QUARTERLY SECURITIES REPORT

(The third 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]	February 10, 2022
[Accounting Period]	The third quarter of the 131st fiscal year (from October 1, 2021 to December 31, 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 3Qs, Fiscal Year Ended March 31, 2021 (130th fiscal year)	First 3Qs, Fiscal Year Ending March 31, 2022 (131st fiscal year)	130th Fiscal Year
Period of account	From April 1, 2020 To December 31, 2020	From April 1, 2021 To December 31, 2021	From April 1, 2020 To March 31, 2021
Net sales	83,364	98,910	113,661
Ordinary profit	4,121	6,812	6,361
Profit attributable to owners of parent	3,003	4,456	4,334
Comprehensive income	3,598	5,581	7,579
Net assets	59,309	66,850	63,288
Total assets	123,370	135,959	130,354
Profit per share (Yen)	356.51	529.17	514.63
Diluted profit per share (Yen)	—	—	—
Equity ratio (%)	45.7	46.6	46.1

Fiscal period	3Q, Fiscal Year Ended March 31, 2021 (130th Fiscal Year)	3Q, Fiscal Year Ending March 31, 2022 (131st Fiscal Year)
Period of account	From October 1, 2020 To December 31, 2020	From October 1, 2021 To December 31, 2021
Profit per share (Yen)	156.03	170.89

(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 three quarters and the third quarter 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 three 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. In addition, an absorption-type merger, with the Company as the surviving company and Ariake Materials Co., Ltd., which was a wholly owned subsidiary of the Company, as the dissolving company, came into effect on October 1, 2021, and as a result, Ariake Materials Co., Ltd. was liquidated.

Accordingly, the Group is comprised of the Company, 11 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, Ariake Materials Co., Ltd.

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 three 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 December 31, 2021.

(1) Operating results

During the first three 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 22.9% year on year, to 72.62 million tons. The global crude steel output from January to December 2021 also increased by 3.7% year on year, to 1,950.5 million tons.

Net sales

Net sales increased by ¥15,546 million from a year earlier to ¥98,910 million (an 18.6% increase year-on-year). This was primarily due to a rise in demand for refractories accompanying the increased crude steel output both domestically and globally, as well as an increase in ceramic materials for semiconductor manufacturing equipment and electronic components. By region, net sales were ¥58,459 million (an 11.1% increase year-on-year) in Japan, ¥17,573 million (a 34.9% increase year-on-year) in India, ¥6,354 million (an 8.5% increase year-on-year) in Asia, ¥9,507 million (a 39.2% increase year-on-year) in Europe, and ¥7,016 million (a 39.2% increase year-on-year) in Others. Overseas sales amounted to ¥40,450 million (a 31.5% increase year-on-year), and the ratio of overseas sales to total sales was 40.9% (up by 4.0 points year-on-year).

Gross profit

Gross profit increased by ¥4,499 million from a year earlier to ¥18,949 million (a 31.1% increase year-on-year). The ratio of gross profit to net sales increased by 1.8 points from a year earlier to 19.2%.

Operating profit

Operating profit increased by ¥3,307 million from a year earlier to ¥6,273 million (a 111.5% increase year-on-year), and the ratio of operating profit to net sales increased by 2.8 points from a year earlier to 6.3%. Selling, general and administrative expenses increased by ¥1,192 million from the first three quarters of the previous year to ¥12,676 million (a 10.4% increase year-on-year).

Ordinary profit

Ordinary profit increased by ¥2,690 million from a year earlier to ¥6,812 million (a 65.3% increase year-on-year) and the ratio of ordinary profit to net sales increased by 1.9 points from a year earlier to 6.9%. Non-operating income decreased by ¥667 million from a year earlier to ¥949 million (a 41.3% decrease year-on-year) due to a decrease in subsidies, and non-operating expenses decreased by ¥51 million from a year earlier to ¥409 million (an 11.1% decrease year-on-year) due to a decrease in "Other."

Profit attributable to owners of parent

Profit attributable to owners of parent increased by ¥1,453 million from a year earlier to ¥4,456 million (a 48.4% increase year-on-year). Extraordinary income decreased by ¥330 million from a year earlier to ¥77 million (an 81.0% decrease year-on-year) due to a decrease in gain on sale of investment securities, and extraordinary losses shrunk by ¥89 million from a year earlier to ¥38 million (a 69.7% decrease year-on-year) due to decreases in loss on retirement of non-current assets and 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 three quarters of the fiscal year ending March 31, 2022 increased by ¥220 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥34 million.

