, Tokyo)	54	0.64
Total	—	6,129	72.77

(Notes) 1. Shares held by Custody Bank of Japan, Ltd. and The Master Trust Bank of Japan, Ltd. are categorized as shares related to trust business.

2. In addition to the shares above, the Company owns 691,805 shares of treasury shares.
The aforementioned number of treasury shares is what is listed in the register of shareholders. The actual number of treasury shares is 691,705 as of March 31, 2021.

3. In the report on large shareholdings that was made available to the public on October 7, 2020, it is stated that Sumitomo Mitsui DS Asset Management Company, Limited and its joint holder, SMBC Nikko Securities Inc., owned the following shares as of September 30, 2020. However, since the Company has not been able to confirm the actual number of shares held as of March 31, 2021, the Company did not include the information in the status of major shareholders above.
The contents of the report on large shareholdings are as follows.

Name	Address	Number of shares certificates, etc. held (Thousands of shares)	Percentage of shares certificates, etc. held (%)
Sumitomo Mitsui DS Asset Management Company, Limited	Toranomon Hills Business Tower 26F, 1-17-1 Toranomon, Minato-ku, Tokyo	445	4.89
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	26	0.29

(7) Status of voting rights

1) Issued shares

As of March 31, 2021

Classification	Number of shares (Shares)	Number of voting rights (Units)	Details
Shares without voting rights	−	−	−
Shares with limited voting rights (treasury shares, etc.)	−	−	−
Shares with limited voting rights (others)	−	−	−
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares 691,700	−	−
Shares with full voting rights (others)	Common shares 8,333,000	83,330	−
Shares below one unit	Common shares 89,828	−	−
Total number of shares issued	9,114,528	−	−
Total voting rights held by all shareholders	−	83,330	−

(Notes) 1. The number of common shares in the "Shares with full voting rights (others)" box includes 600 shares (6 units of voting rights) held by Japan Securities Depository Center, Inc.

2. The number of common shares in the "Shares below one unit" box includes 5 shares of treasury shares held by the Company and 37 shares held by Japan Securities Depository Center, Inc.

2) Treasury shares, etc.

As of March 31, 2021

Shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total (Shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury shares) KROSAKI HARIMA CORPORATION	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka	691,700	−	691,700	7.59
Total	−	691,700	−	691,700	7.59

(Note) In addition to the shares above, there are 100 shares (1 unit of voting right) under the name of the Company in the register of shareholders which are not actually held by the Company.
The aforementioned shares are included as common shares in the "Shares with full voting rights (others)" box in "Issued shares" above.

2. Status of Purchase of Treasury Shares, etc.

Class of shares, etc.: Purchase of common shares under Article 155, Item 7 of the Companies Act

(1) Status of the purchase of treasury shares resolved at shareholders' meetings

Not applicable

(2) Status of the purchase of treasury shares resolved at the Board of Directors meetings

Not applicable

(3) Details of the purchase of treasury shares not based on the resolutions of shareholders' meetings or the Board of Directors meetings

Category	Number of shares (Shares)	Total amount (Millions of yen)
Treasury shares purchased during the current fiscal year	862	3
Treasury shares purchased during the period reported	113	0

(Note) "Treasury shares purchased during the period reported" does not include the number of shares below one unit purchased during the period from June 1, 2021, to the submission date of this securities report.

(4) Status of the disposition and holding of purchased treasury shares

Category	Current fiscal year		Period reported	
	Number of shares (Shares)	Total amount disposed (Millions of yen)	Number of shares (Shares)	Total amount disposed (Millions of yen)
Purchased treasury shares for which subscribers were solicited	−	−	−	−
Purchased treasury shares that was retired	−	−	−	−
Treasury shares transferred due to merger, share exchange, share issuance, or corporate divestiture	−	−	−	−
Others	−	−	−	−
Number of shares of treasury shares held	691,705	−	691,818	−

(Notes) 1. "Number of shares of treasury shares held" during the period reported does not include the number of shares below one unit purchased during the period from June 1, 2021, to the submission date of this securities report.

2. There are 100 shares under the name of the Company in the register of shareholders which are not actually held by the Company. These shares are not included in the "Number of shares of treasury shares held."

3. Basic Policy on Dividends

The Company aims for the sustainable enhancement of its shareholders' value, while maintaining a sufficient level of shareholders' equity that will be required for business developments going forward. In addition, based on profit distribution in accordance with the business results of each term, the Company carries out dividend of surplus taking into consideration the future business development, financial condition and business environment of the Company.

As a general rule for profit distribution, the Company will employ a consolidated dividend payout ratio of around 30%.

The Company's basic policy is to pay out dividends twice a year. The Company stipulates in its Articles of Incorporation that apart from the year-end dividends paid each year with March 31 as the record date, the Company may pay interim dividends each year with September 30 as the record date. Interim dividends are resolved by the Board of Directors, and year-end dividends at the General Meeting of Shareholders.

In light of the consolidated dividend payout ratio for the fiscal year ended March 31, 2021, the dividends of surplus for the current fiscal year are ¥150 per share including the interim dividends of ¥40.

Internal reserves are used in investing in research and development and capital investment, as well as preparing for future business development.

That the Company may pay an interim dividend according to Article 454, Paragraph 5 of the Companies Act is stipulated in the Articles of Incorporation.

(Note) Dividends of surplus on the record dates in the current fiscal year are as follows.

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
October 30, 2020 By resolution of the Board of Directors	336	40.0
June 29, 2021 By resolution of the Annual Shareholders' Meeting	926	110.0

4. Corporate Governance

(1) Summary of Corporate Governance

1) Basic views on Corporate Governance

The basis of corporate governance at the Company is to ensure management transparency and efficiency to all stakeholders, including shareholders.

We developed the “Mission Statement,” which lays down the “Mission,” “Goal” and “Management Policy” of the Group. We are determined to work to heighten our corporate value by following the guidelines stated in the “Mission Statement.”

2) Summary of the Company’s corporate governance system and the reason for adopting this system

The Company adopts an auditor system and a Board of Auditors system. As of the date of submission of this Annual Securities Report (June 29, 2021), the Board of Auditors consists of four auditors, namely Full-time Auditor Kinji Matsushita (Chairperson of the Board of Auditors), Auditor Yasuhiro Sukegawa, Outside Auditor Yuji Hiya, and Outside Auditor Morio Matsunaga. Yasuhiro Sukegawa, Yuji Hiya and Morio Matsunaga, who are part-time auditors, attend the Board of Directors and the Board of Auditors meetings to express their opinion and comments on matters for significant decision-making of the Group from an objective standpoint. A Board of Auditors’ meeting is held once a month, in principle, to receive reports on significant matters related to auditing, and to deliberate or make decisions on these matters.

As of the date of submission of this Annual Securities Report (June 29, 2021), the Board of Directors consists of nine directors, namely President Kazuhiro Egawa (Chairperson of the Board of Directors), Directors Masakazu Soejima, Masaya Honda, Toshikazu Takasu, Takeshi Yoshida and Jyunpei Konishi, and Outside Directors Noboru Usami, Matsuji Nishimura and Yukinori Michinaga. Noboru Usami, Matsuji Nishimura and Yukinori Michinaga, who are part-time directors, attend the Board of Directors meetings to express their opinion and comments on matters for significant decision-making of the Group from an objective standpoint. A Board of Directors’ meeting is held once a month, in principle, to make decisions on business executions and supervise each director’s performance.

The Company adopts the corporate officer system, which aims to clearly separate the business execution function from the management decision-making and supervisory functions. This system enhances the decision-making and supervisory functions of the Board of Directors, while accelerating and streamlining business execution.

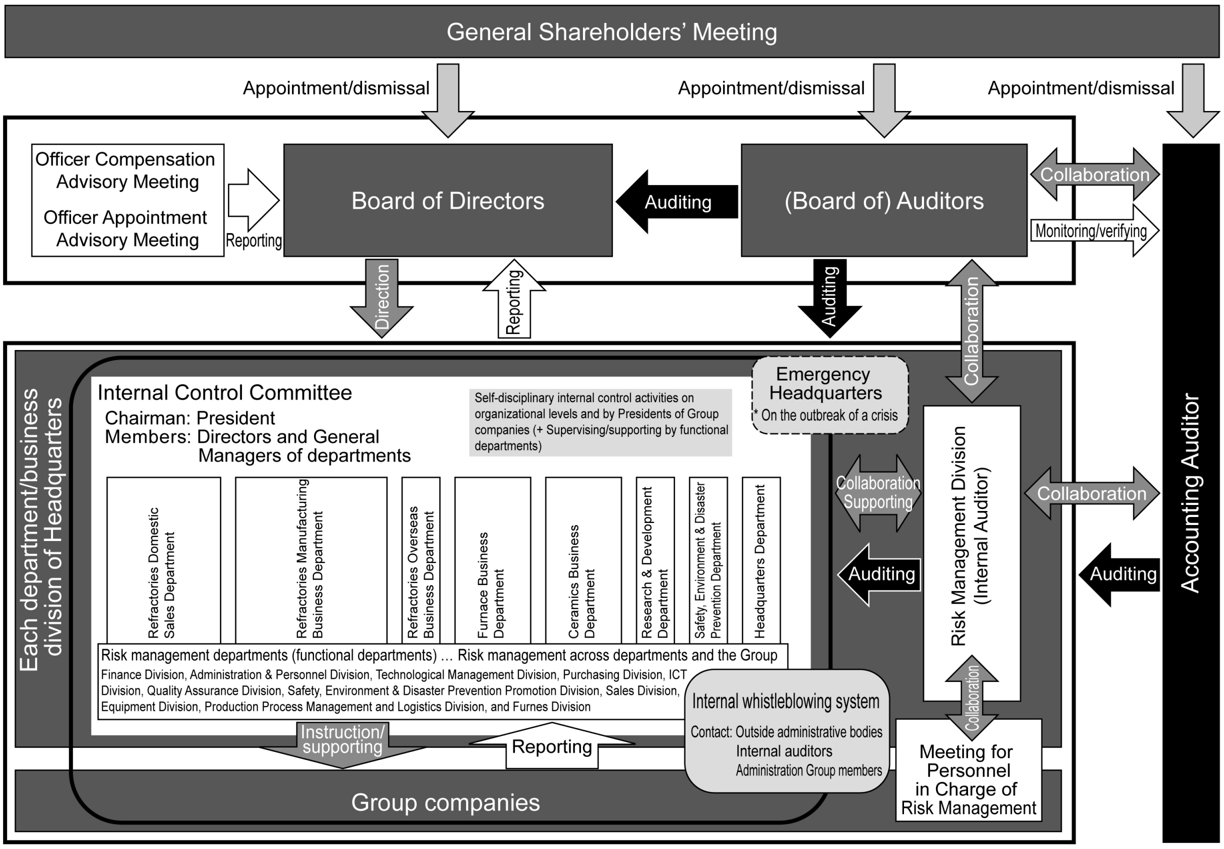
The Company judges that this system allows for full operation of an external checking function and sufficiently guarantees the supervisory function of the Board of Directors.

To ensure deliberations and reporting of basic management policies and matters especially important in view of the Company’s business execution, the Management Council is set up as an advisory body for President. The Management Council meetings are held regularly (twice a month in principle) or when required. The Management Council consists of President Kazuhiro Egawa as Chairperson, full-time directors (namely Masakazu Soejima, Masaya Honda, Toshikazu Takasu, Takeshi Yoshida and Jyunpei Konishi) and persons appointed by President. Full-time auditors may attend the meeting to express their opinion. Items requiring decisions on the agenda of the Management Council shall be deliberated therewith and then decided by President, while items subject to resolution by the Board of Directors shall be resolved separately by the Board of Directors. Items not subject to resolution by the Board of Directors shall be processed pursuant to the regulations governing decision-making. Of the agenda for deliberation or reporting at the Management Council, items subject to reporting to the Board of Directors shall be reported separately to the Board of Directors.

In addition, in order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation and appointment of directors and auditors, voluntary advisory committees (Officer Compensation Advisory Meeting and Officer Appointment Advisory Meeting) have been established. Advisory committee meetings are held regularly (Officer Compensation Advisory Meeting and Officer Appointment Advisory Meeting are each held once a year in principle) or when required. Advisory committee meetings, chaired by President Kazuhiro Egawa, comprise outside directors and outside auditors (Outside Directors Noboru Usami, Matsuji Nishimura and Yukinori Michinaga, Outside Auditors Yuji Hiya and Morio Matsunaga). At Officer Compensation Advisory Meetings, matters relating to the basic policy on compensation for directors and auditors are deliberated and reported to the Board of Directors. At Officer Appointment Advisory Meetings, matters relating to the appointment of candidates for directors and auditors, and the selection of senior management, are deliberated and reported to the Board of Directors.

3) Other matters related to the Company's corporate governance

a. Relation of the Company's administrative bodies with the structure of internal control system, risk management system, and system to ensure the appropriateness of Group company operations



b. Status of the internal control system, risk management system, and system to ensure the appropriateness of Group company operations

The Group has established the internal control system, risk management system, and system to ensure the appropriateness of Group company operations stated in "a. Relation of the Company's administrative bodies with the structure of internal control system, risk management system, and system to ensure the appropriateness of Group company operations," and ensures the operation of internal control, risk management, and appropriateness of Group company operations.

Regarding the management of Group companies, the Company establishes basic rules in the relevant regulations to conduct appropriate operation thereof. Group companies take initiatives, such as sharing information with the Company, to enhance measures related to autonomous internal control. In addition, by positioning the Company's business departments with strong business connections with each Group company as principal departments, the Company endeavors to monitor the status of design and operation of the internal control of Group companies and share information with the Company's functional departments and the Risk Management Division, while seeking the guidance and support of the Company's functional departments, as necessary.

1) Corporate officials

The internal control system of the Group operates on the basis of the autonomous management (including monitoring/assessment of risks, formulation/implementation of measures, self-initiated inspections, etc.) conducted under the responsibility of General Managers of departments of the Company and Presidents of Group companies.

2) Principal departments

The departments most closely related to the business of the Group companies are the principal departments in charge of understanding and following up on the status of internal controls at the Group companies to ensure the smooth operation of the Group's management. In addition, principal departments provide guidance and support to the Company's functional departments, as necessary.

3) Functional departments

The Purchasing Division, Quality Assurance Division, Sales Division, Finance Division, and other functional departments have been established to provide guidance and support to each department of the Company and the Group companies in relation to functional risk management in areas such as purchasing, quality, sales, finance, and taxation.

4) Risk Management Division

The Risk Management Division is set up as a division that supports the formulation of basic policies on the establishment, operation and assessment of the internal control system of the Company and Group companies and conducts internal auditing of the operation thereof.

The status of the design and operation of the internal control system is regularly reported to the Management Council and the Board of Directors.

5) Internal Control Committee

The Internal Control Committee is set up to receive reports on the status of response to risk at regular meetings and other occasions from each Internal Control Committee member and the Risk Management Division, and provide guidance, as necessary. In addition, the Internal Control Committee receives internal audit reports from the Risk Management Division.

In the event of a critical situation, an emergency headquarters is set up within the Internal Control Committee and undertakes activities to minimize loss.

6) Internal whistleblowing system

The internal whistleblowing system is set up, with internal auditors, members of the Administration Group, and an outside specialized organization among others, serving as points of contacts for this system. Following reports made in the event of wrongdoing or unjust acts carried out within the Group or suspicion thereof, a fact-finding investigation is conducted, and the results are reported to the designated internal related parties and the whistle-blower upon request. Also, in the event that any wrongdoing or unjust act is confirmed, the wrongdoer is punished in accordance with the Employment Regulations.

For the protection of whistleblowers, the whistleblowing regulations stipulate that they will not be treated unfairly on account of having made proper reports.

7) Meeting of Personnel in Charge of Risk Management

As a platform to share information and exchange opinions related to internal control with Group companies, the Meeting of Personnel in Charge of Risk Management is held.

c. Outline of liability exemption

Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company has concluded a limited liability agreement with each director who is not an executive director and each auditor, which limits the liability for damages under Article 423, Paragraph 1, of the Act to the minimum liability amount stipulated in the applicable laws and regulations only if each director who is not an executive director and auditor conducts the duties that have caused his/her liability in good faith and without gross negligence.

d. Outline of directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance contract with an insurance company to insure all directors and auditors of the Company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. Under the said insurance contract, the directors and auditors, as the insured, shall receive compensation for their liability borne from performance of their duties or for their liability arising from claims in pursuit of that liability (legal damages and litigation expense). Of the annual premium for the said insurance contract, premium for a special agreement for cost compensation in derivative lawsuits (5.3% of the annual premium) is effectively borne by each of the insured directors and auditors.

e. Requisite number of directors

The Company stipulates in its Articles of Incorporation that the Board of Directors shall consist of not more than ten directors.

f. Resolution requirement for the election of directors

The Company stipulates in its Articles of Incorporation that voting on resolutions for election of directors shall take place with the presence of shareholders who represent one-third or more of total shares with voting rights, by the majority of the voting rights held by shareholders present entitled to exercise their voting rights, and those which are not contingent upon cumulative votes shall be the requisite for adoption of the resolution for electing directors.

g. Purchase of treasury shares

The Company has included in its Articles of Incorporation a clause allowing purchase of its own shares via the market, subject to a resolution of the Board of Directors in accordance with Article 165, Paragraph 2, of the Companies Act. Such inclusion was made to flexibly carry out management measures such as financial policies according to the Company’s financial conditions and other circumstances.

h. Liability exemption for directors and auditors

In order for directors and auditors to fulfill the roles expected of them, the Articles of Incorporation of the Company set forth “The Company may, by resolution of the Board of Directors, exempt any Director (including former Directors) from liability of damages for neglect of duty, in accordance with the provision of Article 426, Paragraph 1 of the Companies Act, to the extent as provided in laws and regulations” and “The Company may, by resolution of the Board of Directors, exempt any Auditor (including former Auditors) from liability of damages for neglect of duty, in accordance with the provision of Article 426, Paragraph 1 of the Companies Act, to the extent as provided in laws and regulations.”

i. Dividends from surplus

The Company stipulates in its Articles of Incorporation that the Company may, by a resolution of the Board of Directors, pay interim dividends each year with September 30 as the record date for the purpose of flexibly returning profits to shareholders.

j. Requirement of special resolution at the shareholders' meetings

For the purpose of maintaining the smooth operation of shareholders' meetings, the Company stipulates in its Articles of Incorporation that special resolutions as set forth in Article 309, Paragraph 2, of the Companies Act, shall be passed with the presence of shareholders who represent one-third or more of total shares with voting rights, by two-thirds or more of the voting rights held by shareholders present entitled to exercise their voting rights.

(2) Directors and Auditors

1) List of Directors and Auditors

Male: 13, Female: 0 (Ratio of female to Directors and Auditors: 0%)

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
President	Kazuhiro Egawa	February 24, 1959	April 1981	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION)	(Note) 3	43
			April 2005	Head of Division, Pipe & Tube Marketing Division, Pipe & Tube Unit of Nippon Steel Corporation		
			April 2007	Branch Manager, Nagoya Branch of Nippon Steel Corporation		
			April 2009	Head of Division, Overseas Marketing Division of Nippon Steel Corporation		
			April 2012	Executive Counsellor and Head of Division, Overseas Marketing Division of Nippon Steel Corporation		
			October 2012	Executive Counsellor and Head of Division, Export Control Division and Flat Products Export Marketing Division, Flat Products Unit of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION)		
			April 2013	Executive Officer of Nippon Steel & Sumitomo Metal Corporation		
			April 2016	Managing Executive Officer of Nippon Steel & Sumitomo Metal Corporation		
			April 2017	Managing Executive Officer, Project Leader, Usiminas Project, and in charge of the North, Central, and South American Region, Global Business Development Sector of Nippon Steel & Sumitomo Metal Corporation		
			April 2019	Executive Officer of NIPPON STEEL CORPORATION Advisor of the Company		
			June 2019	President of the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director, Managing Corporate Officer, in charge of Furnace Business Department and Headquarters Department (Purchasing and Finance)	Masakazu Soejima	September 21, 1959	April 1983 April 2011 April 2013 April 2017 June 2017 April 2021	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company) General Manager, Sales Planning Division of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director and Managing Corporate Officer of the Company Director, Managing Corporate Officer, in charge of Furnace Business Department and Headquarters Department (Purchasing and Finance) of the Company (to present)	(Note) 3	20
Director, Managing Corporate Officer, in charge of Headquarters Department (ICT, Administration, Risk Management and Business Process Innovation), and General Manager, Administration & Personnel Division	Masaya Honda	January 13, 1960	April 1982 May 2011 April 2014 April 2017 June 2017 January 2021	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company) General Manager, Finance Division of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director and Managing Corporate Officer of the Company Director, Managing Corporate Officer, in charge of Headquarters Department (ICT, Administration, Risk Management and Business Process Innovation), and General Manager, Administration & Personnel Division of the Company (to present)	(Note) 3	25
Director, Managing Corporate Officer, in charge of Refractories Manufacturing Business Department, and matters related to Coke Oven Business and Safety, Health, Environment & Disaster Prevention, and Senior General Manager, Refractories Manufacturing Division	Toshikazu Takasu	February 7, 1959	April 2000 April 2011 April 2014 April 2017 June 2018 April 2021	Joined the Company Deputy Senior General Manager, Functional Refractories Manufacturing Business Division of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director and Managing Corporate Officer of the Company Director, Managing Corporate Officer, in charge of Refractories Manufacturing Business Department, and matters related to Coke Oven Business and Safety, Health, Environment & Disaster Prevention, and Senior General Manager, Refractories Manufacturing Division of the Company (to present)	(Note) 3	16

