

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

November 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: November 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 Half of the Fiscal Year Ending March 2010 (April 1, 2009, to September 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	%
1H FY Ending March 2010	38,056	(25.3)	(200)	—	(39)	—
1H FY Ending March 2009	50,936	—	2,716	—	2,684	—

	Net income		Net income per share		Diluted net income per share	
	Millions of yen	%	Yen	Yen	Yen	Yen
1H FY Ending March 2010	32	(97.5)	0.39	—	—	—
1H FY Ending March 2009	1,314	—	14.83	—	—	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2009	82,656	28,625	33.3	325.95
March 31, 2009	83,284	26,815	31.0	305.26

Reference: Equity capital was ¥27,530 million as of September 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	—	0.00	—	—	—
FY Ending March 2010 (Forecast)	—	—	—	0.00	0.00

Note: Revision of the above forecasts was not made in 1H 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	%
Full year	80,000	(16.9)	500	(86.2)	500	(84.0)

	Net income		Net income per share	
	Millions of yen	%	Yen	Yen
Full year	300	—	3.55	—

Note: Revision of the above forecasts was made in 1H 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):
- |                          |            |                       |            |
|--------------------------|------------|-----------------------|------------|
| 1H FY ending March 2010: | 91,145,280 | FY ending March 2009: | 91,145,280 |
|--------------------------|------------|-----------------------|------------|
2. Number of treasury shares as of the period-end:
- |                          |           |                       |           |
|--------------------------|-----------|-----------------------|-----------|
| 1H FY ending March 2010: | 6,682,440 | FY ending March 2009: | 6,666,944 |
|--------------------------|-----------|-----------------------|-----------|
3. Average number of shares outstanding:
- |                          |            |                          |            |
|--------------------------|------------|--------------------------|------------|
| 1H FY ending March 2010: | 84,467,942 | 1H FY ending March 2009: | 88,609,845 |
|--------------------------|------------|--------------------------|------------|

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

In the first half of the fiscal year ending March 2010, the domestic crude steel output of the steel industry, a major customer of the Krosaki Harima Group, showed signs of hitting bottom, experiencing a slow recovery. Compared with the same period of the previous fiscal year, however, crude steel output still declined 29.6%. The demand for refractories also showed a tendency of recovery but was still lower than the same period of the previous fiscal year, which enjoyed brisk demand. As a result, the Group's consolidated net sales for the first half of the fiscal year ending March 31, 2010, decreased 25.3% from the same period of the previous year to ¥38,056 million. The profit-and-loss results were affected by the significant decrease in net sales, but the influence was partly relaxed by continued efforts to reduce labor and procurement costs. As a result, an operating loss of ¥200 million and an ordinary loss of ¥39 million were recorded for the first half of the fiscal year ending March 31, 2010, compared with operating income of ¥2,716 million and ordinary income of ¥2,684 million for the same period of the previous year. Net income for the period declined 97.5% to ¥32 million.

As a result, net income per share fell to ¥0.39 from ¥14.83 for the same period of the previous year.

Consolidated business performance by industry segment was as follows.

#### [Refractories]

The Refractories segment's net sales for the first half of the fiscal year ending March 31, 2010, decreased 28.1% from the same period of the previous fiscal year to ¥28,169 million, primarily due to a fall in refractory demand resulting from reduced steel output. This led to an operating loss of ¥136 million compared with operating income of ¥2,534 million in the same period of the previous fiscal year.

#### [Furnace Construction]

The Furnace Construction segment's net sales declined 2.6% to ¥7,417 million. Meanwhile, operating income rose 11.0% to ¥706 million, chiefly owing to improved profitability of the industrial furnace section.

#### [Advanced Ceramics]

Although the semiconductor manufacturing equipment market, a leading user of the Group's ceramics products, showed a moderate tendency of recovery, it was still weaker than that in the same period of the previous fiscal year. As a result, the Advanced Ceramics segment's net sales fell 55.5% to ¥952 million. The segment recorded an operating loss of ¥311 million compared with operating income of ¥48 million for the same period of the previous year.

#### [Real Estate]

The Real Estate segment's net sales dropped 2.2% to ¥496 million. Operating income increased 3.2% to ¥148 million.

#### [Others]

Reflecting lower sales of lime, the Others segment's net sales declined 32.5% to ¥1,020 million. Meanwhile, operating income increased 13.0% to ¥56 million, mostly through cost reduction by curtailing the size of the landscape materials business.

Consolidated business performance by geographical segment was as follows.

[Japan]

Mainly due to a decrease in refractory demand caused by the reduced crude steel output in Japan, net sales in Japan decreased 25.2% from the same period of the previous fiscal year to ¥35,713 million. Operating income plummeted 93.7% to ¥133 million.

