

April 15, 2008

Krosaki Harima Corporation

Memorandum of Understanding on Capital Participation in MAGNESITA of Brazil

Krosaki Harima Corporation (Headquartered in Kitakyushu City, Fukuoka; President: Hideki Furuno, hereinafter called the "Company") concluded a memorandum of understanding with MAGNESITA REFRACTORIOS S.A. (Headquartered in Município de Contagem, Estado de Minas Gerais, Brazil; President: Ronaldo Iabrudi, hereinafter called "MAGNESITA"), a leading refractory manufacturer in Brazil, and its shareholders that are parties to a shareholders agreement on MAGNESITA (hereinafter called the "Controlling Shareholders"), where the Company agreed to enter into a shareholders agreement on MAGNESITA with the Controlling Shareholders by newly making a 3% capital participation in MAGNESITA in a third-party allotment and to continue providing technology licensing to MAGNESITA. The definitive agreement will be executed after the final discussions and other procedures.

1. Direction of the Company's Global Development and Strengthening of Relationships with MAGNESITA

The Company has been stepping up efforts on global development to capture demand for refractory products as the global steelmakers expand their facilities. Currently, the Company operates 14 international subsidiaries and affiliates mainly in China, which is experiencing significant growth of crude steel production, Europe and North America.

The Company believes that the capital participation in MAGNESITA should help further enhance the enterprise value of both companies by further developing good relationships between the two companies to enjoy a range of benefits associated with strengthening of ties. The agreement is also expected to result in further reinforcement of the Company's global development. The Company expects the following as a result of the strengthening of relationships:

- 1) The Company will respond to growing demand for industrial and construction refractories associated with an increase in crude steel production in Latin America including Brazil going forward, as seen in system development plan of USIMINAS, an equity method company of Nippon Steel Corporation ("NSC"), and the two companies will also enhance their capabilities of responding to customer needs with a view to accessing the North American and European

markets.

- 2) Given the current circumstances where the stable materials procurement is critical for refractory products, the Company will enter into the long-term stable procurement arrangement and help assist mining development programs based on stronger ties with MAGNESITA which owns mines with abundant materials for refractories from the viewpoint of diversifying sources of supplies.

## 2. Relationships Between the Company and MAGNESITA

MAGNESITA is the largest refractory manufacturer in Latin America with a share of 75% in refractory for steel making in Brazil and 60% in refractory for steel making in Latin America. The Company has been providing technology licensing of a range of refractory technologies for steel making to MAGNESITA for 30 years. This agreement was reached as a result of talks between the Company and MAGNESITA about the future cooperative framework after the change in its controlling shareholders.

## 3. Discussion/Promotion of Specific Measures to Strengthen Partnership

A review committee will be set up at an early point to discuss the above measures for strengthening partnerships and to ensure a prompt execution. It was also agreed in principle to establish a forum for regular discussions among the Company, NSC, MAGNESITA and the Controlling Shareholders.

For inquiries on this transaction, please contact:

Administration and Human Resources Division, Krosaki Harima Corporation

TEL : 093-622-7224

## <Reference>

### 【Profile of MAGNESITA】

1. Name: MAGNESITA REFRATARIOS S.A.
2. Business: Manufacturing of refractory products, management of mining operations of refractory materials such as magnesia and dolomite, furnace construction, engineering, transportation, software development. Refractory solution services for steelmakers.
3. Location: Município de Contagem, Estado de Minas Gerais, Brazil
4. President: Ronaldo Iabrudi
5. Capital: R\$1,369 million (¥82.1 billion, ¥60/R\$)
6. Sales: R\$1,529 million (2007A, Consolidated) (¥91.7 billion, ¥60/R\$)
7. After-tax Income: R\$107 million (2007A, Consolidated) (¥6.4 billion, ¥60/R\$)

8. Major Shareholders: Funds established by Brazil GP and others (ALUMINA, GPCP4, GIF-II, GIF MINING and FIPMAG) have executed the shareholders' agreement and own a 59% stake.