QUARTERLY SECURITIES REPORT

(The second quarter of the 131st fiscal year)

KROSAKI HARIMA CORPORATION

QUARTERLY SECURITIES REPORT

1. This report is a print-out of the data submitted via the Electronic Data Processing System for Disclosure (Electronic Disclosure for Investors' Network: "EDINET") as set forth in Article 27-30-2 of the Financial Instruments and Exchange Act of Japan, with the addition of a table of contents and pagination.
2. The Independent Auditor's Report on Quarterly Review of the Financial Statements ("*Shihanki Rebyu Hokokusho*") attached to the Quarterly Securities Report filed via the above method and the Document of Confirmation ("*Kakuninsho*") filed at the same time as the above Quarterly Securities Report have been appended to the back of this report.

Contents

[Cover]

[Document Submitted]	Quarterly Securities Report ("*Shihanki Hokokusho*")
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 4-7-1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	November 11, 2021
[Accounting Period]	The second quarter of the 131st fiscal year (from July 1, 2021 to September 30, 2021)
[Company Name]	KROSAKI HARIMA Kabushiki Kaisha
[Company Name in English]	KROSAKI HARIMA CORPORATION (the "Company")
[Position and Name of Representative]	Kazuhiro Egawa, President
[Location of Head Office]	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka, Japan
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[Contact for Communications]	Masaya Honda, Director and Managing Corporate Officer, General Manager of the Administration & Personnel Division
[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

(Millions of yen, unless otherwise stated)

Fiscal period	First 2Qs, Fiscal Year Ended March 31, 2021 (130th fiscal year)	First 2Qs, Fiscal Year Ending March 31, 2022 (131st fiscal year)	130th Fiscal Year
Period of account	From April 1, 2020 To September 30, 2020	From April 1, 2021 To September 30, 2021	From April 1, 2020 To March 31, 2021
Net sales	55,671	65,112	113,661
Ordinary profit	2,227	4,557	6,361
Profit attributable to owners of parent	1,688	3,017	4,334
Comprehensive income	1,673	3,965	7,579
Net assets	57,721	66,078	63,288
Total assets	121,778	132,950	130,354
Profit per share (Yen)	200.48	358.28	514.63
Diluted profit per share (Yen)	—	—	—
Equity ratio (%)	45.1	47.2	46.1
Net cash provided by (used in) operating activities	5,863	2,842	10,080
Net cash provided by (used in) investing activities	(3,397)	(1,878)	(4,946)
Net cash provided by (used in) financing activities	(2,049)	(724)	(3,608)
Cash and cash equivalents at end of period	4,118	5,725	5,301

Fiscal period	2Q, Fiscal Year Ended March 31, 2021 (130th Fiscal Year)	2Q, Fiscal Year Ending March 31, 2022 (131st Fiscal Year)
Period of account	From July 1, 2020 To September 30, 2020	From July 1, 2021 To September 30, 2021
Profit per share (Yen)	75.69	178.13

(Notes) 1. Key financial data and trends of the filing company are not shown since the Company prepares quarterly consolidated financial statements.
2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020) since the beginning of the first quarter of the fiscal year ending March 31, 2022. The key financial data, etc. for the first two quarters of the fiscal year ending March 31, 2022 are the data, etc. after the application of said Accounting Standard.
3. “Diluted profit per share” is not shown since there was no dilutive stock.

2. Description of Business

The Group (the Company, consolidated subsidiaries, and companies accounted for by the equity-method) engages in business across the five categories stated in segment information, Refractories, Furnace, Ceramics, Real Estate, and Others.

There were no material changes to the description of business of each of the segments during the first two quarters of the fiscal year ending March 31, 2022.

An absorption-type merger, with the Company as the surviving company and KROSAKI HARIMA CERA CORPORATION, which was a wholly owned subsidiary of the Company, as the dissolving company, came into effect on April 1, 2021, and as a result, KROSAKI HARIMA CERA CORPORATION was liquidated. Accordingly, the Group is comprised of the Company, 12 consolidated subsidiaries, and three companies accounted for by the equity-method.

The changes in major subsidiaries and affiliates are as follows:

Refractories

Liquidation due to absorption-type merger: KROSAKI HARIMA CERA CORPORATION

Furnace

There were no changes in major subsidiaries and affiliates.

Ceramics

Liquidation due to absorption-type merger: KROSAKI HARIMA CERA CORPORATION

Real Estate

Liquidation due to absorption-type merger: KROSAKI HARIMA CERA CORPORATION

Others

There were no changes in major subsidiaries and affiliates.