Operating results by business segment for the first three 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 (loss) are based on operating profit (loss).

Refractories

Net sales in the Refractories segment increased 22.6% from a year earlier to ¥81,873 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 200.6% from a year earlier to ¥4,535 million.

Due to the application of the Revenue Recognition Standard and other accounting standards, net sales increased by ¥220 million, and profit increased by ¥34 million.

Furnace

Net sales in the Furnace segment decreased 4.5% from a year earlier to ¥9,648 million, mainly reflecting reduced order receipts due to the timing between large-scale construction projects. Primarily due to the net sales decrease, segment profit decreased 13.1% from a year earlier to ¥409 million.

Ceramics

Net sales in the Ceramics segment increased 15.3% from a year earlier to ¥6,311 million, 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 60.4% from a year earlier to ¥852 million.

Real Estate

Net sales in the Real Estate segment decreased 11.3% from a year earlier to ¥553 million. Segment profit decreased 12.1% from a year earlier to ¥442 million.

Others

Net sales in Others segment increased 36.2% from a year earlier to ¥524 million. Segment profit was ¥36 million (compared with segment loss of ¥34 million for the same period in the previous fiscal year).

(2) Financial position

The financial position as of December 31, 2021 was as follows:

1) Assets

The Group's consolidated total assets increased by ¥5,604 million from the previous fiscal year end to ¥135,959 million. Current assets increased by ¥6,077 million to ¥85,573 million, and non-current assets decreased by ¥472 million to ¥50,385 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 increased by ¥2,042 million from the previous fiscal year end to ¥69,108 million. Current liabilities increased by ¥2,958 million to ¥48,131 million and non-current liabilities decreased by ¥916 million to ¥20,977 million.

The increase in current liabilities was primarily due to the increases in notes and accounts payable - trade and in electronically recorded obligations - operating associated with increase in net sales. The decrease in non-current liabilities was primarily due to a decrease in long-term borrowings associated with transfers between classifications of long-term and short-term borrowings.

3) Net assets

The Group's net assets increased by ¥3,561 million from the previous fiscal year end to ¥66,850 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) Information on capital resources and cash liquidity

Cash and cash equivalents as of December 31, 2021 decreased by ¥384 million from the previous fiscal year end to ¥4,917 million. The balance of interest-bearing liabilities as of December 31, 2021 was ¥31,930 million, a decrease from the previous fiscal year end of ¥852 million.

(4) 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 three quarters of the fiscal year ending March 31, 2022 or for the period from the end of the nine months ended December 31, 2021 to the date of submission of this quarterly securities report (February 10, 2022).

(5) Business and financial issues to be preferentially addressed

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

(6) Research and development activities

Research and development costs in the first three quarters of the fiscal year ending March 31, 2022 amounted to ¥626 million.

There were no material changes in the research and development activities of the Group in the first three 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 third quarter 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 December 31, 2021 (Stocks)	As of the submission date (February 10, 2022) (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
December 31, 2021	—	9,114,528	—	5,537	—	5,138

(5) Major shareholders

There are no matters to report as the quarter under review is the third quarter of the consolidated fiscal year.

(6) Status of voting rights

As the status of voting rights as of December 31, 2021 cannot be shown due to the inability to confirm the contents of the register of shareholders, the information shown is the information in the register of shareholders based on the most recent record date (September 30, 2021).

1) Issued stocks

As of December 31, 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 December 31, 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

   (Note) Changes in Corporate Officers who do not serve concurrently as Directors after the submission date of the annual securities report for the previous fiscal year and during the first three quarters of the fiscal year ending March 31, 2022 were as follows:

   (1) Changes in title and position

New title and position	Previous title and position	Name	Date of change
Corporate Officer General Manager, Furnace Manufacturing Business Division, Refractories Manufacturing Division General Manager, Purchasing Division Assistant to Senior General Manager, Refractories Manufacturing Division in matters related to Refractories Manufacturing Business	Corporate Officer General Manager, Purchasing Division Assistant to Senior General Manager, Refractories Manufacturing Division in matters related to Refractories Manufacturing Business	Naoki Furuta	October 1, 2021

