Annual Securities Report

(The 131st fiscal year)

KROSAKI HARIMA CORPORATION

Contents

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[Document Submitted]	Annual Securities Report (“*Yukashoken Hokokusho*”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	June 29, 2022
[Accounting Period]	The 131st Fiscal Year (from April 1, 2021, to March 31, 2022)
[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
[Phone No.]	(093) 622-7224
[Contact for Communications]	Hajime Nishiyama, General Manager of General Administration Department
[Nearest Contact]	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka, Japan
[Phone No.]	(093) 622-7224
[Contact for Communications]	Hajime Nishiyama, General Manager of General Administration Department
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Securities Membership Corporation, Fukuoka Stock Exchange (2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka, Japan)

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data and Trends

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal period	127th fiscal year	128th fiscal year	129th fiscal year	130th fiscal year	131st fiscal year
Period of account	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	123,977	142,347	137,395	113,661	133,778
Ordinary profit	8,991	11,289	9,764	6,361	8,679
Profit attributable to owners of parent	5,656	7,868	6,444	4,334	5,490
Comprehensive income	7,590	5,456	3,796	7,579	7,815
Net assets	57,755	56,236	57,233	63,288	69,084
Total assets	131,031	135,422	126,942	130,354	142,694
Net assets per share (Yen)	6,321.82	6,297.94	6,436.93	7,133.91	7,759.14
Basic earnings per share (Yen)	670.96	933.76	765.04	514.63	651.91
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	40.7	39.2	42.7	46.1	45.8
Return on equity (%)	11.3	14.8	12.0	7.6	8.8
Price earnings ratio (Times)	7.5	5.9	5.3	9.5	6.3
Net cash provided by (used in) operating activities	2,687	10,270	9,068	10,080	4,120
Net cash provided by (used in) investing activities	(2,368)	(2,265)	(7,044)	(4,946)	(3,608)
Net cash provided by (used in) financing activities	740	(6,721)	(3,475)	(3,608)	(1,022)
Cash and cash equivalents at end of period	4,271	5,376	3,785	5,301	5,012
Number of employees (Persons)	4,439 [1,910]	4,735 [2,207]	4,827 [2,218]	4,802 [2,637]	4,681 [2,756]

(Notes) 1. "Diluted earnings per share" are not shown for the 127th fiscal year through the 131st fiscal year, since there was no dilutive shares.
2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) from the beginning of the 131st fiscal year. The key financial data, etc. for the 131st fiscal year are presented after applying the said Accounting Standard.
3. Number of employees shows the number of full-time employees. The average number of temporary employees each year is included in square brackets "[ ]" below the number of employees.
4. Effective October 1, 2017, the Company conducted a one-for-ten share consolidation of its common shares. Accordingly, the net assets per share and basic earnings per share were calculated on the assumption that said consolidation of shares was conducted at the beginning of the 127th fiscal year.

(2) Financial data etc. of the Filing Company

(Millions of yen, unless otherwise stated)

Fiscal period	127th fiscal year	128th fiscal year	129th fiscal year	130th fiscal year	131st fiscal year
Period of account	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	92,574	101,556	96,013	80,429	90,097
Ordinary profit	7,293	7,222	6,855	5,909	5,753
Profit	5,374	6,130	5,048	4,616	5,972
Share capital	5,537	5,537	5,537	5,537	5,537
Total number of issued shares (Shares)	9,114,528	9,114,528	9,114,528	9,114,528	9,114,528
Net assets	45,771	48,016	50,139	54,414	58,504
Total assets	104,989	110,192	104,656	106,268	110,994
Net assets per share (Yen)	5,430.80	5,699.28	5,952.23	6,460.40	6,946.90
Dividends per share (Yen) [Of the above, interim dividends per share] (Yen)	125.00 [5.00]	280.00 [100.00]	220.00 [100.00]	150.00 [40.00]	200.00 [100.00]
Basic earnings per share (Yen)	637.50	727.51	599.21	548.11	709.15
Diluted earnings per share (Yen)	−	−	−	−	−
Equity ratio (%)	43.6	43.6	47.9	51.2	52.7
Return on equity (%)	12.4	13.1	10.3	8.8	10.6
Price earnings ratio (Times)	7.9	7.6	6.8	8.9	5.8
Dividend payout ratio (%)	26.7	38.5	36.7	27.4	28.2
Number of employees (Persons)	1,329 [218]	1,379 [256]	1,471 [245]	1,526 [211]	2,362 [343]
Total shareholder return (%) (Comparison index: TOPIX total return index)	117.9 [115.9]	135.5 [110.0]	107.6 [99.6]	129.3 [141.5]	116.5 [144.3]
Highest share price (Yen)	571 * 5,880	9,230	6,730	5,210	5,330
Lowest share price (Yen)	404 * 4,345	4,725	3,660	2,769	3,755

(Notes)
1. "Diluted earnings per share" are not shown for the 127th fiscal year through the 131st fiscal year, since there was no dilutive shares.
2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) from the beginning of the 131st fiscal year. The key financial data, etc. for the 131st fiscal year are presented after applying the said Accounting Standard.
3. Number of employees shows the number of full-time employees. The average number of temporary employees each year is included in square brackets "[ ]" below the number of employees.
4. Effective October 1, 2017, the Company conducted a one-for-ten share consolidation of its common shares. Accordingly, the net assets per share and basic earnings per share were calculated on the assumption that said consolidation of shares was conducted at the beginning of

the 127th fiscal year.

5. The dividends per share for the 127th fiscal year are ¥125.00 including interim dividends of ¥5.00 per share and year-end dividends of ¥120.00 per share. As the Company conducted a one-for-ten share consolidation of its common shares effective October 1, 2017, the interim dividends of ¥5.00 per share represent the amount of dividends prior to the consolidation and the year-end dividends of ¥120.00 per share represent the amount of dividends after the consolidation.
6. The highest and lowest share prices refer to those of the First Section of the Tokyo Stock Exchange.
7. An asterisk (*) indicates the stock price after the ex-rights date due to the share consolidation (10 shares into one share, effective October 1, 2017).

2. Corporate History

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

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

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

3. Description of Business

The business description of the Company, its 11 consolidated subsidiaries, and 3 entities accounted for using equity method (hereinafter the "Group"), and the positioning of Group companies and their relevant segments in the business are as follows:

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

The Company manufactures and sells refractories.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

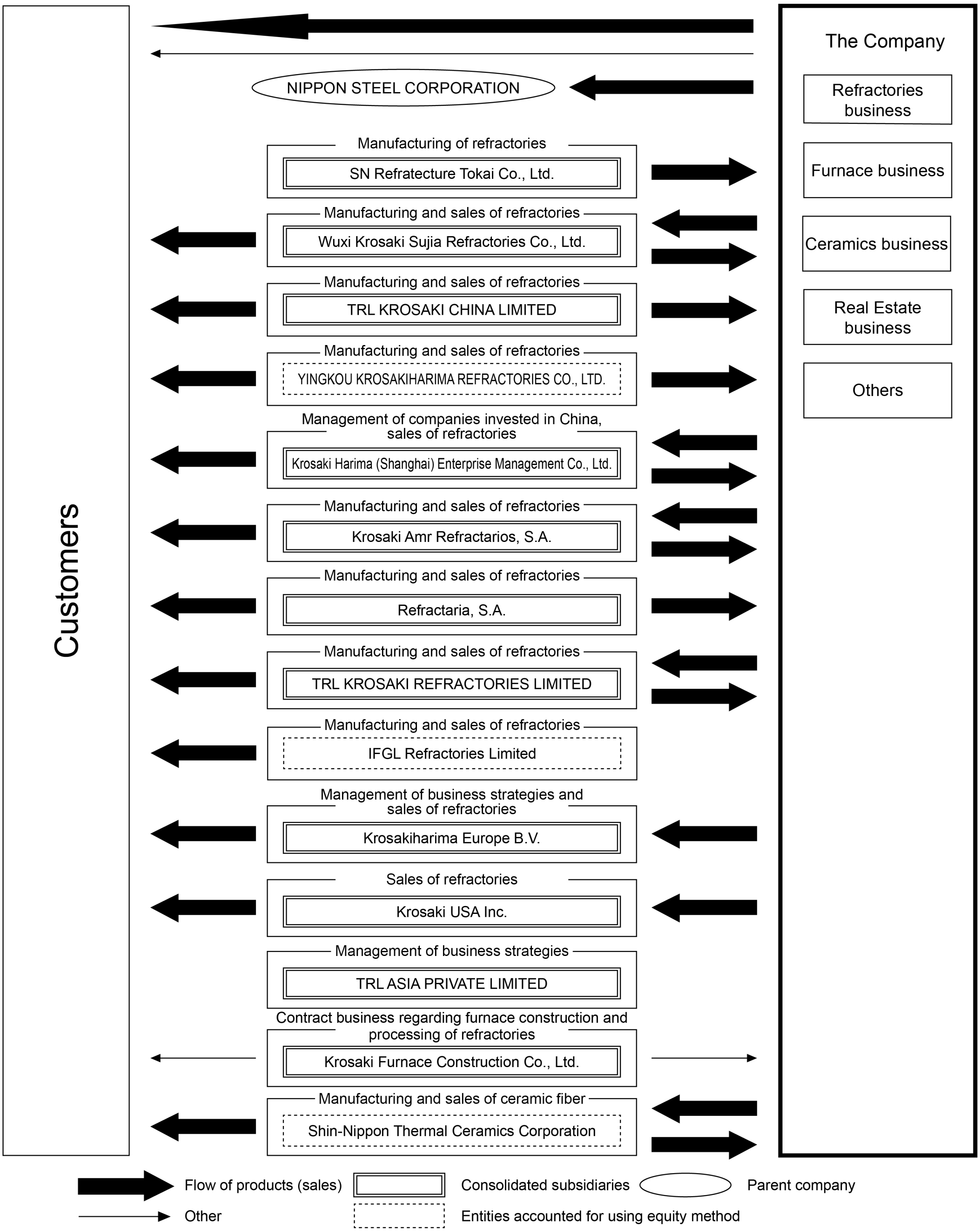
Real Estate (the rental of shops, warehouses, etc.)

The Company rents out shops, warehouses, etc.

Others (the manufacturing and sales of lime for steelworks)

The Company manufactures and sells lime for steelworks.

The above is explained in the organizational chart below.



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

4. Information on Subsidiaries and Associates

Company name	Location	Paid in capital (Millions of yen unless otherwise stated)	Principal business	Ratio of voting rights holding (held) (%)	Relationship
(Consolidated subsidiary)					
SN Refratecture Tokai Co., Ltd.	Kariya City, Aichi	75	Refractories	65.0	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary. The products of the subsidiary are sold by the Company's Sales Department.
Krosaki Furnace Construction Co., Ltd.	Yahatanishi-ku, Kitakyushu City, Fukuoka	10	Furnace	51.0	4 employees of the Company concurrently serve as officers of the subsidiary.
Krosaki Amr Refractarios, S. A.	Guipuzkoa, Spain	(Thousand Euros) 4,597	Refractories	100.0 (100.0)	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
Wuxi Krosaki Sujia Refractories Co., Ltd.	Jiangsu Province, China	(Thousand USD) 14,196	Refractories	68.0	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
Krosaki USA Inc.	Indiana, USA	(Thousand USD) 400	Refractories	90.0	1 employee of the Company is dispatched to the subsidiary as an officer. 1 employee of the Company concurrently serves as an officer of the subsidiary.
Krosaki Harima (Shanghai) Enterprise Management Co., Ltd.	Shanghai City, China	(Thousand USD) 2,400	Refractories	100.0	1 employee of the Company is dispatched to the subsidiary as an officer. 3 employees of the Company concurrently serve as officers of the subsidiary.
Krosakiharima Europe B. V.	Velsen-noord, The Netherlands	(Thousand Euros) 500	Refractories	100.0	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
TRL KROSAKI REFRACTORIES LIMITED	West Bengal, India	(Thousand Indian Rupees) 209,000	Refractories	77.62	2 officers and 2 employees of the Company concurrently serve as officers of the subsidiary.
TRL KROSAKI ASIA PRIVATE LIMITED	Singapore	(Thousand Singapore Dollars) 12,993	Refractories	97.0 (37.0)	1 officer of the Company concurrently serves as officer of the subsidiary.
TRL KROSAKI CHINA LIMITED	Liaoning Province, China	(Thousand USD) 8,200	Refractories	100.0 (100.0)	2 officers of the Company concurrently serve as officers of the subsidiary.
Refractaria, S. A	Asturias, Spain	(Thousand Euros) 657	Refractories	100.0 (100.0)	3 employees of the Company concurrently serve as officers of the subsidiary.
(Entity accounted for using equity method)					
Shin-Nippon Thermal Ceramics Corporation	Sakai-ku, Sakai City, Osaka	490	Ceramics	50.0	1 employee of the Company is dispatched to the associate as an officer. 2 employees of the Company concurrently serve as officers of the associate.
YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD.	Liaoning Province, China	(Thousand Chinese yuan) 36,500	Refractories	49.0	1 officer and 2 employees of the Company concurrently serve as officers of the associate.
IFGL Refractories Limited	Odisha, India	(Thousand Indian Rupees) 360,393	Refractories	15.51	2 employees of the Company concurrently serve as officers of the associate.

Company name	Location	Paid in capital (Millions of yen unless otherwise stated)	Principal business	Ratio of voting rights holding (held) (%)	Relationship
(Parent company) NIPPON STEEL CORPORATION	Chiyoda-ku, Tokyo	419,524	Steelworks, others	Voting rights held 46.9 (0.0)	1 employee of this company concurrently serves as an officer of the Company.

(Notes) 1. Name of business segments of consolidated subsidiaries and entities accounted for using equity method in the box of “Principal business” are the same as those stated in the segment information.
2. The ratio of voting rights holding (held) indirectly is shown in parentheses “( )” in the boxes “Ratio of voting rights holding (held).”
3. Krosaki Amr Refractarios S. A., Wuxi Krosaki Sujia Refractories Co., Ltd., Krosaki Harima (Shanghai) Enterprise Management Co., Ltd., TRL ASIA PRIVATE LIMITED, and TRL KROSAKI CHINA LIMITED are specified subsidiaries of the Company.
4. KROSAKI HARIMA CERA CORPORATION (consolidated subsidiary) was liquidated on April 1, 2021 due to an absorption-type merger with the Company as the surviving company. Ariake Materials Co., Ltd. (consolidated subsidiary) was liquidated on October 1, 2021 due to an absorption-type merger with the Company as the surviving company.
5. None of the above companies, with the exception of NIPPON STEEL CORPORATION, file Securities Registration Statements or Securities Reports.
6. TRL KROSAKI REFRACTORIES LIMITED’s net sales (excluding inter-segment net sales among consolidated subsidiaries) accounted for more than 10% of the total consolidated net sales.

Key profit/loss information:

(a) Net sales	¥29,045 million
(b) Ordinary profit	¥1,961 million
(c) Profit	¥1,511 million
(d) Net assets	¥9,364 million
(e) Total assets	¥21,343 million

5. Employees

(1) Consolidated Companies

As of March 31, 2022

Name of business segment	Number of employees (Persons)
Refractories	3,538 (2,563)
Furnace	646 (78)
Ceramics	214 (38)
Others	1 (1)
Company-wide (shared)	282 (76)
Total	4,681 (2,756)

(Notes) 1. Number of employees shows the number of full-time employees. The average number of temporary employees each year is shown in parentheses "( )" next to the number of employees.

2. Temporary employees include fixed-term and part-time employees, but exclude dispatched employees.

3. For companies that end their fiscal years in December, number of employees is as of December 31, 2021.

(2) The Filing Company

As of March 31, 2022

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
2,362 (343)	42.2	11.1	5,304

Name of business segment	Number of employees (Persons)
Refractories	1,289 (175)
Furnace	576 (53)
Ceramics	214 (38)
Others	1 (1)
Company-wide (shared)	282 (76)
Total	2,362 (343)

(Notes) 1. Number of employees shows the number of full-time employees. The average number of temporary employees each year is shown in parentheses "( )" next to the number of employees.

2. Temporary employees include fixed-term and part-time employees, but exclude dispatched employees.

3. Average annual salary includes bonuses and non-standard wages.

4. The number of employees increased by 836 from the end of the previous fiscal year, mainly because KROSAKI HARIMA CERA CORPORATION and Ariake Materials Co., Ltd. were merged into the Company on April 1, 2021 and October 1, 2021, respectively.

(3) Status of labor union

The labor union of the Company, named the Krosaki Harima Union, belongs to the All Japan Federation of Ceramics Industry Workers. The labor union of the Company had 1,592 members as of March 31, 2022.

Although the Company's union and the labor union of consolidated subsidiary KROSAKI HARIMA CERA CORPORATION previously formed the Krosaki Harima Labor Federation, it was dissolved on September 30, 2021, as a result of the Company's merger with KROSAKI HARIMA CERA CORPORATION on April 1, 2021.

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

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

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

II. Business Overview

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

Forward-looking statements contained in this document are based on judgments of the Group that were made as of the end of the fiscal year ended March 31, 2022.

(1) Basic management policy of the Company

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

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

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

1) 2025 Management Plan (from FY2021 to FY2025)

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

[Outline of the 2025 Management Plan]

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

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

2) Progress of the 2025 Management Plan (from FY2021 to FY2025)

In the steel industry, a major customer of the Group, global crude steel production in 2021 increased 3.7% year on year to surpass 1.9 billion tons, and domestic crude steel production for the fiscal year ended March 31, 2022 increased 15.5% year on year to 95.63 million tons.

However, the business environment surrounding the Company remains harsh due to higher costs of imported raw materials, procured goods, and logistics costs caused by the disruption of the supply chain and other reasons, as well as the impact of the depreciation of the yen and other factors.

Under such circumstances, during the fiscal year ended March 31, 2022, which is the first year of implementation of the 2025 Management Plan, we sought to improve manufacturing capabilities through the merger with KROSAKI HARIMA CERA CORPORATION and Ariake Materials Co., Ltd. in order to strengthen the structure of our domestic business, while pursuing vigorous cost reductions in response to cost increases, passing them onto sales prices, steadily capturing recovering demand in Japan and overseas, and expanding sales. Furthermore, we implemented various initiatives to increase earnings. These initiatives include the strengthening of global strategies through efforts such as manufacturing technology licensing, assistance, and sales tie-up with ArcelorMittal Refractories, which is a refractory manufacturing company of the ArcelorMittal group, for refractories for European steel, and the conclusion of an agreement with INDÚSTRIAS BRASILEIRAS DE ARTIGOS REFRÁTARIOS, which is a Brazilian refractory manufacturing company, to license manufacturing technology for refractories for South America.

Net sales in the fiscal year ended March 31, 2022 increased 17.7% year on year to ¥133,778 million mainly due to higher demand for refractories reflecting the increase in crude steel production in Japan and overseas and an increase in ceramic materials for semiconductor manufacturing equipment and electronic components, in addition to the above efforts. Ordinary profit increased 36.4% to ¥8,679 million mainly due to increased net sales, progressing more than linearly against the target performance.

We aim to achieve the 2025 Management Plan ahead of schedule with the targets of consolidated net sales of ¥150 billion and consolidated ordinary profit of ¥12 billion, by continuing to press ahead with global strategies that leverage our strengths, carrying out aggressive capital investment, and further accelerating various initiatives aimed at expanding earnings.

2. Business and Other Risks

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

Forward-looking statements contained in this document are based on judgments of the Group that were made as of the submission date of this annual securities report (June 29, 2022).

1) Economic trends

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

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

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

2) Relationship with specific business partners

NIPPON STEEL CORPORATION is one of the Group’s principal business partners on an ongoing basis, and the Group also has transactions with NIPPON STEEL’s group companies. The ratio of the Group’s sales to NIPPON STEEL group companies is approximately 43.6% (on a consolidated basis, fiscal year ended March 31, 2022).

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

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

3) Outbreak of pandemics

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

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

4) Occurrence of large-scale disasters

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

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

5) Occurrence of information security incidents

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

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

6) Fluctuation in raw material prices

The majority of raw materials for refractories depend on overseas imports. Furthermore, refractories are imported from overseas as procurements in great quantities. In addition, as liquefied natural gas (LNG) and heavy oil are used as fuels for firing at some manufacturing processes of refractories, a rise in LNG prices and crude oil prices could result in higher manufacturing and transportation costs and a price hike in purchased products.

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

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

7) Country risk due to high dependency on specific countries

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

Any restrictions, policy changes, prolonged lockdowns implemented as a preventive measure against the resurgence of COVID-19, etc. in China could have an adverse effect on the Group's business performance, etc.

In addition, the Company includes TRL KROSAKI REFRACTORIES LIMITED (India) in the scope of consolidation as a consolidated subsidiary, with sales of ¥29.0 billion (fiscal year ended March 31, 2022).

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

8) Fluctuations in foreign currency exchange rates

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

As for the Group, with the total amount of imports currently higher than that of exports, the appreciation of the yen against other currencies favorably affects the Group's business performance, etc., in general. In contrast, depreciation of the yen adversely affects the Group's business performance, etc.

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

9) Legal restriction regarding the Group's business activities

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

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

10) Value fluctuations of investment securities held

The Group holds approximately ¥6.3 billion of investment securities (consolidated, as of March 31, 2022). In case the value of these securities declines due to sluggish business results at the investees or deteriorated market conditions in the securities markets, it could have an adverse effect on the Group's business performance, etc.

11) Relationships with alliance partners

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

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

3. Management's Analysis of Financial Position, Business Performance, and Cash Flows
(1) Overview of Business Performance, etc.

An overview of the financial position, business performance, and cash flows ("business results, etc.") of the Group (the Company and its consolidated subsidiaries and entities accounted for using equity method) during the fiscal year ended March 31, 2022 is as follows.

1) Business performance

Regarding the economic environment surrounding the Group during the fiscal year ended March 31, 2022, as a whole, demand recovered significantly from the previous fiscal year, which was affected by the spread of COVID-19.

In the steel industry, a major customer of the Group, domestic crude steel production during the fiscal year ended March 31, 2022 increased 15.5% year on year to 95.63 million tons. On the other hand, global crude steel production from January to December 2021 increased by 3.7% year on year to 1,950.50 million tons, surpassing 1.9 billion tons for the first time.

