Annual Securities Report

(The 132nd fiscal year)

KROSAKI HARIMA CORPORATION

Contents

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[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
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[Accounting Period]	The 132nd Fiscal Year (from April 1, 2022, to March 31, 2023)
[Company Name]	KROSAKI HARIMA Kabushiki Kaisha
[Company Name in English]	KROSAKI HARIMA CORPORATION (the “Company”)
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Part I Information on the Company and its Group

I. Overview of the Group

1. Key Financial Data and Trends

(1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal period	128th fiscal year	129th fiscal year	130th fiscal year	131st fiscal year	132nd fiscal year
Period of account	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	142,347	137,395	113,661	133,778	165,202
Ordinary profit	11,289	9,764	6,361	8,679	12,083
Profit attributable to owners of parent	7,868	6,444	4,334	5,490	8,282
Comprehensive income	5,456	3,796	7,579	7,815	12,168
Net assets	56,236	57,233	63,288	69,084	77,858
Total assets	135,422	126,942	130,354	142,694	163,340
Net assets per share (Yen)	6,297.94	6,436.93	7,133.91	7,759.14	8,731.68
Basic earnings per share (Yen)	933.76	765.04	514.63	651.91	983.46
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	39.2	42.7	46.1	45.8	45.0
Return on equity (%)	14.8	12.0	7.6	8.8	11.9
Price earnings ratio (Times)	5.9	5.3	9.5	6.3	6.8
Net cash provided by (used in) operating activities	10,270	9,068	10,080	4,120	1,001
Net cash provided by (used in) investing activities	(2,265)	(7,044)	(4,946)	(3,608)	(4,514)
Net cash provided by (used in) financing activities	(6,721)	(3,475)	(3,608)	(1,022)	2,863
Cash and cash equivalents at end of period	5,376	3,785	5,301	5,012	4,425
Number of employees (Persons)	4,735 [2,207]	4,827 [2,218]	4,802 [2,637]	4,681 [2,756]	4,770 [2,959]

(Notes) 1. "Diluted earnings per share" are not shown for the 128th fiscal year through the 132nd fiscal year, since there were 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 and thereafter 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 stated separately in square brackets "[ ]" below the number of employees.

(2) Financial data etc. of the Filing Company

(Millions of yen, unless otherwise stated)

Fiscal period	128th fiscal year	129th fiscal year	130th fiscal year	131st fiscal year	132nd fiscal year
Period of account	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	101,556	96,013	80,429	90,097	100,357
Ordinary profit	7,222	6,855	5,909	5,753	6,591
Profit	6,130	5,048	4,616	5,972	5,223
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	48,016	50,139	54,414	58,504	63,625
Total assets	110,192	104,656	106,268	110,994	125,673
Net assets per share (Yen)	5,699.28	5,952.23	6,460.40	6,946.90	7,555.71
Dividends per share (Yen) [Of the above, interim dividends per share] (Yen)	280.00 [100.00]	220.00 [100.00]	150.00 [40.00]	200.00 [100.00]	290.00 [110.00]
Basic earnings per share (Yen)	727.51	599.21	548.11	709.15	620.23
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	43.6	47.9	51.2	52.7	50.6
Return on equity (%)	13.1	10.3	8.8	10.6	8.6
Price earnings ratio (Times)	7.6	6.8	8.9	5.8	10.7
Dividend payout ratio (%)	38.5	36.7	27.4	28.2	46.8
Number of employees (Persons)	1,379 [256]	1,471 [245]	1,526 [211]	2,362 [343]	2,402 [288]
Total shareholder return (%) (Comparison index: TOPIX total return index)	115.5 [95.0]	91.0 [85.9]	110.0 [122.1]	98.8 [124.6]	154.4 [131.8]
Highest share price (Yen)	9,230	6,730	5,210	5,330	7,070
Lowest share price (Yen)	4,725	3,660	2,769	3,755	3,910

(Notes)
1. “Diluted earnings per share” are not shown for the 128th fiscal year through the 132nd fiscal year, since there were 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 and thereafter 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 stated separately in square brackets “[ ]” below the number of employees.
4. The highest and lowest share prices refer to those of the First Section of the Tokyo Stock Exchange on and before April 3, 2022, and the Prime Market of the same Exchange on and after April 4, 2022.

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., and renamed the Oboshi Plant.
1944	June	Merged with Showa Taika Zairyo Co., Ltd.
1944	Sept.	Merged with Tsurumi Refractories Co., Ltd., and renamed 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 equity method associate. 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 an associate outside the scope of 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., originally an associate outside the scope of 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 equity method associate 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 associate outside the scope of equity method, Yingkou Kyushu Refractories Co., Ltd. (which changed its name into YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD. in March 2017), and made it an equity method associate.
2017	July	Changed IFGL Exports Ltd. (which changed its name into IFGL Refractories Limited in October 2017), which had been an associate outside the scope of equity method, to an equity method associate 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.
2022	Aug.	Excluded IFGL Refractories Limited, which had been an equity method associate, from the scope of the equity-method treatment because the Company's influence on it declined.

3. Description of Business

The business description of the Company, its 11 consolidated subsidiaries, and 2 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. (equity method associate) 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) manufactures refractories in India and sells 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 ceramics for various industries, and the sales of landscape materials)

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

Shin-Nippon Thermal Ceramics Corporation (equity method associate) manufactures and sells ceramic fiber.

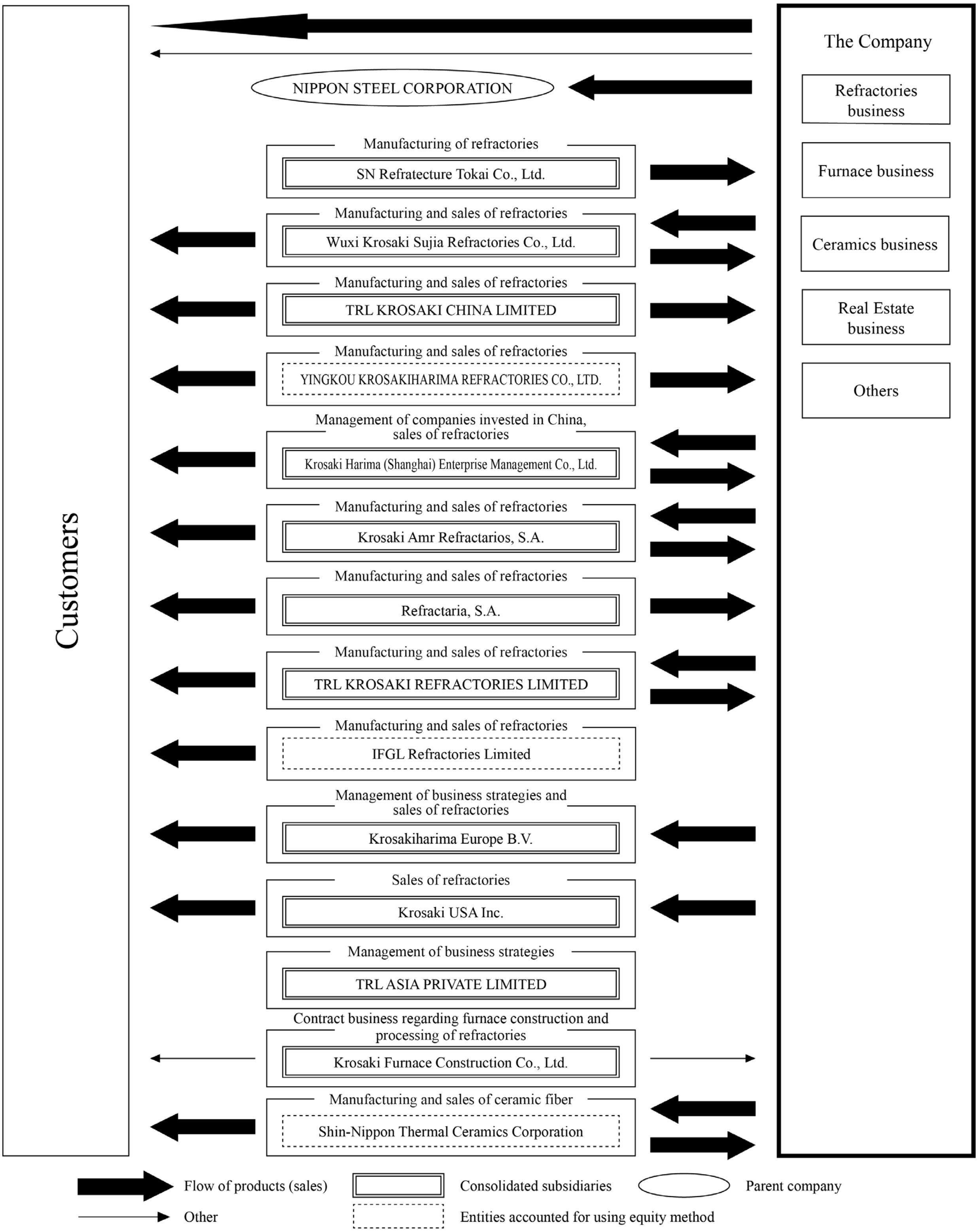
Real Estate (the rental of shops, warehouses, etc.)

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	2 employees of the Company are dispatched to the subsidiary as officers. 2 employees of the Company concurrently serve as officers of the subsidiary. The products of the subsidiary are sold by the Company's Sales Department.
Krosaki Furnace Construction Co., Ltd.	Yahatanishi-ku, Kitakyushu City, Fukuoka	10	Furnace	51.0	1 officer and 3 employees of the Company concurrently serve as officers of the subsidiary
Krosaki Amr Refractarios, S. A.	Guipuzkoa, Spain	(Thousand Euros) 4,597	Refractories	100.0 (100.0)	1 employee of the Company is dispatched to the subsidiary as an officer. 2 employees of the Company concurrently serve as officers of the subsidiary.
Wuxi Krosaki Sujia Refractories Co., Ltd.	Jiangsu Province, China	(Thousand USD) 14,196	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	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.
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	Odisha, 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.
(Equity method associate)					
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. 3 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.

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. None of the above companies, with the exception of NIPPON STEEL CORPORATION, file Securities Registration Statements or Securities Reports.

5. TRL KROSAKI REFRACTORIES LIMITED's net sales (excluding inter-segment net sales among consolidated subsidiaries) accounted for more than 10% of the total consolidated net sales.

Key profit/loss information:

(a) Net sales	¥38,835 million
(b) Ordinary profit	¥3,412 million
(c) Profit	¥2,560 million
(d) Net assets	¥11,585 million
(e) Total assets	¥23,004 million

5. Employees

(1) Consolidated Companies

As of March 31, 2023

Name of business segment	Number of employees (Persons)
Refractories	3,607 (2,787)
Furnace	643 (59)
Ceramics	212 (39)
Others	－ (－)
Company-wide (shared)	308 (74)
Total	4,770 (2,959)

(Notes) 1. Number of employees shows the number of full-time employees. The average number of temporary employees each year is shown separately 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, 2022.

(2) The Filing Company

As of March 31, 2023

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
2,402 (288)	41.4	12.3	5,689

Name of business segment	Number of employees (Persons)
Refractories	1,307 (142)
Furnace	575 (33)
Ceramics	212 (39)
Others	－ (－)
Company-wide (shared)	308 (74)
Total	2,402 (288)

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

(3) Status of labor union

The labor union of the Company, named the Krosaki Harima Union, belongs to the All Japan Federation of Ceramics Industry Workers. The labor union of the Company had 1,597 members as of March 31, 2023.

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.

(4) Diversity metrics

1) The Filing Company

Fiscal year ended March 31, 2023						Supplementary explanation
Percentage of women in managerial positions (%) (Note 1)	Percentage of men who have taken childcare leave (%) (Note 2)	Percentage of men who have taken childcare leave and other childcare related time off (%) (Note 3)	Gender wage gap (%) (Note 1)			
			All workers	Regular workers	Part-time and fixed-term workers	
3.2	22.0	89.8	69.0	76.4	48.1	<Regular workers> The gender wage gap arises from the fact that the ratio of women in managerial positions is low partly due to the small number of female workers among all workers; and that there are differences in the amount earned of special wages such as shift allowances and night work allowances because few women work on shifts in manufacturing operations. We will continue to systematically promote the hiring of women and apply the same standards to men and women regardless of gender in all situations, including appointment to managerial positions. <Part-time and fixed-time workers> The gender wage gap arises mainly from the fact that there are few women who are re-employed contract employees (including managerial staff), who earn relatively high wages, and that there are a large number of women who are part-time employees.

(Notes)
1. Calculated based on the provisions of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of September 4, 2015; the "Women's Promotion Act").
2. Calculated the percentage of childcare leave taken defined in Article 71-4, item (i) of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of October 15, 1991; the "Childcare Leave Ordinance") based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of May 15, 1991; the "Childcare Leave Act").
3. Calculated the percentage of childcare leave and other childcare related time off taken defined in Article 71-4, item (ii) of the Childcare Leave Ordinance based on the provisions of the Childcare Leave Act.

2) Consolidated subsidiaries

Information is omitted as domestic consolidated subsidiaries all have less than 100 employees, and there are no consolidated subsidiaries that are subject to disclosure based on the provisions of the Women's Promotion Act and the Childcare Leave Act.

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, 2023 (the "current fiscal year" or "FY2022").

(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 2022 decreased 4.2% year on year to 1,878.50 million tons, and domestic crude steel production for the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) decreased 8.1% year on year to 87.85 million tons. In addition, due to the ongoing high prices of raw materials as well as inflation, rising interest rates and the yen's sharp fall arising from the hike in energy and food prices, which was triggered by Russia's invasion of Ukraine, among other factors, the business environment surrounding the Company remains harsh.

Under such circumstances, during the fiscal year ended March 31, 2023, which is the second year of implementation of the 2025 Management Plan, we sought to strengthen our earnings base by rigorously reducing costs, steadily taking orders for large-scale projects, expanding sales of highly profitable products, and pursuing appropriate margins in the Refractories, Furnace, and Ceramics segments in Japan and overseas. In particular, with regard to overseas business expansion, which is one of the most important issues in our growth strategy, we strived to securely capture demand, including demand in non-ferrous metals fields, through further increasing competitiveness by making the most of the full-menu production and sales system established by TRL KROSAKI REFRACTORIES LIMITED in the growing Indian market, deepening collaborative relationships with alliance partners and strengthening marketing efforts mainly in the European and North/South American markets. These measures proved successful, and the ratio of overseas sales to total sales in the fiscal year ended March 31, 2023 increased to a record high of 45%, and the overseas business contributed significantly to both sales and profit.

As a result of the above efforts, the results for the fiscal year ended March 31, 2023 included net sales of ¥ 165.2 billion, ordinary profit of ¥12.0 billion, and ROS of 7.3%. We have achieved the targets set forth in the 2025 Management Plan, namely, net sales of ¥150 billion and ordinary profit of ¥12 billion.

We will continue to accelerate various efforts aimed at growth in profit, such as pressing ahead with global strategies that leverage our strengths and making active investment in growing fields. We will also consider revising the 2025 Management Plan in order to set new goals in light of the progress we have made so far and the changes in the environment surrounding the Company.

2. Policies and Initiatives for Sustainability

The Group’s policies and initiatives for sustainability are as follows.

Forward-looking statements contained in this document are based on judgments of the Group that were made as of the end of the current fiscal year.

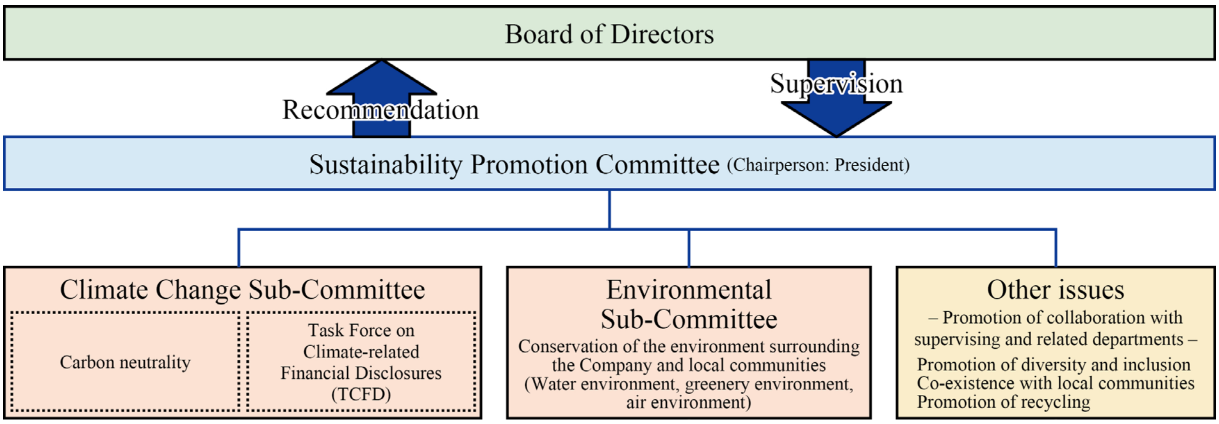
In the Group’s Mission Statement, which expresses its corporate philosophy, we defined our Mission as playing an important role in global industrial development and making contributions to the prosperity of society by providing high-value products and technology for the ceramics industry worldwide through continuous innovation. In addition, the Group laid down its attitude toward various stakeholders, such as customers, employees, partner enterprises, local communities, the global environment, and shareholders, as its Management Policy.

Based on the idea embedded in the Mission Statement, the Group will continue to actively work to realize a sustainable society through its technologies and business activities.

(1) Initiatives related to sustainability

1) Governance

The Group recognizes that these sustainability issues are important management issues and has established the Sustainability Promotion Committee, which is chaired by the President, as an advisory body to the Board of Directors for the purpose of deliberating on and steadily implementing the Basic Policy on Sustainability Activities. The Committee formulates policies and action plans regarding the Company’s sustainability issues and initiatives, deliberates and reports on progress monitoring, rollouts of initiatives, and gives its recommendations to the Board of Directors. The Committee meets twice a year, in principle, and whenever necessary. A Climate Change Sub-Committee and an Environmental Sub-Committee are established under the Committee to investigate and examine, as well as deliberate and report on priority issues.



2) Strategy

In an effort to realize a sustainable society, the Group has extracted issues and identified material issues ("materiality") that should be addressed from the viewpoints of environment, society, and governance as follows.

