

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

February 10, 2010

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: February 12, 2010

Scheduled date of starting distributing dividends: —

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

1. Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 2010 (April 1, 2009, to December 31, 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	%
First 3 Qs FY Ending March 2010	60,041	(22.2)	1,643	(53.1)	1,811	(39.4)
First 3 Qs FY Ending March 2009	77,197	—	3,507	—	2,986	—

	Net income		Net income per share		Diluted net income per share	
	Millions of yen	%	Yen		Yen	
First 3 Qs FY Ending March 2010	1,139	—	13.49		—	
First 3 Qs FY Ending March 2009	(4,604)	—	(52.25)		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2009	83,215	30,218	35.0	345.30
March 31, 2009	83,284	26,815	31.0	305.26

Reference: Equity capital was ¥29,164 million as of December 31, 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)	—	—	—	2.00	2.00

Note: Revision of the above forecasts was made in the first 3Qs of the 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	81,600	(15.3)	2,300	(36.3)	2,400	(23.2)

	Net income		Net income per share	
	Millions of yen	%	Yen	
Full year	3,700	—	43.80	

Note: Revision of the above forecasts was made in the first 3Qs of the 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: No
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): | | | |
| 3Q FY ending March 2010: | 91,145,280 | FY ending March 2009: | 91,145,280 |
| 2. Number of treasury shares as of the period-end: | | | |
| 3Q FY ending March 2010: | 6,685,152 | FY ending March 2009: | 6,666,944 |
| 3. Average number of shares outstanding: | | | |
| 3Q FY ending March 2010: | 84,465,610 | 3Q FY ending March 2009: | 88,136,741 |

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 first three quarters of the fiscal year ending March 2010, a recovery of steel demand alleviated the curtailment of production in the steel industry, which is a major customer of the Krosaki Harima Group. Despite signs of recovery, the domestic crude steel output for the period under review declined 20.4% compared with the same period of the previous fiscal year, affected by the decreased steel production that continued until the first half of the fiscal year ending March 31, 2010. The recovery of crude steel output is bringing about a recovery in refractory demand as well, but it was still lower than the same period of the previous fiscal year. As a result, the Group's consolidated net sales for the first three quarters of the fiscal year ending March 2010 decreased 22.2% from the same period of the previous year to ¥60,041 million.

The profit-and-loss results were affected by the decrease in net sales, but continued efforts to reduce labor and procurement costs led to a recovery of profitability in the period under review after a deficit had continued until the first half of the fiscal year ending March 31, 2010. The Group posted operating income of ¥1,643 million, although it fell 53.1% from the same period of the previous fiscal year; ordinary income of ¥1,811 million, although it decreased 39.4% from the same period of the previous fiscal year, and net income of ¥1,139 million compared with a net loss of ¥4,604 million for the same period of the previous fiscal year due to a loss in revaluation of investment securities in MAGNESITA REFRATARIOS S.A., a leading refractory manufacturer in Brazil, and other companies.

As a result, net income per share was ¥13.49 compared with a net loss per share of ¥52.25 for the same period of the previous fiscal year.

Consolidated business performance by industry segment was as follows.

[Refractories]

Due to a fall in refractory demand, the Refractories segment's net sales for the first three quarters of the fiscal year ending March 2010 declined 23.6% from the same period of the previous fiscal year to ¥44,699 million. As a result of continued cost-cutting efforts, the segment returned to profit in the period under review after a deficit had continued until the first half of the fiscal year ending March 31, 2010, achieving operating income of ¥1,528 million, although it decreased 53.7% from the same period of the previous fiscal year.

[Furnace Construction]

Primarily due to a decrease in sales from a large construction projects, the Furnace Construction segment's net sales dropped 9.4% to ¥11,387 million. As a result of improved profitability of construction projects as well as continued cost-cutting efforts, operating income rose 18.9% to ¥1,111 million.

