

Summary of Financial Results for the Fiscal Year Ended March 31, 2009

May 14, 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
 Date to hold the Ordinary General Meeting of Shareholders to approve results: June 26, 2009
 Date to start distributing dividends: June 29, 2009
 Date to submit the Securities Report: June 26, 2009

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

1. Consolidated Financial Results for the Year Ended March 31, 2009 (April 1, 2008, to March 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	%
Fiscal Year Ended March 2009	96,322	1.0	3,611	(27.7)	3,126	(34.8)
Fiscal Year Ended March 2008	95,376	4.2	4,994	(15.1)	4,796	(21.0)

	Net income (loss)		Net income (loss) per share		Diluted net income per share	
	Millions of yen	%	Yen	Yen	Yen	Yen
Fiscal Year Ended March 2009	(2,879)	—	(33.01)	—	—	—
Fiscal Year Ended March 2008	3,233	(16.9)	36.15	—	—	—

	Return on equity		Ordinary income to total assets		Operating income to net sales	
	%	%	%	%	%	%
Fiscal Year Ended March 2009	(9.9)	3.9	3.9	3.7	3.7	3.7
Fiscal Year Ended March 2008	10.1	6.1	6.1	5.2	5.2	5.2

Reference: Equity in earnings of affiliated companies was ¥132 million for the fiscal year ended March 2009, and ¥140 million for the fiscal year ended March 2008.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2009	83,284	26,815	31.0	305.26
March 31, 2008	79,017	33,245	40.7	362.66

Reference: Equity capital was ¥25,787 million as of March 31 2009, and ¥32,142 million as of March 31, 2008.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year Ended March 2009	3,254	(14,173)	12,543	4,342
Fiscal Year Ended March 2008	4,588	(4,868)	(508)	2,766

2. Dividends

(Record date)	Dividend per share				
	1Q End	2Q End	3Q End	Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 2009	—	0.00	—	5.00	5.00
Fiscal Year Ended March 2008	—	0.00	—	2.00	2.00
Fiscal Year Ended March 2010 (forecast)	—	—	—	0.00	0.00

(Record date)	Total dividends (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Millions of yen	%	%
Fiscal Year Ended March 2009	443	13.8	1.4
Fiscal Year Ended March 2008	168	—	0.6
Fiscal Year Ending March 2010 (forecast)	—	0.0	—

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

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

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

4. Other Information

- (1) Changes in important subsidiaries involving a change in the scope of consolidation during the period: None
(2) Changes in accounting policies and procedures and the method of presentation for preparing consolidated financial statements (those stated in “Changes in Basis of Presentation of Consolidated Financial Statements”)

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

2. Changes other than the above: Yes

For details, see “Changes in the Basis of Preparation of the Consolidate Financial Statements” on page 23.

- (3) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding as of the period-end (including treasury shares):

Fiscal Year Ended March 2009: 91,145,280 Fiscal Year Ended March 2008: 91,145,280

2. Number of treasury shares as of the period-end:

Fiscal Year Ended March 2009: 6,666,944 Fiscal Year Ended March 2008: 2,515,865

Note: For the number of shares based on which to compute consolidated net income per share, see “Per Share Information” on page 36.

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Year Ended March 31, 2009 (April 1, 2008, to March 31, 2009)

- (1) Non-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	%
Fiscal Year Ended March 2009	87,556	2.7	1,626	(37.4)	1,235	(49.7)
Fiscal Year Ended March 2008	85,226	2.2	2,596	(23.1)	2,455	(31.4)

	Net income (loss)		Net income (loss) per share		Diluted net income per share	
	Millions of yen	%	Yen		Yen	
Fiscal Year Ended March 2009	(3,516)	—	(40.81)		—	
Fiscal Year Ended March 2008	1,880	(48.6)	21.02		—	

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2009	68,863	20,664	30.0	244.58
March 31, 2008	63,087	26,306	41.7	296.77

Reference: Equity capital was ¥20,664 million as of March 31, 2009, and ¥26,306 million as of March 31, 2008.

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 “(1) Analysis of Business Performance” under “1. Business Performance” on page 4.

Qualitative Information/Financial Statements

1. Business Performance

(1) Analysis of Business Performance

1) Business performance for the year under review

The stalled economy following the financial crisis seriously affected business activities, causing a worldwide economic slowdown and a rapid deterioration in business confidence. Although it was strong earlier in the year under review, Japan's economy was also affected by the global economic downturn in the second half, worsening rapidly and resulting in extremely severe business conditions.

Due to solid demand for steel in the first half of the fiscal year under review, the crude steel output of Japan's steel industry, a major customer of the Krosaki Harima Group, expanded in that period. However, the worsened business sentiment in the second half led to deterioration in steel demand at home and abroad, causing the industry to reduce steel output. The domestic steel output of the industry declined 13.2% from the previous fiscal year to 105.5 million tons, which was the first year-over-year decline in three years.

The refractories industry in which the Group operates enjoyed active demand for refractories during the first half of the fiscal year under review. However, the steel industry's curtailment of steel output in the second half decreased the demand for refractories, which inevitably had adverse effects on the Group's business performance.

Under these circumstances, Krosaki Harima Corporation ("the Company") acquired shares in MAGNESITA REFRATARIOS S.A., a leading refractory manufacturer in Brazil, in the fiscal year under review to reinforce the Group's global development.

Meanwhile, the Company decided to dissolve and liquidate Krosaki Rozai Corporation, a consolidated subsidiary, to improve the efficiency of the Group's overall business operations.

In addition, the Company introduced the executive officer system in the fiscal year under review to ensure a separation of the decision-making and supervising function and the business operating function of corporate management, thereby enhancing the decision-making and supervising function of the Board of Directors, while expediting and improving the efficiency of business operations.

The business performance of the Krosaki Harima Group in the fiscal year under review was as follows.

[Net Sales]

Consolidated net sales for the fiscal year ended March 31, 2009, increased 1.0% from the previous fiscal year to ¥96,322 million, primarily due to active demand for refractories in the first half and revised product prices, which narrowly compensated for the decline in refractory demand resulting from reduced steel output in the second half.

[Profit/Loss]

Although the elevation of prices for refractory materials, procurements and production materials was settled to a certain degree in the second half of the fiscal year under review, those prices are still in the high range, adversely affecting the income of the Group. Responding to the decline in demand for refractories, the Group decreased production, causing a lower rate of capacity utilization and, in turn, an increased ratio of fixed costs.

Reflecting these factors and the significant deterioration of income in the Advanced Ceramics business, the Group's consolidated operating income declined 27.7% from the previous year to ¥3,611 million, and consolidated ordinary income plummeted 34.8% to ¥3,126 million.

In addition to the aforementioned income decreases, a loss on revaluation of investment securities due to the

impairment of listed shares held by the Company led to a consolidated net loss of ¥2,879 million for the period under review compared with net income of ¥3,233 million for the previous year.

As a result, the Group's consolidated net sales increased for the seventh consecutive year, whereas it recorded a consolidated net loss for the first time in seven years.

Consolidated business performance by industry segment was as follows.

