

# Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 2011 [Japanese Standards]

August 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: Yasuo Hamamoto, President

Scheduled date of submitting the quarterly financial statements: August 11, 2010

Scheduled date of starting distributing dividends:

Supplementary documents for this summary of financial statements: None

Explanation meeting for this summary of financial statements: None

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

## 1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2011 (April 1, 2010, to June 30, 2010)

(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 2011	23,745	41.6	1,692	—	1,564	—
1Q FY Ending March 2010	16,769	—	(425)	—	(211)	—

	Net income		Net income per share		Diluted net income per share	
	Millions of yen	%	Yen		Yen	
1Q FY Ending March 2011	964	—	11.43		—	
1Q FY Ending March 2010	(194)	—	(2.31)		—	

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2010	82,857	32,457	37.9	371.84
March 31, 2010	86,280	33,269	37.3	381.50

Reference: Equity capital was ¥31,397 million as of June 30, 2010, and ¥32,219 million as of March 31, 2010.

## 2. Dividends

(Record date)	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
FY Ending March 2010	—	0.00	—	3.00	3.00
FY Ending March 2011	—	—	—	—	—
FY Ending March 2011 (Forecast)	—	0.00	—	4.00	4.00

Note: Revision to dividend forecasts made during the period under review: No

## 3. Forecast of Consolidated Business Results for the Fiscal Year Ending March 2011 (April 1, 2010, to March 31, 2011)

(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	45,200	18.8	2,800	—	2,700	—
Full year	85,700	3.4	4,000	36.3	3,900	29.1

	Net income		Net income per share	
	Millions of yen	%	Yen	
Interim	1,600	—	18.95	
Full year	2,400	(39.5)	28.42	

Note: Revision to performance forecasts made during the period under review: Yes

For details, please refer to the Notice of Revision to Performance Forecasts released today (August 10, 2010).

4. Other Information (For details, please refer to “Other Information” on page 3 of the Attachment.)

(1) Changes in important subsidiaries during the period: None

Newly included: — Excluded: —

Note: This refers to changes in specific subsidiaries involving a change in the scope of consolidation during the period under review.

(2) Adoption of simplified accounting methods and special accounting treatment: Yes

Note: This refers to whether the simplified accounting methods and special accounting treatment for preparing quarterly consolidated financial statements were adopted.

(3) Changes in accounting policies and procedures, method of presentation, etc.

1. Changes associated with the revision of accounting standards: Yes

2. Changes other than the above: None

Note: These refer to changes in accounting policies and procedures and the method of presentation for preparing the quarterly consolidated financial statements stated in “Changes in Basis of Presentation of Quarterly Consolidated 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 2011:	91,145,280	FY ending March 2010:	91,145,280
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2. Number of treasury shares as of the period-end:

1Q FY ending March 2011:	6,707,880	FY ending March 2010:	6,690,606
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3. Average number of shares outstanding:

1Q FY ending March 2011:	84,438,791	1Q FY ending March 2010:	84,470,954
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Status of execution of the quarterly review of financial statements:

The review of quarterly financial statements under the Financial Instruments and Exchange Act was in progress at the time this summary was disclosed.

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 Forecast of Consolidated Business Results” under “1. Qualitative Information on Consolidated Business Results, etc., during the Period under Review” on page 3 of the Attachment.

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## 1. Qualitative Information on Consolidated Business Results, etc., during the Period under Review

### (1) Qualitative Information on Consolidated Business Results

During the consolidated quarter under review, from April 1, 2010, to June 30, 2010, an increase in steel demand, chiefly for exports, led to a significant recovery in the crude steel output of Japan's steel industry, a major customer of the Krosaki Harima Group, achieving a 47.0% jump from a year earlier. The resulting recovery in refractory demand increased consolidated net sales for the first quarter under review by 41.6% year over year to ¥23,745 million.

Owing to the recovery of net sales, the Group achieved consolidated operating income of ¥1,692 million for the quarter under review, compared with an operating loss of ¥425 million for the previous first quarter, and consolidated ordinary income of ¥1,564 million, compared with ordinary income of ¥211 million a year earlier.

Net income for the quarter under review amounted to ¥964 million, compared with a net loss of ¥194 million a year earlier.

As a result, net income per share for the first quarter was ¥11.43, compared with a net loss per share of ¥2.31 for the previous first quarter.