II. Business Overview

1. Business and Other Risks
During the first two quarters of the fiscal year ending March 31, 2022, of the matters related to the status of business, accounting, and other information stated in this quarterly securities report, there were no incidences of the major risks recognized by management as potentially having a material impact on the financial position, operating results, and cash flows of consolidated companies. There were also no material changes to the "Business and Other Risks" stated in the annual securities report for the previous fiscal year.
No significant events, etc. exist.

2. Management's Analysis of Financial Position, Operating Results, and Cash Flows
The forward-looking statements included in this section are based on assessments as of September 30, 2021.

(1) Operating results
During the first two quarters of the fiscal year ending March 31, 2022, the domestic total crude steel output in the steel industry, the Group's main customers, increased by 30.6% year on year to 48.42 million tons. The global crude steel output from January to September 2021 also increased by 7.8% year on year to 1,461.2 million tons.

Net sales

Net sales increased by ¥9,440 million from a year earlier to ¥65,112 million (a 17.0% increase year-on-year). This was primarily due to a rise in demand for refractories resulting from an increase in domestic and global crude steel output, as well as an increase in ceramic materials for semiconductor manufacturing equipment and electronic components. By region, net sales were ¥38,434 million (a 9.6% increase year-on-year) in Japan, ¥11,177 million (a 40.5% increase year-on-year) in India, ¥4,096 million (a 1.7% increase year-on-year) in Asia, ¥6,365 million (a 31.2% increase year-on-year) in Europe, and ¥5,038 million (a 33.4% increase year-on-year) in Others. Overseas sales amounted to ¥26,677 million (a 29.4% increase year-on-year), and the ratio of overseas sales to total sales was 41.0% (up by 3.9 points year-on-year).

Gross profit

Gross profit increased by ¥3,425 million from a year earlier to ¥12,563 million (a 37.5% increase year-on-year). The ratio of gross profit to net sales increased by 2.9 points from a year earlier to 19.3%.

Operating profit

Operating profit increased by ¥2,749 million to ¥4,209 million (a 188.4% increase year-on-year), and the ratio of operating profit to net sales increased by 3.8 points from a year earlier to 6.5%. Selling, general and administrative expenses increased by ¥675 million from a year earlier to ¥8,354 million (an 8.8% increase year-on-year).

Ordinary profit

Ordinary profit increased by ¥2,330 million from a year earlier to ¥4,557 million (a 104.6% increase year-on-year) and the ratio of ordinary profit to net sales increased by 3.0 points from a year earlier to 7.0%. Non-operating income decreased by ¥510 million from a year earlier to ¥587 million (a 46.5% decrease year-on-year) due to the decrease in subsidies, and non-operating expenses decreased by ¥91 million from a year earlier to ¥239 million (a 27.6% decrease year-on-year) due to a decrease in loss on removal of non-current assets.

Profit attributable to owners of parent

Profit attributable to owners of parent increased by ¥1,328 million from a year earlier to ¥3,017 million (a 78.7% increase year-on-year). Extraordinary income decreased by ¥217 million from a year earlier to ¥64 million (a 77.1% decrease year-on-year) due to the decrease in gain on sale of investment securities, and extraordinary losses decreased by ¥43 million from a year earlier to ¥25 million (a 62.7% decrease year-on-year) due to a decrease in environmental expenses.

Due to the application of accounting standards such as the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) (the "Revenue Recognition Standard"), net sales for the first two quarters of the fiscal year ending March 31, 2022 increased by ¥289 million, and operating profit and ordinary profit each increased by ¥46 million.

Operating results by business segment for the first two quarters of the fiscal year ending March 31, 2022 are as follows:

The net sales of each segment represent sales to external customers and do not include inter-segment sales or transfers. The amounts of segment profit are based on operating profit.

Refractories

Net sales in the Refractories segment increased 20.2% from a year earlier to ¥53,664 million, mainly due to the increased demand for refractories resulting from an increase in domestic and global crude steel output. Primarily due to the net sales increase, segment profit increased 461.5% from a year earlier to ¥2,943 million.

Due to the application of the Revenue Recognition Standard and other accounting standards, net sales increased by ¥289 million and profit increased by ¥46 million.

Furnace

Net sales in the Furnace segment decreased 2.1% from a year earlier to ¥6,465 million, mainly reflecting reduced order receipts due to the timing between large-scale construction projects. Primarily due to cost reductions from improved efficiency in furnace construction, segment profit increased 15.2% from a year earlier to ¥254 million.

Ceramics

Net sales in the Ceramics segment increased 14.1% from a year earlier to ¥4,253 million (all-time high), primarily owing to expanded sales of ceramic materials for semiconductor manufacturing equipment and electronic components. Primarily due to the increase in net sales, segment profit increased 94.3% from a year earlier to ¥696 million (all-time high).

