QUARTERLY SECURITIES REPORT

(The second quarter of the 132nd fiscal year)

KROSAKI HARIMA CORPORATION

QUARTERLY SECURITIES REPORT

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

Contents

[Cover]

[Document Submitted]	Quarterly Securities Report (“*Shihanki Hokokusho*”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 4-7-1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	November 11, 2022
[Accounting Period]	The second quarter of the 132nd fiscal year (from July 1, 2022 to September 30, 2022)
[Company Name]	KROSAKI HARIMA Kabushiki Kaisha
[Company Name in English]	KROSAKI HARIMA CORPORATION (the “Company”)
[Position and Name of Representative]	Kazuhiro Egawa, President
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[Contact for Communications]	Hajime Nishiyama, General Manager of General Administration Department
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) Securities Membership Corporation, Fukuoka Stock Exchange (2-14-2, Tenjin, Chuo-ku, Fukuoka City, Fukuoka, Japan)

Part I. Information on the Company
I. Overview of the Company

1. Key Financial Data and Trends

(Millions of yen, unless otherwise stated)

Fiscal period	For the six months ended September 30, 2021 of 131st fiscal year	For the six months ended September 30, 2022 of 132nd fiscal year	131st Fiscal Year
Period of account	From April 1, 2021 To September 30, 2021	From April 1, 2022 To September 30, 2022	From April 1, 2021 To March 31, 2022
Net sales	65,112	80,591	133,778
Ordinary profit	4,557	5,685	8,679
Profit attributable to owners of parent	3,017	3,576	5,490
Comprehensive income	3,965	8,750	7,815
Net assets	66,078	75,369	69,084
Total assets	132,950	157,590	142,694
Profit per share (Yen)	358.28	424.74	651.91
Diluted profit per share (Yen)	—	—	—
Equity ratio (%)	47.2	45.0	45.8
Net cash provided by (used in) operating activities	2,842	(480)	4,120
Net cash provided by (used in) investing activities	(1,878)	(2,024)	(3,608)
Net cash provided by (used in) financing activities	(724)	1,945	(1,022)
Cash and cash equivalents at end of period	5,725	4,813	5,012

Fiscal period	For the six months ended September 30, 2021 of 131st fiscal year	For the six months ended September 30, 2022 of 132nd fiscal year
Period of account	From July 1, 2021 To September 30, 2021	From July 1, 2022 To September 30, 2022
Profit per share (Yen)	178.13	169.67

(Notes) 1. Key financial data and trends of the filing company are not shown since the Company prepares quarterly consolidated financial statements.

2. “Diluted profit per share” is not shown since there was no dilutive stock.

2. Description of Business

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

There were no material changes to the description of business of each of the segments during the six months ended September 30, 2022.

The changes in major subsidiaries and affiliates are as follows:

Refractories

IFGL Refractories Limited was excluded from the scope of application of the equity method due to reduced influence, effective from the second quarter under review.

Furnace

There were no changes in major subsidiaries and affiliates.

Ceramics

There were no changes in major subsidiaries and affiliates.

Real Estate

There were no changes in major subsidiaries and affiliates.

Others

There were no changes in major subsidiaries and affiliates.

As a result, as of September 30, 2022, the Group is composed of the Company, 11 consolidated subsidiaries, and two companies accounted for by the equity method.

II. Business Overview

1. Business and Other Risks

During the six months ended September 30, 2022, of the matters related to the status of business, accounting, and other information stated in this quarterly securities report, there were no incidences of the major risks recognized by management as potentially having a material impact on the financial position, operating results, and cash flows of consolidated companies. There were also no material changes to the "Business and Other Risks" stated in the annual securities report for the previous fiscal year.

No significant events, etc. exist.

2. Management's Analysis of Financial Position, Operating Results, and Cash Flows

The forward-looking statements included in this section are based on assessments as of September 30, 2022.

(1) Operating results

During the six months ended September 30, 2022, the domestic total crude steel output in the steel industry, the Group's main customers, decreased by 7.5% year on year, to 44.8 million tons. Worldwide crude steel output from January to September 2022, as announced by the World Steel Association, decreased by 4.3% year on year to 1,405.2 million tons, despite an increase of 6.4% year on year to 93.3 million tons in India.