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director, Managing Corporate Officer, in charge of Ceramics Business Department and Headquarters Department (Corporate Planning), and General Manager, Corporate Planning Department	Takeshi Yoshida	November 11, 1962	April 1985	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION)	(Note) 3	1
			July 2000	Group Leader, Labor Administration and Human Resources Group, Labor and Purchase Division, Yawata Works of Nippon Steel Corporation		
			August 2004	Group Leader, Material Contract Group, Machine and Materials Division of Nippon Steel Corporation		
			April 2010	General Manager, Planning Division of the Company		
			April 2017	Corporate Officer of the Company		
			April 2021	Managing Corporate Officer of the Company		
			June 2021	Director, Managing Corporate Officer, in charge of Ceramics Business Department and Headquarters Department (Corporate Planning), and General Manager, Corporate Planning Department of the Company (to present)		
Director, Managing Corporate Officer, in charge of Refractories Overseas Business Department, Research & Development Department and Headquarters Department (Technological Management and Quality Assurance), General Manager, Technological Management Division, and in cooperation with the General Manager, Corporate Planning Department in matters regarding business in Corporate Planning Department	Jyunpei Konishi	April 9, 1963	April 1988	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION)	(Note) 3	1
			November 2011	General Manager, Technical Administration & Planning Division of Nippon Steel Corporation		
			April 2012	Seconded to Usiminas (General Manger, Strategic Engineering Division)		
			April 2015	General Manager, Steelworks Technology Division of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION)		
			June 2015	Outside Director of the Company		
			March 2019	Director of the Company		
			April 2020	Director, Corporate Officer of the Company		
			June 2020	Corporate Officer of the Company		
			April 2021	Managing Corporate Officer of the Company		
			June 2021	Director, Managing Corporate Officer, in charge of Refractories Overseas Business Department, Research & Development Department and Headquarters Department (Technological Management and Quality Assurance), General Manager, Technological Management Division, and in cooperation with the General Manager, Corporate Planning Department in matters regarding business in Corporate Planning Department of the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director	Noboru Usami	October 7, 1951	March 1975	Joined YASKAWA Electric Manufacturing Co. Ltd. (presently YASKAWA Electric Corporation)	(Note) 3	–
			March 2004	General Manager, Human Resources & General Affairs Division of YASKAWA Electric Corporation		
			June 2004	Director of YASKAWA Electric Corporation		
			June 2009	Managing Director of YASKAWA Electric Corporation		
			June 2011	Outside Auditor of the Company		
			June 2012	Director, Corporate Senior Vice President of YASKAWA Electric Corporation		
			March 2013	Representative Director, Senior Executive Vice President of YASKAWA Electric Corporation		
			June 2015	Retired as Outside Auditor of the Company		
			March 2016	Director of YASKAWA Electric Corporation		
			June 2016	Advisor of YASKAWA Electric Corporation		
			June 2018	Outside Director of NITTOKU ENGINEERING CO., LTD. (presently NITTOKU CO., LTD.) (to present)		
			June 2020	Outside Director of the Company (to present)		
Director	Matsuji Nishimura	August 5, 1947	April 1971	Joined Kyushu Denki Koji Corporation (presently Kyudenko Corporation)	(Note) 3	–
			July 2003	Director, General Manager, Saga Branch of Kyudenko Corporation		
			June 2004	Director of Kyudenko Corporation		
			June 2006	Managing Director of Kyudenko Corporation		
			June 2008	Senior Managing Executive Officer of Kyudenko Corporation		
			June 2009	Director, Senior Managing Executive Officer of Kyudenko Corporation		
			May 2012	Director, Vice President Executive Officer of Kyudenko Corporation		
			June 2013	Representative Director and President of Kyudenko Corporation		
			June 2020	Director and Chairman of Kyudenko Corporation (to present)		
			June 2021	Outside Director of the Company (to present)		

Title	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director	Yukinori Michinaga	November 1, 1957	April 1981	Joined Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.)	(Note) 3	–
			April 2012	Director, General Manager, Information and Communications Division of Saibugas Co., Ltd.		
			April 2014	Corporate Officer of Saibugas Co., Ltd.		
			April 2015	Managing Corporate Officer of Saibugas Co., Ltd.		
			June 2016	Director, Managing Corporate Officer of Saibugas Co., Ltd.		
			April 2019	President, CEO of Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.) (to present)		
			June 2019	Outside Audit & Supervisory Board Member of Kyudenko Corporation (to present)		
			April 2021	President, CEO of Saibugas Co., Ltd. (to present)		
			June 2021	Outside Director of the Company (to present)		
Full-time Auditor	Kinji Matsushita	January 24, 1957	April 1980	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company)	(Note) 4	7
			April 2010	Deputy Senior General Manager, Furnace Manufacturing Business Division and General Manager, Furnace Manufacturing, Furnace Manufacturing Business Division of the Company		
			April 2011	Corporate Officer of the Company		
			June 2012	Corporate Officer, General Manager, India Business Promotion Division of the Company		
			April 2014	Corporate Officer, Senior General Manager, Furnace Manufacturing Business Division of the Company		
			April 2015	Managing Corporate Officer of the Company		
			June 2016	Full-time Auditor of the Company (to present)		

Title	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Auditor	Yasuhiro Sukegawa	July 4, 1968	April 1993 April 2012 October 2012 June 2015 May 2017 April 2019 May 2021 June 2021	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) Group Leader, General Administration Group, General Administration Division, Oita Works of Nippon Steel Corporation Manager, General Administration Office, General Administration Division, Oita Works of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) Seconded to NIPPON STEEL & SUMITOMO METAL Southeast Asia Pte. Ltd. (presently NIPPON STEEL SOUTHEAST ASIA CO., LTD.) Manager, Overseas Human Resources Office, Human Resources Division of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) General Manager, General Administration Division, Nagoya Works of NIPPON STEEL CORPORATION General Manager, Group Companies Planning Division of NIPPON STEEL CORPORATION (to present) Auditor of the Company (to present)	(Note) 5	―
Auditor	Yuji Hiya	January 10, 1957	April 1979 June 2007 June 2008 June 2012 June 2014 June 2015 June 2016 April 2021 April 2021	Joined Nishi-Nippon Railroad Co., Ltd. General Manager, Accounting Division of Nishi-Nippon Railroad Co., Ltd. Director and Corporate Officer of Nishi-Nippon Railroad Co., Ltd. Director and Managing Corporate Officer of Nishi-Nippon Railroad Co., Ltd. Director and Executive Managing Corporate Officer of Nishi-Nippon Railroad Co., Ltd. Outside Auditor of the Company (to present) Representative Director and Executive Vice President of Nishi-Nippon Railroad Co., Ltd. Director of Nishi-Nippon Railroad Co., Ltd. Chairman of Nishitetsu Store Inc. (to present)	(Note) 4	―

Title	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Auditor	Morio Matsunaga	August 7, 1949	August 1977 October 1978 November 1980 September 1996 April 2002 April 2004 April 2010 June 2016 June 2016 June 2018	Postdoctoral fellow of The University of Tennessee in the U.S. Lecturer, School of Engineering of Kyushu Institute of Technology Associate Professor, School of Engineering of Kyushu Institute of Technology Professor, School of Engineering of Kyushu Institute of Technology Vice President of Kyushu Institute of Technology Director of (National University Corporation) Kyushu Institute of Technology President of (National University Corporation) Kyushu Institute of Technology President of Kitakyushu Foundation for the Advancement of Industry, Science and Technology (to present) Outside Director of Mitsui Mining and Smelting Co., Ltd. (to present) Outside Auditor of the Company (to present)	(Note) 4	–
Total						113

(Notes) 1. Directors Noboru Usami, Matsuji Nishimura and Yukinori Michinaga are Outside Directors.
2. Auditors Yuji Hiya and Morio Matsunaga are Outside Auditors.
3. The term of office for Directors is from the conclusion of the Annual Shareholders' Meeting for the fiscal year ended March 31, 2021, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2022.
4. The term of office for Auditors Kinji Matsushita, Yuji Hiya and Morio Matsunaga is from the conclusion of the Annual Shareholders' Meeting for the fiscal year ended March 31, 2019, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2023.
5. The term of office for Auditor Yasuhiro Sukegawa is from the conclusion of the Annual Shareholders' Meeting for the fiscal year ended March 31, 2021, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2023.
6. Number of shares held is rounded down to the nearest hundred.
7. In order to prepare for cases where the number of Auditors does not satisfy the requirements of the Articles of Incorporation, the Company has elected 4 Substitute Auditors (Auditor Hiroyuki Kurauchi to substitute Auditor Kinji Matsushita, Auditor Takahiro Tomoda to substitute Yasuhiro Sukegawa Shimada, Outside Auditor Sunao Ohkaku to substitute Outside Auditor Yuji Hiya and Outside Auditor Noriaki Ayukawa to substitute Outside Auditor Morio Matsunaga) pursuant to Article 329, Paragraph 3 of the Companies Act. The career summary of the Substitute Auditors are as follows.

Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Hiroyuki Kurauchi	April 7, 1965	April 1989 October 2010 April 2013 June 2018	Joined the Company Group Manager, Fund Management Group, Finance Division of the Company Group Manager, Financial Accounting & Treasury Management Group, Finance Division of the Company General Manager, Office of Audit & Supervisory Board Members of the Company (to present)	(Note)	–
Takahiro Tomoda	January 5, 1971	April 1995 February 2011 October 2012 July 2013 February 2016 July 2019 November 2019 April 2021	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) Group Leader, Accounting Group, General Administration Division, Sakai Works of Nippon Steel Corporation Manager, Accounting Office, General Administration Division, Sakai Works, Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) Manager, Accounting Office, General Administration Division, Oita Works, Nippon Steel & Sumitomo Metal Corporation Chief, IR Office, Accounting & Finance Division of Nippon Steel & Sumitomo Metal Corporation Senior Chief, IR Office, Accounting & Finance Division of NIPPON STEEL CORPORATION Senior Chief, Group Companies Planning Division of NIPPON STEEL CORPORATION Acting General Manager, Group Companies Planning Division of NIPPON STEEL CORPORATION (to present)	(Note)	–
Sunao Ohkaku	June 14, 1960	April 1985 July 2006 June 2009 June 2012 June 2015 June 2016 June 2018 June 2020 June 2021	Joined Nishi-Nippon Railroad Co., Ltd. General Manager, CV Management Office, Corporate Planning Headquarters of Nishi-Nippon Railroad Co., Ltd. General Manager, Business Management Division of Nishi-Nippon Railroad Co., Ltd. General Manager, Accounting Division of Nishi-Nippon Railroad Co., Ltd. Director and Corporate Officer of Nishi-Nippon Railroad Co., Ltd. Senior Corporate Officer of Nishi-Nippon Railroad Co., Ltd. Director and Standing Audit and Supervisory Committee Member (Full-time) of Nishi-Nippon Railroad Co., Ltd. Director and Executive Managing Corporate Officer of Nishi-Nippon Railroad Co., Ltd. Executive Managing Corporate Officer of Nishi-Nippon Railroad Co., Ltd. (to present)	(Note)	–

Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Noriaki Ayukawa	March 25, 1961	April 1980 April 2013 April 2015 April 2017 April 2019 June 2021	Joined CITY OF KITAKYUSHU Executive Director, Tourism Promotion Division, Industrial Economy Bureau of CITY OF KITAKYUSHU Executive Director, General Affair Division, General Affair Bureau of CITY OF KITAKYUSHU Ward Head, Kokurakita Ward of CITY OF KITAKYUSHU Chief Executive, Industrial Economy Bureau of CITY OF KITAKYUSHU Managing Director of Kitakyushu Foundation for the Advancement of Industry, Science and Technology (to present)	(Note)	–

(Note) The term of office for Substitute Auditors, should they be elected as Auditors, shall be when the Auditor they are substituting supposedly retires.

8. The Company adopts a corporate officer system, which aims to clearly separate the business execution function from the management decision-making and supervisory functions. This system enhances the decision-making and supervisory functions of the Board of Directors, while accelerating and streamlining business execution.
   Executive officers who are not Directors as of June 29, 2021 are 17 persons as follows:

Title	Name	Position
Managing Corporate Officer	Masakazu Soejima	In charge of Furnace Business Department and Headquarters Department (Purchasing and Finance)In charge of Headquarters Department (Purchasing and Finance)
Managing Corporate Officer	Toshikazu Takasu	In charge of Refractories Manufacturing Business Department In charge of matters related to Coke Oven Business In charge of Safety, Health, Environment & Disaster Prevention Senior General Manager, Refractories Manufacturing Division
Managing Corporate Officer	Masaya Honda	In charge of Headquarters Department (ICT, Administration, Risk Management and Business Process Innovation) General Manager, Administration & Personnel Division
Managing Corporate Officer	Yukio Inoue	General Manager, Furnace Division In cooperation with Managing Corporate Officer Takasu in matters related to Coke Oven Business
Managing Corporate Officer	Masafumi Takeshita	In charge of Refractories Domestic Sales Department Senior General Manager, Sales Division General Manager, Sales Department 1, Sales Division
Managing Corporate Officer	Takeshi Yoshida	In charge of Ceramics Business Department In charge of Headquarters Department (Corporate Planning) General Manager, Corporate Planning Department
Managing Corporate Officer	Jyunpei Konishi	In charge of Refractories Overseas Business Department In charge of Research & Development Department In charge of Headquarters Department (Technological Management and Quality Assurance) General Manager, Technological Management Division In cooperation with the General Manager, Corporate Planning Department in matters regarding business in Corporate Planning Department
Managing Corporate Officer	Hisatake Okumura	Senior General Manager, Overseas Business Division
Corporate Officer	Hiroshi Nagata	Executive Vice President, TRL KROSAKI REFRACTORIES LIMITED
Corporate Officer	Yoshiyuki Fukuda	Senior General Manager, Safety, Environment & Disaster Prevention Promotion Division
Corporate Officer	Naoki Furuta	General Manager, Purchasing Division Assistant to Senior General Manager, Refractories Manufacturing Division in matters related to Refractories Manufacturing Business
Corporate Officer	Isao Sasaka	General Manager of Iron making and Coke Oven Division, Refractories Manufacturing Division
Corporate Officer	Kohzoh Ota	General Manager, East Japan Branch, Sales Department 1, Sales Division General Manager, Kashima Office, East Japan Branch, Sales Department 1, Sales Division
Corporate Officer	Takeshi Yabu	General Manager, Nagoya Branch, Sales Department 1, Sales Division General Manager, Nagoya Office, Furnace Division
Corporate Officer	Ryusuke Miura	General Manager, Kyushu Branch, Sales Department 1, Sales Division General Manager, Yahata Office, Furnace Department 1, Furnace Division
Corporate Officer	Hidehiro Yamanaka	Senior General Manager, Ceramics Business Division
Corporate Officer	Kenji Tomita	Branch Manager, Kansai and Setouchi Branch, Sales Department 1, Sales Division District Sales Manager, Wakayama Office, Kansai and Setouchi Branch, Sales Department 1, Sales Division

2) Outside directors and outside auditors

a. Number of outside directors and outside auditors

The Company has three outside directors (Noboru Usami, Matsuji Nishimura and Yukinori Michinaga).

The Company has two outside auditors (Yuji Hiya and Morio Matsunaga)

b. Human, capital or transactional relationship or any other interest relationship with the Company

Noboru Usami has served as a business executive (executive director) of YASKAWA Electric Corporation for the last 10 years, and served as the Company's outside auditor from June 2011 to June 2015.

Although there is a mutual-shareholding relationship between the Company and YASKAWA Electric Corporation, the shareholding ratio is low at less than 1% in each case (the Company's shareholding ratio of YASKAWA Electric Corporation: 0.19%, YASKAWA Electric Corporation's shareholding ratio of the Company: 0.77%; all calculations are without the deduction of treasury shares as of March 31, 2021). The Company paid ¥8.86 million (non-consolidated, for the fiscal year ended March 31, 2021) for the work supplied by YASKAWA Electric Corporation for maintenance, inspection and repair of equipment. However, as this transaction is relatively small compared to the business scales of the Company and YASKAWA Electric Corporation, it is determined to have no significant effect to the status of independence of Noboru Usami.

Matsuji Nishimura has served for the last 10 years, and currently serves as a business executive (executive director) of Kyudenko Corporation.

The Company paid ¥140,000 (non-consolidated, for the fiscal year ended March 31, 2021) for the electrical work supplied by Kyudenko Corporation. However, as this transaction is relatively small compared to the business scales of the Company and Kyudenko Corporation, it is determined to have no significant effect to the status of independence of Matsuji Nishimura.

Yukinori Michinaga has served for the last 10 years, and currently serves as a business executive (executive director) of Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.).

As there are no special relationships of interest between the Company and SAIBU GAS HOLDINGS CO., LTD., the Company has determined that there are no circumstances that affect the status of independence of Yukinori Michinaga.

Yuji Hiya has served as a business executive (executive director) of Nishi-Nippon Railroad Co., Ltd. for the last 10 years, and currently serves as a business executive (executive director) of Nishitetsu Store Inc.

The Company paid ¥410,000 (non-consolidated, for the fiscal year ended March 31, 2021) for transportation services supplied by Nishi-Nippon Railroad Co., Ltd. However, as this transaction is relatively small compared to the business scales of the Company and Nishi-Nippon Railroad Co., Ltd., and as there are no special relationships of interest between the Company and Nishitetsu Store Inc., it is determined to have no significant effect to the status of independence of Yuji Hiya.

Morio Matsunaga has served as a business executive (President, etc.) of (National University Corporation) Kyushu Institute of Technology for the last 10 years and currently serves as a business executive (President) of Kitakyushu Foundation for the Advancement of Industry, Science and Technology.

As there are no special relationships of interest between the Company and (National University Corporation) Kyushu Institute of Technology nor between the Company and Kitakyushu Foundation for the Advancement of Industry, Science and Technology, the Company has determined that there are no circumstances that affect the status of independence of Morio Matsunaga.

c. Functions and roles fulfilled by outside directors and outside auditors in the corporate governance of the Group

Noboru Usami had been engaged in corporate management as the director of YASKAWA Electric Corporation from June 2004 to June 2016. In addition, he served as the Company's outside auditor from June 2011 to June 2015. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years and his knowledge of the Company in the supervision of the Company's management.

Matsuji Nishimura (appointed as of June 29, 2021) had been engaged in corporate management as the director of Kyudenko Corporation from June 2004 to June 2008, and has been engaged in the said company's management as director since June 2009. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years in the supervision of the Company's management.

Yukinori Michinaga (appointed as of June 29, 2021) has been engaged in corporate management as the director of Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.) since June 2016. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years in the supervision of the Company's management.

Outside Directors attend the Board of Directors meetings of the Company to express their views and comments on matters for significant decision-making of the Group from an objective standpoint.

Yuji Hiya had been engaged in the accounting and financial departments of Nishi-Nippon Railroad Co., Ltd., and engaged in its management by serving as the director from June 2008 to June 2021. From April 2021, he is engaged in management as the director of Nishitetsu Store Inc. He was nominated as an outside auditor in our hope of him utilizing his knowledge of finance and accounting as well as experience and insights on management to strengthen the auditing system of the Company.

Morio Matsunaga has expertise in engineering and has been engaged in organizational management as a college professor and the director/president of a National University Corporation. He was nominated as an outside auditor in our hope of him utilizing his abundant insights and experience to strengthen the auditing system of the Company.

Outside Auditors attend the Board of Directors and the Board of Auditors meeting of the Company to express their views and comments on matters for significant decision-making of the Group from an objective standpoint.

An "Auditor, Outside Director and Risk Management Division Communication Meeting," attended by the auditors (including outside auditors), outside directors, the director in charge of internal control and General Manager of the Risk Management Division, is held once every quarter to mutually exchange opinions and information thereby achieving a common awareness regarding the development and operation status of the internal control system, risks management structure and systems to ensure the appropriateness of Group company operations. The Accounting Auditor also attends this Communication Meeting once a year to provide outside directors and outside auditors with opinions and reports on the status of audits.

The Company judges that their performance of duties above fully operates as an external checking function.

d. Content of the criteria or policies regarding the independence from the Company in appointing outside directors and outside auditors

The independence of outside directors and outside auditors is determined based on the criteria of independence set forth by the financial instrument exchanges at which the Company is listed.

Although there is a mutual-shareholding relationship between the Company and YASKAWA Electric Corporation, the shareholding ratio is low at less than 1% in each case (the Company's shareholding ratio of YASKAWA Electric Corporation: 0.19%, YASKAWA Electric Corporation's shareholding ratio of the Company: 0.77%; all calculations are without the deduction of treasury shares as of March 31, 2021). The Company paid ¥8.86 million (non-consolidated, for the fiscal year ended March 31, 2021) for the work supplied by YASKAWA Electric Corporation for maintenance, inspection and repair of equipment. However, as this transaction is relatively small compared to the business scales of the Company and YASKAWA Electric Corporation, it is determined to have no significant effect to the status of independence of Noboru Usami.

The Company paid ¥140,000 (non-consolidated, for the fiscal year ended March 31, 2021) for the electrical work supplied by Kyudenko Corporation. However, as this transaction is relatively small compared to the business scales of the Company and Kyudenko Corporation, it is determined to have no significant effect to the status of independence of Matsuji Nishimura.

As there are no special relationships of interest between the Company and SAIBU GAS HOLDINGS CO., LTD., the Company has determined that there are no circumstances that affect the status of independence of Yukinori Michinaga.

The Company paid ¥410,000 (non-consolidated, for the fiscal year ended March 31, 2021) for transportation services supplied by Nishi-Nippon Railroad Co., Ltd. However, as this transaction is relatively small compared to the business scales of the Company and Nishi-Nippon Railroad Co., Ltd., and as there are no special relationships of interest between the Company and Nishitetsu Store Inc., it is determined to have no significant effect to the status of independence of Yuji Hiya.

As there are no special relationships of interest between the Company and (National University Corporation) Kyushu Institute of Technology nor between the Company and Kitakyushu Foundation for the Advancement of Industry, Science and Technology, the Company has determined that there are no circumstances that affect the status of independence of Morio Matsunaga.

e. The Company’s view on electing outside directors and outside auditors

The Company appoints Noboru Usami, Matsuji Nishimura and Yukinori Michinaga as outside directors.

Noboru Usami had been engaged in corporate management as the director of YASKAWA Electric Corporation from June 2004 to June 2016. In addition, he served as the Company’s outside auditor from June 2011 to June 2015. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years and his knowledge of the Company in the supervision of the Company’s management.

Matsuji Nishimura (appointed as of June 29, 2021) had been engaged in corporate management as the director of Kyudenko Corporation from June 2004 to June 2008, and has been engaged in the said company’s management as director since June 2009. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years in the supervision of the Company’s management.

Yukinori Michinaga (appointed as of June 29, 2021) has been engaged in corporate management as the director of Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.) since June 2016. He was nominated as an outside director in our hope of him utilizing his insights and experience on management acquired over the years in the supervision of the Company’s management.

Outside Directors attend the Board of Directors meetings of the Company to express their views and comments on matters for significant decision-making of the Group from an objective standpoint.

The Company has also adopted the corporate officer system, which aims to clearly separate the business execution function from the management decision-making and supervisory functions. This system enhances the decision-making and supervisory functions of the Board of Directors, while accelerating and streamlining business execution. The Company judges that the system sufficiently guarantees the supervisory function of the Board of Directors.

The Company appoints Yuji Hiya and Morio Matsunaga as outside auditors.

Yuji Hiya had been engaged in the accounting and financial departments of Nishi-Nippon Railroad Co., Ltd., and engaged in its management by serving as the director from June 2008 to June 2021. From April 2021, he is engaged in management as the director of Nishitetsu Store Inc. He was nominated as an outside auditor in our hope of him utilizing his knowledge of finance and accounting as well as experience and insights on management to strengthen the auditing system of the Company.

Morio Matsunaga has expertise in engineering and has been engaged in organizational management as a college professor and the director/president of a National University Corporation. He was nominated as an outside auditor in our hope of him utilizing his abundant insights and experience to strengthen the auditing system of the Company.

Outside Auditors attend the Board of Directors and the Board of Auditors meeting of the Company to express their views and comments on matters for significant decision-making of the Group from an objective standpoint.

An “Auditor, Outside Director and Risk Management Division Communication Meeting,” attended by the auditors (including outside auditors), outside directors, the director in charge of internal control and General Manager of the Risk Management Division, is held once every quarter to mutually exchange opinions and information thereby achieving a common awareness regarding the development and operation status of the internal control system, risks management structure and systems to ensure the appropriateness of Group company operations. The Accounting Auditor also attends this Communication Meeting once a year to provide outside directors and outside auditors with opinions and reports on the status of audits.