≪Examination process for sorting out sustainability issues≫

Internal analysis on sustainability

○The Company's self-analysis
· Listed out sustainability-related issues recognized within the Company
→ A working group extracted a total of 54 items.

Analysis of requests from stakeholders

○Benchmark survey
· Studied sustainability issues faced by competitors
· Confirmed what customers request to suppliers
○Survey by external institutions
· Confirmed priority issues by sector raised by SASB (ESG disclosure framework) and S&P (majorrating agency)

1. Specified material issues

○Specified 14 items as material issues ("materiality") in pursuing sustainability.

2. Created a sustainability map (identified priority issues)

○Examined the significance of the 14 sustainability issues from the viewpoints of both stakeholders and the Company.
○Identified five of the significant issues as those to be addressed with priority.

3. Formulated policies for working on priority sustainability issues

○Sorted out current initiatives, future initiatives, and quantitative and qualitative targets (KPIs) for priority sustainability issues.

≪List of sustainability issues≫

Environment	1. Implement climate change measures through heat management technology 2. Conserve the local environment (water environment, greenery environment, air pollution) 3. Promote recycling 4. Comply with chemical substances regulations
Society	5. Promote diversity and inclusion 6. Co-exist with local communities 7. Ensure stable supply to customers 8. Thoroughly protect human rights 9. Develop human resources 10. Enhance the working environment 11. Thoroughly control quality 12. Ensure occupational safety
Governance	13. Thoroughly enforce compliance 14. Enhance corporate governance

≪Positioning of priority issues≫

3) Risk management

In order to promptly and appropriately address risks that may hinder the Group’s business operations, the Group assesses, manages, and formulates and implements measures for company-wide risks in the Management Council and the Internal Control Committee, which is chaired by the President.

In addition, the Sustainability Promotion Committee plans and deliberates on priority measures and policies related to material issues, sustainability, and ESG, which relates to the whole Group. The Committee implements the measures and policies across the Group, monitors the progress thereof, and gives reports to the Board of Directors in order to strengthen risk management throughout the Group.

The Group’s risk management initiatives are presented in “II. Business Overview, 3. Business and Other Risks.”

4) Metrics and targets

Initiatives related to the Group's material issues of priority and their progress in the current fiscal year are as follows.

≪Details of initiatives for priority issues≫

● Implement climate change measures through heat management technology

Past initiatives		Future initiatives	Quantitative and qualitative targets (KPIs)	Progress made in FY2022
1) The Company's own initiatives to achieve carbon neutrality				
● Launched a study project to achieve carbon neutrality. ● Established reduction targets for CO_2 emissions and examined measures.		● Make widely available and promote unfired bricks ● Disclose to customers emissions per product	<Scope 1 and 2 (non-consolidated)> ● 2013: 169,000 t-CO_2 ● 2030: 85,000 t-CO_2 (50% reduction from 2013) ● 2050: Effectively carbon neutral	● CO_2 emissions in FY2022 (Scope 1 and 2 (non-consolidated)): 173,000 t-CO_2 ● Compared to FY2013, emissions increased slightly, but emissions intensity improved.
2) Contribution to customers' efforts to reduce CO_2 emissions				
● Implemented the following initiatives in each business segment:		● Understand and set targets for GHG emissions in the entire supply chain ● Contribute to the reduction of CO_2 emissions by customers through their use of the Company's products		● Calculated Scope 3 and identified items to be managed with priority ● Calculated Scope 1 and 2 of Group companies ● Promoted development of and expanded applications of environmentally friendly products
[Refractories]	● Developed high-durability and high-function refractories	● Develop low-heat conduction refractories and non-preheating refractories, etc.	(TBD based on future analysis)	Expanded applications of no-need-to dry refractories and non-preheating refractories
[Furnace]	● Designed energy-saving industrial furnaces, installed low-heat conduction refractories, and took orders from customers in environmental fields, including biomass power generation	● Design energy-saving industrial furnaces, install low-heat conduction refractories, and take more orders from customers in environmental fields, including biomass power generation		● Expanded sales of boilers for biomass power generation
[Ceramics]	● Offered high-insulation ceramics to fields such as energy-saving, environment, electronics, medical, aerospace, etc.	● Expand applications of insulation materials and fine ceramics to fields related to fuel cells, power generation, steel, and industrial furnaces ● Contribute to reduction of CO_2 emissions in manufacturing processes and by equipment using semiconductors through developing and adopting lightweight setters for high-speed condenser firing furnaces	● Mounted on the final product of a leading-edge semiconductor mass production equipment (2025) ● Mounted on the final product of an energy-saving semiconductor manufacturing equipment at mass production stage (timing TBD)	● Expanded sales of high-function insulation materials for fuel cells ● Developed high-strength, low-heat conduction insulation materials and expanded sales by promoting their adoption ● Mounted on the final product of a leading-edge semiconductor manufacturing equipment
3) Response to the new steelmaking process				
● Reduced the volume of the products used. (products with higher durability, recyclable products)		● Realize high-performance insulation materials, high-function fine ceramics, etc. that will support the COURSE50 process, and evaluate and develop refractory technologies ✓ Mounted on the final product at a COURSE50 commercialization stage (2025-2030) ✓ Mounted on the final product at a COURSE50 diffusion stage (by 2050)	-	● Investigated and understood the amount and the pattern of damage to various materials in an H2 atmosphere to prepare for hydrogen reduction steelmaking
4) Promotion of investment for reducing CO_2 emissions				
● Introduced evaluation that incentivizes CO_2 reduction in the economic evaluation of capital investment		● Continue to evaluate incentives for CO_2 reduction.	-	● Promoted fuel conversion and introduced high-efficiency equipment throughout the Company, and supported overseas affiliates in promoting fuel conversion

● Promote diversity and inclusion

Past initiatives	Future initiatives	Quantitative and qualitative targets (KPIs)	Progress made in FY2022
1) Initiatives for diversity and inclusion			
● Have been promoting the deployment of people with disabilities, women, and foreigners ● Formulated the Company's policy on diversity and inclusion	● Promote diversity and inclusion as a global company in which employees from all over the world thrive.	● Set targets for the following items and disclose them separately. ✓ Ratio of female workers hired for career-track positions ✓ Ratio of female managers ✓ Total actual working hours annually ✓ Number of days of annual leave taken ✓ Indicators related to employee health management	Details are presented in "(3) Initiatives for human capital."
2) Appointment of female directors			
● The Company had no female directors.	-	● Appoint one or more female directors.	One female director took office in June 2022.

● Conserve the local environment (water environment, greenery environment, air pollution)

Past initiatives	Future initiatives	Quantitative and qualitative targets (KPIs)	Progress made in FY2022
1) Mitigating the impact of industrial waste disposal on living organisms			
● Have been disposing of waste in compliance with waste standards.	● Continue to reduce the volume of refractories by promoting recycling and improving yields	-	Promoted the recycling of fine ceramics waste, in addition to brick waste and sludge
2) Strict management of wastewater treatment in the production process			
● Cleaned wastewater from the plants in water treatment facilities and reused it in the manufacturing process to conserve water and discharge wastewater in environmentally friendly ways.	● Increase the amount of reused water and continue to conserve water.	-	● Promoted environmentally friendly water disposal through cleaning industrial wastewater at water treatment facilities, reusing it, and maintaining and managing the facilities
3) Preventing spills of hazardous substances outside the plant premises			
● Strengthened management, conducted monitoring and spill drills.	● Promote replacement with human-friendly chemical substances	-	● Managed environmental issues and rolled out the measures horizontally across the Company
4) Preventing above-limit emissions of smoke and soot due to abnormal combustion			
● Established voluntary standards stricter than the public standards and conducted monitoring.	● Continue monitoring based on voluntary standards and promote detoxification by changing fuels	-	● Complied with smoke and soot regulations, established voluntary standards, and strengthened control (achieved zero incidents exceeding the voluntary standards)

● Co-exist with local communities

Past initiatives	Future initiatives	Quantitative and qualitative targets (KPIs)	Progress made in FY2022
1) Contribution to the development of comfortable cities			
● Built station plazas and parks decorated with recycled bricks and landscape bricks. ● Achieved a recycling rate of 60%.	● Create comfortable cities using landscape bricks. ● Contribute to the creation of comfortable cities for everyone to live in through proactive participation in various fields, such as local environment and revitalization.	-	● Delivered recycled bricks and landscape materials to landmark facilities, etc. in local communities, including the City of Kitakyushu (e.g. support for reconstruction of the Tanga Market in the City of Kitakyushu).
2) Development of human resources (regions) of the next generation that will drive business activities			
● Participated in local events and cleanup activities and collaborated with local communities through the activities of the track and field club. ● Promoted local hiring	● Contribute to the development of human resources of the next generation that will support the future of the region. ● Share the value that the Company offers to society and convey it to the next generation. ● Contribute to the development of human resources with healthy minds through the promotion of sports.	-	● Acquired a naming right for a public facility and continued support through sponsorship of local events. ● Collaborated and fostered a sense of unity with local communities through the activities of the track and field club.

● Promote recycling

Past initiatives	Future initiatives	Quantitative and qualitative targets (KPIs)	Progress made in FY2022
Promoting utilization of recycled raw materials and product recycling technologies in the manufacturing of various refractories			
● Increased the use of used refractories as recycled raw materials.	● Promote initiatives other than existing joint efforts with customers to use recycled raw materials. ● Enhance collection and dissemination of information on recycled materials that can be purchased from outside the Company, including imports. ● Procured products often specify a mix of virgin raw materials only. Confirm if it is possible to include recycled raw materials in the mix specification.	-	● Promoted the recycling of fine ceramics material waste (adding to raw materials for refractories and heat-resistant paints).
● Furnace business: Reduced industrial waste through undertaking contract work of pulverization,magnetic separation, sizing, and weighing, and promoted and implemented recycling of refractories.	● Consider expanding the geographical areas for contract work.	-	● Started contract work for new customers. Established a recycling method that utilizes existing routes

(2) Initiatives related to climate change

1) Disclosure of information related to climate change in line with the TCFD recommendations

The Group has endorsed the TCFD recommendations (participated in the TCFD Consortium). In addition, in May 2022, the Group disclosed information related to climate change based on the TCFD recommendations, clarified risks and opportunities arising from climate change, and formulated measures to reduce the risks and seize the opportunities.

In the fiscal year ended March 31, 2023, given that the 1.5°C target has become the global mainstream, we have focused on the Stated Policies Scenario (STEPS) and Net Zero Emissions by 2050 (NZE) scenarios presented in the World Energy Outlook 2022 issued by the International Energy Agency (IEA) for transition risks. For physical risks, we referred to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) for future projections issued by governments and international organizations based on RCP8.5 and RCP2.6. We have based our analysis on two scenarios, 1.5°C/below 2°C and 4°C scenarios, performed analysis again from both qualitative and quantitative perspectives as shown in the table below, and examined measures to be taken.

Under the 1.5°C/below 2°C scenario, the introduction of carbon taxes, which may be imposed in the process of transitioning to a decarbonized society, will have a significant impact. We believe that it is important to minimize risks by reducing Scope 1 and 2 emissions of the Group. We also understand that measuring CO_2 emissions of the entire supply chain (Scope 3) and taking measures to reduce them are issues for the future. On the other hand, the tightening of regulations is expected to raise the sales of our products that can contribute to a decarbonized society.

Under the 4°C scenario, the impact of intensifying extreme weather will be significant. In order to reduce risks, we will continue to enhance infrastructure to prepare for disasters.

Impact ⬆ > ↑ ⬇ > ↓

Scenario	Factor	Change	Risk/ Opportunity	Impact	Impact on the Company	Measures taken by the Company	Current initiatives
15°C / 2°C	Increase in social demand for CO_2 reduction (Refractories field)	Increase in demand for environmentally friendly refractories	Opportunity	↑	● Demand is expected to increase for unfired refractories and monolithic refractories, which emit lessCO_2 during manufacturing processes	● Work to improve the performance of unfired products and monolithic products and expand their applications according to the environment of customers and actively offer environmentally friendly refractories	· Manufacturing some of the fired bricks using unfired processes and adopting them in real furnaces · Developing and expanding sales of no-need-to-dry and monolithic materials · Developing functional materials that do not require preheating and adopting them in real furnaces
		Increase in demand for refractories compatible with new steelmaking methods	Opportunity	↑	● Demand is expected to increase for refractories in new facilities with the spread of new steelmaking methods, represented by the hydrogen reduction steelmaking method	● Establish evaluation techniques and develop appropriate materials suitable for the new steelmaking methods to support their commercialization	· Investigating changes in the properties of refractories caused by firing in a hydrogen atmosphere. · Joint research underway with users and third-party institutions
		Increase in demand for refractories for electric furnaces	Opportunity	⬆	● Demand is expected to increase for refractories that can be used in the process of the production of high-grade steel in electric furnaces	● Work to provide comprehensive solutions for the production of high-grade steel in electric furnaces and develop appropriate materials necessary	· Materials that we had proposed are being evaluated in a real electric furnace of the direct reduced iron plant · Joint research underway with users on electric furnace design, operation technologies, and material application technologies
		Increase in demand for decarbonization of manufacturing processes	Risk	⬇	● Capital investment may become necessary in connection with the introduction of energy-saving equipment	● Work to reduce CO_2 emissions from operations by modifying product specifications and introducing energy-saving and high-productivity furnaces and equipment	Saving energy and reducing CO_2 emissions by shortening or omitting manufacturing processes, optimizing drying and firing conditions, updating and consolidating production facilities, replacing them with high-efficiency equipment, and switching to LED lighting
	Increase in social demand for CO_2 reduction (Furnace/ ceramics field)	Increase in demand for energy-saving power generation equipment	Opportunity	⬆	● Orders are expected to increase for products to be used in energy-saving power generation equipment	● Expand the furnace business by developing materials and manufacturing methods together and strengthening sales activities	Continuing to take orders and expand sales activities for boilers for power generation, including biomass power generation.
		Increase in demand for environmentally friendly ceramics products	Opportunity	⬆	● Demand is expected to increase for insulation materials for household fuel cells and high-function insulation materials for large storage batteries	● Work to enhance the production system and develop products	Continuing manufacture and delivery of insulation materials for household fuel cells. Developing highperformance insulation materials and expanding their sales further in response to the needs for smaller sizes and higher efficiency.
		Increase in demand for ceramics related to EV	Opportunity	↑	● Demand for ceramics products may increase due to an increase in demand for EVs.	● Work to enhance the production system and develop products	Building systems for and promoting the development and production of nano-insulation materials for lithium-ion batteries (LIBs)
	Impact of the introduction of carbon pricing	Increase in operating and procurement costs	Risk	⬇	● Many raw materials for refractories emit CO_2 during their manufacturing processes. Therefore, if suppliers pass the cost on prices, the impact will be huge. ● The cost may also be incurred by the Company for its operations	● Reduce costs and consider passing the costs to prices, depending on the situation ● Implement various reduction measures steadily	Calculating Category 1 of Scope 3 emissions, understanding manufacturers' CO_2 emissions, and promoting reduction in emissions. Considering formulating a purchasing policy that takes into account CO_2 emissions. Implementing measures to achieve targets to reduce CO_2 emissions by 50% in FY2030.
4°C	Natural disasters (acute)	Risk of damage to the Company and its supply chain	Risk	↓	● Procurement of raw materials and the Company's facilities may be affected depending on the frequency and the scale of the disaster	● Continue to develop infrastructure to prepare for disasters, although the degree of expected damage and its probability are low considering the location of the Company ● Diversify the sources of procurement	Investigating and estimating disaster risks for respective plants and offices and planning and implementing measures. Securing alternative suppliers for target raw materials and establishing technologies needed for using alternative raw materials as BCP measures.
		Increase in demand for satellite-related products due to increased frequency of natural disasters observed	Opportunity	↑	● Demand is expected to increase for ceramics products used for earth observation satellites, including meteorological satellites	● Consider product development and capital investment according to customer needs	· Building a track record with an eye toward entering the market. · Cultivating the market for small satellites, which are expected to be mass-produced in the future, and developing technologies for supplying components to the market for large satellites.

(3) Initiatives related to human capital

1) Diversity and inclusion (D&I)

The Company has established a company policy and management targets for the promotion of diversity and inclusion (D&I) initiatives with the aim of creating an environment in which diverse employees can maintain and demonstrate high productivity over a long period of time and work with pride and satisfaction.

a) Policy for D&I initiatives

The Company respects the character of each and every employee and hopes to create a climate that welcomes individuality through collaboration among employees in daily work and dialogue activities in the workplace to generate and offer rich values. Respect for all human rights is the basis of corporate activities, and the Company seeks to eliminate unfair discrimination based on nationality, race, religion, ideology or belief, gender, age, sexual orientation, or disabilities.

