

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 2010

August 11, 2009

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, 2009

Scheduled date of starting distributing dividends:

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2010 (April 1, 2009, to June 30, 2009)

(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 2010	16,769	(28.9)	(425)	—	(211)	—
1Q FY Ending March 2009	23,594	—	744	—	760	—

	Net income		Net income per share		Diluted net income per share	
	Millions of yen	%	Yen		Yen	
1Q FY Ending March 2010	(194)	—	(2.31)		—	
1Q FY Ending March 2009	381	—	4.30		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2009	80,865	27,687	32.9	314.95
March 31, 2009	83,284	26,815	31.0	305.26

Reference: Equity capital was ¥26,603 million as of June 30, 2009, and ¥25,787 million as of March 31, 2009.

2. Dividends

(Record date)	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
FY Ending March 2009	—	0.00	—	2.00	2.00
FY Ending March 2010	—	—	—	—	—
FY Ending March 2010 (Forecast)	—	0.00	—	0.00	0.00

Note: Revision of the above forecasts was not made in 1Q FY ending March 2010.

3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 2010 (April 1, 2009, to March 31, 2010)

(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	36,000	(29.3)	(1,000)	—	(1,000)	—
Full year	75,000	(22.1)	0	(100.0)	0	(100.0)

	Net income		Net income per share	
	Millions of yen	%	Yen	
Interim	(1,000)	—	(11.46)	
Full year	0	—	0.00	

Note: Revision of the above forecasts was not made in 1Q FY ending March 2010.

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 5 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 6 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 2010: | 91,145,280 | FY ending March 2009: | 91,145,280 |
|--------------------------|------------|-----------------------|------------|
2. Number of treasury shares as of the period-end:
- | | | | |
|--------------------------|-----------|-----------------------|-----------|
| 1Q FY ending March 2010: | 6,675,391 | FY ending March 2009: | 6,666,944 |
|--------------------------|-----------|-----------------------|-----------|
3. Average number of shares outstanding:
- | | | | |
|--------------------------|------------|--------------------------|------------|
| 1Q FY ending March 2010: | 84,470,954 | 1Q FY ending March 2009: | 88,623,654 |
|--------------------------|------------|--------------------------|------------|

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 5 under the heading of Qualitative Information/Financial Statements.

Qualitative Information/Financial Statements

1. Qualitative Information on Consolidated Business Performance

During the consolidated quarter under review, from April 1, 2009, to June 30, 2009, the crude steel output of Japan's steel industry, a major customer of the Krosaki Harima Group, decreased 38.5% from a year earlier, which subsequently led to a substantial decline in refractory demand. As a result, consolidated net sales for the first quarter under review decreased 28.9% year over year to ¥16,769 million.

In terms of profit/loss for the first quarter, despite various efforts we made to curtail costs such as purchasing and labor, the impact of the plunge in net sales was serious. On a consolidated basis, the Group recorded an operating loss of ¥425 million compared with operating income of ¥744 million for the previous first quarter, an ordinary loss of ¥211 million compared with ordinary income of ¥760 million a year earlier and a net loss of ¥194 million compared with net income of ¥381 million a year earlier.

As a result, the net loss per share for the first quarter was ¥2.31 compared with net income per share of ¥4.30 for the previous first quarter.

Consolidated business performance by industry segment was as follows.

[Refractories]

Due to the decline in refractory demand resulting from reduced crude steel output, the Refractories segment's net sales for the first quarter under review decreased 28.9% year over year to ¥12,816 million and an operating loss of ¥337 million was recorded compared with operating income of ¥713 million for the previous first quarter.

[Furnace Construction]

Due to a decrease in furnace construction projects, the Construction segment's net sales declined 21.9% to ¥2,792 million from a year earlier and operating income fell 16.1% from the previous first quarter to ¥240 million.

[Advanced Ceramics]

Affected by the continued deterioration of the semiconductor manufacturing equipment market, a leading user of the Group's ceramics products, the Advanced Ceramics segment's net sales fell 58.2% to ¥448 million. The segment recorded an operating loss of ¥174 million compared with operating income of ¥33 million for the previous first quarter.

[Real Estate]

The Real Estate segment's net sales decreased 2.0% from the previous first quarter to ¥248 million, whereas operating income rose 7.6% to ¥74 million.

[Others]

Reflecting a decrease in sales of building and landscape materials due to the continued stagnation of investments in housing and other construction, the Others segment's net sales declined 30.7% to ¥463 million. Through cost reduction by liquidating the landscape materials business, the Others segment's operating income was ¥24 million

compared with an operating loss of ¥30 million for the previous first quarter.

