

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

November 13, 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: November 14, 2008

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

### 1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 2009 (April 1, 2008, to September 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 | %     |
| 2Q FY Ending March 2009 | 50,936          | --  | 2,716            | --     | 2,684           | --    |
| 2Q FY Ending March 2008 | 47,883          | 8.5 | 2,552            | (10.2) | 2,684           | (7.6) |

|                         | Net income      |        | Net income per share |  | Diluted net income per share |  |
|-------------------------|-----------------|--------|----------------------|--|------------------------------|--|
|                         | Millions of yen | %      | Yen                  |  | Yen                          |  |
| 2Q FY Ending March 2009 | 1,314           | --     | 14.83                |  | --                           |  |
| 2Q FY Ending March 2008 | 1,686           | (25.7) | 19.06                |  | --                           |  |

### (2) Consolidated Financial Position

|                    | Total assets    | Net assets      | Equity ratio | Net assets per share |
|--------------------|-----------------|-----------------|--------------|----------------------|
|                    | Millions of yen | Millions of yen | %            | Yen                  |
| September 30, 2008 | 89,569          | 31,718          | 34.1         | 344.99               |
| March 31, 2008     | 79,017          | 33,245          | 40.7         | 362.66               |

Reference: Equity capital was ¥30,560 million as of September 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            | --                 | 0.00   | --     | --       | --     |
| FY Ending March 2009 (Forecast) | --                 | --     | --     | 5.00     | 5.00   |

Note: Revision of the above forecasts was not made in 2Q 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 preceding fiscal year.)

|           | Net sales       |     | Operating income |     | Ordinary income |     |
|-----------|-----------------|-----|------------------|-----|-----------------|-----|
|           | Millions of yen | %   | Millions of yen  | %   | Millions of yen | %   |
| Full year | 98,000          | 2.8 | 5,000            | 0.1 | 4,800           | 0.1 |

|           | Net income      |        | Net income per share |  |
|-----------|-----------------|--------|----------------------|--|
|           | Millions of yen | %      | Yen                  |  |
| Full year | 2,800           | (13.4) | 31.30                |  |

Note: Revision of the above forecasts was not made in 2Q 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 4 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):  
2Q FY ending March 2009: 91,145,280      FY ending March 2008: 91,145,280
  2. Number of treasury shares as of the period-end:  
2Q FY ending March 2009: 2,559,445      FY ending March 2008: 2,515,865
  3. Average number of shares outstanding:  
2Q FY ending March 2009: 88,609,845      2Q FY ending March 2008: 88,483,413

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 4 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 half of the fiscal year ending March 2009 increased from the same period of the previous fiscal year to ¥50,936 million, mainly due to continued active demand for refractories owing to a 2.8% year-over-year increase in the domestic crude steel output of Japan's steel industry, a major customer of the Krosaki Harima Group, and upward product price revisions.

The growth of net sales increased consolidated operating income to ¥2,716 million, despite a rise in refractory material and procurement prices. Consolidated ordinary income remained unchanged at ¥2,684 million.

Consolidated net income declined to ¥1,314 million. Net income per share was ¥14.83.

Consolidated business performance by industry segment was as follows.

#### [Refractories]

Due to the expanded demand for refractories reflecting increased crude steel output, and upward product price revisions, the Refractories segment's net sales for the first half of the fiscal year ending March 2009 were ¥39,165 million, and operating income was ¥2,534 million.

#### [Furnace Construction]

Owing to continued active demand for furnace construction and maintenance works, the Furnace Construction segment's net sales were ¥7,615 million, and operating income was ¥636 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 ¥2,137 million, and operating income was ¥48 million.

#### [Real Estate]

The Real Estate segment's net sales were ¥507 million, and operating income was ¥143 million.

#### [Others]

As continued stagnation of investments in housing and other construction decreased sales of building and landscape materials, the Others segment's net sales were ¥1,511 million, and operating income was ¥50 million.

