

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 2009

August 12, 2008

Listed Company Name: KROSAKI HARIMA CORPORATION
 Listed on the Tokyo Stock Exchange and the Fukuoka Stock Exchange
 Securities Code: 5352 URL: <http://www.krosaki.co.jp/>
 Representative: Hideki Furuno, President
 Scheduled date of submitting the quarterly financial statements: August 12, 2008

(Figures shown are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2009 (April 1, 2008, to June 30, 2008)

(1) Consolidated Business Results (The percentages indicate the rates of increase or decrease compared with the preceding fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q FY Ending March 2009	23,594	--	744	--	760	--
1Q FY Ending March 2008	23,184	10.5	1,124	11.1	1,284	29.3

	Net income		Net income per share		Diluted net income per share	
	Millions of yen	%	Yen		Yen	
1Q FY Ending March 2009	381	--	4.30		--	
1Q FY Ending March 2008	711	(23.5)	8.13		--	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2008	90,170	33,826	36.3	369.75
March 31, 2008	79,017	33,245	40.7	362.66

Reference: Equity capital was ¥32,767 million as of June 30, 2008, and ¥32,142 million as of March 31, 2008.

2. Dividends

(Record date)	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
FY Ending March 2008	--	0.00	--	5.00	5.00
FY Ending March 2009	--	--	--	--	--
FY Ending March 2009 (Forecast)	--	0.00	--	5.00	5.00

Note: Revision of the above forecasts was not made in 1Q FY ending March 2009.

3. Forecast of Consolidated Business Results for the Year Ending March 31, 2009 (April 1, 2008, to March 31, 2009)

(The percentages indicate the rates of increase or decrease compared with the same period of the preceding fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim	49,000	--	2,500	--	2,400	--
Full year	98,000	2.8	5,000	0.1	4,800	0.1

	Net income		Net income per share	
	Millions of yen	%	Yen	
Interim	1,400	--	15.65	
Full year	2,800	(13.4)	31.30	

Note: Revision of the above forecasts was not made in FY ending March 2009.

4. Other Information

- (1) Changes in important subsidiaries involving a change in the scope of consolidation during the period: None
- (2) Adoption of simplified accounting methods and specific methods for quarterly accounting: Yes
For details, see "4. Other Information" on page 4 under the heading of Qualitative Information/Financial Statements.
- (3) Changes in accounting policies and procedures and the method of presentation for preparing quarterly consolidated financial statements (those stated in "Changes in Basis of Presentation of Quarterly Consolidated Financial Statements")
1. Changes associated with the revision of accounting standards: Yes
 2. Changes other than the above: Yes
- For details, see "4. Other Information" on page 5 under the heading of Qualitative Information/Financial Statements.
- (4) Number of shares issued and outstanding (common stock)
1. Number of shares issued and outstanding as of the period-end (including treasury shares):
1Q FY ending March 2009: 91,145,280 FY ending March 2008: 91,145,280
 2. Number of treasury shares as of the period-end:
1Q FY ending March 2009: 2,524,698 FY ending March 2008: 2,515,865
 3. Average number of shares outstanding:
1Q FY ending March 2009: 88,623,654 1Q FY ending March 2008: 87,439,516

Note: Statement regarding the proper use of financial forecasts and other special remarks:

- The above forecasts are based on certain assumptions available at present. Please understand that actual results may differ from those forecasts, depending on changes in business circumstances that may happen in the future. For details of the forecasts of business results, see "3. Qualitative Information on the Consolidated Performance Forecasts" on page 3 under the heading of Qualitative Information/Financial Statements.
- Effective from the fiscal year ending March 31, 2009, the Company has adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and the Guidance on the Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14). The Company prepares its quarterly consolidated financial statements in accordance with the "Regulations for Quarterly Consolidated Financial Statements."