Real estate

Net sales in the Real Estate segment decreased 11.3% from a year earlier to ¥368 million. Segment profit decreased 13.2% from a year earlier to ¥298 million.

Others

Net sales in Others segment increased 27.9% from a year earlier to ¥359 million. Segment profit increased 47.2% from a year earlier to ¥19 million.

(2) Financial position

The financial position as of September 30, 2021 was as follows:

1) Assets

The Group’s consolidated total assets increased by ¥2,596 million from the previous fiscal year end to ¥132,950 million. Current assets increased by ¥2,888 million to ¥82,385 million, and non-current assets decreased by ¥292 million to ¥50,565 million.

The growth in current assets was primarily due to the increases in merchandise and finished goods and in raw materials and supplies associated with increase in net sales. The decline in non-current assets was primarily due to the decline in deferred tax assets.

2) Liabilities

The Group’s consolidated total liabilities decreased by ¥193 million from the previous fiscal year end to ¥66,872 million. Current liabilities increased by ¥868 million to ¥46,040 million and non-current liabilities decreased by ¥1,061 million to ¥20,831 million.

The increase in current liabilities was primarily due to an increase in short-term borrowings. The decrease in non-current liabilities was primarily attributable to a decrease in long-term borrowings due to the timing of refinancing those borrowings.

3) Net assets

The Group’s net assets increased by ¥2,789 million from the previous fiscal year end to ¥66,078 million.

The increase in net assets was primarily due to the increase in retained earnings associated with the recording of profit attributable to owners of parent. Due to the application of the Revenue Recognition Standard and other accounting standards, the balance of retained earnings at the beginning of the fiscal year decreased by ¥83 million from a year earlier.

(3) Status of cash flows

The Group's cash and cash equivalents (hereinafter, "net cash") as of September 30, 2021 increased by ¥423 million from the previous fiscal year end to ¥5,725 million.

Status of cash flows during the first two quarters of the fiscal year ending March 31, 2022 were as follows:

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥2,842 million compared to an inflow of ¥5,863 million for the same period in the previous fiscal year.

This consisted primarily of ¥4,596 million in profit before income taxes, ¥1,595 million in depreciation, ¥1,025 million of increase in inventories, and ¥1,242 million in income taxes paid.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥1,878 million compared to an outflow of ¥3,397 million for the same period in the previous fiscal year.

This consisted primarily of ¥1,996 million in purchase of non-current assets including facilities.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥724 million compared to an outflow of ¥2,049 million for the same period in the previous fiscal year.

This consisted primarily of a ¥2,000 million decrease in commercial papers, ¥2,288 million in proceeds from long-term borrowings, and ¥928 million in dividends paid.

(4) Information on capital resources and cash liquidity

The balance of interest-bearing liabilities as of September 30, 2021 was ¥33,287 million, an increase from the previous fiscal year end of ¥503 million.

(5) Objective financial data to determine the management policies, management strategies, etc., and achievement status of the management targets

Compared with the contents of the annual securities report already filed, there were no material changes or newly established objective financial data used to determine the management policies, management strategies, etc., and achievement status of the management targets (hereinafter, "management policies, etc.") for the first two quarters of the fiscal year ending March 31, 2022 or for the period from the end of the six months ended September 30, 2021 to the date of submission of this quarterly securities report (November 11, 2021).

(6) Business and financial issues to be preferentially addressed

There were no material changes or new issues to be preferentially addressed in the first two quarters of the fiscal year ending March 31, 2022.

(7) Research and development activities

Research and development costs in the first two quarters of the fiscal year ending March 31, 2022 amounted to ¥419 million.

There were no material changes in the research and development activities of the Group in the first two quarters of the fiscal year ending March 31, 2022.

3. Material Business Agreements, etc.

No agreements, etc. that are material to management were decided or concluded during the first two quarters of the fiscal year ending March 31, 2022.

III. Information on the Filing Company

1. Information on the Company's Stocks

(1) Total number of stocks, etc.

1) Total number of stocks

Class	Total number of stocks authorized to be issued
Common stock	35,000,000
Total	35,000,000

2) Total number of stocks issued

Class	As of September 30, 2021 (Stocks)	As of the submission date (November 11, 2021) (Stocks)	Stock exchange on which the Company is listed	Description
Common stock	9,114,528	9,114,528	First Section of the Tokyo Stock Exchange The Fukuoka Stock Exchange	One unit of stock constitutes 100 stocks.
Total	9,114,528	9,114,528	—	—

(2) Status of subscription rights to shares

1) Stock option plans

Not applicable

2) 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 stocks issued and the amount of capital stock and other

(Millions of yen, unless otherwise stated)