Consolidated business performance by geographical segment was as follows.

#### [Japan]

The Group's net sales in Japan were ¥47,752 million, and operating income was ¥2,115 million.

#### [Other Regions]

The Group's net sales in areas other than Japan were ¥6,694 million, and operating income was ¥686 million.

### 2. Qualitative Information on the Consolidated Financial Position

The Group's consolidated total assets at the end of the first half of the fiscal year ending March 2009 increased ¥10,551 million from the previous year-end to ¥89,569 million. Current assets increased ¥5,037 million to ¥46,767 million, primarily due to an increase in inventories. Fixed assets increased ¥5,513 million to ¥42,801 million, reflecting increased investment securities due to the acquisition of shares in MAGNESITA REFRATARIOS S.A., a leading refractory manufacturer in Brazil.

Current liabilities increased ¥13,217 million to ¥40,887 million, mostly due to an increase in short-term debt.

Long-term liabilities decreased ¥1,138 million to ¥16,963 million, primarily due to a decline in deposits received.

Net assets decreased ¥1,527 million to ¥31,718 million, primarily due to a net unrealized loss on available-for-sale securities, reflecting a sharp fall in the prices of shares held by the Group.

As a result, the Group's equity ratio at the end of the first half of the fiscal year ending March 2009 was 34.1%.

Net assets per share decreased from ¥362.66 at the previous year-end to ¥344.99.

### 3. Qualitative Information on the Consolidated Performance Forecasts

The 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 half 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 half of the fiscal year ending 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 half of the fiscal year ending March 2009, some of the Group's consolidated subsidiaries omitted a physical inventory and used a reasonable calculation method based on the actual inventories at the end of the previous fiscal year.

###### (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 September 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 ¥79 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 ¥112 million, and operating income, ordinary income and net income before income taxes and minority interests each by ¥119 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<br>Second Quarter<br>(As of September 30, 2008) | Condensed Balance Sheet<br>for FY Ending March 2008<br>(As of March 31, 2008) |
|---|--|---|
| <b>ASSETS</b>                           |  |   |
| Current assets:                         |  |   |
| Cash and deposits                       | 1,956  | 2,572   |
| Notes and accounts receivable           | 22,713   | 20,662  |
| Marketable securities                   | 1  | 209   |
| Commodities and products                | 8,133  | 7,383   |
| Work in progress                        | 4,746  | 3,250   |
| Raw materials and supplies              | 6,665  | 5,055   |
| Deferred tax assets                     | 1,294  | 1,111   |
| Other current assets                    | 1,309  | 1,537   |
| Allowance for doubtful accounts         | (54)   | (54)  |
| <b>Total current assets</b>             | <b>46,767</b>  | <b>41,729</b>   |
| Fixed assets:                           |  |   |
| Tangible fixed assets:                  |  |   |
| Buildings and structures                | 33,919   | 33,828  |
| Accumulated depreciation                | (22,977)   | (22,472)  |
| Buildings and structures (net)          | 10,941   | 11,355  |
| Machinery, equipment and vehicles       | 51,884   | 52,205  |
| Accumulated depreciation                | (42,241)   | (41,911)  |
| Machinery, equipment and vehicles (net) | 9,642  | 10,293  |
| Tools, furniture and fixtures           | 3,662  | 3,569   |
| Accumulated depreciation                | (2,776)  | (2,664)   |
| Tools, furniture and fixtures (net)     | 886  | 904   |
| Land                                    | 7,282  | 7,291   |
| Construction in progress                | 2,171  | 453   |
| Total tangible fixed assets             | 30,925   | 30,299  |
| Intangible fixed assets:                |  |   |
| Goodwill                                | 145  | 174   |
| Other intangible fixed assets           | 303  | 326   |
| Total intangible fixed assets           | 449  | 501   |
| Investments and other assets:           |  |   |
| Investment in securities                | 7,423  | 4,440   |
| Long-term loans                         | 259  | 105   |
| Deferred tax assets                     | 1,312  | 109   |
| Other investments and other assets      | 2,654  | 2,057   |
| Allowance for doubtful accounts         | (222)  | (224)   |
| Total investments and other assets      | 11,427   | 6,487   |
| <b>Total fixed assets</b>               | <b>42,801</b>  | <b>37,288</b>   |
| <b>Total assets</b>                     | <b>89,569</b>  | <b>79,017</b>   |

