

February 10, 2010

Dear Shareholders,

Company name: KROSAKI HARIMA CORPORATION  
Representative: Hideki Furuno, President  
Securities Code: 5352  
(Listed on the First Section of the Tokyo Stock Exchange and the Fukuoka Stock Exchange)

## **Notice of Transfer of Property of a Consolidated Subsidiary and the Resulting Recognition of Extraordinary Income**

Krosaki Harima Corporation (“the Company”) announced today that AMR Refractorios, S. A. (“AMR”), a consolidated subsidiary of the Company, concluded a contract to transfer the land (“the Transfer”) where it is sited to the local government of the region where the subsidiary is located, in response to that government’s request for expropriation of the land, and receive compensation as detailed below.

The Company also announced that it would recognize a gain on the Transfer and the compensation as extraordinary income for the fiscal year ending March 31, 2010.

### 1. Outline of the Consolidated Subsidiary

|   |   |
|---|---|
| (1) Name                                | AMR Refractorios, S. A.                   |
| (2) Location                            | Hernani, Guipuzkoa, Basque Country, Spain |
| (3) Representative                      | Carlos Bris, President                    |
| (4) Businesses                          | Manufacturing and sale of refractories    |
| (5) Capital                             | €4,597,000                                |
| (6) Closing Date                        | December 31                               |
| (7) Shareholder<br>(Shareholding ratio) | Krosaki Harima Corporation (100%)         |

### 2. Reasons for the Transfer

In response to the local government’s request for expropriation of the factory site of AMR for a land readjustment project, AMR will transfer the land to Guipuzkoa Development Corporation (“the Corporation”) and receive compensation from the Corporation (part of which has already been received).

The Transfer will be made by exchanging said factory site of AMR with a new site provided by the Corporation.

In preparation for the relocation of AMR resulting from the Transfer, AMR has been building a new factory on said new site in Hernani since December 2007. AMR’s new business office and part of the factory equipment were completed in October 2009 and are already in operation, but the former factory is also operating in parallel. Currently, relocation of the former factory equipment is under way to complete the relocation of AMR by November 2010.

### 3. Description of the Transfer

#### (1) Description of the Transferred Property

##### i. Description and location of the property

Factory site (location: Hernani, Guipuzkoa, Basque Country, Spain)

ii. Current status of the property

AMR's factory is still in operation on the site. The relocation of AMR is scheduled to be completed by November 2010.

(2) Details of the Gain on the Transfer and Compensation

Gain on the Transfer: €4,723,000 (¥615 million)

The difference between the market value of the new factory site and the book value of the former factory site will be recognized as a gain on the Transfer.

Compensation: €2,755,000 (¥2,963 million)

Of the above amount, €5,850,000 had been received as of October 2009.

(3) Period of Accrual of the Income Resulting from the Transfer

At the time the Company decided to relocate AMR in March 2006, the period of accrual of the income resulting from the Transfer was yet to be determined. Because AMR concluded a contract on the Transfer with the Corporation in October 2009, the Company decided to recognize said income as extraordinary income for the fiscal year ending March 2010.

4. Outline of the Transferee

|              |   |
|--------------|---|
| (1) Name     | Guipuzkoa Development Corporation         |
| (2) Location | Hernani, Guipuzkoa, Basque Country, Spain |

5. Schedule of the Transfer

|                                |                            |
|--------------------------------|----------------------------|
| (1) Conclusion of the Contract | October 16, 2009           |
| (2) Delivery of the Property   | November 9, 2010 (planned) |

6. Future Outlook

The Company will recognize income resulting from the Transfer amounting to ¥3,578 million on a consolidated basis as extraordinary income for the fiscal year ending March 31, 2010.

The resulting increase in consolidated net income for the fiscal year ending March 31, 2010, is expected to be more than 30% (¥458 million) of the average (Note) of consolidated net income for the past five fiscal years.

Considering the extraordinary income from the Transfer and other factors, the Company has made upward revisions to the full-year consolidated performance forecasts released on November 11, 2009, as detailed in the Notice of Revision to Performance Forecasts announced today, February 10, 2010.

Note: Because the Company posted a net loss for the fiscal year ended March 2009, the average of net income for the past five fiscal years was calculated on the assumption that net income for a year with a deficit is zero, irrespective of the size of the deficit.

(Reference) Consolidated Performance Forecasts for the Fiscal Year Ending March 2010 (released on February 10,

## 2010) and Business Results for the Fiscal Year Ended March 2009

(Millions of yen)

|   | Net sales | Operating income | Ordinary income | Net income |
|---|-----------|------------------|-----------------|------------|
| Forecasts for the Year<br>Ending March 2010 | 81,600    | 2,300            | 2,400           | 3,700      |
| Results for the Year<br>Ending March 2009   | 96,322    | 3,611            | 3,126           | (2,879)    |