Net sales

Net sales increased by ¥15,478 million from a year earlier to ¥80,591 million (a 23.8% increase year-on-year). This was mainly attributable to business expansion in the strong Indian steel market and sales expansion 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. By region, net sales were ¥42,655 million (an 11.0% increase year-on-year) in Japan, ¥16,374 million (a 46.5% increase year-on-year) in India, ¥5,542 million (a 35.3% increase year-on-year) in Asia, ¥9,778 million (a 53.6% increase year-on-year) in Europe, and ¥6,240 million (a 23.8% increase year-on-year) in Others. Overseas sales amounted to ¥37,935 million (a 42.2% increase year-on-year), and the ratio of overseas sales to total sales was 47.1% (up by 6.1 points year-on-year).

Gross profit

Gross profit increased by ¥1,941 million from a year earlier to ¥14,504 million (a 15.5% increase year-on-year). The ratio of gross profit to net sales decreased by 1.3 points from a year earlier to 18.0%.

Operating profit

Operating profit increased by ¥704 million from a year earlier to ¥4,914 million (a 16.7% increase year-on-year), and the ratio of operating profit to net sales decreased by 0.4 points from a year earlier to 6.1%. Selling, general and administrative expenses increased by ¥1,236 million from a year earlier to ¥9,590 million (a 14.8% increase year-on-year).

Ordinary profit

Ordinary profit increased by ¥1,127 million from a year earlier to ¥5,685 million (a 24.7% increase year-on-year) and the ratio of ordinary profit to net sales increased by 0.1 point from a year earlier to 7.1%. Non-operating income increased by ¥578 million from a year earlier to ¥1,165 million (a 98.5% increase year-on-year) due to the increase in foreign exchange gains, and non-operating expenses increased by ¥155 million from a year earlier to ¥394 million (a 65.0% increase year-on-year) due to the increase in loss on removal of non-current assets.

Profit attributable to owners of parent

Profit attributable to owners of parent increased by ¥559 million from a year earlier to ¥3,576 million (an 18.5% increase year-on-year). Extraordinary income decreased by ¥56 million from a year earlier to ¥8 million (an 86.6% decrease year-on-year) due to the decrease in gain on sale of non-current assets, and extraordinary losses decreased by ¥15 million from a year earlier to ¥10 million (a 58.5% decrease year-on-year) due to a decrease in loss on retirement of non-current assets.

Operating results by business segment for the six months ended September 30, 2022 are as follows:

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

Refractories

Net sales in the Refractories segment increased by 28.0% from a year earlier to ¥68,701 million. This was mainly attributable to business expansion in the strong Indian steel market and sales expansion 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. Primarily due to the net sales increase and productivity improvements, segment profit increased by 23.8% from a year earlier to ¥3,643 million.

Furnace

Net sales in the Furnace segment increased by 8.3% from a year earlier to ¥6,999 million owing to orders received for large-scale construction projects. Primarily due to the net sales increase and cost reductions, segment profit increased by 62.1% from a year earlier to ¥411 million.

Ceramics

Net sales in the Ceramics segment decreased by 2.7% from a year earlier to ¥4,137 million. This was mainly because, although demand for ceramic materials for electronic components was strong, sales of thermal insulation materials for fuel cells declined owing to the impact of China's COVID-19 lockdowns. Segment profit decreased by 20.7% from a year earlier to ¥552 million.

Real estate

Net sales in the Real Estate segment remained unchanged from a year earlier at ¥368 million. Segment profit increased by 0.5% from a year earlier to ¥300 million.

Others

Net sales in Others segment increased by 6.6% from a year earlier to ¥383 million. Segment profit decreased by 95.1% from a year earlier to ¥0 million, due to the time lag in reflecting rising costs in sales prices.