[Overseas]

Although the Chinese market saw a recovery and expansion of crude steel output, the slow speed of recovery in the markets of Europe and the United States resulted in overall weakness in overseas refractory demand. Also, due to the further appreciation of the yen, overseas sales decreased 45.6% to ¥3,640 million and operating income shrank 63.3% to ¥251 million.

## 2. Qualitative Information on the Consolidated Financial Position

### (1) Assets

The Group's consolidated total assets at September 30, 2009, the closing date of the first half of the fiscal year ending March 2010, decreased ¥627 million from the previous fiscal year-end to ¥82,656 million. Current assets decreased ¥5,536 million to ¥37,797 million. Noncurrent assets increased ¥4,859 million to ¥44,809 million. Due to the issuance of bonds, bond issuance cost of ¥49 million was recorded as a deferred asset.

A primary factor for a decrease in current assets was a decrease in inventories due to the Group-wide inventory-reduction efforts. Primary factors for an increase in noncurrent assets included an increase in investment securities as a result of acquiring the shares of Shin-Nippon Thermal Ceramics Corporation and a rise in the value of shares held by the Group.

### (2) Liabilities

The Group's consolidated total liabilities at September 30, 2009, the closing date of the first half under review, decreased ¥2,437 million from the previous fiscal year-end to ¥54,030 million. Current liabilities decreased ¥8,269 million to ¥31,517 million. Noncurrent liabilities increased ¥5,832 million to ¥22,513 million.

The major factors for a decrease in current liabilities included the repayment of short-term loans payable and a decrease in notes and accounts payable—trade. An increase in noncurrent liabilities was mostly the combined result from the issuance of bonds and the repayment of long-term loans.

### (3) Net assets

The Group's consolidated net assets at September 30, 2009, the closing date of the first half under review, increased ¥1,809 million to ¥28,625 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 half was 33.3%.

Net assets per share rose from ¥305.26 at the previous fiscal year-end to ¥325.95.

### 3. Qualitative Information on the Forecast of Consolidated Business Results

Considering that a certain level of increase is expected for refractory demand and with the crude steel output of the steel industry showing a tendency of recovery, the Company has revised upward the full-year business performance forecasts announced on May 14, 2009, as detailed in the Notice of Revision to Performance Forecasts released today, November 11, 2009.

Actual results might 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 September 30, 2009, the closing date of the first half 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 half under review.

ii. Computation method for inventories

For the computation of inventories at September 30, 2009, the closing date of the first half under review, certain consolidated subsidiaries 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 September 30, 2009, the closing date of the first half under review, we applied the total construction contract costs estimated at the end of the previous first quarter as those at September 30, 2009, the closing date of the first half 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 first quarter.

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 from the first quarter of the fiscal year ending March 2010. Beginning with the construction contracts launched during said quarter, the percentage-of-completion method shall be applied if the outcome of the construction activity is deemed certain during the course of the activity up to the end of the first half under review; otherwise, the completed-contract method shall be applied. (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.)

Due to this change, net sales for the first six months of the fiscal year ending March 2010 increased ¥371 million and gross profit increased ¥63 million compared with the application of the previous accounting standard. The operating loss and the ordinary loss each decreased ¥63 million, and net income before income taxes increased ¥63 million.

The impact of this change on the Segment Information is indicated in the applicable notes 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 half and that for the first half under review are different.

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

## 5. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY Ending March 2010 Second Quarter (As of September 30, 2009)	Condensed Balance Sheet for FY Ending March 2009 (As of March 31, 2009)
<b>ASSETS</b>		
Current assets:		
Cash and deposits	3,697	4,342
Notes and accounts receivable—trade	18,555	18,577
Merchandise and finished goods	5,824	8,573
Work in process	3,051	2,808
Raw materials and supplies	4,371	6,521
Deferred tax assets	1,318	1,453
Other	983	1,065
Allowance for doubtful accounts	(3)	(8)
<b>Total current assets</b>	<b>37,797</b>	<b>43,333</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	34,470	33,047
Accumulated depreciation	(23,172)	(22,542)
Buildings and structures (net)	11,298	10,504
Machinery, equipment and vehicles	48,948	48,304
Accumulated depreciation	(40,891)	(39,493)
Machinery, equipment and vehicles (net)	8,057	8,810
Tools, furniture and fixtures	3,530	3,383
Accumulated depreciation	(2,762)	(2,621)
Tools, furniture and fixtures (net)	768	761
Land	6,930	7,246
Construction in progress	4,257	3,364
Total property, plant and equipment	31,312	30,688
Intangible assets:		
Goodwill	87	116
Other	665	450
Total intangible assets	752	567
Investments and other assets:		
Investment securities	8,705	4,099
Long-term loans receivable	532	214
Deferred tax assets	1,384	2,316
Other	2,307	2,269
Allowance for doubtful accounts	(185)	(205)
Total investments and other assets	12,744	8,694
<b>Total noncurrent assets</b>	<b>44,809</b>	<b>39,950</b>
Deferred assets		
Bond issuance costs	49	—
<b>Total deferred assets</b>	<b>49</b>	<b>—</b>
<b>Total assets</b>	<b>82,656</b>	<b>83,284</b>