(Millions of yen)

|  | FY Ending March 2009<br>Second Quarter<br>(As of September 30, 2008) | Condensed Balance Sheet<br>for FY Ending March 2008<br>(As of March 31, 2008) |
|--|--|---|
| <b>LIABILITIES</b>                                   |  |   |
| Current liabilities:                                 |  |   |
| Notes and accounts payable                           | 19,904   | 16,553  |
| Short-term debt                                      | 12,827   | 3,598   |
| Accrued expenses                                     | 1,780  | 2,371   |
| Accrued income taxes, etc.                           | 860  | 393   |
| Accrued business office taxes                        | 62   | 120   |
| Accrued consumption taxes, etc.                      | 44   | 235   |
| Reserve for bonuses                                  | 1,947  | 1,954   |
| Deferred tax liabilities                             | 18   | -   |
| Other current liabilities                            | 3,442  | 2,441   |
| <b>Total current liabilities</b>                     | <b>40,887</b>  | <b>27,669</b>   |
| Long-term liabilities:                               |  |   |
| Long-term debt                                       | 8,800  | 8,830   |
| Deferred tax liabilities                             | 766  | 1,258   |
| Reserve for employees' retirement benefits           | 826  | 839   |
| Reserve for officers' retirement benefits            | 298  | 278   |
| Allowance for product warranty                       | 44   | 40  |
| Long-term deposits received                          | 4,928  | 5,577   |
| Negative goodwill                                    | 1,145  | 1,244   |
| Other long-term liabilities                          | 152  | 32  |
| <b>Total long-term liabilities</b>                   | <b>16,963</b>  | <b>18,102</b>   |
| <b>Total liabilities</b>                             | <b>57,850</b>  | <b>45,772</b>   |
| <b>NET ASSETS</b>                                    |  |   |
| Shareholders' equity:                                |  |   |
| Capital  | 5,537  | 5,537   |
| Capital surplus                                      | 5,138  | 5,138   |
| Earned surplus                                       | 21,288   | 20,423  |
| Treasury stock                                       | (714)  | (702)   |
| <b>Total shareholders' equity</b>                    | <b>31,250</b>  | <b>30,397</b>   |
| Valuation and translation adjustments:               |  |   |
| Net unrealized gain on available-for-sale securities | (1,149)  | 1,273   |
| Deferred gain (loss) on hedging transactions         | (13)   | (10)  |
| Foreign currency translation adjustments             | 472  | 481   |
| <b>Total valuation and translation adjustments</b>   | <b>(689)</b>   | <b>1,744</b>  |
| <b>Minority interests</b>                            | <b>1,157</b>   | <b>1,103</b>  |
| <b>Total net assets</b>                              | <b>31,718</b>  | <b>33,245</b>   |
| <b>Total liabilities and net assets</b>              | <b>89,569</b>  | <b>79,017</b>   |