Under these circumstances, with an aim to establish its position as "one of the world's leading comprehensive ceramics companies," as set forth in the basic policy of the 2025 Management Plan, the Group implemented various initiatives to increase earnings during the fiscal year ended March 31, 2022. These initiatives include the strengthening of global strategies, such as capital investment in Japan and overseas, manufacturing technology licensing, assistance and sales tie-up with ArcelorMittal Refractories, which is a refractory manufacturing company of the ArcelorMittal group, for refractories for European steel, and the conclusion of an agreement with INDÚSTRIAS BRASILEIRAS DE ARTIGOS REFRÁTARIOS, which is a Brazilian refractory manufacturing company, to license manufacturing technology for refractories for South America.

The Group's business results of the fiscal year ended March 31, 2022 are as follows.

Net sales

Net sales increased 17.7% compared to the previous fiscal year to ¥133,778 million. The reasons for the increase include higher demand for refractories due to an increase in domestic and overseas crude steel production, as well as an increase in ceramic materials for semiconductor manufacturing equipment and electronic components.

Profit and loss

As a result of an increase in net sales, operating profit stood at ¥7,566 million, up 52.9% compared to the previous fiscal year, and ordinary profit stood at ¥8,679 million, an increase of 36.4% compared to the previous fiscal year. Profit attributable to owners of parent in the fiscal year ended March 31, 2022 was ¥5,490 million, up 26.7% compared to the previous fiscal year.

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 fiscal year ended March 31, 2022 increased by ¥242 million, and operating profit, ordinary profit, and profit before income taxes each increased by ¥46 million.

Business results by segment are as follows.

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

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

Net sales in the Refractories segment stood at ¥110,659 million, an increase of 21.5% compared to the previous fiscal year, mainly as a result of higher demand for refractories due to an increase in domestic and overseas crude steel production. Due to factors including an increase in net sales, segment profit was ¥5,149 million, an increase of 82.9% compared to the previous fiscal year.

Due to the application of the Revenue Recognition Standard and other accounting standards, net sales increased by ¥242 million, and profit increased by ¥46 million.

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

Net sales of the Furnace segment stood at ¥13,226 million, a decrease of 3.7% compared to the previous fiscal year, mainly reflecting reduced orders received due to the timing between large-scale construction projects. Due to factors including a decrease in net sales, segment profit was ¥668 million, a decrease of 9.4% compared to the previous fiscal year.

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

Net sales increased by 14.5% year on year to ¥8,486 million due to factors including an increase in ceramic materials for semiconductor manufacturing equipment and electronic components. Due to factors including an increase in net sales, segment profit was ¥1,124 million, an increase of 60.1% compared to the previous fiscal year.

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

Net sales stood at ¥737 million, a decrease of 11.3% compared to the previous fiscal year and segment profit was ¥592 million, a decrease of 11.7% compared to the previous fiscal year.

Others (the manufacturing and sales of lime for steelworks)

Net sales of the other business segment stood at ¥668 million, an increase of 5.8% compared to the previous fiscal year and segment profit was ¥36 million, an increase of 48.4% compared to the previous fiscal year.

2) Financial condition

a. Assets

The Group's consolidated total assets at the end of the fiscal year ended March 31, 2022 increased by ¥12,339 million from the previous fiscal year end to ¥142,694 million. Current assets increased by ¥11,832 million to ¥91,328 million and non-current assets increased by ¥507 million to ¥51,365 million.

Primary factors for the increase in current assets were increases in merchandise and finished goods as well as raw materials and supplies mainly associated with an increase in net sales. A primary factor for the increase in non-current assets was an increase in machinery, equipment and vehicles due to acquisition of machinery and equipment.

b. Liabilities

The Group's consolidated total liabilities at the end of the fiscal year ended March 31, 2022 increased by ¥6,543 million from the previous fiscal year end to ¥73,609 million. Current liabilities increased by ¥3,238 million to ¥48,410 million and non-current liabilities increased by ¥3,305 million to ¥25,198 million.

A primary factor for the increase in current liabilities was an increase in accounts payable - trade. A primary factor for the increase in non-current liabilities was an increase in long-term borrowings.

c. Net assets

The Group's consolidated net assets at the end of the fiscal year ended March 31, 2022 increased by ¥5,795 million from the previous fiscal year end to ¥69,084 million.

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

Due to the application of the Revenue Recognition Standard and other accounting standards, a cumulative effect was reflected in net assets at the beginning of the fiscal year ended March 31, 2022, decreasing the beginning balance of retained earnings by 83 million yen.

As a result, the Group's equity ratio at the end of the fiscal year ended March 31, 2022 was 45.8%.

Net assets per share increased from ¥7,133.91 at the previous fiscal year end to ¥7,759.14.

3) Status of cash flows

The Group's cash and cash equivalents (hereinafter, "net cash") at the end of the fiscal year ended March 31, 2022 decreased by ¥289 million from the previous fiscal year end to ¥5,012 million.

Status of cash flows during the fiscal year ended March 31, 2022 and their primary factors are explained below.

a. Cash flows from operating activities

Net cash provided by operating activities amounted to ¥4,120 million compared to an inflow of ¥10,080 million for the previous fiscal year.

This consisted primarily of ¥8,578 million in profit before income taxes, a ¥3,189 million increase in trade payables, ¥3,247 million in depreciation, and a ¥6,971 million increase in inventories.

b. Cash flows from investing activities

Net cash used in investing activities amounted to ¥3,608 million compared to an outflow of ¥4,946 million for the previous fiscal year.

This consisted primarily of ¥3,652 million in purchase of non-current assets including facilities.

c. Cash flows from financing activities

Net cash used in financing activities amounted to ¥1,022 million compared to an outflow of ¥3,608 million for the previous fiscal year.

This consisted primarily of ¥6,745 million in proceeds from long-term borrowings, ¥5,522 million in repayment of long-term borrowings, and ¥1,769 million in dividends paid.

4) Production, orders received, and sales

a. Production results

Production results by business segment for the fiscal year ended March 31, 2022 are as follows.

Business segment	Production (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	83,159	22.2
Furnace	12,754	(4.3)
Ceramics	5,652	19.4
Others	613	(0.4)
Total	102,179	17.8

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

b. Orders received

Orders received by business segment for the fiscal year ended March 31, 2022 are as follows.

Business segment	Orders received (Millions of yen)	Increase (decrease) from previous fiscal year (%)	Orders in hand (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	112,555	24.4	10,442	22.2
Furnace	13,205	(3.3)	1,129	(1.8)
Ceramics	8,553	15.3	704	10.4
Others	656	3.6	44	(21.6)
Total	134,970	20.3	12,321	18.6

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

c. Sales results

Sales results by business segment for the fiscal year ended March 31, 2022 are as follows.

Business segment	Sales (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	110,659	21.5
Furnace	13,226	(3.7)
Ceramics	8,486	14.5
Real Estate	737	(11.3)
Others	668	5.8
Total	133,778	17.7

(Notes) 1. Transactions between segments are eliminated.

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

Customer	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Sales (Millions of yen)	Percentage (%)	Sales (Millions of yen)	Percentage (%)
NIPPON STEEL CORPORATION	47,898	42.1	52,240	39.1

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

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

The forward-looking statements included in this section are based on judgment as at the end of the fiscal year ended March 31, 2022.

1) Significant accounting policies and estimates

The Group prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan. The preparation of these consolidated financial statements requires the use of estimates and predictions that affect the financial condition, business performance and cash flows of the fiscal year ended March 31, 2022. The Group makes ongoing estimates and predictions based on assumptions considered reasonable in light of past results and conditions. Consequently, the actual results may differ from these estimates due to the nature of uncertainty of these estimates.

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

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

(Valuation of consolidated subsidiaries' shares and goodwill)

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

As of the end of the fiscal year ended March 31, 2022, ¥4,270 million of goodwill was recorded on the consolidated balance sheet as a result of the acquisition of a consolidated subsidiary. The undiscounted future cash flow of consolidated subsidiaries is used to determine whether to recognize an impairment loss on the goodwill. This undiscounted future cash flow is based on the current conditions and medium-term management plans of the consolidated subsidiaries, along with the future outlook beyond the medium-term management plans. However, because there are uncertainties involved in realizing the medium-term management plans and future outlook, the judgment of management on these matters will affect accounting estimates.

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

2) Details of the recognition, analysis and discussion of the status of business performance for the fiscal year ended March 31, 2022

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

Net sales

Net sales in the fiscal year ended March 31, 2022 increased by ¥20,116 million from the previous fiscal year to ¥133,778 million (a 17.7% increase from the previous year). This was primarily due to higher demand for refractories reflecting the increase in crude steel production in Japan and overseas and an increase in ceramic materials for semiconductor manufacturing equipment and electronic components. By region, net sales were ¥77,669 million (a 9.0% increase from the previous year) in Japan, ¥24,839 million (a 38.4% increase from the previous year) in India, ¥8,772 million (a 2.5% increase from the previous year) in Asia, ¥13,296 million (a 42.8% increase from the previous year) in Europe and ¥9,201 million (a 39.4% increase from the previous year) in Others. Overseas sales amounted to ¥56,109 million (a 32.3% increase from the previous year), and the ratio of overseas sales to total sales was 41.9% (up by 4.6 points from the previous year).

The Group’s sales for the fiscal year ending March 31, 2023 and beyond are expected to show an upturn for reasons such as anticipation of an increase in demand for refractories and maintenance work for steel manufacturing facilities due to an increase in crude steel production centered on overseas, as well as an increase in demand for ceramics materials for semiconductor manufacturing equipment and electronic components.

Gross profit

Gross profit in the fiscal year ended March 31, 2022 increased by ¥4,253 million from the previous fiscal year to ¥24,809 million (a 20.7% increase from the previous year) and the ratio of gross profit to net sales increased by 0.5 points to 18.5% from the previous year as a result of factors including an increase in net sales.

Operating profit

Operating profit in the fiscal year ended March 31, 2022 increased by ¥2,617 million from the previous fiscal year to ¥7,566 million (a 52.9% increase from the previous year) and the ratio of operating profit to net sales increased by 1.3 points from the previous fiscal year to 5.7%. Selling, general and administrative expenses increased by ¥1,636 million from the previous fiscal year to ¥17,242 million (a 10.5% increase from the previous year).

Ordinary profit

Ordinary profit in the fiscal year ended March 31, 2022 increased by ¥2,318 million from the previous fiscal year to ¥8,679 million (a 36.4% increase from the previous year) and the ratio of ordinary profit to net sales increased by 0.9 points from the previous fiscal year to 6.5%. Non-operating income decreased by ¥328 million from the previous fiscal year to ¥1,681 million (a 16.3% decrease from the previous year), due to the decrease in subsidy income, and non-operating expenses decreased by ¥29 million from the previous fiscal year to ¥567 million (a 4.9% decrease from the previous year) due to the decrease in other.

Profit attributable to owners of parent

Profit attributable to owners of parent in the fiscal year ended March 31, 2022 increased by ¥1,155 million from the previous fiscal year to ¥5,490 million (a 26.7% increase from the previous year). Extraordinary income decreased by ¥446 million from the previous fiscal year to ¥82 million (an 84.4% decrease from the previous year) due to decreases in gain on sale of non-current assets and gain on sale of investment securities, and extraordinary losses decreased by ¥167 million from the previous fiscal year to ¥183 million (a 47.6% decrease from the previous year) due to the decrease in impairment losses.

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

In the Refractories segment, profit increased due to an increase in orders for consumable refractories resulting from recovery in domestic and overseas crude steel production, implementation of cost reductions, profit improvement at overseas consolidated subsidiaries mainly in India, and higher demand for materials for semiconductor manufacturing equipment and electronic components in the Ceramics segment, despite a difficult environment caused mainly by soaring prices of raw materials and procured goods as well as the depreciation of the yen.

* Fractions less than a million yen are rounded off

･Change in prices of raw materials and procured goods	¥(1,130) million
･Foreign exchange rate fluctuations	¥(1,550) million
･Increase in orders for refractories	¥2,690 million
･Cost reductions	¥350 million
･Profit and loss of consolidated subsidiaries	¥1,970 million
･Furnace segment	¥(70) million
･Ceramics segment	¥420 million
･Non-operating profit or loss	¥(370) million

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

An analysis of the business performance by segment for the fiscal year ended March 31, 2022, is stated in II. Business Overview, 3. Management's Analysis of Financial Position, Business Performance, and Cash Flows, "(1) Overview of Business Performance, etc., 1) Business performance."

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

Details of the analysis and discussion of business performance in light of objective financial data to determine the management policies, management strategies, etc., and achievement status of the management targets, are stated in II. Business Overview, 1. Management Policies, Business Environment and Issues to be Addressed, "(2) Targeted financial data, medium- to long-term management strategies of, and issues to be addressed by the Company, 2) Progress of the 2025 Management Plan (from FY2021 to FY2025)."

3) Details of the recognition, analysis and discussion of the financial condition for the fiscal year ended March 31, 2022

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

An analysis of the financial condition of the fiscal year ended March 31, 2022 is stated in II. Business Overview, 3. Management's Analysis of Financial Position, Business Performance, and Cash Flows, "(1) Overview of Business Performance, etc., 2) Financial condition."

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

Refractories

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2022 increased by ¥14,059 million from the previous fiscal year end to ¥116,653 million.

Primary factor for the increase in the segment assets was an increase in inventories due to increased sales.

Furnace

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2022 decreased by ¥903 million from the previous fiscal year end to ¥8,674 million.

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

Ceramics

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2022 decreased by ¥182 million from the previous fiscal year end to ¥7,950 million.

Real Estate

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2022 decreased by ¥496 million from the previous fiscal year end to ¥620 million.

Others

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2022 decreased by ¥78 million from the previous fiscal year end to ¥332 million.

4) Details of the recognition, analysis and discussion of the status of cash flows for the fiscal year ended March 31, 2022

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

The Group's analysis of capital resources and cash liquidity for the fiscal year ended March 31, 2022 is stated in II. Business Overview, 3. Management's Analysis of Financial Position, Business Performance, and Cash Flows, "(1) Overview of Business Performance, etc., 3) Status of cash flows."

b. Information on capital resources and cash liquidity

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

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

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

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

The balance of interest-bearing liabilities as of March 31, 2022 was ¥34,198 million.

4. Material Business Agreements, etc.

(Filing company)

Major technological support provision contracts

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

5. Research and Development Activities

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

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

The Ceramics segment engages in the development of a variety of industrial-use fine ceramics.

The research and development costs of the Group amounted to ¥865 million for the fiscal year ended March 31, 2022.

(1) Refractories

The Refractories segment develops refractories for steel, which are the Company’s mainstay products, as well as technologies related to the construction of refractories for the purpose of diversifying businesses. The R&D activity of the business segment is mainly operated by 23 engineering staffers who work at the Technical Research Laboratory of the Company.

1) Purpose of research and development

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

2) Research themes

- Development of technologies that contribute to carbon neutrality
- Development of new functional materials
- Technological development for manufacturing process
- Develop originality-focused products

3) Research system

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

The research and development costs incurred related to this business segment were ¥792 million.

(2) Furnace

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

(3) Ceramics

The Ceramics segment engages in the development of fine ceramics for various industries. The research and development costs incurred related to this business segment were ¥73 million.

(4) Real Estate

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

(5) Others

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

III. Equipment and Facilities

1. Summary of Capital Investment, etc.

The Group carries out capital investment with focus on the Refractories segment. Including investments in intangible assets, the Group carried out a total of ¥3,465 million in capital investment for the consolidated fiscal year ended March 31, 2022.

In the Refractories segment, a total of ¥2,756 million was invested, with focus on equipment and facilities for the production of continuous casting refractories and refractories for converters, etc.

In the Furnace segment, a total of ¥280 million was invested on outsourcing, etc.

In the Ceramics segment, a total of ¥347 million was invested on equipment and facilities for the production of various industrial-use fine ceramics.

2. Status of Major Equipment

(1) The Filing Company

As of March 31, 2022

Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
					Area (Thousand m^2)	Amount			
Head Office and Yahata Works (Yahatanishi-ku, Kitakyushu City, Fukuoka)	Refractories, Furnace, Ceramics	Production facilities and equipment, facilities and equipment related to furnace construction, others	3,424	2,732	300 [11]	1,316	490	7,963	1,131
Kimitsu Branch (Kimitsu City, Chiba)	Refractories, Furnace	Production facilities and equipment, facilities and equipment related to furnace construction	712	366	― [5]	―	55	1,133	199
Chiba Plant (Chiba City, Chiba)	Refractories	Production facilities and equipment	153	34	― [16]	―	2	190	17
Ako Plant (Ako City, Hyogo)	Refractories	Production facilities and equipment	398	183	174 [―]	170	19	771	108
Bizen Plant (Bizen City, Okayama)	Refractories, Ceramics	Production facilities and equipment	1,426	819	409 [―]	1,948	39	4,233	193
Takasago Plant (Takasago City, Hyogo)	Refractories, Ceramics	Production facilities and equipment	220	109	66 [―]	25	21	377	62
Kisarazu Plant (Kisarazu City, Chiba)	Refractories	Production facilities and equipment	213	88	91 [―]	682	20	1,003	95
Oita Branch and Plant (Oita City, Oita)	Refractories	Production facilities and equipment	152	1	16 [15]	115	6	275	22

Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
					Area (Thousand m^2)	Amount			
Nagoya Branch and Plant (Tokai City, Aichi)	Refractories, Furnace	Production facilities and equipment, facilities and equipment related to furnace construction	595	635	– [45]	–	80	1,311	164
Omuta Plant (Omuta City, Fukuoka)	Ceramics	Production facilities and equipment	103	106	18 [–]	197	20	427	43
Muroran Plant (Muroran City, Hokkaido)	Others	Production facilities and equipment	31	122	20 [12]	53	0	208	9
Equipment and Facilities for Real Estate Rental (Izumisano City, Osaka)	Real Estate	Other facilities and equipment	82	–	89 [–]	490	0	572	–

(2) Domestic subsidiaries

As of March 31, 2022

Company name	Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
						Area (Thousand m^2)	Amount			
SN Refratecture Tokai Co., Ltd.	Head Office and Plant (Kariya City, Aichi)	Refractories	Production facilities and equipment, other	90	79	– [36]	–	47	216	72

(3) Overseas subsidiaries

As of March 31, 2022

Company name	Business place (Location)	Name of business segments	Details of facilities and equipment	Book value (Millions of yen)						Number of employees (Persons)
				Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total	
						Area (Thousand m^2)	Amount			
TRL KROSAKI REFRACTORIES LIMITED	Branch and Plant (Orissa, India)	Refractories	Production facilities and equipment, other	2,372	3,732	1,553 [−]	2	199	6,307	1,222
Krosaki Amr Refractarios, S. A.	Head Office and Plant (Guipuzkoa, Spain)	Refractories	Production facilities and equipment, other	1,150	2,269	26 [−]	745	14	4,179	86
Refractaria, S. A.	Head Office and Plant (Asturias, Spain)	Refractories	Production facilities and equipment, other	128	430	62 [−]	8	16	584	88
Wuxi Krosaki Sujia Refractories Co., Ltd.	Head Office and Plant (Jiangsu Province, China)	Refractories	Production facilities and equipment, other	230	474	− [−]	−	22	726	343
TRL KROSAKI CHINA LIMITED	Head Office and Plant (Liaoning Province, China)	Refractories	Production facilities and equipment, other	448	310	− [−]	−	17	776	189

(Notes) 1. The “Other” item under book value refers to tools, furniture and fixtures, and do not include construction in progress.
2. Some land and buildings are rented from companies other than consolidated companies. The land area of the aforementioned lands is shown in square brackets “[ ].”
3. For companies that end their fiscal years in December, amount, area of rented land, and number of employees are as of December 31, 2021.

3. Plans for Equipment Introduction, Retirement, etc.

(1) Major equipment introduction, etc.

Not applicable

(2) Major equipment retirement, etc.

Not applicable

IV. Information on the Filing Company

1. Information on the Company's Shares

(1) Total number of shares, etc.

1) Total number of shares

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

2) Total number of shares issued

Class	As of the end of the current fiscal year (Shares) (March 31, 2022)	As of the submission date (Shares) (June 29, 2022)	Stock exchange on which the Company is listed	Description
Common share	9,114,528	9,114,528	First Section of the Tokyo Stock Exchange (as of the end of the current fiscal year) Prime Market (as of the submission date) The Fukuoka Stock Exchange	One unit of stock constitutes 100 shares.
Total	9,114,528	9,114,528	—	—

(2) Status of subscription rights to shares

1) Stock option plans

Not applicable

2) Rights plans

Not applicable

3) Other status of subscription rights to shares

Not applicable

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

Not applicable

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

(Millions of yen, unless otherwise stated)

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

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

(5) Status of shareholders

As of March 31, 2022

Classification	Status of shares (the number of shares per unit is 100 shares)								Status of shares below unit (Shares)
	Govern-ment and local municipal-ities	Japanese financial institutions	Financial instruments business operators	Other Japanese corporations	Foreign corporations, etc.		Individuals, others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	–	24	27	89	89	12	4,146	4,387	–
Number of shares held (Units)	–	17,873	1,002	40,926	9,856	39	20,564	90,260	88,528
Ratio of shares held (%)	–	19.80	1.11	45.34	10.91	0.04	22.78	100.00	–

(Note) 692,945 shares of treasury shares include 6,929 units in the "Individuals, others" box and 45 shares in the "Status of shares below unit" box.
The aforementioned number of treasury shares is what is listed in the register of shareholders. The actual number of treasury shares is 692,845 as of March 31, 2022.
637 shares held under the name of Japan Securities Depository Center, Inc. are classified as 6 units of shares in the "Other Japanese corporations" box and 37 shares in the "Status of shares below unit" box.