The Company judges that their performance of duties above fully operates as an external checking function.

3) Mutual collaboration between supervisions or audits by outside directors or outside auditors and internal audits, auditors' audits and accounting audits, as well as relationships with the internal control department

Outside Directors receive reports at the Board of Directors about the status of establishment and usage of internal control system, risk management system and system to ensure the appropriateness of Group company operations, and conduct exchanges of opinion and information.

Outside Auditors receive reports from full-time auditors at the Board of Auditors about the status and results of the internal audits and those of the auditors' audits, as well as the status of execution of duties by the Accounting Auditor, and conduct exchanges of opinion and information. With regard to the status of establishment and usage of the internal control system, risk management system and system to ensure the appropriateness of Group company operations, Outside Auditors receive reports at the Board of Directors and the Board of Auditors, and conduct exchanges of opinion and information therewith. The Accounting Auditor also attends the Board of Auditors meetings twice a year to provide outside auditors with audit plans, reports on the status of audits, and opinions.

An "Auditor, Outside Director and Risk Management Division Communication Meeting," attended by the auditors (including outside auditors), outside directors, the director in charge of internal control and General Manager of the Risk Management Division, is held once every quarter to mutually exchange opinions and information thereby achieving a common awareness regarding the development and operation status of the internal control system, risks management structure and systems to ensure the appropriateness of Group company operations. The Accounting Auditor also attends this Communication Meeting once a year to provide outside directors and outside auditors with reports on the status of audits and opinions.

(3) Status of Audits

1) Status of auditors' audits

a. Organization, personnel, and procedures for auditors' audits

As of the date of submission of this Annual Securities Report (June 29, 2021), the Board of Auditors consists of four auditors, including two outside auditors. Audits are conducted in accordance with the audit policy and work assignments determined by the Board of Auditors.

Full-time Auditor Kinji Matsushita serves as Chairperson of the Board of Auditors. Outside Auditor Yuji Hiya has long experience in the accounting and financing departments at Nishi-Nippon Railroad Co., Ltd., and therefore has abundant knowledge in the accounting and finance fields.

The Office of Audit & Supervisory Board Members has been established, as a subordinate organization to the auditors and the Board of Auditors to assist in their duties. As of the date of submission of this Annual Securities Report (June 29, 2021), the Office of Audit & Supervisory Board Members consisted of one dedicated General Manager of the Office of Audit & Supervisory Board Members and one staff serving concurrently at another division and department.

b. Activities of Auditors and Board of Auditors

A Board of Auditors' meeting is held once a month, in principle. The meetings of the Board of Auditors were held 12 times during the fiscal year under review. Attendance of the individual auditors is shown below.

Title and position	Name	Attendance
Full-time Auditor	Kinji Matsushita	12/12 times
Auditor	Takashi Watanabe	2/2 times
Auditor	Hidehiko Shimada	10/10 times
Auditor (Outside)	Yuji Hiya	11/12 times
Auditor (Outside)	Morio Matsunaga	12/12 times

(Note) Takashi Watanabe resigned as auditor as of June 26, 2020. Hidehiko Shimada was appointed as auditor as of June 26, 2020.

The Board of Auditors received reports on the progress of business audits from the full-time auditor as well as reports on audit results, etc. from the Accounting Auditor, and held discussions, and made resolutions on matters including audit policies and plans, the division of duties, the preparation of the audit report of the Board of Auditors, matters relating to the evaluation and determination of reappointment of the Accounting Auditor, and consent with the remuneration, etc. for the Accounting Auditor.

Auditors attended meetings of the Board of Directors, etc., and received reports on the status of the execution of duties by directors, etc. and requested explanations as necessary.

The full-time auditor attended the meetings of the Board of Directors, the Management Council, the Corporate Officers' Conference, the Internal Control Committee, and other important internal meetings, received reports from directors and employees on the status of execution of their duties, requested explanations as needed, inspected important decision-making documents, etc., and inspected the status of the operations and assets of the Company's major divisions and departments and Group companies. The full-time auditor also received reports from the Accounting Auditor on the status and results of audits (including key audit matters), requested explanations as needed, and held discussions.

2) Status of internal audits

a. Organization, personnel and procedures for internal audit

The Risk Management Division is set up as a division that supports the formulation of basic policies on the establishment, operation and assessment of the internal control system of the Company and Group companies and conducts internal auditing of the operation thereof.

As of the date of submission of this Annual Securities Report (June 29, 2021), the Risk Management Division consisted of one General Manager (who is mainly serving as this position but also holding another position concurrently) and five dedicated staff.

The Risk Management Division conducts internal audit on the Company and the Group companies to assess the appropriateness and effectiveness of the internal control system and the autonomous internal control activities and to contribute to their improvement. The audit results are communicated to the respective corporate officials as feedback to encourage improvements, and the outline of the results is reported to the Internal Control Committee.

b. Mutual collaboration among internal audits, auditors' audits and accounting audits, as well as the relationships between these audits and the internal control department

The Risk Management Division strives to share awareness with auditors and the Accounting Auditor through collaboration therewith, including conducting exchanges of opinion and information with full-time auditors and the Accounting Auditor as necessary, with regard to the establishment and operation of the internal control system, risk management system, and system to ensure the appropriateness of Group company operations.

The Risk Management Division also holds a communication meeting twice a month with full-time auditors to exchange opinions and information with them regarding risk management, which they received when conducting business such as internal audits.

The full-time auditors strive to share awareness with the Risk Management Division and the Accounting Auditor through collaboration therewith, including conducting exchanges of opinion and information, as necessary.

In addition, full-time auditors and the Accounting Auditor regularly (explanation of audit plans, explanation of status of quarterly reviews and opinion exchange, explanation of annual audit results and opinion exchange, discussion of status of establishment and operation of internal control, among other things) communicate with each other and as required.

The relationship between these audits and internal control departments are stated in "(a) Relation of the Company's administrative bodies with the structure of internal control system, risk management system, and system to ensure the appropriateness of Group company operations" under "3) Other matters related to the Company's corporate governance" of "(1) Summary of Corporate Governance."

An "Auditor, Outside Director and Risk Management Division Communication Meeting," attended by the auditors (including outside auditors), outside directors, the director in charge of internal control and General Manager of the Risk Management Division, is held once every quarter to mutually exchange opinions and information, thereby achieving a common awareness regarding the development and operation status of the internal control system, risks management structure and systems to ensure the appropriateness of Group company operations. The Accounting Auditor also attends this Communication Meeting once a year to provide auditors, the director in charge of internal control, and the General Manger of the Risk Management Division with opinions and reports on the status of audits.

3) Status of accounting audits

a. Name of audit corporation

KPMG AZSA LLC

b. Consecutive auditing period

15 years

c. Certified Public Accountants engaged in the accounting audit services

- KPMG AZSA LLC Designated liability-limited and engagement partner Takashi Hasumi (2 years of continuous involvement including the fiscal year under review)
- KPMG AZSA LLC Designated liability-limited and engagement partner Naohiro Yamada (3 years of continuous involvement including the fiscal year under review)

d. Assistants for the accounting audits

Assistants for the accounting audits were three Certified Public Accountants, two persons who passed the CPA Examination, and six other staffers.

e. Policy and reason for selecting audit corporation

The Board of Auditors has decided on the following as the Policy on the Dismissal or Non-reappointment of the Accounting Auditor.

1) In the event that the Accounting Auditor is deemed to fall under any one of the items in Article 340, Paragraph 1 of the Companies Act, the Board of Auditors shall dismiss the Accounting Auditor with the consent of all the auditors.

2) In the event that the continuation of audits by the Accounting Auditor is considerably hindered, the Board of Auditors shall determine the contents of the proposals related to the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

As KPMG AZSA LLC, the Accounting Auditor for the 130th fiscal year, was not deemed to fall under the policy above, and the assessment of KPMG AZSA LLC found no problems, as stated in "f. Assessment of the audit corporation by the auditors and the Board of Auditors," the Board of Auditors resolved to reappoint KPMG AZSA LLC based on the judgment that such reappointment would be appropriate at the Board of Auditors meeting held on May 24, 2021.

f. Assessment of the audit corporation by the auditors and the Board of Auditors

Auditors and the Board of Auditors assessed KPMG AZSA LLC in accordance with "Criteria for Appropriately Assessing the Accounting Auditor" among "Criteria for Appropriately Selecting Candidates for the Accounting Auditor and Appropriately Assessing the Accounting Auditor" as established by the Board of Auditors, to consider whether to reappoint the audit corporation as the Accounting Auditor for the 131st fiscal year as in the 130th fiscal year.

The following assessment criteria have been established in "Criteria for Appropriately Assessing the Accounting Auditor."

1) Quality control of the Audit Corporation
2) Audit team
3) Compensation for auditors
4) Communication with auditors and the Board of Auditors
5) Relationship with management, etc.
6) Group audit
7) Fraud risk

As the assessment of KPMG AZSA LLC in light of the assessment criteria above based on the reports, explanations, and questions and answers in the communication between the auditors and the Accounting Auditor found no problems, the Board of Auditors resolved to reappoint KPMG AZSA LLC based on the judgment that such reappointment would be appropriate at the Board of Auditors meeting held on May 24, 2021.

4) Details of Compensation for Auditors

a. Details of compensation for auditing certified public accountants

(Millions of yen)

Classification	Previous fiscal year		Current fiscal year	
	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification
The Filing Company	48	–	48	–
Total	48	–	48	–

b. Compensation to the same network (KPMG Group) as auditing certified public accountants (excluding a.)

(Millions of yen)

Classification	Previous fiscal year		Current fiscal year	
	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification
The Filing Company	–	5	–	2
Consolidated subsidiary	12	1	17	2
Total	12	7	17	4

The details of non-audit work for the Filing Company consist of tax advisory services.

In addition, the details of non-audit work for consolidated subsidiaries consist of tax advisory work.

c. Details of compensation in accordance with other important audit certification services

Not applicable

d. Policies concerning decision of auditing compensation

Not applicable

e. Reasons for the Board of Auditors' consent to compensation for the Accounting Auditor

The reasons why the Board of Auditors of the Company gave its consent specified in Article 399, Paragraph 1 of the Companies Act to the compensation for the Accounting Auditor proposed by directors are as follows.

1) A comparison of the compensation for competing auditors with similar scale and the hourly compensation rate for auditors based on information disclosed by the Japanese Institute of Certified Public Accountants with the compensation for auditors of the Company's showed that the total amount of compensation for auditors of the Company can be deemed appropriate.

2) Although the compensation for auditors for the current fiscal year slightly increased from the compensation for auditors for the previous fiscal year, there are grounds for the increase, that is, an increase in hours required for audits due to work including the consideration of key audit matters (KAM) was reflected in the auditing compensation.

(4) Compensation to Directors and Auditors

1) Matters relating to the policy on the determination of the amount of compensation for directors and auditors or the method of calculating such amount

a. Policy concerning the decision on the amounts of compensations paid to directors and calculation method (including the policy on determination on details of compensation for each director)

1) Determination of the policy on determination of the details of compensation for each director (hereinafter "the Policy on Determination of Directors' Compensation")

A draft of the Policy on Determination of Directors' Compensation was submitted to and deliberated at the Officer Compensation Advisory Meeting held on February 26, 2021 (Chairperson: President Kazuhiro Egawa, Members: outside directors Kenichi Fujinaga and Noboru Usami, outside auditors Yuji Hiya and Morio Matsunaga). According to the report from the Officer Compensation Advisory

Meeting, the Policy on Determination of Directors' Compensation was resolved at the Board of Directors meeting held on February 26, 2021.

2) Outline of the Policy on Determination of Directors' Compensation

The outline of the Policy on Determination of Directors' Compensation is as follows.

- Basic policy (including the policy to determine when or under what conditions compensation is paid)

  The compensation for directors of the Company shall consist entirely of monthly cash compensation. The compensation shall be comprised of basic compensation as fixed compensation and performance-based compensation including incentives granted towards the sustainable growth of the Group and the enhancement of corporate value.

  Specifically, the amount of basic compensation shall be calculated using an index of basic compensation for each positon. The index shall be determined by considering compensation levels corresponding to capabilities and responsibilities required for each position.

  The amount of compensation for each director is determined by reflecting the business performance addition in accordance with the consolidated ordinary profit or loss of the Company, within the range approved by resolution of the shareholders' meetings.

  Compensation for part-time directors with supervisory functions shall consist only of basic compensation, given their duties.

- Policy on determination of the details and amount of performance-based compensation or the calculation method thereof

  Consolidated ordinary profit or loss for each fiscal year is used as financial data related to performance-based compensation, which is the profit earned from the entire business including the core business, and represents an assessment of the performance of the enterprise as a whole.

  The business performance addition rate by which the basic compensation is multiplied shall be calculated with the following formula:

  Business performance addition rate = Amount of consolidated ordinary profit / Amount of consolidated ordinary profit of target business performance addition × Index

- Policy on determination of the ratio of the amount of monetary compensation or performance-based compensation to the amount of each director's compensation

  The ratio of the amount of basic compensation and performance-based compensation to the amount of each director's compensation shall change depending on the business performance addition rate by which the basic compensation is multiplied.

- Matters concerning the determination on the details of compensation for each director

  Following the establishment of an upper limit on the compensation for directors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for directors is left to the discretion of the President in accordance with internal regulations on directors' annual income of the Company, by resolution of the Board of Directors. Specifically, the President assesses the performance of each director (excluding part-time directors) and, based on the assessment, decides on the allocation of compensation for the directors at his discretion.

  In order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation of directors and auditors, a voluntary advisory committee (Officer Compensation Advisory Meeting) shall be established. The advisory committee meetings are held regularly (once a year in principle) or when required. The advisory committee meetings shall be chaired by the President and shall comprise outside directors and outside auditors appointed by the President. At Officer Appointment Advisory Meetings, matters relating to the basic policy on compensation for directors and auditors shall be deliberated and reported to the Board of Directors.

3) Reason why the Board of Directors determined that the details of compensation for each director for the current fiscal year comply with the Policy on Determination of Directors' Compensation

At the Officer Compensation Advisory Meeting held on May 24, 2021, the members deliberated the compliance of the details of compensation for each director for the current fiscal year with the Policy on Determination of Directors' Compensation, and reported to the Board of Directors. Respecting the report, the Board of Directors determined at its meeting held on May 24, 2021 that the details of the compensation comply with the Policy on Determination of Directors' Compensation.

b. Policy concerning the decision on the amounts of compensations paid to auditors and calculation method

Not applicable. (Following the establishment of an upper limit on the compensation for auditors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for auditors is left to the discretion of full-time auditors in accordance with internal regulations on auditors' annual income of the Company, by deliberation of the auditors.)

c. Resolution of the General Meeting of Shareholders concerning compensation for directors and auditors

1) Compensation for directors

Date of resolution: Annual Shareholders' Meeting for the 128th fiscal year held on June 27, 2019

Details of resolution: No more than ¥385 million annually (of which the amount for outside directors is no more than ¥32 million annually, excluding the employee portion of salaries of employees concurrently serving as directors)

Number of officers: 10 (2 of whom are outside directors)

2) Compensation for auditors

Date of resolution: Annual Shareholders' Meeting for the 128th fiscal year held on June 27, 2019

Details of resolution: No more than ¥94 million annually

Number of officers: 4

d. Decision-making authority for policy on determination of the amount of compensation for directors and auditors and the method of calculation of such amount

1) Compensation for directors

Following the establishment of an upper limit on the compensation for directors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for directors is left to the discretion of the President in accordance with internal regulations on directors' annual income of the Company, by resolution of the Board of Directors.

For the current fiscal year, matters relating to the basic policy on compensation for directors and auditors were deliberated at the Officer Compensation Advisory Meeting held on May 22, 2020 and reported to the Board of Directors. At the Board of Directors meeting held on June 26, 2020, it was resolved that the specific allocation of the compensation for directors would be left to the discretion of President Kazuhiro Egawa in accordance with internal regulations on directors' annual income of the Company. Specifically, the President assesses the performance of each director (excluding part-time directors) and, based on the assessment, decides on the allocation of compensation for the directors at his discretion. The reason why it was resolved to leave the matter to the discretion of the President is that the President is the most appropriate person to assess the performance of each director (excluding part-time directors) while taking into account the business performance of the Company as a whole.

In order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation of directors and auditors, a voluntary advisory committee (Officer Compensation Advisory Meeting) has been established. The advisory committee meetings are held regularly (once a year in principle) or when required. The advisory committee meetings are chaired by the President and comprise outside directors and outside auditors appointed by the President. At Officer Appointment Advisory Meetings, matters relating to the basic policy on compensation for directors and auditors are deliberated and reported to the Board of Directors.

2) Compensation for auditors

Following the establishment of an upper limit on the compensation for auditors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for auditors is left to the discretion of full-time auditors in accordance with internal regulations on auditors' annual income of the Company, by deliberation of the auditors.

e. Policy on determination of the amount of compensation for directors and auditors and the method of calculation of such amount by position

Not applicable.

f. Overview of procedures for Officer Compensation Advisory Meeting

In order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation of directors and auditors, a voluntary advisory committee (Officer Compensation Advisory Meeting) has been established. The advisory committee meetings are held regularly (once a year in principle) or when required. The advisory committee meetings are chaired by the President and comprise outside directors and outside auditors appointed by the President. At Officer Compensation Advisory Meetings, matters relating to the basic policy on compensation for directors and auditors are deliberated and reported to the Board of Directors.

g. Details of activities of the Board of Directors and Officer Compensation Advisory Meeting during the process of determining the amount of compensation for directors and auditors

The Officer Compensation Advisory Meeting (Chairperson: President Kazuhiro Egawa, Members: outside directors Kenichi Fujinaga and Yuji Tanaka, outside auditors Yuji Hiya and Morio Matsunaga) was held in May 22, 2020 to deliberate on matters relating to the basic policy on compensation for directors and auditors and report them to the Board of Directors. At the Board of Directors meeting held in June 26, 2020, it was resolved that the specific allocation of the compensation for directors would be left to the discretion of President Kazuhiro Egawa in accordance with internal regulations on directors' annual income of the Company.

h. Policy on the determination of the payment ratio of performance-based compensation and compensation other than performance-based compensation

The ratio of the amount of basic compensation and performance-based compensation to the amount of each director's compensation shall change depending on the business performance addition rate by which the basic compensation is multiplied.

The determination of compensation for the auditors is made in the same manner.

i. Financial data related to performance-based compensation

1) Financial data

Consolidated ordinary profit or loss for each fiscal year

2) Reason for selecting the financial data

We have selected consolidated ordinary profit or loss, which is the profit earned from the entire business including the core business, and represents an assessment of the performance of the enterprise as a whole.

3) Method of determination of the amount of performance-based compensation

The business performance addition rate by which the basic compensation is multiplied shall be calculated with the following formula:

Business performance addition rate = Amount of consolidated ordinary profit / Amount of consolidated ordinary profit of target business performance addition × Index

j. Target and result of financial data related to performance-based compensation during the current fiscal year

1) Target

Consolidated ordinary profit for the 130th fiscal year: ¥4,000 million (initial forecast announced on July 31, 2020)

2) Result

Consolidated ordinary profit for the 130th fiscal year: ¥6,361 million

2) Total amount of compensation of the Filing Company by category of officer and type of compensation, and the number of paid officers

Category of officer	Total amount (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of officers (Persons)
		Fixed compensation	Performance-based compensation	Retirement benefits	
Directors (excluding outside directors)	207	152	53	1	7
Auditors (excluding outside Company auditors)	30	23	6	－	1
Outside directors and outside auditors	41	41	－	－	5

(Note) In the fiscal year ended March 31, 2021, no non-monetary compensation was paid.

3) Total amount of consolidated compensations by officer

Statement is omitted as none of officers of the Filing Company received aggregated consolidated compensations of ¥100 million or more.

4) Significant matters regarding the employee portion of salaries of employees concurrently serving as officers

Not applicable.

(5) Status of securities held by the Company

1) Criteria for and approach to classification of investment securities

Regarding the classification of investment securities held for pure investment purposes and investment securities held for purposes other than pure investment, the Company classifies securities held solely for the purpose of gaining profit from fluctuations in the value of securities or from dividends associated with securities as investment securities for pure investment purposes, and other securities as investment securities for purposes other than pure investment.

2) Individual investment securities held for purposes other than pure investment

a. Method of verification of policy on shareholding and the rationale of shareholding as well as the details of verification of whether holding individual stock names is appropriate at meetings such as meetings of the Board of Directors

1) Shareholding policy

The Company may acquire and hold securities (cross-shareholdings) of business partners (investment targets) if the Company judges that such acquisition contributes to the enhancement of the Group’s medium- to long-term corporate value, from the perspective of building stable, long-term business relationships with business partners, forming business partnerships, and facilitating or reinforcing cooperative business development. Cross-shareholdings that do not conform to such criteria shall be reduced.

2) Method of verifying rationale of shareholding

With respect to individual cross-shareholdings (specified investment securities whose statement is required by the Annual Securities Report and deemed shareholdings), the Company has established assessment criteria based on i. whether or not individual cross-shareholdings would contribute to the enhancement of the Group’s medium- to long-term corporate value, ii. whether or not major scandals have been identified at the investment target, iii. whether or not major changes have taken place in business relationships between the investment target and the Group (those that would adversely affect the Group), iv. whether or not the investment target would continue not to pay dividends, v. the investment target’s profit/loss situation, and vi. the investment target’s equity ratio. At the meetings of the Board of Directors held each May, the appropriateness of holding such shares is verified.

3) Details of verification of whether or not holding of individual stock names is appropriate at meetings such as meetings of the Board of Directors

At the meeting of the Board of Directors held on May 24, 2021, verification was conducted on the cross-shareholdings of the Company as of March 31, 2021. As a result, a portion of shares whose purpose of holding was diluted was judged “inappropriate for holding” and the termination and sale of such holding would be considered. Other shares were deemed “appropriate for holding” and holding such shares would continue.

b. Number of shares names and amount stated on balance sheet

	Number of shares (Shares)	Amount stated on balance sheet (Millions of yen)
Unlisted shares	26	76
Shares other than unlisted shares	16	4,145

(Share names for which the number of shares increased during the current fiscal year)

	Number of shares (Shares)	Amount of purchase price relating to the increase in number of shares (Millions of yen)	Reason for increase in the number of shares
Unlisted shares	1	14	Purchase for facilitation of operations
Shares other than unlisted shares	4	41	Purchase through business partner’s shareholding association.

(Share names for which the number of shares decreased during the current fiscal year)

	Number of shares (Shares)	Amount of sales price relating to the decrease in number of shares (Millions of yen)
Unlisted shares	1	58
Shares other than unlisted shares	1	280

c. Information concerning number of shares of specified investment securities and deemed shareholdings by stock name and amount stated on balance sheet, etc.