Consolidated business performance by geographical segment was as follows.

[Japan]

Due to a plunge in the crude steel output of Japan's steel industry, which subsequently led to a substantial decline in refractory demand, net sales in Japan decreased 29.0% year over year to ¥15,626 million and an operating loss of ¥326 million was recorded compared with operating income of ¥457 million for the previous first quarter.

[Overseas]

Due to the impact of the global reduction of steel output that has continued since the end of the previous year, a plunge in refractory demand especially in Europe was serious. Overseas sales declined 41.0% from the previous first quarter to ¥1,818 million and operating income plunged 65.6% year over year to ¥108 million.

2. Qualitative Information on the Consolidated Financial Position

(1) Assets

The Group's consolidated total assets at June 30, 2009, the closing date of the first quarter of the year ending March 2010, decreased ¥2,418 million from the previous fiscal year-end to ¥80,865 million. Current assets decreased ¥4,354 million to ¥38,979 million. Noncurrent assets increased ¥1,884 million to ¥41,834 million. Due to the issuance of bonds, bond issuance cost of ¥51 million was recorded as a deferred asset. Primary factors for a decrease in current assets included a decrease in notes and accounts receivable—trade due to the sales decline and a decrease in inventories due to inventory reduction. Primary factors for an increase in noncurrent assets included an increase in investment securities due to a rise in the value of shares held by the Group and the acquisition of property, plant and equipment.

(2) Liabilities

The Group's consolidated total liabilities at June 30, 2009, the closing date of the first quarter under review, decreased ¥3,290 million from the previous fiscal year-end to ¥53,177 million. Current liabilities decreased ¥12,501 million to ¥27,285 million. Noncurrent liabilities increased ¥9,211 million to ¥25,891 million.

Current liabilities decreased mainly due to the repayment of short-term loans payable and a decrease in notes and accounts payable—trade. Noncurrent liabilities increased mainly due to the issuance of bonds.

(3) Net assets

The Group's consolidated net assets at June 30, 2009, the closing date of the first quarter under review, increased ¥871 million to ¥27,687 million. The increase in net assets was due to an increase in the valuation difference on available-for-sale securities, reflecting a rise in the value of shares held by the Group.

As a result, the Group's equity ratio at the end of the first quarter was 32.9%.

Net assets per share rose from ¥305.26 at the previous fiscal year-end to ¥314.95.

3. Qualitative Information on the Forecast of Consolidated Business Results

There is no change at present in the forecast of consolidated business results for the interim term ending September 30, 2009, and that for the year ending March 31, 2010, that we announced on May 14, 2009.

Actual results may differ significantly from our projections due to a change in refractory demand caused by fluctuations of crude steel output.

4. Other Information

(1) Changes in important subsidiaries involving a change in the scope of consolidation during the period: None

(2) Simplified accounting treatment and application of special accounting treatment for preparation of the consolidated quarterly financial statements

1) Simplified accounting treatment

i. Computation method for an estimated amount of the allowance for doubtful accounts on normal receivables

Because no significant difference was recognized between the past data on uncollected receivables and an estimate of the collectability of individual receivables at June 30, 2009, the closing date of the first quarter under review, and those at the previous fiscal year-end, we used the data at the previous fiscal year-end to compute an allowance for doubtful accounts for the first quarter under review.

ii. Computation method for inventories

For computation of inventories at June 30, 2009, the closing date of the first quarter of the year ending March 2010, we omitted the physical inventory check and adopted a reasonable computation method based on the result of the physical inventory check conducted at the end of the previous fiscal year.

iii. Computation method for noncurrent assets

Noncurrent assets that are depreciated principally by the declining-balance method are equally amortized over the period of the consolidated fiscal year.

iv. Computation method for income taxes, deferred tax assets and deferred tax liabilities

Income taxes payable are computed limiting items to be added or subtracted and tax deductions to important items.

Recognizing no significant changes in the management environment and other factors that incur temporary differences since the end of the previous fiscal year, the collectivity of deferred tax assets was assessed based on the future performance projections and the tax planning used for the previous fiscal year.

v. Method to estimate total construction contract costs

To estimate total construction contract costs at June 30, 2009, the closing date of

the first quarter under review, we applied the total construction contract costs estimated at the end of the previous fiscal year as those at June 30, 2009, the closing date of the first quarter under review, except for construction contracts for which total costs are recognized to have changed significantly from the amounts estimated at the end of the previous fiscal year.