Qualitative Information/Financial Statements

1. Qualitative Information on the Consolidated Business Performance

Consolidated net sales for the first quarter of the fiscal year ending March 2009 increased from the same quarter of the previous fiscal year to ¥23,594 million, mainly because the domestic crude steel output of Japan's steel industry, a major customer of the Krosaki Harima Group, increased 3.9% from the same quarter of the previous fiscal year, boosting the demand for refractories.

Consolidated operating income declined to ¥744 million, primarily due to elevated material prices for refractories.

As a result, consolidated ordinary income decreased to ¥760 million, and consolidated net income declined to ¥381 million. Net income per share was ¥4.30.

Consolidated business performance by industry segment was as follows.

[Refractories]

Despite the expanded demand for refractories due to increased crude steel output, the Refractories business suffered from the continued elevation of material prices for refractories. As a result, the segment's net sales for the first quarter of the fiscal year ending March 2009 were ¥18,023 million, and operating income was ¥713 million.

[Furnace Construction]

The Furnace Construction business enjoyed active demand for furnace construction and maintenance works. The segment's net sales were ¥3,576 million, and operating income was ¥286 million.

[Advanced Ceramics]

The Advanced Ceramics business was affected by the continued deterioration of the semiconductor manufacturing equipment market, a leading user of the Group's ceramics products. The segment's net sales were ¥1,073 million, and operating income was ¥33 million.

[Real Estate]

The Real Estate segment's net sales were ¥253 million, and operating income was ¥69 million.

[Others]

The Others segment experienced a decrease in sales of building and landscape materials, due to the continued stagnation of investments in housing and other construction led by the revision to the Building Standard Law and repairs of lime production facilities. As a result, the segment's net sales were ¥668 million, and operating income was ¥30 million.

Consolidated business performance by geographical segment was as follows.

[Japan]

The Group's net sales in Japan were ¥22,015 million, and operating income was ¥457 million.

[Other Regions]

The Group's net sales in areas other than Japan were ¥3,083 million, and operating income was ¥315 million.

2. Qualitative Information on the Consolidated Financial Position

The Group's consolidated total assets at the end of the first quarter of the fiscal year ending March 2009 increased ¥11,152 million from the previous year end to ¥90,170 million. Current assets increased ¥1,881

million to ¥43,610 million, primarily due to an increase in inventories. Fixed assets increased ¥9,271 million to ¥46,559 million, mainly owing to the acquisition of shares in MAGNESITA REFRATARIOS S.A., a leading refractory manufacturer in Brazil, and increased investment securities reflecting an overall rise in the prices of shares held by the Group.

Current liabilities increased ¥10,478 million to ¥38,148 million, mostly due to an increase in short-term debt. Long-term liabilities increased ¥93 million to ¥18,195 million, as increases in deferred tax liabilities and others were larger than decreases in deposits received and others.

Net assets increased ¥580 million to ¥33,826 million, mainly because an increase in the net unrealized gain on securities, reflecting an overall rise in shares held by the Group, was larger than a decrease in foreign currency translation adjustments.

As a result, the Group's equity ratio at the end of the first quarter of the fiscal year ending March 2009 was 36.3%.

Net assets per share increased from ¥362.66 at the previous year-end to ¥369.75.

3. Qualitative Information on the Consolidated Performance Forecasts

The interim and full-year consolidated performance forecasts for the fiscal year ending March 2009 released on May 15, 2008, remain unchanged.

4. Other Information

(1) Changes in important subsidiaries involving a change in the scope of consolidation during the period

None

(2) Adoption of simplified accounting methods and specific methods for quarterly accounting

1) Simplified accounting methods

(i) Calculation of estimated loss on ordinary receivables

Because it was recognized that the credit loss ratio at the end of the first quarter of the fiscal year ending March 2009 did not significantly vary from the credit loss ratio at the end of the previous fiscal year, the loss on ordinary receivables for the first quarter of the fiscal year ending March 2009 was estimated using the credit loss ratio at the end of the previous fiscal year.

(ii) Valuation of inventories

For the valuation of inventories at the end of the first quarter of the fiscal year ending March 2009, a physical inventory was omitted and a reasonable calculation method based on the actual inventories at the end of the previous fiscal year was applied.