Date	Changes in the total number of stocks issued (Stocks)	Balance of the total number of stocks issued (Stocks)	Changes in capital stock	Balance of capital stock	Changes in legal capital surplus	Balance of legal capital surplus
September 30, 2021	—	9,114,528	—	5,537	—	5,138

(5) Major shareholders

As of September 30, 2021

Name	Address	Number of stocks held (Thousands of stocks)	Percentage of stocks held to the total number of stocks issued (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	897	10.65
The Master Trust Bank of Japan, Ltd.	2-11-3, Hamamatsucho, Minato-ku, Tokyo	550	6.53
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)	200	2.37
The Bank of Fukuoka	2-13-1, Tenjin, Chuo-ku, Fukuoka City, Fukuoka	185	2.21
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)	64	0.77
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
BBH LUX/DAIWA SBI LUX FUNDS SICAV-DSBI JAPAN EQUITY SMALL CAP ABSOLUTE VALUE (Standing proxy: Sumitomo Mitsui Banking Corporation)	80 ROUTE D’ESCH LUXEMBOURG L-1470 (1-1-2, Marunouchi, Chiyoda-ku, Tokyo)	50	0.59
Total	—	6,050	71.85

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

2. In addition to the stocks above, the Company owns 692,478 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 692,378 as of September 30, 2021.

(6) Status of voting rights

1) Issued stocks

As of September 30, 2021

Classification	Number of stocks (Stocks)	Number of voting rights (Units)	Details
Stocks without voting rights	—	—	—
Stocks with limited voting rights (treasury shares, etc.)	—	—	—
Stocks with limited voting rights (others)	—	—	—
Stocks with full voting rights (treasury shares, etc.)	(Treasury shares) Common stock 692,300	—	—
Stocks with full voting rights (others)	Common stock 8,333,400	83,334	—
Stocks below one unit	Common stock 88,828	—	—
Total number of stocks issued	9,114,528	—	—
Total voting rights held by all shareholders	—	83,334	—

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

2. The number of stocks of common stock in the "Stocks below one unit" box includes 78 shares of treasury shares held by the Company and 37 stocks held by Japan Securities Depository Center, Inc.

2) Treasury shares, etc.

As of September 30, 2021

Shareholder	Address of shareholder	Number of stocks held under own name (Stocks)	Number of stocks held under the names of others (Stocks)	Total (Stocks)	Percentage of stocks held to the total number of stocks issued (%)
(Treasury shares) KROSAKI HARIMA CORPORATION	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka	692,300	—	692,300	7.60
Total	—	692,300	—	692,300	7.60

(Note) In addition to the stocks above, there are 100 stocks (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 stocks are included as common stock in the "Stocks with full voting rights (others)" box in "Issued stocks" above.

2. Information on the Company's Officers

Not applicable

IV. Financial Information

1. Preparation method of quarterly consolidated financial statements
   The Company's quarterly consolidated financial statements have been prepared pursuant to the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64 of 2007).

2. Audit certification
   Pursuant to the first paragraph of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's quarterly consolidated financial statements for second quarter of the fiscal year ending March 31, 2022 (July 1, 2021 to September 30, 2021) and the six months ended September 30, 2021 (April 1, 2021 to September 30, 2021) were reviewed by KPMG AZSA LLC.

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	2Q, Fiscal Year Ending March 31, 2022 (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	5,301	5,725
Notes and accounts receivable - trade	43,293	—
Notes and accounts receivable - trade, and contract assets	—	42,851
Merchandise and finished goods	11,490	12,719
Work in process	3,197	3,371
Raw materials and supplies	9,868	10,528
Other	6,634	7,484
Allowance for doubtful accounts	(291)	(294)
Total current assets	79,496	82,385
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,499	42,849
Accumulated depreciation	(29,564)	(30,128)
Buildings and structures, net	12,935	12,721
Machinery, equipment and vehicles	67,338	69,089
Accumulated depreciation	(55,122)	(56,299)
Machinery, equipment and vehicles, net	12,215	12,790
Tools, furniture and fixtures	4,944	5,118
Accumulated depreciation	(3,881)	(4,026)
Tools, furniture and fixtures, net	1,063	1,092
Land	6,732	6,735
Construction in progress	2,422	2,135
Total property, plant and equipment	35,369	35,475
Intangible assets		
Goodwill	4,493	4,305
Other	485	503
Total intangible assets	4,978	4,808
Investments and other assets		
Investment securities	6,563	6,449
Retirement benefit asset	2,071	2,076
Deferred tax assets	473	241
Other	1,586	1,709
Allowance for doubtful accounts	(184)	(195)
Total investments and other assets	10,510	10,281
Total non-current assets	50,858	50,565
Total assets	130,354	132,950