(6) Major shareholders

As of March 31, 2022

Name	Address	Number of shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
NIPPON STEEL CORPORATION	2-6-1, Marunouchi, Chiyoda-ku, Tokyo	3,908	46.40
Custody Bank of Japan, Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo	818	9.72
The Master Trust Bank of Japan, Ltd.	2-11-3, Hamamatsucho, Minato-ku, Tokyo	610	7.24
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	2.20
YASKAWA Electric Corporation	2-1 Kurosakishiroishi, Yahatanishi-ku, Kitakyushu City, Fukuoka	70	0.83
THE BANK OF NEW YORK MELLON 140042 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A (Shinagawa Intercity Tower A 2-15-1, Konan, Minato-ku, Tokyo)	60	0.72
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, Debt Finance Department)	80 ROUTE D'ESCH LUXEMBOURG L-1470 (1-1-2, Marunouchi, Chiyoda-ku, Tokyo)	50	0.59
JP MORGAN CHASE BANK 385781 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A 2-15-1, Konan, Minato-ku, Tokyo)	44	0.52
Total	－	5,999	71.23

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

2. In addition to the shares above, the Company owns 692,945 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 692,845 as of March 31, 2022.

(7) Status of voting rights

1) Issued shares

As of March 31, 2022

Classification	Number of shares (Shares)	Number of voting rights (Units)	Details
Shares without voting rights	―	―	―
Shares with limited voting rights (treasury shares, etc.)	―	―	―
Shares with limited voting rights (others)	―	―	―
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares 692,800	―	―
Shares with full voting rights (others)	Common shares 8,333,200	83,332	―
Shares below one unit	Common shares 88,528	―	―
Total number of shares issued	9,114,528	―	―
Total voting rights held by all shareholders	―	83,332	―

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

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

2) Treasury shares, etc.

As of March 31, 2022

Shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total (Shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury shares) KROSAKI HARIMA CORPORATION	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka	692,800	―	692,800	7.60
Total	―	692,800	―	692,800	7.60

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

2. Status of Purchase of Treasury Shares, etc.

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

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

Not applicable

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

Not applicable

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

Category	Number of shares (Shares)	Total amount (Millions of yen)
Treasury shares purchased during the current fiscal year	1,140	5
Treasury shares purchased during the period reported	81	0

(Note) "Treasury shares purchased during the period reported" does not include the number of shares below one unit purchased during the period from June 1, 2022, to the submission date of this securities report.

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

Category	Current fiscal year		Period reported	
	Number of shares (Shares)	Total amount disposed (Millions of yen)	Number of shares (Shares)	Total amount disposed (Millions of yen)
Purchased treasury shares for which subscribers were solicited	–	–	–	–
Purchased treasury shares that was retired	–	–	–	–
Treasury shares transferred due to merger, share exchange, share issuance, or corporate divestiture	–	–	–	–
Others	–	–	–	–
Number of shares of treasury shares held	692,845	–	692,926	–

(Notes) 1. "Number of shares of treasury shares held" during the period reported does not include the number of shares below one unit purchased during the period from June 1, 2022, to the submission date of this securities report.

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

3. Basic Policy on Dividends

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

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

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

In light of the consolidated dividend payout ratio for the fiscal year ended March 31, 2022, the dividends of surplus for the current fiscal year are ¥200 per share including the interim dividends of ¥100.

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

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

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

Date of resolution	Total amount of dividends (Millions of yen)	Dividend per share (Yen)
October 29, 2021 By resolution of the Board of Directors	842	100.0
June 29, 2022 By resolution of the Annual Shareholders' Meeting	842	100.0

4. Corporate Governance

(1) Summary of Corporate Governance

1) Basic views on Corporate Governance

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

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

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

I. Board of Auditors

The Company adopts an auditor system and a Board of Auditors system. As of the date of submission of this Annual Securities Report (June 29, 2022), the Board of Auditors consists of four auditors, namely Full-time Auditor Masaya Honda (Chairperson of the Board of Auditors), Auditor Takaki Goto, Outside Auditor Yuji Hiya, and Outside Auditor Morio Matsunaga. Takaki Goto, Yuji Hiya and Morio Matsunaga, who are part-time auditors, attend the Board of Directors and the Board of Auditors meetings to express their opinion and comments on matters for significant decision-making of the Group from an objective standpoint. A Board of Auditors’ meeting is held once a month, in principle, to receive reports on significant matters related to auditing, and to deliberate or make decisions on these matters.

II. Board of Directors

As of the date of submission of this Annual Securities Report (June 29, 2022), the Board of Directors consists of nine directors, namely President Kazuhiro Egawa (Chairperson of the Board of Directors), Directors Masakazu Soejima, Takeshi Yoshida, Jumpei Konishi, Masafumi Takeshita and Hisatake Okumura, and Outside Directors Matsuji Nishimura, Yukinori Michinaga and Masako Narita. Matsuji Nishimura, Yukinori Michinaga and Masako Narita who are part-time directors, attend the Board of Directors meetings to express their opinion and comments on matters for significant decision-making of the Group from an objective standpoint. A Board of Directors’ meeting is held once a month, in principle, to make decisions on business executions and supervise each director’s performance.

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

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

III. Officer Compensation Advisory Meeting and Officer Appointment Advisory Meeting

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

IV. Management Council

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

V. Company-wide committees

The Company has set up company-wide committees as bodies to complement regular bodies and to report to the Board of Directors or President following specialized investigation, consideration, and deliberation on company-wide and regular matters that are specifically important across departments. The following two company-wide committees chaired by President have been established.

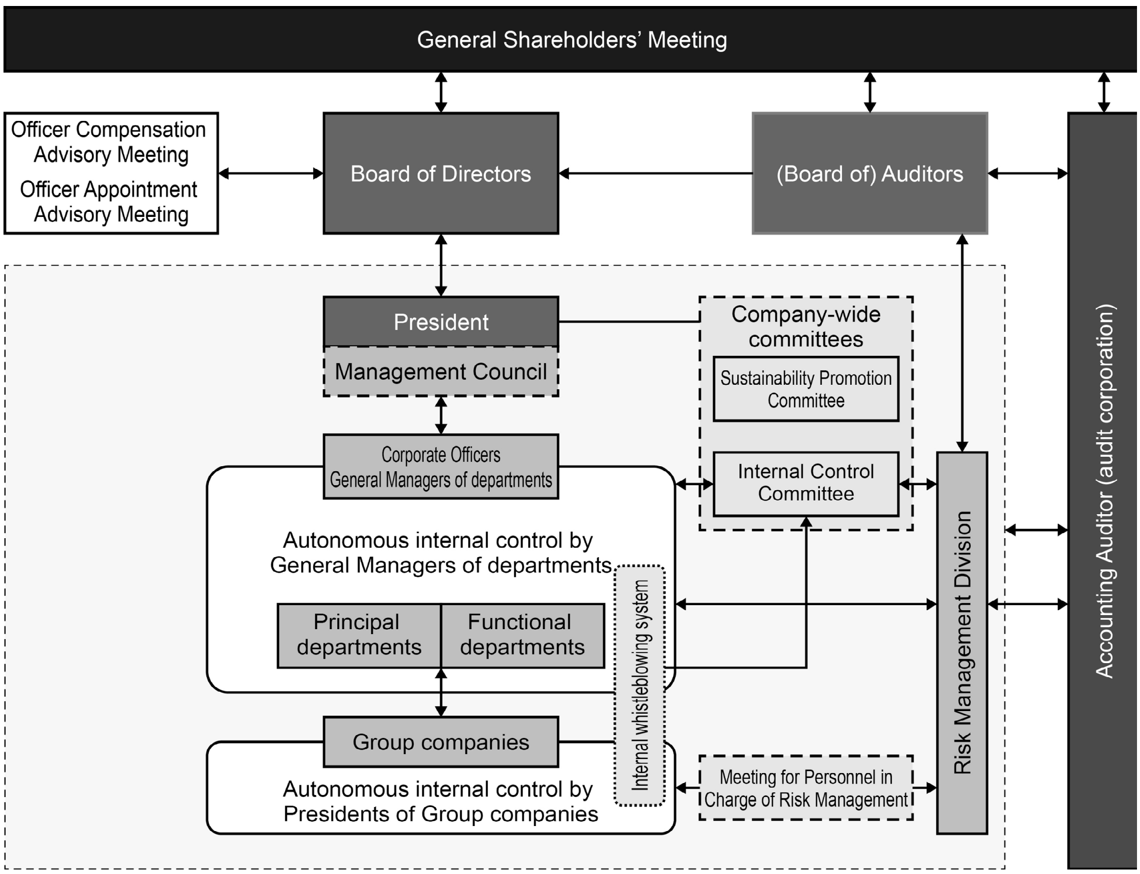
i) Sustainability Promotion Committee

From the perspective of improving corporate value over the medium- to long-term, the committee deliberates and reports on the formulation of policies and action plans regarding the Company's sustainability issues and initiatives, progress management, rolling planning and so forth.

ii) Internal Control Committee

The committee deliberates on and approves internal control policies and activity plans for the Company and Group companies and reports on the development and operation status of the internal control system. In the event of a crisis, the committee establishes an emergency response headquarters internally to swiftly and cross-departmentally solve problems.

The schematic diagram of the Company's corporate governance system as of the date of submission is as shown below.



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

a. To establish self-disciplinary internal control by General Managers of departments and Presidents of Group companies, the Group develops and operates an internal control system and risk management system based on relevant regulations and ensures the appropriateness of business operations.

1) General Managers of departments

The Group's internal control system is based on self-disciplinary internal control where an internal control system is built, improved, and operated autonomously under the responsibility of General Managers of departments and Presidents of Group companies (risk identification, evaluation, control activities, self-inspection and monitoring, etc. by divisions and departments or Group companies themselves).

2) Principal departments

The departments most closely related to the business of the Group companies are designated as principal departments to ensure the smooth operation of the Group's management. Principal departments monitor and follow up on the status of internal controls at the Group companies and, if necessary, request guidance and support of functional departments for Group companies.

3) Functional departments

Functional departments (Human & Plant Safety and Environmental Division, Technological Management Division, Quality Assurance Division, Purchasing Division, Finance Division, General Administration Department, Digital Innovation Division, Human Resources Department, Sales Division, Production Process Management and Logistics Division, Facility Department and Furnace Division) have been established to be in charge of functional risk management and to provide guidance and support in specialized areas to the Company's departments and Group companies.

4) Risk Management Division

The Risk Management Division has been established as a division that formulates basic policies on the internal control systems of the Company and Group companies and audits their operational status. The Risk Management Division regularly reports on the status of the establishment and operation of the internal control systems to the Management Council and the Board of Directors.

5) Meeting of Personnel in Charge of Risk Management

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

6) Internal whistleblowing system

The internal whistleblowing system has been set up to receive employee whistleblowing with the aim of preventing violations of laws and regulations and the spread of fraud at the Company and Group companies and ensuring legal and proper business execution. Full-time auditors, the Administration Group of the General Administration Department, and an outside specialized organization, among others, serve as points of contacts for this system.

Fact-finding investigation is carried out on reported incidents, and in the event that any wrongdoing or unjust act is confirmed, the wrongdoer is punished in accordance with the Employment Regulations.

To strictly ensure the protection of whistleblowers, the Company has established and operates rules based on the Whistleblower Protection Act.

b. Outline of liability exemption

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

c. Outline of directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance (D&O insurance) contract to insure directors and auditors of the Company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. Insurance premiums are fully paid for by the Company, and the insured is not, in effect, liable for any insurance premium.

Under the said insurance contract, the insurer shall cover any damage that may arise as a result of the insured directors' and officers' assuming liability in connection with the execution of their duties or receiving claims related to the pursuit of such liability. However, there are certain exemptions, such as non-coverage for damage caused by an action taken with the knowledge that it violates laws and regulations.

The above insurance contract has a deductible, and damage up to the deductible shall not be covered.

d. Requisite number of directors

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

e. Resolution requirement for the election of directors

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

f. Purchase of treasury shares

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

g. Liability exemption for directors and auditors

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

h. Dividends from surplus

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

i. Requirement of special resolution at the shareholders' meetings

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

(2) Directors and Auditors

1) List of Directors and Auditors

Male: 12, Female: 1 (Ratio of female to Directors and Auditors: 7.7%)

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
President	Kazuhiro Egawa	February 24, 1959	April 1981 April 2005 April 2007 April 2009 April 2012 October 2012 April 2013 April 2016 April 2017 April 2019 June 2019	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) Head of Division, Pipe & Tube Marketing Division, Pipe & Tube Unit of Nippon Steel Corporation Branch Manager, Nagoya Branch of Nippon Steel Corporation Head of Division, Overseas Marketing Division of Nippon Steel Corporation Executive Counsellor and Head of Division, Overseas Marketing Division of Nippon Steel Corporation Executive Counsellor and Head of Division, Export Control Division and Flat Products Export Marketing Division, Flat Products Unit of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) Executive Officer of Nippon Steel & Sumitomo Metal Corporation Managing Executive Officer of Nippon Steel & Sumitomo Metal Corporation Managing Executive Officer, Project Leader, Usiminas Project, and in charge of the North, Central, and South American Region, Global Business Development Sector of Nippon Steel & Sumitomo Metal Corporation Executive Officer of NIPPON STEEL CORPORATION Advisor of the Company President of the Company (to present)	(Note) 3	69
Director, Executive Managing Corporate Officer, in charge of Promotion of Sustainability and Carbon Neutrality, in charge of Furnace Business Department and Headquarters Department (Purchasing and Finance)	Masakazu Soejima	September 21, 1959	April 1983 April 2011 April 2013 April 2017 June 2017 April 2022	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company) General Manager, Sales Planning Division of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director and Managing Corporate Officer of the Company Director, Executive Managing Corporate Officer, in charge of Promotion of Sustainability and Carbon Neutrality, in charge of Furnace Business Department and Headquarters Department (Purchasing and Finance) of the Company (to present)	(Note) 3	23

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director, Managing Corporate Officer, in charge of Ceramics Business Department and Headquarters Department (General Administration, Human Resources, Risk Management and Corporate Planning), and General Manager, Corporate Planning Department	Takeshi Yoshida	November 11, 1962	April 1985 July 2000 August 2004 April 2010 April 2017 April 2021 June 2021 April 2022	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) Group Leader, Labor Administration and Human Resources Group, Labor and Purchase Division, Yawata Works of Nippon Steel Corporation Group Leader, Material Contract Group, Machine and Materials Division of Nippon Steel Corporation General Manager, Planning Division of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director, Managing Corporate Officer of the Company Director, Managing Corporate Officer, in charge of Ceramics Business Department and Headquarters Department (General Administration, Human Resources, Risk Management and Corporate Planning), and General Manager, Corporate Planning Department of the Company (to present)	(Note) 3	4
Director, Managing Corporate Officer, in charge of Refractories Manufacturing Business Department, matters related to Coke Oven Business, Safety, Health, Environment & Disaster Prevention, Research & Development Department and Headquarters Department (Technological Management and Quality Assurance)	Jumpei Konishi	April 9, 1963	April 1988 November 2011 April 2012 April 2015 June 2015 March 2019 April 2020 June 2020 April 2021 June 2021 April 2022	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) General Manager, Technical Administration & Planning Division of Nippon Steel Corporation Seconded to Usiminas (General Manger, Strategic Engineering Division) General Manager, Steelworks Technology Division of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) Outside Director of the Company Director of the Company Director, Corporate Officer of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director, Managing Corporate Officer Director, Managing Corporate Officer, in charge of Refractories Manufacturing Business Department, matters related to Coke Oven Business, Safety, Health, Environment & Disaster Prevention, Research & Development Department and Headquarters Department (Technological Management and Quality Assurance) of the Company (to present)	(Note) 3	4

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director, Managing Corporate Officer, in charge of Refractories Domestic Sales Department and Headquarters Department (Digital Innovation), and in cooperation with Managing Corporate Officer Yoshida in matters related to Headquarters Department (General Administration and Human Resources)	Masafumi Takeshita	May 8, 1961	April 1986	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company)	(Note) 3	4
			April 2015	Corporate Officer and General Manager, Administration & Personnel Division of the Company		
			April 2017	Corporate Officer and General Manager, Sales Planning Division of the Company		
			April 2019	Managing Corporate Officer and General Manager, Sales Department 1, Sales Division of the Company		
			April 2020	Managing Corporate Officer and Senior General Manager, Sales Division of the Company		
			June 2022	Director, Managing Corporate Officer, in charge of Refractories Domestic Sales Department and Headquarters Department (Digital Innovation), and in cooperation with Managing Corporate Officer Yoshida in matters related to Headquarters Department (General Administration and Human Resources) of the Company (to present)		
Director, Managing Corporate Officer, in charge of Refractories Overseas Business Department, and Senior General Manager, Overseas Business Division	Hisatake Okumura	November 22, 1962	October 2004	Joined the Company	(Note) 3	3
			April 2016	Senior General Manager, Functional Refractories Manufacturing Business Division of the Company		
			April 2017	Senior General Manager, Unshaped Refractories Manufacturing Business Division of the Company		
			April 2018	Corporate Officer and General Manager, Production Planning Department, Refractories Manufacturing Business Division of the Company		
			April 2020	Corporate Officer and General Manager, Overseas Business Planning Department, Overseas Business Division of the Company		
			January 2021	Corporate Officer and Senior General Manager, Overseas Business Division of the Company		
			April 2021	Managing Corporate Officer and Senior General Manager, Overseas Business Division of the Company		
			June 2022	Director, Managing Corporate Officer, in charge of Refractories Overseas Business Department, and Senior General Manager, Overseas Business Division of the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director	Matsuji Nishimura	August 5, 1947	April 1971	Joined Kyushu Denki Koji Corporation (presently Kyudenko Corporation)	(Note) 3	–
			July 2003	Director, General Manager, Saga Branch of Kyudenko Corporation		
			June 2004	Director of Kyudenko Corporation		
			June 2006	Managing Director of Kyudenko Corporation		
			June 2008	Senior Managing Executive Officer of Kyudenko Corporation		
			June 2009	Director, Senior Managing Executive Officer of Kyudenko Corporation		
			May 2012	Director, Vice President Executive Officer of Kyudenko Corporation		
			June 2013	Representative Director and President of Kyudenko Corporation		
			June 2020	Director and Chairman of Kyudenko Corporation (to present)		
			June 2021	Outside Director of the Company (to present)		
Director	Yukinori Michinaga	November 1, 1957	April 1981	Joined Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.)	(Note) 3	–
			April 2012	Director, General Manager, Information and Communications Division of Saibugas Co., Ltd.		
			April 2014	Corporate Officer of Saibugas Co., Ltd.		
			April 2015	Managing Corporate Officer of Saibugas Co., Ltd.		
			June 2016	Director, Managing Corporate Officer of Saibugas Co., Ltd.		
			April 2019	President, CEO of Saibugas Co., Ltd. (to present)		
			June 2019	Outside Audit & Supervisory Board Member of Kyudenko Corporation		
			April 2021	President, CEO of Saibugas Co., Ltd. (to present)		
			June 2021	Outside Director of the Company (to present)		
			June 2022	Outside Director (Audit and Supervisory Committee Member) of Kyudenko Corporation (to present)		
Director	Masako Narita	October 2, 1959	April 1982	Joined Japan Associated Finance Co., Ltd. (presently JAFCO Co., Ltd.)	(Note) 3	–
			December 1987	Joined Japan ASEAN Investment Co., Ltd. (presently Japan Asia Investment Company, Limited)		
			June 1997	Director of Japan ASEAN Investment Co., Ltd.		
			October 1998	Established Mirai Securities K.K., Director		
			April 2002	Senior Managing Director of Mirai Securities K.K.		
			May 2003	Established Socially Responsible Investment Laboratory, Limited Representative Director, President		
			June 2022	Outside Director of the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Full-time Auditor	Masaya Honda	January 13, 1960	April 1982 May 2011 April 2014 April 2017 June 2017 January 2021 April 2022 June 2022	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company) General Manager, Finance Division of the Company Corporate Officer of the Company Managing Corporate Officer of the Company Director and Managing Corporate Officer of the Company Director, Managing Corporate Officer, in charge of Headquarters Department (ICT, Administration, Risk Management and Business Process Innovation), and General Manager, Administration & Personnel Division of the Company Director, special assignment to President of the Company Full-time Auditor of the Company (to present)	(Note) 5	31
Auditor	Takaki Goto	September 28, 1969	April 1992 May 2008 April 2011 April 2016 April 2019 April 2021 April 2022 June 2022	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) Accounting Group Leader, Muroran Works of Nippon Steel Corporation Manager, Accounting & Finance Division of Nippon Steel Corporation General Manager, Budget Office, Accounting & Finance Division of Nippon Steel Corporation General Manager, Corporate Planning Division of Nippon Steel Corporation General Manager, Group Companies Planning Division of Nippon Steel Corporation General Manager, Group Companies Planning Division of Nippon Steel Corporation (to present) Auditor of the Company (to present)	(Note) 5	—

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Auditor	Yuji Hiya	January 10, 1957	April 1979 June 2007 June 2008 June 2012 June 2014 June 2015 June 2016 April 2021 April 2021 April 2022 June 2022	Joined Nishi-Nippon Railroad Co., Ltd. General Manager, Accounting Division of Nishi-Nippon Railroad Co., Ltd. Director and Corporate Officer of Nishi-Nippon Railroad Co., Ltd. Director and Managing Corporate Officer of Nishi-Nippon Railroad Co., Ltd. Director and Executive Managing Corporate Officer of Nishi-Nippon Railroad Co., Ltd. Outside Auditor of the Company (to present) Representative Director and Executive Vice President of Nishi-Nippon Railroad Co., Ltd. Director of Nishi-Nippon Railroad Co., Ltd. Chairman of Nishitetsu Store Inc. President, School Foundation Nishitetsu Gakuen (to present) Outside Director (Audit and Supervisory Committee Member), SAIBU GAS HOLDINGS CO., LTD. (to present)	(Note) 4	–
Auditor	Morio Matsunaga	August 7, 1949	August 1977 October 1978 November 1980 September 1996 April 2002 April 2004 April 2010 June 2016 June 2016 June 2018	Postdoctoral fellow of The University of Tennessee in the U.S. Lecturer, School of Engineering of Kyushu Institute of Technology Associate Professor, School of Engineering of Kyushu Institute of Technology Professor, School of Engineering of Kyushu Institute of Technology Vice President of Kyushu Institute of Technology Director of (National University Corporation) Kyushu Institute of Technology President of (National University Corporation) Kyushu Institute of Technology President of Kitakyushu Foundation for the Advancement of Industry, Science and Technology (to present) Outside Director of Mitsui Mining and Smelting Co., Ltd. (to present) Outside Auditor of the Company (to present)	(Note) 4	–
Total						138

(Notes) 1. Directors Matsuji Nishimura, Yukinori Michinaga and Masako Narita are Outside Directors.
2. Auditors Yuji Hiya and Morio Matsunaga are Outside Auditors.
3. The term of office for Directors is from the conclusion of the Annual Shareholders' Meeting for the fiscal year ended March 31, 2022, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2023.
4. The term of office for Auditors Yuji Hiya and Morio Matsunaga is from the conclusion of the Annual Shareholders' Meeting for the fiscal year ended March 31, 2019, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2023.