(iii) Calculation of depreciation and amortization of fixed assets

With regard to the fixed assets that are depreciated or amortized by the declining-balance method, the depreciation and amortization expenses pertaining to the consolidated fiscal year are calculated using the method of dividing up the fiscal year into periods.

(iv) Calculation of income taxes and deferred tax assets and liabilities

Calculation of income taxes was limited to major taxable additions and subtractions and tax credits.

The recoverability of deferred tax assets was assessed based on the projections of future performance and the tax planning that were used in the previous fiscal year, because no significant changes were recognized in the business environment and in the occurrence of temporary differences during the

period from the end of the previous fiscal year to June 30, 2008.

2. Specific methods for quarterly accounting

None

(3) Changes in accounting policies and procedures and the method of presentation for preparing quarterly consolidated financial statements

1. Adoption of the Accounting Standard for Quarterly Financial Reporting, etc.

Effective from the fiscal year ending March 2009, the Company adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and the Guidance on the Accounting Standard for Quarterly Reporting (ASBJ Guidance No. 14). The Company prepares its quarterly consolidated financial statements in accordance with the “Regulations for Quarterly Consolidated Financial Statements.”

2. Changes in accounting policies and procedures

(i) Adoption of the Accounting Standard for Measurement of Inventories

Effective from the first quarter of the fiscal year ending March 2009, the Company adopted the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 5, 2006). As a result, the valuation method for inventories has changed from “stated at cost” to “stated at cost, with write-downs according to decreased profitability of assets.”

This change resulted in a decrease of ¥86 million each in gross profit, operating income, ordinary income and net income before income taxes and minority interests compared with the results that would have been obtained under the previous valuation method.

The effects of this change to segment information are stated in the applicable notes.

(ii) Adoption of the Practical Solution on the Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective from the first quarter of the fiscal year ending March 2009, the Company adopted the Practical Solution on the Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (Practical Issues Task Force No. 18 issued by ASBJ on May 17, 2006).

This adoption had no effect on operating income, ordinary income and net income before income taxes and minority interests.

This adoption had no effect on segment information.

(Additional Information)

1. Changes in the useful life of tangible fixed assets

The useful life of the Company’s machinery and equipment has been changed from 11 years to nine years, as a result of reviewing the reasonable estimates of useful economic life.

Regarding the machinery and equipment of the Company’s domestic consolidated subsidiaries, the Company reviewed the use of such assets in response to the 2008 revision to the Corporation Tax Law, and changed the useful life of tangible fixed assets, effective from the first quarter of the fiscal year ending March 2009.

This change decreased gross profit by ¥55 million, and operating income, ordinary income and net income before income taxes and minority interests each by ¥58 million, compared with the results that would have been obtained with the previous useful lives.

The effects of this change to segment information are stated in the applicable notes.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY Ending March 2009 First Quarter (As of June 30, 2008)	Condensed Balance Sheet for FY Ending March 2008 (As of March 31, 2008)
ASSETS		
Current assets:		
Cash and deposits	2,219	2,572
Notes and accounts receivable	20,953	20,662
Marketable securities	1	209
Commodities and products	8,138	7,383
Work in progress	3,854	3,250
Raw materials and supplies	5,644	5,055
Deferred tax assets	1,129	1,111
Other current assets	1,716	1,537
Allowance for doubtful accounts	(46)	(54)
Total current assets	43,610	41,729
Fixed assets:		
Tangible fixed assets:		
Buildings and structures	33,755	33,828
Accumulated depreciation	(22,680)	(22,472)
Buildings and structures (net)	11,074	11,355
Machinery, equipment and vehicles	52,034	52,205
Accumulated depreciation	(42,128)	(41,911)
Machinery, equipment and vehicles (net)	9,904	10,293
Tools, furniture and fixtures	3,598	3,569
Accumulated depreciation	(2,719)	(2,664)
Tools, furniture and fixtures (net)	879	904
Land	7,263	7,291
Construction in progress	1,136	453
Total tangible fixed assets	30,258	30,299
Intangible fixed assets:		
Goodwill	160	174
Other intangible fixed assets	312	326
Total intangible fixed assets	472	501
Investments and other assets:		
Investment in securities	13,327	4,440
Long-term loans	149	150
Deferred tax assets	104	109
Other investments and other assets	2,468	2,057
Allowance for doubtful accounts	(220)	(224)
Total investments and other assets	15,828	6,487
Total fixed assets	46,559	37,288
Total assets	90,170	79,017