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	2Q, Fiscal Year Ending March 31, 2022 (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,394	13,221
Electronically recorded obligations - operating	5,240	5,430
Short-term borrowings	9,685	13,399
Commercial papers	7,000	5,000
Income taxes payable	1,214	1,258
Provision for bonuses	2,167	2,434
Provision for loss on construction contracts	82	111
Provision for environmental measures	58	—
Asset retirement obligations	160	160
Other	6,168	5,024
Total current liabilities	45,172	46,040
Non-current liabilities		
Long-term borrowings	16,098	14,887
Deferred tax liabilities	1,122	1,034
Provision for retirement benefits for directors (and other officers)	488	462
Retirement benefit liability	697	677
Asset retirement obligations	25	25
Other	3,460	3,744
Total non-current liabilities	21,893	20,831
Total liabilities	67,065	66,872
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	2,000	2,000
Retained earnings	53,781	55,788
Treasury shares	(1,644)	(1,648)
Total shareholders' equity	59,675	61,679
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,052	1,997
Deferred gains or losses on hedges	4	25
Foreign currency translation adjustment	(2,313)	(1,580)
Remeasurements of defined benefit plans	668	626
Total accumulated other comprehensive income	412	1,069
Non-controlling interests	3,201	3,329
Total net assets	63,288	66,078
Total liabilities and net assets	130,354	132,950

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2021 (April 1, 2020 to September 30, 2020)	First 2Qs, Fiscal Year Ending March 31, 2022 (April 1, 2021 to September 30, 2021)
Net sales	55,671	65,112
Cost of sales	46,532	52,548
Gross profit	9,138	12,563
Selling, general and administrative expenses	*1 7,678	*1 8,354
Operating profit	1,459	4,209
Non-operating income		
Interest income	15	13
Dividend income	54	47
Share of profit of entities accounted for using equity method	206	146
Foreign exchange gains	138	197
Subsidy income	468	6
Other	216	176
Total non-operating income	1,098	587
Non-operating expenses		
Interest expenses	130	142
Loss on removal of non-current assets	71	19
Other	129	77
Total non-operating expenses	330	239
Ordinary profit	2,227	4,557
Extraordinary income		
Gain on sale of non-current assets	88	41
Gain on sale of investment securities	194	23
Total extraordinary income	282	64
Extraordinary losses		
Loss on retirement of non-current assets	39	25
Environmental expenses	30	—
Other	0	—
Total extraordinary losses	69	25
Profit before income taxes	2,440	4,596
Income taxes - current	807	1,190
Income taxes - deferred	(86)	193
Total income taxes	721	1,384
Profit	1,719	3,211
Profit attributable to non-controlling interests	30	194
Profit attributable to owners of parent	1,688	3,017

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2021 (April 1, 2020 to September 30, 2020)	First 2Qs, Fiscal Year Ending March 31, 2022 (April 1, 2021 to September 30, 2021)
Profit	1,719	3,211
Other comprehensive income		
Valuation difference on available-for-sale securities	273	(54)
Deferred gains or losses on hedges	0	20
Foreign currency translation adjustment	(326)	765
Remeasurements of defined benefit plans, net of tax	34	(41)
Share of other comprehensive income of entities accounted for using equity method	(28)	63
Total other comprehensive income	(45)	753
Comprehensive income	1,673	3,965
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,689	3,675
Comprehensive income attributable to non-controlling interests	(15)	290

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2021 (April 1, 2020 to September 30, 2020)	First 2Qs, Fiscal Year Ending March 31, 2022 (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	2,440	4,596
Depreciation	1,365	1,595
Amortization of goodwill	228	241
Increase (decrease) in provision for bonuses	55	265
Increase (decrease) in provision for environmental measures	11	(58)
Increase (decrease) in retirement benefit liability	24	(21)
Increase (decrease) in other provisions	(100)	3
Interest and dividend income	(69)	(60)
Interest expenses	130	142
Foreign exchange losses (gains)	17	(25)
Share of loss (profit) of entities accounted for using equity method	(206)	(146)
Loss (gain) on sale of non-current assets	(88)	(41)
Loss on retirement of non-current assets	39	25
Loss (gain) on sale of investment securities	(194)	(23)
Decrease (increase) in trade receivables	8,250	35
Decrease (increase) in inventories	2,049	(1,025)
Increase (decrease) in trade payables	(3,916)	(661)
Other, net	(4,318)	(819)
Subtotal	5,718	4,022
Interest and dividends received	222	198
Interest paid	(129)	(137)
Income taxes refund (paid)	51	(1,242)
Net cash provided by (used in) operating activities	5,863	2,842