5. The term of office for Auditors Masaya Honda and Takaki Goto is from the conclusion of the Annual Shareholders' Meeting for the fiscal year ended March 31, 2022, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2023.
6. Number of shares held is rounded down to the nearest hundred.
7. In order to prepare for cases where the number of Auditors does not satisfy the requirements of the Articles of Incorporation, the Company has elected 3 Substitute Auditors (Auditor Kosuke Kajihara to substitute Auditor Masaya Honda, Auditor Takahiro Tomoda to substitute Auditor Takaki Goto and Outside Auditor Haruyuki Ezoe to substitute Outside Auditor Morio Matsunaga) pursuant to Article 329, Paragraph 3 of the Companies Act. The career summaries of the Substitute Auditors are as follows.

Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Kosuke Kajihara	December 8, 1963	April 1986 October 2010 April 2015 April 2022	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company) General Manager, Equipment and Materials Center, Purchasing Division of the Company General Manager in charge of Finance Division of the Company General Manager, Office of Audit & Supervisory Board Members of the Company (to present)	(Note)	1
Takahiro Tomoda	January 5, 1971	April 1995 February 2011 October 2012 July 2013 February 2016 July 2019 November 2019 April 2021	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION) Group Leader, Accounting Group, General Administration Division, Sakai Works of Nippon Steel Corporation Manager, Accounting Office, General Administration Division, Sakai Works, Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION) Manager, Accounting Office, General Administration Division, Oita Works, Nippon Steel & Sumitomo Metal Corporation Chief, IR Office, Accounting & Finance Division of Nippon Steel & Sumitomo Metal Corporation Senior Chief, IR Office, Accounting & Finance Division of NIPPON STEEL CORPORATION Senior Chief, Group Companies Planning Division of NIPPON STEEL CORPORATION Acting General Manager, Group Companies Planning Division of NIPPON STEEL CORPORATION (to present)	(Note)	–
Haruyuki Ezoe	December 27, 1958	April 1981 April 2011 April 2012 April 2015 April 2017 June 2019	Joined City of Kitakyushu Executive Director, Policy Department, General Affairs Planning Bureau of City of Kitakyushu Chief Executive, Planning of City of Kitakyushu Chief Executive, Moji Ward of City of Kitakyushu Chief Executive, Child and Domestic Affairs Bureau of City of Kitakyushu Managing Director of Kitakyushu Forum on Asian Women (to present) Director of Kitakyushu Municipal Gender Equality Center (to present)	(Note)	–

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

8. The Company adopts a corporate officer system, which aims to clearly separate the business execution function from the management decision-making and supervisory functions. This system enhances the decision-making and supervisory functions of the Board of Directors, while accelerating and streamlining business execution.
   Executive officers who are not Directors as of June 29, 2022 are 18 persons as follows:

Title	Name	Position
Executive Managing Corporate Officer	Masakazu Soejima	In charge of Promotion of Sustainability and Carbon Neutrality In charge of Furnace Business Department In charge of Headquarters Department (Purchasing and Finance)
Managing Corporate Officer	Yukio Inoue	General Manager, Furnace Division In cooperation with Managing Corporate Officer Konishi in matters related to Coke Oven Business Krosaki Furnace Construction Co., Ltd. (President)
Managing Corporate Officer	Masafumi Takeshita	In charge of Refractories Domestic Sales Department In charge of Headquarters Department (Digital Innovation) In cooperation with Managing Corporate Officer Yoshida in matters related to Headquarters Department (General Administration and Human Resources)
Managing Corporate Officer	Takeshi Yoshida	In charge of Ceramics Business Department In charge of Headquarters Department (General Administration, Human Resources, Risk Management and Corporate Planning) General Manager, Corporate Planning Department
Managing Corporate Officer	Jumpei Konishi	In charge of Refractories Manufacturing Business Department In charge of matters related to Coke Oven Business In charge of Safety, Health, Environment & Disaster Prevention In charge of Research & Development Department In charge of Headquarters Department (Technological Management and Quality Assurance)
Managing Corporate Officer	Hisatake Okumura	In charge of Refractories Overseas Business Department Senior General Manager, Overseas Business Division
Managing Corporate Officer	Yoshiyuki Fukuda	Senior General Manager, Safety, Environment & Disaster Prevention Promotion Division
Managing Corporate Officer	Naoki Furuta	Senior General Manager, Refractories Manufacturing Division
Corporate Officer	Isao Sasaka	General Manager, Iron Making and Construction Refractories Division, Refractories Manufacturing Division Acting General Manager, Yahata Alumina Plant, Iron Making and Construction Refractories Division, Refractories Manufacturing Division
Corporate Officer	Kohzoh Ohta	General Manager, Nagoya Branch, Sales Division General Manager, Nagoya Branch, Furnace Division
Corporate Officer	Takeshi Yabu	General Manager, Kyushu Branch, Sales Division
Corporate Officer	Ryusuke Miura	Deputy General Manager, Furnace Division General Manager, Kyushu and Yamaguchi Branch, Furnace Division
Corporate Officer	Hidehiro Yamanaka	Senior General Manager, Ceramics Business Division
Corporate Officer	Kenji Tomita	General Manager, Kansai and Setouchi Branch, Sales Division Acting District Sales Manager, Wakayama Office, Kansai and Setouchi Branch, Sales Division
Corporate Officer	Akio Moriya	General Manager, Technological Management Division Senior General Manager, Quality Assurance Division
Corporate Officer	Makoto Nakamura	Senior General Manager, Sales Division
Corporate Officer	Kohichiroh Kataoka	Branch Manager, East Japan Branch, Sales Division General Manager, East Japan Branch, Furnace Division
Corporate Officer	Takashi Matsunaga	Senior General Manager, Unshaped Refractories Manufacturing Business Division, Refractories Manufacturing Division

2) Outside directors and outside auditors

a. Number of outside directors and outside auditors

The Company has three outside directors (Matsuji Nishimura, Yukinori Michinaga and Masako Narita).

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

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

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

The Company paid ¥760,000 (non-consolidated, for the fiscal year ended March 31, 2022) for the electrical work supplied by Kyudenko Corporation. However, as this transaction is relatively small compared to the business scales of the Company and Kyudenko Corporation, it is determined to have no significant effect to the status of independence of Matsuji Nishimura.

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

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

As there are no special relationships of interest between the Company and Masako Narita, the Company has determined that there are no circumstances that affect the status of independence of Masako Narita.

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

As there are no special relationships of interest between the Company and Nishi-Nippon Railroad Co., Ltd., Nishitetsu Store Inc. or School Foundation Nishitetsu Gakuen, it is determined to have no significant effect to the status of independence of Yuji Hiya.

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

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

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

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

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

Masako Narita (appointed as of June 29, 2022) has been engaged for many years in the execution of important operations such as the selection and development of investees at venture capital firms in Japan and overseas as well as in corporate management as a director. She was nominated as an outside director in our hope of her utilizing her insights and experience on management acquired over the years in the supervision of the Company’s management.

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

Yuji Hiya had been engaged in the accounting and financial departments of Nishi-Nippon Railroad Co., Ltd., and engaged in corporate management by serving as the director of Nishi-Nippon Railroad

Co., Ltd. from June 2008 to June 2021 and as the director of Nishitetsu Store Inc. from April 2021 to March 2022. He was nominated as an outside auditor in our hope of him utilizing his knowledge of finance and accounting as well as experience and insights on management to strengthen the auditing system of the Company.

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

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

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

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

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

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

The Company paid ¥760,000 (non-consolidated, for the fiscal year ended March 31, 2022) for the electrical work supplied by Kyudenko Corporation. However, as this transaction is relatively small compared to the business scales of the Company and Kyudenko Corporation, it is determined to have no significant effect to the status of independence of Matsuji Nishimura.

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

As there are no special relationships of interest between the Company and Nishi-Nippon Railroad Co., Ltd., Nishitetsu Store Inc. or School Foundation Nishitetsu Gakuen, it is determined to have no significant effect to the status of independence of Yuji Hiya.

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

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

The Company appoints Matsuji Nishimura, Yukinori Michinaga and Masako Narita as outside directors.

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

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

Masako Narita (appointed as of June 29, 2022) has been engaged for many years in the execution of important operations such as the selection and development of investees at venture capital firms in Japan and overseas as well as in corporate management as a director. She was nominated as an outside director in our hope of her utilizing her insights and experience on management acquired over the years in the supervision of the Company’s management.

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

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

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

Yuji Hiya had been engaged in the accounting and financial departments of Nishi-Nippon Railroad Co., Ltd., and engaged in corporate management by serving as the director of Nishi-Nippon Railroad Co., Ltd. from June 2008 to June 2021 and as the director of Nishitetsu Store Inc. from April 2021 to March 2022. He was nominated as an outside auditor in our hope of him utilizing his knowledge of finance and accounting as well as experience and insights on management to strengthen the auditing system of the Company.

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

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

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

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

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

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

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

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

(3) Status of Audits

1) Status of auditors' audits

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

As of the date of submission of this Annual Securities Report (June 29, 2022), the Board of Auditors consists of four auditors, including two outside auditors. Audits are conducted in accordance with the audit policy and work assignments determined by the Board of Auditors.

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

The Office of Audit & Supervisory Board Members has been established, as a subordinate organization to the auditors and the Board of Auditors to assist in their duties. As of the date of submission of this Annual Securities Report (June 29, 2022), the Office of Audit & Supervisory Board Members consisted of one dedicated employee.

b. Activities of Auditors and Board of Auditors

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

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

(Note) Hidehiko Shimada resigned as auditor as of June 29, 2021. Yasuhiro Sukegawa was appointed as auditor as of June 29, 2021.

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

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

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

2) Status of internal audits

a. Organization, personnel and procedures for internal audit

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

As of the date of submission of this Annual Securities Report (June 29, 2022), the Risk Management Division consisted of one concurrently-serving General Manager and five dedicated staff.

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

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

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

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

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

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

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

3) Status of accounting audits

a. Name of audit corporation

KPMG AZSA LLC

b. Consecutive auditing period

16 years

c. Certified Public Accountants engaged in the accounting audit services

- KPMG AZSA LLC Designated liability-limited and engagement partner Takashi Hasumi (3 years of continuous involvement including the fiscal year under review)
- KPMG AZSA LLC Designated liability-limited and engagement partner Naohiro Yamada (4 years of continuous involvement including the fiscal year under review)

d. Assistants for the accounting audits

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

e. Policy and reason for selecting audit corporation

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

1) In the event that the Accounting Auditor is deemed to fall under any one of the items in Article 340, Paragraph 1 of the Companies Act, the Board of Auditors shall dismiss the Accounting Auditor with the consent of all the auditors.
2) In the event that the continuation of audits by the Accounting Auditor is considerably hindered, the Board of Auditors shall determine the contents of the proposals related to the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

As KPMG AZSA LLC, the Accounting Auditor for the 131st fiscal year, was not deemed to fall under the policy above, and the assessment of KPMG AZSA LLC found no problems, as stated in "f. Assessment of the audit corporation by the auditors and the Board of Auditors," the Board of Auditors resolved to reappoint KPMG AZSA LLC based on the judgment that such reappointment would be appropriate at the Board of Auditors meeting held on May 23, 2022.

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

Auditors and the Board of Auditors assessed KPMG AZSA LLC in accordance with "Criteria for Appropriately Assessing the Accounting Auditor" among "Criteria for Appropriately Selecting Candidates for the Accounting Auditor and Appropriately Assessing the Accounting Auditor" as established by the Board of Auditors, to consider whether to reappoint the audit corporation as the Accounting Auditor for the 132nd fiscal year as in the 131st fiscal year.

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

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

As the assessment of KPMG AZSA LLC in light of the assessment criteria above based on the reports, explanations, and questions and answers in the communication between the auditors and the Accounting Auditor found no problems, the Board of Auditors resolved to reappoint KPMG AZSA LLC based on the judgment that such reappointment would be appropriate at the Board of Auditors meeting held on May 23, 2022.

4) Details of Compensation for Auditors

a. Details of compensation for auditing certified public accountants

(Millions of yen)

Classification	Previous fiscal year		Current fiscal year	
	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification
The Filing Company	48	–	49	–
Total	48	–	49	–

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

(Millions of yen)

Classification	Previous fiscal year		Current fiscal year	
	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification	Compensation in accordance with audit certification	Compensation in accordance with non-audit certification
The Filing Company	–	2	–	7
Consolidated subsidiary	17	2	19	0
Total	17	4	19	7

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

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

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

Not applicable

d. Policies concerning decision of auditing compensation

Not applicable

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

The reason why the Board of Auditors of the Company gave its consent specified in Article 399, Paragraph 1 of the Companies Act to the compensation for the Accounting Auditor proposed by directors is because a comparison of the compensation for competing auditors with similar scale and the hourly compensation rate for auditors based on information disclosed by the Japanese Institute of Certified Public Accountants with the compensation for auditors of the Company's showed that the total amount of compensation for auditors of the Company can be deemed appropriate.

(4) Compensation to Directors and Auditors

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

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

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

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

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

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

- Basic policy (including the policy to determine when or under what conditions compensation is paid)
  The compensation for directors of the Company shall consist entirely of monthly cash compensation. The compensation shall be comprised of basic compensation as fixed compensation and performance-based compensation including incentives granted towards the sustainable growth of the Group and the enhancement of corporate value.
  Specifically, the amount of basic compensation shall be calculated using an index of basic compensation for each positon. The index shall be determined by considering compensation levels corresponding to capabilities and responsibilities required for each position. The amount of compensation for each director is determined by reflecting the business performance addition in accordance with the consolidated ordinary profit or loss of the Company, within the range approved by resolution of the shareholders' meetings.
  Compensation for part-time directors with supervisory functions shall consist only of basic compensation, given their duties.
- Policy on determination of the details and amount of performance-based compensation or the calculation method thereof
  Consolidated ordinary profit or loss for each fiscal year is used as financial data related to performance-based compensation, which is the profit earned from the entire business including the core business, and represents an assessment of the performance of the enterprise as a whole.
  The business performance addition rate by which the basic compensation is multiplied shall be calculated with the following formula:
  Business performance addition rate = Amount of consolidated ordinary profit / Amount of consolidated ordinary profit of target business performance addition × Index
- Policy on determination of the ratio of the amount of monetary compensation or performance-based compensation to the amount of each director's compensation
  The ratio of the amount of basic compensation and performance-based compensation to the amount of each director's compensation shall change depending on the business performance addition rate by which the basic compensation is multiplied.
- Matters concerning the determination on the details of compensation for each director
  Following the establishment of an upper limit on the compensation for directors by resolution of the General Meeting of Shareholders, the specific allocation of the compensation for directors is left to the discretion of the President in accordance with internal regulations on directors' annual income of the Company, by resolution of the Board of Directors. Specifically, the President assesses the performance of each director (excluding part-time directors) and, based on the assessment, decides on the allocation of compensation for the directors at his discretion.
  In order to reinforce the independence, objectivity and accountability of the Board of Directors with respect to the compensation of directors and auditors, a voluntary advisory committee (Officer Compensation Advisory Meeting) shall be established. The advisory committee meetings are held regularly (once a year in principle) or when required. The advisory committee meetings shall be chaired by the President and shall comprise outside directors and outside auditors appointed by the President. At the Officer Compensation Advisory Meeting, matters relating to the basic policy on compensation for directors and auditors shall be deliberated and reported to the Board of Directors.

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

At the Officer Compensation Advisory Meeting held on May 23, 2022, the members deliberated the compliance of the details of compensation for each director for the current fiscal year with the Policy on Determination of Directors' Compensation, and reported to the Board of Directors. Respecting the report, the Board of Directors determined at its meeting held on May 23, 2022 that the details of the compensation comply with the Policy on Determination of Directors' Compensation.

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

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

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

1) Compensation for directors

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

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

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

2) Compensation for auditors

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

Details of resolution: No more than ¥94 million annually

Number of officers: 4

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

1) Compensation for directors

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

For the current fiscal year, matters relating to the basic policy on compensation for directors and auditors were deliberated at the Officer Compensation Advisory Meeting held on May 24, 2021 and reported to the Board of Directors. At the Board of Directors meeting held on June 29, 2021, it was resolved that the specific allocation of the compensation for directors would be left to the discretion of President Kazuhiro Egawa in accordance with internal regulations on directors' annual income of the Company. Specifically, the President assesses the performance of each director (excluding part-time directors) and, based on the assessment, decides on the allocation of compensation for the directors at his discretion.

The reason why it was resolved to leave the matter to the discretion of the President is that the President is the most appropriate person to assess the performance of each director (excluding part-time directors) while taking into account the business performance of the Company as a whole.

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

2) Compensation for auditors

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

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

Not applicable.

f. Overview of procedures for Officer Compensation Advisory Meeting

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

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

The Officer Compensation Advisory Meeting (Chairperson: President Kazuhiro Egawa, Members: outside directors Kenichi Fujinaga and Noboru Usami, outside auditors Yuji Hiya and Morio Matsunaga) was held on May 24, 2021 to deliberate on matters relating to the basic policy on compensation for directors and auditors and report them to the Board of Directors. At the Board of Directors meeting held on June 29, 2021, it was resolved that the specific allocation of the compensation for directors would be left to the discretion of President Kazuhiro Egawa in accordance with internal regulations on directors' annual income of the Company.

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

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

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

i. Financial data related to performance-based compensation

1) Financial data

Consolidated ordinary profit or loss for each fiscal year

2) Reason for selecting the financial data

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

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

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

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

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

1) Target

Consolidated ordinary profit for the 131st fiscal year: ¥8,000 million (forecast announced on January 31, 2022)

2) Result

Consolidated ordinary profit for the 131st fiscal year: ¥8,679 million

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

Category of officer	Total amount (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of officers (Persons)
		Fixed compensation	Performance-based compensation	Retirement benefits	
Directors (excluding outside directors)	223	185	38	ー	7
Auditors (excluding outside Company auditors)	28	23	5	ー	1
Outside directors and outside auditors	45	45	ー	ー	6

(Note) In the fiscal year ended March 31, 2022, no non-monetary compensation was paid.

3) Total amount of consolidated compensations by officer

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

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

Not applicable.

(5) Status of securities held by the Company

1) Criteria for and approach to classification of investment securities

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

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

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

1) Shareholding policy

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

2) Method of verifying rationale of shareholding

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

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

At the meeting of the Board of Directors held on May 23, 2022, verification was conducted on the cross-shareholdings of the Company as of March 31, 2022. As a result, a portion of shares whose purpose of holding was diluted was judged "inappropriate for holding" and the termination and sale of such holding would be considered. Other shares were deemed "appropriate for holding" and holding such shares would continue.

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

	Number of shares (Shares)	Amount stated on balance sheet (Millions of yen)
Unlisted shares	25	73
Shares other than unlisted shares	14	3,760

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

	Number of shares (Shares)	Amount of purchase price relating to the increase in number of shares (Millions of yen)	Reason for increase in the number of shares
Unlisted shares	－	－	－
Shares other than unlisted shares	4	5	Purchase through business partner's shareholding association.

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

	Number of shares (Shares)	Amount of sales price relating to the decrease in number of shares (Millions of yen)
Unlisted shares	1	3
Shares other than unlisted shares	2	68

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

Specified investment securities

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
	Number of shares (Shares)	Number of shares (Shares)		
	Amount stated on balance sheet (Millions of yen)	Amount stated on balance sheet (Millions of yen)		
YASKAWA Electric Corporation	500,000	500,000	To maintain and develop good relationships with the Company	Yes
	2,407	2,755		
Mizuho Financial Group, Inc.	224,418	224,418	To facilitate operations related to capital and finance	No
	351	358		
Mitsubishi UFJ Financial Group, Inc.	431,480	431,480	To facilitate operations related to capital and finance	No (Note) 5
	328	255		
Sumitomo Mitsui Financial Group, Inc.	78,875	78,875	To facilitate operations related to capital and finance	No
	308	316		
Sumitomo Mitsui Trust Holdings, Inc.	35,527	35,527	To facilitate operations related to capital and finance	No (Note) 6
	142	137		
Chubu Steel Plate Co., Ltd.	68,007	67,020	To facilitate operations related to products and services Increase due to purchase through business partner's shareholding association	No
	58	54		
Topy Industries, Ltd.	44,200	44,200	To facilitate operations related to products and services	Yes
	46	61		
Daido Steel Co., Ltd.	11,913	11,233	To facilitate operations related to products and services Increase due to purchase through business partner's shareholding association	No
	43	57		
OSAKA STEEL CO., LTD.	13,400	13,400	To facilitate operations related to products and services	No
	20	19		
AICHI STEEL CORPORATION	7,544	7,042	To facilitate operations related to products and services Increase due to purchase through business partner's shareholding association	No
	18	26		
MITSUBISHI STEEL MFG. CO., LTD.	9,500	9,500	To facilitate operations related to products and services	No
	10	8		

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
	Number of shares (Shares)	Number of shares (Shares)		
	Amount stated on balance sheet (Millions of yen)	Amount stated on balance sheet (Millions of yen)		
GODO STEEL, Ltd.	7,500	7,500	To facilitate operations related to products and services	No
	9	16		
Nippon Yakin Kogyo Co., Ltd.	3,480	3,352	To facilitate operations related to products and services Increase due to purchase through business partner's shareholding association	No
	9	6		
NAKAYAMA STEEL WORKS, LTD.	10,000	10,000	To facilitate operations related to products and services	No
	4	4		
Kobe Steel, Ltd.	―	63,700	To facilitate operations related to products and services	No
	―	47		
Murata Manufacturing Co., Ltd.	―	2,400	To facilitate operations related to products and services	No
	―	21		

(Notes) 1. "―" denotes that such stock names are not held.