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 the third quarter of the fiscal year ending March 31, 2022 (October 1, 2021 to December 31, 2021) and the nine months ended December 31, 2021 (April 1, 2021 to December 31, 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)	3Q, Fiscal Year Ending March 31, 2022 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	5,301	4,917
Notes and accounts receivable - trade	43,293	–
Notes and accounts receivable - trade, and contract assets	–	*2 43,378
Merchandise and finished goods	11,490	13,792
Work in process	3,197	3,526
Raw materials and supplies	9,868	11,737
Other	6,634	8,550
Allowance for doubtful accounts	(291)	(329)
Total current assets	79,496	85,573
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,499	42,624
Accumulated depreciation	(29,564)	(29,936)
Buildings and structures, net	12,935	12,687
Machinery, equipment and vehicles	67,338	69,163
Accumulated depreciation	(55,122)	(56,468)
Machinery, equipment and vehicles, net	12,215	12,695
Tools, furniture and fixtures	4,944	5,151
Accumulated depreciation	(3,881)	(4,073)
Tools, furniture and fixtures, net	1,063	1,077
Land	6,732	6,717
Construction in progress	2,422	2,453
Total property, plant and equipment	35,369	35,631
Intangible assets		
Goodwill	4,493	4,215
Other	485	487
Total intangible assets	4,978	4,703
Investments and other assets		
Investment securities	6,563	6,541
Retirement benefit asset	2,071	1,797
Deferred tax assets	473	169
Other	1,586	1,737
Allowance for doubtful accounts	(184)	(195)
Total investments and other assets	10,510	10,050
Total non-current assets	50,858	50,385
Total assets	130,354	135,959

(Millions of yen)

	Fiscal Year Ended March 31, 2021 (As of March 31, 2021)	3Q, Fiscal Year Ending March 31, 2022 (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,394	15,190
Electronically recorded obligations - operating	5,240	*2 7,170
Short-term borrowings	9,685	13,167
Commercial papers	7,000	4,000
Income taxes payable	1,214	622
Provision for bonuses	2,167	1,401
Provision for loss on construction contracts	82	122
Provision for environmental measures	58	–
Asset retirement obligations	160	–
Other	6,168	6,456
Total current liabilities	45,172	48,131
Non-current liabilities		
Long-term borrowings	16,098	14,763
Deferred tax liabilities	1,122	1,444
Provision for retirement benefits for directors (and other officers)	488	486
Retirement benefit liability	697	470
Asset retirement obligations	25	25
Other	3,460	3,786
Total non-current liabilities	21,893	20,977
Total liabilities	67,065	69,108
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	2,000	2,000
Retained earnings	53,781	56,385
Treasury shares	(1,644)	(1,649)
Total shareholders' equity	59,675	62,275
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,052	2,045
Deferred gains or losses on hedges	4	134
Foreign currency translation adjustment	(2,313)	(1,652)
Remeasurements of defined benefit plans	668	605
Total accumulated other comprehensive income	412	1,132
Non-controlling interests	3,201	3,442
Total net assets	63,288	66,850
Total liabilities and net assets	130,354	135,959

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	First 3Qs, Fiscal Year Ended March 31, 2021 (April 1, 2020 to December 31, 2020)	First 3Qs, Fiscal Year Ending March 31, 2022 (April 1, 2021 to December 31, 2021)
Net sales	83,364	98,910
Cost of sales	68,914	79,961
Gross profit	14,449	18,949
Selling, general and administrative expenses	11,483	12,676
Operating profit	2,965	6,273
Non-operating income		
Interest income	21	18
Dividend income	86	88
Share of profit of entities accounted for using equity method	349	254
Foreign exchange gains	174	330
Subsidy income	660	7
Other	325	249
Total non-operating income	1,616	949
Non-operating expenses		
Interest expenses	181	215
Loss on removal of non-current assets	84	87
Other	194	106
Total non-operating expenses	460	409
Ordinary profit	4,121	6,812
Extraordinary income		
Gain on sale of non-current assets	203	54
Gain on sale of investment securities	203	23
Total extraordinary income	407	77
Extraordinary losses		
Loss on retirement of non-current assets	67	38
Environmental expenses	30	—
Loss on disaster	27	—
Other	3	0
Total extraordinary losses	128	38
Profit before income taxes	4,400	6,851
Income taxes – current	940	1,474
Income taxes - deferred	330	605
Total income taxes	1,270	2,079
Profit	3,129	4,771
Profit attributable to non-controlling interests	126	314
Profit attributable to owners of parent	3,003	4,456

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First 3Qs, Fiscal Year Ended March 31, 2021 (April 1, 2020 to December 31, 2020)	First 3Qs, Fiscal Year Ending March 31, 2022 (April 1, 2021 to December 31, 2021)
Profit	3,129	4,771
Other comprehensive income		
Valuation difference on available-for-sale securities	695	(7)
Deferred gains or losses on hedges	(2)	129
Foreign currency translation adjustment	(236)	660
Remeasurements of defined benefit plans, net of tax	52	(62)
Share of other comprehensive income of entities accounted for using equity method	(39)	90
Total other comprehensive income	468	809
Comprehensive income	3,598	5,581
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,525	5,177
Comprehensive income attributable to non-controlling interests	72	403

[Notes]

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

For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 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. In addition, Ariake Materials Co., Ltd., which had been a consolidated subsidiary of the Company, was dissolved as of October 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 third quarter of the fiscal year ending March 31, 2022.