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2021 (April 1, 2020 to September 30, 2020)	First 2Qs, Fiscal Year Ending March 31, 2022 (April 1, 2021 to September 30, 2021)
Cash flows from investing activities		
Purchase of non-current assets	(3,843)	(1,996)
Proceeds from sale of non-current assets	160	48
Payments for retirement of non-current assets	(75)	(32)
Proceeds from sale of investment securities	280	68
Proceeds from sales of investments in capital of subsidiaries and associates	76	33
Loan advances	(0)	(1)
Proceeds from collection of loans receivable	10	8
Other, net	(5)	(6)
Net cash provided by (used in) investing activities	(3,397)	(1,878)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(99)	628
Net increase (decrease) in commercial papers	(1,000)	(2,000)
Proceeds from long-term borrowings	470	2,288
Repayments of long-term borrowings	(290)	(584)
Purchase of treasury shares	(1)	(3)
Dividends paid	(1,019)	(928)
Dividends paid to non-controlling interests	(113)	(117)
Other, net	5	(8)
Net cash provided by (used in) financing activities	(2,049)	(724)
Effect of exchange rate change on cash and cash equivalents	(83)	184
Net increase (decrease) in cash and cash equivalents	333	423
Cash and cash equivalents at beginning of period	3,785	5,301
Cash and cash equivalents at end of period	*1 4,118	*1 5,725

[Notes]

(Changes in the scope of consolidation and the scope of the equity-method application)

For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
(Significant changes in the scope of consolidation) KROSAKI HARIMA CERA CORPORATION, which had been a consolidated subsidiary of the Company, was dissolved as of April 1, 2021 as a result of the absorption-type merger in which the Company is the surviving company and therefore has been excluded from the scope of consolidation effective from the first quarter of the fiscal year ending March 31, 2022.

(Changes in accounting policies)

For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
(Changes in accounting policies) (Application of the Accounting Standard for Revenue Recognition, etc.) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29; March 31, 2020) (the “Revenue Recognition Standard”) and other accounting standards from the beginning of the first quarter of the fiscal year ending March 31, 2022. Revenue is recognized as the amount expected to be received in exchange for promised goods or services when control of said goods or services is transferred to the customer. Previously, refractories revenue was recognized at the time of shipment, but due to the application of this Revenue Recognition Standard, revenue is now recognized when the customer completes inspection and acceptance or when the refractories are delivered to the customer. However, for transactions in which control of refractories is transferred to the customer when said refractories are delivered, revenue continues to be posted in practice at the time of shipment in accordance with Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30; March 26, 2021). With respect to construction contracts, in the past, the percentage-of-completion method had been applied to works for which outcomes were deemed certain in so far as the completed portions of the work were concerned, while the completed-contract method had been applied to other works. Since the beginning of the first quarter of the fiscal year ending March 31, 2022, revenue from the contracts for which performance obligations are satisfied over a certain period of time is recognized over time based on the estimated extent of progress toward satisfaction of performance obligations, with the exception of very short-term contracts involving small amounts; meanwhile, revenue from the contracts for which performance obligations are satisfied at one point in time is recognized when the customer completes inspection and acceptance. As for the method to estimate the extent of progress toward satisfaction of performance obligations, the ratio of the cost incurred to the estimated total cost (input method) is being used. With regard to the application of the Revenue Recognition Standard, etc., in accordance with the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Standard, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter of the fiscal year under review has been added to or subtracted from retained earnings at the beginning of the first quarter of the fiscal year under review, and the new accounting policy has been applied from the beginning balance of said period. As a result, for the six months ended September 30, 2021, net sales increased by ¥289 million, cost of sales increased by ¥242 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥46 million. Retained earnings at the beginning of the period under review decreased by ¥83 million. Due to the application of the Revenue Recognition Standard, etc., “Notes and accounts receivable - trade,” which was included in “Current assets” in the consolidated balance sheets for the previous fiscal year, are included in “Notes and accounts receivable - trade, and contract assets” from the first quarter of the fiscal year under review. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified in accordance with the new approach to presentation. Furthermore, the Company does not present information on classification of revenue from contract(s) with customers for the six months ended September 30, 2020, in accordance with the transitional treatment as provided for in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12; March 31, 2020). (Application of the Accounting Standard for Fair Value Measurement, etc.) The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30; July 4, 2019) (the “Fair Value Standard”) and other accounting standards from the beginning of the first quarter of the fiscal year ending March 31, 2022. New accounting policies based on the Fair Value Standard, etc. have been applied prospectively in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10; July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Additional information)

For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
There are no significant changes to the assumptions presented in (Additional information) in the annual securities report for the previous fiscal year, including how COVID-19 will spread in the future and when it will be contained.