[Advanced Ceramics]

Although the semiconductor manufacturing equipment market, which is a leading user of the Group's ceramics products, showed a tendency of recovery, the actual demand for ceramics was weaker than that in the same period of the previous fiscal year. As a result, the Advanced Ceramics segment's net sales decreased 50.4% to ¥1,559 million, resulting in an operating loss of ¥307

million compared with operating income of ¥35 million in the same period of the previous year. Owing to continued cost-reduction efforts, operating income of ¥4 million was achieved for the third quarter of the fiscal year ending March 31, 2010, compared with an operating loss of ¥13 million for the same quarter of the previous fiscal year.

[Real Estate]

The Real Estate segment's net sales dropped 2.1% to ¥744 million. Operating income increased 1.4% to ¥222 million.

[Others]

Although sales of the Others segment were on a recovery track during the third quarter of the fiscal year ending March 31 2010, net sales of the segment for the first three quarters of the fiscal year ending March 2010 declined 24.8% from the same period of the previous year to ¥1,650 million, affected by the decrease in sales that had continued until the first half of the year ending March 31, 2010. Meanwhile, continued cost-cutting efforts raised the segment's operating income by 29.7% to ¥114 million.

Consolidated business performance by geographical segment was as follows.

[Japan]

Primarily due to a decrease in refractory demand, net sales of the Japan segment for the first three quarters of the fiscal year ending March 2010 decreased 21.3% from the same period of the previous fiscal year to ¥56,993 million. As continued cost-cutting efforts partially offset a decrease in operating income, the Japan segment's operating income was ¥2,336 million, or a 9.2% decline from the same period of the previous fiscal year.

[Overseas]

The crude steel output of China has recovered and is now on a track for expansion. The crude steel output in the markets of Europe and the United States experienced a significant slump from April to September 2009 but improved from October to December 2009 and is now on a recovery track. However, due to the sales decreases that had continued until the first half of the fiscal year ending March 31, 2010, the Overseas segment's net sales for the first three quarters of the fiscal year ending March 2010 declined 45.3% from the same period of the previous year to ¥5,310 million. Operating income slumped 71.7% to ¥275 million.

2. Qualitative Information on the Consolidated Financial Position

(1) Assets

The Group's consolidated total assets at December 31, 2009, the closing date of the third quarter of the fiscal year ending March 2010, decreased ¥68 million from the previous fiscal year-end to ¥83,215 million. Current assets decreased ¥4,491 million to ¥38,842 million. Noncurrent assets increased ¥4,376 million to ¥44,326 million.

Primary factors for the decrease in current assets included decreases in inventories due to the Group-wide inventory-reduction efforts and in cash and deposits as a result of repaying short-term loans payable. 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 December 31, 2009, the closing date of the third quarter of the fiscal year ending March 2010, decreased ¥3,471 million from the previous fiscal year-end to ¥52,996 million. Current liabilities decreased ¥9,263 million to ¥30,523 million. Noncurrent liabilities increased ¥5,791 million to ¥22,472 million.

A major factor for the decrease in current liabilities was the repayment of short-term loans payable. The increase in noncurrent liabilities was caused by the issuance of bonds.

(3) Net assets

The Group's consolidated net assets at December 31, 2009, the closing date of the third quarter of the fiscal year ending March 2010, increased ¥3,403 million to ¥30,218 million. Major factors for the increase in net assets included increases in the valuation difference on available-for-sale securities, reflecting a rise in the value of shares held by the Group, and in retained earnings.

As a result, the Group's equity ratio at the end of the period under review was 35.0%.

Net assets per share rose from ¥305.26 at the previous fiscal year-end to ¥345.30.

3. Qualitative Information on the Forecast of Consolidated Business Results

The Company has made revisions to the full-year business performance forecasts announced on November 11, 2009, as detailed in the Notice of Revision to Performance Forecasts released today, February 10, 2010.