Specified investment securities

Stock name	Current fiscal year Number of shares (Shares) Amount stated on balance sheet (Millions of yen)	Previous fiscal year Number of shares (Shares) Amount stated on balance sheet (Millions of yen)	Purpose of holding, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
YASKAWA Electric Corporation	500,000 2,755	500,000 1,488	To maintain and develop good relationships with the Company	Yes
Mizuho Financial Group, Inc.	224,418 358	2,244,181 277	To facilitate operations related to capital and finance	No
Sumitomo Mitsui Financial Group, Inc.	78,875 316	78,875 206	To facilitate operations related to capital and finance	No
Mitsubishi UFJ Financial Group, Inc.	431,480 255	431,480 173	To facilitate operations related to capital and finance	No (Note) 5
Sumitomo Mitsui Trust Holdings, Inc.	35,527 137	35,527 110	To facilitate operations related to capital and finance	No (Note) 6
Topy Industries, Ltd.	44,200 61	44,200 60	To facilitate operations related to products and services	Yes
Daido Steel Co., Ltd.	11,233 57	10,569 36	To facilitate operations related to products and services Increase due to purchase through business partner's shareholding association	No
Chubu Steel Plate Co., Ltd.	67,020 54	65,754 40	To facilitate operations related to products and services Increase due to purchase through business partner's shareholding association	No
Kobe Steel, Ltd.	63,700 47	63,700 21	To facilitate operations related to products and services	No
AICHI STEEL CORPORATION	7,042 26	6,560 20	To facilitate operations related to products and services Increase due to purchase through business partner's shareholding association	No
Murata Manufacturing Co., Ltd.	2,400 21	2,400 13	To facilitate operations related to products and services	No

Stock name	Current fiscal year Number of shares (Shares) Amount stated on balance sheet (Millions of yen)	Previous fiscal year Number of shares (Shares) Amount stated on balance sheet (Millions of yen)	Purpose of holding, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
OSAKA STEEL CO., LTD.	13,400	13,400	To facilitate operations related to products and services	No
	19	15		
GODO STEEL, Ltd.	7,500	7,500	To facilitate operations related to products and services	No
	16	15		
MITSUBISHI STEEL MFG. CO., LTD.	9,500	9,500	To facilitate operations related to products and services	No
	8	7		
Nippon Yakin Kogyo Co., Ltd.	3,352	3,221	To facilitate operations related to products and services Increase due to purchase through business partner's shareholding association	No
	6	5		
NAKAYAMA STEEL WORKS, LTD.	10,000	10,000	To facilitate operations related to products and services	No
	4	4		
TOHO GAS Co., Ltd.	―	57,953	To maintain and develop good relationships with the Company	Yes
	―	283		

(Notes) 1. "―" denotes that such stock names are not held.
2. The first 7 stock names each contribute to over 1% of the equity of the Company as stated on the balance sheets.
3. Specified investment securities and deemed shareholdings are excluded when determining the stock names of the Company's major stockholdings stated on the balance sheet.
4. It is difficult to state the quantitative effect of holding securities. The rationale of holding is verified as stated in "2) Individual investment securities held for purposes other than pure investment," "a. Method of verification of policy on shareholding and the rationale of shareholding as well as the details of verification of whether holding individual stock names is appropriate at meetings such as meetings of the Board of Directors" of (5) Status of securities held by the Company.
5. Although Mitsubishi UFJ Financial Group, Inc. does not hold shares of the Company, its subsidiaries, MUFG Bank, Ltd. and Mitsubishi UFJ Trust and Banking Corporation, hold shares of the Company.
6. Although Sumitomo Mitsui Trust Holdings, Inc. does not hold shares of the Company, its subsidiary, Sumitomo Mitsui Trust Bank, Limited, holds shares of the Company.

Deemed shareholdings

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding (Note) 2 and reason for increase in number of shares	Whether or not the Company's shares are held
	Number of shares (Shares)	Number of shares (Shares)		
	Amount stated on balance sheet (Millions of yen)	Amount stated on balance sheet (Millions of yen)		
Fukuoka Financial Group, Inc.	450,600	450,600	The shares held to facilitate operations related to capital and finance are contributed to retirement benefit trust (the Company has the right to exercise voting rights)	No (Note) 3
	945	644		
Daido Steel Co., Ltd.	33,600	33,600	The shares held to facilitate operations related to products and services are contributed to retirement benefit trust (the Company has the right to exercise voting rights)	No
	171	116		
JFE Holdings, Inc.	164,000	164,000	The shares held to facilitate operations related to products and services are contributed to retirement benefit trust (the Company has the right to exercise voting rights)	No
	223	115		

(Notes) 1. Specified investment securities and deemed shareholdings are excluded when determining the stock names of the Company's major stockholdings stated on the balance sheet.

2. It is difficult to state the quantitative effect of holding securities. The rationale of holding is verified as stated in "2) Individual investment securities held for purposes other than pure investment," "a. Method of verification of policy on shareholding and the rationale of shareholding as well as the details of verification of whether holding individual stock names is appropriate at meetings such as meetings of the Board of Directors" of (5) Status of securities held by the Company.

3. Although Fukuoka Financial Group, Inc. does not hold shares of the Company, its subsidiary, The Bank of Fukuoka, Ltd., holds shares of the Company.

3) Investment securities for pure investment purposes

Not applicable.

4) Securities for which the purpose of holding investment securities was changed from pure investment to a purpose other than pure investment

Not applicable.

5) Securities for which the purpose of holding investment securities was changed from a purpose other than pure investment to pure investment

Not applicable.

V. Financial Information

1. Preparation method of the consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with the “Ordinance on the Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the “Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements” (Ordinance of the Ministry of Finance No. 59 of 1963, hereinafter “the Ordinance for Non-Consolidated Financial Statements”).

The Company falls under the category of specially provided financial statement-submitting company, and prepares its non-consolidated financial statements in accordance to Article 127 of the Ordinance for Non-Consolidated Financial Statements.

2. Audit certification

Pursuant to the first paragraph of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements and non-consolidated financial statements for the fiscal year (from April 1, 2020 to March 31, 2021) were audited by KPMG AZSA LLC.

3. Specific efforts to secure the appropriateness of the consolidated financial statements, etc.

As specific efforts to secure the appropriateness of the consolidated financial statements, etc., the Company holds membership in the Financial Accounting Standards Foundation and attends seminars provided by audit corporations, etc., to ensure the correct understanding of the corporate accounting standards.

1. Consolidated Financial Statements, etc.
(1) Consolidated Financial Statements
1) Consolidated Balance Sheet

(Millions of yen)

		Previous fiscal year (As of March 31, 2020)		Current fiscal year (As of March 31, 2021)
Assets				
Current assets				
Cash and deposits		3,787		5,301
Notes and accounts receivable - trade		47,539		43,293
Merchandise and finished goods		12,750		11,490
Work in process	*3	3,520	*3	3,197
Raw materials and supplies		9,920		9,868
Other		3,579		6,634
Allowance for doubtful accounts		(310)		(291)
Total current assets		80,788		79,496
Non-current assets				
Property, plant and equipment				
Buildings and structures		41,693		42,499
Accumulated depreciation		(28,956)		(29,564)
Buildings and structures, net		12,737		12,935
Machinery, equipment and vehicles		64,208		67,338
Accumulated depreciation		(54,316)		(55,122)
Machinery, equipment and vehicles, net		9,892		12,215
Tools, furniture and fixtures		4,627		4,944
Accumulated depreciation		(3,754)		(3,881)
Tools, furniture and fixtures, net		872		1,063
Land		6,810		6,732
Construction in progress		2,842		2,422
Total property, plant and equipment		33,155		35,369
Intangible assets				
Goodwill		4,784		4,493
Other		523		485
Total intangible assets		5,308		4,978
Investments and other assets				
Investment securities	*1	5,122	*1	6,563
Retirement benefit asset		770		2,071
Deferred tax assets		437		473
Other	*1	1,531	*1	1,586
Allowance for doubtful accounts		(171)		(184)
Total investments and other assets		7,690		10,510
Total non-current assets		46,154		50,858
Total assets		126,942		130,354

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)		Current fiscal year (As of March 31, 2021)	
Liabilities				
Current liabilities				
Notes and accounts payable - trade		13,579		13,394
Electronically recorded obligations - operating		6,025		5,240
Short-term borrowings		6,805		9,685
Commercial papers		9,000		7,000
Income taxes payable		504		1,214
Provision for bonuses		2,752		2,167
Provision for loss on construction contracts	*3	81	*3	82
Provision for environmental measures		68		58
Asset retirement obligations		－		160
Other		7,280		6,168
Total current liabilities		46,099		45,172
Non-current liabilities				
Long-term borrowings		18,914		16,098
Deferred tax liabilities		56		1,122
Provision for retirement benefits for directors (and other officers)		560		488
Provision for product warranties		1		－
Retirement benefit liability		589		697
Asset retirement obligations		25		25
Other		3,464		3,460
Total non-current liabilities		23,610		21,893
Total liabilities		69,709		67,065
Net assets				
Shareholders' equity				
Share capital		5,537		5,537
Capital surplus		2,000		2,000
Retained earnings		50,794		53,781
Treasury shares		(1,641)		(1,644)
Total shareholders' equity		56,691		59,675
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		1,041		2,052
Deferred gains or losses on hedges		0		4
Foreign currency translation adjustment		(3,052)		(2,313)
Remeasurements of defined benefit plans		(458)		668
Total accumulated other comprehensive income		(2,469)		412
Non-controlling interests		3,010		3,201
Total net assets		57,233		63,288
Total liabilities and net assets		126,942		130,354

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

		Previous fiscal year (From April 1, 2019 to March 31, 2020)		Current fiscal year (From April 1, 2020 to March 31, 2021)
Net sales		137,395		113,661
Cost of sales	*7, *8	110,920	*7, *8	93,105
Gross profit		26,475		20,556
Selling, general and administrative expenses	*1, *5	17,088	*1, *5	15,606
Operating profit		9,387		4,949
Non-operating income				
Interest income		28		31
Dividend income		167		108
Share of profit of entities accounted for using equity method		466		465
Foreign exchange gains		195		287
Subsidy income		－		744
Other		317		373
Total non-operating income		1,174		2,009
Non-operating expenses				
Interest expenses		356		242
Loss on removal of non-current assets		134		96
Repair and maintenance		67		72
Other		239		185
Total non-operating expenses		797		596
Ordinary profit		9,764		6,361
Extraordinary income				
Gain on sale of non-current assets	*2	100	*2	205
Gain on sale of investment securities		123		203
Gain on reversal of foreign currency translation adjustment		25		－
Gain on sale of shares of subsidiaries and associates		－		119
Other		0		－
Total extraordinary income		249		528
Extraordinary losses				
Loss on sale of non-current assets	*3	0	*3	7
Loss on retirement of non-current assets	*4	93	*4	72
Loss on sale of shares of subsidiaries and associates		10		－
Loss on valuation of investments in capital of subsidiaries and associates		118		－
Impairment losses		－	*6	162
Environmental expenses	*9	299	*9	41
Loss on disaster		－	*10	39
Other		4		26
Total extraordinary losses		526		351
Profit before income taxes		9,487		6,539
Income taxes - current		2,221		1,866
Income taxes - deferred		359		56
Total income taxes		2,580		1,923
Profit		6,907		4,616
Profit attributable to non-controlling interests		462		281
Profit attributable to owners of parent		6,444		4,334

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Profit	6,907	4,616
Other comprehensive income		
Valuation difference on available-for-sale securities	(557)	1,012
Deferred gains or losses on hedges	(15)	4
Foreign currency translation adjustment	(1,657)	753
Remeasurements of defined benefit plans, net of tax	(736)	1,127
Share of other comprehensive income of entities accounted for using equity method	(143)	66
Total other comprehensive income	*1 (3,110)	*1 2,963
Comprehensive income	3,796	7,579
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,592	7,216
Comprehensive income attributable to non-controlling interests	203	363

3) Consolidated Statements of Changes in Net Assets

For the previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,537	2,000	46,771	(1,633)	52,676
Changes during period					
Dividends of surplus			(2,358)		(2,358)
Profit attributable to owners of parent			6,444		6,444
Purchase of treasury shares				(7)	(7)
Other			(63)		(63)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	4,022	(7)	4,015
Balance at end of period	5,537	2,000	50,794	(1,641)	56,691

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,598	15	(1,508)	277	383	3,176	56,236
Changes during period							
Dividends of surplus							(2,358)
Profit attributable to owners of parent							6,444
Purchase of treasury shares							(7)
Other							(63)
Net changes in items other than shareholders' equity	(556)	(15)	(1,544)	(736)	(2,852)	(165)	(3,018)
Total changes during period	(556)	(15)	(1,544)	(736)	(2,852)	(165)	997
Balance at end of period	1,041	0	(3,052)	(458)	(2,469)	3,010	57,233

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,537	2,000	50,794	(1,641)	56,691
Changes during period					
Dividends of surplus			(1,347)		(1,347)
Profit attributable to owners of parent			4,334		4,334
Purchase of treasury shares				(3)	(3)
Other					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,987	(3)	2,983
Balance at end of period	5,537	2,000	53,781	(1,644)	59,675

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,041	0	(3,052)	(458)	(2,469)	3,010	57,233
Changes during period							
Dividends of surplus							(1,347)
Profit attributable to owners of parent							4,334
Purchase of treasury shares							(3)
Other							–
Net changes in items other than shareholders' equity	1,010	4	738	1,127	2,881	190	3,071
Total changes during period	1,010	4	738	1,127	2,881	190	6,055
Balance at end of period	2,052	4	(2,313)	668	412	3,201	63,288

4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	9,487	6,539
Depreciation	3,158	2,814
Impairment losses	－	162
Amortization of goodwill	488	459
Increase (decrease) in allowance for doubtful accounts	(2)	(18)
Increase (decrease) in provision for bonuses	5	(588)
Increase (decrease) in provision for environmental measures	(945)	(9)
Increase (decrease) in retirement benefit liability	(0)	99
Increase (decrease) in other provisions	(146)	(75)
Interest and dividend income	(196)	(139)
Interest expenses	356	242
Foreign exchange losses (gains)	(53)	32
Share of loss (profit) of entities accounted for using equity method	(466)	(465)
Loss (gain) on sale of non-current assets	(99)	(198)
Loss on retirement of non-current assets	93	72
Loss (gain) on sale of investment securities	(123)	(203)
Loss (gain) on sale of shares of subsidiaries and associates	10	(119)
Loss (gain) on valuation of investments in capital of subsidiaries and associates	118	－
Decrease (increase) in trade receivables	5,188	4,519
Decrease (increase) in inventories	106	1,989
Increase (decrease) in trade payables	(3,771)	(876)
Other, net	193	(3,796)
Subtotal	13,401	10,441
Interest and dividends received	759	566
Interest paid	(348)	(242)
Income taxes paid	(4,744)	(684)
Net cash provided by (used in) operating activities	9,068	10,080

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020		Current fiscal year (From April 1, 2020 to March 31, 2021)	
Cash flows from investing activities				
Purchase of non-current assets		(7,376)		(5,779)
Proceeds from sale of non-current assets		147		364
Payments for retirement of non-current assets		(235)		(137)
Payments into time deposits		(0)		–
Proceeds from withdrawal of time deposits		–		2
Proceeds from sale of investment securities		342		338
Proceeds from sales of investments in capital of subsidiaries and associates		0		76
Proceeds from sale of shares of subsidiaries and associates		71		135
Loan advances		(2)		(0)
Proceeds from collection of loans receivable		17		20
Other, net		(8)		33
Net cash provided by (used in) investing activities		(7,044)		(4,946)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings		(5,997)		(195)
Increase (decrease) in commercial papers		2,000		(2,000)
Proceeds from long-term borrowings		9,851		2,687
Repayments of long-term borrowings		(6,600)		(2,592)
Purchase of treasury shares		(7)		(3)
Dividends paid		(2,355)		(1,347)
Dividends paid to non-controlling interests		(125)		(172)
Liquidation dividends paid to non-controlling interests		(226)		–
Other, net		(13)		15
Net cash provided by (used in) financing activities		(3,475)		(3,608)
Effect of exchange rate change on cash and cash equivalents		(140)		(9)
Net increase (decrease) in cash and cash equivalents		(1,590)		1,516
Cash and cash equivalents at beginning of period		5,376		3,785
Cash and cash equivalents at end of period	*1	3,785	*1	5,301

[Notes]

(Significant matters providing the basis for the preparation of consolidated financial statements)

1. The scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of major consolidated subsidiaries:

The names of the consolidated subsidiaries are omitted because they are shown in “4. Information on Subsidiaries and Associates” under “I. Overview of the Company.”

(2) Names of major non-consolidated subsidiaries

Wuxi Krosaki Machinery Co. Ltd., Refractaria Technologies S.L.

Of these, Refractaria Technologies S.L. is included in non-consolidated subsidiaries because it started its business activities in the current fiscal year.

Reason for exclusion from the scope of consolidation:

The two non-consolidated subsidiaries are small-scale companies, and their respective total assets, net sales, profit or loss and retained earnings (corresponding to equity held), etc. do not have a material effect in the consolidated financial statements.

2. Application of the equity-method

(1) Number of non-consolidated subsidiaries accounted for using equity method: 0

(2) Number of associates accounted for using equity method: 3

Names of major companies, etc.

Shin-Nippon Thermal Ceramics Corporation, YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD., IFGL Refractories Limited

(3) Names of major companies, etc. which are non-consolidated subsidiaries or associates excluded from the scope of equity-method

Wuxi Krosaki Machinery Co. Ltd.

Reason for exclusion from the scope of equity-method:

The company is excluded from the scope of equity-method since the influence on the consolidated financial statements when excluded is negligible in terms of profit or loss and retained earnings (corresponding to equity held) and it does not hold overall significance.

3. Accounting period of consolidated subsidiaries

Fiscal year of the following consolidated subsidiaries ends on December 31:

Krosaki Amr Refractarios, S. A.
Wuxi Krosaki Sujia Refractories Co., Ltd.
Krosaki USA Inc.
Krosaki Harima (Shanghai) Enterprise Management Co., Ltd.
Krosakiharima Europe B. V.
TRL KROSAKI CHINA LIMITED
Refractaria, S. A.

Consolidated financial statements hereof are prepared by using financial statements as of the abovementioned settlement date and important matters that occurred between the settlement date and the consolidated settlement date are subject to the adjustment necessary for consolidation.

4. Significant accounting policies

(1) Evaluation standards and methods for significant assets

1) Marketable and investment securities

Available-for-sale securities:

Available-for-sale securities with fair market value:

Stated at fair market value based on the quoted market price at the fiscal year-end (Any valuation difference is accounted for directly as a component of net assets and the cost of sold securities are computed by the moving-average method).

Available-for-sale securities without fair market value:

Stated at cost determined by the moving-average method.

2) Receivables and payables from derivatives

Fair value method.

3) Inventories

Stated at cost determined by the moving-average method (designed to reduce book value according to decreased profitability of assets).

However, partly-completed work and uncompleted construction contracts are stated at cost determined by the specific identification method (This method is designed to reduce book value according to decreased profitability of assets).

(2) Depreciation methods for significant assets

1) Property, plant and equipment

a) The Company and its domestic consolidated subsidiaries

Straight-line method.

The Company and its domestic consolidated subsidiaries use useful lives stipulated in the Corporation Tax Act in principle. Internally prescribed useful lives are partially applied for machinery, equipment and vehicles and the buildings and structures relating to shopping centers in the Real Estate business. Such assets include tunnel kilns (9 years), machinery and equipment (9 years), and buildings and structures relating to shopping centers in the Real Estate business (lease contract terms).

b) Overseas consolidated subsidiaries

Straight-line method.

2) Intangible assets

a) The Company and its domestic consolidated subsidiaries

Straight-line method.

Software for internal use is amortized over an estimated useful life of 5 years.

b) Overseas consolidated subsidiaries

Straight-line method.

3) Long-term prepaid expenses

Straight-line method.

(3) Accounting policies for significant allowances and provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on the collection of accounts, loans and other receivables. The amount of the allowance is computed based on the past rate of actual losses, and the estimated irrecoverable portion of specific doubtful receivables.

2) Provision for bonuses

Provision for bonuses is computed based on expected amount to prepare for bonuses of employees.

3) Provision for loss on construction contracts

To provide for future losses on construction contracts, an accrual is provided based on the estimated losses on undelivered construction contracts.

4) Provision for environmental measures

Provision for environmental measures is provided to cover expenses for environmental measures expected to be incurred in the future.

5) Provision for retirement benefits for directors (and other officers)

Provision for retirement benefits for directors (and other officers) is prepared at an amount to be required at the end of the fiscal year according to internal regulations.

Several overseas consolidated subsidiaries provide retirement benefits for directors (and other officers) as well.

At the meeting of its Board of Directors held on May 22, 2019, the Company resolved to abolish the system of retirement benefits for officers applicable to directors and auditors upon the conclusion of the Annual Shareholders' Meeting held on June 27, 2019. Accordingly, at the same Annual Shareholders' Meeting, shareholders approved the following: to pay the directors and auditors retirement benefits as final payments within an amount commensurate with their term of office until the conclusion of the Annual Shareholders' Meeting in accordance with the Company's internal standards; to make the final payment upon the retirement of each director and auditor; and to leave the decisions on the specific amounts and the methods of payment to the discretion of the Board of Directors regarding the payment to the directors and to the deliberation among the auditors regarding the payment to the auditors. As a result, the Company continues to report a provision for retirement benefits for directors (and other officers), including the estimated amount of these payments.

6) Provision for product warranties

Provision for product warranties is provided to cover the cost of quality assurance of the ceramic exterior wall materials that is a product of the former Construction Materials business at an amount estimated based on past experience and other factors.

(4) Accounting method relating to retirement benefits

1) Periodic allocation of expected retirement benefits

In calculating projected benefit obligations, the attribution on a benefit formula basis is applied for allocation of expected retirement benefits to periods until the end of the current fiscal year.

2) Amortization of actuarial differences and past service costs

Past service costs are amortized by the straight-line method over a period within the remaining average servicing years of the employee (principally 10 years), beginning from the fiscal year of occurrence.

Actuarial differences are amortized by the straight-line method over a period within the remaining average servicing years of the employee (principally 10 years), beginning from the fiscal year following the time of occurrence.

3) The use of the simplified valuation method in small-scale companies, etc.

Several consolidated subsidiaries use the simplified valuation method when calculating net defined benefit liability and retirement benefit costs, whereby the amount payable assuming all employees resigned at the end of the fiscal year is recognized as projected benefit obligations.

(5) Accounting policies for significant revenue and expenses

Accounting for revenue on completed construction contracts

The percentage-of-completion method is applied if the outcome of the construction activity is deemed certain during the course of the activity up to the end of the current fiscal year. (The percentage of completion is estimated based on the proportion of costs incurred to the estimated total costs.) Otherwise, the completed-contract method is applied.

(6) Standards for translation of significant foreign currency-denominated assets and liabilities into Japanese yen

Monetary payables and receivables denominated in foreign currencies are translated into Japanese yen at the spot rate prevailing on the consolidated settlement date. Differences arising from such translations are accounted for as profit or loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen based on the spot rate prevailing on the consolidated settlement date, while their revenues and expenses are translated into Japanese yen based on the average exchange rate during the fiscal year. Differences arising from such translations are included in both “Foreign currency translation adjustment” and “Non-controlling interests” in the net assets section of the balance sheet.

(7) Significant hedge accounting methods

1) Hedge accounting method

The Companies adopt the deferred hedge accounting method.