(Notes to Quarterly Consolidated Balance Sheets)

1. Contingent liabilities

(i) Guarantee obligation (Millions of yen)

Previous fiscal year (As of March 31, 2021)		Second quarter under review (As of September 30, 2021)	
HIBIKINADA DEVELOPMENT CO., LTD.		HIBIKINADA DEVELOPMENT CO., LTD.	
Loan from financial institution	2	Loan from financial institution	1
Employees		Employees	
Loan from financial institution for home loans	213	Loan from financial institution for home loans	212

(ii) Retrospective obligations due to liquidation of claims (Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Second quarter under review (As of September 30, 2021)
Transfer balance of notes	161	391

(Notes to Quarterly Consolidated Statements of Income)

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

(Millions of yen)

	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Depreciation	134	138
Amortization of goodwill	228	241
Provision for bonuses	764	681
Retirement benefit costs	147	91
Provision for retirement benefits for directors (and other officers)	46	46
Shipment and haulage expenses	1,499	2,258
Directors' and auditors' compensations, salaries and allowances	2,027	2,033
Research and development costs	440	419

(Notes to Quarterly Consolidated Statements of Cash Flows)

*1. Relationship between the quarter-end balance of cash and cash equivalents and the amount of quarterly consolidated balance sheet items are as follows:

(Millions of yen)

	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Cash and deposits	4,167	5,725
Time deposits of over three months	(49)	–
Cash and cash equivalents	4,118	5,725

(Notes to shareholders' equity)

I For the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

1. Dividends paid

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

2. Dividends whose record date fell in the six months ended September 30, 2020, but whose effective date comes after September 30, 2020

Resolution	Class of stocks	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors' Meeting at October 30, 2020	Common stock	336	40.0	September 30, 2020	November 26, 2020	Retained earnings

3. Significant changes in shareholders' equity

Not applicable

II For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

1. Dividends paid

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

2. Dividends whose record date fell in the six months ended September 30, 2021, but whose effective date comes after September 30, 2021

Resolution	Class of stocks	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors' Meeting at October 29, 2021	Common stock	842	100.0	September 30, 2021	November 26, 2021	Retained earnings

3. Significant changes in shareholders' equity

Not applicable

(Segments of an enterprise and related information)

[Segment information]

I For the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

1. Net sales and profit or loss by reportable segments

(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	44,642	6,603	3,728	415	55,390	281	55,671	—	55,671
Inter-segment or transfer	4	149	—	—	154	—	154	(154)	—
Total	44,647	6,753	3,728	415	55,545	281	55,826	(154)	55,671
Segment profit (loss)	524	220	358	344	1,447	13	1,461	(1)	1,459

(Notes) 1. The "Others" category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.
2. An adjustment of ¥(1) million in segment profit (loss) primarily consists of the allocation variance of general and administrative expenses borne by the reportable segments.
3. Segment profit (loss) is adjusted for operating profit in the quarterly consolidated statements of income.

II For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

1. Net sales and profit or loss by reportable segments

(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	53,664	6,465	4,253	368	64,752	359	65,112	—	65,112
Inter-segment or transfer	4	160	—	—	164	—	164	(164)	—
Total	53,669	6,626	4,253	368	64,917	359	65,277	(164)	65,112
Segment profit (loss)	2,943	254	696	298	4,193	19	4,213	(3)	4,209

(Notes) 1. The "Others" category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.
2. An adjustment of ¥(3) million in segment profit (loss) primarily consists of the allocation variance of general and administrative expenses borne by the reportable segments.
3. Segment profit (loss) is adjusted for operating profit in the quarterly consolidated statements of income.

2. Changes, etc. in reportable segments

As stated in "Changes in accounting policies," the Company has applied the Revenue Recognition Standard, etc., since the beginning of the first quarter of the fiscal year ending March 31, 2022 and changed the methods of accounting treatment for revenue recognition. The methods of measurement for the amounts of profit or loss by reportable segments have been changed accordingly.

As a result, net sales of refractories increased by ¥289 million and segment profit increased by ¥46 million for the six months ended September 30, 2021, compared to the previous methods.

(Notes to revenue recognition)

For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal		
Japan	27,753	6,454	3,498	—	37,706	359	38,065
India	11,170	—	7	—	11,177	—	11,177
Asia	3,580	11	503	—	4,096	—	4,096
Europe	6,166	—	198	—	6,365	—	6,365
Other	4,994	—	44	—	5,038	—	5,038
Revenue from contract(s) with customers	53,664	6,465	4,253	—	64,383	359	64,743
Other revenues	—	—	—	368	368	—	368
Sales to external customers	53,664	6,465	4,253	368	64,752	359	65,112

(Note) 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.