(2) Financial position

The financial position as of September 30, 2022 was as follows:

1) Assets

The Group's consolidated total assets increased by ¥14,896 million from the previous fiscal year end to ¥157,590 million. Current assets increased by ¥12,018 million to ¥103,346 million, and non-current assets increased by ¥2,877 million to ¥54,243 million.

The growth in current assets was primarily due to the increases in notes and accounts receivable - trade, and contract assets associated with the increase in net sales. The increase in non-current assets was primarily due to the increase in machinery, equipment and vehicles associated with the acquisition of machinery and equipment.

2) Liabilities

The Group's consolidated total liabilities increased by ¥8,610 million from the previous fiscal year end to ¥82,220 million. Current liabilities increased by ¥8,939 million to ¥57,349 million and non-current liabilities decreased by ¥328 million to ¥24,870 million.

The increase in current liabilities was primarily due to the increases in short-term borrowings and commercial papers. The decrease in non-current liabilities was primarily due to a decrease in long-term borrowings due to the timing of refinancing those borrowings.

3) Net assets

The Group's net assets increased by ¥6,285 million from the previous fiscal year end to ¥75,369 million.

The increase in net assets was primarily due to the increase in retained earnings associated with the recording of profit attributable to owners of parent and the increase in foreign currency translation adjustment.

(3) Status of cash flows

The Group's cash and cash equivalents (hereinafter, "net cash") as of September 30, 2022 decreased by ¥198 million from the previous fiscal year end to ¥4,813 million.

Status of cash flows during the six months ended September 30, 2022 were as follows:

1) Cash flows from operating activities

Net cash used in operating activities amounted to ¥480 million compared to an inflow of ¥2,842 million for the same period in the previous fiscal year.

This consisted primarily of ¥5,683 million in profit before income taxes, ¥1,693 million in depreciation, a ¥4,852 million increase in trade receivables, and a ¥2,504 million increase in inventories.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥2,024 million compared to an outflow of ¥1,878 million for the same period in the previous fiscal year.

This consisted primarily of ¥1,932 million in purchase of non-current assets including facilities.

3) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥1,945 million compared to an outflow of ¥724 million for the same period in the previous fiscal year.

This consisted primarily of a ¥2,000 million increase in commercial papers, ¥3,000 million in proceeds from long-term borrowings, and ¥3,400 million in repayments of long-term borrowings.

(4) Information on capital resources and cash liquidity

The balance of interest-bearing liabilities as of September 30, 2022 was ¥38,115 million, an increase from the previous fiscal year end of ¥3,917 million.

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

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

(6) Business and financial issues to be preferentially addressed

There were no material changes or new issues to be preferentially addressed in the six months ended September 30, 2022.

(7) Research and development activities

Research and development costs in the six months ended September 30, 2022 amounted to ¥461 million.

There were no material changes in the research and development activities of the Group in the six months ended September 30, 2022.

3. Material Business Agreements, etc.

No agreements, etc. that are material to management were decided or concluded during the second quarter under review.

III. Information on the Filing Company

1. Information on the Company's Stocks

(1) Total number of stocks, etc.

1) Total number of stocks

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

2) Total number of stocks issued

Class	As of September 30, 2022 (Stocks)	As of the submission date (November 11, 2022) (Stocks)	Stock exchange on which the Company is listed	Description
Common stock	9,114,528	9,114,528	Prime Market of the Tokyo Stock Exchange The Fukuoka Stock Exchange	One unit of stock constitutes 100 stocks.
Total	9,114,528	9,114,528	—	—

(2) Status of subscription rights to shares

1) Stock option plans

Not applicable

2) Other status of subscription rights to shares

Not applicable

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

Not applicable

(4) Changes in the total number of stocks issued and the amount of capital stock and other

(Millions of yen, unless otherwise stated)

Date	Changes in the total number of stocks issued (Stocks)	Balance of the total number of stocks issued (Stocks)	Changes in capital stock	Balance of capital stock	Changes in legal capital surplus	Balance of legal capital surplus
September 30, 2022	—	9,114,528	—	5,537	—	5,138