## (2) Quarterly Consolidated Statement of Income

(Millions of yen)

|   | FY Ending March 2009<br>Second Quarter<br>(April 1, 2008, to<br>September 30, 2008) |
|---|---|
| Net sales   | 50,936  |
| Cost of sales   | 41,515  |
| <b>Gross profit</b>   | <b>9,421</b>  |
| Selling, general and administrative expenses                | 6,704   |
| <b>Operating income</b>                                     | <b>2,716</b>  |
| Non-operating income:                                       |   |
| Interest income   | 7   |
| Dividend income   | 69  |
| Amortization of goodwill                                    | 98  |
| Equity in earnings of subsidiaries and affiliated companies | 100   |
| Other income  | 117   |
| Total non-operating income                                  | 393   |
| Non-operating expenses:                                     |   |
| Interest expense  | 136   |
| Loss on transfer of receivables                             | 122   |
| Other expenses  | 167   |
| Total non-operating expenses                                | 425   |
| <b>Ordinary income</b>                                      | <b>2,684</b>  |
| Special income:   |   |
| Gain on the previous fiscal term adjustment                 | 10  |
| Gain on sale of fixed assets                                | 173   |
| Gain on disposal of fixed assets                            | 75  |
| Gain on elimination of cross-held shares                    | 34  |
| Other income  | 30  |
| Total special income  | 324   |
| Special losses:   |   |
| Loss on the previous fiscal term adjustment                 | 30  |
| Loss on retirement of fixed assets                          | 168   |
| Gain on sale of fixed assets                                | 1   |
| Impairment loss   | 4   |
| Advisory fee  | 68  |
| Environmental measures                                      | 521   |
| Other special losses  | 16  |
| Total special losses  | 810   |
| <b>Income before income taxes and minority interests</b>    | <b>2,198</b>  |
| Income taxes  | 872   |
| Prior-period income taxes                                   | 160   |
| Deferred income taxes                                       | (217)   |
| Total income taxes  | 815   |
| Minority interests  | 68  |
| <b>Net income</b>   | <b>1,314</b>  |

## (3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

|   | FY Ending March 2009<br>Second Quarter<br>(April 1, 2008, to<br>September 30, 2008) |
|---|---|
| <b>Cash flows from operating activities:</b>  |   |
| Income before income taxes and minority interests   | 2,198   |
| Depreciation  | 2,268   |
| Impairment loss   | 4   |
| Amortization of goodwill  | 29  |
| Amortization of negative goodwill   | (98)  |
| Depreciation of long-term accrued expenses  | 13  |
| Increase (Decrease) in allowance for doubtful accounts  | (0)   |
| Increase (Decrease) in allowance for bonuses  | (7)   |
| Increase (Decrease) in allowance for employees' retirement benefits                             | (12)  |
| Increase (Decrease) in other allowances   | 24  |
| Interest and dividend income  | (76)  |
| Interest payment  | 136   |
| Currency translation (gain) loss  | (1)   |
| Equity in (earnings) loss of subsidiaries and affiliated companies                              | (100)   |
| (Gain) Loss on the previous fiscal term adjustment  | 20  |
| Loss on retirement of tangible fixed assets   | 168   |
| (Gain) Loss on sale of tangible fixed assets  | (172)   |
| Advisory fee  | 68  |
| (Gain) Loss on elimination of cross-held shares   | (34)  |
| (Increase) Decrease in accounts receivable  | (2,077)   |
| (Increase) Decrease in inventories  | (3,896)   |
| Increase (Decrease) in accounts payable   | 3,317   |
| Others  | (448)   |
| Subtotal  | 1,321   |
| Interest and dividends received   | 94  |
| Interest paid   | (138)   |
| Income taxes paid   | (173)   |
| <b>Net cash used in operating activities</b>  | <b>1,104</b>  |
| <b>Cash flows from investing activities:</b>  |   |
| Payments into time deposits   | (1)   |
| Proceeds from repayment of time deposits  | 18  |
| Payments for purchases of tangible fixed assets   | (2,605)   |
| Proceeds from sale of tangible fixed assets   | 184   |
| Payments for retirement of tangible fixed assets  | (146)   |
| Payments for purchases of intangible fixed assets   | (3)   |
| Payments for purchases of investment securities   | (7,443)   |
| Payments for investments in affiliated companies  | (45)  |
| Payments for providing loans  | (66)  |
| Proceeds from collection of loans   | 2   |
| Proceeds from land expropriation  | 68  |
| Advisory fee payments   | (52)  |
| Others  | 71  |
| <b>Net cash used in investing activities</b>  | <b>(10,019)</b>   |
| <b>Cash flows from financing activities:</b>  |   |
| Proceeds from short-term borrowing  | 9,292   |
| Payments for repayment of long-term debt  | (97)  |
| Payments for refunding deposits   | (649)   |
| Payments for purchases of treasury stock  | (11)  |
| Cash dividends paid   | (440)   |
| Dividends paid to minority shareholders   | (3)   |
| Others  | (2)   |
| <b>Net cash provided by financing activities</b>  | <b>8,088</b>  |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                             | <b>(26)</b>   |
| <b>Increase (Decrease) in cash and cash equivalents</b>   | <b>(852)</b>  |
| <b>Cash and cash equivalents at the beginning of the year</b>                                   | <b>2,766</b>  |
| <b>Increase in cash and cash equivalents due to a merger with non-consolidated subsidiaries</b> | <b>44</b>   |
| <b>Cash and cash equivalents at the end of the term</b>   | <b>1,958</b>  |