The Company strives for diversity and inclusion based on the recognition that, as the environment surrounding the Company changes, in order to support the development of the industry, contribute to the prosperity of society, and continue to grow with the aim of being "one of the world's leading comprehensive ceramics companies that support the steel and other industries" now and in the future, it is important for the employees of the Company to mutually accept diverse values, demonstrate their ability to the fullest to increase productivity, and work with pride and satisfaction.

b) D&I priority initiatives

The Company has formulated D&I priority initiatives as follows and established management targets and metrics as presented below.

i) Promotion of active participation by women:	Take advantage of employee diversity (related to diversity)
ii) Working styles & resting styles:	Work to increase employee productivity (related to work style reforms)
iii) Health promotion:	Work to increase employee productivity (related to work style reform)
iv) Creating employee-friendly workplaces and management systems:	Prevent harassment and improve work morals

i) Promotion of active participation by women

Vision	We will build on the existing systems so that women will be able to fully demonstrate their abilities in accordance with their life stage until retirement. At the same time, we will increase the opportunities for women to play an active role in all workplaces and ranks, by such means as appointing them to executive positions and expanding the scope of their duties.
Targets	● By 2025, we will increase the ratio of women in new graduates hired for office-based career-track positions to 20% or more, and by 2030, to 30% or more. ● In 2030, we aim to increase the ratio of women in managerial positions to at least 1.5 times the current level (19 women, or 2.9% as of November 2021), and then double or triple it soon thereafter.
Specific measures	● On the premise that selection for employment is made based on personality and abilities, we will increase the number of women hired for office-based career-track positions. As for technical workers and furnace construction workers, we will consider the trends in the number of workers in Japan in the future, identify workplaces suitable for women's labor, and employ as many women as possible. At the same time, we will work to increase the appointment of women in all positions, including appointment to managerial positions. ● We will revise pay and work systems to accommodate women according to their life events, such as marriage, pregnancy, childbirth, and childcare. ● Women in career-track positions will be assigned to various departments depending on their abilities and aptitude. We will consider offering training, etc. at the time of the assignments for workplaces which will have female workers for the first time.
FY2022 results	● FY2022: Ratio of women in new graduates hired: 25% (FY2021: 17%) ● FY2022: Ratio of women in managerial positions: 3.2% (FY2021: 3.03%)

ii) Working styles & resting styles

Vision	● We aim to encourage our diverse employees to make the most of their potential efficiently over the long term by enabling them to pursue working styles that will bring the greatest results, unconstrained by the length of working hours or location, with consideration for their personal circumstances.
Targets	● Reduce the average total actual working hours annually to a level below 2,000 hours/year companywide by 2030. ● Halve the incidence of long working hours (80 hours/month or more outside regular working hours) by 2025 compared to FY2020, and reduce it to zero by 2030. ● Annual paid leave take-up rate of 15 days/year among all employees by 2025 ● Revise systems to make it easier for male employees expecting newborns to take childcare leave or parenting leave, and encourage all eligible employees to take leave or time off work by 2025.
Specific measures	(1) Working styles ● We aim to eliminate long working hours and facilitate flexible and efficient working styles through the utilization of teleworking and flex-time and by promoting DX. ● Management-level employees will maximize the results they achieve by working as efficiently as possible, without falling into the habit of long working hours. ● Supervisors will direct the performance of duties of clerical staff to achieve results in a limited amount of time, under the thorough management of working hours. (2) Resting styles ● We will encourage employees to take annual paid leave systematically based on their personal convenience. ● We will encourage male employees with young children to take childcare leave and parenting leave. We will also provide information from the human resources department, implement education and training to eliminate workplace prejudices, and revise systems to facilitate this.
FY2022 results	● Total actual working hours annually: 2,076 (FY2021: 2,104) ● Employees working long hours: 255 (FY2021: 143) ● Number of days of annual leave taken: 13.3 days/person (FY2021: 12.3 days/person) ● Introduced a new child-raising allowance ● Awareness-raising activities related to childcare leave for male workers and leave for parenting and other purposes (see "Employees" for the proportions of leave taken)

iii) Health promotion

Vision	● For our diverse employees to make the most of their potential efficiently over the long term it is vital that they stay in good health. We will therefore establish a culture where employees and the company work together for health promotion.
Targets	● Aim for the following levels of cancer screening uptake rate by 2025 (managementlevel employees are to take the lead in undergoing screening wherever possible). 1) Colorectal cancer screening (age 35 and above): 90% 2) Gastric cancer screening (age 35 and above): 70% (once every 2 years) 3) Breast cancer screening (women): 80% 4) Uterine cancer screening (women): 70% ● Double at least the implementation rate of specific health guidance by the Krosaki Harima Health Insurance Association by 2025.
Specific measures	● Engage in measures to raise the health screening uptake rate to contribute to the early detection and treatment of cancer, boost the implementation of specific health guidance based on the health screening results, and encourage employees to actively try to improve their own health. ● Establish and encourage employees to use the Krosaki Harima Health Insurance Association's Krosaki Harima Family Health Consultation Service, Best Doctors Service, and Mental Health Counseling Service, where expert external staff accept inquiries via the telephone, etc. regarding employees' concerns or issues relating to their own mental or physical health or that of a family member.
FY2022 results	● FY2022: Cancer screening uptake rate (FY2021 results are shown in parentheses) 1) Colorectal cancer screening: 85% (FY2021: 66%) 2) Gastric cancer screening: 46% (FY2021: 46%) 3) Breast cancer screening: 60% (FY2021: 50%) 4) Uterine cancer screening: 60% (FY2021: 53%) ● FY2022: Implementation rate of specific health guidance: 45.0% (FY2021: 18.2%)

iv) Creating employee-friendly workplaces and management systems

Vision	● We will create workplaces where our diverse employees can work diligently at their duties with pride and a sense of worth, together with supervisors, colleagues and subordinates. To facilitate this, we will ensure that all employees comply with laws and regulations and can naturally speak and act with consideration for others.
Specific measures	● Continue activities to constantly improve corporate culture; implement education and workplace dialogue activities and pursue improvement activities based on the results. ● Implement initiatives to raise the management capabilities of administrators based on the results of employee awareness surveys and stress checks. In addition, implement training (including harassment prevention training) to nurture a culture where employees accept diversity.
FY2022 results	● Continued and followed up on dialogue activities at each workplace. ● Newly established a D&I lecture as part of internal employee training.

2) Human resource development

The Group is working on human resource development and competence development to constantly improve the value of its human capital.

The Group's human resource development and skill development are carried out with the aim of developing human resources who can contribute to the achievement of its business goal, i.e., to "Provide No. 1 value to customers worldwide," which is set forth in its Mission Statement. In order to facilitate prompt acquisition of required abilities, knowledge, and work attitudes, the Group provides education and training as follows.

■ Overview of education and training

General type	Specific type	Overview
Stratified education	-	Education and training to acquire the knowledge, skills and attitude required in each position at each level
Departmental education	Department-specific education	Education and training to acquire the specialized knowledge, skills and attitude required in each department
	OJT	On-the-job direction by supervisors of the knowledge, skills and attitude required to perform duties, pivoting on the management by objectives system
	Self-education	Employees' autonomous abilities development activities such as acquiring qualifications, techniques and skill that are recognized by a first-line supervisor to be beneficial for the performance of duties at the Company and are supported by the Company
	Language education	Education in foreign languages required to perform duties in the relevant department
Companywide education	General education	Education and training to acquire the general and specialized knowledge, skills and attitude required to perform duties
	Study elsewhere in Japan	Providing opportunities for employees wishing to acquire bachelor's or associate degrees to pursue further education required for the performance of duties
	External and overseas training	Dispatch of employees to university research bodies in Japan and overseas as required for the performance of duties, to acquire and enhance advanced techniques, absorb a broad range of specialized knowledge, and expand their technical horizons
	Overseas talent development dispatch	Dispatch of trainees to overseas Group companies for the purpose of developing human resources capable of contributing to the expansion of overseas sales and promoting collaboration between the Company and overseas Group companies
	Language education	Employees wishing to improve their own level of foreign language proficiency may apply for and receive education recommended by the Company

■ Initiatives to address challenges

■ The Group is constantly engaged in issues-conscious human resources development to nurture personnel adapted to increasing diversity and other changes in the social environment.

Challenge		Initiatives taken
Early deployment in the workforce	● Early deployment of new employees (clerical staff) in the workforce	● Brought forward the official assignment of new employees to departments (on July 1 in their first year) <since FY2021>
	● Early deployment of mid-career hires, requiring direction on the Company's structures and systems, corporate philosophy and operating procedures	● Implemented training for mid-career hires <since FY2017>
Embed the corporate philosophy	● Ensure the Company's fundamental philosophy, the Mission Statement (MS) thoroughly penetrates the workforce	● MS re-penetration activities <since FY2018, through measures such as inclusion in stratified education> MS education for management-level employees <since FY2018> Expanded MS education to technical and foreman-level employees <since FY2021>
Develop subordinate management skills	● Enhance the management abilities of management-level employees	● Managerial mind training aimed at revitalizing workplaces <since FY2018> ● New group manager training aimed at enhancing the operational management abilities of group managers (including the delegation of duties to subordinates) <since FY2023>
	● Enhance the administrative capabilities of technical employees (supervisors)	● Examinations for potential technical foremen and line managers <since FY2021> ● Revised the content of technical education: added content concerning product usage, quality, and report-writing skills for positions where these are required <since FY2021>
Acquire knowledge and technical skills	● Lack of knowledge, technical skills and experience in the Company regarding the operations for which employees are responsible and knowledge required internally/generally (legal, culture, etc.)	★1) Developed and expanded Krosaki Harima College <since FY2014> ● Training on the operation of basic IT software <since FY2020> ● Training suited to the needs of the time, such as harassment prevention … Anger management training <since FY2021 for office-based employees and since FY2022 for technical employees> ★2) Introduced video e-learning as a tool to help employees acquire basic knowledge of digital technologies and other general knowledge <since FY2022, with more employees eligible since FY2023>
Overseas business	● Language education for overseas business and collaboration with overseas subsidiaries and affiliates	● Expanded eligibility for overseas talent development dispatch and the TOEIC exam (including mid-career hires) Language education <online English conversation classes: since FY2021> ● Collaboration with overseas Group companies (HR information sharing, mutual training, etc.) ● Considered and systematized the content of introductory education for employees starting work overseas <since FY2022>
Employee retention	● Goal of reducing the number of young employees resigning: raise awareness of the merits of working for the Company (stability, pay, social status, etc.)	● Lectures on life planning as part of new employee training <since FY2017> ● Newly established a defined contribution benefits course within Krosaki Harima College <since FY2018> ● Internal seminars on life planning <as appropriate since FY2019>
Specific challenges	● Raise awareness of female employees and employees with disabilities to continue work and advance their career as well as the awareness of their supervisors (impart an awareness of accepting diversity)	● Training designed to encourage understanding of diversity (among both supervisors and their subordinates) <within Krosaki Harima College since FY2022>
Other	● Improve educational opportunities and convenience	● Held online training as appropriate due to the impact of the COVID-19 pandemic.This also had the effect of reducing the physical impediments to participation in training <since FY2020>

★1) Enhancement of in-house college

For the purpose of passing down the basic expertise that is essential at the Company and acquiring business knowledge, such as finance, legal affairs, and labor management, the Company has made the Krosaki Harima College, an in-house training platform, available to office-based employees. In FY2022, the Company offered 29 courses, attended by a cumulative total of 1,085 employees.

★2) Expanding programs to help employees adapt to and keep updated on changes in the social environment

From October 2022, as a tool to acquire knowledge on digital technologies, the Company has introduced a program for managers at and above the group leader level and DX promoters in various departments to take online video training (in FY2023, the program will be made available to all office-based employees).

In addition, the courses available in the above training include not only content related to digital technologies, but also general knowledge and topics related to newly recognized social issues (e.g., SDGs/ESG, diversity and inclusion, etc.) and are made available as needed. The Company is thus working to develop human resources who can respond immediately to various changes in the social environment.

3. 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, 2023).

<<Risks related to the business environment>>

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 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) Country risk

The Group operates globally. China is above all important as a procurement base for the purchase of raw materials, procured goods, etc. for refractories.

Any restrictions, policy changes, disruption, 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 ¥38.8 billion (fiscal year ended March 31, 2023).

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.

3) 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 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.

<<Risks associated with business activities>>

4) 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 41.1% (on a consolidated basis, fiscal year ended March 31, 2023).

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.

5) Sustainability issues

Recently, various climate disasters have occurred in Japan and overseas, and efforts to address climate change have become a global social issue. In addition, issues such as resource depletion and human rights violations have come to people's attention, amid growing emphasis on sustainability-related issues. Failure to properly address these sustainability issues could result in the suspension of transactions with customers, administrative penalties, and a decline in corporate credibility and brand value.

In light of such risks, we have set 14 material issues ("materiality") that are important for the business activities of the Group and declared them as our basic policy on sustainability. In addition, we have established the Sustainability Promotion Committee as an advisory body to the Board of Directors for the purpose of deliberating on and steadily enforcing the basic policy on sustainability. We will continue to appropriately manage sustainability issues and press forward with our initiatives for the 14 material issues.

6) Occurrence of information security incidents

The Group conducts business activities using computer systems and communication networks that connect them in various scenes. In addition, working remotely from home has become prevalent due to diversified workstyles. Under such circumstances, unauthorized access to the Company's network, data corruption, data tampering, or exposure of confidential information of the Company and our business partners incidental to cyberattacks 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 enhance the monitoring of unauthorized access from the outside of the Group through our membership in 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 on information security and conducting training on how to deal with targeted emails without previous notice. We strive to enhance security through those measures.

7) Fluctuation in raw material prices

The Group imports raw materials and procured goods for refractories from overseas 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 diversifying our procurement sources.

8) 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, etc. 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.

<<Other uncontrollable and unforeseeable risks>>

9) Outbreak of pandemics

If, in the countries and regions where the Group operates, an epidemic, such as COVID-19, breaks out, and business operations are suspended or supply chains are disrupted, there is a risk that the business activities of the Company may be affected.

In light of this risk, we are formulating an epidemic response manual and business continuity plans. We are also developing alternative production systems deploying our global network.

10) 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 we 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.

11) 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.

12) Value fluctuations of investment securities held

The Group holds approximately ¥7.5 billion of investment securities (consolidated, as of March 31, 2023). 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.

4. 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, 2023 is as follows.

1) Business performance

During the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023), the Japanese economy continued to face an uncertain outlook due to the ongoing high prices of raw materials around the world as well as inflation, rising interest rates and the yen's sharp fall arising from the hike in energy and food prices, which was triggered by Russia's invasion of Ukraine, among other factors.

The steel industry, the Group's main customers, also saw a decline in demand for steel both in Japan and overseas, with the exception of some regions, mainly due to the continued cuts in automobile production against the backdrop of semiconductor shortages and other disruptions in the parts supply chain. Domestic total crude steel output in the fiscal year ended March 31, 2023 decreased by 8.1% year on year to 87.85 million tons. Worldwide crude steel output from January to December 2022, as announced by the World Steel Association, decreased by 4.2% year on year to 1,878.50 million tons, despite an increase of 5.5% year on year to 124.70 million tons in India.

Under these unfavorable circumstances, the Group has worked on various measures with a view to establishing itself as one of the world's finest ceramic companies, which is the basic policy of the Krosaki Harima Group 2025 Management Plan. As a result, the Group achieved a record high in both net sales and profit.

The Group's business results of the fiscal year ended March 31, 2023 are as follows.

Net sales

The Group's consolidated net sales increased by 23.5% from a year earlier to ¥165,202 million. This was mainly attributable to steadily passing the cost increases on to selling prices as well as domestic and overseas expansion of business in the Refractories segment, and orders received for large-scale construction projects in the Furnace segment.

Profit and loss

Due to the Group's self-help efforts for the productivity improvement and the manufacturing cost reduction in addition to the increase in net sales, its consolidated operating profit increased by 47.7% from a year earlier to ¥11,173 million, ordinary profit increased by 39.2% to ¥12,083 million. The Group's consolidated profit attributable to owners of parent increased by 50.8% to ¥8,282 million.

Business results by segment are as follows.

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

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

Net sales in the Refractories segment increased by 27.0% from a year earlier to ¥140,538 million and segment profit increased by 64.2% from a year earlier to ¥8,458 million. This was mainly attributable to the Group's efforts to expand business in the strong Indian steel market and to expand sales to non-ferrous metals fields, in addition to steady efforts to pass the rising price of raw material and other cost increases on to selling prices both in Japan and overseas.

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

Net sales in the Furnace segment increased by 10.6% from a year earlier to ¥14,627 million and segment profit increased by 51.1% from a year earlier to ¥1,009 million owing to orders received for large-scale construction projects including a boiler project for biomass power generation as well as to cost reduction and other efforts, although there was a decline in orders received for maintenance work for steel manufacturing facilities resulting from a drop in crude steel output.

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

Net sales in the Ceramics segment decreased by 0.2% from a year earlier to ¥8,471 million and segment profit decreased by 5.5% from a year earlier to ¥1,063 million. This was mainly attributable to the decline in orders received for ceramic materials for electronic components as customers worked to adjust their supply and demand.

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

Net sales in the Real Estate segment remained unchanged from a year earlier at ¥737 million. Segment profit increased by 0.5% from a year earlier to ¥595 million.

[Others] (the manufacturing and sales of lime for steelworks)

Net sales in Others segment increased by 23.7% from a year earlier to ¥826 million. Segment profit increased by 13.3% from a year earlier to ¥40 million.

2) Financial condition

a. Assets

The Group's consolidated total assets at the end of the fiscal year ended March 31, 2023 increased by ¥20,646 million from the previous fiscal year end to ¥163,340 million. Current assets increased by ¥16,895 million to ¥108,224 million, and non-current assets increased by ¥3,750 million to ¥55,116 million.

A primary factor for the increase in current assets was an increase in notes and accounts receivable - trade, and contract assets mainly due to an increase in net sales. Primary factors for the increase in non-current assets were an increase in buildings and structures due to acquisition of warehouses, etc. and an increase in machinery, equipment and vehicles due to acquisition of manufacturing facilities, etc.

b. Liabilities

The Group's consolidated total liabilities at the end of the fiscal year ended March 31, 2023 increased by¥11,872 million from the previous fiscal year end to ¥85,481 million. Current liabilities increased by ¥12,766 million to ¥61,177 million, and non-current liabilities decreased by ¥894 million to ¥24,304 million.

A primary factor for the increase in current liabilities was an increase in commercial papers. A primary factor for the decrease in non-current liabilities was a decrease in long-term borrowings.

c. Net assets

The Group's consolidated net assets at the end of the fiscal year ended March 31, 2023 increased by ¥8,774 million from the previous fiscal year end to ¥77,858 million.

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

As a result, the Group's equity ratio at the end of the fiscal year ended March 31, 2023 was 45.0%. Net assets per share increased from ¥7,759.14 at the previous fiscal year end to ¥8,731.68.

3) Status of cash flows

The Group's cash and cash equivalents (hereinafter "cash") at the end of the fiscal year ended March 31, 2023 decreased by ¥586 million from the previous fiscal year end to ¥4,425 million.

Status of cash flows for the fiscal year ended March 31, 2023 and their primary factors are explained below.

a. Cash flows from operating activities

Net cash provided by operating activities amounted to ¥1,001 million compared to an inflow of ¥4,120 million for the previous fiscal year.

This consisted primarily of ¥12,209 million in profit before income taxes, ¥3,493 million in depreciation, a ¥9,801 million increase in trade receivables, and a ¥5,341 million increase in inventories.

b. Cash flows from investing activities

Net cash used in investing activities amounted to ¥4,514 million compared to an outflow of ¥3,608 million for the previous fiscal year.