(5) Major shareholders

As of September 30, 2022

Name	Address	Number of stocks held (Thousands of stocks)	Percentage of stocks held to the total number of stocks issued (excluding treasury shares) (%)
NIPPON STEEL CORPORATION	2-6-1, Marunouchi, Chiyoda-ku, Tokyo	3,908	46.41
Custody Bank of Japan, Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo	815	9.69
The Master Trust Bank of Japan, Ltd.	2-11-3, Hamamatsucho, Minato-ku, Tokyo	626	7.44
RE FUND 107-CLIENT AC (Standing proxy: Citibank, N.A., Tokyo Branch)	MINISTRIES COMPLEX ALMURQAB AREA KUWAIT KW 13001 (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	200	2.37
The Bank of Fukuoka	2-13-1, Tenjin, Chuo-ku, Fukuoka City, Fukuoka	185	2.21
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo	70	0.83
YASKAWA Electric Corporation	2-1 Kurosakishiroishi, Yahatanishi-ku, Kitakyushu City, Fukuoka	70	0.83
THE BANK OF NEW YORK MELLON 140042 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A (Shinagawa Intercity Tower A 2-15-1, Konan, Minato-ku, Tokyo)	57	0.68
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)	56	0.67
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	—	6,044	71.78

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

2. In addition to the stocks above, the Company owns 693,213 shares of treasury shares.
The aforementioned number of treasury shares is what is listed in the register of shareholders. The actual number of treasury shares is 693,113 as of September 30, 2022.

(6) Status of voting rights

1) Issued stocks

As of September 30, 2022

Classification	Number of stocks (Stocks)		Number of voting rights (Units)	Details
Stocks without voting rights	—		—	—
Stocks with limited voting rights (treasury shares, etc.)	—		—	—
Stocks with limited voting rights (others)	—		—	—
Stocks with full voting rights (treasury shares, etc.)	(Treasury shares) Common stock	693,100	—	—
Stocks with full voting rights (others)	Common stock	8,332,900	83,329	—
Stocks below one unit	Common stock	88,528	—	—
Total number of stocks issued		9,114,528	—	—
Total voting rights held by all shareholders	—		83,329	—

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

2. The number of stocks of common stock in the "Stocks below one unit" box includes 13 shares of treasury shares held by the Company and 37 stocks held by Japan Securities Depository Center, Inc.

2) Treasury shares, etc.

As of September 30, 2022

Shareholder	Address of shareholder	Number of stocks held under own name (Stocks)	Number of stocks held under the names of others (Stocks)	Total (Stocks)	Percentage of stocks held to the total number of issued stocks (%)
(Treasury shares) KROSAKI HARIMA CORPORATION	1-1, Higashihamamachi, Yahatanishi-ku, Kitakyushu City, Fukuoka	693,100	—	693,100	7.60
Total	—	693,100	—	693,100	7.60

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

2. Information on the Company's Officers

Not applicable

IV. Financial Information

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

2. Audit certification
   Pursuant to the first paragraph of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's quarterly consolidated financial statements for the second quarter of the fiscal year ending March 31, 2023 (July 1, 2022 to September 30, 2022) and the six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) were reviewed by KPMG AZSA LLC.

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)	2Q, Fiscal Year Ending March 31, 2023 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	5,012	4,813
Notes and accounts receivable - trade, and contract assets	44,666	51,399
Merchandise and finished goods	16,103	17,216
Work in process	3,293	3,854
Raw materials and supplies	13,772	16,479
Other	8,846	9,984
Allowance for doubtful accounts	(366)	(400)
Total current assets	91,328	103,346
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,744	44,890
Accumulated depreciation	(30,231)	(30,951)
Buildings and structures, net	13,513	13,939
Machinery, equipment and vehicles	70,467	73,552
Accumulated depreciation	(57,023)	(59,210)
Machinery, equipment and vehicles, net	13,443	14,341
Tools, furniture and fixtures	5,319	5,629
Accumulated depreciation	(4,170)	(4,366)
Tools, furniture and fixtures, net	1,148	1,263
Land	6,646	6,759
Construction in progress	1,581	2,061
Total property, plant and equipment	36,333	38,366
Intangible assets		
Goodwill	4,270	4,416
Other	506	543
Total intangible assets	4,776	4,959
Investments and other assets		
Investment securities	6,328	6,988
Retirement benefit asset	2,108	2,058
Deferred tax assets	162	160
Other	1,893	1,971
Allowance for doubtful accounts	(236)	(260)
Total investments and other assets	10,255	10,917
Total non-current assets	51,365	54,243
Total assets	142,694	157,590