(Per share information)

Profit per share and the basis for calculation of profit per share are as follows:

(Millions of yen, unless otherwise stated)

Item	For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
Profit per share (Yen)	200.48	358.28
(Basis for calculation)		
Profit attributable to owners of parent	1,688	3,017
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	1,688	3,017
Weighted average number of common stock during the period (Thousands of stocks)	8,423	8,422

(Note) Diluted profit per share is not stated because there is no dilutive stock.

2. Others

With regard to the interim dividend for the 131st fiscal year (from April 1, 2021 to March 31, 2022), the Board of Directors, at a meeting held on October 29, 2021, resolved to pay an interim dividend to shareholders recorded in the register of shareholders as of September 30, 2021, as follows:

1) Total amount of dividend	¥842 million
2) Amount per share	¥100.00
3) Effective date of the right to claim payment and date of commencement of payment	November 26, 2021

Part II. Information on Guarantors for the Filing Company

Not applicable

Independent Auditor's Report on Quarterly Review of the Financial Statements

November 11, 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

Conclusion

We have conducted a quarterly review of the accompanying quarterly consolidated financial statements of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries provided in the "Financial Information" section in the company's Quarterly Securities Report, which comprise the quarterly consolidated balance sheets as at September 30, 2021, the quarterly consolidated statements of income, the quarterly consolidated statements of comprehensive income, and the quarterly consolidated statements of cash flows for the six-month period then ended, and explanatory information, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.
In the quarterly review we have conducted, the quarterly consolidated financial statements are found to contain no matters, in all material respects, that would lead us to believe that the quarterly consolidated financial statements fail to present fairly the financial position of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries as at September 30, 2021, and their operating results and status of cash flows for the six-month period then ended in accordance with accounting principles for preparation of quarterly consolidated financial statements generally accepted in Japan.

Basis for Conclusion

We conducted our quarterly review in accordance with standards for quarterly review generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor's Responsibility for the Quarterly Review of the Quarterly 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 we have obtained the evidence to provide a basis for our conclusion.

Responsibilities of Management and Auditors and the Board of Auditors for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these quarterly consolidated financial statements in accordance with accounting principles for preparation of quarterly consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and presentation of quarterly consolidated financial statements that are free from material misstatements, whether due to fraud or error.
In preparing the quarterly consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the quarterly 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 for preparation of quarterly consolidated financial statements 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 Quarterly Review of the Quarterly Consolidated Financial Statements

The independent auditor’s responsibility is to express a conclusion on the quarterly consolidated financial statements from an independent standpoint in a report on quarterly review based on the quarterly review.
In accordance with standards for quarterly review generally accepted in Japan, the independent auditor exercises professional judgment in the quarterly review process and performs the following while maintaining professional skepticism.

・Conduct questioning procedures primarily to management and those who are responsible for financial and accounting matters, analytical procedures, and any other quarterly review procedures. Quarterly review procedures are limited procedures compared to audit of the annual financial statements that is conducted in accordance with auditing standards generally accepted in Japan.

・If the independent auditor determines that 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, he or she concludes whether the quarterly consolidated financial statements are found to contain no matters that would lead him or her to believe that the quarterly consolidated financial statements fail to present fairly those events or conditions in accordance with accounting principles for preparation of quarterly consolidated financial statements generally accepted in Japan, based on the evidence obtained. If there is a significant uncertainty, the independent auditor is required to draw attention in its report on quarterly review to the notes to the quarterly consolidated financial statements or, if the notes pertaining to the significant uncertainty are inadequate, issue a qualified conclusion or negative conclusion on the quarterly consolidated financial statements. While the conclusions of the independent auditor are based on the evidence obtained up to the date of its report on quarterly review, 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 quarterly consolidated financial statements are found to contain no matters that would lead the independent auditor to believe that the presentation and notes to the quarterly consolidated financial statements fail to be in accordance with accounting principles for preparation of quarterly consolidated financial statements generally accepted in Japan, assess the overall presentation, structure, and content of the quarterly consolidated financial statements, including related notes, and whether the quarterly consolidated financial statements are found to contain no matters that would lead him or her to believe that the quarterly consolidated financial statements fail to fairly present the underlying transactions and accounting events.

・Obtain evidence regarding the financial information of the Company and its consolidated subsidiaries to express a conclusion on the quarterly consolidated financial statements. The independent auditor is responsible for instructing, supervising, and implementing the quarterly review of the quarterly consolidated financial statements. The independent auditor is solely responsible for its conclusion.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned quarterly review, and significant findings on quarterly review.
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.

<u>Notes to the reader of the quarterly review report</u>:
The Independent Auditor’s Report on Quarterly Review herein is the English translation of the Independent Auditor’s Report on Quarterly Review as required by the Financial Instruments and Exchange Act of Japan.