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

Second Quarter of Fiscal Year Ending March 2009 (from July 1, 2008, to September 30, 2008):

None.

(5) Segment Information

[Business Segment Information]

First Half of Fiscal Year Ending March 2009 (from April 1, 2008, to September 30, 2008):

(Millions of yen)

|                         | Refractories | Furnace Construction | Advanced Ceramics | Real Estate | Others | Total  | Eliminations/ Corporate | Consolidated |
|-------------------------|--------------|----------------------|-------------------|-------------|--------|--------|-------------------------|--------------|
| Net sales               | 39,165       | 7,615                | 2,137             | 507         | 1,511  | 50,936 | --                      | 50,936       |
| Operating income (loss) | 2,534        | 636                  | 48                | 143         | 50     | 3,413  | (697)                   | 2,716        |

Notes:

- (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
- 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 March 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 ¥407 million and ¥383 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.
- 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 ¥79 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 ¥99 million in the Refractories segment, ¥0 million in the Furnace Construction segment, ¥0 million in the Advanced Ceramics million and ¥15 million in the Others segment compared with the results that would have been obtained with the previous useful lives.

[Geographical Segment Information]

First Half of Fiscal Year Ending March 2009 (from April 1, 2008, to September 30, 2008):

(Millions of yen)

|                  | Japan  | Other Regions | Total  | Eliminations/<br>Corporate | Consolidated |
|------------------|--------|---------------|--------|----------------------------|--------------|
| Net sales        | 47,752 | 6,694         | 54,446 | (3,510)                    | 50,936       |
| Operating income | 2,115  | 686           | 2,802  | (85)                       | 2,716        |

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 ¥79 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 ¥119 million in the Japan segment compared with the amount that would have been obtained with the previous useful lives.

[Overseas Sales]

First Half of Fiscal Year Ending March 2009 (from April 1, 2008, to September 30, 2008):

|  | Asia  | Europe | Other Regions | Total  |
|--|-------|--------|---------------|--------|
| I. Overseas sales (Millions of yen)                        | 2,883 | 3,355  | 2,823         | 9,061  |
| II. Consolidated net sales (Millions of yen)               | --    | --     | --            | 50,936 |
| III. Ratio of overseas sales to consolidated net sales (%) | 5.7   | 6.6    | 5.5           | 17.8   |

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 Half of Fiscal Year Ending March 2009 (from April 1, 2008, to September 30, 2008):

None.

(Significant subsequent events)

Second Quarter of Fiscal Year Ending March 2009 (from July 1, 2008, to September 30, 2008)

The Company resolved at a meeting of its Board of Directors held on November 13, 2008, that it would purchase its own shares under Article 156 of the Companies Act, as applied pursuant to Article 165, Item 3, of said law.