(Millions of yen)

	Fiscal Year Ended March 31, 2022 (As of March 31, 2022)	2Q, Fiscal Year Ending March 31, 2023 (As of September 30, 2022)
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	6,603	6,762
Accounts payable - trade	16,943	18,059
Short-term borrowings	8,863	12,135
Commercial papers	6,000	8,000
Income taxes payable	1,231	1,707
Provision for bonuses	2,785	2,741
Provision for loss on construction contracts	105	23
Other	5,877	7,921
Total current liabilities	48,410	57,349
Non-current liabilities		
Long-term borrowings	19,334	17,980
Deferred tax liabilities	1,170	1,964
Provision for retirement benefits for directors (and other officers)	492	494
Retirement benefit liability	473	491
Asset retirement obligations	25	25
Other	3,702	3,914
Total non-current liabilities	25,198	24,870
Total liabilities	73,609	82,220
Net assets		
Shareholders' equity		
Share capital	5,537	5,537
Capital surplus	2,000	1,971
Retained earnings	57,419	58,793
Treasury shares	(1,650)	(1,651)
Total shareholders' equity	63,308	64,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,833	3,116
Deferred gains or losses on hedges	199	322
Foreign currency translation adjustment	(797)	2,162
Remeasurements of defined benefit plans	801	732
Total accumulated other comprehensive income	2,036	6,333
Non-controlling interests	3,739	4,384
Total net assets	69,084	75,369
Total liabilities and net assets	142,694	157,590

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2022 (April 1, 2021 to September 30, 2021)	First 2Qs, Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 30, 2022)
Net sales	65,112	80,591
Cost of sales	52,548	66,086
Gross profit	12,563	14,504
Selling, general and administrative expenses	*1 8,354	*1 9,590
Operating profit	4,209	4,914
Non-operating income		
Interest income	13	10
Dividend income	47	56
Share of profit of entities accounted for using equity method	146	213
Foreign exchange gains	197	672
Other	182	212
Total non-operating income	587	1,165
Non-operating expenses		
Interest expenses	142	217
Loss on removal of non-current assets	19	116
Other	77	61
Total non-operating expenses	239	394
Ordinary profit	4,557	5,685
Extraordinary income		
Gain on sale of non-current assets	41	8
Gain on sale of investment securities	23	—
Total extraordinary income	64	8
Extraordinary losses		
Loss on sale of non-current assets	—	1
Loss on retirement of non-current assets	25	9
Total extraordinary losses	25	10
Profit before income taxes	4,596	5,683
Income taxes - current	1,190	1,479
Income taxes - deferred	193	177
Total income taxes	1,384	1,657
Profit	3,211	4,025
Profit attributable to non-controlling interests	194	448
Profit attributable to owners of parent	3,017	3,576

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2022 (April 1, 2021 to September 30, 2021)	First 2Qs, Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 30, 2022)
Profit	3,211	4,025
Other comprehensive income		
Valuation difference on available-for-sale securities	(54)	1,283
Deferred gains or losses on hedges	20	122
Foreign currency translation adjustment	765	3,207
Remeasurements of defined benefit plans, net of tax	(41)	(68)
Share of other comprehensive income of entities accounted for using equity method	63	180
Total other comprehensive income	753	4,724
Comprehensive income	3,965	8,750
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,675	7,873
Comprehensive income attributable to non-controlling interests	290	876