2) Accounting treatment specially for preparing consolidated quarterly financial statements: None

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

1) Changes in accounting standards for the completed-contract revenue and the completed-contract costs

Although the completed-contract method had previously been used to compute the contract revenue, the Accounting Standards for Construction Contracts (ASBJ Statement No. 15, dated December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, dated December 27, 2007) were adopted since the first quarter under review. Beginning with the construction contracts launched during the first quarter under review the percentage-of-completion method (The percentage of completion at the end of the reporting period shall be estimated based on the percentage of the cost incurred to the estimated total cost.) shall be applied if the outcome of the construction activity is deemed certain during the course of the activity; otherwise, the completed-contract method shall be applied.

Due to this change, net sales increased ¥72 million and gross profit increased ¥16 million compared with the application of the previous accounting standard. The operating loss, ordinary loss and net loss before income taxes for the first quarter under review decreased ¥16 million each.

The impact on the Segment Information is indicated in the Segment Information section.

2) Change in the depreciation methods for important assets to be depreciated

Effective from the consolidated third quarter of the previous fiscal year, the Company changed the method of depreciation from the straight-line method to the declining-balance method for some property, plant and equipment on the premises of a user relating to the Furnace Construction segment that were acquired on and after October 1, 2008. Therefore, the depreciation method for some property, plant and equipment on the premises of a user relating to the Furnace Construction segment for the previous first quarter and that for the first quarter under review are different.

Even if the new depreciation method is applied for the previous consolidated first quarter, there is no impact on gross profit, operating income, ordinary income and income before income taxes for the previous first quarter.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY Ending March 2010 First Quarter (As of June 30, 2009)	Condensed Balance Sheet for FY Ending March 2009 (As of March 31, 2009)
ASSETS		
Current assets:		
Cash and deposits	3,057	4,342
Notes and accounts receivable—trade	16,007	18,577
Merchandise and finished goods	7,903	8,573
Work in process	3,289	2,808
Raw materials and supplies	5,767	6,521
Deferred tax assets	1,508	1,453
Other	1,450	1,065
Allowance for doubtful accounts	(4)	(8)
Total current assets	38,979	43,333
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	34,499	33,047
Accumulated depreciation	(22,844)	(22,542)
Buildings and structures (net)	11,654	10,504
Machinery, equipment and vehicles	48,782	48,304
Accumulated depreciation	(40,206)	(39,493)
Machinery, equipment and vehicles (net)	8,575	8,810
Tools, furniture and fixtures	3,466	3,383
Accumulated depreciation	(2,672)	(2,621)
Tools, furniture and fixtures (net)	793	761
Land	7,015	7,246
Construction in progress	3,413	3,364
Total property, plant and equipment	31,452	30,688
Intangible assets:		
Goodwill	102	116
Other	668	450
Total intangible assets	770	567
Investments and other assets:		
Investment securities	5,644	4,099
Long-term loans receivable	197	214
Deferred tax assets	1,661	2,316
Other	2,312	2,269
Allowance for doubtful accounts	(204)	(205)
Total investments and other assets	9,611	8,694
Total noncurrent assets	41,834	39,950
Deferred assets		
Bond issuance costs	51	—
Total deferred assets	51	—
Total assets	80,865	83,284

(Millions of yen)

	FY Ending March 2010 First Quarter (As of June 30, 2009)	Condensed Balance Sheet for FY Ending March 2009 (As of March 31, 2009)
LIABILITIES		
Current liabilities:		
Notes and accounts payable—trade	10,961	14,915
Short-term loans payable	9,372	17,857
Accrued expenses	1,549	1,603
Income taxes payable	209	378
Accrued business office taxes	29	124
Accrued consumption taxes	145	131
Provision for bonuses	827	1,763
Provision for loss on construction contracts	65	—
Deferred tax liabilities	7	—
Other current liabilities	4,117	3,013
Total current liabilities	27,285	39,787
Noncurrent liabilities:		
Bonds	10,000	—
Long-term loans payable	8,800	8,800
Deferred tax liabilities	693	672
Provision for retirement benefits	643	678
Provision for directors' retirement benefits	348	347
Provision for product warranties	6	47
Long-term lease and guarantee deposited	4,281	4,930
Negative goodwill	997	1,046
Other	119	157
Total long-term liabilities	25,891	16,680
Total liabilities	53,177	56,468
NET ASSETS		
Shareholders' equity:		
Capital stock	5,537	5,537
Capital surplus	5,138	5,138
Retained earnings	16,730	17,094
Treasury stock	(1,544)	(1,542)
Total shareholders' equity	25,862	26,228
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	1,186	270
Deferred gains or losses on hedges	(18)	(0)
Foreign currency translation adjustment	(426)	(709)
Total valuation and translation adjustments	740	(440)
Minority interests	1,083	1,028
Total net assets	27,687	26,815
Total liabilities and net assets	80,865	83,284