1. Reason for the purchase

To enable flexible capital management to address changes in the operating environment

2. Details of the purchase

(1) Type and total number of shares to be purchased: A maximum of 4 million shares of the Company's common stock

(2) Aggregate purchase price of shares: A maximum of ¥1,000 million

(3) Purchase period: From November 14, 2008, through December 19, 2008 (on an execution basis)

(4) Method of purchase: Market purchase

[Reference]

Financial Statements for the First Half of the Previous Fiscal Year

(1) Interim Consolidated Statement of Income

|   | FY Ending March 2008<br>Interim Period<br>(April 1, 2007, to September 30, 2007) |                |
|---|--|----------------|
|   | Amount (millions of yen)   | Percentage (%) |
| Net sales   | 47,883   | 100.0          |
| Cost of sales   | 38,661   | 80.8           |
| Gross profit  | 9,222  | 19.2           |
| Selling, general and administrative expenses                | 6,669  | 13.9           |
| Operating income  | 2,552  | 5.3            |
| Non-operating income  | 457  | 1.0            |
| Interest income   | 6  |                |
| Dividends income  | 82   |                |
| Equity in earnings of subsidiaries and affiliated companies | 78   |                |
| Amortization of goodwill                                    | 66   |                |
| Other income  | 223  |                |
| Non-operating expenses                                      | 324  | 0.7            |
| Interest expense  | 77   |                |
| Other income  | 247  |                |
| Ordinary income   | 2,684  | 5.6            |
| Special income  | 163  | 0.3            |
| Gain on sale of investment securities                       | 64   |                |
| Gain on sale of fixed assets                                | 60   |                |
| Other income  | 38   |                |
| Special losses  | 406  | 0.8            |
| Loss on retirement and sale of fixed assets                 | 172  |                |
| Impairment loss   | 17   |                |
| Other special losses  | 217  |                |
| Net income before income taxes and minority interests       | 2,441  | 5.1            |
| Income taxes  | 538  | 1.2            |
| Deferred income taxes                                       | 32   |                |
| Minority interests  | 183  | 0.4            |
| Net income  | 1,686  | 3.5            |

## (2) Interim Consolidated Statement of Cash Flows

(Millions of yen)

|   | FY Ending March 2008<br>Interim Period<br>(April 1, 2007, to<br>September 30, 2007) |
|---|---|
| <b>I. Cash flows from operating activities:</b>   |   |
| Income before income taxes and minority interests   | 2,441   |
| Depreciation  | 1,795   |
| Impairment loss   | 17  |
| Amortization of negative goodwill   | (66)  |
| Amortization of goodwill  | 69  |
| Increase (Decrease) in allowance for doubtful accounts  | (15)  |
| Increase (Decrease) in allowance for bonuses  | 139   |
| Increase (Decrease) in allowance for employees' retirement benefits                               | (248)   |
| Interest and dividend income  | (88)  |
| Interest payment  | 77  |
| Gain (Loss) on sale of investment securities  | (64)  |
| Equity in (earnings) loss of subsidiaries and affiliated companies                                | (78)  |
| Loss on retirement of fixed assets  | 204   |
| (Gain) Loss on sale of fixed assets   | (60)  |
| (Increase) Decrease in accounts receivable  | 1,331   |
| (Increase) Decrease in inventories  | (251)   |
| Increase (Decrease) in accounts payable   | (1,474)   |
| Other   | (112)   |
| Subtotal  | <u>3,616</u>  |
| Interest and dividends received   | 88  |
| Interest paid   | (78)  |
| Income taxes paid   | (987)   |
| Others  | 44  |
| <b>Net cash used in operating activities</b>  | <u><b>2,683</b></u>   |
| <b>II. Cash flows from investing activities:</b>  |   |
| Payments into time deposits   | (3)   |
| Proceeds from repayment of time deposits  | 6   |
| Proceeds from sale of investment securities   | 66  |
| Payments for purchases of fixed assets  | (2,374)   |
| Proceeds from sale of fixed assets  | 71  |
| Payments for acquisition of shares of affiliates involving a change in the scope of consolidation | (3)   |
| Others  | (186)   |
| <b>Net cash used in investing activities</b>  | <u><b>(2,423)</b></u>   |
| <b>III. Cash flows from financing activities:</b>   |   |
| Increase (Decrease) in short-term borrowing   | 1,150   |
| Payments for repayment of long-term debt  | (247)   |
| Cash dividends paid   | (434)   |
| Dividends paid to minority shareholders   | (93)  |
| Payments for refunding deposits   | (616)   |
| Others  | (43)  |
| <b>Net cash provided by financing activities</b>  | <u><b>(285)</b></u>   |
| <b>IV. Effect of exchange rate changes on cash and cash equivalents</b>                           | <b>32</b>   |
| <b>V. Increase (Decrease) in cash and cash equivalents</b>  | <b>7</b>  |
| <b>VI. Cash and cash equivalents at the beginning of the year</b>                                 | <b>3,540</b>  |
| <b>VII. Cash and cash equivalents at the end of the term</b>                                      | <b>3,547</b>  |