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2022 (April 1, 2021 to September 30, 2021)	First 2Qs, Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	4,596	5,683
Depreciation	1,595	1,693
Amortization of goodwill	241	256
Increase (decrease) in provision for bonuses	265	(55)
Increase (decrease) in provision for environmental measures	(58)	—
Increase (decrease) in retirement benefit liability	(21)	(3)
Increase (decrease) in other provisions	3	(89)
Interest and dividend income	(60)	(66)
Interest expenses	142	217
Foreign exchange losses (gains)	(25)	(93)
Share of loss (profit) of entities accounted for using equity method	(146)	(213)
Loss (gain) on sale of non-current assets	(41)	(6)
Loss on retirement of non-current assets	25	9
Loss (gain) on sale of investment securities	(23)	—
Decrease (increase) in trade receivables	35	(4,852)
Decrease (increase) in inventories	(1,025)	(2,504)
Increase (decrease) in trade payables	(661)	(942)
Other, net	(819)	1,465
Subtotal	4,022	496
Interest and dividends received	198	303
Interest paid	(137)	(209)
Income taxes paid	(1,242)	(1,070)
Net cash provided by (used in) operating activities	2,842	(480)

(Millions of yen)

	First 2Qs, Fiscal Year Ended March 31, 2022 (April 1, 2021 to September 30, 2021)	First 2Qs, Fiscal Year Ending March 31, 2023 (April 1, 2022 to September 30, 2022)
Cash flows from investing activities		
Purchase of non-current assets	(1,996)	(1,932)
Proceeds from sale of non-current assets	48	30
Payments for retirement of non-current assets	(32)	(117)
Proceeds from sale of investment securities	68	—
Proceeds from sales of investments in capital of subsidiaries and associates	33	—
Loan advances	(1)	(0)
Proceeds from collection of loans receivable	8	6
Other, net	(6)	(12)
Net cash provided by (used in) investing activities	(1,878)	(2,024)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	628	1,465
Net increase (decrease) in commercial papers	(2,000)	2,000
Proceeds from long-term borrowings	2,288	3,000
Repayments of long-term borrowings	(584)	(3,400)
Purchase of treasury shares	(3)	(1)
Dividends paid	(928)	(843)
Dividends paid to non-controlling interests	(117)	(186)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(75)
Other, net	(8)	(13)
Net cash provided by (used in) financing activities	(724)	1,945
Effect of exchange rate change on cash and cash equivalents	184	361
Net increase (decrease) in cash and cash equivalents	423	(198)
Cash and cash equivalents at beginning of period	5,301	5,012
Cash and cash equivalents at end of period	*1 5,725	*1 4,813

[Notes]

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

For the six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
(Significant changes in the scope of application of the equity method) IFGL Refractories Limited was excluded from the scope of application of the equity method due to reduced influence, effective from the second quarter under review.

(Notes to Quarterly Consolidated Balance Sheets)

1. Contingent liabilities

(i) Guarantee obligation (Millions of yen)

Previous fiscal year (As of March 31, 2022)		Second quarter under review (As of September 30, 2022)	
HIBIKINADA DEVELOPMENT CO., LTD.		HIBIKINADA DEVELOPMENT CO., LTD.	
Loan from financial institution	1	Loan from financial institution	0
Employees		Employees	
Loan from financial institution for home loans	211	Loan from financial institution for home loans	209

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

	Previous fiscal year (As of March 31, 2022)	Second quarter under review (As of September 30, 2022)
Transfer balance of notes	331	290
Transfer balance of accounts receivable	15	7

(Notes to Quarterly Consolidated Statements of Income)

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

(Millions of yen)

	For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	For the six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Depreciation	138	122
Amortization of goodwill	241	256
Provision for bonuses	681	762
Retirement benefit costs	91	133
Provision for retirement benefits for directors (and other officers)	46	46
Shipment and haulage expenses	2,258	2,582
Directors' and auditors' compensations, salaries and allowances	2,033	2,226
Research and development costs	419	461

(Notes to Quarterly Consolidated Statements of Cash Flows)

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

(Millions of yen)

	For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	For the six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Cash and deposits	5,725	4,813
Cash and cash equivalents	5,725	4,813

(Notes to shareholders' equity)