(Millions of yen)

	FY Ending March 2010 Second Quarter (As of September 30, 2009)	Condensed Balance Sheet for FY Ending March 2008 (As of March 31, 2009)
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable—trade	11,607	14,915
Short-term loans payable	12,671	17,857
Accrued expenses	1,422	1,603
Income taxes payable	251	378
Accrued business office taxes	62	124
Accrued consumption taxes	284	131
Provision for bonuses	1,627	1,763
Provision for loss on construction contracts	73	—
Deferred tax liabilities	25	—
Other current liabilities	3,491	3,013
<b>Total current liabilities</b>	<b>31,517</b>	<b>39,787</b>
Noncurrent liabilities:		
Bonds	10,000	—
Long-term loans payable	5,500	8,800
Deferred tax liabilities	694	672
Provision for retirement benefits	570	678
Provision for directors' retirement benefits	378	347
Provision for product warranties	7	47
Long-term lease and guarantee deposited	4,281	4,930
Negative goodwill	948	1,046
Other	133	157
<b>Total long-term liabilities</b>	<b>22,513</b>	<b>16,680</b>
<b>Total liabilities</b>	<b>54,030</b>	<b>56,468</b>
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	5,537	5,537
Capital surplus	5,138	5,138
Retained earnings	16,951	17,094
Treasury stock	(1,545)	(1,542)
<b>Total shareholders' equity</b>	<b>26,081</b>	<b>26,228</b>
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	1,857	270
Deferred gains or losses on hedges	(6)	(0)
Foreign currency translation adjustment	(401)	(709)
<b>Total valuation and translation adjustments</b>	<b>1,448</b>	<b>(440)</b>
<b>Minority interests</b>	<b>1,094</b>	<b>1,028</b>
<b>Total net assets</b>	<b>28,625</b>	<b>26,815</b>
<b>Total liabilities and net assets</b>	<b>82,656</b>	<b>83,284</b>

## (2) Quarterly Consolidated Statement of Income (Cumulative)

(Millions of yen)

	FY Ending March 2009 First Half (April 1, 2008, to September 30, 2008)	FY Ending March 2010 First Half (April 1, 2009, to September 30, 2009)
Net sales	50,936	38,056
Cost of sales	41,515	32,579
<b>Gross profit</b>	<b>9,421</b>	<b>5,476</b>
Selling, general and administrative expenses	6,704	5,676
<b>Operating income (loss)</b>	<b>2,716</b>	<b>(200)</b>
Non-operating income:		
Interest income	7	3
Dividends income	69	84
Subsidy income	—	217
Amortization of negative goodwill	98	98
Equity in earnings of affiliates	100	50
Other	117	108
Total non-operating income	393	563
Non-operating expenses:		
Interest expenses	136	179
Loss on transfer of receivables	122	75
Other	167	147
Total non-operating expenses	425	402
<b>Ordinary income (loss)</b>	<b>2,684</b>	<b>(39)</b>
Extraordinary income:		
Gain on prior period adjustment	10	—
Gain on sales of noncurrent assets	173	321
Gain on disposal of noncurrent assets	75	—
Gain on extinguishment of tie-in shares	34	—
Other	30	114
Total extraordinary income	324	436
Extraordinary loss:		
Loss on prior period adjustment	30	—
Loss on retirement of noncurrent assets	168	28
Loss on sales of noncurrent assets	1	1
Impairment loss	4	7
Advisory commission	68	28
Environmental measures	521	26
Other	16	12
Total extraordinary loss	810	103
<b>Income before income taxes and minority interests</b>	<b>2,198</b>	<b>293</b>
Income taxes—current	872	137
Income taxes for prior periods	160	—
Income taxes—deferred	(217)	82
Total income taxes	815	220
Minority interests	68	40
<b>Net income (loss)</b>	<b>1,314</b>	<b>32</b>

## (3) Quarterly Consolidated Statement of Cash Flows (Cumulative)

(Millions of yen)