As the domestic crude steel output is showing signs of recovery, refractory demand is also improving. In addition to the sales increase due to the rising refractory demand, persistent cost-cutting efforts and a lower ratio of fixed costs as a result of alleviating the reduction of the Group's output and the resulting increase in the rate of capacity utilization contributed to the improvement of the income status for the first three quarters of the fiscal year ending March 2010. Accordingly, the full-year forecasts for net sales, operating income and ordinary income have been revised upward.

The full-year forecast for net income has also been revised upward to reflect the aforementioned improvement of income and because the Company will recognize a gain in the transfer of the factory site of AMR Refractorios, S. A., a consolidated subsidiary of the Company, as extraordinary income for the fiscal year ending March 31, 2010, as detailed in the Notice of Transfer of Property of a Consolidated Subsidiary and the Resulting Recognition of Extraordinary Income released today, February 10, 2010.

Actual results might differ significantly from our projections due to a change in refractory demand caused by fluctuations in 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 December 31, 2009, the closing date of the third 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 third quarter under review.

ii. Computation method for inventories

For the computation of inventories at December 31, 2009, the closing date of the third quarter under review, a physical inventory was omitted and a reasonable calculation method based on the actual inventories at the end of the previous fiscal year was applied.

iii. 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 December 31, 2009, the closing date of the third quarter under review, we applied the total construction contract costs estimated at the end of the first half as those at December 31, 2009, the closing date of the third quarter, except for construction contracts for which total costs are recognized to have changed significantly from the amounts estimated at the end of the first half.

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 third quarter 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.)

This change increased net sales for the first nine months of the fiscal year ending March 2010 by ¥335 million, and gross profit, operating income, ordinary income and net income before income taxes each by ¥53 million, compared with the application of the previous accounting standard.

The impact of this change on the Segment Information is indicated in the applicable notes in the Segment Information section.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY Ending March 2010 Third Quarter (As of December 31, 2009)	Condensed Balance Sheet for FY Ending March 2009 (As of March 31, 2009)
ASSETS		
Current assets:		
Cash and deposits	2,749	4,342
Notes and accounts receivable—trade	20,524	18,577
Merchandise and finished goods	6,175	8,573
Work in process	3,240	2,808
Raw materials and supplies	3,994	6,521
Deferred tax assets	915	1,453
Other	1,245	1,065
Allowance for doubtful accounts	(3)	(8)
Total current assets	38,842	43,333
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	34,623	33,047
Accumulated depreciation	(23,414)	(22,542)
Buildings and structures (net)	11,209	10,504
Machinery, equipment and vehicles	49,125	48,304
Accumulated depreciation	(41,411)	(39,493)
Machinery, equipment and vehicles (net)	7,713	8,810
Tools, furniture and fixtures	3,600	3,383
Accumulated depreciation	(2,856)	(2,621)
Tools, furniture and fixtures (net)	744	761
Land	6,855	7,246
Construction in progress	3,873	3,364
Total property, plant and equipment	30,396	30,688
Intangible assets:		
Goodwill	89	116
Other	629	450
Total intangible assets	718	567
Investments and other assets:		
Investment securities	10,063	4,099
Long-term loans receivable	504	214
Deferred tax assets	597	2,316
Other	2,230	2,269
Allowance for doubtful accounts	(184)	(205)
Total investments and other assets	13,211	8,694
Total noncurrent assets	44,326	39,950
Deferred assets		
Bond issuance costs	46	—
Total deferred assets	46	—
Total assets	83,215	83,284

(Millions of yen)