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

1. Dividends paid

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

2. Dividends whose record date fell in the six months ended September 30, 2022, but whose effective date comes after September 30, 2022

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

3. Significant changes in shareholders' equity

Not applicable

II For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Dividends paid

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

2. Dividends whose record date fell in the six months ended September 30, 2022, but whose effective date comes after September 30, 2022

Resolution	Class of stocks	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date	Source of dividends
Board of Directors' Meeting at October 31, 2022	Common stock	926	110.0	September 30, 2022	November 25, 2022	Retained earnings

3. Significant changes in shareholders' equity

Not applicable

(Segments of an enterprise and related information)
[Segment information]

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

1. Net sales and profit or loss by reportable segments

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjust-ments (Note 2)	Consolidated (Note 3)
	Refractories	Furnace	Ceramics	Real estate	Subtotal				
Net sales									
External customers	53,664	6,465	4,253	368	64,752	359	65,112	—	65,112
Inter-segment or transfer	4	160	—	—	164	—	164	(164)	—
Total	53,669	6,626	4,253	368	64,917	359	65,277	(164)	65,112
Segment profit	2,943	254	696	298	4,193	19	4,213	(3)	4,209

(Notes) 1. The “Others” category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.
2. An adjustment of ¥(3) million in segment profit primarily consists of the elimination amount of unrealized gains.
3. Segment profit is adjusted for operating profit in the quarterly consolidated statements of income.

II For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Net sales and profit or loss by reportable segments

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjust-ments (Note 2)	Consolidated (Note 3)
	Refractories	Furnace	Ceramics	Real estate	Subtotal				
Net sales									
External customers	68,701	6,999	4,137	368	80,207	383	80,591	—	80,591
Inter-segment or transfer	5	128	—	—	133	—	133	(133)	—
Total	68,707	7,127	4,137	368	80,341	383	80,725	(133)	80,591
Segment profit	3,643	411	552	300	4,907	0	4,908	5	4,914

(Notes) 1. The “Others” category is a business segment which is not included in the reportable segments and includes production and sale of lime for steel mills.
2. An adjustment of ¥5 million in segment profit primarily consists of the elimination amount of unrealized gains.
3. Segment profit is adjusted for operating profit in the quarterly consolidated statements of income.

(Notes to revenue recognition)

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

(Millions of yen)

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

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

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(Millions of yen)

	Reportable segments					Others (Note)	Total
	Refractories	Furnace	Ceramics	Real estate	Subtotal		
Japan	31,411	6,986	3,504	—	41,903	383	42,286
India	16,371	—	3	—	16,374	—	16,374
Asia	5,057	12	472	—	5,542	—	5,542
Europe	9,653	—	124	—	9,778	—	9,778
Other	6,207	—	32	—	6,240	—	6,240
Revenue from contract(s) with customers	68,701	6,999	4,137	—	79,839	383	80,222
Other revenues	—	—	—	368	368	—	368
Sales to external customers	68,701	6,999	4,137	368	80,207	383	80,591

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

(Per share information)

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

(Millions of yen, unless otherwise stated)

Item	For the six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	For the six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Profit per share (Yen)	358.28	424.74
(Basis for calculation)		
Profit attributable to owners of parent	3,017	3,576
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent related to common stock	3,017	3,576
Weighted average number of common stock during the period (Thousands of stocks)	8,422	8,421

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

2. Others

With regard to the interim dividend for the 132nd fiscal year (from April 1, 2022 to March 31, 2023), the Board of Directors, at a meeting held on October 31, 2022, resolved to pay an interim dividend to shareholders recorded in the register of shareholders as of September 30, 2022, as follows:

1) Total amount of dividend	¥926 million
2) Amount per share	¥110.00
3) Effective date of the right to claim payment and date of commencement of payment	November 25, 2022

Part II. Information on Guarantors for the Filing Company

Not applicable

<u>Independent Auditor’s Report on Quarterly Review of the Financial Statements</u>

November 11, 2022

To the Board of Directors of KROSAKI HARIMA CORPORATION.