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

Deemed shareholdings

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding (Note) 2 and reason for increase in number of shares	Whether or not the Company's shares are held
	Number of shares (Shares)	Number of shares (Shares)		
	Amount stated on balance sheet (Millions of yen)	Amount stated on balance sheet (Millions of yen)		
Fukuoka Financial Group, Inc.	450,600	450,600	The shares held to facilitate operations related to capital and finance are contributed to retirement benefit trust (the Company has the right to exercise voting rights)	No (Note) 3
	1,069	945		
Daido Steel Co., Ltd.	33,600	33,600	The shares held to facilitate operations related to products and services are contributed to retirement benefit trust (the Company has the right to exercise voting rights)	No
	123	171		
JFE Holdings, Inc.	164,000	164,000	The shares held to facilitate operations related to products and services are contributed to retirement benefit trust (the Company has the right to exercise voting rights)	No
	282	223		

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

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

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

3) Investment securities for pure investment purposes

Not applicable.

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

Not applicable.

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

Not applicable.

V. Financial Information

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

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

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

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

2. Audit certification

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements and non-consolidated financial statements for the fiscal year (from April 1, 2021 to March 31, 2022) were audited by KPMG AZSA LLC.

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

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

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)		Current fiscal year (As of March 31, 2022)	
Assets				
Current assets				
Cash and deposits		5,301		5,012
Notes and accounts receivable - trade		43,293		—
Notes and accounts receivable - trade, and contract assets		—	*4	44,666
Merchandise and finished goods		11,490		16,103
Work in process	*3	3,197	*3	3,293
Raw materials and supplies		9,868		13,772
Other		6,634		8,846
Allowance for doubtful accounts		(291)		(366)
Total current assets		79,496		91,328
Non-current assets				
Property, plant and equipment				
Buildings and structures		42,499		43,744
Accumulated depreciation		(29,564)		(30,231)
Buildings and structures, net		12,935		13,513
Machinery, equipment and vehicles		67,338		70,467
Accumulated depreciation		(55,122)		(57,023)
Machinery, equipment and vehicles, net		12,215		13,443
Tools, furniture and fixtures		4,944		5,319
Accumulated depreciation		(3,881)		(4,170)
Tools, furniture and fixtures, net		1,063		1,148
Land		6,732		6,646
Construction in progress		2,422		1,581
Total property, plant and equipment		35,369		36,333
Intangible assets				
Goodwill		4,493		4,270
Other		485		506
Total intangible assets		4,978		4,776
Investments and other assets				
Investment securities	*1	6,563	*1	6,328
Retirement benefit asset		2,071		2,108
Deferred tax assets		473		162
Other	*1	1,586	*1	1,893
Allowance for doubtful accounts		(184)		(236)
Total investments and other assets		10,510		10,255
Total non-current assets		50,858		51,365
Total assets		130,354		142,694

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)		Current fiscal year (As of March 31, 2022)	
Liabilities				
Current liabilities				
Notes payable - trade		236		–
Electronically recorded obligations - operating		5,240		6,603
Accounts payable - trade		13,158		16,943
Short-term borrowings		9,685		8,863
Commercial papers		7,000		6,000
Income taxes payable		1,214		1,231
Provision for bonuses		2,167		2,785
Provision for loss on construction contracts	*3	82	*3	105
Provision for environmental measures		58		–
Asset retirement obligations		160		–
Other		6,168	*5	5,877
Total current liabilities		45,172		48,410
Non-current liabilities				
Long-term borrowings		16,098		19,334
Deferred tax liabilities		1,122		1,170
Provision for retirement benefits for directors (and other officers)		488		492
Retirement benefit liability		697		473
Asset retirement obligations		25		25
Other		3,460		3,702
Total non-current liabilities		21,893		25,198
Total liabilities		67,065		73,609
Net assets				
Shareholders’ equity				
Share capital		5,537		5,537
Capital surplus		2,000		2,000
Retained earnings		53,781		57,419
Treasury shares		(1,644)		(1,650)
Total shareholders’ equity		59,675		63,308
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		2,052		1,833
Deferred gains or losses on hedges		4		199
Foreign currency translation adjustment		(2,313)		(797)
Remeasurements of defined benefit plans		668		801
Total accumulated other comprehensive income		412		2,036
Non-controlling interests		3,201		3,739
Total net assets		63,288		69,084
Total liabilities and net assets		130,354		142,694

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)		Current fiscal year (From April 1, 2021 to March 31, 2022)	
Net sales		113,661	*1	133,778
Cost of sales	*8, *9	93,105	*8, *9	108,969
Gross profit		20,556		24,809
Selling, general and administrative expenses	*2, *6	15,606	*2, *6	17,242
Operating profit		4,949		7,566
Non-operating income				
Interest income		31		24
Dividend income		108		157
Share of profit of entities accounted for using equity method		465		444
Foreign exchange gains		287		716
Subsidy income		744		17
Other		373		321
Total non-operating income		2,009		1,681
Non-operating expenses				
Interest expenses		242		300
Loss on removal of non-current assets		96		121
Other		257		145
Total non-operating expenses		596		567
Ordinary profit		6,361		8,679
Extraordinary income				
Gain on sale of non-current assets	*3	205	*3	59
Gain on sale of investment securities		203		23
Gain on sale of shares of subsidiaries and associates		119		—
Total extraordinary income		528		82
Extraordinary losses				
Loss on sale of non-current assets	*4	7	*4	0
Loss on retirement of non-current assets	*5	72	*5	90
Loss on valuation of investment securities		0		20
Impairment losses	*7	162	*7	71
Environmental expenses	*10	41		—
Loss on disaster	*11	39		—
Other		26		0
Total extraordinary losses		351		183
Profit before income taxes		6,539		8,578
Income taxes - current		1,866		2,390
Income taxes - deferred		56		249
Total income taxes		1,923		2,640
Profit		4,616		5,937
Profit attributable to non-controlling interests		281		447
Profit attributable to owners of parent		4,334		5,490

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Profit	4,616	5,937
Other comprehensive income		
Valuation difference on available-for-sale securities	1,012	(219)
Deferred gains or losses on hedges	4	195
Foreign currency translation adjustment	753	1,562
Remeasurements of defined benefit plans, net of tax	1,127	132
Share of other comprehensive income of entities accounted for using equity method	66	207
Total other comprehensive income	*1 2,963	*1 1,878
Comprehensive income	7,579	7,815
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,216	7,115
Comprehensive income attributable to non-controlling interests	363	700

3) Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

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

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

For the current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,537	2,000	53,781	(1,644)	59,675
Cumulative effects of changes in accounting policies			(83)		(83)
Restated balance	5,537	2,000	53,697	(1,644)	59,591
Changes during period					
Dividends of surplus			(1,768)		(1,768)
Profit attributable to owners of parent			5,490		5,490
Purchase of treasury shares				(5)	(5)
Net changes in items other than shareholders' equity					
Total changes during period	―	―	3,721	(5)	3,716
Balance at end of period	5,537	2,000	57,419	(1,650)	63,308

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,052	4	(2,313)	668	412	3,201	63,288
Cumulative effects of changes in accounting policies							(83)
Restated balance	2,052	4	(2,313)	668	412	3,201	63,205
Changes during period							
Dividends of surplus							(1,768)
Profit attributable to owners of parent							5,490
Purchase of treasury shares							(5)
Net changes in items other than shareholders' equity	(219)	195	1,516	132	1,624	538	2,163
Total changes during period	(219)	195	1,516	132	1,624	538	5,879
Balance at end of period	1,833	199	(797)	801	2,036	3,739	69,084

4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	6,539	8,578
Depreciation	2,814	3,247
Impairment losses	162	71
Amortization of goodwill	459	482
Increase (decrease) in allowance for doubtful accounts	(18)	84
Increase (decrease) in provision for bonuses	(588)	608
Increase (decrease) in provision for environmental measures	(9)	(58)
Increase (decrease) in retirement benefit liability	99	(239)
Increase (decrease) in other provisions	(75)	22
Interest and dividend income	(139)	(181)
Interest expenses	242	300
Foreign exchange losses (gains)	32	(33)
Share of loss (profit) of entities accounted for using equity method	(465)	(444)
Loss (gain) on sale of non-current assets	(198)	(59)
Loss on retirement of non-current assets	72	90
Loss (gain) on sale of investment securities	(203)	(23)
Loss (gain) on sale of shares of subsidiaries and associates	(119)	–
Decrease (increase) in trade receivables	4,519	(956)
Decrease (increase) in inventories	1,989	(6,971)
Increase (decrease) in trade payables	(876)	3,189
Other, net	(3,796)	(1,282)
Subtotal	10,441	6,427
Interest and dividends received	566	390
Interest paid	(242)	(297)
Income taxes paid	(684)	(2,400)
Net cash provided by (used in) operating activities	10,080	4,120

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021		Current fiscal year (From April 1, 2021 to March 31, 2022)	
Cash flows from investing activities				
Purchase of non-current assets		(5,779)		(3,652)
Proceeds from sale of non-current assets		364		101
Payments for retirement of non-current assets		(137)		(185)
Proceeds from withdrawal of time deposits		2		–
Proceeds from sale of investment securities		338		71
Proceeds from sales of investments in capital of subsidiaries and associates		76		51
Proceeds from sale of shares of subsidiaries and associates		135		–
Loan advances		(0)		(1)
Proceeds from collection of loans receivable		20		16
Other, net		33		(9)
Net cash provided by (used in) investing activities		(4,946)		(3,608)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings		(195)		700
Increase (decrease) in commercial papers		(2,000)		(1,000)
Proceeds from long-term borrowings		2,687		6,745
Repayments of long-term borrowings		(2,592)		(5,522)
Purchase of treasury shares		(3)		(5)
Dividends paid		(1,347)		(1,769)
Dividends paid to non-controlling interests		(172)		(162)
Other, net		15		(9)
Net cash provided by (used in) financing activities		(3,608)		(1,022)
Effect of exchange rate change on cash and cash equivalents		(9)		221
Net increase (decrease) in cash and cash equivalents		1,516		(289)
Cash and cash equivalents at beginning of period		3,785		5,301
Cash and cash equivalents at end of period	*1	5,301	*1	5,012

[Notes]

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

1. The scope of consolidation

(1) Number of consolidated subsidiaries: 11

Names of major consolidated subsidiaries:

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

KROSAKI HARIMA CERA CORPORATION, which had been a consolidated subsidiary of the Company, was liquidated 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. In addition, Ariake Materials Co., Ltd., which had been a consolidated subsidiary of the Company, was liquidated 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.

(2) Names of major non-consolidated subsidiaries

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

Reason for exclusion from the scope of consolidation:

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

2. Application of the equity-method

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

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

Names of major companies, etc.

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

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

Wuxi Krosaki Machinery Co. Ltd.

Reason for exclusion from the scope of equity-method:

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

3. Accounting period of consolidated subsidiaries

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

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

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

4. Significant accounting policies

(1) Evaluation standards and methods for significant assets

1) Marketable and investment securities

Available-for-sale securities:

Available-for-sale securities other than shares, etc. that do not have a market price:

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

Shares, etc. that do not have a market price:

Stated at cost determined by the moving-average method.

2) Receivables and payables from derivatives

Fair value method.

3) Inventories

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

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

(2) Depreciation methods for significant assets

1) Property, plant and equipment

a) The Company and its domestic consolidated subsidiaries

Straight-line method.

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

b) Overseas consolidated subsidiaries

Straight-line method.

2) Intangible assets

a) The Company and its domestic consolidated subsidiaries

Straight-line method.

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

b) Overseas consolidated subsidiaries

Straight-line method.

3) Long-term prepaid expenses

Straight-line method.

(3) Accounting policies for revenue and expenses

The details of the main performance obligations in the major businesses related to revenue from contracts with customers of the Company and its subsidiaries and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

1) Sales of merchandise and finished goods

In the Refractories and Ceramics segments, the Company mainly engages in the manufacture and sales of refractories and ceramics. It is deemed that in many cases, customers obtain control of finished goods and merchandise and performance obligations are satisfied when theses finished goods and merchandise are delivered, and revenue is therefore recognized mainly when theses finished goods and merchandise are delivered. However, for transactions in which control of finished goods and merchandise is transferred to customers when they are delivered, in practice, revenue is recognized at shipment in accordance with Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30; March 26, 2021). In addition, revenue from sales of some finishes goods and merchandize is recognized when inspection and acceptance are completed by the customer as they require a certain period from delivery to inspection and acceptance by the customer.

The Company receives consideration for transactions related to the Refractories and Ceramics segments generally within one to six months after delivery of the finished goods and merchandise, and receivables arising from such contracts with customers are not adjusted for the effects of a significant financing component.

2) Construction contracts

In the Furnace segment, the Company mainly concludes construction contracts to design, construct, install and repair various kinds of furnaces. As control is transferred over time in these contracts, performance obligations are deemed to be satisfied over time, and revenue is recognized based on construction progress. 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.

However, revenue for construction contracts with small contract amounts and very short construction periods is not recognized over time and instead is recognized when inspection and acceptance are completed by the customer.

The Company receives consideration for transactions related to the Furnace segment generally within one to six months after satisfaction of performance obligations, and receivables arising from such contracts with customers are not adjusted for the effects of a significant financing component.

(4) Accounting policies for significant allowances and provisions

1) Allowance for doubtful accounts

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

2) Provision for bonuses

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

3) Provision for loss on construction contracts

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

4) Provision for environmental measures

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

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

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

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

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

(5) Accounting method relating to retirement benefits

1) Periodic allocation of expected retirement benefits

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

2) Amortization of actuarial differences and past service costs

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

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

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

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

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

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

(7) Significant hedge accounting methods

1) Hedge accounting method

The Companies adopt the deferred hedge accounting method.

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

2) Hedging instruments and hedged items

Hedging instruments:

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

Hedged items:

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

3) Hedging policy

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

4) Method for evaluating hedging effectiveness

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

(8) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over an appropriate period of 10 to 20 years according to the respective investments.

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

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

(Significant accounting estimates)

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

Whether to recognize impairment losses of goodwill

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

(Millions of yen)

	Previous fiscal year	Current fiscal year
Goodwill	4,493	4,270
Of which, goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED	3,579	3,465

Goodwill of ¥4,270 million on the consolidated balance sheet includes goodwill with a book value of ¥3,465 million recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED, a consolidated subsidiary engaged in refractory business in India. Since the amount allocated to goodwill out of the acquisition cost was relatively large, the asset group including the goodwill was reviewed for impairment in the current fiscal year. As a result, it was determined that the undiscounted future cash flows exceeded the carrying amount of the asset group including goodwill, and therefore no impairment loss was recognized.

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

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

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

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

(Changes in accounting policies)

1. 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 fiscal year ended 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 fiscal year ended 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 fiscal year ended March 31, 2022 has been added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022, and the new accounting policy has been applied from the beginning balance of said period.

In addition, “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 fiscal year ended March 31, 2022. However, 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.

As a result, compared with the method before the application of the Revenue Recognition Standard, etc., primary changes in the consolidated balance sheets of the fiscal year ended March 31, 2022 are a decrease in notes and accounts receivable - trade, and contract assets by ¥554 million and an increase in merchandise and finished goods by ¥430 million. On the consolidated statements of income for the fiscal year ended March 31, 2022, net sales increased by ¥242 million, cost of sales increased by ¥196 million, and operating profit, ordinary profit and profit before income taxes each increased by ¥46 million.

The balance of retained earnings at the beginning of the period in the consolidated statements of changes in net assets decreased by ¥83 million as a result of reflecting the cumulative effect of applying the standard on net assets at the beginning of the fiscal year ended March 31, 2022.

The effect on per share information is described in the relevant section.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Standard, “Notes to revenue recognition” for the previous fiscal year are not presented.

2. 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 fiscal year ended 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 consolidated financial statements.

In addition, the Company has included notes on fair value information by level within the fair value hierarchy in "Notes to financial instruments." However, in accordance with the transitional treatment provided in Paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19; July 4, 2019), notes pertaining to the previous fiscal year are not presented.

(Changes in presentation method)

1. Consolidated Balance Sheets

"Accounts payable - trade" included in "Notes and accounts payable - trade" under "Current liabilities" in the previous fiscal year is presented as "Accounts payable – trade" from the fiscal year ended March 31, 2022 as there is no balance of "Notes payable - trade." Figures on the consolidated financial statements of the previous fiscal year have been reclassified in order to reflect the change.

As a result, ¥13,394 million, which was included in "Notes and accounts payable - trade" under "Current liabilities" in the consolidated balance sheets of the previous fiscal year, has been reclassified into "Notes payable – trade" of ¥236 million and "Accounts payable – trade" of ¥13,158 million.

2. Consolidated Statements of Income

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

As a result, "Repair and maintenance" of ¥72 million and "Other" of ¥185 million, which were presented under "Non-operating expenses" in the consolidated statements of income for the previous fiscal year, have been reclassified into "Other" of ¥257 million.

In addition, "Loss on valuation of investment securities," which was included in "Other" under "Extraordinary losses" in the previous fiscal year, is now presented as a separate line item in the current fiscal year due to its increased importance. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥26 million presented as "Other" under "Extraordinary losses" in the consolidated statements of income for the previous fiscal year has been reclassified as "Loss on valuation of investment securities" of ¥0 million and "Other" of ¥26 million.

(Additional information)

The Company has made valuation of goodwill and other accounting estimates on the assumption that the impact of COVID-19 will continue for a certain period in the fiscal year ending March 31, 2023. However, COVID-19's impact still largely remains uncertain and may also impact the financial position and operating results of the Group for the following fiscal year.

(Notes to Consolidated Balance Sheet)

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Investment securities	2,317	2,470
Other in "investments and other assets" (investments in capital)	867	1,139

*2. Contingent liabilities

(i) Guarantee obligation (Millions of yen)

Previous fiscal year (As of March 31, 2021)		Current fiscal year (As of March 31, 2022)	
HIBIKINADA DEVELOPMENT CO., LTD. Borrowings from financial institution	2	HIBIKINADA DEVELOPMENT CO., LTD. Borrowings from financial institution	1
Employees Borrowings from financial institution for home loans	213	Employees Borrowings 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)	Current fiscal year (As of March 31, 2022)
Transfer balance of notes	161	331
Transfer balance of accounts receivable	–	15

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

Previous fiscal year (As of March 31, 2021)

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

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

Current fiscal year (As of March 31, 2022)

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

An amount of ¥97 million is reserved for provision for loss on construction contracts within the amount of inventories related to contracts in which the Company is expecting a loss.

*4. The amounts of notes and accounts receivable - trade and contract assets from contracts with customers are as follows.

(Millions of yen)

	Current fiscal year (As of March 31, 2022)
Notes receivable - trade	1,924
Accounts receivable - trade	41,629
Contract assets	1,113

*5. The amount of contract liabilities included in “Other” is as follows.

(Millions of yen)

	Current fiscal year (As of March 31, 2022)
Contract liabilities	805

(Notes to Consolidated Statements of Income)

*1. Revenue from contracts with customers

The Company does not disaggregate revenue from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in "Notes (Notes to revenue recognition), 1. Disaggregation of revenue from contracts with customers" in the consolidated financial statements.

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Depreciation	271	275
Amortization of goodwill	459	482
Provision for bonuses	693	759
Retirement benefit costs	323	240
Provision for retirement benefits for directors (and other officers)	94	88
Shipment and haulage expenses	3,396	4,642
Directors' and auditors' compensations, salaries and allowances	3,960	4,080
Research and development costs	905	865
Provision of allowance for doubtful accounts	–	86

An amount of depreciation (¥61 million for the previous fiscal year, ¥71 million for the current fiscal year) is included in research and development costs.

*3. Gain on sale of non-current assets

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

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

*4. Loss on sale of non-current assets

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

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

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Buildings and structures	5	8
Machinery, equipment and vehicles	21	3
Tools, furniture and fixtures	1	7
Construction in progress	2	4
Removing expenses	40	66

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

(Millions of yen)

Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
905	865

*7. Impairment losses

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

The Group recorded impairment losses on the following asset in the previous fiscal year.

(Millions of yen)

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

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

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

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

For the current fiscal year (from April 1, 2021 to March 31, 2022)

The Group recorded impairment losses on the following asset in the current fiscal year.

(Millions of yen)

Location	Purpose	Type	Impairment loss
Bizen City, Okayama	Idle asset	Land	71

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

In terms of the idle asset in Bizen City, Okayama, the Group recorded the difference between the recoverable value and book value as an impairment loss due to the continuous decline in land prices.

The recoverable value is calculated using the net realizable value based on the value obtained by reasonably adjusting the assessed value of fixed assets tax.