	FY Ending March 2010 Third Quarter (As of December 31, 2009)	Condensed Balance Sheet for FY Ending March 2008 (As of March 31, 2009)
LIABILITIES		
Current liabilities:		
Notes and accounts payable—trade	14,243	14,915
Short-term loans payable	9,982	17,857
Accrued expenses	1,743	1,603
Income taxes payable	94	378
Accrued business office taxes	93	124
Accrued consumption taxes	435	131
Provision for bonuses	800	1,763
Provision for loss on construction contracts	73	—
Deferred tax liabilities	17	—
Other current liabilities	3,039	3,013
Total current liabilities	30,523	39,787
Noncurrent liabilities:		
Bonds	10,000	—
Long-term loans payable	5,500	8,800
Deferred tax liabilities	716	672
Provision for retirement benefits	539	678
Provision for directors' retirement benefits	396	347
Provision for product warranties	7	47
Long-term lease and guarantee deposited	4,281	4,930
Negative goodwill	899	1,046
Other	132	157
Total long-term liabilities	22,472	16,680
Total liabilities	52,996	56,468
NET ASSETS		
Shareholders' equity:		
Capital stock	5,537	5,537
Capital surplus	5,138	5,138
Retained earnings	18,058	17,094
Treasury stock	(1,546)	(1,542)
Total shareholders' equity	27,188	26,228
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	2,646	270
Deferred gains or losses on hedges	19	(0)
Foreign currency translation adjustment	(690)	(709)
Total valuation and translation adjustments	1,975	(440)
Minority interests	1,054	1,028
Total net assets	30,218	26,815
Total liabilities and net assets	83,215	83,284

(2) Quarterly Consolidated Statement of Income (Cumulative)

(Millions of yen)

	FY Ending March 2009 First 3 Quarters (April 1, 2008, to December 31, 2008)	FY Ending March 2010 First 3 Quarters (April 1, 2009, to December 31, 2009)
Net sales	77,197	60,041
Cost of sales	63,748	49,744
Gross profit	13,448	10,296
Selling, general and administrative expenses	9,941	8,653
Operating income (loss)	3,507	1,643
Non-operating income:		
Interest income	12	6
Dividends income	95	90
Subsidy income	—	252
Amortization of negative goodwill	147	147
Equity in earnings of affiliates	71	101
Other	148	137
Total non-operating income	474	737
Non-operating expenses:		
Interest expenses	224	275
Loss on transfer of receivables	184	116
Foreign exchange loss	414	—
Other	172	177
Total non-operating expenses	995	569
Ordinary income (loss)	2,986	1,811
Extraordinary income:		
Gain on prior period adjustment	10	—
Gain on sales of noncurrent assets	199	335
Gain on disposal of noncurrent assets	75	—
Gain on extinguishment of tie-in shares	34	—
Other	35	124
Total extraordinary income	355	460
Extraordinary loss:		
Loss on prior period adjustment	30	—
Loss on retirement of noncurrent assets	260	41
Loss on sales of noncurrent assets	1	3
Loss on revaluation of investment securities	5,954	—
Impairment loss	4	15
Advisory commission	83	—
Environmental measures	558	35
Other	18	65
Total extraordinary loss	6,912	160
Income (loss) before income taxes and minority interests	(3,570)	2,110
Income taxes—current	557	172
Income taxes for prior periods	159	—
Income taxes—deferred	195	727
Total income taxes	911	900
Minority interests	122	70
Net income (loss)	(4,604)	1,139

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

(Millions of yen)