(Millions of yen)

	FY Ending March 2009 First Quarter (As of June 30, 2008)	Condensed Balance Sheet for FY Ending March 2008 (As of March 31, 2008)
LIABILITIES		
Current liabilities:		
Notes and accounts payable	17,050	16,553
Short-term debt	14,149	3,598
Accrued expenses	1,878	2,371
Accrued income taxes, etc.	312	393
Accrued business office taxes	30	120
Accrued consumption taxes, etc.	104	235
Reserve for bonuses	985	1,954
Other current liabilities	3,636	2,441
Total current liabilities	38,148	27,669
Long-term liabilities:		
Long-term debt	8,810	8,830
Deferred tax liabilities	2,059	1,258
Reserve for employees' retirement benefits	855	839
Reserve for officers' retirement benefits	273	278
Allowance for product warranty	42	40
Long-term deposits received	4,928	5,577
Negative goodwill	1,194	1,244
Other long-term liabilities	31	32
Total long-term liabilities	18,195	18,102
Total liabilities	56,344	45,772
NET ASSETS		
Shareholders' equity:		
Capital	5,537	5,537
Capital surplus	5,138	5,138
Earned surplus	20,362	20,423
Treasury stock	(705)	(702)
Total shareholders' equity	30,333	30,397
Valuation and translation adjustments:		
Net unrealized gain on available-for-sale securities	2,332	1,273
Deferred gain (loss) on hedging transactions	35	(10)
Foreign currency translation adjustments	66	481
Total valuation and translation adjustments	2,434	1,744
Minority interests	1,059	1,103
Total net assets	33,826	33,245
Total liabilities and net assets	90,176	79,017

(2) Quarterly Consolidated Statement of Income

(Millions of yen)

	FY Ending March 2009 First Quarter (April 1, 2008, to June 30, 2008)
Net sales	23,594
Cost of sales	19,561
Gross profit	4,033
Selling, general and administrative expenses	3,289
Operating income	744
Non-operating income:	
Interest income	5
Dividend income	56
Amortization of goodwill	49
Equity in earnings of subsidiaries and affiliated companies	84
Other income	89
Total non-operating income	284
Non-operating expenses:	
Interest expense	63
Loss on transfer of receivables	60
Other expenses	144
Total non-operating expenses	268
Ordinary income	760
Special income:	
Gain on the previous fiscal term adjustment	8
Gain on sale of fixed assets	49
Gain on disposal of fixed assets	31
Gain on elimination of cross-held shares	34
Other income	3
Total special income	128
Special losses:	
Loss on the previous fiscal term adjustment	30
Loss on retirement of fixed assets	41
Gain on sale of fixed assets	0
Impairment loss	2
Advisory fee	38
Other special losses	3
Total special losses	117
Income before income taxes and minority interests	771
Income taxes	149
Prior-period income taxes	153
Deferred income taxes	43
Total income taxes	345
Minority interests	44
Net income	381