[Refractories]

The Refractories segment's net sales for the fiscal year ended March 31, 2009, increased 4.8% from the previous fiscal year to ¥72,796 million, primarily due to active demand for refractories in the first half and revised product prices, which more than compensated for the decline in refractory demand resulting from reduced steel output, in the second half. Effective from the fiscal year under review, revenue from providing technological know-how was included in the sales of the Refractories segment instead of the Furnace Construction segment, as such know-how is expected to increasingly concern the technologies for the manufacturing of refractories. This reclassification resulted in an increase of ¥635 million in operating income of the Refractories segment, leading to the segment's overall operating income rising 10.8% to ¥3,502 million.

[Furnace Construction]

The aforementioned reclassification of revenue from technological know-how contributed to the Furnace Construction segment's net sales declining 6.0% from the year earlier to ¥16,121 million. Operating income fell 45.0% to ¥1,141 million.

[Advanced Ceramics]

Affected by the continued deterioration of the semiconductor manufacturing equipment market, a leading user of the Group's ceramics products, the Advanced Ceramics segment's net sales fell 21.4% to ¥3,652 million. The segment recorded a net loss of ¥53 million compared with net income of ¥341 million for the previous year.

[Real Estate]

The Real Estate segment's net sales decreased 0.4% from the previous fiscal year to ¥1,012 million, and operating income increased 1.0% to ¥294 million.

[Others]

Reflecting a decrease in sales of building and landscape materials due to the continued stagnation of investments in housing and other construction, the Others segment's net sales declined 10.8% from the previous fiscal year to ¥2,739 million, and operating income dropped 24.0% to ¥71 million.

2) Outlook for the Next Fiscal Year

As the vicious cycle of the financial crisis and deterioration of the real economy is getting even worse, low business confidence will likely continue for the time being. With the steel industry, a major customer of the Group, maintaining a program of reduced output, future prospects for steel output and demand for refractories remain uncertain.

Under these circumstances, we assume that the steel output and refractory demand in the fiscal year ending March 2010 will fall significantly below those for the fiscal year ended March 2009. For this reason, we forecast, at the moment, a decrease in net sales for the first time in eight years and no operating income, ordinary income or net income for the fiscal year ending March 2010.

These performance forecasts, however, may significantly change according to the demand for refractories, which is subject to the status of steel output.

(2) Analysis of Financial Position

1) Status of assets, liabilities and net assets

(a) Assets

The Group's consolidated total assets at the end of the fiscal year ended March 2009 increased ¥4,266 million from the previous year-end to ¥83,284 million. Current assets increased ¥1,604 million to ¥43,333 million, primarily due to an increase in inventories. Noncurrent assets increased ¥2,661 million to ¥39,950 million, mainly owing to an increase in deferred tax assets.

(b) Liabilities

The Group's consolidated total liabilities at the end of the fiscal year ended March 2009 increased ¥10,696 million from the previous year-end to ¥56,468 million. Current liabilities increased ¥12,117 million to ¥39,787 million, mostly due to an increase in short-term loans payable. Noncurrent liabilities decreased ¥1,421 million to ¥16,680 million, due to decreases in deferred tax liabilities and long-term lease and guarantee deposited.

(c) Net assets

The Group's consolidated net assets declined ¥6,429 million to ¥26,815 million, due to a decrease in retained earnings as a result of recording a net loss for the year under review; an increase in treasury stock mainly due to the acquisition thereof by a resolution of the Board of Directors; a decrease in the valuation difference on available-for-sale securities, reflecting a fall in the value of shares held by the Group; and a decrease in the foreign currency translation adjustment.

As a result, the Group's equity ratio at the end of the fiscal year ended March 2009 was 31.0%.

Net assets per share decreased from ¥362.66 at the previous year-end to ¥305.26.

2) Status of cash flows

The Group's cash and cash equivalents (hereinafter "cash") at the end of the fiscal year ended March 2009 increased ¥1,576 million from the previous year-end to ¥4,342 million.

The status of consolidated cash flows for the fiscal year ended March 2009 and contributing factors were as follows.

(a) Cash flows from operating activities

The inflow of cash from operating activities amounted to ¥3,254 million compared with ¥4,588 million at the previous year-end.

This consisted primarily of a ¥6,304 million loss on valuation of investment securities, ¥4,761 million in depreciation, a ¥4,446 million loss before income taxes and minority interests, and an increase of ¥3,212 million in inventories.

(b) Cash flows from investing activities

The outflow of cash from investing activities amounted to ¥14,173 million compared with ¥4,868 million at the previous year-end. This was primarily due to payments for purchases of property, plant and equipment and investment securities, including the shares of MAGNESITA REFRATARIOS S.A.

(c) Cash flows from financing activities

The inflow of cash from financing activities amounted to ¥12,543 million compared with a ¥508 million outflow of

cash at the previous year-end, chiefly due to an increase in short-term borrowings.

(Reference) Cash flow indicators

For the year ended	March 2005	March 2006	March 2007	March 2008	March 2009
Equity ratio (%)	30.5	33.6	36.1	40.7	31.0
Market value-based equity ratio (%)	39.0	74.8	63.3	31.9	16.7
Ratio of interest-bearing debt to cash flows (years)	2.5	1.9	3.3	2.7	8.2
Interest coverage ratio (times)	31.1	47.0	26.0	29.0	11.2

Equity ratio = Equity capital/Total assets

Market value-based equity ratio = Market capitalization/Total assets

Ratio of interest-bearing debt to cash flows = Interest-bearing debt/Cash flows

Interest coverage ratio = Cash flows/Interest expense

- Notes
1. All of the above cash flow indicators are calculated from amounts on the consolidated financial statements.
 2. Market capitalization is calculated based on the total number of outstanding shares (excluding treasury common stock) as of the corresponding fiscal year-end.
 3. Cash flow equals net cash provided by operating activities as stated in the consolidated statements of cash flows.
 4. Interest-bearing debt refers to all debts that involve interest payments as stated in the consolidated balance sheets.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Years Ended March 31, 2009 and Ending March 31, 2010

The Company makes it a policy to distribute a surplus, basically according to the consolidated and non-consolidated business performance for the period concerned, while taking into account its future business developments, financial position and business environment.

In principle, the Company adopts a consolidated payout ratio of around 20% and a non-consolidated payout ratio of around 30% as the targets for the distribution of profits.

The distribution of surplus is usually carried out twice a year as interim and year-end dividends.

For the fiscal year ended March 31, 2009, the Company intends to decrease the year-end dividend by ¥3 per share to ¥2, considering the net loss recorded for the year. The Company intends to suspend payment of both the interim and year-end dividends for the next fiscal year based on the performance forecasts.

(4) Business Risks

The following describe the risks involved with the businesses of the Krosaki Harima Group that could have material effects on the judgment of investors in the Group.

All statements relating to the future under this section are based on judgments at the end of the fiscal year under review (March 31, 2009).

1) Economic trends

Because the Group's core refractory business is subject to the steel output of Japan's steelmakers, the reduction of steel output could adversely affect the business performance of the Group. The Group's advanced ceramics segment chiefly engages in the manufacturing of products for the semiconductor-related industries. Therefore, the reduction of capital investments in said industries and a downturn in the semiconductor industry could adversely affect the business performance of the Group.