	FY Ending March 2009 First 3 Quarters (April 1, 2008, to December 31, 2008)	FY Ending March 2010 First 3 Quarters (April 1, 2009, to December 31, 2009)
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	(3,570)	2,110
Depreciation and amortization	3,492	3,375
Impairment loss	4	15
Amortization of goodwill	43	45
Amortization of negative goodwill	(147)	(147)
Amortization of long-term prepaid expenses	21	5
Increase (decrease) in allowance for doubtful accounts	2	(25)
Increase (Decrease) in provision for bonuses	(969)	(963)
Increase (Decrease) in provision for retirement benefits	(46)	(139)
Increase (Decrease) in other provision	47	82
Interest and dividends income	(107)	(97)
Interest expenses	224	275
Foreign exchange losses (gains)	3	(25)
Equity in (earnings) losses of affiliates	(71)	(101)
Loss (Gain) on prior period adjustment	20	—
Loss on retirement of property, plant and equipment	260	41
Loss (gain) on sales and retirement of property, plant and equipment	(198)	(332)
Advisory commission	83	28
Loss (gain) on extinguishment of tie-in shares	(34)	—
Decrease (increase) in notes and accounts receivable—trade	(3,475)	(1,942)
Decrease (increase) in inventories	(3,527)	4,568
Increase (decrease) in notes and accounts payable—trade	5,825	(809)
Loss (Gain) on revaluation of investment securities	5,954	8
Other	(235)	263
Subtotal	3,600	6,253
Interest and dividends income received	122	104
Interest expenses paid	(222)	(262)
Income taxes paid	(702)	(459)
Net cash used by operating activities	2,797	5,636
Cash flows from investing activities:		
Payments into time deposits	(1)	—
Proceeds from withdrawal of time deposits	18	—
Purchase of property, plant and equipment	(4,390)	(3,210)
Proceeds from sales of property, plant and equipment	198	537
Payments for retirement of property, plant and equipment	(192)	(28)
Purchase of intangible assets	(13)	(55)
Purchase of investment securities	(7,445)	(1,910)
Payments for investments in capital of subsidiaries and affiliates	(107)	—
Payments of loans receivable	(66)	(451)
Proceeds from collection of loans	3	22
Proceeds from land expropriation	68	—
Payments of advisory commission	(67)	(28)
Proceeds from business transfer	—	44
Other	70	(33)
Net cash used in investing activities	(11,926)	(5,114)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable	10,643	(12,129)
Proceeds from long-term borrowing	—	1,000
Repayment of long-term loans payable	(117)	(30)
Proceeds from issuance of bonds	—	9,947
Repayment of lease deposits received	(649)	(649)
Purchase of treasury stock	(837)	(3)
Cash dividends paid	(440)	(170)
Cash dividends paid to minority shareholders	(3)	(26)
Other	(3)	(3)
Net cash provided by financing activities	8,591	(2,066)
Effect of exchange rate change on cash and cash equivalents	(42)	(48)
Net increase (decrease) in cash and cash equivalents	(579)	(1,592)
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	2,231	2,749

(4) Notes on the premise of a going concern

First Three Quarters of Fiscal Year Ending March 2010 (from April 1, 2009, to December 31, 2009):

None

(5) Segment Information

[Business Segment Information]

First Three Quarters of Fiscal Year Ending March 2009 (from April 1, 2008, to December 31, 2008):

(Millions of yen)

	Refractories	Furnace Construction	Advanced Ceramics	Real Estate	Others	Total	Eliminations/ Corporate	Consolidated
Net sales	58,534	12,564	3,142	760	2,194	77,197	—	77,197
Operating income (loss)	3,299	934	35	219	88	4,576	(1,068)	3,507

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 ¥554 million and ¥513 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 ¥101 million compared with the amount that would have been obtained under the previous valuation method.
- The Company adopted the declining balance method, instead of the straight-line method, for the depreciation of some of the tangible fixed assets within the premises of a user associated with the Furnace Construction business, effective from the third quarter of the fiscal year ending March 31, 2009. According to an amendment of contract with that user during the third quarter of the fiscal year ending March 31, 2009, it was concluded that the declining balance depreciation method could better reflect the period’s profit and loss relating to the relevant tangible fixed assets acquired in and after said period.
This change had a negligible effect on the segment’s operating income for the first three quarters ended December 31, 2008. This change had no effect on the segment’s operating income for the first half ended September 30, 2008.
- 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 ¥157 million in the Refractories segment, ¥0 million in the Furnace Construction segment, ¥13 million in the Advanced Ceramics million and ¥11 million in the Others segment compared with the results that would have been obtained with the previous useful lives.