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cost of sales	(46)	(0)

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

(Millions of yen)

Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
0	59

*10. Environmental expenses

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

*11. Loss on disaster

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

(Notes to Consolidated Statements of Comprehensive Income)

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities		
Gains (losses) arising during the year	1,648	(321)
Reclassification adjustments	(194)	(2)
Amount before income tax effect	1,454	(324)
Income tax effect	(441)	104
Valuation difference on available-for-sale securities	1,012	(219)
Deferred gains or losses on hedges		
Gains (losses) arising during the year	(6)	408
Reclassification adjustments	12	(128)
Amount before income tax effect	6	280
Income tax effect	(1)	(85)
Deferred gains or losses on hedges	4	195
Foreign currency translation adjustment		
Gains (losses) arising during the year	753	1,562
Foreign currency translation adjustment	753	1,562
Remeasurements of defined benefit plans, net of tax		
Gains (losses) arising during the year	1,467	306
Reclassification adjustments	157	(117)
Amount before income tax effect	1,624	188
Income tax effect	(497)	(56)
Remeasurements of defined benefit plans, net of tax	1,127	132
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) arising during the year	66	207
Share of other comprehensive income of entities accounted for using equity method	66	207
Total other comprehensive income	2,963	1,878

(Notes to Consolidated Statements of Changes in Net Assets, etc.)
For the previous fiscal year (from April 1, 2020 to March 31, 2021)

1. Matters related to issued shares

(Shares)

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

(Major causes for changes)
Not applicable

2. Matters related to treasury shares

(Shares)

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

(Major causes for changes)
Breakdown of increases is as follows.
Increase due to purchase of shares below one unit: 862 shares
Breakdown of decreases is as follows.
Not applicable

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

4. Matters related to dividends
(1) Dividends paid

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

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

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

For the current fiscal year (from April 1, 2021 to March 31, 2022)

1. Matters related to issued shares

(Shares)

Class of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common share	9,114,528	–	–	9,114,528

(Major causes for changes)
Not applicable

2. Matters related to treasury shares

(Shares)

Class of shares	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common share	691,705	1,140	–	692,845

(Major causes for changes)
Breakdown of increases is as follows.
Increase due to purchase of shares below one unit: 1,140 shares
Breakdown of decreases is as follows.
Not applicable

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

4. Matters related to dividends
(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 29, 2021	Common share	926	110.0	March 31, 2021	June 30, 2021
Board of Directors' Meeting at October 29, 2021	Common share	842	100.0	September 30, 2021	November 26, 2021

(2) Dividends whose record date fell in the fiscal year, but whose effective date comes after March 31, 2022

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting at June 29, 2022	Common share	Retained earnings	842	100.0	March 31, 2022	June 30, 2022

(Notes to Consolidated Statements of Cash Flows)

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Cash and deposits	5,301	5,012
Cash and cash equivalents	5,301	5,012

(Notes to financial instruments)

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

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

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

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

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

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

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

(3) Risk management for financial instruments

1) Credit risk management

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

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

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

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

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

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

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

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

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

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

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

(4) Supplementary explanation on fair value of financial instruments

As variable factors are taken into account in measuring fair value of financial instruments, such value may fluctuate if different assumptions and inputs are used. In addition, the contract amount of derivatives in "Notes to derivatives" itself does not indicate the market risk of derivatives.

(5) Concentration of credit risk

49% of trade receivables were from specific large customers at the end of the fiscal year ended March 31, 2022.

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments as well as the differences between these values are described below.

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

(Millions of yen)

	Carrying amount (*3)	Fair value (*3)	Valuation difference
(1) Investment securities			
Available-for-sale securities	4,168	4,168	－
(2) Long-term borrowings (*4)	(21,718)	(21,768)	(49)
(3) Derivatives (*5)	3	3	－

(*1) "Cash and deposits," "Notes and accounts receivable - trade," "Accounts payable - trade," "Electronically recorded obligations - operating," "Short-term borrowings," "Commercial papers," and "Income taxes payable" are omitted, because they comprise cash or are settled within a short time and their carrying amount approximates their fair value.

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

(Millions of yen)

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

The above items are not included in (1) Investment securities in the table summarizing fair value of financial instruments, because the fair value is extremely difficult to estimate as they have no quoted market prices.

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

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

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

For the current fiscal year (as of March 31, 2022)

(Millions of yen)

	Carrying amount (*3)	Fair value (*3)	Valuation difference
(1) Investment securities			
Available-for-sale securities	3,784	3,784	−
(2) Long-term borrowings (*4)	(23,094)	(23,125)	(31)
(3) Derivatives (*5)	290	290	−

(*1) "Cash and deposits," "Notes and accounts receivable - trade, and contract assets," "Accounts payable - trade," "Electronically recorded obligations - operating," "Short-term borrowings," "Commercial papers," and "Income taxes payable" are omitted, because they comprise cash or are settled within a short time and their carrying amount approximates their fair value.

(*2) Shares, etc. that do not have a market price are not included in (1) Investment securities. The carrying amount of such financial instruments on the consolidated balance sheets is as follows.

(Millions of yen)

Item	As of March 31, 2022
Unlisted shares	2,544

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

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

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

Notes:

1. Redemption schedule for monetary receivables

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

(Millions of yen)

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

For the current fiscal year (as of March 31, 2022)

(Millions of yen)

	Within 1 year	Over 1 year to within 5 years	Over 5 years to within 10 years	Over 10 years
Cash and deposits	5,012	–	–	–
Notes and accounts receivable - trade	43,553	–	–	–
Total	48,566	–	–	–

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

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

(Millions of yen)

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

For the current fiscal year (as of March 31, 2022)

(Millions of yen)

	Within 1 year	Over 1 year to within 2 years	Over 2 years to within 3 years	Over 3 years to within 4 years	Over 4 years to within 5 years	Over 5 years
Short-term borrowings	5,103	–	–	–	–	–
Commercial papers	6,000	–	–	–	–	–
Long-term borrowings	3,760	4,014	5,801	6,501	3,001	15
Total	14,863	4,014	5,801	6,501	3,001	15

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

For the current fiscal year (as of March 31, 2022)

(Millions of yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	3,784	—	—	3,784
Derivatives				
Currency related	—	290	—	290

(2) Financial instruments other than those measured at fair value

For the current fiscal year (as of March 31, 2022)

(Millions of yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	—	23,125	—	23,125

(Note) A description of the valuation technique(s) and inputs used in the fair value measurements

Investment securities

Listed shares are valued using quoted prices. In addition, as listed shares are traded in active markets, their fair value is classified as Level 1.

Derivatives

The fair value of forward foreign exchange contracts is measured using the discounted present value method based on observable inputs, such as exchange rates, and is classified as Level 2.

Long-term borrowings

The fair value of long-term borrowings is based on the present value calculated by discounting the total principal and interest by the rate reflecting the remaining term and credit risk of the borrowings, and is classified as Level 2.

For long-term borrowings at a floating rate that are subject to the exceptional method for interest rate swap and the assigning method of currency swap, the fair value is calculated by discounting the total principal and interest handled together with the interest rate swap and currency swap by the reasonably estimated interest rate applicable to similar borrowings.

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

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

(Millions of yen)

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

For the current fiscal year (as of March 31, 2022)

(Millions of yen)

	Type of securities	Carrying amounts	Acquisition cost	Valuation difference
Securities for which carrying amounts exceed acquisition cost	Equity securities	3,715	847	2,867
	Bonds	—	—	—
	Other	—	—	—
	Total	3,715	847	2,867
Securities for which carrying amounts are within acquisition cost	Equity securities	68	71	(2)
	Bonds	—	—	—
	Other	—	—	—
	Total	68	71	(2)
Total		3,784	919	2,864

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

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

(Millions of yen)

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

For the current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Type	Sales	Gains	Losses
Equity securities	71	23	—
Total	71	23	—

3. Impairment losses on securities

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

For the current fiscal year, the Company recorded ¥20 million of impairment losses on available-for-sale securities.

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

(Notes to derivatives)

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

(1) Currency-related derivatives

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

(Millions of yen)

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

For the current fiscal year (as of March 31, 2022)

(Millions of yen)

Category	Type	Contract amount	Contract amount due after one year	Fair value	Valuation gains/losses
Non-market transactions	Forward foreign exchange contracts Short positions USD	293	－	3	3
	Long positions USD	591	－	2	2
	JPY	28	－	(1)	(1)
Total		912	－	4	4

2. Derivatives subject to the application of hedge accounting

(1) Currency-related derivatives

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

(Millions of yen)

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

For the current fiscal year (as of March 31, 2022)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferred hedge method for forward foreign exchange contracts, etc.	Forward foreign exchange contracts Long positions CNY	Accounts payable - trade	1,962	1,193	286
Total			1,962	1,193	286

(2) Interest-related derivatives

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

(Millions of yen)

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

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

For the current fiscal year (as of March 31, 2022)

(Millions of yen)

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

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

(Notes to retirement benefits)

1. Overview of retirement benefit plans

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

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

2. Defined-benefit plans

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Balance at the beginning of year	7,586	7,579
Service cost	620	650
Interest cost	41	61
Actuarial loss (gain)	40	35
Benefits paid	(547)	(222)
Past service costs	(190)	―
Transfer due to change from simplified method to standard method	―	220
Costs due to change from simplified method to standard method	―	60
Other	29	54
Balance at the end of year	7,579	8,439

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Balance at the beginning of year	8,117	9,332
Expected return on plan assets	94	106
Actuarial gain (loss)	1,316	342
Contribution paid by the employer	328	652
Benefits paid	(544)	(218)
Other	19	40
Balance at the end of year	9,332	10,256

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Balance at the beginning of year	349	379
Retirement benefit costs	37	21
Benefits paid	(7)	(0)
Transfer due to change from simplified method to standard method	–	(220)
Balance at the end of year	379	180

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Funded projected benefit obligations	7,357	8,208
Plan assets	(9,332)	(10,256)
	(1,975)	(2,047)
Unfunded projected benefit obligations	601	412
Net asset and liability reported on the consolidated balance sheet	(1,373)	(1,635)
Retirement benefit liability	697	473
Retirement benefit asset	(2,071)	(2,108)
Net asset and liability reported on the consolidated balance sheet	(1,373)	(1,635)

(Note) Plans applying the simplified method are included.

(5) Breakdown of retirement benefit costs

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Service cost	620	650
Interest cost	41	61
Expected return on plan assets	(94)	(106)
Net actuarial loss amortization	163	(98)
Past service costs amortization	(6)	(19)
Retirement benefit costs applying the simplified method	37	21
Costs due to change from simplified method to standard method	–	60
Retirement benefit costs for defined benefit plans	761	569

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

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

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Actuarial differences	1,440	207
Past service costs	183	(19)
Total	1,624	188

(7) Remeasurements of defined benefit plans

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Past service costs that are yet to be recognized	(189)	(170)
Actuarial gains and losses that are yet to be recognized	(773)	(981)
Total	(962)	(1,151)

(8) Plan assets

1) Components of plan assets

Plan assets consist of the followings:

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Bonds	1,095	1,254
Equity securities	3,518	3,795
General account	3,077	3,107
Other	1,641	2,098
Total	9,332	10,256

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

2 Plan assets of the previous fiscal year and the current fiscal year include the employee pension trust of ¥1,389 million and ¥1,584 million, respectively, which has been established to cover the pension plans.

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

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

(9) Assumptions used in actuarial calculations

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

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Discount rates	Primarily 0.2%	Primarily 0.4%
Long-term expected rates of return on plan assets	Primarily 1.0%	Primarily 1.0%

(Notes to the method of tax effect accounting)

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Deferred tax assets		
Depreciation	747	665
Impairment losses	212	284
Provision for retirement benefits for directors (and other officers)	153	127
Retirement benefit liability	167	99
Allowance for doubtful accounts	45	66
Loss on valuation of securities	126	130
Book value of share trust	117	117
Provision for bonuses	541	721
Accrued business tax	69	74
Provision for environmental measures	17	－
Unrealized gains	268	311
Tax loss carried forward	216	－
Loss from adjustment to gain on sale of land	－	111
Other	824	631
Subtotal	3,508	3,341
Valuation allowance	(629)	(631)
Total deferred tax assets	2,878	2,709
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	(464)	(442)
Valuation difference on available-for-sale securities	(952)	(846)
Retirement benefit asset	(631)	(641)
Under-depreciation at overseas subsidiaries	(259)	(301)
Valuation difference of land accompanied by business combinations	(610)	(610)
Other	(610)	(876)
Total deferred tax liabilities	(3,527)	(3,718)
Balance of net deferred tax assets (liabilities)	(649)	(1,008)

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

The notes for the previous fiscal year and current fiscal year are omitted as the difference between the normal statutory tax rate and the effective tax rate after adoption of tax effect accounting is lower than 5% of the normal statutory tax rate.

(Notes to asset retirement obligations)

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

For the current fiscal year (as of March 31, 2022)
Statement has been omitted due to their insignificance.

(Notes to rental property)

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

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

For the fiscal year ended March 31, 2022, net rental income of these properties amounted to ¥591 million (rental income is mainly classified in net sales and rental expense is mainly classified in cost of sales).

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

(Millions of yen)

		Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Value on the consolidated balance sheet	Balance at the beginning of year	1,633	1,636
	Changes during the year	3	(331)
	Balance at the end of year	1,636	1,305
Fair value at the end of year		10,478	10,430

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

2 Changes during the previous fiscal year mainly resulted from increases due to acquisition of ¥47 million and decreases due to depreciation of ¥36 million.
Changes during the current fiscal year mainly resulted from increases due to acquisition of ¥6 million and decreases due to depreciation of ¥40 million and impairment losses of ¥71 million.

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

(Notes to revenue recognition)

1. Disaggregation of revenue from contracts with customers

For the current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal		
Japan	56,020	13,198	7,043	－	76,263	668	76,931
India	24,826	－	12	－	24,839	－	24,839
Asia	7,699	27	1,044	－	8,772	－	8,772
Europe	12,995	－	300	－	13,296	－	13,296
Other	9,115	－	85	－	9,201	－	9,201
Revenue from contract(s) with customers	110,659	13,226	8,486	－	132,372	668	133,041
Other revenues	－	－	－	737	737	－	737
Sales to external customers	110,659	13,226	8,486	737	133,110	668	133,778

(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.

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in "(Significant matters providing the basis for the preparation of consolidated financial statements), 4. Significant accounting policies, (3) Accounting policies for revenue and expenses."

3. Balance of contract assets and contract liabilities and the transaction price allocated to the remaining performance obligations

(1) Contract asset and contract liability balances

(Millions of yen)

	Current fiscal year (From April 1, 2021 to March 31, 2022)
Receivables from contracts with customers (beginning balance)	42,347
Receivables from contracts with customers (ending balance)	43,553
Contract assets (beginning balance)	946
Contract assets (ending balance)	1,113
Contract liabilities (beginning balance)	461
Contract liabilities (ending balance)	805

Receivables and contract assets are included in "Notes and accounts receivable - trade, and contract assets" on the consolidated balance sheets.

Contract assets relate to the right of the Company and its subsidiaries to consideration for performance obligations to be satisfied over time for which construction contracts in the Furnace segment have been completed but an invoice has not yet been issued as of the end of the period. Once the Company and its subsidiaries have an unconditional right to consideration, we reclassify contract assets to receivables from contracts with customers. The consideration for the construction is charged at the timing of inspection and acceptance by customers and received generally in one to six months in accordance with the contracts with customers.

Contract liabilities primarily relate to advances received from customers based on sales contracts of finished goods and merchandise in the Refractories and Ceramics segments for which revenue is recognized at delivery of the finished goods and merchandise. Contract liabilities are reversed as revenue is recognized.

Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period was ¥403 million.

The amount of revenue recognized in the fiscal year ended March 31, 2022 from performance obligations that were satisfied in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations was ¥5,496 million as of March 31, 2022. The Company expects to recognize revenue for the remaining performance obligations within one to three years as performance obligations become satisfied.

The Group has applied practical expedients and excluded from the above amount information on the remaining performance obligations with an original expected duration of one year or less.

(Segments of an enterprise and related information)

[Segment information]

1. Outline of reportable segment information

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

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

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

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

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

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

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

As stated in "Changes in accounting policies," the Company has applied the Revenue Recognition Standard, etc. to the consolidated financial statements from the fiscal year ended 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 segment increased by ¥242 million and segment profit increased by ¥46 million for the fiscal year ended March 31, 2022, compared to the previous methods.

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

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

(Millions of yen)

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

(Notes) 1 The “Others” category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.

2 Details of “Adjustments” are as follows.

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

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

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

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

For the current fiscal year (from April 1, 2021 to March 31, 2022)

(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	110,659	13,226	8,486	737	133,110	668	133,778	－	133,778
Inter-segment or transfer	8	358	－	－	366	－	366	(366)	－
Total	110,667	13,584	8,486	737	133,476	668	134,145	(366)	133,778
Segment profit	5,149	668	1,124	592	7,535	36	7,571	(5)	7,566
Segment assets	116,653	8,674	7,950	620	133,897	332	134,230	8,464	142,694
Other items									
Depreciation	2,371	450	319	40	3,181	22	3,204	43	3,247
Amortization of goodwill	473	－	9	－	482	－	482	－	482
Increase in property, plant and equipment and intangible assets	2,756	280	347	－	3,384	1	3,385	80	3,465

(Notes) 1 The "Others" category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.

2 Details of "Adjustments" are as follows.

(1) An adjustment of negative ¥5 million in segment profit includes ¥(366) million eliminated for inter-segment transactions and ¥361 million for the allocation variance of general and administrative expenses borne by the reportable segments.

(2) An adjustment of ¥8,464 million in segment assets represents corporate assets not allocated to the reportable segments, which primarily consist of the long-term investment funds (investment securities) and the assets relating to its administrative department.

(3) Under the "Other items" section, an adjustment of ¥43 million in depreciation and an adjustment of ¥80 million in an increase in property, plant and equipment and intangible assets are related to corporate assets not allocated to the reportable segments.

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

[Related information]

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

1. Information about products and services

Statement is omitted as similar information is stated in “Segment information.”

2. Information about geographic areas

(1) Net sales

(Millions of yen)

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

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

(2) Property, plant and equipment

(Millions of yen)

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

3. Information about major customers

(Millions of yen)

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

For the current fiscal year (from April 1, 2021 to March 31, 2022)

1. Information about products and services

Statement is omitted as similar information is stated in “Segment information.”

2. Information about geographic areas

(1) Net sales

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
77,669	24,839	8,772	13,296	9,201	133,778

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

(2) Property, plant and equipment

(Millions of yen)

Japan	India	Asia	Europe	Other	Total
21,963	7,809	1,523	5,027	9	36,333

3. Information about major customers

(Millions of yen)

Customer name	Net sales	Related business segments
NIPPON STEEL CORPORATION	52,240	Refractories, Furnace, Ceramics and Others

[Information about impairment loss on non-current assets of each reportable segment]
For the previous fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

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

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

For the current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments					Others	Corporate/ Elimination	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal			
Impairment losses	–	–	–	–	–	–	71	71

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

[Information about amortization of goodwill and unamortized balance of each reportable segment]
For the previous fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

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

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

For the current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments					Others	Corporate/ Elimination	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal			
(Goodwill)								
Goodwill at the end of year	4,270	–	–	–	4,270	–	–	4,270

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

[Information about gain on negative goodwill of each reportable segment]

Not applicable

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

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

(Millions of yen unless otherwise stated)

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

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

Notes: 1 Terms and conditions of transactions and their policies, etc.
When selling products and purchasing materials, the Company quotes asking prices in consideration of market prices and overall costs, and makes deals, after negotiations, based on the terms and conditions just as those for other customers unrelated to the Company.

For the current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen unless otherwise stated)

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

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Parent company	NIPPON STEEL CORPORATION	Sales of the Company's products and purchase of materials	Sales of refractory products	52,240	Notes and accounts receivable - trade, and contract assets	21,921

Notes: 1 Terms and conditions of transactions and their policies, etc.
When selling products and purchasing materials, the Company quotes asking prices in consideration of market prices and overall costs, and makes deals, after negotiations, based on the terms and conditions just as those for other customers unrelated to the Company.

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

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

(Millions of yen unless otherwise stated)

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

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

Notes: 1. Terms and conditions of transactions and their policies, etc.
For the sale of the Company's trade receivables to NIPPON STEEL FINANCE Co., Ltd., the Company concluded a basic agreement with the company, and transferred the receivables accordingly.

For the current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen unless otherwise stated)

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

Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Subsidiary of parent company	NIPPON STEEL FINANCE Co., Ltd.	Sale of the Company's trade receivables	Sale of the Company's trade receivables	17,656	Accounts receivable – other	4,275

Notes: 1. Terms and conditions of transactions and their policies, etc.
For the sale of the Company's trade receivables to NIPPON STEEL FINANCE Co., Ltd., the Company concluded a basic agreement with the company, and transferred the receivables accordingly.

2. Notes to the parent company or other important associates

(1) Information on the parent company

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

(2) Financial statements of other important associates

Not applicable

(Per share information)

Item	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	¥7,133.91	¥7,759.14
Basic earnings per share	¥514.63	¥651.91

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

2. As stated in "Changes in accounting policies," the "Accounting Standard for Revenue Recognition," etc. have been applied. As a result, net assets per share decreased by ¥8.74, and basic earnings per share increased by ¥1.20 in the fiscal year ended March 31, 2022.