Consolidated business performance by industry segment was as follows.

The net sales of each segment represent sales to external customers and do not include inter-segment sales or transfers.

#### [Refractories]

Due to the recovery of refractory demand, the Refractories segment's net sales for the quarter under review amounted to ¥17,179 million and its segment profit was ¥1,346 million.

#### [Furnace]

Due to an increase in furnace maintenance and construction projects as a result of the increased crude steel output of the steel industry, the Furnace segment's net sales advanced to ¥4,656 million. Its segment profit was ¥207 million, reflecting increased labor costs.

#### [Ceramics]

Reflecting the significant improvement in the market environment surrounding the semiconductor manufacturing equipment industry, a leading user of the Ceramics segment's products, the Ceramics segment's net sales jumped to ¥1,448 million and its segment profit amounted to ¥45 million.

#### [Real Estate]

The Real Estate segment achieved net sales of ¥250 million and segment profit of ¥76 million.

#### [Others]

The Others segment achieved net sales of ¥209 million and segment profit of ¥7 million.

### (2) Qualitative Information on the Consolidated Financial Position

#### 1) Assets

The Group's consolidated total assets at June 30, 2010, the closing date of the first quarter of the year ending March 2011, decreased ¥3,423 million from the previous fiscal year-end to ¥82,857 million.

Current assets decreased ¥477 million to ¥41,811 million. Noncurrent assets declined ¥2,942 million to ¥41,004 million.

A primary factor for the decrease in current assets was a decrease in inventories, whereas a primary factor for the decrease in noncurrent assets was a decrease in investment securities due to a fall in the value of shares held by the Group.

## 2) Liabilities

The Group's consolidated total liabilities at June 30, 2010, the closing date of the quarter under review, fell ¥2,610 million from the previous fiscal year-end to ¥50,400 million. Current liabilities declined ¥1,159 million to ¥27,193 million. Noncurrent liabilities decreased ¥1,451 million to ¥23,206 million.

A main cause for the decrease in current liabilities was a decrease in short-term loans payable, whereas a main reason for the decrease in noncurrent liabilities was a decline in deferred tax liabilities.

## 3) Net assets

The Group's consolidated net assets at June 30, 2010, the closing date of the quarter under review, fell ¥812 million to ¥32,457 million.

The decrease in net assets was due to a decline in the valuation difference on available-for-sale securities, reflecting a fall 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 37.9%.

Net assets per share decreased from ¥381.50 at the previous fiscal year-end to ¥371.84.

## (3) Qualitative Information on the Forecast of Consolidated Business Results

The forecast of consolidated business results for the interim term ending September 30, 2010, that we announced on May 13, 2010, has been revised upward as detailed in the Notice of Revision to Performance Forecasts released on August 10, 2010.

The revision was made to the Group's consolidated performance forecast of net sales, operating income, ordinary income and net income, reflecting a revenue increase due to the favorable market environment for the semiconductor manufacturing equipment industry, a major user of the Group's ceramic products, and an increase in furnace construction projects.

## 2. Other Information

(1) Changes in important subsidiaries: None

(2) Simplified accounting methods and special accounting treatment

### 1) Simplified accounting methods

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) Special accounting treatment: None

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

1) Application of the Accounting Standard for the Equity Method of Accounting for Investments and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Effective from April 1, 2010, the Company applied the Accounting Standard for the Equity Method of Accounting for Investments (ASBJ Statement No. 16, released on March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24, dated March 10, 2008). There was no effect of this application on the profits and losses during the period under review.

2) Application of the Accounting Standard for Asset Retirement Obligations

Effective from April 1, 2010, the Company applied the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, dated March 31, 2008) and the Implementation Guidance on the Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, dated March 31, 2008).

Due to this application, income before income taxes for the quarter under review decreased ¥25 million. The amount of change in asset retirement obligations due to the application of the above standard and guidance was ¥25 million.

3) Application of the Accounting Standard for Business Combinations and other related standards

Effective from April 1, 2010, the Company applied the Accounting Standard for Business Combinations (ASBJ Statement No. 21, dated December 26, 2008), the Accounting Standard

for Consolidated Financial Statements (ASBJ Statement No. 22, dated December 26, 2008), partial amendments to the Accounting Standard for Research and Development Costs (ASBJ Statement No. 23, dated December 26, 2008), the revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, revised on December 26, 2008), the revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, released on December 26, 2008) and the revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, revised on December 26, 2008).