### (3) Segment Information

#### [Business Segment Information]

First Half of Fiscal Year Ending March 2008 (from April 1, 2007, to September 30, 2007):

(Millions of yen)

|                                     | Refractories | Furnace Construction | Advanced Ceramics | Real Estate | Others | Total  | Eliminations/Corporate | Consolidated |
|-------------------------------------|--------------|----------------------|-------------------|-------------|--------|--------|------------------------|--------------|
| Net sales                           |              |                      |                   |             |        |        |                        |              |
| (1) Net sales to external customers | 34,826       | 8,715                | 2,198             | 508         | 1,635  | 47,883 | --                     | 47,883       |
| (2) Internal sales and transfers    | 2            | --                   | --                | --          | --     | 2      | (2)                    | --           |
| Total                               | 34,828       | 8,715                | 2,198             | 508         | 1,635  | 47,886 | (2)                    | 47,883       |
| Operating expenses                  | 32,933       | 7,731                | 2,073             | 359         | 1,542  | 44,638 | 692                    | 45,331       |
| Operating income (loss)             | 1,895        | 984                  | 125               | 149         | 93     | 3,247  | (695)                  | 2,552        |

#### [Geographical Segment Information]

First Half of Fiscal Year Ending March 2008 (from April 1, 2007, to September 30, 2007):

(Millions of yen)

|                                     | Japan  | China | Spain | USA | Total  | Eliminations/Corporate | Consolidated |
|-------------------------------------|--------|-------|-------|-----|--------|------------------------|--------------|
| Net sales                           |        |       |       |     |        |                        |              |
| (1) Net sales to external customers | 43,469 | 682   | 2,819 | 912 | 47,883 | --                     | 47,883       |
| (2) Internal sales and transfers    | 1,362  | 1,462 | 22    | 2   | 2,850  | (2,850)                | --           |
| Total                               | 44,831 | 2,144 | 2,842 | 915 | 50,733 | (2,850)                | 47,883       |
| Operating expenses                  | 41,777 | 2,002 | 2,602 | 910 | 47,293 | (1,962)                | 45,331       |
| Operating income (loss)             | 3,053  | 142   | 239   | 4   | 3,440  | (887)                  | 2,552        |

#### [Overseas Sales]

First Half of Fiscal Year Ending March 2008 (from April 1, 2007, to September 30, 2007):

|  | Asia  | Europe | Other Regions | Total  |
|--|-------|--------|---------------|--------|
| I. Overseas sales (Millions of yen)                        | 2,415 | 3,527  | 2,177         | 8,121  |
| II. Consolidated net sales (Millions of yen)               | --    | --     | --            | 47,883 |
| III. Ratio of overseas sales to consolidated net sales (%) | 5.0   | 7.4    | 4.6           | 17.0   |