This consisted primarily of ¥4,565 million in purchase of non-current assets including facilities.

c. Cash flows from financing activities

Net cash provided by financing activities amounted to ¥2,863 million compared to an outflow of ¥1,022 million for the previous fiscal year.

This consisted primarily of a ¥5,000 million increase in commercial papers, ¥3,000 million in proceeds from long-term borrowings, ¥3,793 million in repayments of long-term borrowings, and ¥1,768 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, 2023 are as follows.

Business segment	Production (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	100,788	21.2
Furnace	13,681	7.3
Ceramics	5,599	(0.9)
Others	724	18.0
Total	120,793	18.2

(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, 2023 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	145,919	29.6	15,823	51.5
Furnace	17,381	31.6	3,883	243.8
Ceramics	8,439	(1.3)	671	(4.6)
Others	849	29.5	67	51.5
Total	172,590	27.9	20,446	65.9

(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, 2023 are as follows.

Business segment	Sales (Millions of yen)	Increase (decrease) from previous fiscal year (%)
Refractories	140,538	27.0
Furnace	14,627	10.6
Ceramics	8,471	(0.2)
Real Estate	737	(0.0)
Others	826	23.7
Total	165,202	23.5

(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, 2022		Fiscal year ended March 31, 2023	
	Sales (Millions of yen)	Percentage (%)	Sales (Millions of yen)	Percentage (%)
NIPPON STEEL CORPORATION	52,240	39.1	62,633	37.9

(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, 2023.

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, 2023. 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)."

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

(Valuation of goodwill)

As of the end of the fiscal year ended March 31, 2023, ¥3,852 million of goodwill was recorded on the consolidated balance sheets 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 the projected sales volume and growth rate 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, 2023

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, 2023 increased by ¥31,423 million from the previous fiscal year to ¥165,202 million (a 23.5% increase from the previous year). This was mainly attributable to steadily passing the cost increases on to selling prices as well as domestic and overseas expansion of business in the Refractories segment, and orders received for large-scale construction projects in the Furnace segment. By region, net sales were ¥90,530 million (a 16.6% increase from the previous year) in Japan, ¥33,891 million (a 36.4% increase from the previous year) in India, ¥10,219 million (a 16.5% increase from the previous year) in Asia, ¥18,603 million (a 39.9% increase from the previous year) in Europe and ¥11,957 million (a 30.0% increase from the previous year) in Others. Overseas sales amounted to ¥74,671 million (a 33.1% increase from the previous year), and the ratio of overseas sales to total sales was 45.2% (up by 3.3 points from the previous year).

Though the outlook is uncertain due to the unstable political and economic trends throughout the world, the Group's sales for the fiscal year ending March 31, 2024 and beyond are expected to be on an upward trend as the Group draws on its technological capabilities and global reach.

Gross profit

Gross profit in the fiscal year ended March 31, 2023 increased by ¥5,822 million from the previous fiscal year to ¥30,631 million (a 23.5% increase from the previous year) and the ratio of gross profit to net sales remained the same as the previous year at 18.5%.

Operating profit

Operating profit in the fiscal year ended March 31, 2023 increased by ¥3,607 million from the previous fiscal year to ¥11,173 million (a 47.7% increase from the previous year) and the ratio of operating profit to net sales increased by 1.1 points from the previous fiscal year to 6.8%. Selling, general and administrative expenses increased by ¥2,215 million from the previous fiscal year to ¥19,458 million (a 12.8% increase from the previous year).

Ordinary profit

Ordinary profit in the fiscal year ended March 31, 2023 increased by ¥3,404 million from the previous fiscal year to ¥12,083 million (a 39.2% increase from the previous year) and the ratio of ordinary profit to net sales increased by 0.8 points from the previous fiscal year to 7.3%. Non-operating income increased by ¥302 million from the previous fiscal year to ¥1,983 million (a 18.0% increase from the previous year), due to an increase in foreign exchange gains, and non-operating expenses increased by ¥504 million from the previous fiscal year to ¥1,072 million (a 88.9% increase from the previous year) due to an increase in loss on removal of non-current assets.

Profit attributable to owners of parent

Profit attributable to owners of parent in the fiscal year ended March 31, 2023 increased by ¥2,791 million from the previous fiscal year to ¥8,282 million (a 50.8% increase from the previous year). Extraordinary income increased by ¥160 million from the previous fiscal year to ¥243 million (a 194.9% increase from the previous year) due to gain on sales of investments in capital, and extraordinary losses decreased by ¥66 million from the previous fiscal year to ¥117 million (a 36.3% decrease from the previous year) due to a decrease in impairment losses.

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

The Refractories segment in Japan faced a challenging environment due to a decline in crude steel production and rising raw materials, procured goods, and energy prices, partly due to the impact of the rapid depreciation of the yen. However, the Group made up for the negative impact by the steady efforts to pass cost increases on to selling prices. Meanwhile, overseas subsidiaries in India, Europe, etc. achieved solid results. Consequently, profit increased overall.

* Fractions less than a million yen are rounded off

･Impact of raw materials and prices	¥1,520 million
･Decrease in sales of consumable refractories for Japan	¥(900) million
･Increase in sales of refractories for construction in Japan	¥520 million
･Decrease in sales of consumable refractories for export	¥(720) million
･Cost increases	¥(900) million
･Cost reductions	¥940 million
･Profit and loss of consolidated subsidiaries	¥2,830 million
･Furnace segment	¥340 million
･Ceramics segment	¥(70) million
･Non-operating profit or loss	¥(150) 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, 2023, is stated in II. Business Overview, 4. 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, etc., "(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, 2023

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, 2023 is stated in II. Business Overview, 4. 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, 2023 increased by ¥18,585 million from the previous fiscal year end to ¥135,238 million.

The primary factor for the increase in the segment assets was an increase in notes and accounts receivable - trade, and contract assets due to increased sales.

Furnace

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2023 increased by ¥1,037 million from the previous fiscal year end to ¥9,711 million.

The primary factor for the increase in the segment assets was an increase in notes and accounts receivable - trade, and contract assets.

Ceramics

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2023 increased by ¥701 million from the previous fiscal year end to ¥8,651 million.

The primary factor for the increase in the segment assets was an increase in work in process.

Real Estate

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2023 decreased by ¥25 million from the previous fiscal year end to ¥595 million.

Others

The Group's consolidated segment assets at the end of the fiscal year ended March 31, 2023 increased by ¥26 million from the previous fiscal year end to ¥358 million.

4) Details of the recognition, analysis and discussion of the status of cash flows for the fiscal year ended March 31, 2023

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, 2023 is stated in II. Business Overview, 4. 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.

The balance of interest-bearing liabilities as of March 31, 2023 was ¥39,384 million.

5. Material Business Agreements, etc.

(Filing company)

The contract that ended during the fiscal year ended March 31, 2023 is as follows.

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. This contract ended in March 2023.

6. Research and Development Activities

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

The Refractories segment engages in the development of refractories for steel, which are the Company's mainstay products, as well as the development of technologies for the purpose of diversifying businesses.

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

The research and development costs of the Group amounted to ¥993 million for the fiscal year ended March 31, 2023.

(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 ¥912 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 ceramics for various industries. The research and development costs incurred related to this business segment were ¥80 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 ¥6,074 million in capital investment for the consolidated fiscal year ended March 31, 2023.

In the Refractories segment, a total of ¥4,795 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 ¥1,009 million was invested on an employee dormitory, etc.

In the Ceramics segment, a total of ¥231 million was invested on equipment and facilities for the production of various industrial-use ceramics.

2. Status of Major Equipment

(1) The Filing Company

As of March 31, 2023

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	4,166	3,067	300 [15]	1,316	529	9,079	987
Kimitsu Branch (Kimitsu City, Chiba)	Refractories, Furnace	Production facilities and equipment, facilities and equipment related to furnace construction	672	327	— [5]	—	81	1,081	197
Chiba Plant (Chiba City, Chiba)	Refractories	Production facilities and equipment	143	50	— [16]	—	2	196	18
Ako Plant (Ako City, Hyogo)	Refractories	Production facilities and equipment	373	206	169 [—]	167	33	781	117
Bizen Plant (Bizen City, Okayama)	Refractories, Ceramics	Production facilities and equipment	1,379	900	409 [—]	1,948	41	4,269	192
Takasago Plant (Takasago City, Hyogo)	Refractories, Ceramics	Production facilities and equipment	261	123	66 [—]	25	20	431	63
Kisarazu Plant (Kisarazu City, Chiba)	Refractories	Production facilities and equipment	206	82	91 [—]	682	22	993	99
Oita Branch and Plant (Oita City, Oita)	Refractories	Production facilities and equipment	147	6	16 [15]	115	5	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	557	599	– [45]	–	65	1,221	163
Omuta Plant (Omuta City, Fukuoka)	Ceramics	Production facilities and equipment	96	90	18 [–]	117	24	329	42
Muroran Office and Plant (Muroran City, Hokkaido)	Refractories, Others	Production facilities and equipment	28	123	20 [12]	53	0	206	10
Equipment and Facilities for Real Estate Rental (Izumisano City, Osaka)	Real Estate	Other facilities and equipment	57	–	89 [–]	490	0	547	–

(2) Domestic subsidiaries

As of March 31, 2023

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	87	97	– [36]	–	42	227	71

(3) Overseas subsidiaries

As of March 31, 2023

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 m²)	Amount			
TRL KROSAKI REFRACTORIES LIMITED	Branch and Plant (Odisha, India)	Refractories	Production facilities and equipment, other	2,712	4,472	1,553 [−]	3	214	7,402	1,208
Krosaki Amr Refractarios, S. A.	Head Office and Plant (Guipuzkoa, Spain)	Refractories	Production facilities and equipment, other	1,193	2,228	26 [−]	807	16	4,246	85
Refractaria, S. A.	Head Office and Plant (Asturias, Spain)	Refractories	Production facilities and equipment, other	134	503	70 [−]	55	15	709	102
Wuxi Krosaki Sujia Refractories Co., Ltd.	Head Office and Plant (Jiangsu Province, China)	Refractories	Production facilities and equipment, other	196	454	− [−]	−	21	672	338
TRL KROSAKI CHINA LIMITED	Head Office and Plant (Liaoning Province, China)	Refractories	Production facilities and equipment, other	421	318	− [−]	−	17	757	192

(Notes) 1. The “Other” item under book value refers to tools, furniture and fixtures, and does 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 separately 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, 2022.

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, 2023)	As of the submission date (Shares) (June 29, 2023)	Stock exchange on which the Company is listed	Description
Common share	9,114,528	9,114,528	Prime Market of the Tokyo Stock Exchange The Fukuoka Stock Exchange	One unit of stock constitutes 100 shares.
Total	9,114,528	9,114,528	—	—

(2) Status of subscription rights to shares

1) Stock option plans

Not applicable

2) Rights plans

Not applicable

3) Other status of subscription rights to shares

Not applicable

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

Not applicable

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

(Millions of yen, unless otherwise stated)

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

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

(5) Status of shareholders

As of March 31, 2023

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)	–	22	24	88	88	10	3,833	4,065	–
Number of shares held (Units)	–	18,426	1,287	40,893	10,182	38	19,439	90,265	88,028
Ratio of shares held (%)	–	20.41	1.43	45.30	11.28	0.04	21.54	100.00	–

(Note) 693,729 treasury shares include 6,937 units in the "Individuals, others" box and 29 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 693,629 as of March 31, 2023.
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, 2023

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	46.41
Custody Bank of Japan, Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo	831	9.87
The Master Trust Bank of Japan, Ltd.	2-11-3, Hamamatsucho, Minato-ku, Tokyo	656	7.79
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	2.38
The Bank of Fukuoka	2-13-1, Tenjin, Chuo-ku, Fukuoka City, Fukuoka	185	2.21
YASKAWA Electric Corporation	2-1 Kurosakishiroishi, Yahatanishi-ku, Kitakyushu City, Fukuoka	70	0.83
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo	65	0.78
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	PALISADES WEST 6300, BEECAVE ROAD BUILDING ONE AUSTIN TX 78746 US (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	64	0.76
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)	63	0.76
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	1-6-6, Marunouchi, Chiyoda-ku, Tokyo Nippon Life Securities Management Division (2-11-3, Hamamatsucho, Minato-ku, Tokyo)	54	0.64
Total	–	6,098	72.43

(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 693,729 treasury shares.
The aforementioned number of treasury shares is what is listed in the register of shareholders. The actual number of treasury shares is 693,629 as of March 31, 2023.

3. A statement of large-volume holdings that was made available for public inspection as of March 23, 2023 states that Asset Management One Co., Ltd. held the following shares as of March 15, 2023. However, as the Company is not able to confirm the accuracy of the information as of March 31, 2023, it is not included in the list of major shareholders presented above.
The information in the statement of large-volume holdings is as follows:

Name	Address	Number of share certificates, etc. held (Thousands of shares)	Ownership ratio of share certificates, etc. (%)
Asset Management One Co., Ltd.	1-8-2, Marunouchi, Chiyoda-ku, Tokyo	465	5.10

(7) Status of voting rights

1) Issued shares

As of March 31, 2023

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 693,600	—	—
Shares with full voting rights (others)	Common shares 8,332,900	83,329	—
Shares below one unit	Common shares 88,028	—	—
Total number of shares issued	9,114,528	—	—
Total voting rights held by all shareholders	—	83,329	—

(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 29 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, 2023

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	693,600	—	693,600	7.61
Total	—	693,600	—	693,600	7.61

(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	784	4
Treasury shares purchased after the fiscal year-end	198	1

(Note) "Treasury shares purchased after the fiscal year-end" does not include the number of shares below one unit purchased during the period from June 1, 2023, to the submission date of this securities report.

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

Category	Current fiscal year		After the fiscal year-end	
	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	693,629	–	693,827	–

(Notes) 1. "Number of shares of treasury shares held" after the fiscal year-end does not include the number of shares below one unit purchased during the period from June 1, 2023, 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, 2023, the dividends of surplus for the current fiscal year are ¥290 per share including the interim dividends of ¥110.

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 31, 2022 By resolution of the Board of Directors	926	110.0
June 29, 2023 By resolution of the Annual Shareholders' Meeting	1,515	180.0

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, 2023), 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 Morio Matsunaga, and Outside Auditor Sunao Okaku. Takaki Goto, Morio Matsunaga, and Sunao Okaku, 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, 2023), the Board of Directors consists of nine directors, namely President Kazuhiro Egawa (Chairperson of the Board of Directors), Directors Takeshi Yoshida, Jumpei Konishi, Masafumi Takeshita, Hisatake Okumura, and Yoshiyuki Fukuda, 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.

i) Activities of the Board of Directors

The Board of Directors discussed and confirmed the following.

The Company's Board of Directors delegates a large part of its authority to executives and further strengthens its monitoring function to encourage appropriate risk-taking and prompt and decisive decision-making by the management team. In particular, the Board will ensure through effective supervision that the management resources, including human capital, are allocated and strategies are implemented appropriately by the management team. In addition, the Board recognizes that the development of internal control systems, including risk and crisis management systems, is its responsibility and builds and operates these systems appropriately.

Based on the above, the Board primarily deliberated on the following matters:

- Matters related to organization and personnel (organizational change, appointment of the representative director / corporate officers, etc.)
- Matters related to management strategies (management policies/plans, investment in group companies, capital alliances, etc.)
- Disposal and acquisition of material assets (acquisition and transfer of property, plant and equipment and securities, etc.)

The Board of Directors meets once a month, in principle. The meeting was held 13 times during the current fiscal year, and the attendance of individual directors was as follows:

Name	Attendance
Kazuhiro Egawa	13/13 times
Masakazu Soejima	13/13 times
Masaya Honda	3/3 times
Toshikazu Takasu	3/3 times
Takeshi Yoshida	13/13 times
Jumpei Konishi	13/13 times
Masafumi Takeshita	10/10 times
Hisatake Okumura	10/10 times
Noboru Usami	2/3 times
Matsuji Nishimura	13/13 times
Yukinori Michinaga	13/13 times
Masako Narita	10/10 times

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.

The Officer Compensation Advisory Meeting primarily deliberated on the following matters and made recommendations accordingly to the Board of Directors:

- Deliberated on the amount of compensation, etc. for officers
- Examined the consistency between the content of compensation, etc. for each individual director and the "Policy for determining the content of compensation, etc. for individual directors"

The Officer Appointment Advisory Meeting primarily deliberated on the following matters and made recommendations accordingly to the Board of Directors:

- Deliberated on the appointment of candidates for directors and auditors
- Discussed the development of candidates for successors to the President and other directors

The attendance at the Officer Compensation Advisory Meeting and Officer Appointment Advisory Meeting during the current fiscal year was as follows:

Officer Compensation Advisory Meeting

Name	Attendance
Kazuhiro Egawa	1/1 time
Noboru Usami	1/1 time
Matsuji Nishimura	1/1 time
Yukinori Michinaga	1/1 time

Officer Appointment Advisory Meeting

Name	Attendance (Meeting attended / Meeting held)
Kazuhiro Egawa	2/2 times
Noboru Usami	1/1 time
Matsuji Nishimura	2/2 times
Yukinori Michinaga	2/2 times
Masako Narita	1/1 time

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 Takeshi Yoshida, Jumpei Konishi, Masafumi Takeshita, Hisatake Okumura, and Yoshiyuki Fukuda,) 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.