(2) Quarterly Consolidated Statement of Income

(Millions of yen)

	FY Ending March 2009 First Quarter (April 1, 2008, to June 30, 2008)	FY Ending March 2010 First Quarter (April 1, 2009, to June 30, 2009)
Net sales	23,594	16,769
Cost of sales	19,561	14,420
Gross profit	4,033	2,348
Selling, general and administrative expenses	3,289	2,774
Operating income (loss)	744	(425)
Non-operating income:		
Interest income	5	1
Dividends income	56	56
Subsidy income	—	138
Amortization of negative goodwill	49	49
Equity in earnings of affiliates	84	11
Other	89	97
Total non-operating income	284	354
Non-operating expenses:		
Interest expenses	63	72
Loss on transfer of receivables	60	37
Other	144	30
Total non-operating expenses	268	139
Ordinary income (loss)	760	(211)
Extraordinary income:		
Gain on prior period adjustment	8	—
Gain on sales of noncurrent assets	49	137
Gain on disposal of noncurrent assets	31	—
Gain on extinguishment of tie-in shares	34	—
Reversal of provision for product warranties	—	40
Other	3	29
Total extraordinary income	128	206
Extraordinary loss:		
Loss on prior period adjustment	30	—
Loss on retirement of noncurrent assets	41	24
Loss on sales of noncurrent assets	0	—
Impairment loss	2	—
Advisory commission	38	18
Environmental measures	—	26
Other	3	2
Total extraordinary loss	117	71
Income before income taxes and minority interests	771	(75)
Income taxes—current	149	54
Income taxes for prior periods	153	—
Income taxes—deferred	43	61
Total income taxes	345	116
Minority interests	44	3
Net income (loss)	381	(194)

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	FY Ending March 2009 First Quarter (April 1, 2008, to June 30, 2008)	FY Ending March 2010 First Quarter (April 1, 2009, to June 30, 2009)
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	771	(75)
Depreciation and amortization	1,172	1,079
Impairment loss	2	—
Amortization of goodwill	14	14
Amortization of negative goodwill	(49)	(49)
Amortization of long-term prepared expenses	6	1
Increase (decrease) in allowance for doubtful accounts	(9)	(4)
Increase (Decrease) in provision for bonuses	(969)	(936)
Increase (Decrease) in provision for retirement benefits	15	(34)
Increase (Decrease) in other provision	(3)	27
Interest and dividends income	(62)	(57)
Interest expenses	63	72
Foreign exchange losses (gains)	(4)	1
Equity in (earnings) losses of affiliates	(84)	(11)
Loss (Gain) on prior period adjustment	22	—
Loss on retirement of property, plant and equipment	41	24
Loss (gain) on sales and retirement of property, plant and equipment	(48)	(137)
Advisory commission	38	18
Loss (gain) on extinguishment of tie-in shares	(34)	—
Decrease (increase) in notes and accounts receivable—trade	(516)	2,631
Decrease (increase) in inventories	(2,260)	1,152
Increase (decrease) in notes and accounts payable—trade	687	(4,089)
Other	201	136
Subtotal	(1,004)	(236)
Interest and dividends income received	62	58
Interest expenses paid	(63)	(69)
Income taxes paid	(384)	(350)
Net cash used by operating activities	(1,389)	(597)
Cash flows from investing activities:		
Payments into time deposits	(1)	—
Proceeds from withdrawal of time deposits	1	—
Purchase of property, plant and equipment	(1,192)	(1,416)
Proceeds from sales of property, plant and equipment	61	152
Purchase of intangible assets	(13)	(3)
Purchase of investment securities	(7,441)	(2)
Payments for investments in capital of subsidiaries and affiliates	(45)	—
Payments of loans receivable	(26)	(22)
Proceeds from land expropriation	68	—
Payments of advisory commission	(38)	(17)
Other	3	4
Net cash used in investing activities	(8,623)	(1,305)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable	10,635	(8,531)
Repayment of long-term loans payable	(77)	(20)
Proceeds from issuance of bonds	—	9,947
Repayment of lease deposits received	(649)	(649)
Purchase of treasury stock	(2)	(1)
Cash dividends paid	(443)	(169)
Cash dividends paid to minority shareholders	(3)	—
Other	—	(1)
Net cash provided by financing activities	9,459	574
Effect of exchange rate change on cash and cash equivalents	(51)	44
Net increase (decrease) in cash and cash equivalents	(606)	(1,284)
Cash and cash equivalents at beginning of period	2,766	4,342
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	44	—
Cash and cash equivalents at end of period	2,204	3,057