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	FY Ending March 2009 First Quarter (April 1, 2008, to June 30, 2008)
Cash flows from operating activities:	
Income before income taxes and minority interests	771
Depreciation	1,172
Impairment loss	2
Amortization of goodwill	14
Amortization of negative goodwill	(49)
Depreciation of long-term accrued expenses	6
Increase (Decrease) in allowance for doubtful accounts	(9)
Increase (Decrease) in allowance for bonuses	(969)
Increase (Decrease) in allowance for employees' retirement benefits	15
Increase (Decrease) in other allowances	(3)
Interest and dividend income	(62)
Interest payment	63
Currency translation (gain) loss	(4)
Equity in (earnings) loss of subsidiaries and affiliated companies	(84)
(Gain) Loss on the previous fiscal term adjustment	22
Loss on retirement of tangible fixed assets	41
(Gain) Loss on sale of tangible fixed assets	(48)
Advisory fee	38
(Gain) Loss on elimination of cross-held shares	(34)
(Increase) Decrease in accounts receivable	(516)
(Increase) Decrease in inventories	(2,260)
Increase (Decrease) in accounts payable	687
Other	201
Subtotal	<u>(1,004)</u>
Interest and dividends received	62
Interest paid	(63)
Income taxes paid	(384)
Net cash used in operating activities	<u>(1,389)</u>
Cash flows from investing activities:	
Payments into time deposits	(1)
Proceeds from repayment of time deposits	1
Payments for purchases of tangible fixed assets	(1,192)
Proceeds from sale of tangible fixed assets	61
Payments for purchases of intangible fixed assets	(13)
Payments for purchases of investment securities	(7,441)
Payments for investments in affiliated companies	(45)
Payments for providing loans	(26)
Proceeds from land expropriation	68
Advisory fee payments	(38)
Other	3
Net cash used in investing activities	<u>(8,623)</u>
Cash flows from financing activities:	
Proceeds from short-term borrowing	10,635
Payments for repayment of long-term debt	(77)
Payments for refunding deposits	(649)
Payments for purchases of treasury stock	(2)
Cash dividends paid	(443)
Dividends paid to minority shareholders	(3)
Net cash provided by financing activities	<u>9,459</u>
Effect of exchange rate changes on cash and cash equivalents	(51)
Increase (Decrease) in cash and cash equivalents	(606)
Cash and cash equivalents at the beginning of the year	2,766
Increase in cash and cash equivalents due to a merger with non-consolidated subsidiaries	44
Cash and cash equivalents at the end of the term	2,204

Effective from the fiscal year ending March 31, 2009, the Company has adopted the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and the Guidance on the Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14). The Company prepares its quarterly consolidated financial statements in accordance with the “Regulations for Quarterly Consolidated Financial Statements.”

(4) Notes on the premise of a going concern

First Quarter of Fiscal Ending March 2009 (from April 1, 2008, to June 30, 2008):

None.

(5) Segment Information

[Business Segment Information]

First Quarter of Fiscal Ending March 2009 (from April 1, 2008, to June 30, 2008):

(Millions of yen)

	Refractories	Furnace Construction	Advanced Ceramics	Real Estate	Others	Total	Eliminations/Corporate	Consolidated
Net sales	18,023	3,576	1,073	253	668	23,594	--	23,594
Operating income (loss)	713	286	33	69	(30)	1,071	(327)	744

Notes:

1. (1) Business segments were determined according to the categorization of sales.

(2) Primary sources of income in each segment:

Refractories: sale of refractory materials and technological know-how

Furnace Construction: work of furnace construction and related services, and sale of equipment

Advanced Ceramics: sale of fine ceramics for various industries

Real Estate: rent on real estate

Others: sale of landscape materials, lime products and building materials

2. Until the previous year, income from technological know-how had been included in the segment of Furnace Construction because it involves the supply of services. Effective from the first quarter of the fiscal year ending 2009, it is counted as income in the Refractories segment because the licensing of refractories manufacturing technologies, including the equity participation in MAGNESITA REFRATARIOS, is expected to have an increasing importance. This change increased net sales and operating income of the Refractories segment by ¥181 million and ¥169 million, respectively, while decreasing the net sales and operating income of the Furnace Construction segment by the same amounts, compared with the results that would have been obtained under the previous categorization.