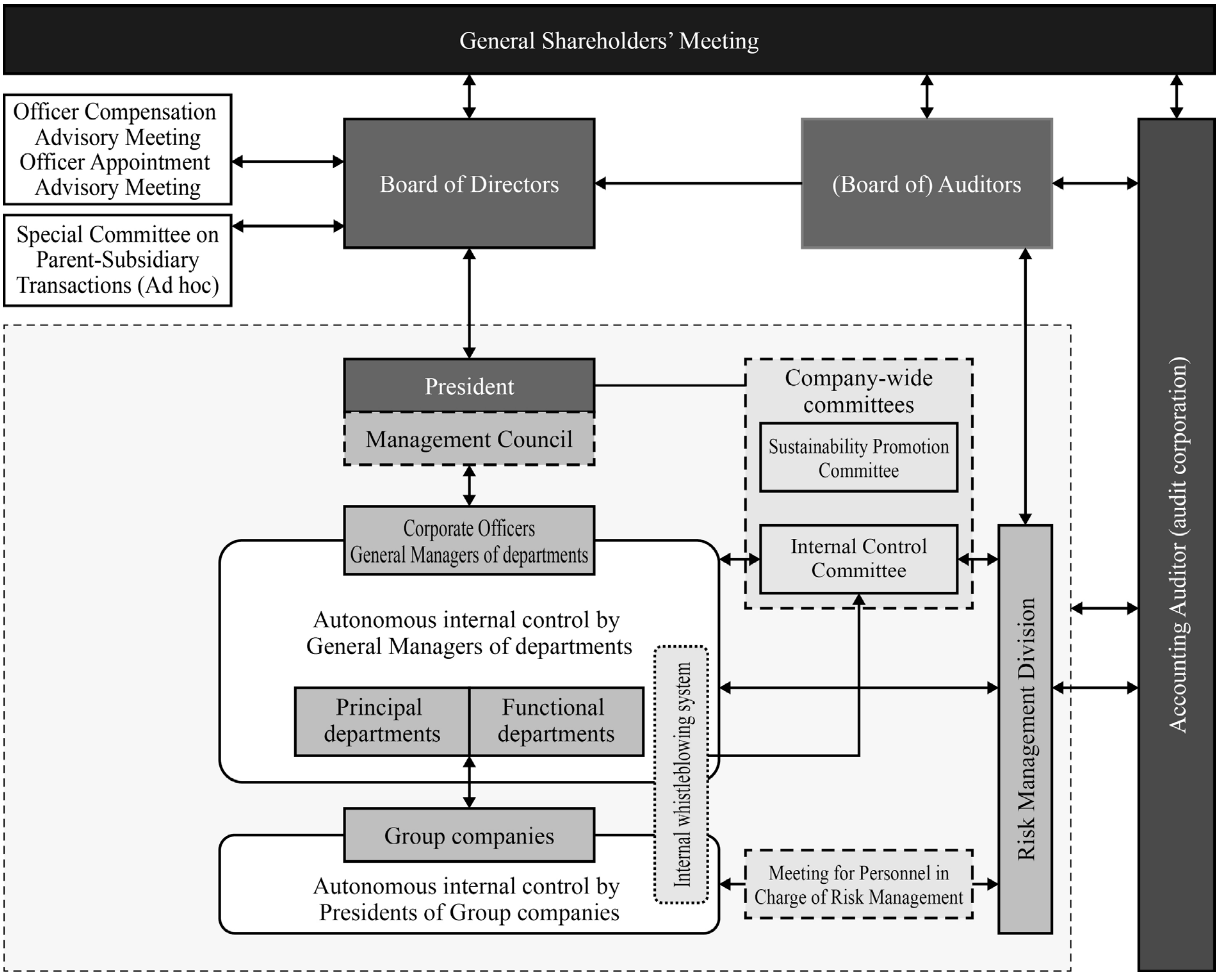
i) Sustainability Promotion Committee

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 basic policies on and activity plans for the internal control system of the Group and reports on the status of development and operation 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 and Presidents of Group companies

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 control activities 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 Group 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) 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 Group and ensuring legal and proper business execution. The General Administration Department, the Human Resources Department, the Risk Management Division, 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.

6) Internal Control Committee

The committee deliberates on and approves basic policies on and activity plans for the internal control system of the Group and reports on the status of development and operation of the internal control system. In the event of a crisis, an emergency response headquarters will be established inside the committee to swiftly solve problems across all departments.

7) Meeting of Personnel in Charge of Risk Management

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

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	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION)	(Note) 3	94
			April 2005	Head of Division, Pipe & Tube Marketing Division, Pipe & Tube Unit of Nippon Steel Corporation		
			April 2007	Branch Manager, Nagoya Branch of Nippon Steel Corporation		
			April 2009	Head of Division, Overseas Marketing Division of Nippon Steel Corporation		
			April 2012	Executive Counsellor and Head of Division, Overseas Marketing Division of Nippon Steel Corporation		
			October 2012	Executive Counsellor and Head of Division, Export Control Division and Flat Products Export Marketing Division, Flat Products Unit of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION)		
			April 2013	Executive Officer of Nippon Steel & Sumitomo Metal Corporation		
			April 2016	Managing Executive Officer of Nippon Steel & Sumitomo Metal Corporation		
			April 2017	Managing Executive Officer, Project Leader, Usiminas Project, and in charge of the North, Central, and South American Region, Global Business Development Sector of Nippon Steel & Sumitomo Metal Corporation		
			April 2019	Executive Officer of NIPPON STEEL CORPORATION Advisor of the Company		
			June 2019	President of the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director, Managing Corporate Officer, In charge of promotion of sustainability, Management concerning Ceramics Unit, Headquarters (Purchasing, Accounting & Finance, Corporate Planning)	Takeshi Yoshida	November 11, 1962	April 1985	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION)	(Note) 3	9
			July 2000	Group Leader, Labor Administration and Human Resources Group, Labor and Purchase Division, Yawata Works of Nippon Steel Corporation		
			August 2004	Group Leader, Material Contract Group, Machine and Materials Division of Nippon Steel Corporation		
			April 2010	General Manager, Planning Division of the Company		
			April 2017	Corporate Officer of the Company		
			April 2021	Managing Corporate Officer of the Company		
			June 2021	Director, Managing Corporate Officer of the Company		
			April 2023	Director, Managing Corporate Officer, In charge of promotion of sustainability, Management concerning Ceramics Unit, Headquarters (Purchasing, Accounting & Finance, Corporate Planning) of the Company (to present)		
Director, Managing Corporate Officer, Management concerning Refractories Manufacturing Unit, Coke Oven business in general, Research & Development Unit, Headquarters (Technical Management, Quality Assurance)	Jumpei Konishi	April 9, 1963	April 1988	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION)	(Note) 3	19
			November 2011	General Manager, Technical Administration & Planning Division of Nippon Steel Corporation		
			April 2012	Seconded to Usiminas (General Manger, Strategic Engineering Division)		
			April 2015	General Manager, Steelworks Technology Division of Nippon Steel & Sumitomo Metal Corporation (presently NIPPON STEEL CORPORATION)		
			June 2015	Outside Director of the Company		
			March 2019	Director of the Company		
			April 2020	Director, Corporate Officer of the Company		
			June 2020	Corporate Officer of the Company		
			April 2021	Managing Corporate Officer of the Company		
			June 2021	Director, Managing Corporate Officer		
			April 2023	Director, Managing Corporate Officer, Management concerning Refractories Manufacturing Unit, Coke Oven business in general, Research & Development Unit, Headquarters (Technical Management, Quality Assurance) of the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Director, Managing Corporate Officer, Management concerning Refractories Domestic Sales Unit, Headquarters (General Administration, Digital Innovation, Human Resources, Risk Management)	Masafumi Takeshita	May 8, 1961	April 1986 April 2015 April 2017 April 2019 April 2020 June 2022 June 2023	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company) Corporate Officer and General Manager, Administration & Personnel Division of the Company Corporate Officer and General Manager, Sales Planning Division of the Company Managing Corporate Officer and General Manager, Sales Department 1, Sales Division of the Company Managing Corporate Officer, Management concerning Refractories Domestic Sales Unit, and Senior General Manager, Sales Division of the Company Director, Managing Corporate Officer of the Company Director, Managing Corporate Officer, Management concerning Refractories Domestic Sales Unit, Headquarters (General Administration, Digital Innovation, Human Resources, Risk Management) of the Company (to present)	(Note) 3	5
Director, Managing Corporate Officer, Management concerning Refractories Overseas Sales Unit, Commissioned as Senior General Manager of Global Business Division	Hisatake Okumura	November 22, 1962	October 2004 April 2016 April 2017 April 2018 April 2020 January 2021 April 2021 June 2022	Joined the Company Senior General Manager, Functional Refractories Manufacturing Business Division of the Company Senior General Manager, Unshaped Refractories Manufacturing Business Division of the Company Corporate Officer and General Manager, Production Planning Department, Refractories Manufacturing Business Division of the Company Corporate Officer and General Manager, Overseas Business Planning Department, Overseas Business Division of the Company Corporate Officer and Senior General Manager, Overseas Business Division of the Company Managing Corporate Officer and Senior General Manager, Overseas Business Division of the Company Director, Managing Corporate Officer, Management concerning Refractories Overseas Sales Unit, Commissioned as Senior General Manager of Global Business Division of the Company (to present)	(Note) 3	5

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 promotion of carbon neutrality, Management concerning Furnace Unit and human & plant safety, health, environment and accident prevention, Commissioned as Senior General Manager of Furnace Unit, Cooperating with Managing Corporate Officer Mr. Konishi concerning Coke Oven business in general	Yoshiyuki Fukuda	April 25, 1960	April 1987	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION)	(Note) 3	5
			July 2010	General Manager, Safety, Environment, and Accident Prevention Department, Nagoya Works, Nippon Steel Corporation		
			April 2012	General Manager, Steelmaking Department, Nagoya Works, Nippon Steel Corporation		
			June 2015	Executive Counsellor, General Manager, Nagoya Branch, Sales Department 1 of the Company		
			April 2016	Corporate Officer, Branch Manager, Nagoya Branch, Sales Department 1 of the Company		
			April 2017	Corporate Officer, Branch Manager, Nagoya Branch, Sales Department 1, General Manager, Nagoya Office, Furnace Business Department of the Company		
			April 2020	Corporate Officer, Senior General Manager, Safety, Environment, & Disaster Prevention Promotion Division of the Company		
			April 2022	Managing Corporate Officer, Senior General Manager, Safety, Environment & Disaster Prevention Promotion Division of the Company		
			April 2023	Representative Director and President of KROHARI CHIKURO CORPORATION (to present)		
			June 2023	Director, Managing Corporate Officer, In charge of promotion of carbon neutrality, Management concerning Furnace Unit and human & plant safety, health, environment and accident prevention, Commissioned as Senior General Manager of Furnace Unit, Cooperating with Managing Corporate Officer Mr. Konishi concerning Coke Oven business in general 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 July 2003 June 2004 June 2006 June 2008 June 2009 May 2012 June 2013 June 2020 June 2021	Joined Kyushu Denki Koji Corporation (presently Kyudenko Corporation) Director, General Manager, Saga Branch of Kyudenko Corporation Director of Kyudenko Corporation Managing Director of Kyudenko Corporation Senior Managing Executive Officer of Kyudenko Corporation Director, Senior Managing Executive Officer of Kyudenko Corporation Director, Vice President Executive Officer of Kyudenko Corporation Representative Director and President of Kyudenko Corporation Director and Chairman of Kyudenko Corporation (to present) Outside Director of the Company (to present)	(Note) 3	—
Director	Yukinori Michinaga	November 1, 1957	April 1981 April 2012 April 2014 April 2015 June 2016 April 2019 June 2019 April 2021 June 2021 June 2022	Joined Saibugas Co., Ltd. (presently SAIBU GAS HOLDINGS CO., LTD.) Director, General Manager, Information and Communications Division of Saibugas Co., Ltd. Corporate Officer of Saibugas Co., Ltd. Managing Corporate Officer of Saibugas Co., Ltd. Director, Managing Corporate Officer of Saibugas Co., Ltd. President, CEO of Saibugas Co., Ltd. (to present) Outside Audit & Supervisory Board Member of Kyudenko Corporation President, CEO of Saibugas Co., Ltd. (to present) Outside Director of the Company (to present) Outside Director (Audit and Supervisory Committee Member) of Kyudenko Corporation (to present)	(Note) 3	—
Director	Masako Narita	October 2, 1959	April 1982 December 1987 June 1997 October 1998 April 2002 May 2003 June 2022	Joined Japan Associated Finance Co., Ltd. (presently JAFCO Co., Ltd.) Joined Japan ASEAN Investment Co., Ltd. (presently Japan Asia Investment Company, Limited) Director of Japan ASEAN Investment Co., Ltd. Established Mirai Securities K.K., Director (presently Mirai Securities Co., Ltd.) Senior Managing Director of Mirai Securities K.K. Established Socially Responsible Investment Laboratory, Limited Representative Director, President Outside Director of the Company (to present)	(Note) 3	—

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) 4	36
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) Audit & Supervisory Board Member of OSAKA STEEL CO., LTD. (to present)	(Note) 4	―

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Auditor	Morio Matsunaga	August 7, 1949	August 1977	Postdoctoral fellow of The University of Tennessee in the U.S.	(Note) 4	—
			October 1978	Lecturer, School of Engineering of Kyushu Institute of Technology		
			November 1980	Associate Professor, School of Engineering of Kyushu Institute of Technology		
			September 1996	Professor, School of Engineering of Kyushu Institute of Technology		
			April 2002	Vice President of Kyushu Institute of Technology		
			April 2004	Director of (National University Corporation) Kyushu Institute of Technology		
			April 2010	President of (National University Corporation) Kyushu Institute of Technology		
			June 2016	President of Kitakyushu Foundation for the Advancement of Industry, Science and Technology (to present)		
			June 2016	Outside Director of Mitsui Mining and Smelting Co., Ltd. (to present)		
			June 2018	Outside Auditor of the Company (to present)		
Auditor	Sunao Okaku	June 14, 1960	April 1985	Joined Nishi-Nippon Railroad Co., Ltd.	(Note) 4	—
			July 2006	General Manager, CV Management Office, Corporate Planning Division of Nishi-Nippon Railroad Co., Ltd.		
			June 2009	General Manager, Corporate Management Department of Nishi-Nippon Railroad Co., Ltd.		
			June 2012	General Manager, Accounting Department of Nishi-Nippon Railroad Co., Ltd.		
			June 2015	Director of the Board, Executive Officer, General Manager, Accounting Department of Nishi-Nippon Railroad Co., Ltd.		
			June 2016	Senior Executive Officer, General Manager, Accounting Department of Nishi-Nippon Railroad Co., Ltd.		
			April 2018	Senior Executive Officer of Nishi-Nippon Railroad Co., Ltd.		
			June 2018	Director of the Board, Full-time Audit & Supervisory Committee member of Nishi-Nippon Railroad Co., Ltd		
			June 2020	Director of the Board, Senior Managing Executive Officer of Nishi-Nippon Railroad Co., Ltd		
			June 2021	Senior Managing Executive Officer, Nishi-Nippon Railroad Co., Ltd. (to present)		
			June 2023	Outside Auditor of the Company (to present)		
Total						173

(Notes) 1. Directors Matsuji Nishimura, Yukinori Michinaga and Masako Narita are Outside Directors.
2. Auditors Morio Matsunaga and Sunao Okaku 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, 2023, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2024.
4. The term of office for Auditors is from the conclusion of the Annual Shareholders' Meeting for the fiscal year ended March 31, 2023, to the conclusion of the Annual Shareholders' Meeting for the fiscal year ending March 31, 2027.
5. Number of shares held is rounded down to the nearest hundred.
6. In order to prepare for cases where the number of Auditors does not satisfy the requirements of the Articles of Incorporation, the Company has elected 4 Substitute Auditors (Auditor Kosuke Kajihara to substitute Auditor Masaya Honda, Auditor Takayuki Fujino to substitute Auditor Takaki Goto, Outside Auditor Haruyuki Ezoe to substitute Outside Auditor Morio Matsunaga, and Outside Auditor Hitoshi Kubota to substitute Outside Auditor Sunao Okaku) 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	Joined KUROSAKI REFRACTORIES CO., LTD. (presently the Company)	(Note)	1
		October 2010	General Manager, Equipment and Materials Center, Purchasing Division of the Company		
		April 2015	General Manager in charge of Finance Division of the Company		
		April 2022	General Manager, Office of Audit & Supervisory Board Members of the Company (to present)		
Takayuki Fujino	June 15, 1971	April 1996	Joined Nippon Steel Corporation (presently NIPPON STEEL CORPORATION)	(Note)	–
		July 2015	General Manager, Flat Products Process Office, Process Operations Department, Yahata Works of NIPPON STEEL & SUMITOMO METAL CORPORATION (presently NIPPON STEEL CORPORATION)		
		July 2019	General Manager, Steel Materials Office, Niigata Marketing Branch of NIPPON STEEL CORPORATION		
		April 2023	Acting General Manager, Group Companies Planning Division, Nippon Steel Corporation (to present) Corporate Auditor, Nippon Steel Coated Sheet Corporation (to present) Audit & Supervisory Board Member, NIPPON STEEL PIPE CO., LTD. (to present)		

Name	Date of birth	Career summary		Term	Number of shares of the Company held (Hundreds)
Haruyuki Ezoe	December 27, 1958	April 1981 April 2011 April 2012 April 2015 April 2017 June 2019 June 2022	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 Director of Kitakyushu Municipal Gender Equality Center Senior Managing Director, Kitakyushu Foundation for the Advancement of Industry, Science and Technology (to present)	(Note)	–
Hitoshi Kubota	August 16, 1963	April 1986 July 2001 July 2010 July 2016 April 2019 April 2020 April 2022	Joined Nishi-Nippon Railroad Co., Ltd. General Manager, Accounting Section of Nishitetsu Store Inc. Representative Director, Senior Managing Director of Nishitetsu Accounting Service Inc. Representative Director, President of Nishitetsu-unyu Co., Ltd. Group Board Member of Nishi-Nippon Railroad Co., Ltd. Executive Officer of Nishi-Nippon Railroad Co., Ltd. Executive Officer, General Manager of Group Marketing Planning Department, Nishi-Nippon Railroad Co., Ltd. (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.