(4) Notes on the premise of a going concern

First Quarter of Fiscal Year Ending March 2010 (from April 1, 2009, to June 30, 2009):

None

(5) Segment Information

[Business Segment Information]

First Quarter of Fiscal Year 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) 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 ¥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.
- 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.
- 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.

First Quarter of Fiscal Year Ending March 2010 (from April 1, 2009, to June 30, 2009):

(Millions of yen)

	Refractories	Furnace Construction	Advanced Ceramics	Real Estate	Others	Total	Eliminations/Corporate	Consolidated
Net sales	12,816	2,792	448	248	463	16,769	—	16,769
Operating income (loss)	(337)	240	(174)	74	24	(173)	(252)	(425)

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

2. As stated in the “Changes in accounting policies and procedures and the method of presentation for preparing consolidated quarterly financial statements,” we adopted the Accounting Standards for Construction Contracts (ASBJ Statement No. 15, dated December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, dated December 27, 2007) since the first quarter under review. Beginning with the construction contracts launched during the first quarter under review, the percentage-of-completion method (The percentage of completion at the end of the reporting period shall be estimated based on the percentage of the cost incurred to the estimated total cost.) shall be applied if the outcome of the construction activity is deemed certain during the course of the activity; otherwise, the completed-contract method shall be applied.

Due to this change, net sales increased ¥72 million and operating income increased ¥16 million in the Furnace Construction segment compared with the application of the previous accounting standard.

[Geographical Segment Information]

First Quarter of Fiscal Year 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 (loss)	457	315	773	(29)	744

Notes:

1. Geographical segments were determined by the mutual relevance of business operations.
2. Major nations or regions included in “Other Regions”: China, Spain and the United States
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 Japan 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 ¥58 million in the Japan segment compared with the amount that would have been obtained with the previous useful lives.

First Quarter of Fiscal Year Ending March 2010 (from April 1, 2009, to June 30, 2009):

(Millions of yen)

	Japan	Other Regions	Total	Eliminations/ Corporate	Consolidated
Net sales	15,626	1,818	17,444	(675)	16,769
Operating income (loss)	(326)	108	(218)	(207)	(425)

Notes:

1. Geographical segments were determined by the mutual relevance of business operations.
2. Major nations or regions included in “Other Regions”: China, Spain and the United States
3. As stated in the “Changes in accounting policies and procedures and the method of presentation for preparing consolidated quarterly financial statements,” we adopted the Accounting Standards for Construction Contracts (ASBJ Statement No. 15, dated December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, dated December 27, 2007) since the first quarter under review. Beginning with the construction contracts launched during the first quarter under review, the percentage-of-completion method (The percentage of completion at the end of the reporting period shall be estimated based on the percentage of the

cost incurred to the estimated total cost.) shall be applied if the outcome of the construction activity is deemed certain during the course of the activity; otherwise, the completed-contract method shall be applied. Due to this change, net sales increased ¥72 million and the operating loss contracted ¥16 million in Japan compared with the application of the previous accounting standard.

[Overseas Sales]

First Quarter of Fiscal Year 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:

1. The category of nation or region was determined by geographic proximity.
2. Major nations or regions included in each category:
 - (1) Asia: Taiwan, South Korea and China
 - (2) Europe: Spain and the Netherlands
 - (3) Other Regions: Brazil, Australia and the United States

First Quarter of Fiscal Year Ending March 2010 (from April 1, 2009, to June 30, 2009):

	Asia	Europe	Other Regions	Total
I. Overseas sales (Millions of yen)	1,226	875	625	2,727
II. Consolidated net sales (Millions of yen)	—	—	—	16,769
III. Ratio of overseas sales to consolidated net sales (%)	7.3	5.2	3.8	16.3

Notes:

1. The category of nation or region was determined by geographic proximity.
2. Major nations or regions included in each category:
 - (1) Asia: China and Taiwan
 - (2) Europe: Spain and the Netherlands
 - (3) Other Regions: Australia and the United States
3. 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 Year Ending March 2010 (from April 1, 2009, to June 30, 2009):

None