2) Business relationships with specific customers

The Group has a continuous relationship with Nippon Steel Corporation (NSC) as its major customer. The Group's sales to NSC accounted for 41.9% of the Group's total sales for the year ended March 31, 2009. In addition, the Group has business transactions with the member companies of the NSC group.

Accordingly, the Group's business performance is subject to the status of the NSC group's steelmaking business and the business transactions with NSC and the NSC group companies.

3) Fluctuations in the prices of raw materials and fuels

The raw materials for refractories—the major products of the Group—are mainly imported from China. The rapid economic growth of China in the past several years has disturbed the supply-demand balance, causing a hike in raw material prices. The Group has asked for customers' understanding of upward product price revisions to absorb the elevated material prices. Protraction of this situation, however, could adversely affect the Group's business performance.

The hike in crude oil prices may raise the Group's manufacturing and transportation costs as well as the prices of processed materials we purchase. Because we use fuel oil for burning to produce certain refractories—the core products of the Group—a protraction of the hike in crude oil prices could adversely affect the Group's business performance.

4) Exchange rate fluctuations

The Group's business operations include manufacturing activities in China and Spain, the worldwide distribution of refractories, and purchases of refractory materials and products from China and other nations.

The amounts of accounts, including sales, expenses and assets, denominated in the currency of respective regions are converted into yen-denominated amounts for preparation of the consolidated financial statements. Depending on the foreign exchange rates used for such conversion, the converted amounts in yen could have significant effects on the Group's business results stated in the financial statements, even if the original amounts denominated in the local currency stay unchanged.

Because the Group has larger amounts of imports than exports, a higher yen could favorably affect and a cheaper yen could adversely affect the business performance of the Group.

5) Country risks due to dependence on certain countries

The Group's business operations include manufacturing activities in China and Spain, the worldwide distribution of refractories, and purchases of refractory materials and products from China and other nations. In particular, the Group's dependence on China as a production base and a supplier of refractory materials and products is high, and the importance of China as a marketing area has also grown in recent years.

Accordingly, the regulations and policy turnarounds adopted by the Chinese government might work against the Group's business operations, which could adversely affect the Group's business performance.

The Company took an equity stake in MAGNESITA REFRACTORIOS S.A., a leading manufacturer of refractories in Brazil, in June 2008. However, if any regulations, policy changeovers, political turbulence and other factors in Brazil were to bring about obstacles to the operations of MAGNESITA REFRACTORIOS, that could diminish the advantages due to the equity participation and adversely affect the Group's business performance.

6) Disasters

The Group has production facilities in Japan and overseas. The occurrence of major disasters in those regions could have an impact on the Group's production capacity and adversely affect the Group's business performance.

7) Legal regulations

In executing its business operations, the Group is subject to various statutory regulations. In particular, the Group's manufacturing facilities are required to conform to many environment-related regulations, which involve the burden of expenses and liability for damages that could adversely affect the Group's business performance. The

burden of expenses to ensure legal compliance may also occur if those regulations are revised or abolished, or new regulations are established, which could adversely affect the Group's business performance.

8) Variations in the value of securities held by the Group

The value of investment securities held by the Group may decrease due to the poor business results of the investees and worsened conditions of the securities market, which could adversely affect the Group's business performance.

2. Description of the Krosaki Harima Group

The Krosaki Harima Group consists of Krosaki Harima Corporation (“the Company”) and its 18 subsidiaries and 14 affiliates (as of March 31, 2009). The following describes the Group’s major businesses, as well as how the Company and the other group companies are involved in those businesses and how they relate to the Group’s business segments.

[Refractories]

The Company engages in the manufacturing and sale of refractories.

The Company’s consolidated subsidiaries Kyushu Refractories Co., Ltd., Krosaki Rozai Corporation and SN Refractory Tokai Co., Ltd., manufacture refractory products, which are bought by the Company for sale.

AMR Refractories, S.A., a consolidated subsidiary, manufactures refractory products in Spain and sells them mostly in the European market. Some of the products are distributed to Japan through the Company.

Wuxi Krosaki Sujia Refractories Co., Ltd., a consolidated subsidiary, manufactures refractory products in China. Most of the products are distributed outside the Chinese market through the Company.

Qinhuangdao Shougang Krosaki Refractories Co., Ltd., an affiliate within the scope of the equity method, manufactures and sells refractory products in China.

Krosaki Sangyo Corporation, a consolidated subsidiary, sells materials and equipment for the manufacturing of refractory products to the Company. Krosaki Machine Industries Co., Ltd., a consolidated subsidiary, engages in the fabrication and maintenance of refractory manufacturing and other equipment.

Krosaki USA Inc., a consolidated subsidiary, sells refractory and other products in the United States. Krosaki Harima (Shanghai) International Trading Co., Ltd., sells refractory and other products in China.

K&K Corporation, a consolidated subsidiary, engages in outsourced works related to the manufacturing of refractories. Kikutake Sangyo Corporation, an affiliate within the scope of the equity method, offers logistics services.

[Furnace Construction]

The Company designs, constructs and repairs various furnaces. The Company and Krosaki Machine Industries Co., Ltd., a consolidated subsidiary, engage in the fabrication and sale of the equipment for the construction of furnaces.

[Advanced Ceramics]

The Company and Kyushu Refractories Co., Ltd., a consolidated subsidiary, manufacture and sell fine ceramics for various industries.

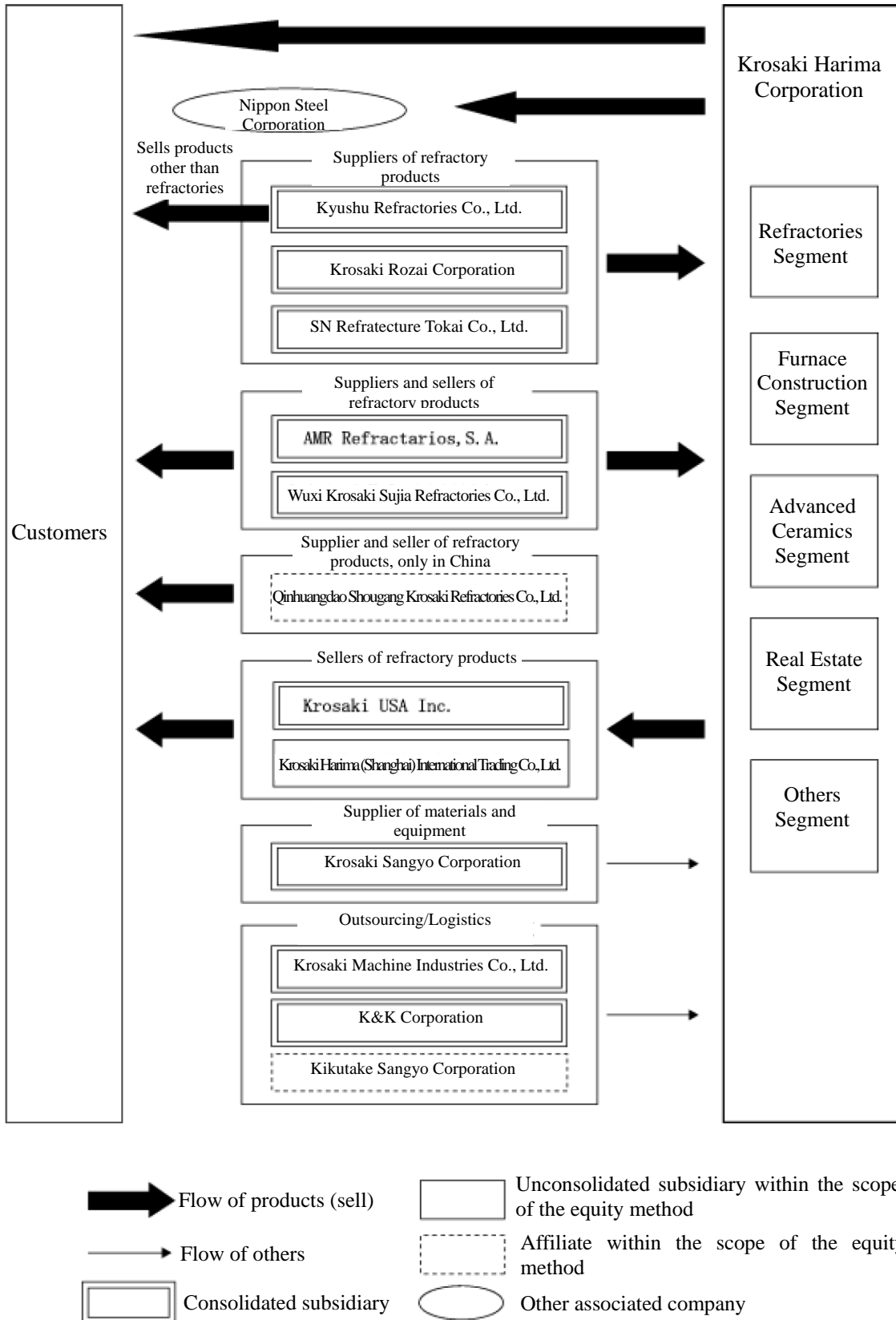
[Real Estate]