7. 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, 2023 are 19 persons as follows:

Title	Name	Position
Managing Corporate Officer	Masafumi Takeshita	Management concerning Refractories Domestic Sales Unit, Headquarters (General Administration, Digital Innovation, Human Resources, Risk Management)
Managing Corporate Officer	Takeshi Yoshida	In charge of promotion of sustainability, Management concerning Ceramics Unit, Headquarters (Purchasing, Accounting & Finance, Corporate Planning)
Managing Corporate Officer	Jumpei Konishi	Management concerning Refractories Manufacturing Unit, Coke Oven business in general, Research & Development Unit, Headquarters (Technical Management, Quality Assurance)
Managing Corporate Officer	Hisatake Okumura	Management concerning Refractories Overseas Sales Unit, Commissioned as Senior General Manager of Global Business Division
Managing Corporate Officer	Yoshiyuki Fukuda	In charge of promotion of carbon neutrality, Management concerning Furnace Unit and human & plant safety, health, environment and accident prevention, Commissioned as Senior General Manager of Furnace Unit, Cooperating with Managing Corporate Officer Mr. Konishi concerning Coke Oven business in general, Representative Director, President of KROHARI CHIKURO CORPORATION
Managing Corporate Officer	Naoki Furuta	Commissioned as Senior General Manager, Refractories Manufacturing Division
Managing Corporate Officer	Akio Moriya	Commissioned as General Manager, Technological Management Division, Commissioned as Senior General Manager, Quality Assurance Division
Corporate Officer	Kohzoh Ohta	Commissioned as General Manager, Nagoya Branch, Sales Division, Commissioned as General Manager, Nagoya Branch, Furnace Division
Corporate Officer	Takeshi Yabu	Commissioned as General Manager, Kyushu Branch, Sales Division
Corporate Officer	Ryusuke Miura	Commissioned as Senior General Manager, Safety, Environment & Disaster Prevention Promotion Division, Acting General Manager, Safety and Health Promotion Department, Safety, Environment & Disaster Prevention Promotion Division, Commissioned as Deputy General Manager, Furnace Division
Corporate Officer	Hidehiro Yamanaka	Commissioned as Senior General Manager, Ceramics Business Division
Corporate Officer	Kenji Tomita	Commissioned as Branch Manager, East Japan Branch, Sales Division, Commissioned as General Manager, East Japan Branch, Furnace Division
Corporate Officer	Makoto Nakamura	Commissioned as Senior General Manager, Sales Division, Commissioned as General Manager, Kansai and Setouchi Branch, Sales Division, Acting District Sales Manager, Setouchi Office, Kansai and Setouchi Branch, Sales Division
Corporate Officer	Takashi Matsunaga	Commissioned as Senior General Manager, Unshaped Refractories Manufacturing Business Division, Refractories Manufacturing Division
Corporate Officer	Yuzou Kawatsu	Commissioned as General Manager, Facility Department, Refractories Manufacturing Division
Corporate Officer	Sachihiko Asaya	Commissioned as General Manager, Corporate Planning Department, Assistant to Managing Corporate Officer Mr. Yoshida concerning accounting & finance, Assistant to Managing Corporate Officer Mr. Okumura concerning global business
Corporate Officer	Hajime Nishiyama	Commissioned as General Manager, General Administration Department, Commissioned as General Manager, Digital Innovation Division, Commissioned as General Manager, Risk Management Division
Corporate Officer	Kazushi Akagi	Commissioned as General Manager, Iron Making and Construction Refractories Division, Refractories Manufacturing Division, Commissioned as Acting General Manager, Iron Making Technologies Department, Iron Making and Construction Refractories Division, Refractories Manufacturing Division
Corporate Officer	Kenzo Yamamoto	Commissioned as General Manager, Purchasing Division, Acting General Manager, Product Procurement Center, Purchasing Division, Acting General Manager, Equipment and Materials Center, Purchasing 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 (Morio Matsunaga and Sunao Okaku).

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 ¥840,000 (non-consolidated, for the fiscal year ended March 31, 2023) 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, etc.) 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.

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.

Sunao Okaku has served as a business executive (executive director, etc.) of Nishi-Nippon Railroad Co., Ltd. for the last 10 years.

As there are no special relationships of interest between the Company and Nishi-Nippon Railroad Co., Ltd., the Company has determined that there are no circumstances that affect the status of independence of Sunao Okaku.

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 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.

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.

Sunao Okaku (appointed as of June 29, 2023) has many years of experience in the accounting and finance divisions of Nishi-Nippon Railroad Co., Ltd., and has been involved in management as Director of the Board and other positions at said company since June 2015. 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 in business 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 ¥840,000 (non-consolidated, for the fiscal year ended March 31, 2023) 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 (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.

As there are no special relationships of interest between the Company and Nishi-Nippon Railroad Co., Ltd., the Company has determined that there are no circumstances that affect the status of independence of Sunao Okaku.

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 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 Morio Matsunaga and Sunao Okaku as outside auditors.

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.

Sunao Okaku (appointed as of June 29, 2023) has many years of experience in the accounting and finance divisions of Nishi-Nippon Railroad Co., Ltd., and has been involved in management as Director of the Board and other positions at said company since June 2015. 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 in business 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.

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, 2023), 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 Sunao Okaku 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, 2023), a General Manager has been assigned to the Office of Audit & Supervisory Board Members as its dedicated member.

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	2/2 times
Full-time Auditor	Masaya Honda	10/10 times
Auditor	Yasuhiro Sukegawa	2/2 times
Auditor	Takaki Goto	10/10 times
Auditor (Outside)	Yuji Hiya	12/12 times
Auditor (Outside)	Morio Matsunaga	12/12 times

(Note) Kinji Matsushita resigned as full-time auditor as of June 29, 2022. Honda Masaya was appointed as full-time auditor as of June 29, 2022. Yasuhiro Sukegawa resigned as auditor as of June 29, 2022. Takaki Goto was appointed as auditor as of June 29, 2022.

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 Sustainability Promotion Committee, the Internal Control Committee, the Digital Innovation 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, or KAM), requested explanations as needed, and actively exchanged opinions.

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 Group and conducts internal auditing of the operation thereof.

As of the date of submission of this Annual Securities Report (June 29, 2023), 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 of the Group.

The Risk Management Division also holds a communication meeting regularly 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.

In addition to the above efforts, we strive to establish a dual reporting structure and ensure the effectiveness of internal audits by such means as holding the Auditor, Outside Director and Risk Management Division Communication Meeting mentioned earlier.

3) Status of accounting audits

a. Name of audit corporation

KPMG AZSA LLC

b. Consecutive auditing period

17 years

c. Certified Public Accountants engaged in the accounting audit services

- KPMG AZSA LLC Designated liability-limited and engagement partner Yoshinao Abe (1 year of continuous involvement including the fiscal year under review)
- KPMG AZSA LLC Designated liability-limited and engagement partner Takahiro Toyama (1 year of continuous involvement including the fiscal year under review)

d. Assistants for the accounting audits

Assistants for the accounting audits were five Certified Public Accountants, three persons who passed the CPA Examination, and three 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 132nd 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, 2023.

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 133rd fiscal year as in the 132nd 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, 2023.

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	49	—	51	—
Total	49	—	51	—

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	—	7	—	5
Consolidated subsidiary	19	0	22	0
Total	19	7	22	5

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 other attestation services.

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 position. 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, 2023, 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, 2023 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 23, 2022 and reported to the Board of Directors. At the Board of Directors meeting held on June 29, 2022, 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 Noboru Usami, Matsuji Nishimura and Yukinori Michinaga) was held on May 23, 2022 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, 2022, 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 132nd fiscal year: ¥11,500 million (forecast announced on January 30, 2023)

2) Result

Consolidated ordinary profit for the 132nd fiscal year: ¥12,083 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)	250	205	45	–	8
Auditors (excluding outside Company auditors)	29	24	5	–	2
Outside directors and outside auditors	47	47	–	–	6

(Note) In the fiscal year ended March 31, 2023, 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, 2023, verification was conducted on the cross-shareholdings of the Company as of March 31, 2023. 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 sheets

	Number of shares (Shares)	Amount stated on balance sheets (Millions of yen)
Unlisted shares	25	73
Shares other than unlisted shares	14	6,566

(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	6	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	−	−
Shares other than unlisted shares	1	6

c. Information concerning number of shares of specified investment securities*1 and deemed shareholdings*2 by stock name and amount stated on the balance sheets, etc.

*1: Specified investment securities: listed investment shares (excluding shares of subsidiaries and associates) held for purposes other than pure investment (investment made exclusively to benefit from capital gains and/or dividend income)

*2: Deemed shareholdings: listed shares for which the Company has authority to vote for purposes other than pure investment, normally based on a trust agreement

Specified investment securities

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliance, 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 sheets (Millions of yen)	Amount stated on balance sheets (Millions of yen)		
YASKAWA Electric Corporation	500,000	500,000	YASKAWA Electric Corporation and the Company have a deep historical and regional relationship and cooperates in making regional contributions. The Company holds their shares for the purpose of maintaining and developing a good relationship.	Yes
	2,885	2,407		
IFGL Refractories Limited	5,590,156	—	IFGL Refractories Limited was excluded from the scope of equity method in the second quarter of the 132nd fiscal year because the Company's influence on it declined. As a result, the Company holds their shares by reclassifying them as investment securities held for purposes other than pure investment.	No
	1,908	—		
Mizuho Financial Group, Inc.	224,418	224,418	Mizuho Financial Group, Inc. is a stable and flexible source of funds required to execute the business strategies of the Company. The Company holds their shares for the purpose of maintaining and strengthening financial transactions.	No
	421	351		
Sumitomo Mitsui Financial Group, Inc.	78,875	78,875	Sumitomo Mitsui Financial Group, Inc. is a stable and flexible source of funds required to execute the business strategies of the Company. The Company holds their shares for the purpose of maintaining and strengthening financial transactions.	No
	417	308		

Stock name	Current fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Previous fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Purpose of holding, overview of business alliance, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
Mitsubishi UFJ Financial Group, Inc.	431,480 365	431,480 328	Mitsubishi UFJ Financial Group, Inc. is a stable and flexible source of funds required to execute the business strategies of the Company. The Company holds their shares for the purpose of maintaining and strengthening financial transactions.	No (Note) 5
Chubu Steel Plate Co., Ltd.	68,955 163	68,007 58	Chubu Steel Plate Co., Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business. The increase in the number of shares is due to purchases through the business partner's shareholding association.	No
Sumitomo Mitsui Trust Holdings, Inc.	35,527 161	35,527 142	Sumitomo Mitsui Trust Holdings, Inc. is a stable and flexible source of funds required to execute the business strategies of the Company. The Company holds their shares for the purpose of maintaining and strengthening financial transactions	No
Topy Industries, Ltd.	44,200 87	44,200 46	Topy Industries, Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business.	Yes

Stock name	Current fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Previous fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Purpose of holding, overview of business alliance, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
Daido Steel Co., Ltd.	12,869 66	11,913 43	Daido Steel Co., Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business. The increase in the number of shares is due to purchases through the business partner's shareholding association.	No
GODO STEEL, Ltd.	7,500 25	7,500 9	GODO STEEL, Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business.	No
AICHI STEEL CORPORATION	8,132 19	7,544 18	AICHI STEEL CORPORATION is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business. The increase in the number of shares is due to purchases through the business partner's shareholding association.	No
OSAKA STEEL CO., LTD.	13,400 17	13,400 20	OSAKA STEEL CO., LTD. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business.	No

Stock name	Current fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Previous fiscal year Number of shares (Shares) Amount stated on balance sheets (Millions of yen)	Purpose of holding, overview of business alliance, quantitative effect of holding (Note) 4 and reason for increase in number of shares	Whether or not the Company's shares are held
Nippon Yakin Kogyo Co., Ltd.	3,654 15	3,480 9	Nippon Yakin Kogyo Co., Ltd. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business. The increase in the number of shares is due to purchases through the business partner's shareholding association.	No
MITSUBISHI STEEL MFG. CO., LTD.	9,500 11	9,500 10	MITSUBISHI STEEL MFG. CO., LTD. is a business partner of the Company. The Company holds their shares primarily for the purpose of maintaining and strengthening the business relationship in the refractories manufacturing business.	No
NAKAYAMA STEEL WORKS, LTD.	— —	10,000 4	The Company does not hold any shares in NAKAYAMA STEEL WORKS, LTD. as of the end of the current fiscal year.	No

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

2. The first 9 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 sheets.
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.

Deemed shareholdings

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliance, 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 sheets (Millions of yen)	Amount stated on balance sheets (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
	1,148	1,069		
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
	275	282		
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
	174	123		

(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 sheets.

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, 2022 to March 31, 2023) 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 Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)		Current fiscal year (As of March 31, 2023)	
Assets				
Current assets				
Cash and deposits		5,012		4,426
Notes and accounts receivable - trade, and contract assets	*4	44,666	*4	55,180
Merchandise and finished goods		16,103		18,282
Work in process	*3	3,293	*3	4,168
Raw materials and supplies		13,772		16,995
Other		8,846		9,606
Allowance for doubtful accounts		(366)		(435)
Total current assets		91,328		108,224
Non-current assets				
Property, plant and equipment				
Buildings and structures		43,744		45,810
Accumulated depreciation		(30,231)		(30,956)
Buildings and structures, net		13,513		14,854
Machinery, equipment and vehicles		70,467		73,257
Accumulated depreciation		(57,023)		(58,667)
Machinery, equipment and vehicles, net		13,443		14,589
Tools, furniture and fixtures		5,319		5,662
Accumulated depreciation		(4,170)		(4,385)
Tools, furniture and fixtures, net		1,148		1,277
Land		6,646		6,691
Construction in progress		1,581		1,897
Total property, plant and equipment		36,333		39,310
Intangible assets				
Goodwill		4,270		3,852
Other		506		514
Total intangible assets		4,776		4,366
Investments and other assets				
Investment securities	*1	6,328	*1	7,580
Retirement benefit asset		2,108		2,302
Deferred tax assets		162		147
Other	*1	1,893	*1	1,633
Allowance for doubtful accounts		(236)		(225)
Total investments and other assets		10,255		11,439
Total non-current assets		51,365		55,116
Total assets		142,694		163,340

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)		Current fiscal year (As of March 31, 2023)	
Liabilities				
Current liabilities				
Electronically recorded obligations - operating		6,603		7,458
Accounts payable - trade		16,943		17,580
Short-term borrowings		8,863		10,918
Commercial papers		6,000		11,000
Income taxes payable		1,231		1,552
Provision for bonuses		2,785		3,212
Provision for loss on construction contracts	*3	105	*3	27
Other	*5	5,877	*5	9,427
Total current liabilities		48,410		61,177
Non-current liabilities				
Long-term borrowings		19,334		17,465
Deferred tax liabilities		1,170		2,160
Provision for retirement benefits for directors (and other officers)		492		438
Retirement benefit liability		473		505
Asset retirement obligations		25		25
Other		3,702		3,708
Total non-current liabilities		25,198		24,304
Total liabilities		73,609		85,481
Net assets				
Shareholders’ equity				
Share capital		5,537		5,537
Capital surplus		2,000		1,971
Retained earnings		57,419		62,572
Treasury shares		(1,650)		(1,654)
Total shareholders’ equity		63,308		68,427
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		1,833		3,549
Deferred gains or losses on hedges		199		155
Foreign currency translation adjustment		(797)		520
Remeasurements of defined benefit plans		801		875
Total accumulated other comprehensive income		2,036		5,101
Non-controlling interests		3,739		4,330
Total net assets		69,084		77,858
Total liabilities and net assets		142,694		163,340

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

(Millions of yen)

		Previous fiscal year (From April 1, 2021 to March 31, 2022)		Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	*1	133,778	*1	165,202
Cost of sales	*8, *9	108,969	*8, *9	134,570
Gross profit		24,809		30,631
Selling, general and administrative expenses	*2, *6	17,242	*2, *6	19,458
Operating profit		7,566		11,173
Non-operating income				
Interest income		24		28
Dividend income		157		232
Share of profit of entities accounted for using equity method		444		423
Foreign exchange gains		716		827
Other		338		472
Total non-operating income		1,681		1,983
Non-operating expenses				
Interest expenses		300		500
Loss on removal of non-current assets		121		355
Other		145		216
Total non-operating expenses		567		1,072
Ordinary profit		8,679		12,083
Extraordinary income				
Gain on sale of non-current assets	*3	59	*3	123
Gain on sale of investment securities		23		1
Gain on sale of investments in capital		—		118
Total extraordinary income		82		243
Extraordinary losses				
Loss on sale of non-current assets	*4	0	*4	49
Loss on retirement of non-current assets	*5	90	*5	67
Loss on valuation of investment securities		20		—
Impairment losses	*7	71		—
Other		0		—
Total extraordinary losses		183		117
Profit before income taxes		8,578		12,209
Income taxes - current		2,390		3,019
Income taxes - deferred		249		180
Total income taxes		2,640		3,199
Profit		5,937		9,009
Profit attributable to non-controlling interests		447		727
Profit attributable to owners of parent		5,490		8,282

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Profit	5,937	9,009
Other comprehensive income		
Valuation difference on available-for-sale securities	(219)	1,716
Deferred gains or losses on hedges	195	(44)
Foreign currency translation adjustment	1,562	1,306
Remeasurements of defined benefit plans, net of tax	132	74
Share of other comprehensive income of entities accounted for using equity method	207	105
Total other comprehensive income	*1 1,878	*1 3,158
Comprehensive income	7,815	12,168
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,115	11,346
Comprehensive income attributable to non-controlling interests	700	821

3) Consolidated Statements of Changes in Net Assets

For the previous 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)
Change in scope of equity method					–
Change in ownership interest of parent due to transactions with non-controlling interests					–
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)
Change in scope of equity method							–
Change in ownership interest of parent due to transactions with non-controlling interests							–
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

For the current fiscal year (from April 1, 2022 to March 31, 2023)

(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	57,419	(1,650)	63,308
Cumulative effects of changes in accounting policies					–
Restated balance	5,537	2,000	57,419	(1,650)	63,308
Changes during period					
Dividends of surplus			(1,768)		(1,768)
Profit attributable to owners of parent			8,282		8,282
Purchase of treasury shares				(4)	(4)
Change in scope of equity method			(1,360)		(1,360)
Change in ownership interest of parent due to transactions with non-controlling interests		(29)			(29)
Net changes in items other than shareholders' equity					
Total changes during period	–	(29)	5,152	(4)	5,118
Balance at end of period	5,537	1,971	62,572	(1,654)	68,427

	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	1,833	199	(797)	801	2,036	3,739	69,084
Cumulative effects of changes in accounting policies							–
Restated balance	1,833	199	(797)	801	2,036	3,739	69,084
Changes during period							
Dividends of surplus							(1,768)
Profit attributable to owners of parent							8,282
Purchase of treasury shares							(4)
Change in scope of equity method							(1,360)
Change in ownership interest of parent due to transactions with non-controlling interests							(29)
Net changes in items other than shareholders' equity	1,716	(44)	1,318	74	3,064	590	3,655
Total changes during period	1,716	(44)	1,318	74	3,064	590	8,774
Balance at end of period	3,549	155	520	875	5,101	4,330	77,858

4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	8,578	12,209
Depreciation	3,247	3,493
Impairment losses	71	—
Amortization of goodwill	482	516
Increase (decrease) in allowance for doubtful accounts	84	59
Increase (decrease) in provision for bonuses	608	430
Increase (decrease) in provision for environmental measures	(58)	—
Increase (decrease) in retirement benefit liability	(239)	32
Increase (decrease) in other provisions	22	(133)
Interest and dividend income	(181)	(260)
Interest expenses	300	500
Foreign exchange losses (gains)	(33)	22
Share of loss (profit) of entities accounted for using equity method	(444)	(423)
Loss (gain) on sale of non-current assets	(59)	(73)
Loss on retirement of non-current assets	90	67
Loss (gain) on sale of investment securities	(23)	(1)
Loss (gain) on sale of investments in capital	—	(118)
Decrease (increase) in trade receivables	(956)	(9,801)
Decrease (increase) in inventories	(6,971)	(5,341)
Increase (decrease) in trade payables	3,189	707
Other, net	(1,282)	1,749
Subtotal	6,427	3,638
Interest and dividends received	390	562
Interest paid	(297)	(488)
Income taxes paid	(2,400)	(2,710)
Net cash provided by (used in) operating activities	4,120	1,001

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022		Current fiscal year (From April 1, 2022 to March 31, 2023)	
Cash flows from investing activities				
Purchase of non-current assets		(3,652)		(4,565)
Proceeds from sale of non-current assets		101		162
Payments for retirement of non-current assets		(185)		(373)
Payments into time deposits		–		(1)
Proceeds from sale of investment securities		71		6
Proceeds from sale of investments in capital of subsidiaries and associates		51		19
Proceeds from sale of investments in capital		–		232
Loan advances		(1)		(0)
Proceeds from collection of loans receivable		16		15
Other, net		(9)		(8)
Net cash provided by (used in) investing activities		(3,608)		(4,514)
Cash flows from financing activities				
Increase (decrease) in short-term borrowings		700		715
Increase (decrease) in commercial papers		(1,000)		5,000
Proceeds from long-term borrowings		6,745		3,000
Repayments of long-term borrowings		(5,522)		(3,793)
Purchase of treasury shares		(5)		(4)
Dividends paid		(1,769)		(1,768)
Dividends paid to non-controlling interests		(162)		(185)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation		–		(75)
Other, net		(9)		(26)
Net cash provided by (used in) financing activities		(1,022)		2,863
Effect of exchange rate change on cash and cash equivalents		221		62
Net increase (decrease) in cash and cash equivalents		(289)		(586)
Cash and cash equivalents at beginning of period		5,301		5,012
Cash and cash equivalents at end of period	*1	5,012	*1	4,425

[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.”