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

(Millions of yen unless otherwise stated)

Item	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent	4,334	5,490
Profit not attributable to common shareholders	－	－
Profit attributable to owners of parent related to common shares	4,334	5,490
Weighted average number of common shares during the fiscal year (Thousands of shares)	8,423	8,422

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

(Millions of yen unless otherwise stated)

Item	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Total net assets	63,288	69,084
Amount deducted from the total net assets	3,201	3,739
[Non-controlling interests included in the above]	[3,201]	[3,739]
Amounts of net assets related to common shares at the end of the fiscal year	60,087	65,344
Number of common shares used to calculate net assets per share at the end of the fiscal year (Thousands of shares)	8,422	8,421

(Significant subsequent events)

Not applicable

5) Consolidated supplemental schedules

[Schedule of bonds]

Not applicable

[Schedule of borrowings]

Category	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	4,064	5,103	2.96	—
Current portion of long-term borrowings	5,620	3,760	1.38	—
Long-term borrowings (excluding current portion)	16,098	19,334	0.57	From 2023 to 2030
Other interest-bearing liabilities Commercial papers	7,000	6,000	(0.07)	—
Total	32,783	34,198	—	—

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

2. The redemption schedule of long-term borrowings for 5 years subsequent to March 31, 2022, is summarized as follows:

(Millions of yen)

Category	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Long-term borrowings	4,014	5,801	6,501	3,001
Total	4,014	5,801	6,501	3,001

[Schedule of asset retirement obligations]

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

(2) [Others]

Quarterly Information for the current fiscal year

(Millions of yen unless otherwise stated)

Cumulative period	First Quarter (Three months ended June 30, 2021)	Second Quarter (Six months ended Sept. 30, 2021)	Third Quarter (Nine months ended Dec. 31, 2021)	Fourth Quarter (Fiscal year ended March 31, 2022)
Net sales	31,721	65,112	98,910	133,778
Profit before income taxes	2,341	4,596	6,851	8,578
Profit attributable to owners of parent	1,517	3,017	4,456	5,490
Basic earnings per share (Yen)	180.15	358.28	529.17	651.91

Each quarter	First Quarter (From April 1, 2021 to June 30, 2021)	Second Quarter (From July 1, 2021 to Sept. 30, 2021)	Third Quarter (From Oct. 1, 2021 to Dec. 31, 2021)	Fourth Quarter (From Jan. 1, 2022 to March 31, 2022)
Basic earnings per share (Yen)	180.15	178.13	170.89	122.74

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Millions of yen)

		Previous fiscal year (As of March 31, 2021)		Current fiscal year (As of March 31, 2022)
Assets				
Current assets				
Cash and deposits		2,309		2,011
Notes receivable - trade	*1	1,368		1,422
Accounts receivable - trade	*1	35,984	*1	34,596
Contract assets		–		1,113
Merchandise and finished goods		5,410		8,540
Work in process		2,389		2,465
Raw materials and supplies		3,989		5,351
Advance payments to suppliers		25		329
Prepaid expenses		328		376
Other	*1	5,629	*1	6,396
Allowance for doubtful accounts		(0)		(8)
Total current assets		57,434		62,595
Non-current assets				
Property, plant and equipment				
Buildings		8,040		7,842
Structures		832		911
Machinery and equipment		5,310		6,001
Vehicles		128		136
Tools, furniture and fixtures		714		772
Land		5,789		5,934
Construction in progress		504		390
Total property, plant and equipment		21,320		21,989
Intangible assets				
Goodwill		5		–
Software		59		77
Other		38		37
Total intangible assets		103		115
Investments and other assets				
Investment securities		4,222		3,833
Shares of subsidiaries and associates		19,762		19,163
Investments in capital of subsidiaries and associates		1,906		1,956
Investments in capital		115		117
Distressed receivables		33		33
Prepaid pension costs		1,102		957
Long-term prepaid expenses		189		147
Other		128		133
Allowance for doubtful accounts		(51)		(50)
Total investments and other assets		27,410		26,293
Total non-current assets		48,834		48,398
Total assets		106,268		110,994

(Millions of yen)

		Previous fiscal year (As of March 31, 2021)		Current fiscal year (As of March 31, 2022)
Liabilities				
Current liabilities				
Accounts payable - trade	*1	8,090	*1	9,073
Electronically recorded obligations - operating		5,240		6,603
Short-term borrowings		1,000		—
Current portion of long-term borrowings		4,500		3,000
Commercial papers		7,000		6,000
Accounts payable - other	*1	2,273	*1	2,556
Income taxes payable		943		793
Advances received		306		84
Deposits received	*1	2,335	*1	713
Provision for bonuses		1,844		2,552
Provision for loss on construction contracts		82		105
Provision for environmental measures		58		—
Asset retirement obligations		160		—
Other		670		166
Total current liabilities		34,506		31,648
Non-current liabilities				
Long-term borrowings		14,500		18,000
Long-term accounts payable - other		331		522
Deferred tax liabilities		428		236
Provision for retirement benefits		98		79
Provision for retirement benefits for directors (and other officers)		357		360
Long-term leasehold and guarantee deposits received		1,605		1,617
Asset retirement obligations		25		25
Total non-current liabilities		17,346		20,841
Total liabilities		51,853		52,489
Net assets				
Shareholders' equity				
Share capital		5,537		5,537
Capital surplus				
Legal capital surplus		5,138		5,138
Total capital surplus		5,138		5,138
Retained earnings				
Legal retained earnings		1,250		1,250
Other retained earnings				
Reserve for tax purpose reduction entry		909		871
General reserve		4,517		4,517
Retained earnings brought forward		36,479		40,637
Total retained earnings		43,156		47,276
Treasury shares		(1,644)		(1,650)
Total shareholders' equity		52,188		56,303
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		2,222		2,001
Deferred gains or losses on hedges		4		199
Total valuation and translation adjustments		2,226		2,201
Total net assets		54,414		58,504
Total liabilities and net assets		106,268		110,994

2) Non-consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)		Current fiscal year (From April 1, 2021 to March 31, 2022)	
Net sales	*1	80,429	*1	90,097
Cost of sales	*1	67,192	*1	76,191
Gross profit		13,237		13,905
Selling, general and administrative expenses	*1, *2	9,905	*1, *2	10,001
Operating profit		3,332		3,904
Non-operating income				
Interest income	*1	0		0
Dividend income	*1	1,754	*1	1,116
Rent income and management fee	*1	75	*1	59
Foreign exchange gains		341		760
Subsidy income		524		―
Other		207		163
Total non-operating income		2,904		2,101
Non-operating expenses				
Interest expenses	*1	23	*1	20
Loss on removal of non-current assets		93		121
Other		211		110
Total non-operating expenses		327		251
Ordinary profit		5,909		5,753
Extraordinary income				
Gain on sale of non-current assets		88		1
Gain on sale of investment securities		203		23
Gain on sale of shares of subsidiaries and associates		119		―
Gain from merger transactions		―	*3	1,887
Total extraordinary income		411		1,912
Extraordinary losses				
Loss on sale of non-current assets		7		―
Loss on retirement of non-current assets		71		85
Loss on valuation of investment securities		0		20
Impairment losses		162		71
Environmental expenses		41		―
Loss on disaster		39		―
Other		2		0
Total extraordinary losses		326		178
Profit before income taxes		5,994		7,487
Income taxes - current		1,433		1,338
Income taxes - deferred		(55)		176
Total income taxes		1,377		1,515
Profit		4,616		5,972

3) Non-consolidated Statements of Changes in Net Assets

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

(Millions of yen)

	Shareholders' equity		
	Share capital	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at beginning of period	5,537	5,138	5,138
Cumulative effects of changes in accounting policies			
Restated balance	5,537	5,138	5,138
Changes during period			
Dividends of surplus			
Reversal of reserve for tax purpose reduction entry			
Profit			
Purchase of treasury shares			
Net changes in items other than shareholders' equity			
Total changes during period	－	－	－
Balance at end of period	5,537	5,138	5,138

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	1,250	963	4,517	33,156	39,887
Cumulative effects of changes in accounting policies					
Restated balance	1,250	963	4,517	33,156	39,887
Changes during period					
Dividends of surplus				(1,347)	(1,347)
Reversal of reserve for tax purpose reduction entry		(54)		54	－
Profit				4,616	4,616
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	－	(54)	－	3,323	3,269
Balance at end of period	1,250	909	4,517	36,479	43,156

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(1,641)	48,922	1,217	0	1,217	50,139
Cumulative effects of changes in accounting policies						–
Restated balance	(1,641)	48,922	1,217	0	1,217	50,139
Changes during period						
Dividends of surplus		(1,347)				(1,347)
Reversal of reserve for tax purpose reduction entry		–				–
Profit		4,616				4,616
Purchase of treasury shares	(3)	(3)				(3)
Net changes in items other than shareholders' equity			1,004	4	1,009	1,009
Total changes during period	(3)	3,265	1,004	4	1,009	4,275
Balance at end of period	(1,644)	52,188	2,222	4	2,226	54,414

For the current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity		
	Share capital	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at beginning of period	5,537	5,138	5,138
Cumulative effects of changes in accounting policies			
Restated balance	5,537	5,138	5,138
Changes during period			
Dividends of surplus			
Reversal of reserve for tax purpose reduction entry			
Profit			
Purchase of treasury shares			
Net changes in items other than shareholders' equity			
Total changes during period	–	–	–
Balance at end of period	5,537	5,138	5,138

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance at beginning of period	1,250	909	4,517	36,479	43,156
Cumulative effects of changes in accounting policies				(83)	(83)
Restated balance	1,250	909	4,517	36,396	43,072
Changes during period					
Dividends of surplus				(1,768)	(1,768)
Reversal of reserve for tax purpose reduction entry		(37)		37	–
Profit				5,972	5,972
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	–	(37)	–	4,241	4,203
Balance at end of period	1,250	871	4,517	40,637	47,276

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(1,644)	52,188	2,222	4	2,226	54,414
Cumulative effects of changes in accounting policies		(83)				(83)
Restated balance	(1,644)	52,104	2,222	4	2,226	54,331
Changes during period						
Dividends of surplus		(1,768)				(1,768)
Reversal of reserve for tax purpose reduction entry		–				–
Profit		5,972				5,972
Purchase of treasury shares	(5)	(5)				(5)
Net changes in items other than shareholders' equity			(220)	195	(25)	(25)
Total changes during period	(5)	4,198	(220)	195	(25)	4,173
Balance at end of period	(1,650)	56,303	2,001	199	2,201	58,504

[Notes]
(Significant accounting policies)
1. Evaluation standards and methods for assets
(1) Evaluation standards and methods for marketable and investment securities
1) Shares of subsidiaries and associates
Stated at cost by the moving-average method
2) Available-for-sale securities
Available-for-sale securities other than shares, etc. that do not have a market price:
Stated at fair market value based on the quoted market price at the fiscal year-end (Any valuation difference is accounted for directly as a component of net assets and the cost of sold securities are computed by the moving-average method).
Shares, etc. that do not have a market price:
Stated at cost determined by the moving-average method.

(2) Evaluation standards and methods for receivables and payables arising from derivatives
Fair value method

(3) Evaluation standards and methods for inventories
Stated at cost determined by the moving-average method (designed to reduce book value according to decreased profitability of assets).
However, partly-completed work and uncompleted construction contracts are stated at cost determined by the specific identification method (This method is designed to reduce book value according to decreased profitability of assets).

2. Depreciation methods for non-current assets
(1) Property, plant and equipment
Stated using the straight-line method.
The Company uses useful lives stipulated in the Corporation Tax Act in principle. Internally prescribed useful lives are partially applied for machinery, equipment, and the buildings and structures relating to shopping centers in the Real Estate business. Such assets include tunnel kilns (9 years), machinery and equipment (9 years), and buildings and structures relating to shopping centers in the Real Estate business (lease contract terms).

(2) Intangible assets
Straight-line method
Software for internal use is amortized over an estimated useful life of 5 years.

(3) Long-term prepaid expenses
Straight-line method

3. Accounting policies for revenue and expenses
The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows.
(1) Sales of merchandise and finished goods
In the Refractories and Ceramics segments, the Company mainly engages in the manufacture and sales of refractories and ceramics. It is deemed that in many cases, customers obtain control of finished goods and merchandise and performance obligations are satisfied when theses finished goods and merchandise are delivered, and revenue is therefore recognized mainly when theses finished goods and merchandise are delivered. However, for transactions in which control of finished goods and merchandise is transferred to customers when they are delivered, in practice, revenue is recognized at shipment in accordance with Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30; March 26, 2021). In addition, revenue from sales of some finishes goods and merchandize is recognized when inspection and acceptance are completed by the customer as they require a certain period from delivery to inspection and acceptance by the customer.
The Company receives consideration for transactions related to the Refractories and Ceramics segments

generally within one to six months after delivery of the finished goods and merchandise, and receivables arising from such contracts with customers are not adjusted for the effects of a significant financing component.

(2) Construction contracts

In the Furnace segment, the Company mainly concludes construction contracts to design, construct, install and repair various kinds of furnaces. As control is transferred over time in these contracts, performance obligations are deemed to be satisfied over time, and revenue is recognized based on construction progress. 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.

However, revenue for construction contracts with small contract amounts and very short construction periods is not recognized over time and instead is recognized when inspection and acceptance are completed by the customer.

The Company receives consideration for transactions related to the Furnace segment generally within one to six months after satisfaction of performance obligations, and receivables arising from such contracts with customers are not adjusted for the effects of a significant financing component.

4. Accounting policies for allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for loss on construction contracts

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

(4) Provision for environmental measures

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

(5) Provision for retirement benefits

To provide for employees' retirement benefits, the Company makes a provision for estimated retirement benefits for the current fiscal year, based on the projected benefit obligations and related plan assets as of the end of the current fiscal year.

1) Periodic allocation of expected retirement benefits

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

2) Amortization of actuarial differences and past service costs

Actuarial differences are amortized by the straight-line method over a period of 10 years beginning from the fiscal year following the time of occurrence.

Past service costs are amortized by the straight-line method over a period of 10 years beginning from the fiscal year of occurrence.

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

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

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

5. Other significant accounting policies as bases for the preparation of financial statements

(1) Hedge accounting method

1) Hedge accounting method

The Company adopts the deferred hedge accounting method.

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

2) Hedging instruments and hedged items

Hedging instruments:

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

Hedged items:

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

3) Hedging policy

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

4) Method for evaluating hedging effectiveness

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

(2) Accounting method for retirement benefits

The accounting method for actuarial gains and losses and past service costs that are yet to be recognized is different from that applied for the consolidated financial statements.

(Significant accounting estimates)

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

Valuation of shares in subsidiaries

(1) Amounts recorded in the non-consolidated financial statements for the current fiscal year

(Millions of yen)

	Previous fiscal year	Current fiscal year
Shares of subsidiaries and associates	19,762	19,163
Of which, shares of TRL KROSAKI REFRACTORIES LIMITED	15,593	15,593

Shares of subsidiaries and associates of ¥19,163 million on the non-consolidated balance sheet includes shares of TRL KROSAKI REFRACTORIES LIMITED (book value: ¥15,593 million), a consolidated subsidiary engaged in refractory business in India. The shares of the company, which do not have a market price, were reviewed for impairment in the current fiscal year. As a result, it was determined that its real value did not decline significantly, and therefore no impairment loss was recognized.

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

Shares, etc. that do not have a market price, such as investments in unlisted subsidiaries, are valued at cost. However, if the real value of such securities declines significantly due to deterioration in the financial position of the issuing company, a write-down is recognized accordingly and the valuation difference is recorded as a loss for the relevant fiscal year, unless the possibility of recovery is supported by sufficient evidence.

In valuing the shares of TRL KROSAKI REFRACTORIES LIMITED, the Company estimated the real value of the shares reflecting the excess earning power, etc. of the company.

In determining whether or not there has been a significant decline in the real value of shares of TRL KROSAKI REFRACTORIES LIMITED, the Company estimated the excess earning power, etc. based on the discounted present value of future cash flows, and then compared the estimated value with the book value.

The discounted present value was estimated based on the current conditions and medium-term management plan of TRL KROSAKI REFRACTORIES LIMITED, along with the future outlook beyond the medium-term management plan and a discount rate. The estimate incorporated the projected sales and profit of the company as well as the discount rate as key assumptions, which underlie its medium-term management plan and future outlook.

The realization of the above assumptions is subject to uncertainty, which may have a significant impact on the estimation of the real value.

(Changes in accounting policies)

1. 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 fiscal year ended 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 fiscal year ended 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 fiscal year ended March 31, 2022 has been added to or subtracted from retained earnings brought forward at the beginning of the fiscal year ended March 31, 2022, and the new accounting policy has been applied from the beginning balance of said period.

In addition, “Accounts receivable - trade,” which was included in “Current assets” in the non-consolidated balance sheet for the previous fiscal year, is classified into “Accounts receivable – trade” and “Contract assets” from the fiscal year ended March 31, 2022. However, 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.

As a result, compared with the method before the application of the Revenue Recognition Standard, etc., primary changes in the non-consolidated balance sheet of the fiscal year ended March 31, 2022 are a decrease in accounts receivable – trade by ¥1,667 million, an increase in contract assets by ¥1,113 million, and an increase in merchandise and finished goods by ¥430 million. On the non-consolidated statements of income for the fiscal year ended March 31, 2022, net sales increased by ¥242 million, cost of sales increased by ¥196 million, and operating profit, ordinary profit and profit before income taxes each increased by ¥46 million.

The balance of retained earnings brought forward at the beginning of the period in the non-consolidated statements of changes in net assets decreased by ¥83 million as a result of reflecting the cumulative effect of applying the standard on net assets at the beginning of the fiscal year ended March 31, 2022.

Net assets per share decreased by ¥8.74, and basic earnings per share increased by ¥1.20 in the fiscal year ended March 31, 2022.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Standard, “Notes to revenue recognition” for the previous fiscal year are not presented.

2. 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 fiscal year ended 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 non-consolidated financial statements.
In addition, "Notes to financial instruments" are omitted as the same information is provided in the "Notes" to the consolidated financial statements.

(Additional information)

The Company has made valuation of shares of subsidiaries and other accounting estimates on the assumption that the impact of COVID-19 will continue for a certain period in the fiscal year ending March 31, 2023. However, COVID-19's impact still largely remains uncertain and may also impact the financial position and operating results for the following fiscal year.

(Notes to Non-consolidated Balance Sheet)

*1. Assets and liabilities related to subsidiaries and associates

Followings are monetary receivables and payables related to subsidiaries and associates that were not separately presented on the balance sheet:

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Short-term monetary receivables	27,688	26,718
Short-term monetary payables	4,130	1,630

2. Contingent liabilities

(1) Guarantee obligation

Loans to the following companies, etc. have been guaranteed by the Company:

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
HIBIKINADA DEVELOPMENT CO., LTD.	2	1
Employees	213	211
Krosaki USA Inc.	409	416
TRL KROSAKI CHINA LIMITED	690	686
Total	1,316	1,315

(Notes to Non-consolidated Statements of Income)

*1. Amounts of business transactions with subsidiaries and associates and transactions with subsidiaries and associates other than business transactions

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	52,556	58,839
Purchase of goods	20,434	17,524
Transactions other than business transactions	2,018	1,045

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

(Millions of yen unless otherwise stated)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Shipment and haulage expenses	1,578	1,866
Directors' and auditors' compensations and salaries	2,489	2,614
Provision for bonuses	687	737
Provision for retirement benefits for directors (and other officers)	87	82
Retirement benefit costs	213	137
Other personnel expenses	1,516	1,439
Research and development costs	863	845
Depreciation	153	150
Amortization of goodwill	5	8
Approximate proportion		
Selling expenses	17.7%	20.9%
General and administrative expenses	82.3%	79.1%

*3. The breakdown of gain from merger transactions is as follows.

(Millions of yen)

	Current fiscal year (From April 1, 2021 to March 31, 2022)
Gain on extinguishment of tie-in shares	2,254
Loss from adjustment to gain on sale of land	(367)

(Notes to securities)

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

The fair value of shares of subsidiaries and associates is not presented because these shares do not have market prices and it is deemed extremely difficult to determine their fair value.

Shares of subsidiaries and associates whose fair value is extremely difficult to estimate, and amounts thereof on the balance sheet are as follows.

(Millions of yen)

Item	Previous fiscal year
Shares of subsidiaries	18,009
Shares of associates	1,753
Total	19,762

For the current fiscal year (as of March 31, 2022)

The fair value of shares of subsidiaries and associates is not presented because these shares are among shares, etc. that do not have a market price.

Shares of subsidiaries and associates whose quoted market prices are not available, and amounts thereof on the balance sheet are as follows.

(Millions of yen)

Item	Current fiscal year
Shares of subsidiaries	17,410
Shares of associates	1,753
Total	19,163

(Notes to the method of tax effect accounting)

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Deferred tax assets		
Depreciation	733	658
Provision for retirement benefits for directors (and other officers)	108	109
Provision for retirement benefits	30	24
Allowance for doubtful accounts	15	17
Book value of share trust	117	117
Provision for bonuses	470	684
Provision for environmental measures	17	−
Impairment losses	211	284
Loss from adjustment to gain on sale of land	−	111
Other	768	637
Subtotal	2,473	2,645
Valuation allowance	(569)	(609)
Total deferred tax assets	1,903	2,035
Deferred tax liabilities		
Forward foreign exchange	(2)	(87)
Prepaid pension cost	(335)	(291)
Reserve for tax purpose reduction entry of non-current assets	(439)	(442)
Valuation difference on available-for-sale securities	(946)	(841)
Valuation difference of land accompanied by business combinations	(610)	(610)
Total deferred tax liabilities	(2,332)	(2,271)
Balance of net deferred tax assets (liabilities)	(428)	(236)

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

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Normal effective statutory tax rate	30.4%	30.4%
(Adjustment)		
Entertainment expenses and other expenses not counted for tax purposes	0.2%	0.2%
Dividend income and other items not counted for tax purposes	(8.2%)	(3.8%)
Valuation allowance	(0.2%)	0.3%
Inhabitant tax on per capita basis	0.6%	0.6%
Tax credits for research and development	(1.1%)	(0.9%)
Gain from merger transactions	−	(7.6%)
Effect of merger transactions	−	0.4%
Withholding tax on dividends from foreign subsidiaries	1.7%	0.5%
Other	(0.4%)	0.0%
Actual effective tax rate	22.9%	20.2%

(Notes to business combinations)

Transactions under common control

In accordance with the merger agreement concluded on December 25, 2020, the Company merged with KROSAKI HARIMA CERA CORPORATION, a wholly owned subsidiary of the Company, by the absorption-type merger.

(1) Summary of the business combination

1) Name and business of the acquiree

Name: KROSAKI HARIMA CERA CORPORATION

Description of business: Contracting for refractory manufacturing, maintenance of refractory manufacturing facilities, and various services

2) Date of the business combination

April 1, 2021

3) Form of the business combination

The merger was an absorption-type merger with the Company as the surviving company. KROSAKI HARIMA CERA CORPORATION was dissolved.

4) Company name after the business combination

KROSAKI HARIMA CORPORATION

5) Other matters concerning the summary of the business combination

KROSAKI HARIMA CERA CORPORATION mainly engaged in contracting for refractory manufacturing and maintenance of refractory manufacturing facilities. Through the absorption merger, the Group will be able to maintain and improve its manufacturing capabilities and competitiveness by integrating manufacturing operations, improve management efficiency by consolidating management resources, and reduce administrative costs by integrating indirect departments, thereby further strengthening the Group’s business foundation.

(2) Summary of the accounting treatment implemented

In accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10; January 16, 2019), the Company treated this transaction as a transaction under common control.

Furthermore, in accordance with the merger agreement concluded on March 24, 2021, the Company merged with Ariake Materials Co., Ltd., a wholly owned subsidiary of the Company, by the absorption-type merger.