The Company rents out the stores and warehouses, etc., it has constructed on its own land.

[Others]

The Company imports and sells landscape materials, manufactures and sells lime for iron mills, and manufactures and sells construction materials for the outer walls of houses.

The information on the previous page can be schematized as follows.



* Krosaki Rozai Corporation, a consolidated subsidiary, dissolved in March 31, 2009.

3. Management Policies

(1) Basic Management Policies

The Krosaki Harima Group is committed to playing an important role in global industrial development and to making contributions to the prosperity of society by providing valued products and technologies for the ceramics industry worldwide through continuous innovation. Toward the goal of “Providing No. 1 Value to Customers Worldwide,” we aim to be a trusted enterprise by providing the best quality and the most reliable products to our customers.

We make every effort to maximize our corporate value through all activities in which we engage, thereby contributing to the enhancement of shareholders’ value.

(2) Target Management Indices

1) Status of the target management indices set forth in the 8th Medium-Term Management Plan

The Group carried out the 8th Medium-Term Management Plan for the three fiscal years from April 1, 2006, to March 31, 2009. The status of the plan’s target management indices is as follows.

Target Management Indices (on the premise that consolidated net sales exceed ¥80 billion)	Status of Achievement
Consolidated ROA: 4.5% or more	-3.5%
Consolidated equity ratio: 40.0% or more	31.0%
Consolidated D/E: 0.3 or less	1.03

Notes:

ROA (Return on Assets): Net income/Total assets

Equity ratio = Equity capital/Total assets

D/E (Debt-to-Equity Ratio): Interest-bearing debt/Equity capital

The consolidated ROA at the end of the fiscal year under review was -3.5% because a net loss was recorded for the year.

The underachievement of the consolidated equity and debt-to-equity ratios was due to a significant amount of borrowings to finance the acquisition of shares in MAGNESITA REFRATARIOS for the year under review.

2) Target management indices for the fiscal year ending March 31, 2010

With the steel industry, a major customer of the Group, maintaining a program of output reduction, the future prospects for steel output and the resulting demand for refractories are uncertain. Simultaneously, the market environments for the Group are undergoing drastic changes, to which we have to make swift and proper responses as the most urgent matter for the fiscal year ending March 31, 2010.

(3) Medium- to Long-Term Management Strategies

As previously mentioned, the Group makes it a top priority to immediately cope with changes in market environments.

In particular, we will make efforts to improve profitability by reducing inventories and carrying out cost-cutting measures, as well as reducing borrowings and securing funds, to attain a firmer managerial foundation that makes the Group less susceptible to environmental changes.

From medium- and long-term perspectives, we will make continued efforts to improve our competitive strength through constant innovations of manufacturing processes, as well as to reinforce the global presence of the Group by promoting capital and technological alliances.

(4) Challenges Ahead

As the vicious cycle of the financial crisis and deterioration of the real economy is getting even worse, the steel industry, a major customer of the Group, maintains a policy of decreased production, which is producing negative effects on the Group's business performance.

Although the elevation of prices for refractory materials, procurements and production materials has been settled to a certain degree, those prices are still on the high side, which, combined with an increase in inventories, is placing downward pressure on the profitability of the Group's business operations.

In addition, the stock market's downturn is depreciating the value of the shares held by the Group, causing adverse effects on the Group's business performance.

Under these circumstances, we will seek to attain the goal of "Providing No. 1 Value to Customers Worldwide" by enhancing and expanding our solutions to address production, distribution and maintenance services in an integrated manner so that our customers can better enjoy the benefits of high-quality and high-performance refractory products, as well as strengthening our global operations through capital and technological alliances.

We will also promote measures to improve profitability, including focused efforts to reduce inventories and strengthen relationships with trusted business partners at home and abroad for the stable procurement of refractory materials.

In addition, we will address the reduction of borrowings, while taking active measures to improve the Group's financial strength, such as promoting closer relationships with financial institutions.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2008 (As of March 31, 2008)	Fiscal Year Ended March 31, 2009 (As of March 31, 2009)
ASSETS		
Current assets:		
Cash and deposits	2,572	4,342
Notes and accounts receivable—trade	—	* ² 18,577
Notes and accounts receivable—trade and accounts receivable—completed construction	20,662	—
Short-term investment securities	209	—
Merchandise and finished goods	—	8,573
Work in process	—	2,808
Raw materials and supplies	—	6,521
Inventories	15,689	—
Deferred tax assets	1,111	1,453
Other	1,537	1,065
Allowance for doubtful accounts	(54)	(8)
Total current assets	<u>41,729</u>	<u>43,333</u>
Noncurrent assets:		
Property, plant and equipment		
Buildings and structures	33,828	33,047
Accumulated depreciation	(22,472)	(22,542)
Buildings and structures, net	<u>*²11,355</u>	<u>*²10,504</u>
Machinery, equipment, furnaces and vehicles	52,205	—
Accumulated depreciation	(41,911)	—
Machinery, equipment, furnaces and vehicles, net	<u>*²10,293</u>	<u>—</u>
Machinery, equipment and vehicles	—	48,304
Accumulated depreciation	—	(39,493)
Machinery, equipment and vehicles, net	<u>—</u>	<u>*²8,810</u>
Tools, furniture and fixtures	3,569	3,383
Accumulated depreciation	2,664	(2,621)
Tools, furniture and fixtures, net	<u>*²904</u>	<u>761</u>
Land	<u>*^{2,4}7,291</u>	<u>*²7,246</u>
Construction in progress	453	3,364
Total property, plant and equipment	<u>30,299</u>	<u>30,688</u>
Intangible assets		
Goodwill	—	116
Other	501	450
Total intangible assets	<u>501</u>	<u>567</u>
Investments and other assets		
Investment securities	<u>*¹4,440</u>	<u>*¹4,099</u>
Investments in capital of subsidiaries and affiliates	<u>*¹1,607</u>	<u>—</u>
Long-term loans receivable	105	214
Deferred tax assets	109	2,316
Other	449	* ¹ 2,269
Allowance for doubtful accounts	(224)	(205)
Total investments and other assets	<u>6,487</u>	<u>8,694</u>
Total noncurrent assets	<u>37,288</u>	<u>39,950</u>
Total assets	<u>79,017</u>	<u>83,284</u>