For currency swap contracts whose amounts, currency and period meet the conditions of hedged items, the “assigning” method is adopted. In addition, for interest swaps whose amounts, index and period meet the conditions for hedged items, the “exceptional” method is adopted.

2) Hedging instruments and hedged items

Hedging instruments:

Forward foreign exchange contracts, interest rate swap contracts, currency swap contracts

Hedged items:

Foreign currencies forecasted transactions, foreign currencies receivables or payables, borrowings

3) Hedging policy

Forward foreign exchange contracts are used to hedge foreign exchange rates risks within the range of actual demand and not for dealing aimed at attaining earnings. Interest rate swap contracts and currency swap contracts are used to hedge the Group’s exposure to the risk of fluctuations in interest rates or currency.

4) Method for evaluating hedging effectiveness

The effectiveness of hedging is assessed by confirming a high level of correlation between the accumulated total of market fluctuations or cash flows of hedged items and that of hedging instruments. However, assessments on effectiveness are omitted for currency swaps using the “assigning” method and interest swaps using the “exceptional” method.

(8) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over an appropriate period of 5 to 20 years according to the respective investments.

(9) Cash and deposits in the consolidated statements of cash flows

Cash and deposits consist of cash on hand, demand deposits at banks and short-term high liquid investments with insignificant risks of change in value and with maturities not exceeding three months at the time of purchase.

(10) Accounting method for consumption taxes, etc.

The net of tax method is adopted for the Consumption Tax treatment.

(Significant accounting estimates)

Accounting estimates are reasonable estimates based on information available at the time of preparation of the consolidated financial statements. Of the amounts recorded in the consolidated financial statements for the current fiscal year that are based on accounting estimates, the following items have the risk of having a material impact on the consolidated financial statements for the following fiscal year.

Whether to recognize impairment losses of goodwill

(1) Amount recognized in the consolidated financial statements for the current fiscal year

Goodwill of ¥4,493 million on the consolidated balance sheet includes goodwill with a book value of ¥3,579 million recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED, a consolidated subsidiary engaged in refractory business in India. Since the amount allocated to goodwill out of the acquisition cost was relatively large, the asset group including the goodwill was reviewed for impairment in the current fiscal year. As a result, it was determined that the undiscounted future cash flows exceeded the carrying amount of the asset group including goodwill, and therefore no impairment loss was recognized.

(2) Other information that would help users of the consolidated financial statements understand the content of accounting estimates

For the asset group including goodwill, if there is an indication of impairment, undiscounted future cash flows are used to determine whether or not an impairment loss should be recognized. After an asset group is reviewed for recognizing an impairment loss, if it is determined that the recoverable amount is less than the carrying amount, the carrying amount is reduced to its recoverable amount and the amount of the reduction is recognized as an impairment loss.

The future cash flows of the asset group, including the goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED, were estimated based on the current conditions and medium-term management plan of TRL KROSAKI REFRACTORIES LIMITED, along with the future outlook beyond the medium-term management plan. The estimate incorporated the projected sales and profit of the company as key assumptions, which underlie its medium-term management plan and future outlook.

The realization of the above assumptions is subject to uncertainty, which may have a significant impact on the estimate of future cash flows.

(Changes in accounting policies)

(Changes in accounting policies which are not readily distinguishable from changes in accounting estimates)

The Company and its domestic consolidated subsidiaries were hitherto adopting the declining-balance method primarily for depreciating property, plant and equipment other than buildings and structures. As from the fiscal year ended March 31, 2021, however, the straight-line method has been adopted.

The Company has been actively committed to reinforcing its management foundations with a view to leaping onto higher stage as one of the world’s leading manufacturers of comprehensive refractories for the iron and steel industry, capable to offer refractory production and construction technologies in a consistent manner. In the process of this reinforcement, the Company had, in view of the increasing ratio of overseas production in line with our global business deployment, a review of the feasibility of changing the method for depreciating its property, plant and equipment, with a view to aligning with the accounting policies of NIPPON STEEL CORPORATION, the parent company, and reached the conclusion that allocating costs by applying the straight-line depreciation over the asset’s useful life should reasonably better reflect the actual status of business, because the property, plant and equipment held by the Company and its domestic consolidated subsidiaries can maintain relatively stable level of production operations for an extensive period of time, involving limited risk of technological obsolescence lately and at present.

Following the aforementioned change, operating profit, ordinary profit, and profit before income taxes for the fiscal year ended March 31, 2021 increased by ¥678 million, respectively, compared with the figures under the previously adopted method.

(Changes in accounting estimates)

The Company hitherto estimated the useful life of tunnel kilns at six years, which has been changed to nine years from the fiscal year ended March 31, 2021.

Following the change in method of depreciation, the Company reviewed the useful life of tunnel kilns and reached the conclusion that nine years should better reflect the status of their utilization.

Effects of this change on operating profit, ordinary profit, and profit before income taxes for the fiscal year ended March 31, 2021 were minimal.

(Unapplied accounting standards, etc.)

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

A comprehensive accounting standard on revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify the contract(s) with the customer
Step 2: Identify the performance obligation(s) in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligation in the contract
Step 5: Recognize revenue when (or as) the performance obligation is satisfied

(2) Scheduled date of application

The standard is scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the application of the standard, etc.

The impact is currently being considered as of the preparation of these consolidated financial statements.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to improve the comparability between the international accounting standards and Japanese accounting standards, ASBJ has developed "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter "Fair Value Measurement Accounting Standard, etc."), and has published guidance on the method of fair value measurement. The Fair Value Measurement Accounting Standard, etc. will be applied to the fair values of the following items:

- Financial instruments in the "Accounting Standard for Financial Instruments"

- Inventories held for trading purposes in the "Accounting Standard for Measurement of Inventories"

Furthermore, the "Guidance on Disclosures about Fair Value of Financial Instruments" has been revised to stipulate the presentation of notes disclosing a breakdown of financial instruments according to their fair value levels, among other requirements.

(2) Scheduled date of application

The standards are scheduled to be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the application of the standard, etc.

The impact is currently being considered as of the preparation of these consolidated financial statements.

(Changes in presentation method)

1. Consolidated Statements of Income

Repair and maintenance, which was included in "Other" under "Non-operating expenses" in the previous fiscal year, is now presented as a separate line item in the current fiscal year due to its increased importance. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥306 million presented as "Other" under "Non-operating expenses" in the consolidated statements of income for the previous fiscal year has been reclassified as "Repair and maintenance" of ¥67 million and "Other" of ¥239 million.

2. Changes due to the adoption of the "Accounting Standard for Disclosure of Accounting Estimates"

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) for the consolidated financial statements from the current fiscal year, and has included notes to significant accounting estimates in the consolidated financial statements.

However, the notes do not include the relevant information for the previous fiscal year, in accordance with the transitional treatment prescribed in the proviso to paragraph 11 of the said accounting standard.

(Additional information)

The Company has made valuation of goodwill and other accounting estimates on the assumption that the impact of COVID-19 will continue for a certain period in the fiscal year ending March 31, 2022. However, COVID-19's impact still largely remains uncertain and may also impact the financial position and operating results of the Group for the following fiscal year.

(Notes to Consolidated Balance Sheet)

*1. Amount of shares and equity of non-consolidated subsidiaries and associates included in investment securities is as follows.

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Investment securities	2,220	2,317
Other in "investments and other assets" (investments in capital)	911	867

*2. Contingent liabilities

(i) Guarantee obligation

(Millions of yen)

Previous fiscal year (As of March 31, 2020)		Current fiscal year (As of March 31, 2021)	
HIBIKINADA DEVELOPMENT CO., LTD. Borrowings from financial institution	4	HIBIKINADA DEVELOPMENT CO., LTD. Borrowings from financial institution	2
Employees Borrowings from financial institution for home loans	216	Employees Borrowings from financial institution for home loans	213

(ii) Retrospective obligations due to liquidation of claims

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Transfer balance of notes	290	161

*3. Presentation of inventories and provision for loss on construction contracts

Previous fiscal year (As of March 31, 2020)

Inventories and provision for loss on construction contracts related to contracts in which the Company is expecting a loss are listed in both assets and liabilities instead of offsetting such an amount.

An amount of ¥104 million is reserved for provision for loss on construction contracts within the amount of inventories related to contracts in which the Company is expecting a loss.

Current fiscal year (As of March 31, 2021)

Inventories and provision for loss on construction contracts related to contracts in which the Company is expecting a loss are listed in both assets and liabilities instead of offsetting such an amount.

An amount of ¥96 million is reserved for provision for loss on construction contracts within the amount of inventories related to contracts in which the Company is expecting a loss.

(Notes to Consolidated Statements of Income)

*1. Major components and amounts of selling, general and administrative expenses are as follows:

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Depreciation	286	271
Amortization of goodwill	488	459
Provision for bonuses	742	693
Retirement benefit costs	231	323
Provision for retirement benefits for directors (and other officers)	107	94
Shipment and haulage expenses	3,586	3,396
Directors' and auditors' compensations, salaries and allowances	4,161	3,960
Research and development costs	896	905
Provision of allowance for doubtful accounts	38	–

An amount of depreciation (¥103 million for the previous fiscal year, ¥61 million for the current fiscal year) is included in research and development costs.

*2. Gain on sale of non-current assets

Gain on sale of non-current assets for the previous fiscal year is primarily from the sale of land.

Gain on sale of non-current assets for the current fiscal year is primarily from the sale of land.

*3. Loss on sale of non-current assets

Loss on sale of non-current assets for the previous fiscal year is primarily from the sale of machinery, equipment and vehicles.

Loss on sale of non-current assets for the current fiscal year is primarily from the sale of buildings and structures.

*4. The following losses on retirement of non-current assets are recorded.

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Buildings and structures	16	5
Machinery, equipment and vehicles	8	21
Tools, furniture and fixtures	2	1
Construction in progress	–	2
Removing expenses	65	40

*5. Research and development costs included in general and administrative expenses are as follows.

(Millions of yen)

Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
896	905

*6. Impairment losses

The Group recorded impairment losses on the following asset.

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Location	Purpose	Type	Impairment loss
Tobata Ward, Kitakyushu City	Business facilities	Buildings, machinery and equipment (Mainly assets corresponding to asset retirement obligations)	162

In assessing impairment losses, the Group, in principle, groups its assets by business and by business location into units that generate cash flows independently.

In terms of business facilities in Tobata Ward, Kitakyushu City, the Group recorded an impairment loss of ¥162 million, the difference between their recoverable values and book value, as the facilities are no longer expected to be used in the future due to their aging.

Although recoverable values are calculated using the net realizable value, the Group recorded an impairment loss on the full amount of the book value, as the disposal by sale of the facilities is difficult.

*7. Book-value devaluation (reversal) due to decreased profitability of inventories held for the purpose of ordinary sales is as follows.

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Cost of sales	52	(46)

*8. Reserve for provision for loss on construction contracts included in cost of sales are as follows.

(Millions of yen)

Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
12	0

*9. Environmental expenses

Environmental expenses for the previous fiscal year is the expenditure for the disposal of polychlorinated biphenyl wastes, among others.

Environmental expenses for the current fiscal year is the expenditure for the disposal of polychlorinated biphenyl wastes, among others.

*10. Loss on disaster

Loss on disaster for the current fiscal year is the loss associated with a fire at the Company’s business facilities.

(Notes to Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustment and tax effect relating to other comprehensive income:

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Valuation difference on available-for-sale securities		
Gains (losses) arising during the year	(684)	1,648
Reclassification adjustments	(113)	(194)
Amount before income tax effect	(797)	1,454
Income tax effect	240	(441)
Valuation difference on available-for-sale securities	(557)	1,012
Deferred gains or losses on hedges		
Gains (losses) arising during the year	(48)	(6)
Reclassification adjustments	26	12
Amount before income tax effect	(22)	6
Income tax effect	6	(1)
Deferred gains or losses on hedges	(15)	4
Foreign currency translation adjustment		
Gains (losses) arising during the year	(1,631)	753
Reclassification adjustments	(25)	－
Foreign currency translation adjustment	(1,657)	753
Remeasurements of defined benefit plans, net of tax		
Gains (losses) arising during the year	(968)	1,467
Reclassification adjustments	(89)	157
Amount before income tax effect	(1,057)	1,624
Income tax effect	321	(497)
Remeasurements of defined benefit plans, net of tax	(736)	1,127
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) arising during the year	(143)	66
Share of other comprehensive income of entities accounted for using equity method	(143)	66
Total other comprehensive income	(3,110)	2,963

(Notes to Consolidated Statements of Changes in Net Assets, etc.)
For the previous fiscal year (from April 1, 2019 to March 31, 2020)

1. Matters related to issued shares

(Shares)

Class of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common share	9,114,528	–	–	9,114,528

(Major causes for changes)
Not applicable

2. Matters related to treasury shares

(Shares)

Class of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common share	689,573	1,270	–	690,843

(Major causes for changes)
Breakdown of increases is as follows.
Increase due to purchase of shares below one unit: 1,270 shares
Breakdown of decreases is as follows.
Not applicable

3. Matters related to subscription rights to shares, etc.
Not applicable

4. Matters related to dividends
(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 27, 2019	Common share	1,516	180.0	March 31, 2019	June 28, 2019
Board of Directors' Meeting at October 30, 2019	Common share	842	100.0	September 30, 2019	November 29, 2019

(2) Dividends whose record date fell in the fiscal year, but whose effective date comes after March 31, 2020

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 26, 2020	Common share	Retained earnings	1,010	120.0	March 31, 2020	June 29, 2020

For the current fiscal year (from April 1, 2020 to March 31, 2021)

1. Matters related to issued shares

(Shares)

Class of shares	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Common share	9,114,528	－	－	9,114,528

(Major causes for changes)

Not applicable

2. Matters related to treasury shares

(Shares)

Class of shares	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Common share	690,843	862	－	691,705

(Major causes for changes)

Breakdown of increases is as follows.

Increase due to purchase of shares below one unit: 862 shares

Breakdown of decreases is as follows.

Not applicable

3. Matters related to subscription rights to shares, etc.

Not applicable

4. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 26, 2020	Common share	1,010	120.0	March 31, 2020	June 29, 2020
Board of Directors' Meeting at October 30, 2020	Common share	336	40.0	September 30, 2020	November 26, 2020

(2) Dividends whose record date fell in the fiscal year, but whose effective date comes after March 31, 2021

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 29, 2021	Common share	Retained earnings	926	110.0	March 31, 2021	June 30, 2021

(Notes to Consolidated Statements of Cash Flows)

*1. Relationship between the fiscal-end balance of cash and cash equivalents and the amount of consolidated balance sheet items

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Cash and deposits	3,787	5,301
Time deposits of over three months	(2)	−
Cash and cash equivalents	3,785	5,301

(Notes to financial instruments)

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Group raises the necessary funds in accordance with its capital investment plan for mainly conducting the manufacture and sale of refractories chiefly through bank borrowings and the issuance of bonds. Short-term working funds are procured through bank borrowings and commercial papers. The Group utilizes derivative financial instruments to hedge the risks described below, instead of speculative transactions.

(2) Details of financial instruments used and the exposures to risks

Notes and accounts receivable-trade are exposed to the customer’s credit risk. Because of the global business, trade receivables denominated in foreign currency are exposed to the risk of exchange rate fluctuations, which, as a general rule, are constantly within the balance of trade payables denominated in the same currency. Investment securities mainly consist of the stocks relating to business or capital alliance relationships with business partners and are exposed to the risk of market price fluctuations.

Payment terms of notes and accounts payable-trade are one year or less. Some of them are denominated in foreign currencies as they relate to the import of materials and others, and are exposed to the risk of exchange rate fluctuations. The position netted of trade receivables are principally hedged using forward foreign exchange contracts. Borrowings and bonds are mainly intended to procure necessary funds for capital investment and the last maturity date of these debts is at the latest five years after the end of the fiscal year. In addition, floating rate bonds and borrowings are exposed to the risk of interest rate fluctuation, and foreign exchange loans are exposed to the risk of currency fluctuation.

As for derivative transactions, forward foreign exchange contracts are used to hedge the risk of exchange rate fluctuations mostly relating to trade receivables and payables denominated in foreign currencies, and interest rate swap contracts and currency swap contracts are used to hedge the risk of interest rate and currency fluctuation.

For hedging instruments, hedged items, hedge policies and assessment method for hedge effectiveness, please refer to “(7) Significant hedge accounting methods” under “Note 4. Significant accounting policies.”

(3) Risk management for financial instruments

1) Credit risk management

In order to evaluate at early stages and reduce potential credit risks due to the deterioration of business partners’ financial position, etc., pursuant to the Company’s credit management regulations, the Company manages customer’s credit risk on trade receivable and long-term loans receivable through the regular monitoring of payment term and balances of customers by each responsible business department. Consolidated subsidiaries also manage the credit risk according to the Company’s policies.

The Company enters into derivative trading contract only with highly rated financial institutions to reduce counterparty risk.

The maximum credit risk at the fiscal year-end is represented by the book value of the financial instrument exposed to credit risk on the consolidated balance sheets.

2) Market risk (risk of fluctuations in foreign currency exchange, interest, etc.) management

The Company and some of its consolidated subsidiaries use forward foreign exchange contracts in principle to hedge foreign currency exchange fluctuation risk concerning trade receivables and payables denominated in foreign currencies.

Forward foreign exchange contracts are used for foreign currency denominated trade receivables and payables that are deemed definite to occur due to forward contracts relating to exports and imports.

In addition, the Company uses interest rate swap contracts and currency swap contracts in order to hedge the risk of interest rate and currency fluctuation of borrowings.

Regarding investment securities, the Company identifies and monitors their fair market values and the financial position of the issuers on a regular basis and continuously reviews the appropriateness of holding such securities considering the relationship with the issuers.

Regarding forward foreign exchange contracts, the Company approves basic policies at a semiannual profit planning meeting in accordance with the Company’s financial transaction management regulations, which establishes authority for trading and limits of transactions. Regarding interest rate swaps and currency swaps, the Board of Directors approves them for each transaction. According to these policies, the Finance Division conducts these transactions, taking charge of book-keeping and performing direct confirmation of transaction balances with business partners. The results of such forward foreign exchange contracts are reported at the Management Council meetings.

3) Liquidity risk management relating to fund procurement (risk of default)

The Company manages its liquidity risk by its Finance Division preparing and updating financing plans on a timely basis according to reports from business departments.

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments as well as the differences between these values are described below. Financial instruments whose fair value appears to be extremely difficult to determine are not included in the table. (See Note 2)

For the previous fiscal year (as of March 31, 2020)

(Millions of yen)

	Carrying amount (*1)	Fair value (*1)	Valuation difference
(1) Cash and deposits	3,787	3,787	－
(2) Notes and accounts receivable - trade	47,539	47,539	－
(3) Investment securities			
Available-for-sale securities	2,795	2,795	－
(4) Notes and accounts payable - trade	(13,579)	(13,579)	－
(5) Electronically recorded obligations - operating	(6,025)	(6,025)	－
(6) Short-term borrowings	(4,205)	(4,205)	－
(7) Commercial papers	(9,000)	(9,000)	－
(8) Income taxes payable	(504)	(504)	－
(9) Long-term borrowings (*2)	(21,513)	(21,578)	(65)
(10) Derivatives (*3)	(4)	(4)	－

(*1) Figures shown in parentheses "( )" are liability items.

(*2) Long-term borrowings which turned into current portion recorded in short-term borrowings are stated as long-term borrowings in the above chart.

(*3) Receivables and payables arising from derivatives are presented in net. Net payables are presented in parentheses "( )."

For the current fiscal year (as of March 31, 2021)

(Millions of yen)

	Carrying amount (*1)	Fair value (*1)	Valuation difference
(1) Cash and deposits	5,301	5,301	―
(2) Notes and accounts receivable - trade	43,293	43,293	―
(3) Investment securities			
Available-for-sale securities	4,168	4,168	―
(4) Notes and accounts payable - trade	(13,394)	(13,394)	―
(5) Electronically recorded obligations - operating	(5,240)	(5,240)	―
(6) Short-term borrowings	(4,064)	(4,064)	―
(7) Commercial papers	(7,000)	(7,000)	―
(8) Income taxes payable	(1,214)	(1,214)	―
(9) Long-term borrowings (*2)	(21,718)	(21,768)	(49)
(10) Derivatives (*3)	3	3	―

(*1) Figures shown in parentheses “( )” are liability items.

(*2) Long-term borrowings which turned into current portion recorded in short-term borrowings are stated as long-term borrowings in the above chart.

(*3) Receivables and payables arising from derivatives are presented in net. Net payables are presented in parentheses “( ).”

Notes:

1. Calculation method of the fair value of financial instruments and securities and derivatives
   (1) Cash and deposits and (2) Notes and accounts receivable - trade
   As these assets are settled within a short time, the fair value is almost equal to the book value, the fair values are recognized using book value.
   (3) Investment securities
   The fair value of these securities is based on the market price. For information of securities categorized by holding purpose, refer to "Matters related to securities."
   (4) Notes and accounts payable - trade, (5) Electronically recorded obligations - operating, (6) Short-term borrowings, (7) Commercial papers and (8) Income taxes payable
   As these liabilities are settled within a short time, the fair value is almost equal to the book-value. Therefore, the fair values are recognized using book value.
   (9) Long-term borrowings
   The fair value of long-term borrowings is based on the present value calculated by discounting the total principal and interest by the rate reflecting the remaining term and credit risk.
   For long-term borrowings at a floating rate that are subject to the exceptional method for interest rate swap and the assigning method of currency swap, the fair value is calculated by discounting the total principal and interest handled together with the interest rate swap and currency swap by the reasonably estimated interest rate applicable to similar borrowings.
   (10) Derivatives
   Please refer to "Matters related to derivatives."

2. Financial instruments whose fair value is extremely difficult to estimate and amounts thereof on the consolidated balance sheet

(Millions of yen)

Item	As of March 31, 2020	As of March 31, 2021
Unlisted shares	2,327	2,395

The above items are not included in (3) Investment securities in the table summarizing fair value of financial instruments, because the fair value is extremely difficult to estimate as they have no quoted market prices and the future cash flows cannot be estimated.