KPMG AZSA LLC
Fukuoka Office

Yoshinao Abe
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Takahiro Toyama
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Conclusion

We have conducted a quarterly review of the accompanying quarterly consolidated financial statements of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries provided in the “Financial Information” section in the company’s Quarterly Securities Report, which comprise the quarterly consolidated balance sheets as at September 30, 2022, the quarterly consolidated statements of income, the quarterly consolidated statements of comprehensive income, and the quarterly consolidated statements of cash flows for the six-month period then ended, and explanatory information, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.
In the quarterly review we have conducted, the quarterly consolidated financial statements are found to contain no matters, in all material respects, that would lead us to believe that the quarterly consolidated financial statements fail to present fairly the financial position of KROSAKI HARIMA CORPORATION and its consolidated subsidiaries as at September 30, 2022, and their financial performance and status of cash flows for the six-month period then ended in accordance with accounting principles for preparation of quarterly consolidated financial statements generally accepted in Japan.

Basis for Conclusion

We conducted our quarterly review in accordance with standards for quarterly review generally accepted in Japan. Our responsibilities under those standards are further described in the Independent Auditor’s Responsibility for the Quarterly Review of the Quarterly Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with provisions related to professional ethics in Japan, and we have fulfilled our other ethical responsibilities as an independent auditor. We believe that we have obtained the evidence to provide a basis for our conclusion.

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

Management is responsible for the preparation and fair presentation of these quarterly consolidated financial statements in accordance with accounting principles for preparation of quarterly consolidated financial statements generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and presentation of quarterly consolidated financial statements that are free from material misstatements, whether due to fraud or error.
In preparing the quarterly consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the quarterly consolidated financial statements in accordance with the premise of going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles for preparation of quarterly consolidated financial statements generally accepted in Japan.
Auditors and the Board of Auditors are responsible for overseeing the Directors’ performance of their duties related to designing and operating the financial reporting process.

Independent Auditor's Responsibility for the Quarterly Review of the Quarterly Consolidated Financial Statements

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

- Conduct questioning procedures primarily to management and those who are responsible for financial and accounting matters, analytical procedures, and any other quarterly review procedures. Quarterly review procedures are limited procedures compared to audit of the annual financial statements that is conducted in accordance with auditing standards generally accepted in Japan.
- If the independent auditor determines that there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, he or she concludes whether the quarterly consolidated financial statements are found to contain no matters that would lead him or her to believe that the quarterly consolidated financial statements fail to present fairly those events or conditions in accordance with accounting principles for preparation of quarterly consolidated financial statements generally accepted in Japan, based on the evidence obtained. If there is a significant uncertainty, the independent auditor is required to draw attention in its report on quarterly review to the notes to the quarterly consolidated financial statements or, if the notes pertaining to the significant uncertainty are inadequate, issue a qualified conclusion or negative conclusion on the quarterly consolidated financial statements. While the conclusions of the independent auditor are based on the evidence obtained up to the date of its report on quarterly review, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation and notes to the quarterly consolidated financial statements are found to contain no matters that would lead the independent auditor to believe that the presentation and notes to the quarterly consolidated financial statements fail to be in accordance with accounting principles for preparation of quarterly consolidated financial statements generally accepted in Japan, assess the overall presentation, structure, and content of the quarterly consolidated financial statements, including related notes, and whether the quarterly consolidated financial statements are found to contain no matters that would lead him or her to believe that the quarterly consolidated financial statements fail to fairly present the underlying transactions and accounting events.
- Obtain evidence regarding the financial information of the Company and its consolidated subsidiaries to express a conclusion on the quarterly consolidated financial statements. The independent auditor is responsible for instructing, supervising, and implementing the quarterly review of the quarterly consolidated financial statements. The independent auditor is solely responsible for its conclusion.

The independent auditor reports to Auditors and the Board of Auditors regarding the scope and timing of implementation of the planned quarterly review, and significant findings on quarterly review.
The independent auditor also reports to Auditors and the Board of Auditors regarding its observance of provisions relevant to professional ethics in Japan and matters that may reasonably be thought to bear on its independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Other Matter

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

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