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY Ending March 2011 First Quarter (As of June 30, 2010)	Condensed Balance Sheet for FY Ending March 2010 (As of March 31, 2010)
<b>ASSETS</b>		
Current assets:		
Cash and deposits	3,849	3,258
Notes and accounts receivable—trade	22,166	20,932
Merchandise and finished goods	6,012	5,612
Work in process	2,130	2,997
Raw materials and supplies	4,026	3,843
Deferred tax assets	1,669	1,921
Other	1,956	3,724
Allowance for doubtful accounts	(0)	(1)
<b>Total current assets</b>	<b>41,811</b>	<b>42,289</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	35,425	34,081
Accumulated depreciation	(23,260)	(23,197)
Buildings and structures (net)	12,165	10,883
Machinery, equipment and vehicles	50,125	48,312
Accumulated depreciation	(41,363)	(41,007)
Machinery, equipment and vehicles (net)	8,761	7,305
Tools, furniture and fixtures	3,605	3,547
Accumulated depreciation	(2,888)	(2,811)
Tools, furniture and fixtures (net)	716	736
Land	7,556	7,494
Construction in progress	290	3,725
Total property, plant and equipment	29,490	30,145
Intangible assets:		
Goodwill	58	74
Other	607	613
Total intangible assets	666	687
Investments and other assets:		
Investment securities	8,033	10,188
Long-term loans receivable	468	482
Deferred tax assets	331	339
Other	2,123	2,212
Allowance for doubtful accounts	(109)	(108)
Total investments and other assets	10,846	13,114
<b>Total noncurrent assets</b>	<b>41,004</b>	<b>43,947</b>
Deferred assets		
Bond issuance costs	41	43
<b>Total deferred assets</b>	<b>41</b>	<b>43</b>
<b>Total assets</b>	<b>82,857</b>	<b>86,280</b>

(Millions of yen)

	FY Ending March 2011 First Quarter (As of June 30, 2010)	Condensed Balance Sheet for FY Ending March 2010 (As of March 31, 2010)
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable—trade	13,804	12,885
Short-term loans payable	7,302	8,548
Income taxes payable	142	275
Deferred tax liabilities	18	14
Provision for bonuses	826	1,670
Provision for loss on construction contracts	65	65
Other current liabilities	5,033	4,892
<b>Total current liabilities</b>	<b>27,193</b>	<b>28,353</b>
Noncurrent liabilities:		
Bonds	10,000	10,000
Long-term loans payable	5,500	5,500
Provision for retirement benefits	500	525
Provision for directors' retirement benefits	369	407
Provision for product warranties	7	7
Deferred tax liabilities	1,309	1,954
Negative goodwill	800	849
Asset retirement obligations	25	—
Other	4,694	5,414
<b>Total long-term liabilities</b>	<b>23,206</b>	<b>24,658</b>
<b>Total liabilities</b>	<b>50,400</b>	<b>53,011</b>
<b>NET ASSETS</b>		
Shareholders' equity:		
Capital stock	5,537	5,537
Capital surplus	5,138	5,138
Retained earnings	21,598	20,886
Treasury stock	(1,555)	(1,547)
<b>Total shareholders' equity</b>	<b>30,719</b>	<b>30,015</b>
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	1,471	2,751
Deferred gains or losses on hedges	(40)	3
Foreign currency translation adjustment	(752)	(551)
<b>Total valuation and translation adjustments</b>	<b>678</b>	<b>2,203</b>
<b>Minority interests</b>	<b>1,059</b>	<b>1,049</b>
<b>Total net assets</b>	<b>32,457</b>	<b>33,269</b>
<b>Total liabilities and net assets</b>	<b>82,857</b>	<b>86,280</b>

## (2) Quarterly Consolidated Statement of Income

(Millions of yen)