First Three Quarters of Fiscal Year Ending March 2010 (from April 1, 2009, to December 31, 2009):

(Millions of yen)

	Refractories	Furnace Construction	Advanced Ceramics	Real Estate	Others	Total	Eliminations/ Corporate	Consolidated
Net sales	44,699	11,387	1,559	744	1,650	60,041	—	60,041
Operating income (loss)	1,528	1,111	(307)	222	114	2,669	(1,025)	1,643

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 third quarter 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 ¥335 million and operating income increased ¥53 million in the Furnace Construction segment compared with the application of the previous accounting standard.

[Geographical Segment Information]

First Three Quarters of Fiscal Year Ending March 2009 (from April 1, 2008, to December 31, 2008):

(Millions of yen)

	Japan	Other Regions	Total	Eliminations/ Corporate	Consolidated
Net sales	72,446	9,715	82,162	(4,965)	77,197
Operating income (loss)	2,573	975	3,548	(41)	3,507

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 ¥101 million compared with the amount that would have been obtained under the previous valuation method.
- The Company adopted the declining balance method, instead of the straight-line method, for the depreciation of some of the tangible fixed assets within the premises of a user associated with the Furnace Construction business in Japan, effective from the third quarter of the fiscal year ending March 31, 2009. According to an amendment of contract with that user during the third quarter of the fiscal year ending March 31, 2009, it was concluded that the declining balance depreciation method could better reflect the period’s profit and loss relating to the relevant tangible fixed assets acquired in and after said period.
This change had a negligible effect on the Japan segment’s operating income for the first three quarters ended December 31, 2008. This change had no effect on the Japan segment’s operating income for the first half ended September 30, 2008.
- 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 ¥188 million in the Japan segment compared with the amount that would have been obtained with the previous useful lives.

First Three Quarters of Fiscal Year Ending March 2010 (from April 1, 2009, to December 31, 2009):

(Millions of yen)

	Japan	Other Regions	Total	Eliminations/ Corporate	Consolidated
Net sales	56,993	5,310	62,304	(2,262)	60,041
Operating income (loss)	2,336	275	2,612	(968)	1,643

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 third quarter 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 ¥335 million and the operating loss contracted ¥53 million in Japan compared with the application of the previous accounting standard.

[Overseas Sales]

First Three Quarters of Fiscal Year Ending March 2009 (from April 1, 2008, to December 31, 2008):

	Asia	Europe	Other Regions	Total
I. Overseas sales (Millions of yen)	4,187	4,737	4,383	13,307
II. Consolidated net sales (Millions of yen)	—	—	—	77,197
III. Ratio of overseas sales to consolidated net sales (%)	5.4	6.1	5.7	17.2

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.

First Three Quarters of Fiscal Year Ending March 2010 (from April 1, 2009, to December 31, 2009):

	Asia	Europe	Other Regions	Total
I. Overseas sales (Millions of yen)	3,715	2,515	2,241	8,473
II. Consolidated net sales (Millions of yen)	—	—	—	60,041
III. Ratio of overseas sales to consolidated net sales (%)	6.2	4.2	3.7	14.1

Notes:

- The category of nation or region was determined by geographic proximity.
- Major nations or regions included in each category:
 - Asia: China and Taiwan
 - Europe: Spain and the Netherlands
 - Other Regions: 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 Three Quarters of Fiscal Year Ending March 2010 (from April 1, 2009, to December 31, 2009):

None

(Significant Subsequent Event)

The Third Quarter of the Fiscal Year Ending March 31, 2010 (From October 1, 2009, to December 31, 2009)
<p>Transfer of a significant asset</p> <p>After its third quarter, for which the closing date of a fiscal year is December 31, AMR Refractorios, S.A., a consolidated subsidiary concluded a contract to transfer the land where it is sited to the local government for the region where the subsidiary is located, in response to that government's request for expropriation of the land for a land readjustment project.</p> <p>Said transfer is expected to produce a gain of ¥3,578 million (€27 million), which will be posted as extraordinary income for the fiscal year ending March 31, 2010.</p>