(Millions of yen)

	Fiscal Year Ended March 31, 2008 (As of March 31, 2008)	Fiscal Year Ended March 31, 2009 (As of March 31, 2009)
LIABILITIES		
Current liabilities:		
Notes and accounts payable—trade	—	14,915
Notes and accounts payable—trade and accounts payable—construction work	16,553	—
Short-term loans payable	*23,461	*217,857
Current portion of long-term loans payable	*2137	—
Accrued expenses	2,371	1,603
Income taxes payable	393	378
Accrued business office taxes	120	124
Accrued consumption taxes	235	131
Provision for bonuses	1,954	1,763
Notes payable—facilities	90	—
Other	2,351	3,013
Total current liabilities	<u>27,669</u>	<u>39,787</u>
Noncurrent liabilities:		
Long-term loans payable	*8,830	*8,800
Deferred tax liabilities	1,258	672
Provision for retirement benefits	839	678
Provision for directors' retirement benefits	278	347
Provision for product warranties	40	47
Long-term lease and guarantee deposited	5,577	4,930
Negative goodwill	1,244	1,046
Other	32	157
Total noncurrent liabilities	<u>18,102</u>	<u>16,680</u>
Total liabilities	<u>45,772</u>	<u>56,468</u>
NET ASSETS		
Shareholders' equity		
Capital stock	5,537	5,537
Capital surplus	5,138	5,138
Retained earnings	20,423	17,094
Treasury stock	(702)	(1,542)
Total shareholders' equity	<u>30,397</u>	<u>26,228</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,273	270
Deferred gains or losses on hedges	(10)	(0)
Foreign currency translation adjustment	481	(709)
Total valuation and translation adjustments	<u>1,744</u>	<u>(440)</u>
Minority interests	1,103	1,028
Total net assets	<u>33,245</u>	<u>26,815</u>
Total liabilities and net assets	<u>79,017</u>	<u>83,284</u>

(2) Consolidated Statement of Income

(Millions of yen)

	Fiscal Year from April 1, 2007, to March 31, 2008	Fiscal Year from April 1, 2008, to March 31, 2009
Net sales	95,376	96,322
Cost of sales	77,229	79,770
Gross profit	18,146	16,552
Selling, general and administrative expenses	13,151	12,940
Operating income	4,994	3,611
Non-operating income		
Interest income	17	14
Dividends income	125	134
Amortization of negative goodwill	164	197
Equity in earnings of affiliates	140	132
Other	158	208
Total non-operating income	606	686
Non-operating expenses		
Interest expenses	158	290
Loss on transfer of receivables	224	227
Foreign exchange losses	36	356
Other	385	297
Total non-operating expenses	804	1,171
Ordinary income	4,796	3,126
Extraordinary income		
Gain on prior period adjustment	—	13
Gain on sales of noncurrent assets	387	218
Gain on sales of investment securities	64	3
Compensation income	213	62
State subsidy	225	67
Gain on disposal of noncurrent assets	—	75
Gain on extinguishment of tie-in shares	—	34
Other	197	52
Total extraordinary income	1,089	528
Extraordinary loss		
Loss on prior period adjustment	—	34
Loss on retirement of noncurrent assets	—	581
Loss on sales of noncurrent assets	—	5
Loss on sales and retirement of noncurrent assets	656	—
Loss on valuation of investment securities	—	6,304
Impairment loss	60	219
Advisory commission	269	98
Environmental measures	—	774
Other	220	83
Total extraordinary losses	1,207	8,101
Income before income taxes and minority interests	4,678	(4,446)
Income taxes—current	711	698
Income taxes for prior periods	—	125
Income taxes—deferred	482	(2,472)
Total income taxes	1,193	(1,648)
Minority interests	251	81
Net income (loss)	3,233	(2,879)

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal Year from April 1, 2007, to March 31, 2008	Fiscal Year from April 1, 2008, to March 31, 2009
Shareholders' Equity		
Capital stock		
Balance at previous year-end	5,537	5,537
Changes of items during the period		
Total changes of items during the period	—	—
Balance at year-end	5,537	5,537
Capital surplus		
Balance at previous year-end	3,521	5,138
Changes of items during the period		
Increase by share exchanges	1,617	—
Total changes of items during the period	1,617	—
Balance at year-end	5,138	5,138
Retained earnings		
Balance at previous year-end	17,615	20,423
Changes of items during the period		
Dividends from surplus	(437)	(443)
Net income (loss)	3,233	(2,879)
Change of scope of equity method	21	—
Other	(9)	(6)
Total changes of items during the period	2,808	(3,329)
Balance at year-end	20,423	17,094
Treasury stock		
Balance at previous year-end	(119)	(702)
Changes of items during the period		
Purchase of treasury stock	(583)	(839)
Total changes of items during the period	(583)	(839)
Balance at year-end	(702)	(1,542)
Total shareholders' equity		
Balance at previous year-end	26,555	30,397
Changes of items during the period		
Dividends from surplus	(437)	(443)
Net income (loss)	3,233	(2,879)
Purchase of treasury stock	(583)	(839)
Increase by share exchanges	1,617	—
Change of scope of equity method	21	—
Other	(9)	(6)
Total changes of items during the period	3,842	(4,169)
Balance at year-end	30,397	26,228

(Millions of yen)

	Fiscal Year from April 1, 2007, to March 31, 2008	Fiscal Year from April 1, 2008, to March 31, 2009
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at previous year-end	2,883	1,273
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,610)	(1,003)
Total changes of items during the period	(1,610)	(1,003)
Balance at year-end	1,273	270
Deferred gains and losses on hedges		
Balance at previous year-end	12	(10)
Changes of items during the period		
Net changes of items other than shareholders' equity	(22)	9
Total changes of items during the period	(22)	9
Balance at year-end	(10)	(0)
Foreign currency translation adjustment		
Balance at previous year-end	250	481
Changes of items during the period		
Net changes of items other than shareholders' equity	230	(1,191)
Total changes of items during the period	230	(1,191)
Balance at year-end	481	(709)
Total valuation and translation adjustments		
Balance at previous year-end	3,146	1,744
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,402)	(2,185)
Total changes of items during the period	(1,402)	(2,185)
Balance at year-end	1,744	(440)
Minority interests		
Balance at previous year-end	3,171	1,103
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,068)	(75)
Total changes of items during the period	(2,068)	(75)
Balance at year-end	1,103	1,028
Total net assets		
Balance at previous year-end	32,874	33,245
Changes of items during the period		
Dividends from surplus	(437)	(443)
Net income (loss)	3,233	(2,879)
Purchase of treasury stock	(583)	(839)
Increase by share exchanges	1,617	—
Change of scope of equity method	21	—
Other	(9)	(6)
Net changes of items other than shareholders' equity	(3,470)	(2,260)
Total changes of items during the period	371	(6,429)
Balance at year-end	33,245	26,815