	FY Ending March 2010 First Quarter (April 1, 2009, to June 30, 2009)	FY Ending March 2011 First Quarter (April 1, 2010, to June 30, 2010)
Net sales	16,769	23,745
Cost of sales	14,420	19,033
<b>Gross profit</b>	<b>2,348</b>	<b>4,711</b>
Selling, general and administrative expenses	2,774	3,019
<b>Operating income (loss)</b>	<b>(425)</b>	<b>1,692</b>
Non-operating income:		
Interest income	1	5
Dividends income	56	49
Amortization of negative goodwill	49	49
Subsidy income	138	—
Equity in earnings of affiliates	11	—
Other	97	40
Total non-operating income	354	144
Non-operating expenses:		
Interest expenses	72	94
Loss on transfer of receivables	37	—
Foreign exchange losses	—	72
Equity in losses of affiliates	—	25
Other	30	80
Total non-operating expenses	139	273
<b>Ordinary income (loss)</b>	<b>(211)</b>	<b>1,564</b>
Extraordinary income:		
Gain on sales of noncurrent assets	137	220
Reversal of provision for product warranties	40	—
Other	29	25
Total extraordinary income	206	246
Extraordinary loss:		
Loss on sales of noncurrent assets	—	0
Loss on retirement of noncurrent assets	24	8
Advisory commission	18	—
Environmental measures	26	—
Special addition to retirement benefits	—	139
Other	2	41
Total extraordinary loss	71	191
<b>Income before income taxes and minority interests</b>	<b>(75)</b>	<b>1,619</b>
Income taxes—current	54	132
Income taxes—deferred	61	485
Total income taxes	116	617
<b>Income before minority interests</b>	<b>—</b>	<b>1,001</b>
<b>Minority interests</b>	<b>—</b>	<b>—</b>
<b>Net income (loss)</b>	<b>3</b>	<b>36</b>
	<b>(194)</b>	<b>964</b>

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

(Millions of yen)

	FY Ending March 2010 First Quarter (April 1, 2009, to June 30, 2009)	FY Ending March 2011 First Quarter (April 1, 2010, to June 30, 2010)
<b>Cash flows from operating activities:</b>		
Income (loss) before income taxes and minority interests	(75)	1,619
Depreciation and amortization	1,079	1,084
Amortization of goodwill	14	15
Increase (decrease) in allowance for doubtful accounts	(4)	0
Interest and dividends income	(57)	(55)
Interest expenses	72	94
Foreign exchange losses (gains)	1	(16)
Equity in (earnings) losses of affiliates	(11)	25
Loss (gain) on sales and retirement of property, plant and equipment	(137)	(219)
Decrease (increase) in notes and accounts receivable—trade	2,631	(870)
Decrease (increase) in inventories	1,152	358
Increase (decrease) in notes and accounts payable—trade	(4,089)	760
Amortization of long-term prepared expenses	1	2
Amortization of negative goodwill	(49)	(49)
Advisory commission	18	—
Increase (Decrease) in provision for bonuses	(936)	(844)
Increase (Decrease) in provision for retirement benefits	(34)	(24)
Increase (Decrease) in other provision	27	(38)
Loss on retirement of property, plant and equipment	24	8
Other	136	9
Subtotal	(236)	1,860
Interest and dividends income received	58	54
Interest expenses paid	(69)	(136)
Income taxes paid	(350)	(380)
Special retirement benefits paid	—	(111)
<b>Net cash used by operating activities</b>	<b>(597)</b>	<b>1,287</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(1,416)	(683)
Proceeds from sales of property, plant and equipment	152	2,015
Purchase of investment securities	(2)	(2)
Payments of loans receivable	(22)	—
Purchase of intangible assets	(3)	(14)
Payments of advisory commission	(17)	—
Other	4	35
<b>Net cash used in investing activities</b>	<b>(1,305)</b>	<b>1,351</b>
<b>Cash flows from financing activities:</b>		
Repayment of long-term loans payable	(20)	—
Proceeds from issuance of bonds	9,947	—
Purchase of treasury stock	(1)	(7)
Cash dividends paid	(169)	(253)
Increase (decrease) in short-term loans payable	8,531	(1,277)
Repayment of lease deposits received	(649)	(649)
Other	(1)	(1)
<b>Net cash provided by financing activities</b>	<b>574</b>	<b>(2,189)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>44</b>	<b>16</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,284)</b>	<b>466</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,342</b>	<b>3,258</b>
<b>Increase in cash and cash equivalents resulting from a change in the scope of consolidation</b>	<b>—</b>	<b>124</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,057</b>	<b>3,849</b>

(4) Notes on the premise of a going concern

None

(5) Notes on a Significant Change in Shareholders' Equity

None