3. Redemption schedule for monetary receivables

For the previous fiscal year (as of March 31, 2020)

(Millions of yen)

	Within 1 year	Over 1 year to within 5 years	Over 5 years to within 10 years	Over 10 years
Cash and deposits	3,787	–	–	–
Notes and accounts receivable - trade	47,539	–	–	–
Total	51,327	–	–	–

For the current fiscal year (as of March 31, 2021)

(Millions of yen)

	Within 1 year	Over 1 year to within 5 years	Over 5 years to within 10 years	Over 10 years
Cash and deposits	5,301	–	–	–
Notes and accounts receivable - trade	43,293	–	–	–
Total	48,595	–	–	–

4. Repayment schedule of long-term borrowings and other interest-bearing liabilities

For the previous fiscal year (as of March 31, 2020)

(Millions of yen)

	Within 1 year	Over 1 year to within 2 years	Over 2 years to within 3 years	Over 3 years to within 4 years	Over 4 years to within 5 years	Over 5 years
Short-term borrowings	4,205	－	－	－	－	－
Commercial papers	9,000	－	－	－	－	－
Long-term borrowings	2,599	6,351	3,041	4,012	4,500	1,008
Total	15,805	6,351	3,041	4,012	4,500	1,008

For the current fiscal year (as of March 31, 2021)

(Millions of yen)

	Within 1 year	Over 1 year to within 2 years	Over 2 years to within 3 years	Over 3 years to within 4 years	Over 4 years to within 5 years	Over 5 years
Short-term borrowings	4,064	－	－	－	－	－
Commercial papers	7,000	－	－	－	－	－
Long-term borrowings	5,620	3,546	4,529	5,010	3,011	－
Total	16,685	3,546	4,529	5,010	3,011	－

(Notes to securities)
1. Available-for-sale securities

For the previous fiscal year (as of March 31, 2020)

(Millions of yen)

	Type of securities	Carrying amounts	Acquisition cost	Valuation difference
Securities for which carrying amounts exceed acquisition cost	Equity securities	2,659	893	1,765
	Bonds	—	—	—
	Other	—	—	—
	Total	2,659	893	1,765
Securities for which carrying amounts are within acquisition cost	Equity securities	135	166	(30)
	Bonds	—	—	—
	Other	—	—	—
	Total	135	166	(30)
Total		2,795	1,059	1,735

For the current fiscal year (as of March 31, 2021)

(Millions of yen)

	Type of securities	Carrying amounts	Acquisition cost	Valuation difference
Securities for which carrying amounts exceed acquisition cost	Equity securities	4,094	899	3,195
	Bonds	—	—	—
	Other	—	—	—
	Total	4,094	899	3,195
Securities for which carrying amounts are within acquisition cost	Equity securities	74	80	(5)
	Bonds	—	—	—
	Other	—	—	—
	Total	74	80	(5)
Total		4,168	979	3,189

2. Total amounts of available-for-sale securities sold and the resulting gains and losses

For the previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Type	Sales	Gains	Losses
Equity securities	342	123	—
Total	342	123	—

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Type	Sales	Gains	Losses
Equity securities	338	203	—
Total	338	203	—

3. Impairment losses on securities

For the previous fiscal year, there is no applicable matter.

For the current fiscal year, the Company recorded ¥0 million of impairment losses on available-for-sale securities.

Impairment of equity securities whose rate of decline in fair value is between 30% and 50% is comprehensively determined on an individual basis by monitoring the level of fair values of the securities held, such as the divergence between the highest and lowest of fair value during the fiscal year and the book value, and conducting quantitative credit risk evaluations through issuer’s external credit ratings and various financial ratios based on published financial statements.

(Notes to derivatives)

1. Derivatives that are not subject to the application of hedge accounting

(1) Currency-related derivatives

For the previous fiscal year (as of March 31, 2020)

(Millions of yen)

Category	Type	Contract amount	Contract amount due after one year	Fair value	Valuation gains/losses
Non-market transactions	Forward foreign exchange contracts Short positions USD	197	–	(5)	(5)
Total		197	–	(5)	(5)

(Note) Calculation of the fair value is based on the prices and other information presented by associated financial institutions.

For the current fiscal year (as of March 31, 2021)

(Millions of yen)

Category	Type	Contract amount	Contract amount due after one year	Fair value	Valuation gains/losses
Non-market transactions	Forward foreign exchange contracts Short positions USD	277	–	(2)	(2)
Total		277	–	(2)	(2)

(Note) Calculation of the fair value is based on the prices and other information presented by associated financial institutions.

2. Derivatives subject to the application of hedge accounting

(1) Currency-related derivatives

For the previous fiscal year (as of March 31, 2020)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts Long positions CNY	Accounts payable - trade	53	53	0
Total			53	53	0

(Note) Calculation of the fair value is based on the prices and other information presented by associated financial institutions.

For the current fiscal year (as of March 31, 2021)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts Long positions CNY	Accounts payable - trade	53	−	6
Total			53	−	6

(Note) Calculation of the fair value is based on the prices and other information presented by associated financial institutions.

(2) Interest-related derivatives

For the previous fiscal year (as of March 31, 2020)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Exceptional method of interest rate swaps	Interest rate swap contracts: Fluctuating interest receipt, fixed payment	Long-term borrowings	1,000	1,000	(Note)
Total			1,000	1,000	−

(Note) Since interest rate swaps subject to the exceptional method are handled together with long-term borrowings that are subject to hedging, their fair value is presented within the fair value of such long-term borrowings.

For the current fiscal year (as of March 31, 2021)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Exceptional method of interest rate swaps	Interest rate swap contracts: Fluctuating interest receipt, fixed payment	Long-term borrowings	1,000	1,000	(Note)
Total			1,000	1,000	－

(Note) Since interest rate swaps subject to the exceptional method are handled together with long-term borrowings that are subject to hedging, their fair value is presented within the fair value of such long-term borrowings.

(Notes to retirement benefits)

1. Overview of retirement benefit plans

The Company and consolidated subsidiaries principally have defined benefits retirement plans. The Company also established a retirement benefit trust. The Company may offer extra retirement allowance to employees on their retirement.

Certain consolidated subsidiaries have adopted lump-sum retirement plans where the simplified method is used for the calculation of retirement benefit liability and retirement benefit costs.

2. Defined-benefit plans

(1) The changes in projected benefit obligations (except for plan applying the simplified method)

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Balance at the beginning of year	7,472	7,586
Service cost	628	620
Interest cost	39	41
Actuarial loss (gain)	40	40
Benefits paid	(530)	(547)
Past service costs	－	(190)
Other	(63)	29
Balance at the end of year	7,586	7,579

(2) The changes in plan assets (except for plan applying the simplified method)

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Balance at the beginning of year	9,202	8,117
Expected return on plan assets	99	94
Actuarial gain (loss)	(928)	1,316
Contribution paid by the employer	314	328
Benefits paid	(522)	(544)
Other	(47)	19
Balance at the end of year	8,117	9,332

(3) The changes in retirement benefit liability calculated using the simplified method

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Balance at the beginning of year	371	349
Retirement benefit costs	34	37
Benefits paid	(56)	(7)
Balance at the end of year	349	379

(4) Adjustments between the ending balances of projected benefit obligations and plan assets and retirement benefit liability and retirement benefit asset reported on the consolidated balance sheet

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Funded projected benefit obligations	7,378	7,357
Plan assets	(8,117)	(9,332)
	(738)	(1,975)
Unfunded projected benefit obligations	557	601
Net asset and liability reported on the consolidated balance sheet	(181)	(1,373)
Retirement benefit liability	589	697
Retirement benefit asset	(770)	(2,071)
Net asset and liability reported on the consolidated balance sheet	(181)	(1,373)

(Note) Plans applying the simplified method are included.

(5) Breakdown of retirement benefit costs

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Service cost	628	620
Interest cost	39	41
Expected return on plan assets	(99)	(94)
Net actuarial loss amortization	(78)	163
Past service costs amortization	(10)	(6)
Retirement benefit costs applying the simplified method	34	37
Retirement benefit costs for defined benefit plans	513	761

(6) Remeasurements of defined benefit plans, net of tax

Remeasurements of defined benefit plans, net of tax (before tax effect) consist of the following.

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Actuarial differences	(1,047)	1,440
Past service costs	(10)	183
Total	(1,057)	1,624

(7) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effect) consist of the following.

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Past service costs that are yet to be recognized	(5)	(189)
Actuarial gains and losses that are yet to be recognized	667	(773)
Total	662	(962)

(8) Plan assets

1) Components of plan assets

Plan assets consist of the followings:

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Bonds	1,063	1,095
Equity securities	2,347	3,518
General account	3,022	3,077
Other	1,684	1,641
Total	8,117	9,332

(Notes) 1 Other mainly includes cash and alternative investments.

2 Plan assets of the previous fiscal year and the current fiscal year include the employee pension trust of ¥1,161 million and ¥1,389 million, respectively, which has been established to cover the pension plans.

2) Method for determining the long-term expected rates of return on plan assets

To determine the long-term expected rates of return on plan assets, the current and expected portfolios of the plan assets held, as well as the current and future long-term expected rates of return on the various pension plan assets, are considered.

(9) Assumptions used in actuarial calculations

The major assumptions (on the weighted average basis) used in actuarial calculations are as follows:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Discount rates	Primarily 0.0%	Primarily 0.2%
Long-term expected rates of return on plan assets	Primarily 1.0%	Primarily 1.0%

(Notes to the method of tax effect accounting)

1. Breakdown of major factors that caused deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Deferred tax assets		
Depreciation	762	747
Impairment losses	221	212
Provision for retirement benefits for directors (and other officers)	151	153
Retirement benefit liability	344	167
Allowance for doubtful accounts	53	45
Loss on valuation of securities	162	126
Book value of share trust	117	117
Provision for bonuses	719	541
Accrued business tax	13	69
Provision for environmental measures	20	17
Unrealized gains	311	268
Tax loss carried forward	2	216
Other	850	824
Subtotal	3,730	3,508
Valuation allowance	(615)	(629)
Total deferred tax assets	3,115	2,878
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	(489)	(464)
Valuation difference on available-for-sale securities	(530)	(952)
Retirement benefit asset	(434)	(631)
Under-depreciation at overseas subsidiaries	(234)	(259)
Valuation difference of land accompanied by business combinations	(609)	(610)
Other	(436)	(610)
Total deferred tax liabilities	(2,734)	(3,527)
Balance of net deferred tax assets (liabilities)	380	(649)

2. Breakdown of items which caused the difference between the normal statutory tax rate and the effective tax rate after adoption of tax effect accounting

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Normal effective statutory tax rate	30.4%	－
(Adjustment)		
Entertainment expenses and other expenses not counted for tax purposes	0.5%	－
Dividend income and other items not counted for tax purposes	(0.2%)	－
Tax deduction	(1.7%)	－
Amortization of goodwill	1.5%	－
Share of profit of entities accounted for using equity method	(1.4%)	－
Inhabitant tax on per capita basis	0.4%	－
Tax rate difference with consolidated subsidiaries	(2.5%)	－
Other	0.1%	－
Actual effective tax rate	27.2%	－

(Note) The note for the current fiscal year is omitted as the difference between the normal statutory tax rate and the effective tax rate after adoption of tax effect accounting is lower than 5% of the normal statutory tax rate.

(Notes to asset retirement obligations)

For the previous fiscal year (as of March 31, 2020)
Statement has been omitted due to their insignificance.

For the current fiscal year (as of March 31, 2021)
Statement has been omitted due to their insignificance.

(Notes to rental property)

The Company has commercial buildings (including land) for rent in Osaka prefecture and other areas.

For the fiscal year ended March 31, 2020, net rental income of these properties amounted to ¥703 million (rental income is mainly classified in net sales and rental expense is mainly classified in cost of sales) and gain on sale was ¥48 million (classified in extraordinary income).

For the fiscal year ended March 31, 2021, net rental income of these properties amounted to ¥668 million (rental income is mainly classified in net sales and rental expense is mainly classified in cost of sales), gain on sale was ¥3 million (classified in extraordinary income), and loss on sale was ¥7 million (classified in extraordinary losses).

The book value, amount of change in book value and fair value of the rental property are as follows:

(Millions of yen)

		Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Value on the consolidated balance sheet	Balance at the beginning of year	1,548	1,633
	Changes during the year	84	3
	Balance at the end of year	1,633	1,636
Fair value at the end of year		11,188	10,478

(Notes) 1 Book value is calculated by deducting the relevant accumulated depreciation and impairment losses from the property's acquisition cost.

2 Changes during the previous fiscal year mainly resulted from increases due to acquisition of ¥96 million and decreases due to depreciation of ¥7 million.
Changes during the current fiscal year mainly resulted from increases due to acquisition of ¥47 million and decreases due to depreciation of ¥36 million.

3 Fair value at the fiscal year-end was the amount calculated by making reasonable adjustments using mainly the appraisal value based on the real estate appraisal standards or indices.

(Segments of an enterprise and related information)

[Segment information]

1. Outline of reportable segment information

The reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic review to determine distribution of management resources and evaluate their business results.

The Company has business divisions categorized by the type of products and services. Each business division plans and determines strategies for the division’s products and services in Japan and overseas, based on which the division conducts its operations.

The Company is composed of business segments based on the business divisions categorized by products and services and designates Refractories, Furnace, Ceramics and Real Estate as the four reportable segments.

The Refractories segment engages in the manufacture and sale of general refractories used for various industrial furnaces. The Furnace segment engages in the design, construction and repair of various furnaces. The Ceramics segment engages in the manufacture and sale of fine ceramics for various industries and sale of landscape materials. The Real Estate segment engages in the constructions and rental of stores and warehouses on Company-owned land.

2. Methods of measurement for the amounts of net sales, profits or losses, assets, liabilities and other items by reportable segment

The accounting treatment regarding the reportable business segments are the same as the one adopted for the preparation of consolidated financial statements.

The amounts of the reportable segment profit or loss are based on operating profit or loss. The amounts of inter-segment sales or transfers are based on current market prices.

As stated in “Changes in accounting policies which are not readily distinguishable from changes in accounting estimates” above, the Company and its domestic consolidated subsidiaries changed from the fiscal year ended March 31, 2021 the method primarily for depreciating property, plant and equipment other than buildings and structures, from the declining-balance method to the straight-line method, resulting in changes in the method for depreciation in the relevant reportable segments.

As a result of this change, segment profit for the fiscal year ended March 31, 2021 of the Refractories segment, the Furnace segment, the Ceramics segment and the Others segment increased by ¥347 million, ¥189 million, ¥133 million and ¥8 million, respectively, compared with the figures under the previously adopted method. This change had no impact on segment profit of the Real Estate segment.

As stated in “Changes in accounting estimates,” the Company has changed the useful life of tunnel kilns from six years to nine years from the fiscal year ended March 31, 2021. This change had minimal effects on segment profit of the Refractories segment, while no effects on the other segments.

3. Net sales, profits or losses, assets, liabilities and other items by reportable segment

For the previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjust-ments (Note 2)	Consolidated (Note 3)
	Refractories	Furnace	Ceramics	Real estate	Subtotal				
Net sales									
External customers	114,278	14,765	6,714	831	136,589	805	137,395	－	137,395
Inter-segment or transfer	15	447	－	－	462	－	462	(462)	－
Total	114,293	15,212	6,714	831	137,052	805	137,858	(462)	137,395
Segment profit (loss)	6,976	879	775	706	9,338	(64)	9,274	113	9,387
Segment assets	102,693	9,123	7,914	1,124	120,856	289	121,145	5,797	126,942
Other items									
Depreciation	2,386	479	196	10	3,072	8	3,081	76	3,158
Amortization of goodwill	476	－	12	－	488	－	488	－	488
Increase in property, plant and equipment and intangible assets	4,386	1,126	1,075	96	6,685	12	6,697	437	7,135

(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 Details of “Adjustments” are as follows.

(1) An adjustment of ¥113 million in segment profit (loss) includes ¥(462) million eliminated for inter-segment transactions and ¥575 million for the allocation variance of general and administrative expenses borne by the reportable segments.

(2) An adjustment of ¥5,797 million in segment assets represents corporate assets not allocated to the reportable segments, which primarily consist of the long-term investment funds (investment securities) and the assets relating to its administrative department.

(3) Under the “Other items” section, an adjustment of ¥76 million in depreciation and an adjustment of ¥437 million in an increase in property, plant and equipment and intangible assets are related to corporate assets not allocated to the reportable segments.

3 Segment profit (loss) are presented so that the total reconciles with operating profit on the consolidated statements of income.

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjust-ments (Note 2)	Consolidated (Note 3)
	Refractories	Furnace	Ceramics	Real estate	Subtotal				
Net sales									
External customers	91,055	13,730	7,412	830	113,029	631	113,661	－	113,661
Inter-segment or transfer	6	324	－	－	330	－	330	(330)	－
Total	91,062	14,054	7,412	830	113,360	631	113,992	(330)	113,661
Segment profit	2,815	737	702	671	4,927	24	4,951	(2)	4,949
Segment assets	102,593	9,578	8,132	1,117	121,421	410	121,831	8,523	130,354
Other items									
Depreciation	2,038	402	236	39	2,717	13	2,730	83	2,814
Amortization of goodwill	447	－	12	－	459	－	459	－	459
Increase in property, plant and equipment and intangible assets	3,535	371	580	48	4,535	152	4,688	27	4,715

(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 Details of “Adjustments” are as follows.

(1) An adjustment of negative ¥2 million in segment profit includes ¥(330) million eliminated for inter-segment transactions and ¥327 million for the allocation variance of general and administrative expenses borne by the reportable segments.

(2) An adjustment of ¥8,523 million in segment assets represents corporate assets not allocated to the reportable segments, which primarily consist of the long-term investment funds (investment securities) and the assets relating to its administrative department.

(3) Under the “Other items” section, an adjustment of ¥83 million in depreciation and an adjustment of ¥27 million in an increase in property, plant and equipment and intangible assets are related to corporate assets not allocated to the reportable segments.

3 Segment profit is presented so that the total reconciles with operating profit on the consolidated statements of income.

[Related information]
For the previous fiscal year (from April 1, 2019 to March 31, 2020)
1. Information about products and services
Statement is omitted as similar information is stated in “Segment information.”

2. Information about geographic areas
(1) Net sales

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
86,380	22,874	7,145	11,967	9,028	137,395

(Note) Net sales are categorized by country or region based on customers’ location.

(2) Property, plant and equipment

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
21,700	5,150	1,574	4,730	—	33,155

3. Information about major customers

(Millions of yen)

Customer name	Net sales	Related business segments
NIPPON STEEL CORPORATION	57,083	Refractories, Furnace, Ceramics and Others

For the current fiscal year (from April 1, 2020 to March 31, 2021)
1. Information about products and services
Statement is omitted as similar information is stated in “Segment information.”

2. Information about geographic areas
(1) Net sales

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
71,251	17,940	8,556	9,311	6,601	113,661

(Note) Net sales are categorized by country or region based on customers’ location.

(2) Property, plant and equipment

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
22,217	6,637	1,451	5,058	4	35,369

3. Information about major customers

(Millions of yen)

Customer name	Net sales	Related business segments
NIPPON STEEL CORPORATION	47,898	Refractories, Furnace, Ceramics and Others

[Information about amortization of goodwill and unamortized balance of each reportable segment]
For the previous fiscal year (from April 1, 2019 to March 31, 2020)
Not applicable

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments					Others	Corporate/ Elimination	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal			
Impairment losses	162	–	–	–	162	–	–	162

(Note) Details of impairment losses are stated in "V. Financial Information, 1. Consolidated Financial Statements, etc., [Notes], (Notes to Consolidated Statements of Income),* 6. Impairment losses."

[Information about amortization of goodwill and unamortized balance of each reportable segment]
For the previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segments					Others	Corporate/ Elimination	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal			
(Goodwill)								
Goodwill at the end of year	4,763	–	21	–	4,784	–	–	4,784

(Note) Amount of amortization of goodwill is omitted as the similar information is stated in "Segment information."

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments					Others	Corporate/ Elimination	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal			
(Goodwill)								
Goodwill at the end of year	4,484	–	9	–	4,493	–	–	4,493

(Note) Amount of amortization of goodwill is omitted as the similar information is stated in "Segment information."

[Information about gain on negative goodwill of each reportable segment]
Not applicable

[Information on related parties]
1. Transactions between related parties
(1) Transactions between the Filing Company and related parties
(i) Parent company and major corporate shareholders of the Filing Company, etc.

For the previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen unless otherwise stated)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Parent company	NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,524	Steel business and others	Direct: 46.9% Indirect: 0.0%

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Parent company	NIPPON STEEL CORPORATION	Sales of the Company's products and purchase of materials	Sales of refractory products	57,083	Notes and accounts receivable - trade	24,848

Notes: 1 Terms and conditions of transactions and their policies, etc.
When selling products and purchasing materials, the Company quotes asking prices in consideration of market prices and overall costs, and makes deals, after negotiations, based on the terms and conditions just as those for other customers unrelated to the Company.
2 Of the amounts above, "Amount of transaction" does not include consumption tax, etc.; "Outstanding amount at the end of the fiscal year" includes consumption tax, etc.

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen unless otherwise stated)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Parent company	NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,524	Steel business and others	Direct: 46.9% Indirect: 0.0%

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Parent company	NIPPON STEEL CORPORATION	Sales of the Company's products and purchase of materials	Sales of refractory products	47,898	Notes and accounts receivable - trade	24,136

Notes: 1 Terms and conditions of transactions and their policies, etc.
When selling products and purchasing materials, the Company quotes asking prices in consideration of market prices and overall costs, and makes deals, after negotiations, based on the terms and conditions just as those for other customers unrelated to the Company.
2 Of the amounts above, "Amount of transaction" does not include consumption tax, etc.; "Outstanding amount at the end of the fiscal year" includes consumption tax, etc.

(ii) Subsidiaries of the Filing Company's parent company and the subsidiaries of other companies who hold the Filing Company as associate

For the previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen unless otherwise stated)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Subsidiary of parent company	NIPPON STEEL ENGINEERING CO., LTD.	Shinagawa-ku, Tokyo	15,000	Plant related	－%

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Subsidiary of parent company	NIPPON STEEL ENGINEERING CO., LTD.	Sales of the Company's products	Sales of refractory products and design, construction of furnaces	2,045	Notes and accounts receivable - trade	1,445

(Millions of yen unless otherwise stated)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Subsidiary of parent company	NIPPON STEEL NISSHIN CO., LTD.	Chiyoda-ku, Tokyo	30,000	Steel business and others	－%

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Subsidiary of parent company	NIPPON STEEL NISSHIN CO., LTD.	Sales of the Company's products	Sales of refractory products	3,078	Notes and accounts receivable - trade	1,835

Notes: 1. Terms and conditions of transactions and their policies, etc.
When selling products, the Company quotes asking prices in consideration of market prices and overall costs, and makes deals, after negotiations, based on the terms and conditions just as those for other customers unrelated to the Company.
2. Of the amounts above, "Amount of transaction" does not include consumption tax, etc.; "Outstanding amount at the end of the fiscal year" includes consumption tax, etc.
3. NIPPON STEEL NISSHIN CO., LTD. was absorbed into NIPPON STEEL CORPORATION through a merger on April 1, 2020.

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen unless otherwise stated)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Subsidiary of parent company	NIPPON STEEL FINANCE Co., Ltd.	Chiyoda-ku, Tokyo	1,000	Loan of money, purchase of monetary claims	－%

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Subsidiary of parent company	NIPPON STEEL FINANCE Co., Ltd.	Sale of the Company's trade receivables	Sale of the Company's trade receivables	12,268	Accounts receivable – other	4,016

Notes: 1. Terms and conditions of transactions and their policies, etc.
For the sale of the Company's trade receivables to NIPPON STEEL FINANCE Co., Ltd., the Company concluded a basic agreement with the company, and transferred the receivables accordingly.
2. Of the amounts above, both "Amount of transaction" and "Outstanding amount at the end of the fiscal year" do not include consumption tax, etc.

2. Notes to the parent company or other important associates

(1) Information on the parent company

NIPPON STEEL CORPORATION (listed on the Tokyo, Nagoya, Fukuoka and Sapporo stock exchanges)

(2) Financial statements of other important associates

Not applicable

(Per share information)

Item	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net assets per share	¥6,436.93	¥7,133.91
Basic earnings per share	¥765.04	¥514.63

Notes: 1. Diluted earnings per share is not stated because there are no dilutive shares.