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year from April 1, 2007, to March 31, 2008	Fiscal Year from April 1, 2008, to March 31, 2009
Cash flows from operating activities:		
Income before income taxes and minority interests	4,678	(4,446)
Depreciation and amortization	3,955	4,761
Impairment loss	60	219
Amortization of negative goodwill	(164)	(197)
Amortization of goodwill	138	58
Amortization of long-term prepared expenses	48	29
Increase (decrease) in allowance for doubtful accounts	(94)	(62)
Increase (decrease) in provision for bonuses	7	(191)
Increase (decrease) in provision for retirement benefits	(497)	(160)
Increase (decrease) in other provision	(45)	75
Interest and dividends income	(142)	(149)
Interest expenses	158	290
Foreign exchange losses (gains)	12	5
Equity in (earnings) losses of affiliates	(140)	(132)
Loss on retirement of noncurrent assets	743	581
Loss (gain) on sales and retirement of noncurrent assets	(374)	(212)
Rent and management commission	(52)	—
Loss (gain) on sales of investment securities	(64)	(3)
Loss (gain) on valuation of investment securities	0	6,304
Loss (gain) on extinguishment of tie-in shares	—	(34)
Subsidy income	(225)	(67)
Advisory commission	269	98
Decrease (increase) in notes and accounts receivable—trade	4,251	1,530
Decrease (increase) in inventories	(1,814)	(3,212)
Increase (decrease) in notes and accounts payable—trade	(3,836)	(579)
Other	(429)	(470)
Subtotal	6,440	4,034
Interest and dividends income received	189	173
Interest expenses paid	(158)	(291)
Income taxes paid	(1,935)	(661)
Other	52	—
Net cash provided by operating activities	4,588	3,254

(Millions of yen)

	Fiscal Year from April 1, 2007, to March 31, 2008	Fiscal Year from April 1, 2008, to March 31, 2009
Cash flows from investing activities:		
Payments into time deposits	(6)	(1)
Proceeds from withdrawal of time deposits	6	18
Proceeds from sales of short-term investment securities	2	—
Purchase of property, plant and equipment	(4,717)	(6,240)
Proceeds from sales of property, plant and equipment	392	277
Purchase of intangible assets	(156)	(212)
Payments for retirement of noncurrent assets	(416)	(418)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2(3)	—
Proceeds from sales of investment securities	66	5
Purchase of investment securities	(4)	(7,640)
Purchase of long-term prepaid expenses	(2)	—
Payments for investments in capital of subsidiaries and affiliates	(91)	(107)
Payments of loans receivable	(139)	(66)
Collection of loans receivable	14	12
Proceeds from land expropriation	—	130
Proceeds from subsidy	225	67
Payments of advisory commission	(200)	(83)
Other	162	86
Net cash used in investing activities	(4,868)	(14,173)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable	(2,782)	14,619
Proceeds from long-term loans payable	4,500	—
Repayment of long-term loans payable	(469)	(137)
Purchase of treasury stock	(583)	(839)
Cash dividends paid	(436)	(441)
Cash dividends paid to minority shareholders	(121)	(3)
Repayment of lease deposits received	(616)	(649)
Other	1	(4)
Net cash provided by (used in) financing activities	(508)	12,543
Effect of exchange rate change on cash and cash equivalents	14	(94)
Net increase (decrease) in cash and cash equivalents	(773)	1,531
Cash and cash equivalents at beginning of period	3,540	2,766
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	44
Cash and cash equivalents at end of period	*12,766	*14,342

(5) Notes on the Premise of a Going Concern

There are no applicable notes for the fiscal years ended March 31, 2008, and March 31, 2009.

(6) Basis of Presentation of the Consolidated Financial Statements

1) Scope of consolidation

(a) Number of consolidated subsidiaries: 9

For the names of the consolidated subsidiaries, please refer to “Description of the Krosaki Harima Group.”

(b) Number of unconsolidated subsidiaries: 9

Name of a principal unconsolidated subsidiary: Wuxi Krosaki Machinery Co., Ltd.

The nine unconsolidated subsidiaries are excluded from the scope of consolidation because they are small in scale, and the combined amounts of their assets, net sales, net income or loss and the Group’s equity in their retained earnings do not have material effects on the Group’s consolidated financial statements.

2) Scope of the equity method

(a) Number of unconsolidated subsidiaries accounted for by the equity method: 1

Krosaki Harima (Shanghai) International Trading Co., Ltd.

(b) Number of affiliates accounted for by the equity method: 2

Kikutake Sangyo Corporation and Qinhuangdao Shougang Krosaki Refractories Co., Ltd.

(c) Number of unconsolidated subsidiaries and affiliates not accounted for by the equity method: 20

Name of a principal such company: Shanghai Baoyejianshe Industrial Furnace Engineering & Technology Co., Ltd.

The unconsolidated subsidiaries and affiliates not accounted for by the equity method are excluded from the scope of the equity method because their combined contribution to the consolidated net income or loss and consolidated retained earnings is negligible and immaterial.

3) Accounting period of consolidated subsidiaries

Of the consolidated subsidiaries, AMR Refractories, S.A., Wuxi Krosaki Sujia Refractories Co., Ltd., and Krosaki USA Inc. close their books of account at December 31.

In preparing the consolidated financial statements of the Group, the above three subsidiaries are consolidated by using their financial statements as of their respective fiscal year-end, and necessary adjustments are made to reflect any significant transactions from January 1 to March 31.

4) Significant accounting policies

(a) Valuation standards and methodology for material assets

1. Securities

Other securities:

Securities with a readily determinable market value are stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of net assets and the cost of any securities sold being computed by the moving average method).

Securities with no readily determinable market value are stated at cost, with cost being determined by the moving average method.

2. Receivables and payables due to derivative transactions

Receivables and payables due to derivative transactions are stated at fair value.

3. Inventories

Inventories are stated at cost, cost being determined by the moving average method, with write-downs according to decreased profitability of assets. However, costs on partly finished construction and uncompleted construction are stated at cost, cost being determined by the specific identification method, with write-downs according to decreased profitability of assets.

(Change in accounting policy)

Effective from the year ended March 31, 2009, the Company adopted the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 5, 2006). As a result, the valuation method for inventories has changed from “stated at cost” to “stated at cost, with write-downs according to decreased profitability of assets.”

This change resulted in a decrease of ¥268 million each in consolidated gross profit, operating income and ordinary income and an increase of ¥268 million in the consolidated net loss before income taxes and minority interests, compared with the results that would have been obtained under the previous valuation method.

(b) Depreciation and amortization of important assets

1. Property, plant and equipment

i. The Company and its domestic consolidated subsidiaries

Depreciation of property, plant and equipment is principally calculated by the declining-balance method. However, the straight-line method is used for buildings and equipment relating to the Real Estate business and some assets relating to the Furnace Construction business on the premises of a user that were acquired no later than September 30, 2008. The straight-line method is also used for buildings (excluding accompanying facilities) that were acquired on or after April 1, 1998, by the domestic consolidated subsidiaries.