(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: 2
Names of major companies, etc.
Shin-Nippon Thermal Ceramics Corporation, YINGKOU KROSAKIHARIMA REFRACTORIES CO., LTD.
IFGL Refractories Limited, which had been an equity method associate in the previous fiscal year, was excluded from the scope of equity method in the current fiscal year because the Company’s influence on it declined.

(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 merchandise 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 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 sheets.

(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	4,270	3,852
Of which, goodwill recorded at the time of the acquisition of TRL KROSAKI REFRACTORIES LIMITED	3,465	3,110

Goodwill of ¥3,852 million on the consolidated balance sheets includes goodwill with a book value of ¥3,110 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 volume and growth rate 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)

(Application of U.S. Financial Standards Accounting Board's Accounting Standards Codification (ASC) 842, "Leases")

For overseas consolidated subsidiaries where U.S. accounting standards apply, the Company has applied ASC 842 "Leases" from the beginning of the current fiscal year. ASC 842 requires lessees to recognize all leases on the consolidated balance sheets as assets and liabilities.

In applying ASC 842, the Company adopted a method where the cumulative effect of the change in accounting policies is recognized on the start date of application, which is permitted as a transitional treatment.

As a result, at the end of the current fiscal year, "Buildings and structures," "Machinery, equipment and vehicles," "Tools, furniture and fixtures," "Other" under current liabilities, and "Other" under non-current liabilities increased by ¥5 million, ¥18 million, ¥0 million, ¥14 million, and ¥9 million respectively. There is no impact on operating profit, ordinary profit, profit before income taxes, or profit for the current fiscal year.

(Changes in presentation method)

(Consolidated Statements of Income)

"Subsidy income," which was separately presented under "Non-operating income" 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, "Subsidy income" of ¥17 million and "Other" of ¥321million, which were presented under "Non-operating income" in the consolidated statements of income for the previous fiscal year, have been reclassified into "Other" of ¥338 million.

(Notes to Consolidated Balance Sheets)

*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, 2022)	Current fiscal year (As of March 31, 2023)
Investment securities	2,470	914
Other in "investments and other assets" (investments in capital)	1,139	1,043

*2. Contingent liabilities

(i) Guarantee obligation (Millions of yen)

Previous fiscal year (As of March 31, 2022)		Current fiscal year (As of March 31, 2023)	
HIBIKINADA DEVELOPMENT CO., LTD. Borrowings from financial institution	1	HIBIKINADA DEVELOPMENT CO., LTD. Borrowings from financial institution	–
Employees Borrowings from financial institution for home loans	211	Employees Borrowings from financial institution for home loans	208

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

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Transfer balance of notes	331	682
Transfer balance of accounts receivable	15	4

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

Previous 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.

Current fiscal year (As of March 31, 2023)

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 ¥18 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)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Notes receivable - trade	1,924	1,879
Accounts receivable - trade	41,629	49,992
Contract assets	1,113	3,308

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Contract liabilities	805	832

(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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Depreciation	275	248
Amortization of goodwill	482	516
Provision for bonuses	759	895
Retirement benefit costs	240	285
Provision for retirement benefits for directors (and other officers)	88	91
Shipment and haulage expenses	4,642	4,998
Directors' and auditors' compensations, salaries and allowances	4,080	4,523
Research and development costs	865	993
Provision of allowance for doubtful accounts	86	81

An amount of depreciation (¥71 million for the previous fiscal year, ¥78 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 from the sale of machinery, equipment and vehicles.

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

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Buildings and structures	8	22
Machinery, equipment and vehicles	3	21
Tools, furniture and fixtures	7	2
Construction in progress	4	－
Removing expenses	66	21

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

(Millions of yen)

Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
865	993

*7. Impairment losses

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

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

For the current fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable

*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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cost of sales	(0)	26

*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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
59	3

(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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities		
Gains (losses) arising during the year	(321)	2,465
Reclassification adjustments	(2)	(1)
Amount before income tax effect	(324)	2,463
Income tax effect	104	(746)
Valuation difference on available-for-sale securities	(219)	1,716
Deferred gains or losses on hedges		
Gains (losses) arising during the year	408	149
Reclassification adjustments	(128)	(213)
Amount before income tax effect	280	(63)
Income tax effect	(85)	19
Deferred gains or losses on hedges	195	(44)
Foreign currency translation adjustment		
Gains (losses) arising during the year	1,562	1,306
Foreign currency translation adjustment	1,562	1,306
Remeasurements of defined benefit plans, net of tax		
Gains (losses) arising during the year	306	284
Reclassification adjustments	(117)	(178)
Amount before income tax effect	188	106
Income tax effect	(56)	(32)
Remeasurements of defined benefit plans, net of tax	132	74
Share of other comprehensive income of entities accounted for using equity method		
Gains (losses) arising during the year	207	105
Share of other comprehensive income of entities accounted for using equity method	207	105
Total other comprehensive income	1,878	3,158

(Notes to Consolidated Statements of Changes in Net Assets, etc.)

For the previous 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

For the current fiscal year (from April 1, 2022 to March 31, 2023)

1. Matters related to issued shares

(Shares)

Class of shares	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
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, 2022	Increase	Decrease	As of March 31, 2023
Common share	692,845	784	–	693,629

(Major causes for changes)
Breakdown of increases is as follows.
Increase due to purchase of shares below one unit: 784 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, 2022	Common share	842	100.0	March 31, 2022	June 30, 2022
Board of Directors' Meeting at October31, 2022	Common share	926	110.0	September 30, 2022	November 25, 2022

(2) Dividends whose record date fell in the fiscal year, but whose effective date comes after March 31, 2023

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, 2023	Common share	Retained earnings	1,515	180.0	March 31, 2023	June 30, 2023

(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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash and deposits	5,012	4,426
Time deposits with a tenor of more than three months	–	(1)
Cash and cash equivalents	5,012	4,425

(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 accounts payable - trade and electronically recorded obligations − operating 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 seven 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

56% of trade receivables were from specific large customers at the end of the fiscal year ended March 31, 2023.

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, 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 “( ).”

For the current fiscal year (as of March 31, 2023)

(Millions of yen)

	Carrying amount (*3)	Fair value (*3)	Valuation difference
(1) Investment securities			
Available-for-sale securities	6,592	6,592	—
(2) Long-term borrowings (*4)	(22,345)	(22,358)	(13)
(3) Derivatives (*5)	220	220	—

(*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, 2023
Unlisted shares	988

(*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, 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	–	–	–

For the current fiscal year (as of March 31, 2023)

(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	4,426	–	–	–
Notes and accounts receivable - trade	51,872	–	–	–
Total	56,298	–	–	–

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

For the previous 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

For the current fiscal year (as of March 31, 2023)

(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	6,038	–	–	–	–	–
Commercial papers	11,000	–	–	–	–	–
Long-term borrowings	4,879	4,945	6,501	4,001	2,001	15
Total	21,918	4,945	6,501	4,001	2,001	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 previous 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

For the current fiscal year (as of March 31, 2023)

(Millions of yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Shares	6,592	－	－	6,592
Derivatives				
Currency related	－	220	－	220

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

For the previous 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

For the current fiscal year (as of March 31, 2023)

(Millions of yen)

Item	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	－	22,358	－	22,358

(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, 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

For the current fiscal year (as of March 31, 2023)

(Millions of yen)

	Type of securities	Carrying amounts	Acquisition cost	Valuation difference
Securities for which carrying amounts exceed acquisition cost	Equity securities	6,573	1,242	5,330
	Bonds	—	—	—
	Other	—	—	—
	Total	6,573	1,242	5,330
Securities for which carrying amounts are within acquisition cost	Equity securities	19	21	(2)
	Bonds	—	—	—
	Other	—	—	—
	Total	19	21	(2)
Total		6,592	1,264	5,328

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

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

(Millions of yen)

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

For the current fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Type	Sales	Gains	Losses
Equity securities	6	1	—
Total	6	1	—

3. Impairment losses on securities

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

For the current fiscal year, the Company did not record 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, 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

For the current fiscal year (as of March 31, 2023)

(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	181	－	(0)	(0)
	EUR	18	－	0	0
	JPY	82	－	(1)	(1)
	Long positions				
	USD	80	－	0	0
	EUR	56	－	(0)	(0)
Total		419	－	(2)	(2)

2. Derivatives subject to the application of hedge accounting

(1) Currency-related derivatives

For the previous 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

For the current fiscal year (as of March 31, 2023)

(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	2,235	260	223
Total			2,235	260	223

(2) Interest-related derivatives

For the previous 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 for 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, 2023)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Exceptional method for 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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Balance at the beginning of year	7,579	8,439
Service cost	650	809
Interest cost	61	86
Actuarial loss (gain)	35	(159)
Benefits paid	(222)	(323)
Transfer due to change from simplified method to standard method	220	–
Costs due to change from simplified method to standard method	60	–
Other	54	3
Balance at the end of year	8,439	8,854

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Balance at the beginning of year	9,332	10,256
Expected return on plan assets	106	77
Actuarial gain (loss)	342	125
Contribution paid by the employer	652	684
Benefits paid	(218)	(317)
Other	40	2
Balance at the end of year	10,256	10,829

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Balance at the beginning of year	379	180
Retirement benefit costs	21	15
Benefits paid	(0)	(18)
Transfer due to change from simplified method to standard method	(220)	–
Balance at the end of year	180	177

(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 sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Funded projected benefit obligations	8,208	8,626
Plan assets	(10,256)	(10,829)
	(2,047)	(2,203)
Unfunded projected benefit obligations	412	406
Net asset and liability reported on the consolidated balance sheets	(1,635)	(1,796)
Retirement benefit liability	473	505
Retirement benefit asset	(2,108)	(2,302)
Net asset and liability reported on the consolidated balance sheets	(1,635)	(1,796)

(Note) Plans applying the simplified method are included.

(5) Breakdown of retirement benefit costs

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Service cost	650	809
Interest cost	61	86
Expected return on plan assets	(106)	(77)
Net actuarial loss amortization	(98)	(159)
Past service costs amortization	(19)	(19)
Retirement benefit costs applying the simplified method	21	15
Costs due to change from simplified method to standard method	60	–
Retirement benefit costs for defined benefit plans	569	655

(6) Remeasurements of defined benefit plans

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

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Actuarial differences	207	125
Past service costs	(19)	(19)
Total	188	106

(7) Accumulated remeasurements of defined benefit plans

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Past service costs that are yet to be recognized	(170)	(150)
Actuarial gains and losses that are yet to be recognized	(981)	(1,106)
Total	(1,151)	(1,257)

(8) Plan assets

1) Components of plan assets

Plan assets consist of the followings:

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Bonds	1,254	2,659
Equity securities	3,795	3,610
General account	3,107	2,604
Other	2,098	1,955
Total	10,256	10,829

(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 ¥1,584 million and ¥1,763 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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Discount rates	Primarily 0.4%	Primarily 0.6%
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, 2022)	Current fiscal year (As of March 31, 2023)
Deferred tax assets		
Depreciation	665	647
Impairment losses	284	257
Provision for retirement benefits for directors (and other officers)	127	114
Retirement benefit liability	99	110
Allowance for doubtful accounts	66	47
Loss on valuation of securities	130	130
Book value of share trust	117	117
Provision for bonuses	721	790
Accrued business tax	74	77
Unrealized gains	311	329
Loss from adjustment to gain on sale of land	111	111
Other	631	699
Subtotal	3,341	3,435
Valuation allowance	(631)	(596)
Total deferred tax assets	2,709	2,838
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	(442)	(426)
Valuation difference on available-for-sale securities	(846)	(1,593)
Retirement benefit asset	(641)	(700)
Under-depreciation at overseas subsidiaries	(301)	(393)
Valuation difference of land accompanied by business combinations	(610)	(612)
Other	(876)	(1,124)
Total deferred tax liabilities	(3,718)	(4,851)
Balance of net deferred tax assets (liabilities)	(1,008)	(2,012)

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Normal effective statutory tax rate	–	30.4%
(Adjustments)		
Entertainment expenses and other expenses not counted for tax purposes	–	0.2%
Dividend income and other items not counted for tax purposes	–	(0.1%)
Tax credits	–	(2.7%)
Amortization of goodwill	–	1.2%
Share of profit of entities accounted for using equity method	–	(0.5%)
Inhabitant tax on per capita basis	–	0.4%
Difference in tax rates of consolidated subsidiaries	–	(3.3%)
Other	–	0.6%
Actual effective tax rate	–	26.2%

(Note) The notes for the previous 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, 2022)
Statement has been omitted due to their insignificance.

For the current fiscal year (as of March 31, 2023)
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, 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).

For the fiscal year ended March 31, 2023, net rental income of these properties amounted to ¥594 million (rental income is mainly classified in net sales and rental expense is mainly classified in cost of sales), gain on sale was ¥114 million (classified in extraordinary income), and loss on sale was ¥47 million (classified in extraordinary losses).

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

(Millions of yen)

		Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Value on the consolidated balance sheets	Balance at the beginning of year	1,636	1,305
	Changes during the year	(331)	(89)
	Balance at the end of year	1,305	1,215
Fair value at the end of year		10,430	10,132

(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 ¥6 million and decreases due to depreciation of ¥40 million and impairment losses of ¥71 million.
Changes during the current fiscal year mainly resulted from increases due to acquisition of ¥15 million and decreases due to depreciation of ¥41 million and sale of ¥64 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 previous 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.

For the current fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal		
Japan	67,200	14,600	7,164	−	88,966	826	89,793
India	33,879	−	11	−	33,891	−	33,891
Asia	9,261	26	930	−	10,219	−	10,219
Europe	18,296	−	307	−	18,603	−	18,603
Other	11,900	−	56	−	11,957	−	11,957
Revenue from contract(s) with customers	140,538	14,627	8,471	−	163,637	826	164,464
Other revenues	−	−	−	737	737	−	737
Sales to external customers	140,538	14,627	8,471	737	164,375	826	165,202

(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

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

(1) Contract asset and contract liability balances

(Millions of yen)

	Previous 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.

For the current fiscal year (from April 1, 2022 to March 31, 2023)
(1) Contract asset and contract liability balances

(Millions of yen)

	Current fiscal year (From April 1, 2022 to March 31, 2023)
Receivables from contracts with customers (beginning balance)	43,553
Receivables from contracts with customers (ending balance)	51,872
Contract assets (beginning balance)	1,113
Contract assets (ending balance)	3,308
Contract liabilities (beginning balance)	805
Contract liabilities (ending balance)	832

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 to consideration for performance obligations to be satisfied over time, pertaining to sales of some goods and merchandise in the Refractories segment and construction contracts in the Furnace segment. Once the Company has an unconditional right to consideration, we reclassify contract assets to receivables from contracts with customers. The consideration 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 ¥766 million.

The amount of revenue recognized in the fiscal year ended March 31, 2023 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 ¥16,425 million as of March 31, 2023. 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 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.

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

For the previous 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) The adjustment of negative ¥5 million in segment profit primarily consists of the elimination of unrealized gains.

(2) The 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 the administrative department.

(3) Under the “Other items” section, the adjustment of ¥43 million in depreciation and the 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.

For the current fiscal year (from April 1, 2022 to March 31, 2023)

(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	140,538	14,627	8,471	737	164,375	826	165,202	—	165,202
Inter-segment or transfer	60	248	—	—	309	—	309	(309)	—
Total	140,599	14,875	8,471	737	164,684	826	165,511	(309)	165,202
Segment profit	8,458	1,009	1,063	595	11,126	40	11,167	6	11,173
Segment assets	135,238	9,711	8,651	595	154,197	358	154,555	8,784	163,340
Other items									
Depreciation	2,526	456	332	41	3,356	19	3,375	117	3,493
Amortization of goodwill	516	—	—	—	516	—	516	—	516
Increase in property, plant and equipment and intangible assets	4,795	1,009	231	15	6,052	18	6,070	3	6,074

(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) The adjustment of ¥6 million in segment profit primarily consists of the elimination of unrealized gains.