2. The basis for calculation of basic earnings per share is as follows.

(Millions of yen unless otherwise stated)

Item	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021
Profit attributable to owners of parent	6,444	4,334
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common shares	6,444	4,334
Weighted average number of common shares during the fiscal year (Thousands of shares)	8,424	8,423

3. The basis for calculation of net assets per share is as follows.

(Millions of yen unless otherwise stated)

Item	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Total net assets	57,233	63,288
Amount deducted from the total net assets	3,010	3,201
[Non-controlling interests included in the above]	[3,010]	[3,201]
Amounts of net assets related to common shares at the end of the fiscal year	54,222	60,087
Number of common shares used to calculate net assets per share at the end of the fiscal year (Thousands of shares)	8,423	8,422

(Significant subsequent events)

Not applicable

5) Consolidated supplemental schedules

[Schedule of bonds]

Not applicable

[Schedule of borrowings]

Category	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	4,205	4,064	1.67	−
Current portion of long-term borrowings	2,599	5,620	0.78	−
Long-term borrowings (excluding current portion)	18,914	16,098	0.79	From 2022 to 2026
Other interest-bearing liabilities Commercial papers	9,000	7,000	(0.05)	−
Total	34,719	32,783	−	−

(Notes) 1. Average interest rate represents weighted average interest rate for the balance at the end of the current fiscal year.

2. The redemption schedule of long-term borrowings for 5 years subsequent to March 31, 2021, is summarized as follows:

(Millions of yen)

Category	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Long-term borrowings	3,546	4,529	5,010	3,011
Total	3,546	4,529	5,010	3,011

[Schedule of asset retirement obligations]

Schedule is omitted as the balances of asset retirement obligations at the beginning and the end of the current fiscal year were 1% or less of the total balance of liabilities and net assets at the beginning and the end of the current fiscal year.

(2) [Others]

Quarterly Information for the current fiscal year

(Millions of yen unless otherwise stated)

Cumulative period	First Quarter (Three months ended June 30, 2020)	Second Quarter (Six months ended Sept. 30, 2020)	Third Quarter (Nine months ended Dec. 31, 2020)	Fourth Quarter (Fiscal year ended March 31, 2021)
Net sales	27,524	55,671	83,364	113,661
Profit before income taxes	1,405	2,440	4,400	6,539
Profit attributable to owners of parent	1,051	1,688	3,003	4,334
Basic earnings per share (Yen)	124.80	200.48	356.51	514.63

Each quarter	First Quarter (From April 1, 2020 to June 30, 2020)	Second Quarter (From July 1, 2020 to Sept. 30, 2020)	Third Quarter (From Oct. 1, 2020 to Dec. 31, 2020)	Fourth Quarter (From Jan. 1, 2021 to March 31, 2021)
Basic earnings per share (Yen)	124.80	75.69	156.03	158.12

2. Non-consolidated Financial Statements, etc.
(1) Non-consolidated Financial Statements
1) Non-consolidated Balance Sheet

(Millions of yen)

		Previous fiscal year (As of March 31, 2020)		Current fiscal year (As of March 31, 2021)
Assets				
Current assets				
Cash and deposits		1,067		2,309
Notes receivable - trade	*1	1,356		1,368
Accounts receivable - trade	*1	39,386	*1	35,984
Merchandise and finished goods		6,448		5,410
Work in process		2,750		2,389
Raw materials and supplies		4,614		3,989
Advance payments to suppliers		25		25
Prepaid expenses		342		328
Other	*1	1,491	*1	5,629
Allowance for doubtful accounts		(11)		(0)
Total current assets		57,473		57,434
Non-current assets				
Property, plant and equipment				
Buildings		8,203		8,040
Structures		779		832
Machinery and equipment		4,204		5,310
Vehicles		135		128
Tools, furniture and fixtures		553		714
Land		5,810		5,789
Construction in progress		1,003		504
Total property, plant and equipment		20,690		21,320
Intangible assets				
Goodwill		11		5
Software		70		59
Other		36		38
Total intangible assets		118		103
Investments and other assets				
Investment securities		2,888		4,222
Shares of subsidiaries and associates		19,777		19,762
Investments in capital of subsidiaries and associates		2,044		1,906
Investments in capital		115		115
Distressed receivables		33		33
Prepaid pension costs		1,413		1,102
Long-term prepaid expenses		10		189
Other		140		128
Allowance for doubtful accounts		(51)		(51)
Total investments and other assets		26,373		27,410
Total non-current assets		47,182		48,834
Total assets		104,656		106,268

(Millions of yen)

		Previous fiscal year (As of March 31, 2020)		Current fiscal year (As of March 31, 2021)
Liabilities				
Current liabilities				
Accounts payable - trade	*1	8,547	*1	8,090
Electronically recorded obligations - operating		6,025		5,240
Short-term borrowings		500		1,000
Current portion of long-term borrowings		2,000		4,500
Commercial papers		9,000		7,000
Accounts payable - other	*1	3,477	*1	2,273
Income taxes payable		―		943
Advances received		121		306
Deposits received	*1	2,484	*1	2,335
Provision for bonuses		2,065		1,844
Provision for loss on construction contracts		81		82
Provision for environmental measures		68		58
Asset retirement obligations		―		160
Other		657		670
Total current liabilities		35,029		34,506
Non-current liabilities				
Long-term borrowings		17,000		14,500
Long-term accounts payable - other		295		331
Deferred tax liabilities		43		428
Provision for retirement benefits		98		98
Provision for retirement benefits for directors (and other officers)		417		357
Provision for product warranties		1		―
Long-term leasehold and guarantee deposits received		1,605		1,605
Asset retirement obligations		25		25
Total non-current liabilities		19,487		17,346
Total liabilities		54,516		51,853
Net assets				
Shareholders' equity				
Share capital		5,537		5,537
Capital surplus				
Legal capital surplus		5,138		5,138
Total capital surplus		5,138		5,138
Retained earnings				
Legal retained earnings		1,250		1,250
Other retained earnings				
Reserve for tax purpose reduction entry		963		909
General reserve		4,517		4,517
Retained earnings brought forward		33,156		36,479
Total retained earnings		39,887		43,156
Treasury shares		(1,641)		(1,644)
Total shareholders' equity		48,922		52,188
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		1,217		2,222
Deferred gains or losses on hedges		0		4
Total valuation and translation adjustments		1,217		2,226
Total net assets		50,139		54,414
Total liabilities and net assets		104,656		106,268

2) Non-consolidated Statements of Income

(Millions of yen)

		Previous fiscal year (From April 1, 2019 to March 31, 2020)		Current fiscal year (From April 1, 2020 to March 31, 2021)
Net sales	*1	96,013	*1	80,429
Cost of sales	*1	80,214	*1	67,192
Gross profit		15,798		13,237
Selling, general and administrative expenses	*1, *2	10,389	*1, *2	9,905
Operating profit		5,409		3,332
Non-operating income				
Interest income	*1	2		0
Dividend income	*1	1,458	*1	1,754
Rent income and management fee	*1	68	*1	75
Foreign exchange gains		230		341
Subsidy income		—		524
Other		92		207
Total non-operating income		1,852		2,904
Non-operating expenses				
Interest expenses	*1	38	*1	23
Loss on removal of non-current assets		130		93
Other		238		211
Total non-operating expenses		406		327
Ordinary profit		6,855		5,909
Extraordinary income				
Gain on sale of non-current assets		82		88
Gain on sale of investment securities		123		203
Gain on sale of shares of subsidiaries and associates		—		119
Other		0		—
Total extraordinary income		205		411
Extraordinary losses				
Loss on sale of non-current assets		—		7
Loss on retirement of non-current assets		88		71
Loss on valuation of investment securities		3		0
Loss on sale of shares of subsidiaries and associates		10		—
Loss on valuation of investments in capital of subsidiaries and associates		118		—
Impairment losses		—		162
Environmental expenses		299		41
Loss on disaster		—		39
Other		1		2
Total extraordinary losses		520		326
Profit before income taxes		6,540		5,994
Income taxes - current		1,094		1,433
Income taxes - deferred		398		(55)
Total income taxes		1,492		1,377
Profit		5,048		4,616

3) Non-consolidated Statements of Changes in Net Assets

For the previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity		
	Share capital	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at beginning of period	5,537	5,138	5,138
Changes during period			
Dividends of surplus			
Reversal of reserve for tax purpose reduction entry			
Profit			
Purchase of treasury shares			
Net changes in items other than shareholders' equity			
Total changes during period	–	–	–
Balance at end of period	5,537	5,138	5,138

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	1,250	1,010	4,517	30,420	37,198
Changes during period					
Dividends of surplus				(2,358)	(2,358)
Reversal of reserve for tax purpose reduction entry		(46)		46	–
Profit				5,048	5,048
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	–	(46)	–	2,735	2,689
Balance at end of period	1,250	963	4,517	33,156	39,887

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(1,633)	46,241	1,759	15	1,775	48,016
Changes during period						
Dividends of surplus		(2,358)				(2,358)
Reversal of reserve for tax purpose reduction entry		–				–
Profit		5,048				5,048
Purchase of treasury shares	(7)	(7)				(7)
Net changes in items other than shareholders' equity			(542)	(15)	(557)	(557)
Total changes during period	(7)	2,681	(542)	(15)	(557)	2,123
Balance at end of period	(1,641)	48,922	1,217	0	1,217	50,139

For the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity		
		Capital surplus	
	Share capital	Legal capital surplus	Total capital surplus
Balance at beginning of period	5,537	5,138	5,138
Changes during period			
Dividends of surplus			
Reversal of reserve for tax purpose reduction entry			
Profit			
Purchase of treasury shares			
Net changes in items other than shareholders' equity			
Total changes during period	–	–	–
Balance at end of period	5,537	5,138	5,138

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	1,250	963	4,517	33,156	39,887
Changes during period					
Dividends of surplus				(1,347)	(1,347)
Reversal of reserve for tax purpose reduction entry		(54)		54	–
Profit				4,616	4,616
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	–	(54)	–	3,323	3,269
Balance at end of period	1,250	909	4,517	36,479	43,156

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(1,641)	48,922	1,217	0	1,217	50,139
Changes during period						
Dividends of surplus		(1,347)				(1,347)
Reversal of reserve for tax purpose reduction entry		–				–
Profit		4,616				4,616
Purchase of treasury shares	(3)	(3)				(3)
Net changes in items other than shareholders' equity			1,004	4	1,009	1,009
Total changes during period	(3)	3,265	1,004	4	1,009	4,275
Balance at end of period	(1,644)	52,188	2,222	4	2,226	54,414

[Notes]
(Significant accounting policies)
1. Evaluation standards and methods for assets
(1) Evaluation standards and methods for marketable and investment securities
1) Shares of subsidiaries and associates
Stated at cost by the moving-average method
2) Available-for-sale securities
Available-for-sale securities with fair market value:
Stated at fair market value based on the quoted market price at the fiscal year-end (Any valuation difference is accounted for directly as a component of net assets and the cost of sold securities are computed by the moving-average method).
Available-for-sale securities without fair market value:
Stated at cost determined by the moving-average method.

(2) Evaluation standards and methods for receivables and payables arising from derivatives
Fair value method

(3) Evaluation standards and methods for inventories
Stated at cost determined by the moving-average method (designed to reduce book value according to decreased profitability of assets).
However, partly-completed work and uncompleted construction contracts are stated at cost determined by the specific identification method (This method is designed to reduce book value according to decreased profitability of assets).

2. Depreciation methods for non-current assets
(1) Property, plant and equipment
Stated using the straight-line method.
The Company uses useful lives stipulated in the Corporation Tax Act in principle. Internally prescribed useful lives are partially applied for machinery, equipment, and the buildings and structures relating to shopping centers in the Real Estate business. Such assets include tunnel kilns (9 years), machinery and equipment (9 years), and buildings and structures relating to shopping centers in the Real Estate business (lease contract terms).

(2) Intangible assets
Straight-line method
Software for internal use is amortized over an estimated useful life of 5 years.

(3) Long-term prepaid expenses
Straight-line method

3. Accounting policies for revenue and expenses
Accounting for revenue on completed construction contracts
The percentage-of-completion method is applied if the outcome of the construction activity is deemed certain during the course of the activity up to the end of the current fiscal year. (The percentage of completion is estimated based on the proportion of costs incurred to the estimated total costs.) Otherwise, the completed-contract method is applied.

4. Accounting policies for allowances and provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on the collection of accounts, loans and other receivables. The amount of the allowance is computed based on the past rate of actual losses, and the estimated irrecoverable portion of specific doubtful receivables.

(2) Provision for bonuses

Provision for bonuses is computed based on expected amount to prepare for bonuses of employees.

(3) Provision for loss on construction contracts

To prepare for future losses on construction contracts, etc., an accrual is provided based on the estimated losses on undelivered construction contracts.

(4) Provision for environmental measures

Provision for environmental measures is provided to cover expenses for environmental measures expected to be incurred in the future.

(5) Provision for retirement benefits

To provide for employees' retirement benefits, the Company makes a provision for estimated retirement benefits for the current fiscal year, based on the projected benefit obligations and related plan assets as of the end of the current fiscal year.

1) Periodic allocation of expected retirement benefits

In calculating projected benefit obligations, the attribution on a benefit formula basis is applied for allocation of expected retirement benefits to periods until the end of the current fiscal year.

2) Amortization of actuarial differences and past service costs

Actuarial differences are amortized by the straight-line method over a period of 10 years beginning from the fiscal year following the time of occurrence.

Past service costs are amortized by the straight-line method over a period of 10 years beginning from the fiscal year of occurrence.

(6) Provision for retirement benefits for directors (and other officers)

Provision for retirement benefits for directors (and other officers) is prepared at an amount to be required at the end of the fiscal year according to internal regulations.

At the meeting of its Board of Directors held on May 22, 2019, the Company resolved to abolish the system of retirement benefits for officers applicable to directors and auditors upon the conclusion of the Annual Shareholders' Meeting held on June 27, 2019. Accordingly, at the same Annual Shareholders' Meeting, shareholders approved the following: to pay the directors and auditors retirement benefits as final payments within an amount commensurate with their term of office until the conclusion of the Annual Shareholders' Meeting in accordance with the Company's internal standards; to make the final payment upon the retirement of each director and auditor; and to leave the decisions on the specific amounts and the methods of payment to the discretion of the Board of Directors regarding the payment to the directors and to the deliberation among the auditors regarding the payment to the auditors. As a result, the Company continues to report a provision for retirement benefits for directors (and other officers), including the estimated amount of these payments.

(7) Provision for product warranties

Provision for product warranties is provided to cover the cost of quality assurance of the ceramic exterior wall materials that is a product of the former Construction Materials business at an amount estimated based on past experience and other factors.

5. Other significant accounting policies as bases for the preparation of financial statements

(1) Hedge accounting method

1) Hedge accounting method

The Company adopts the deferred hedge accounting method.

For currency swaps contracts whose amounts, currency and period meet the conditions of hedged items, the “assigning” method is adopted. In addition, for interest swaps whose amounts, index and period meet the conditions for hedged items, the “exceptional” method is adopted.

2) Hedging instruments and hedged items

Hedging instruments:

Forward foreign exchange contracts, interest rate swap contracts, currency swap contracts

Hedged items:

Foreign currencies forecasted transactions, foreign currencies receivables or payables, borrowings

3) Hedging policy

Forward foreign exchange contracts are used to hedge foreign exchange rates risks within the range of actual demand and not for dealing aimed at attaining earnings. Interest rate swap contracts and currency swap contracts are used to hedge the exposure to the risk of fluctuations in interest rates or currency.

4) Method for evaluating hedging effectiveness

The effectiveness of hedging is assessed by confirming a high level of correlation between the accumulated total of market fluctuations or cash flows of hedged items and that of hedging instruments. However, assessments on effectiveness are omitted for currency swaps using the “assigning” method and interest swaps using the “exceptional” method.

(2) Accounting method for retirement benefits

The accounting method for actuarial gains and losses and past service costs that are yet to be recognized is different from that applied for the consolidated financial statements.

(3) Accounting method for consumption taxes, etc.

The net of tax method is adopted for the Consumption Tax treatment.

(Significant accounting estimates)

Accounting estimates are reasonable estimates based on information available at the time of preparation of the non-consolidated financial statements. Of the amounts recorded in the non-consolidated financial statements for the current fiscal year that are based on accounting estimates, the following items have the risk of having a material impact on the non-consolidated financial statements for the following fiscal year.

Valuation of shares in subsidiaries

(1) Amounts recorded in the non-consolidated financial statements for the current fiscal year

Shares of subsidiaries and associates of ¥19,762 million on the non-consolidated balance sheet includes shares of TRL KROSAKI REFRACTORIES LIMITED (book value: ¥15,593 million), a consolidated subsidiary engaged in refractory business in India. The fair value of the subsidiary's shares is deemed to be extremely difficult to determine, and the shares were reviewed for impairment in the current fiscal year. As a result, it was determined that its real value did not decline significantly, and therefore no impairment loss was recognized.

(2) Other information that would help users of the non-consolidated financial statements understand the content of accounting estimates

Equity securities whose fair value is deemed to be extremely difficult to determine, such as investments in unlisted subsidiaries, are valued at cost. However, if the real value of such securities declines significantly due to deterioration in the financial position of the issuing company, a write-down is recognized accordingly and the valuation difference is recorded as a loss for the relevant fiscal year, unless the possibility of recovery is supported by sufficient evidence.

In valuing the shares of TRL KROSAKI REFRACTORIES LIMITED, the Company estimated the real value of the shares reflecting the excess earning power, etc. of the company.

In determining whether or not there has been a significant decline in the real value of shares of TRL KROSAKI REFRACTORIES LIMITED, the Company estimated the excess earning power, etc. based on the discounted present value of future cash flows, and then compared the estimated value with the book value.

The discounted present value was estimated based on the current conditions and medium-term management plan of TRL KROSAKI REFRACTORIES LIMITED, along with the future outlook beyond the medium-term management plan and a discount rate. The estimate incorporated the projected sales and profit of the company as well as the discount rate as key assumptions, which underlie its medium-term management plan and future outlook.

The realization of the above assumptions is subject to uncertainty, which may have a significant impact on the estimation of the real value.

(Changes in accounting policies)

(Changes in accounting policies which are not readily distinguishable from changes in accounting estimates)

The Company was hitherto adopting the declining-balance method primarily for depreciating property, plant and equipment other than buildings and structures. As from the fiscal year ended March 31, 2021, however, the straight-line method has been adopted.

The Company has been actively committed to reinforcing its management foundations with a view to leaping onto higher stage as one of the world's leading manufacturers of comprehensive refractories for the iron and steel industry, capable to offer refractory production and construction technologies in a consistent manner. In the process of this reinforcement, the Company had, in view of the increasing ratio of overseas production in line with our global business deployment, a review of the feasibility of changing the method for depreciating its property, plant and equipment, with a view to aligning with the accounting policies of NIPPON STEEL CORPORATION, the parent company, and reached the conclusion that allocating costs by applying the straight-line depreciation over the asset's useful life should reasonably better reflect the actual status of business, because the property, plant and equipment held by the Company can maintain relatively stable level of production operations for an extensive period of time, involving limited risk of technological obsolescence lately and at present.

Following the aforementioned change, operating profit, ordinary profit, and profit before income taxes for the fiscal year ended March 31, 2021 increased by ¥636 million, respectively, compared with the figures under the previously adopted method.

(Changes in accounting estimates)

The Company hitherto estimated the useful life of tunnel kilns at six years, which has been changed to nine years from the fiscal year ended March 31, 2021.

Following the change in method of depreciation, the Company reviewed the useful life of tunnel kilns and reached the conclusion that nine years should better reflect the status of their utilization.

Effects of this change on operating profit, ordinary profit, and profit before income taxes for the fiscal year ended March 31, 2021 were minimal.

(Changes in presentation method)

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) for the non-consolidated financial statements from the current fiscal year, and has included notes to significant accounting estimates in the non-consolidated financial statements.

However, the notes do not include the relevant information for the previous fiscal year, in accordance with the transitional treatment prescribed in the proviso to paragraph 11 of the said accounting standard.

(Additional information)

The Company has made valuation of shares of subsidiaries and other accounting estimates on the assumption that the impact of COVID-19 will continue for a certain period in the fiscal year ending March 31, 2022. However, COVID-19's impact still largely remains uncertain and may also impact the financial position and operating results for the following fiscal year.

(Notes to Non-consolidated Balance Sheet)

*1. Assets and liabilities related to subsidiaries and associates

Followings are monetary receivables and payables related to subsidiaries and associates that were not separately presented on the balance sheet:

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Short-term monetary receivables	28,288	27,688
Short-term monetary payables	4,394	4,130

2. Contingent liabilities

(1) Guarantee obligation

Loans to the following companies, etc. have been guaranteed by the Company:

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
HIBIKINADA DEVELOPMENT CO., LTD.	4	2
Employees	216	213
Krosaki USA Inc.	544	409
TRL KROSAKI CHINA LIMITED	570	690
Total	1,335	1,316

(Notes to Non-consolidated Statements of Income)

*1. Amounts of business transactions with subsidiaries and associates and transactions with subsidiaries and associates other than business transactions

(Millions of yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net sales	62,680	52,556
Purchase of goods	25,077	20,434
Transactions other than business transactions	1,691	2,018

*2. Major components, amounts and approximate proportion of selling, general and administrative expenses are as follows:

(Millions of yen unless otherwise stated)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Shipment and haulage expenses	1,813	1,578
Directors' and auditors' compensations and salaries	2,441	2,489
Provision for bonuses	713	687
Provision for retirement benefits for directors (and other officers)	105	87
Retirement benefit costs	144	213
Other personnel expenses	1,471	1,516
Research and development costs	846	863
Depreciation	165	153
Amortization of goodwill	5	5
Approximate proportion		
Selling expenses	19.3%	17.7%
General and administrative expenses	80.7%	82.3%

(Notes to securities)

No shares of subsidiaries and associates have fair value.

(Note) Shares of subsidiaries and associates whose fair value is extremely difficult to estimate, and amounts thereof on the balance sheet

(Millions of yen)

Item	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Shares of subsidiaries	18,009	18,009
Shares of associates	1,768	1,753

For above-mentioned shares, quoted market prices are not available. Accordingly, their fair value is extremely difficult to estimate.