The useful lives stipulated in the Corporation Tax Law are adopted in principle, except for some assets. Such assets include tunnel kilns (6 years), machinery and equipment (9 years) and buildings and structures relating to shopping centers (the lease term), a business of the Real Estate segment.

(Change in accounting policy)

Effective from the year ended March 31, 2009, the Company has 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 business.

This change was made because, upon the revision of the related contracts with the user during the fiscal year under review, it was judged that the declining-balance depreciation method would more appropriately reflect the profit and loss for the period for property, plant and equipment acquired on or after October 1, 2008.

This change resulted in a decrease of ¥9 million each in consolidated gross profit, operating income and ordinary income, and an increase of ¥9 million in the consolidated net loss before income taxes and minority interests, compared with the results that would have been obtained under the previous method.

(Additional information)

The useful life of the Company’s machinery and equipment has been changed 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 property, plant and equipment, effective from the fiscal year ended March 31, 2009.

This change decreased consolidated gross profit by ¥268 million and operating income and ordinary income each by ¥282 million, and increased the net loss before income taxes and minority interests by ¥282 million.

ii. The Company's overseas consolidated subsidiaries

The straight-line depreciation method is principally adopted.

2. Intangible assets

The amortization of intangible assets is calculated by the straight-line method.

The amortization of software for internal use is calculated by the straight-line method over the estimated useful life of five years.

3. Long-term prepaid expenses

The amortization of long-term prepaid expenses is calculated by the straight-line method.

(c) Basis of significant reserves

1. Allowance for doubtful accounts

An allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on the collection of accounts, loans and other receivables. The amount of the allowance is based on past experience for normal receivables and on an estimate of the collectability of individual receivables from companies in financial difficulty.

2. Provision for bonuses

A provision for bonuses to employees is provided at an estimated amount payment of such bonuses.

3. Provision for employees' retirement benefits

A provision for employees' retirement benefits is provided at an amount calculated based on the estimated retirement benefit obligation and the fair value of the pension plan assets at the end of the fiscal year under review.

The net retirement benefit obligation at transition, which amounted to ¥5,750 million, is being amortized over the period of 10 years by the straight-line method and recorded under selling, general and administrative expenses. The actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over a period of 10 years. Prior service cost is being amortized as incurred by the straight-line method over a period of 10 years.

4. Provision for directors' retirement benefits

A provision for retirement benefits to management (including corporate officers) is provided at an amount to be required at the year-end according to internal regulations.

5. Provision for product warranties

A provision for product warranties is provided to cover the cost of quality assurance of "ceramic exterior wall materials" produced by the Life Space Ceramics Division in the Others segment at an amount estimated based on past experience and other factors.

(d) Accounting methods for significant hedging transactions

1. Hedge accounting methods

Deferral hedge accounting is adopted for derivatives that qualify as hedges, under which an unrealized gain or loss is deferred.

For interest rate swaps, preferential treatment is applied if the swaps satisfy the requirements for preferential treatment.

2. Hedging instruments and hedging objects

Hedging instruments: Foreign exchange forward contracts and interest rate swap agreements

Hedging objects: Anticipated transactions denominated in foreign currencies, borrowings and receivables and payables denominated in foreign currencies

3. Hedging policy

Foreign exchange forward contracts are used to hedge currency exchange rate risks within the range of actual demand and not for dealing aimed at attaining earnings. Interest rate swaps and other agreements are used to reduce the interest cost on borrowings or the fund procurement cost expected in the future, and solely for the purpose of dealing that accompanies actual demand, and not for speculative dealing.

4. Assessment of hedge effectiveness

The effectiveness of hedging is assessed by confirming a high correlation in the fluctuation of rates or accumulated cash flows between hedging instruments and hedging objects. However, the assessment of hedge effectiveness is omitted for the interest rate swaps that satisfy the requirements for preferential treatment.

(e) Accounting for the consumption tax

Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.

5) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries acquired through business combinations are carried at fair value at the time of acquisition.

6) Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are principally amortized evenly over a period of 10 years.

7) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks that can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased that can be easily converted to cash and are subject to little risk of change in value.

(7) Changes in the Basis of Preparation of the Consolidate Financial Statements

1) Adoption of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Effective from the fiscal year ended March 31, 2009, the Company has adopted the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force (PITF) No. 18 issued on May 17, 2006). This adoption had no effect on consolidated operating income and ordinary income or the net loss before income taxes and minority interests. This adoption did not have any effect on the consolidated segment information either.

2) Changes in accounting principles and procedures

Previously, finance lease transactions that do not transfer ownership had been accounted for in a similar

manner to ordinary rental transactions. Beginning with the fiscal year ended March 31, 2009, however, such leases are accounted for in a similar manner to ordinary sale and purchase transactions by applying ASBJ Statement No. 13, the “Accounting Standard for Lease Transactions” (originally issued on June 17, 1993, by the Corporate Accounting Council, and revised on March 30, 2007), and ASBJ Guidance No. 16, the “Guidance on Accounting Standard for Lease Transactions” (originally issued on January 18, 1994, by the Accounting Systems Committee, Japanese Institute of Certified Public Accountants, and revised on March 30, 2007).

However, we continued to apply the previous accounting method—that is, similar to ordinary rental transactions—for the finance lease transactions that do not transfer ownership for which the inception of the lease falls prior to March 31, 2008.

This change had no effect on consolidated operating income and ordinary income or the net loss before income taxes and minority interests. This change did not have any effect on the consolidated segment information either.

3) Changes in classification

Consolidated balance sheets:

(a) Owing to the introduction of XBRL into the EDINET, “Notes and accounts receivable—trade and accounts receivable—completed construction” for the fiscal year ended March 2008 is restated as “Notes and accounts receivable—trade,” effective from the fiscal year ended March 2009, to increase the comparability of financial statements.

(b) “Merchandise and finished goods,” “Work in process” and “Raw materials and supplies” were collectively classified as “Inventories” in the fiscal year ended March 2008. Owing to the introduction of XBRL into the EDINET, however, the aforementioned three accounts are separately stated for the fiscal year ended March 2009 to increase the comparability of financial statements.

The amounts of “Merchandise and finished goods,” “Work in process” and “Raw materials and supplies” included in “Inventories” for the year ended March 2008 were ¥7,383 million, ¥3,250 million and ¥5,055 million, respectively.

(c) Owing to the introduction of XBRL into the EDINET, “Machinery, equipment, furnaces and vehicles” in the fiscal year ended March 2008 is restated as “Machinery, equipment and vehicles,” effective from the fiscal year ended March 2009, to increase the comparability of financial statements.

(d) “Goodwill” was included in “Other” under “Intangible assets” for the fiscal year ended March 2008. However, this account is separately stated for the fiscal year ended March 2009.

The amount of “Goodwill” included in “Other” under “Intangible assets” for the fiscal year ended March 2008 was ¥174 million.