3. As stated in “Changes in accounting policies and procedures and the method of presentation for preparing quarterly consolidated financial statements,” the Company adopted the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 5, 2006), effective from the first quarter of the fiscal year ending March 2009, and changed the valuation method for inventories from “stated at cost” to “stated at cost, with write-downs according to decreased profitability of assets.”

As a result, operating income of the Refractories segment decreased ¥86 million compared with the amount that would have been obtained under the previous valuation method.

4. As stated in “Additional Information,” the Company changed the useful life of its machinery and equipment from 11 years to nine years, as a result of reviewing the reasonable estimates of useful economic life. Regarding the machinery and equipment of the Company’s domestic consolidated subsidiaries, the Company reviewed the use of such assets in response to the 2008 revision to the Corporation Tax Law and changed the useful life of tangible fixed assets, effective from the first quarter of the fiscal year ending March 2009. This change decreased operating income by ¥49 million in the Refractories segment, ¥0 million in the Furnace Construction segment, ¥0 million in the Advanced Ceramics million and ¥7 million in the Others segment compared with the results that would have been obtained with the previous useful lives.

[Geographical Segment Information]

First Quarter of Fiscal Ending March 2009 (from April 1, 2008, to June 30, 2008):

(Millions of yen)

	Japan	Other Regions	Total	Eliminations/ Corporate	Consolidated
Net sales	22,015	3,083	25,098	(1,503)	23,594
Operating income	457	315	773	(29)	744

Notes:

- Geographical segments were determined by the mutual relevance of business operations.
- Major nations or regions included in "Other Regions": China, Spain and the United States
- As stated in "Changes in accounting policies and procedures and the method of presentation for preparing quarterly consolidated financial statements," the Company adopted the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 5, 2006), effective from the first quarter of the fiscal year ending March 2009, and changed the valuation method for inventories from "stated at cost" to "stated at cost, with write-downs according to decreased profitability of assets."
As a result, operating income of the Japan segment decreased ¥86 million compared with the amount that would have been obtained under the previous valuation method.
- As stated in "Additional Information," the Company changed the useful life of its machinery and equipment from 11 years to nine years, as a result of reviewing the reasonable estimates of useful economic life.
Regarding the machinery and equipment of the Company's domestic consolidated subsidiaries, the Company reviewed the use of such assets in response to the 2008 revision to the Corporation Tax Law and changed the useful life of tangible fixed assets, effective from the first quarter of the fiscal year ending March 2009.
This change decreased operating income by ¥58 million in the Japan segment compared with the amount that would have been obtained with the previous useful lives.

[Overseas Sales]

First Quarter of Fiscal Ending March 2009 (from April 1, 2008, to June 30, 2008):

	Asia	Europe	Other Regions	Total
I. Overseas sales (Millions of yen)	1,309	1,706	1,385	4,401
II. Consolidated net sales (Millions of yen)	--	--	--	23,594
III. Ratio of overseas sales to consolidated net sales (%)	5.6	7.2	5.9	18.7

Notes:

- The category of nation or region was determined by geographic proximity.
- Major nations or regions included in each category:
 - Asia: Taiwan, South Korea and China
 - Europe: Spain and the Netherlands
 - Other Regions: Brazil, Australia and the United States
- Overseas sales represent the sales of the Company and its consolidated subsidiaries in nations and regions outside Japan.

(6) Notes on a Significant Change in Shareholders' Equity

First Quarter of Fiscal Ending March 2009 (from April 1, 2008, to June 30, 2008):

None.

[Reference]

(Condensed) Consolidated Statement of Income for the First Quarter of the Previous Fiscal Year

(Millions of yen)

	FY Ending March 2008 First Quarter (April 1, 2007, to June 30, 2007)
I. Net sales	23,184
II. Cost of sales	18,788
Gross profit	4,396
III. Selling, general and administrative expenses	3,271
Operating income	1,124
IV. Non-operating income	324
V. Non-operating expenses	163
Ordinary income	1,284
VI. Special income	125
VII. Special losses	116
Net income before income taxes and minority interests	1,293
Income taxes	481
Minority interests	101
Net income	711