	FY Ending March 2009 First Half (April 1, 2008, to September 30, 2008)	FY Ending March 2010 First Half (April 1, 2009, to September 30, 2009)
<b>Cash flows from operating activities:</b>		
Income (loss) before income taxes and minority interests	2,198	293
Depreciation and amortization	2,268	2,201
Impairment loss	4	7
Amortization of goodwill	29	30
Amortization of negative goodwill	(98)	(98)
Amortization of long-term prepaid expenses	13	3
Increase (decrease) in allowance for doubtful accounts	(0)	(25)
Increase (Decrease) in provision for bonuses	(7)	(136)
Increase (Decrease) in provision for retirement benefits	(12)	(108)
Increase (Decrease) in other provision	24	64
Interest and dividends income	(76)	(88)
Interest expenses	136	179
Foreign exchange losses (gains)	(1)	(38)
Equity in (earnings) losses of affiliates	(100)	(50)
Loss (Gain) on prior period adjustment	20	—
Loss on retirement of property, plant and equipment	168	28
Loss (gain) on sales and retirement of property, plant and equipment	(172)	(320)
Advisory commission	68	28
Loss (gain) on extinguishment of tie-in shares	(34)	—
Decrease (increase) in notes and accounts receivable—trade	(2,077)	144
Decrease (increase) in inventories	(3,896)	4,896
Increase (decrease) in notes and accounts payable—trade	3,317	(3,485)
Other	(448)	(310)
Subtotal	1,321	3,216
Interest and dividends income received	94	88
Interest expenses paid	(138)	(133)
Income taxes paid	(173)	(184)
<b>Net cash used by operating activities</b>	<b>1,104</b>	<b>2,986</b>
<b>Cash flows from investing activities:</b>		
Payments into time deposits	(1)	—
Proceeds from withdrawal of time deposits	18	—
Purchase of property, plant and equipment	(2,605)	(2,202)
Proceeds from sales of property, plant and equipment	184	424
Payments for retirement of property, plant and equipment	(146)	(24)
Purchase of intangible assets	(3)	(32)
Purchase of investment securities	(7,443)	(1,909)
Payments for investments in capital of subsidiaries and affiliates	(45)	—
Payments of loans receivable	(66)	(447)
Proceeds from collection of loans	2	14
Proceeds from land expropriation	68	—
Proceeds from business transfer	—	44
Payments of advisory commission	(52)	(27)
Other	71	(37)
<b>Net cash used in investing activities</b>	<b>(10,019)</b>	<b>(4,198)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans payable	9,292	(9,550)
Proceeds from long-term borrowing	—	1,000
Repayment of long-term loans payable	(97)	(30)
Proceeds from issuance of bonds	—	9,947
Repayment of lease deposits received	(649)	(649)
Purchase of treasury stock	(11)	(2)
Cash dividends paid	(440)	(171)
Cash dividends paid to minority shareholders	(3)	—
Other	(2)	(2)
<b>Net cash provided by financing activities</b>	<b>8,088</b>	<b>540</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(26)</b>	<b>27</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(852)</b>	<b>(644)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,766</b>	<b>4,342</b>
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	<b>44</b>	<b>—</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,958</b>	<b>3,697</b>

(4) Notes on the premise of a going concern

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

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.
- 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.
- 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.

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

(Millions of yen)

	Refractories	Furnace Construction	Advanced Ceramics	Real Estate	Others	Total	Eliminations/Corporate	Consolidated
Net sales	28,169	7,417	952	496	1,020	38,056	—	38,056
Operating income (loss)	(136)	706	(311)	148	56	(464)	(664)	(200)

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) from the first quarter of the fiscal year ending March 2010. Beginning with the construction contracts launched during said quarter, the percentage-of-completion method shall be applied if the outcome of the construction activity is deemed certain during the course of the activity up to the end of the first half under review; otherwise, the completed-contract method shall be applied. (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.)

Due to this change, net sales increased ¥371 million and operating income increased ¥63 million in the Furnace Construction segment compared with the application of the previous accounting standard.

#### [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/ Corporate	Consolidated
Net sales	47,752	6,694	54,446	(3,510)	50,936
Operating income (loss)	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
- 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.

- 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.

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

(Millions of yen)

	Japan	Other Regions	Total	Eliminations/ Corporate	Consolidated
Net sales	35,713	3,640	39,354	1,298	38,056
Operating income (loss)	133	251	384	(585)	(200)

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 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) from the first quarter of the fiscal year ending March 2010. Beginning with the construction contracts launched during said quarter, the percentage-of-completion method shall be applied if the outcome of the construction activity is deemed certain during the course of the activity up to the end of the first half under review; otherwise, the completed-contract method shall be applied. (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.)

Due to this change, net sales increased ¥371 million and the operating loss contracted ¥63 million in Japan compared with the application of the previous accounting standard.

[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)	2,833	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:

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
3. Overseas sales represent the sales of the Company and its consolidated subsidiaries in nations and regions outside Japan.

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

	Asia	Europe	Other Regions	Total
I. Overseas sales (Millions of yen)	2,538	1,695	1,381	5,615
II. Consolidated net sales (Millions of yen)	—	—	—	38,056
III. Ratio of overseas sales to consolidated net sales (%)	6.7	4.5	3.6	14.8

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 Half of Fiscal Year Ending March 2010 (from April 1, 2009, to September 30, 2009):

None