(Changes in accounting policies)

For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 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 nine months ended December 31, 2021, net sales increased by ¥220 million, cost of sales increased by ¥186 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥34 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 nine months ended December 31, 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 nine months ended December 31, 2021 (From April 1, 2021 to December 31, 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)		Third quarter under review (As of December 31, 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	211

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

	Previous fiscal year (As of March 31, 2021)	Third quarter under review (As of December 31, 2021)
Transfer balance of notes	161	267

*2. Notes maturing at the end of the quarter are accounted for as settled on the clearance date.
As the end of the third quarter of the fiscal year under review was a bank holiday, the following notes maturing at the end of the quarter are included in the quarter-end balance.

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Third quarter under review (As of December 31, 2021)
Notes receivable - trade	–	190
Electronically recorded obligations - operating	–	1,223

(Notes to Quarterly Consolidated Statements of Cash Flows)

Quarterly Consolidated Statements of Cash Flows have not been prepared for the nine months ended December 31, 2021. The amounts of depreciation (including depreciation of intangible assets except goodwill) and amortization of goodwill for the nine months are as follows.

(Millions of yen)

	For the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Depreciation	2,088	2,413
Amortization of goodwill	342	362

(Notes to shareholders' equity)

I For the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 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
Board of Directors' Meeting at October 30, 2020	Common stock	336	40.0	September 30, 2020	November 26, 2020	Retained earnings

2. Dividends whose record date fell in the nine months ended December 31, 2020, but whose effective date comes after December 31, 2020

Not applicable

3. Significant changes in shareholders' equity

Not applicable

II For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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
Board of Directors' Meeting at October 29, 2021	Common stock	842	100.0	September 30, 2021	November 26, 2021	Retained earnings

2. Dividends whose record date fell in the nine months ended December 31, 2021, but whose effective date comes after December 31, 2021

Not applicable

3. Significant changes in shareholders' equity

Not applicable

(Segments of an enterprise and related information)

[Segment information]

I For the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)

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	66,776	10,105	5,473	623	82,979	384	83,364	—	83,364
Inter-segment or transfer	4	215	—	—	220	—	220	(220)	—
Total	66,781	10,321	5,473	623	83,199	384	83,584	(220)	83,364
Segment profit (loss)	1,508	470	531	503	3,015	(34)	2,980	(15)	2,965

(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 ¥(15) 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 nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	81,873	9,648	6,311	553	98,386	524	98,910	—	98,910
Inter-segment or transfer	5	268	—	—	273	—	273	(273)	—
Total	81,879	9,916	6,311	553	98,660	524	99,184	(273)	98,910
Segment profit (loss)	4,535	409	852	442	6,240	36	6,277	(3)	6,273

(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 ¥220 million and segment profit increased by ¥34 million for the nine months ended December 31, 2021, compared to the previous methods.

(Notes to revenue recognition)

For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal		
Japan	42,481	9,627	5,272	—	57,382	524	57,906
India	17,564	—	8	—	17,573	—	17,573
Asia	5,612	20	721	—	6,354	—	6,354
Europe	9,260	—	247	—	9,507	—	9,507
Other	6,955	—	61	—	7,016	—	7,016
Revenue from contract(s) with customers	81,873	9,648	6,311	—	97,833	524	98,357
Other revenues	—	—	—	553	553	—	553
Sales to external customers	81,873	9,648	6,311	553	98,386	524	98,910

(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 nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
Profit per share (Yen)	356.51	529.17
(Basis for calculation)		
Profit attributable to owners of parent	3,003	4,456
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	3,003	4,456
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

February 10, 2022

To the Board of Directors of KROSAKI HARIMA CORPORATION.

KPMG AZSA LLC
Fukuoka Office

Takashi Hasumi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naohiro Yamada
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 December 31, 2021, the quarterly consolidated statements of income and the quarterly consolidated statements of comprehensive income for the nine-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 December 31, 2021, and their operating results for the nine-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.