(2) The adjustment of ¥8,784 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 the administrative department.

(3) Under the "Other items" section, the adjustment of ¥117 million in depreciation and the adjustment of ¥3 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, 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

For the current fiscal year (from April 1, 2022 to March 31, 2023)
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
90,530	33,891	10,219	18,603	11,957	165,202

(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
24,001	8,583	1,445	5,247	32	39,310

3. Information about major customers

(Millions of yen)

Customer name	Net sales	Related business segments
NIPPON STEEL CORPORATION	62,633	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, 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), *7. Impairment losses.”

For the current fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable

[Information about amortization of goodwill and unamortized balance of each reportable segment]
For the previous 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.”

For the current fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments					Others	Corporate/ Elimination	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal			
(Goodwill)								
Goodwill at the end of year	3,852	–	–	–	3,852	–	–	3,852

(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, 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.

For the current fiscal year (from April 1, 2022 to March 31, 2023)

(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	62,633	Notes and accounts receivable - trade, and contract assets	30,956

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, 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.

For the current fiscal year (from April 1, 2022 to March 31, 2023)

(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	17,127	Accounts receivable – other	4,521

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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	¥7,759.14	¥8,731.68
Basic earnings per share	¥651.91	¥983.46

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

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

(Millions of yen unless otherwise stated)

Item	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Profit attributable to owners of parent	5,490	8,282
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common shares	5,490	8,282
Weighted average number of common shares during the fiscal year (Thousands of shares)	8,422	8,421

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

(Millions of yen unless otherwise stated)

Item	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Total net assets	69,084	77,858
Amount deducted from the total net assets	3,739	4,330
[Non-controlling interests included in the above]	[3,739]	[4,330]
Amounts of net assets related to common shares at the end of the fiscal year	65,344	73,528
Number of common shares used to calculate net assets per share at the end of the fiscal year (Thousands of shares)	8,421	8,420

(Significant subsequent events)

At a Board of Directors meeting held on June 29, 2023, the Company resolved to sell part of the investment securities it holds.

(1) Reason for the sale of investment securities

Based on a review of the significance of holding the investment securities

(2) Details of the sale of investment securities

1) Issuer of shares to be sold — One issuer of listed shares held by the Company
2) Recording of gain on sale of investment securities — By the end of March 2024 (plan)
3) Gain on sale of investment securities — Approximately ¥1,500 million (estimate)

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	5,103	6,038	4.80	—
Current portion of long-term borrowings	3,760	4,879	1.47	—
Long-term borrowings (excluding current portion)	19,334	17,465	0.34	From 2024 to 2030
Other interest-bearing liabilities Commercial papers	6,000	11,000	0.01	—
Total	34,198	39,384	—	—

(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, 2023, 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	4,945	6,501	4,001	2,001
Total	4,945	6,501	4,001	2,001

[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, 2022)	Second Quarter (Six months ended Sept. 30, 2022)	Third Quarter (Nine months ended Dec. 31, 2022)	Fourth Quarter (Fiscal year ended March 31, 2023)
Net sales	40,292	80,591	122,481	165,202
Profit before income taxes	3,423	5,683	8,325	12,209
Profit attributable to owners of parent	2,148	3,576	5,309	8,282
Basic earnings per share (Yen)	255.06	424.74	630.46	983.46

Each quarter	First Quarter (From April 1, 2022 to June 30, 2022)	Second Quarter (From July 1, 2022 to Sept. 30, 2022)	Third Quarter (From Oct. 1, 2022 to Dec. 31, 2022)	Fourth Quarter (From Jan. 1, 2023 to March 31, 2023)
Basic earnings per share (Yen)	255.06	169.67	205.73	353.00

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheets

(Millions of yen)

		Previous fiscal year (As of March 31, 2022)		Current fiscal year (As of March 31, 2023)
Assets				
Current assets				
Cash and deposits		2,011		1,746
Notes receivable - trade		1,422		1,710
Accounts receivable - trade	*1	34,596	*1	40,057
Contract assets		1,113		3,308
Merchandise and finished goods		8,540		8,753
Work in process		2,465		3,160
Raw materials and supplies		5,351		6,670
Advance payments to suppliers		329		756
Prepaid expenses		376		460
Other	*1	6,396	*1	6,179
Allowance for doubtful accounts		(8)		(0)
Total current assets		62,595		72,802
Non-current assets				
Property, plant and equipment				
Buildings		7,842		8,808
Structures		911		1,013
Machinery and equipment		6,001		6,363
Vehicles		136		122
Tools, furniture and fixtures		772		891
Land		5,934		5,870
Construction in progress		390		930
Total property, plant and equipment		21,989		24,001
Intangible assets				
Software		77		70
Other		37		37
Total intangible assets		115		108
Investments and other assets				
Investment securities		3,833		6,639
Shares of subsidiaries and associates		19,163		18,895
Investments in capital of subsidiaries and associates		1,956		1,956
Distressed receivables		33		30
Prepaid pension costs		957		1,045
Long-term prepaid expenses		147		103
Other		250		135
Allowance for doubtful accounts		(50)		(44)
Total investments and other assets		26,293		28,761
Total non-current assets		48,398		52,871
Total assets		110,994		125,673

(Millions of yen)

		Previous fiscal year (As of March 31, 2022)		Current fiscal year (As of March 31, 2023)
Liabilities				
Current liabilities				
Accounts payable - trade	*1	9,073	*1	9,334
Electronically recorded obligations - operating		6,603		7,458
Current portion of long-term borrowings		3,000		4,000
Commercial papers		6,000		11,000
Accounts payable - other	*1	2,556	*1	4,320
Income taxes payable		793		863
Advances received		84		401
Deposits received	*1	713	*1	567
Provision for bonuses		2,552		2,860
Provision for loss on construction contracts		105		27
Other		166		716
Total current liabilities		31,648		41,550
Non-current liabilities				
Long-term borrowings		18,000		17,000
Long-term accounts payable - other		522		532
Deferred tax liabilities		236		929
Provision for retirement benefits		79		82
Provision for retirement benefits for directors (and other officers)		360		310
Long-term leasehold and guarantee deposits received		1,617		1,616
Asset retirement obligations		25		25
Total non-current liabilities		20,841		20,496
Total liabilities		52,489		62,047
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		871		838
General reserve		4,517		4,517
Retained earnings brought forward		40,637		44,125
Total retained earnings		47,276		50,731
Treasury shares		(1,650)		(1,654)
Total shareholders' equity		56,303		59,753
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		2,001		3,716
Deferred gains or losses on hedges		199		155
Total valuation and translation adjustments		2,201		3,872
Total net assets		58,504		63,625
Total liabilities and net assets		110,994		125,673

2) Non-consolidated Statements of Income

(Millions of yen)

		Previous fiscal year (From April 1, 2021 to March 31, 2022)		Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	*1	90,097	*1	100,357
Cost of sales	*1	76,191	*1	84,527
Gross profit		13,905		15,830
Selling, general and administrative expenses	*1, *2	10,001	*1, *2	11,023
Operating profit		3,904		4,806
Non-operating income				
Interest income		0		1
Dividend income	*1	1,116	*1	1,238
Rent income and management fee	*1	59	*1	59
Foreign exchange gains		760		848
Other		163		153
Total non-operating income		2,101		2,300
Non-operating expenses				
Interest expenses	*1	20	*1	26
Loss on removal of non-current assets		121		355
Other		110		133
Total non-operating expenses		251		515
Ordinary profit		5,753		6,591
Extraordinary income				
Gain on sale of non-current assets		1		115
Gain on sale of investment securities		23		1
Gain on sales of investments in capital		—		118
Gain from merger transactions	*3	1,887		—
Total extraordinary income		1,912		235
Extraordinary losses				
Loss on sale of non-current assets		—		47
Loss on retirement of non-current assets		85		52
Loss on valuation of investment securities		20		—
Impairment losses		71		—
Other		0		—
Total extraordinary losses		178		100
Profit before income taxes		7,487		6,726
Income taxes - current		1,338		1,536
Income taxes - deferred		176		(33)
Total income taxes		1,515		1,503
Profit		5,972		5,223

3) Non-consolidated Statements of Changes in Net Assets

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

(Millions of yen)

	Shareholders' equity		
		Capital surplus	
	Share capital	Legal capital surplus	Total capital surplus
Balance at beginning of period	5,537	5,138	5,138
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

For the current fiscal year (from April 1, 2022 to March 31, 2023)

(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	871	4,517	40,637	47,276
Cumulative effects of changes in accounting policies					
Restated balance	1,250	871	4,517	40,637	47,276
Changes during period					
Dividends of surplus				(1,768)	(1,768)
Reversal of reserve for tax purpose reduction entry		(32)		32	―
Profit				5,223	5,223
Purchase of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	―	(32)	―	3,487	3,454
Balance at end of period	1,250	838	4,517	44,125	50,731

	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	(1,650)	56,303	2,001	199	2,201	58,504
Cumulative effects of changes in accounting policies						–
Restated balance	(1,650)	56,303	2,001	199	2,201	58,504
Changes during period						
Dividends of surplus		(1,768)				(1,768)
Reversal of reserve for tax purpose reduction entry		–				–
Profit		5,223				5,223
Purchase of treasury shares	(4)	(4)				(4)
Net changes in items other than shareholders' equity			1,714	(44)	1,670	1,670
Total changes during period	(4)	3,450	1,714	(44)	1,670	5,121
Balance at end of period	(1,654)	59,753	3,716	155	3,872	63,625

[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 merchandise 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 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.

(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.

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.

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

Valuation of shares in subsidiaries

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year

(Millions of yen)

	Fiscal year ended March 31, 2022
Shares of subsidiaries and associates	19,163
Of which, shares of TRL KROSAKI REFRACTORIES LIMITED	15,593

Shares of subsidiaries and associates of ¥19,163 million on the non-consolidated balance sheets 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 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.

For the current fiscal year (from April 1, 2022 to March 31, 2023)

Not applicable

(Changes in presentation method)

(Non-consolidated Balance Sheets)

"Investments in capital," which was separately presented under "Investments and other assets" 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 non-consolidated financial statements for the previous fiscal year have been reclassified.

As a result, "Investments in capital" of ¥117 million and "Other" of ¥133 million, which were presented under "Investments and other assets" in the non-consolidated balance sheets for the previous fiscal year, have been reclassified into "Other" of ¥250 million.

(Notes to Non-consolidated Balance Sheets)

*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 sheets:

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
Short-term monetary receivables	26,718	31,499
Short-term monetary payables	1,630	1,583

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, 2022)	Current fiscal year (As of March 31, 2023)
HIBIKINADA DEVELOPMENT CO., LTD.	1	–
Employees	211	208
Krosaki USA Inc.	416	1,135
TRL KROSAKI CHINA LIMITED	686	318
Total	1,315	1,662

(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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	58,839	67,881
Purchase of goods	17,524	16,717
Transactions other than business transactions	1,045	1,072

*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, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Shipment and haulage expenses	1,866	1,832
Directors' and auditors' compensations and salaries	2,614	2,665
Provision for bonuses	737	866
Provision for retirement benefits for directors (and other officers)	82	86
Retirement benefit costs	137	160
Other personnel expenses	1,439	1,589
Research and development costs	845	993
Depreciation	150	155
Amortization of goodwill	8	–
Approximate proportion		
Selling expenses	20.9%	18.2%
General and administrative expenses	79.1%	81.8%

*3. The breakdown of gain from merger transactions is as follows.

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Gain on extinguishment of tie-in shares	2,254	–
Loss from adjustment to gain on sale of land	(367)	–

(Notes to securities)

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 sheets are as follows.

(Millions of yen)

Item	Previous fiscal year	Current fiscal year
Shares of subsidiaries	17,410	17,485
Shares of associates	1,753	1,410
Total	19,163	18,895

(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, 2022)	Current fiscal year (As of March 31, 2023)
Deferred tax assets		
Depreciation	658	642
Provision for retirement benefits for directors (and other officers)	109	94
Provision for retirement benefits	24	25
Allowance for doubtful accounts	17	13
Book value of share trust	117	117
Provision for bonuses	684	869
Impairment losses	284	257
Loss from adjustment to gain on sale of land	111	111
Other	637	523
Subtotal	2,645	2,655
Valuation allowance	(609)	(573)
Total deferred tax assets	2,035	2,082
Deferred tax liabilities		
Forward foreign exchange	(87)	(67)
Prepaid pension cost	(291)	(317)
Reserve for tax purpose reduction entry of non-current assets	(442)	(426)
Valuation difference on available-for-sale securities	(841)	(1,587)
Valuation difference of land accompanied by business combinations	(610)	(612)
Total deferred tax liabilities	(2,271)	(3,011)
Balance of net deferred tax assets (liabilities)	(236)	(929)

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, 2022)	Current fiscal year (As of March 31, 2023)
Normal effective statutory tax rate	30.4%	30.4%
(Adjustments)		
Entertainment expenses and other expenses not counted for tax purposes	0.2%	0.4%
Dividend income and other items not counted for tax purposes	(3.8%)	(4.7%)
Valuation allowance	0.3%	(0.5%)
Inhabitant tax on per capita basis	0.6%	0.7%
Tax credits for research and development	(0.9%)	(0.9%)
Tax credits under tax measure to promote wage increases	−	(3.9%)
Gain from merger transactions	(7.6%)	−
Effect of merger transactions	0.4%	−
Withholding tax on dividends from foreign subsidiaries	0.5%	1.4%
Other	0.0%	(0.4%)
Actual effective tax rate	20.2%	22.3%

(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)

Statement has been omitted as the same information is presented in “Notes (Significant subsequent events)” in the consolidated financial statements.

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	7,842	1,522	7	549	8,808	22,541
	Structures	911	209	16	90	1,013	4,862
	Machinery and equipment	6,001	1,345	10	973	6,363	42,518
	Vehicles	136	60	0	74	122	919
	Tools, furniture and fixtures	772	386	0	266	891	3,196
	Land	5,934	—	64	—	5,870	—
	Construction in progress	390	4,063	3,523	—	930	—
	Total	21,989	7,587	3,622	1,953	24,001	74,037
Intangible assets	Software	77	24	—	31	70	1,192
	Other	37	—	—	0	37	237
	Total	115	24	—	32	108	1,429

(Note) Major increases in “Increase during the period” are as follows:

Buildings: Yahata Plant, Warehouse	¥606 million
Buildings: East Japan Branch, Employee dormitory	¥505 million
Machinery and equipment: Yahata Plant, Production equipment	¥280 million
Machinery and equipment: Bizen Plant, Production equipment	¥190 million
Machinery and equipment: Yahata Plant, Production equipment	¥115 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	58	—	13	44
Provision for bonuses	2,552	2,860	2,552	2,860
Provision for loss on construction contracts	105	3	81	27
Provision for retirement benefits for directors (and other officers)	360	86	137	310

(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 131st fiscal year (from April 1, 2021 to March 31, 2022) and documents attached thereto, and Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on June 29, 2022.

(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, 2022.

(3) Quarterly Securities Report and Document of Confirmation thereof
The Quarterly Securities Report for the First Quarter (from April 1, 2022 to June 30, 2022) of the 132nd fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on August 5, 2022.
The Quarterly Securities Report for the Second Quarter (from July 1, 2022 to September 30, 2022) of the 132nd fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on November 11, 2022.
The Quarterly Securities Report for the Third Quarter (from October 1, 2022 to December 31, 2022) of the 132nd fiscal year and the Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on February 10, 2023.

(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, 2022.

(5) Amendment Report for Annual Securities Report and Document of Confirmation thereof
The Amendment Report for Annual Securities Report for the 131st fiscal year (from April 1, 2021 to March 31, 2022) and Document of Confirmation thereof were submitted to the Director-General of the Kanto Local Finance Bureau on August 4, 2022.

(6) Shelf Registration Statements (straight bond) and documents attached thereto
Submitted to the Director-General of the Kanto Local Finance Bureau on December 9, 2022

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, 2023

To the Board of Directors of KROSAKI HARIMA CORPORATION.

KPMG AZSA LLC
Fukuoka Office

Yoshinao Abe (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takahiro Toyama (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 sheets as at March 31, 2023, 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, 2023, 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 sheets of KROSAKI HARIMA CORPORATION for the current fiscal year includes ¥3,110 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 volume and growth 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 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 volume and growth rate projections based on an analysis of the status of achievement of past management plans and the causes of differences between plans and results. ・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.

Internal Control Audit

Opinion

We also have audited the accompanying internal control report of KROSAKI HARIMA CORPORATION as at March 31, 2023, 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, 2023, 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, 2023

To the Board of Directors of KROSAKI HARIMA CORPORATION.

KPMG AZSA LLC
Fukuoka Office

Yoshinao Abe (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takahiro Toyama (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 sheets as at March 31, 2023, 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, 2023, 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
Shares of subsidiaries and associates on the balance sheets 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. This accounts for 12.4% of the Company’s total assets of ¥125,673 million. 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. Shares of TRL KROSAKI REFRACTORIES LIMITED have relatively high significance in the financial statements. Impairment recognition may therefore have a large impact on the financial statements as a whole. 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. (2) Assessment of the appropriateness of the decision regarding the necessity of impairment recognition for shares of TRL KROSAKI REFRACTORIES LIMITED In order to assess the appropriateness of the decision regarding the necessity of impairment recognition for shares of TRL KROSAKI REFRACTORIES LIMITED, we primarily conducted the following procedures, in addition to questioning management and reviewing related materials. ・We sent an audit instruction to the auditors of TRL KROSAKI REFRACTORIES LIMITED and received a report on the results of implemented procedures. We then verified whether sufficient and appropriate audit evidence had been obtained with regard to the financial figures of TRL KROSAKI REFRACTORIES LIMITED. ・We recalculated the real value of the shares of TRL KROSAKI REFRACTORIES LIMITED based on its net assets and the Company’s ownership ratio. We then reviewed the accuracy of the real value and checked whether the real value had declined significantly compared to the book value.

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.