(1) Summary of the business combination

1) Name and business of the acquiree

Name: Ariake Materials Co., Ltd.

Description of business: Manufacturing of fine ceramics

2) Date of the business combination

October 1, 2021

3) Form of the business combination

The merger was an absorption-type merger with the Company as the surviving company. Ariake Materials Co., Ltd. was dissolved.

4) Company name after the business combination

KROSAKI HARIMA CORPORATION

5) Other matters concerning the summary of the business combination

Ariake Materials Co., Ltd. had played an important part in the Ceramics business of the Group by manufacturing fine ceramics, which the Company purchased and sold to its clients. In these times of revolutionary changes, however, we have judged that it would be best to consolidate Ariake Materials Co., Ltd. into the Company and promote a united management of manufacturing, sales and development activities to secure the Group's manufacturing skills and technologies and enhance its production efficiency and quality, thereby sustainably maintaining and enhancing the Group's manufacturing capabilities and competitiveness that are the foundation of a manufacturing company. Therefore, the Company conducted a merger with Ariake Materials Co., Ltd.

(2) Summary of the accounting treatment implemented

In accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21; January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company treated this transaction as a transaction under common control.

(Notes to revenue recognition)

Useful information in understanding revenue from contracts with customers is omitted as the same information is presented in "Notes (Notes to revenue recognition)" in the consolidated financial statements.

(Significant subsequent events)

Not applicable

4) [Supplemental schedules]

[Schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Type of asset	Balance at the beginning of the current fiscal year	Increase during the period	Decrease during the period	Depreciation or amortization during the period	Balance at the end of the current fiscal year	Accumulated depreciation or amortization at the end of the current fiscal year
Property, plant and equipment	Buildings	8,040	367	3	561	7,842	22,230
	Structures	832	169	4	86	911	4,930
	Machinery and equipment	5,310	1,624	3	929	6,001	42,220
	Vehicles	128	85	0	76	136	872
	Tools, furniture and fixtures	714	297	3	237	772	3,057
	Land	5,789	217	71 (71)	–	5,934	–
	Construction in progress	504	1,671	1,784	–	390	–
	Total	21,320	4,432	1,871 (71)	1,891	21,989	73,310
Intangible assets	Goodwill	5	3	–	8	–	–
	Software	59	41	–	22	77	1,162
	Other	38	–	–	0	37	236
	Total	103	44	–	32	115	1,398

(Notes) 1. The figures in parentheses in “Decrease during the period” indicate the amounts of impairment losses.

2. “Increase during the period” include the following increases due to the mergers with KROSAKI HARIMA CERA CORPORATION and Ariake Materials Co., Ltd.

(Millions of yen)

	KROSAKI HARIMA CERA CORPORATION	Ariake Materials Co., Ltd.	Total
Buildings	55	98	153
Structures	14	1	16
Machinery and equipment	455	97	553
Vehicles	9	2	11
Tools, furniture and fixtures	11	23	34
Land	92	117	210
Goodwill	–	3	3
Software	–	19	19

3. Major increases in “Increase during the period” are as follows:

Machinery and equipment: Yahata Plant, Production equipment ¥265 million

Machinery and equipment: Yahata Plant, Production equipment ¥143 million

[Schedule of allowances]

(Millions of yen)

Category	Balance at the beginning of the current fiscal year	Increase during the period	Decrease during the period	Balance at the end of the current fiscal year
Allowance for doubtful accounts	52	7	1	58
Provision for bonuses	1,844	2,552	1,844	2,552
Provision for loss on construction contracts	82	59	36	105
Provision for environmental measures	58	—	58	—
Provision for retirement benefits for directors (and other officers)	357	82	79	360

(2) Details of major assets and liabilities
Statement is omitted because the Company prepares consolidated financial statements.

(3) Others
Not applicable

VI. Stock-Related Administration for the Filing Company

Fiscal year	From April 1 to March 31
Annual Shareholders' Meeting	In June
Record date	March 31
Record date for distribution from surplus	September 30 and March 31
Number of shares constituting one unit	100 shares
Purchase of shares below one unit	
Handling office	(Special account) 2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka Japan Securities Agents, Ltd. Fukuoka Branch
Transfer agent	(Special account) 1-2-4, Kayabacho, Nihombashi, Chuo-ku, Tokyo Japan Securities Agents, Ltd.
Purchasing fee	Free
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the above-mentioned method of public notice is not possible due to an accident or through other compelling reasons, then Nihon Keizai Shimbun will be adopted as its medium. The Company's electronic public notice is posted on its website, and the following is the address: https://www.krosaki.co.jp/
Shareholders' benefits	None

(Note) 1. The Company's shareholders, concerning the possession of shares below one unit, are not able to exercise their rights other than the rights that are stipulated in the following:
(1) The rights stipulated in each item of Article 189, Paragraph 2, of the Companies Act;
(2) The right to demand what is stipulated under Article 166, Paragraph 1, of the Companies Act; and
(3) The right to receive an allotment of offered shares and offered new subscription rights to shares in proportion to the number of shares held.
2. Transfer agent of the Company is Sumitomo Mitsui Trust Bank, Limited (address of the headquarters and handling office: 1-4-1, Marunouchi, Chiyoda-ku, Tokyo).

VII. Reference Information on the Filing Company

1. Information on a Parent Company, etc. of the Filing Company
   The Company does not have a parent company or other entity that is provided in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information
   The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

(1) Annual Securities Report and documents attached thereto, and Document of Confirmation thereof
The Annual Securities Report for the 130th fiscal year (from April 1, 2020 to March 31, 2021) and documents attached thereto, and Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2021.

(2) Internal Control Report and documents attached thereto
The Internal Control Report and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2021.

(3) Quarterly Securities Report and Document of Confirmation thereof
The Quarterly Securities Report for the First Quarter (from April 1, 2021 to June 30, 2021) of the 131st fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on August 6, 2021.
The Quarterly Securities Report for the Second Quarter (from July 1, 2021 to September 30, 2021) of the 131st fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on November 11, 2021.
The Quarterly Securities Report for the Third Quarter (from October 1, 2021 to December 31, 2021) of the 131st fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on February 10, 2022.

(4) Extraordinary Report
The Extraordinary Report according to the provision of Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at the shareholders' general meetings) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. was submitted to the Director-General of the Kanto Local Finance Bureau on July 1, 2021.

(5) Revised Shelf Registration Statements (straight bond)
Submitted to the Director-General of the Kanto Local Finance Bureau on July 1, 2021

Part II Information on Guarantors for the Filing Company

Not applicable

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

June 29, 2022

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

Financial Statement Audit

Opinion

We have audited the accompanying consolidated financial statements of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries as at March 31, 2022, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the decision regarding the necessity of recognizing an impairment loss on goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED	
Key audit matter description and reasons for selection thereof	How the key audit matter was addressed in the audit
As stated in "[Notes] (Significant accounting estimates)," Goodwill on the consolidated balance sheet of KROSAKI HARIMA CORPORATION for the current fiscal year includes ¥3,465 million of goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED, a consolidated subsidiary engaged in refractory business in India. As stated in "[Notes] (Significant matters providing the basis for the preparation of consolidated financial statements), 4. Significant accounting policies, (8) Method and period of amortization of goodwill," goodwill is amortized using the straight-line method over an appropriate period of 10 to 20 years according to the respective investments. At the same time, it is reviewed for impairment and when it is determined that the recoverable amount is less than the carrying amount, the carrying amount is reduced to its recoverable amount and the amount of the reduction is recognized as an impairment loss. Since the amount allocated to goodwill out of the acquisition cost of TRL KROSAKI REFRACTORIES LIMITED was relatively large, the asset group including the goodwill was reviewed for recognizing an impairment loss in the current fiscal year by using undiscounted future cash flows of the company. The undiscounted future cash flows were estimated based on the current conditions and medium-term management plan of TRL KROSAKI REFRACTORIES LIMITED, along with the future outlook beyond the medium-term management plan. However, because there is a high degree of uncertainty involved in realizing the projected sales and profit, which underlie the medium-term management plan and future outlook, the judgment of management on these matters will have a significant impact on the estimation of the future cash flows. Based on the above, we have determined that the appropriateness of the decision regarding the necessity of recognizing an impairment loss on goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED is of particular importance in the audit of the consolidated financial statements for the current fiscal year and constitutes a key audit matter.	Our audit procedures related to the appropriateness of the decision regarding the necessity of recognizing an impairment loss on goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED included the following, among others. (1) Assessment of internal controls We assessed the design and operating effectiveness of the Company's internal controls for determining the necessity of recognizing an impairment loss on the asset group including the goodwill. (2) Assessment of the reasonableness of estimates of future cash flows In order to assess the appropriateness of the key assumptions made by management regarding the TRL KROSAKI REFRACTORIES LIMITED medium-term management plan and future outlook, which are the basis for estimating future cash flows, we primarily conducted the following procedures, in addition to questioning management and reviewing related materials. ・Review of the feasibility of sales and profit projections based on an analysis of the status of achievement of past management plans and the causes of differences between results and plans, and review of the impact of future cash flows when incorporating certain uncertainties on the decision regarding the necessity of recognizing an impairment loss.

Other Information

The other information comprises information contained in the Annual Securities Report other than the consolidated financial statements, the financial statements, and audit reports on them. Management is responsible for the preparation and disclosure of the other information. Auditors and the Board of Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the reporting process of the other information.
Our opinion on the consolidated financial statements does not cover the other information, and we do not express an audit opinion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.
We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
Auditors and the Board of Auditors are responsible for overseeing the Directors' performance of their duties related to designing and operating the financial reporting process.

Independent Auditor's Responsibility for the Audit of the Consolidated Financial Statements

The independent auditor's responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report based on the audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, the independent auditor exercises professional judgment in the audit process and performs the following while maintaining professional skepticism:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures to address the risks of material misstatement. The audit procedures are selected and applied as determined by the independent auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for audit opinion.
- In making those risk assessments, the independent auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of going concern and, based on the audit evidence obtained, whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty, the independent auditor is required to draw attention in its report to the notes to the consolidated financial statements or, if the notes pertaining to the significant uncertainty are inadequate, issue a modified opinion on the consolidated financial statements. While the conclusions of the independent auditor are based on the audit evidence obtained up to the date of its audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the overall presentation, structure, and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. The independent auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements. The independent auditor is solely responsible for its audit opinion.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, and other matters required under the auditing standards.

The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of provisions relevant to professional ethics in Japan and matters that may reasonably be thought to bear on its independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

From the matters communicated with the Auditors and the Board of Auditors, the independent auditor determines those matters that were of most significance in the audit of the consolidated financial statements of the current fiscal year and are therefore the key audit matters. The independent auditor describes these matters in its auditor's reports unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the independent auditor determines that a matter should not be communicated in its report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<u>Internal Control Audit</u>

Opinion

We also have audited the accompanying internal control report of KROSAKI HARIMA CORPORATION as at March 31, 2022, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.
In our opinion, the internal control report, in which KROSAKI HARIMA CORPORATION states that internal control over financial reporting was effective as at March 31, 2022, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor's Responsibility for the Audit of Internal Control section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Auditors and the Board of Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
Auditors and the Board of Auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.
Internal control over financial reporting may not completely prevent or detect misstatements in financial reporting.

Independent Auditor's Responsibility for the Internal Control Audit

Independent auditor's responsibility is to obtain reasonable assurance about whether the internal control report is free from material misstatement, whether due to fraud or error, and to express an opinion on the internal control report from an independent standpoint in an audit report on internal control.
In accordance with audit standards for internal control over financial reporting generally accepted in Japan, the independent auditor exercises professional judgment in the audit process and performs the following while maintaining professional skepticism:

- Perform audit procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and applied as determined by the independent auditor based on the significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the scope, procedures, and results of the assessments of internal control over financial reporting that management presents.
- Obtain sufficient and appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The independent auditor is responsible for instructing, supervising and implementing the audit of the internal control report. The independent auditor is solely responsible for its audit opinion.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned audit of internal control, the results of internal control audits, any

significant deficiencies in internal control that were identified and should be disclosed, the results of corrections and other matters required under the auditing standards for internal control.
The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of provisions relevant to professional ethics in Japan, and matters that may reasonably be thought to bear on its independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Other Matter

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the reader of audit report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

Independent Auditor’s Report on the Financial Statements

June 29, 2022

To the Board of Directors of KROSAKI HARIMA CORPORATION.

KPMG AZSA LLC
Fukuoka Office

Takashi Hasumi (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naohiro Yamada (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the accompanying financial statements of KROSAKI HARIMA CORPORATION provided in the “Financial Information” section in the company’s Annual Securities Report, which comprise the balance sheet as at March 31, 2022, and the statement of income and statement of changes in net assets for the year then ended, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.
In our opinion, the financial statements present fairly, in all material respects, the financial position of KROSAKI HARIMA CORPORATION as at March 31, 2022, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor’s Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the decision regarding the necessity of impairment recognition for shares of TRL KROSAKI REFRACTORIES LIMITED	
Key audit matter description and reasons for selection thereof	How the key audit matter was addressed in the audit
As stated in “[Notes] (Significant accounting estimates),” Shares of subsidiaries and associates on the balance sheet of KROSAKI HARIMA CORPORATION for the current fiscal year includes ¥15,593 million in shares of TRL KROSAKI REFRACTORIES LIMITED, a consolidated subsidiary engaged in refractory business in India. As stated in “[Notes] (Significant accounting policies), 1. Evaluation standards and methods for assets, (1) Evaluation standards and methods for marketable and investment securities,” shares of subsidiaries and associates are stated at cost. However, if the real value of such shares declines significantly due to deterioration in the financial position of the issuing company, a write-down is recognized accordingly and the valuation difference is recorded as a loss for the fiscal year, unless the possibility of recovery is supported by sufficient evidence. In valuing the shares of TRL KROSAKI REFRACTORIES LIMITED, the Company estimated the real value of the shares reflecting the excess earning power of the company. In determining whether or not there has been a significant decline in the real value of shares of TRL KROSAKI REFRACTORIES LIMITED, the Company estimated the excess earning power, etc. based on the discounted present value of future cash flows, and then compared the estimated value with the book value. The discounted present value was estimated based on the current conditions and medium-term management plan of TRL KROSAKI REFRACTORIES LIMITED, along with the future outlook beyond the medium-term management plan and a discount rate. However, because there is a high degree of uncertainty involved in realizing the projected sales and profit as well as the discount rate, which underlie the medium-term management plan and future outlook, the judgment of management on these matters will have a significant impact on the estimation of the real value. Based on the above, we have determined that the appropriateness of the decision regarding the necessity of impairment recognition for shares of TRL KROSAKI REFRACTORIES LIMITED is of particular importance in the audit of the financial statements for the current fiscal year and constitutes a key audit matter.	Our audit procedures related to the appropriateness of the decision regarding the necessity of impairment recognition for shares of TRL KROSAKI REFRACTORIES LIMITED included the following, among others. (1) Assessment of internal controls We assessed the design and operating effectiveness of the Company’s internal controls for evaluating shares of subsidiaries and associates. (2) Assessment of the reasonableness of estimates of future cash flows In order to assess the appropriateness of the key assumptions made by management regarding the TRL KROSAKI REFRACTORIES LIMITED medium-term management plan and future outlook, which are the basis for estimating future cash flows, we primarily conducted the following procedures, in addition to questioning management and reviewing related materials. ・Review of the feasibility of sales and profit projections based on an analysis of the status of achievement of past management plans and the causes of differences between results and plans, and review of the impact of future cash flows when incorporating certain uncertainties on the decision regarding the necessity of impairment recognition. In addition, we assessed the appropriateness of the discount rate by using KPMG valuation specialists, focusing on the following. ・Evaluation of the appropriateness of the calculation method of the discount rate, based on the evaluation items to be covered. ・Evaluation of the appropriateness of the input data used to calculate the discount rate through comparison with market data published by external organizations We also reviewed the impact of changes in the input data used to calculate the discount rate on the decision regarding the necessity of impairment recognition.

Other Information

The other information comprises information contained in the Annual Securities Report other than the consolidated financial statements, the financial statements, and audit reports on them. Management is responsible for the preparation and disclosure of the other information. Auditors and the Board of Auditors are responsible for monitoring the execution of the duties of Directors related to designing and operating the reporting process of the other information.
Our opinion on the financial statements does not cover the other information, and we do not express an audit opinion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.
We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements in accordance with the premise of going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
Auditors and the Board of Auditors are responsible for overseeing the Directors' performance of their duties related to designing and operating the financial reporting process.

Independent Auditor's Responsibility for the Audit of the Financial Statements

The independent auditor's responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements from an independent standpoint in an audit report based on the audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements.
In accordance with auditing standards generally accepted in Japan, the independent auditor exercises professional judgment in the audit process and performs the following while maintaining professional skepticism:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures to address the risks of material misstatement. The audit procedures are selected and applied as determined by the independent auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for audit opinion.
- In making those risk assessments, the independent auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of going concern and, based on the audit evidence obtained, whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty, the independent auditor is required to draw attention in its report to the notes to the financial statements or, if the notes pertaining to the significant uncertainty are inadequate, issue a modified opinion on the financial statements. While the conclusions of the independent auditor are based on the audit evidence obtained up to the date of its audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation and notes to the financial statements are in accordance with accounting principles generally accepted in Japan, assess the overall presentation, structure, and

content of the financial statements, including related notes, and whether the financial statements fairly present the underlying transactions and accounting events.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, and other matters required under the auditing standards.

The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of provisions relevant to professional ethics in Japan, and matters that may reasonably be thought to bear on its independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

From the matters communicated with the Auditors and the Board of Auditors, the independent auditor determines those matters that were of most significance in the audit of the financial statements of the current fiscal year and are therefore the key audit matters. The independent auditor describes these matters in its auditor's reports unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the independent auditor determines that a matter should not be communicated in its report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the reader of audit report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Submitted]	Internal Control Report ("*Naibu Tousei Houkokusho*")
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	June 29, 2022
[Company Name]	KROSAKI HARIMA Kabushiki Kaisha
[Company Name in English]	KROSAKI HARIMA CORPORATION (the "Company")
[Position and Name of Representative]	Kazuhiro Egawa, President
[Position and Name of CFO]	None
[Location of Head Office]	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka, Japan
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Securities Membership Corporation, Fukuoka Stock Exchange (2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka, Japan)

1. [Framework of internal control over financial reporting]

President Kazuhiro Egawa holds the responsibility of developing and operating internal control on financial reporting, which is shared by the Company, its consolidated subsidiaries and affiliated companies accounted for using equity method (hereinafter the "Group"). He performs said responsibility in accordance with the fundamental structure of internal control stated in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)," issued by the Business Accounting Council.

The Group aims to merge organically, to a reasonable extent, the elements of internal control, ensuring that it works as a single entity. This entails the possibility that internal control concerning financial reporting may not completely detect or prevent false data from entering financial reports.

2. [Assessment scope, timing and procedures]

The evaluation regarding internal control on financial reporting is based on generally accepted evaluation standards of these systems. The record date of the evaluation is March 31, 2022, the last day of the current fiscal year.

An evaluation is first conducted on internal control significantly affecting financial reporting as a whole on a consolidated basis (Company-wide internal control). Based on these results, certain operating processes are selected to be evaluated. In the evaluation of the current fiscal year, these operating processes were analyzed, its results then used to identify elements in control systems significantly affecting the credibility of the Group's financial reporting. By evaluating the development and the operation of these elements, the effectiveness of internal control was assessed.

The scope of the evaluation is determined by what is essential from a viewpoint that prioritizes the importance of factors affecting the reliability of financial reports within the Group.

The Company carried out absorption-type mergers with two consolidated subsidiaries during the fiscal year ended March 31, 2022. As a result, there were 11 consolidated subsidiaries as of March 31, 2022.

The importance of impact on the reliability of financial reports is determined by considering the importance of monetary and qualitative impacts. The scope of evaluation of internal control on operating processes is reasonably determined, based on the overall evaluation results of the Company and six consolidated subsidiaries.

Five consolidated subsidiaries and three affiliated companies accounted for using equity method were not included in the Group-wide evaluation scope, as the Group has concluded that they are insignificant in terms of monetary amount and quality.

Regarding evaluation scope of internal control on operating processes, summing up the net sales of the Group's operating sites starting from those with the highest net sales in the previous fiscal year (after eliminating consolidated intercompany transactions), the Group has chosen two sites that reached approximately two-thirds of the total consolidated net sales of the previous fiscal year as "Significant Operating Sites." Significant accounting items of these two operating sites which have the potential of hugely affecting the Group's business, such as notes and accounts receivable - trade, and contract assets, merchandise and finished goods, work in process, raw materials and supplies, and net sales, are selected as the subjects for evaluation of operating processes.

Moreover, from not only the "Significant Operating Sites," but also from other sites, additional subjects for evaluation are selected. These include operating processes that come with a high risk of significant false data input; those regarding significant accounting items accompanied by estimation and forecasting; and businesses or operating processes relating to high-risk transactions; all of which are added as subjects for evaluation as significant operating processes considering the effects brought to financial reporting.

3. [Results of assessment]

The results of the above evaluation confirmed that the Group's internal control concerning financial reporting as of March 31, 2022 was effective.

4. [Supplementary information]

None.

5. [Other]

None.

[Cover]

[Document Submitted]	Document of Confirmation (“*Kakuninsho*”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	June 29, 2022
[Company Name]	KROSAKI HARIMA Kabushiki Kaisha
[Company Name in English]	KROSAKI HARIMA CORPORATION (the “Company”)
[Position and Name of Representative]	Kazuhiro Egawa, President
[Position and Name of CFO]	None
[Location of Head Office]	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka, Japan
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Securities Membership Corporation, Fukuoka Stock Exchange (2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka, Japan)

1. [Matters regarding the Accuracy of the Content Stated in the Securities Report]
   President Kazuhiro Egawa has confirmed that the content stated in the Company's securities report for its 131st fiscal year (April 1, 2021 - March 31, 2022) is accurate, based on the guidelines provided by the Financial Instruments and Exchange Act of Japan.

2. [Special Items of Note]
   There are no special matters to report.