(Notes to the method of tax effect accounting)

1. Breakdown of major factors that caused deferred tax assets and liabilities

(Millions of yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Deferred tax assets		
Depreciation	753	733
Provision for retirement benefits for directors (and other officers)	126	108
Provision for retirement benefits	29	30
Allowance for doubtful accounts	18	15
Book value of share trust	117	117
Provision for bonuses	542	470
Provision for environmental measures	20	17
Impairment losses	221	211
Other	741	768
Subtotal	2,573	2,473
Valuation allowance	(586)	(569)
Total deferred tax assets	1,986	1,903
Deferred tax liabilities		
Forward foreign exchange	(0)	(2)
Prepaid pension cost	(429)	(335)
Reserve for tax purpose reduction entry of non-current assets	(464)	(439)
Valuation difference on available-for-sale securities	(527)	(946)
Valuation difference of land accompanied by business combinations	(609)	(610)
Total deferred tax liabilities	(2,030)	(2,332)
Balance of net deferred tax assets (liabilities)	(43)	(428)

2. Breakdown of items which caused the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Normal effective statutory tax rate	30.4%	30.4%
(Adjustment)		
Entertainment expenses and other expenses not counted for tax purposes	0.7%	0.2%
Dividend income and other items not counted for tax purposes	(6.0%)	(8.2%)
Valuation allowance	0.0%	(0.2%)
Inhabitant tax on per capita basis	0.6%	0.6%
Tax credits for research and development	(0.9%)	(1.1%)
Tax credits for salary growth	(1.5%)	–
Withholding tax on dividends from foreign subsidiaries	–	1.7%
Other	(0.4%)	(0.4%)
Actual effective tax rate	22.8%	22.9%

(Significant subsequent events)

At the Board of Directors meeting held on December 25, 2020, the Company resolved to merge with KROSAKI HARIMA CERA CORPORATION, a wholly owned subsidiary of the Company, by the absorption-type merger, and carried out the merger on April 1, 2021.

1. Summary of the business combination

(1) Name and business of the acquiree

Name: KROSAKI HARIMA CERA CORPORATION

Description of business: Contracting for refractory manufacturing, maintenance of refractory manufacturing facilities, and various services

(2) Date of the business combination

April 1, 2021

(3) Form of the business combination

The merger was an absorption-type merger with the Company as the surviving company. KROSAKI HARIMA CERA CORPORATION was dissolved.

(4) Company name after the business combination

KROSAKI HARIMA CORPORATION

(5) Other matters concerning the summary of the business combination

KROSAKI HARIMA CERA CORPORATION mainly engaged in contracting for refractory manufacturing and maintenance of refractory manufacturing facilities. Through the absorption merger, the Group will be able to maintain and improve its manufacturing capabilities and competitiveness by integrating manufacturing operations, improve management efficiency by consolidating management resources, and reduce administrative costs by integrating indirect departments, thereby further strengthening the Group's business foundation.

2. Summary of the accounting treatment to be implemented

In accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company plans to treat this transaction as a transaction under common control.

4) [Supplemental schedules]

[Schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Type of asset	Balance at the beginning of the current fiscal year	Increase during the period	Decrease during the period	Depreciation or amortization during the period	Balance at the end of the current fiscal year	Accumulated depreciation or amortization at the end of the current fiscal year
Property, plant and equipment	Buildings	8,203	580	203 (160)	540	8,040	21,511
	Structures	779	133	3 (0)	78	832	4,938
	Machinery and equipment	4,204	1,857	23 (2)	727	5,310	41,006
	Vehicles	135	47	0	54	128	786
	Tools, furniture and fixtures	553	334	1 (0)	171	714	2,830
	Land	5,810	－	21	－	5,789	－
	Construction in progress	1,003	2,298	2,797	－	504	－
	Total	20,690	5,252	3,051 (162)	1,571	21,320	71,073
Intangible assets	Goodwill	11	－	－	5	5	23
	Software	70	6	－	18	59	1,105
	Other	36	4	1	0	38	233
	Total	118	11	1	25	103	1,362

(Note) 1. The figures in parentheses in "Decrease during the period" indicate the amounts of impairment losses.

2. Major increases in "Increase during the period" are as follows:

Machinery and equipment: Yahata Plant, Production equipment ¥279 million
Machinery and equipment: Yahata Plant, Production equipment ¥157 million
Machinery and equipment: Bizen Plant, Production equipment ¥141 million
Machinery and equipment: Muroran Plant, Production equipment ¥138 million
Machinery and equipment: Yahata Plant, Production equipment ¥136 million
Machinery and equipment: Yahata Plant, Production equipment ¥113 million
Machinery and equipment: Yahata Plant, Production equipment ¥103 million

[Schedule of allowances]

(Millions of yen)

Category	Balance at the beginning of the current fiscal year	Increase during the period	Decrease during the period	Balance at the end of the current fiscal year
Allowance for doubtful accounts	62	0	10	52
Provision for bonuses	2,065	1,844	2,065	1,844
Provision for product warranties	1	－	1	－
Provision for loss on construction contracts	81	0	－	82
Provision for environmental measures	68	41	50	58
Provision for retirement benefits for directors (and other officers)	417	92	152	357

(2) Details of major assets and liabilities
Statement is omitted because the Company prepares consolidated financial statements.

(3) Others
Not applicable

VI. Stock-Related Administration for the Filing Company

Fiscal year	From April 1 to March 31
Annual Shareholders' Meeting	In June
Record date	March 31
Record date for distribution from surplus	September 30 and March 31
Number of shares constituting one unit	100 shares
Purchase of shares below one unit	
Handling office	(Special account) 2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka Japan Securities Agents, Ltd. Fukuoka Branch
Transfer agent	(Special account) 1-2-4, Kayabacho, Nihombashi, Chuo-ku, Tokyo Japan Securities Agents, Ltd.
Purchasing fee	Free
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the above-mentioned method of public notice is not possible due to an accident or through other compelling reasons, then Nihon Keizai Shimbun will be adopted as its medium. The Company's electronic public notice is posted on its website, and the following is the address: https://www.krosaki.co.jp/
Shareholders' benefits	None

(Note) 1. The Company's shareholders, concerning the possession of shares below one unit, are not able to exercise their rights other than the rights that are stipulated in the following:

(1) The rights stipulated in each item of Article 189, Paragraph 2, of the Companies Act;

(2) The right to demand what is stipulated under Article 166, Paragraph 1, of the Companies Act; and

(3) The right to receive an allotment of offered shares and offered new subscription rights to shares in proportion to the number of shares held.

2. Transfer agent of the Company is Sumitomo Mitsui Trust Bank, Limited (address of the headquarters and handling office: 1-4-1, Marunouchi, Chiyoda-ku, Tokyo).

VII. Reference Information on the Filing Company

1. Information on a Parent Company, etc. of the Filing Company
   The Company does not have a parent company or other entity that is provided in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information
   The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

(1) Annual Securities Report and documents attached thereto, and Document of Confirmation thereof
The Annual Securities Report for the 129th fiscal year (from April 1, 2019 to March 31, 2020) and documents attached thereto, and Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2020.

(2) Internal Control Report and documents attached thereto
The Internal Control Report and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on June 26, 2020.

(3) Quarterly Securities Report and Document of Confirmation thereof
The Quarterly Securities Report for the First Quarter (from April 1, 2020 to June 30, 2020) of the 130th fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on August 7, 2020.
The Quarterly Securities Report for the Second Quarter (from July 1, 2020 to September 30, 2020) of the 130th fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on November 12, 2020.
The Quarterly Securities Report for the Third Quarter (from October 1, 2020 to December 31, 2020) of the 130th fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on February 10, 2021.

(4) Extraordinary Report
The Extraordinary Report according to the provision of Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at the shareholders' general meetings) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. was submitted to the Director-General of the Kanto Local Finance Bureau on June 30, 2020.
The Extraordinary Report according to the provision of Article 19, Paragraph 2, Item 3 (Change in specified subsidiaries) and Item 7-3 (Decision on absorption-type merger) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. was submitted to the Director-General of the Kanto Local Finance Bureau on September 25, 2020.
The Extraordinary Report according to the provision of Article 19, Paragraph 2, Item 7-3 (Decision on absorption-type merger) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. was submitted to the Director-General of the Kanto Local Finance Bureau on December 25, 2020.

(5) Revised Extraordinary Report
The Revised Extraordinary Report (revision to the Extraordinary Report submitted to Director-General of Kanto Local Finance Bureau on June 30, 2020, as stated in (4) above) was submitted to the Director-General of the Kanto Local Finance Bureau on October 5, 2020.

(6) Shelf Registration Statements (straight bond) and documents attached thereto
Submitted to the Director-General of the Kanto Local Finance Bureau on December 10, 2020

(7) Revised Shelf Registration Statements (straight bond)
Submitted to the Director-General of the Kanto Local Finance Bureau on December 25, 2020

Part II Information on Guarantors for the Filing Company

Not applicable

<u>Independent Auditor's Report on the Financial Statements</u>
<u>and</u>
<u>Internal Control Over Financial Reporting</u>

June 29, 2021

To the Board of Directors of KROSAKI HARIMA CORPORATION.

KPMG AZSA LLC
Fukuoka Office

Takashi Hasumi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naohiro Yamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

<u>Financial Statement Audit</u>

Opinion

We have audited the accompanying consolidated financial statements of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries as at March 31, 2021, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the decision regarding the necessity of recognizing an impairment loss on goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED	
Key audit matter description and reasons for selection thereof	How the key audit matter was addressed in the audit
As stated in "[Notes] (Significant accounting estimates)," Goodwill on the consolidated balance sheet of KROSAKI HARIMA CORPORATION for the current fiscal year includes ¥3,579 million of goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED, a consolidated subsidiary engaged in refractory business in India. As stated in "[Notes] (Significant matters providing the basis for the preparation of consolidated financial statements), 4. Significant accounting policies, (8) Method and period of amortization of goodwill," goodwill is amortized using the straight-line method over an appropriate period of 5 to 20 years according to the respective investments. At the same time, it is reviewed for impairment and when it is determined that the recoverable amount is less than the carrying amount, the carrying amount is reduced to its recoverable amount and the amount of the reduction is recognized as an impairment loss. Since the amount allocated to goodwill out of the acquisition cost of TRL KROSAKI REFRACTORIES LIMITED was relatively large, the asset group including the goodwill was reviewed for recognizing an impairment loss in the current fiscal year by using undiscounted future cash flows of the company. The undiscounted future cash flows were estimated based on the current conditions and medium-term management plan of TRL KROSAKI REFRACTORIES LIMITED, along with the future outlook beyond the medium-term management plan. However, because there is a high degree of uncertainty involved in realizing the projected sales and profit, which underlie the medium-term management plan and future outlook, the judgment of management on these matters will have a significant impact on the estimation of the future cash flows. Based on the above, we have determined that the appropriateness of the decision regarding the necessity of recognizing an impairment loss on goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED is of particular importance in the audit of the consolidated financial statements for the current fiscal year and constitutes a key audit matter.	Our audit procedures related to the appropriateness of the decision regarding the necessity of recognizing an impairment loss on goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED included the following, among others. (1) Assessment of internal controls We assessed the design and operating effectiveness of the Company's internal controls for determining the necessity of recognizing an impairment loss on the asset group including the goodwill. (2) Assessment of the reasonableness of estimates of future cash flows In order to assess the reasonableness of the key assumptions made by management regarding the TRL KROSAKI REFRACTORIES LIMITED medium-term management plan and future outlook, which are the basis for estimating future cash flows, we primarily conducted the following procedures, in addition to questioning management and reviewing related materials. ・Review of the feasibility of sales and profit projections based on an analysis of the status of achievement of past management plans and the causes of differences between results and plans, and review of the impact of future cash flows when incorporating certain uncertainties on the decision regarding the necessity of recognizing an impairment loss.

Responsibilities of Management and Auditors and the Board of Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
Auditors and the Board of Auditors are responsible for overseeing the Directors' performance of their duties related to designing and operating the financial reporting process.

Independent Auditor's Responsibility for the Audit of the Consolidated Financial Statements

The independent auditor's responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report based on the audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, the independent auditor exercises professional judgment in the audit process and performs the following while maintaining professional skepticism:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures to address the risks of material misstatement. The audit procedures are selected and applied as determined by the independent auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for audit opinion.
- In making those risk assessments, the independent auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of going concern and, based on the audit evidence obtained, whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty, the independent auditor is required to draw attention in its report to the notes to the consolidated financial statements or, if the notes pertaining to the significant uncertainty are inadequate, issue a modified opinion on the consolidated financial statements. While the conclusions of the independent auditor are based on the audit evidence obtained up to the date of its audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the overall presentation, structure, and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. The independent auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements. The independent auditor is solely responsible for its audit opinion.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, and other matters required under the auditing standards.
The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of provisions relevant to professional ethics in Japan and matters that may reasonably be thought to bear on its independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.
From the matters communicated with the Auditors and the Board of Auditors, the independent auditor determines those matters that were of most significance in the audit of the consolidated financial statements of the current fiscal year and are therefore the key audit matters. The independent auditor describes these matters in its auditor's reports unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the independent auditor determines that a matter should not be communicated in its report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Internal Control Audit

Opinion

We also have audited the accompanying internal control report of KROSAKI HARIMA CORPORATION as at March 31, 2021, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.
In our opinion, the internal control report, in which KROSAKI HARIMA CORPORATION states that internal control over financial reporting was effective as at March 31, 2021, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor's Responsibility for the Audit of Internal Control section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Auditors and the Board of Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
Auditors and the Board of Auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.
Internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

Independent Auditor's Responsibility for the Internal Control Audit

Independent auditor's responsibility is to obtain reasonable assurance about whether the internal control report is free from material misstatement, whether due to fraud or error, and to express an opinion on the internal control report from an independent standpoint in an audit report on internal control.
In accordance with audit standards for internal control over financial reporting generally accepted in Japan, the independent auditor exercises professional judgment in the audit process and performs the following while maintaining professional skepticism:

- Perform audit procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and applied as determined by the independent auditor based on the significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the scope, procedures, and results of the assessments of internal control over financial reporting that management presents.
- Obtain sufficient and appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The independent auditor is responsible for instructing, supervising and implementing the audit of the internal control report. The independent auditor is solely responsible for its audit opinion.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned audit of internal control, the results of internal control audits, any

significant deficiencies in internal control that were identified and should be disclosed, the results of corrections and other matters required under the auditing standards for internal control.
The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of provisions relevant to professional ethics in Japan, and matters that may reasonably be thought to bear on its independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Other Matter

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the reader of audit report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

Independent Auditor's Report on the Financial Statements

June 29, 2021

To the Board of Directors of KROSAKI HARIMA CORPORATION.

KPMG AZSA LLC
Fukuoka Office

Takashi Hasumi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naohiro Yamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the accompanying financial statements of KROSAKI HARIMA CORPORATION provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the balance sheet as at March 31, 2021, and the statement of income and statement of changes in net assets for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.
In our opinion, the financial statements present fairly, in all material respects, the financial position of KROSAKI HARIMA CORPORATION as at March 31, 2021, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the decision regarding the necessity of impairment recognition for shares of TRL KROSAKI REFRACTORIES LIMITED	
Key audit matter description and reasons for selection thereof	How the key audit matter was addressed in the audit
As stated in "[Notes] (Significant accounting estimates)," Shares of subsidiaries and associates on the balance sheet of KROSAKI HARIMA CORPORATION for the current fiscal year includes ¥15,593 million in shares of TRL KROSAKI REFRACTORIES LIMITED, a consolidated subsidiary engaged in refractory business in India. As stated in "[Notes] (Significant accounting policies), 1. Evaluation standards and methods for assets, (1) Evaluation standards and methods for marketable and investment securities," shares of subsidiaries and associates are stated at cost. However, if the real value of such shares declines significantly due to deterioration in the financial position of the issuing company, a write-down is recognized accordingly and the valuation difference is recorded as a loss for the fiscal year, unless the possibility of recovery is supported by sufficient evidence. In valuing the shares of TRL KROSAKI REFRACTORIES LIMITED, the Company estimated the real value of the shares reflecting the excess earning power of the company. In determining whether or not there has been a significant decline in the real value of shares of TRL KROSAKI REFRACTORIES LIMITED, the Company estimated the excess earning power, etc. based on the discounted present value of future cash flows, and then compared the estimated value with the book value. The discounted present value was estimated based on the current conditions and medium-term management plan of TRL KROSAKI REFRACTORIES LIMITED, along with the future outlook beyond the medium-term management plan and a discount rate. However, because there is a high degree of uncertainty involved in realizing the projected sales and profit as well as the discount rate, which underlie the medium-term management plan and future outlook, the judgment of management on these matters will have a significant impact on the estimation of the real value. Based on the above, we have determined that the appropriateness of the decision regarding the necessity of impairment recognition for shares of TRL KROSAKI REFRACTORIES LIMITED is of particular importance in the audit of the financial statements for the current fiscal year and constitutes a key audit matter.	Our audit procedures related to the appropriateness of the decision regarding the necessity of impairment recognition for shares of TRL KROSAKI REFRACTORIES LIMITED included the following, among others. (1) Assessment of internal controls We assessed the design and operating effectiveness of the Company's internal controls for evaluating shares of subsidiaries and associates. (2) Assessment of the reasonableness of estimates of future cash flows In order to assess the reasonableness of the key assumptions made by management regarding the TRL KROSAKI REFRACTORIES LIMITED medium-term management plan and future outlook, which are the basis for estimating future cash flows, we primarily conducted the following procedures, in addition to questioning management and reviewing related materials. ・Review of the feasibility of sales and profit projections based on an analysis of the status of achievement of past management plans and the causes of differences between results and plans, and review of the impact of future cash flows when incorporating certain uncertainties on the decision regarding the necessity of impairment recognition. In addition, we assessed the appropriateness of the discount rate by using KPMG valuation specialists, focusing on the following. ・Evaluation of the appropriateness of the calculation method of the discount rate, based on the evaluation items to be covered. ・Evaluation of the appropriateness of the input data used to calculate the discount rate through comparison with market data published by external organizations We also reviewed the impact of changes in the input data used to calculate the discount rate on the decision regarding the necessity of impairment recognition.

Responsibilities of Management and Auditors and the Board of Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements in accordance with the premise of going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Auditors and the Board of Auditors are responsible for overseeing the Directors' performance of their duties related to designing and operating the financial reporting process.

Independent Auditor's Responsibility for the Audit of the Financial Statements

The independent auditor's responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements from an independent standpoint in an audit report based on the audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements.
In accordance with auditing standards generally accepted in Japan, the independent auditor exercises professional judgment in the audit process and performs the following while maintaining professional skepticism:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures to address the risks of material misstatement. The audit procedures are selected and applied as determined by the independent auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for audit opinion.
- In making those risk assessments, the independent auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of going concern and, based on the audit evidence obtained, whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty, the independent auditor is required to draw attention in its report to the notes to the financial statements or, if the notes pertaining to the significant uncertainty are inadequate, issue a modified opinion on the financial statements. While the conclusions of the independent auditor are based on the audit evidence obtained up to the date of its audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation and notes to the financial statements are in accordance with accounting principles generally accepted in Japan, assess the overall presentation, structure, and content of the financial statements, including related notes, and whether the financial statements fairly present the underlying transactions and accounting events.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, and other matters required under the auditing standards.
The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of provisions relevant to professional ethics in Japan, and matters that may reasonably be thought to bear on its independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.
From the matters communicated with the Auditors and the Board of Auditors, the independent auditor determines those matters that were of most significance in the audit of the financial statements of the current fiscal year and are therefore the key audit matters. The independent auditor describes these matters in its auditor's reports unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the independent auditor determines that a matter should not be communicated in its report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the reader of audit report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Submitted]	Internal Control Report ("*Naibu Tousei Houkokusho*")
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	June 29, 2021
[Company Name]	KROSAKI HARIMA Kabushiki Kaisha
[Company Name in English]	KROSAKI HARIMA CORPORATION (the "Company")
[Position and Name of Representative]	Kazuhiro Egawa, President
[Position and Name of CFO]	None
[Location of Head Office]	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka, Japan
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Securities Membership Corporation, Fukuoka Stock Exchange (2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka, Japan)

1. [Framework of internal control over financial reporting]

    President Kazuhiro Egawa holds the responsibility of developing and operating internal control on financial reporting, which is shared by the Company, its consolidated subsidiaries and affiliated companies accounted for using equity method (hereinafter the "Group"). He performs said responsibility in accordance with the fundamental structure of internal control stated in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)," issued by the Business Accounting Council.

    The Group aims to merge organically, to a reasonable extent, the elements of internal control, ensuring that it works as a single entity. This entails the possibility that internal control concerning financial reporting may not completely detect or prevent false data from entering financial reports.

2. [Assessment scope, timing and procedures]

    The evaluation regarding internal control on financial reporting is based on generally accepted evaluation standards of these systems. The record date of the evaluation is March 31, 2021, the last day of the current fiscal year.

    An evaluation is first conducted on internal control significantly affecting financial reporting as a whole on a consolidated basis (Company-wide internal control). Based on these results, certain operating processes are selected to be evaluated. In the evaluation of the current fiscal year, these operating processes were analyzed, its results then used to identify elements in control systems significantly affecting the credibility of the Group's financial reporting. By evaluating the development and the operation of these elements, the effectiveness of internal control was assessed.

    The scope of the evaluation is determined by what is essential from a viewpoint that prioritizes the importance of factors affecting the reliability of financial reports within the Group, which itself is determined after deliberating the importance of the effect on monetary amount and quality. The scope of evaluation of internal control on operating processes is reasonably determined, based on the overall evaluation results of the Company and five consolidated subsidiaries.

    Eight consolidated subsidiaries and three affiliated companies accounted for using equity method were not included in the Group-wide evaluation scope, as the Group has concluded that they are insignificant in terms of monetary amount and quality.

    Regarding evaluation scope of internal control on operating processes, summing up the net sales of the Group's operating sites starting from those with the highest net sales in the previous fiscal year (after eliminating consolidated intercompany transactions), the Group has chosen two sites that reached approximately two-thirds of the total consolidated net sales of the previous fiscal year as "Significant Operating Sites." Significant accounting items of these two operating sites which have the potential of hugely affecting the Group's business, such as notes and accounts receivable, merchandise and finished goods, work in process, raw materials and supplies, and net sales, are selected as the subjects for evaluation of operating processes.

    Moreover, from not only the "Significant Operating Sites," but also from other sites, additional subjects for evaluation are selected. These include operating processes that come with a high risk of significant false data input; those regarding significant accounting items accompanied by estimation and forecasting; and businesses or operating processes relating to high-risk transactions; all of which are added as subjects for evaluation as significant operating processes considering the effects brought to financial reporting.

3. [Results of assessment]

   The results of the above evaluation confirmed that the Group's internal control concerning financial reporting as of March 31, 2020 was effective.

4. [Supplementary information]

   None.

5. [Other]

   None.

[Cover]

[Document Submitted]	Document of Confirmation (“*Kakuninsho*”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	June 29, 2021
[Company Name]	KROSAKI HARIMA Kabushiki Kaisha
[Company Name in English]	KROSAKI HARIMA CORPORATION (the “Company”)
[Position and Name of Representative]	Kazuhiro Egawa, President
[Position and Name of CFO]	None
[Location of Head Office]	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka, Japan
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Securities Membership Corporation, Fukuoka Stock Exchange (2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka, Japan)

1. [Matters regarding the Accuracy of the Content Stated in the Securities Report]

   President Kazuhiro Egawa has confirmed that the content stated in the Company's securities report for its 130th fiscal year (April 1, 2020 - March 31, 2021) is accurate, based on the guidelines provided by the Financial Instruments and Exchange Act of Japan.

2. [Special Items of Note]

   There are no special matters to report.