(e) “Investments in capital of subsidiaries and affiliates” was separately stated under “Investments and other assets” for the fiscal year ended March 2008. Owing to the introduction of XBRL into the EDINET, however, this account is included in “Other” under “Investments and other assets” for the fiscal year ended March 2009 to increase the comparability of financial statements.

The amount of “Investments in capital of subsidiaries and affiliates” included in “Other” under “Intangible assets” for the fiscal year ended March 2009 is ¥1,697 million.

(f) Owing to the introduction of XBRL into the EDINET, “Notes and accounts payable—trade and accounts payable—construction work” for the fiscal year ended March 2008 is restated as “Notes and accounts payable—trade,” effective from the fiscal year ended March 2009, to increase the comparability of financial

statements.

(g) “Current portion of long-term loans payable” was separately stated under “Current liabilities” for the fiscal year ended March 2008. Owing to the introduction of XBRL into the EDINET, however, this account is included in “Short-term loans payable” for the fiscal year ended March 2009 to increase the comparability of financial statements.

The amount of “Current portion of long-term loans payable” included in “Short-term loans payable” for the fiscal year ended March 2009 is ¥30 million.

(h) “Notes payable—facilities” was separately stated under “Current liabilities” for the fiscal year ended March 2008. Owing to the introduction of XBRL into the EDINET, however, this account is included in “Other” under “Current liabilities” for the fiscal year ended March 2009 to increase the comparability of financial statements.

The amount of “Notes payable—facilities” included in “Other” under “Current liabilities” for the fiscal year ended March 2009 is ¥136 million.

(Consolidated statements of changes in net assets)

For the year ended March 31, 2008 (from April 1, 2007, to March 31, 2008)

1. Shares issued and outstanding

Type of Shares	Number of Shares at March 31, 2007	Increase	Decrease	Number of Shares at March 31, 2008
Common stock	87,919,200	3,226,080	—	91,145,280

Reason for the change:

The increase of 3,226,080 shares was due to stock exchanges with Kyushu Refractories Co., Ltd., when it became a fully owned subsidiary of the Company on August 1, 2007.

2. Treasury stock

Type of Shares	Number of Shares at March 31, 2007	Increase	Decrease	Number of Shares at March 31, 2008
Common stock	470,438	2,052,427	7,000	2,515,865

Reasons for the change:

The increase of 2,052,427 shares includes the following.

Increase of 7,724 shares due to a change in the number of shares of the parent company held by its consolidated subsidiary as a result of a stock exchange;

Increase of 68,703 shares due to the purchase of fractional shares;

Increase of 43,000 shares due to purchases relating to the stock exchange; and

Increase of 1,933,000 shares by a resolution of the Board of Directors.

The decrease of 7,000 shares was due to the sale of the Company's shares held by Kyushu Refractories Co., Ltd.

3. Stock acquisition rights

There is no applicable information to be disclosed.

4. Dividends

(1) Dividends paid

Resolution	Type of Shares	Total Dividends (¥Million)	Dividend per Share (¥)	Date of Record	Effective Date
Ordinary General Meeting of Shareholders on June 28, 2007	Common stock	437	5	March 31, 2007	June 29, 2007

(2) Dividends for which the date of record falls within the fiscal year ended March 31, 2008, but the effective date comes in the fiscal year ended March 31, 2009

Resolution	Type of Shares	Source of Dividends	Total Dividends (¥Million)	Dividend per Share (¥)	Date of Record	Effective Date
Ordinary General Meeting of Shareholders on June 27, 2008	Common stock	Retained earnings	443	5	March 31, 2008	June 30, 2008

For the year ended March 31, 2009 (from April 1, 2008, to March 31, 2009)

1. Shares issued and outstanding

Type of Shares	Number of Shares at March 31, 2008	Increase	Decrease	Number of Shares at March 31, 2009
Common stock	91,145,280	—	—	91,145,280

2. Treasury stock

Type of Shares	Number of Shares at March 31, 2008	Increase	Decrease	Number of Shares at March 31, 2009
Common stock	2,515,865	4,151,079	—	6,666,944

Reasons for the change:

The increase of 4,151,079 shares includes the following.

- Increase of 151,079 shares due to the purchase of fractional shares, and
- Increase of 4,000,000 shares by a resolution of the Board of Directors.

3. Stock acquisition rights

There are no applicable notes to be disclosed.

4. Dividends

(1) Dividends paid

Resolution	Type of Shares	Total Dividends (¥Million)	Dividend per Share (¥)	Date of Record	Effective Date
Ordinary General Meeting of Shareholders on June 27, 2008	Common stock	443	5	March 31, 2008	June 30, 2008

(2) Dividends for which the date of record falls within the fiscal year ended March 31, 2009, but the effective date comes in the fiscal year ending March 31, 2010

Resolution	Type of Shares	Source of Dividends	Total Dividends (¥Million)	Dividend per Share (¥)	Date of Record	Effective Date
Ordinary General Meeting of Shareholders on June 26, 2009	Common stock	Retained earnings	168	2	March 31, 2009	June 29, 2009

(Consolidated statements of cash flows)

Fiscal Year Ended March 31, 2008 (From April 1, 2007, to March 31, 2008)	Fiscal Year Ended March 31, 2009 (From April 1, 2008, to March 31, 2009)																
<p>*1. Cash and cash equivalents at end of period are reconciled to the accounts reported in the consolidated balance sheet as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">¥2,572 million</td> </tr> <tr> <td>Securities included in cash equivalents</td> <td style="text-align: right;">¥209 million</td> </tr> <tr> <td>Time deposits with maturities of more than three months</td> <td style="text-align: right;"><u>(¥16 million)</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">¥2,766 million</td> </tr> </table>	Cash and deposits	¥2,572 million	Securities included in cash equivalents	¥209 million	Time deposits with maturities of more than three months	<u>(¥16 million)</u>	Cash and cash equivalents	¥2,766 million	<p>*1. Cash and cash equivalents at end of period are reconciled to the accounts reported in the consolidated balance sheet as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">¥4,342 million</td> </tr> <tr> <td>Securities included in cash equivalents</td> <td style="text-align: right;">—</td> </tr> <tr> <td>Time deposits with maturities of more than three months</td> <td style="text-align: right;"><u>—</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">¥4,342 million</td> </tr> </table>	Cash and deposits	¥4,342 million	Securities included in cash equivalents	—	Time deposits with maturities of more than three months	<u>—</u>	Cash and cash equivalents	¥4,342 million
Cash and deposits	¥2,572 million																
Securities included in cash equivalents	¥209 million																
Time deposits with maturities of more than three months	<u>(¥16 million)</u>																
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Cash and deposits	¥4,342 million																
Securities included in cash equivalents	—																
Time deposits with maturities of more than three months	<u>—</u>																
Cash and cash equivalents	¥4,342 million																
<p>*2. Major components of the assets and liabilities of a company that has become a consolidated subsidiary through additional acquisition of shares</p> <p>The following assets and liabilities were consolidated as a result of consolidating SN Refractory Tokai Co., Ltd., through the additional acquisition of its shares. The relation between the acquisition cost of these shares and the net disbursement due to the acquisition is as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">SN Refractory Tokai Co., Ltd. (as of April 1, 2007)</td> </tr> <tr> <td>Current assets</td> <td style="text-align: right;">¥899 million</td> </tr> <tr> <td>Noncurrent assets</td> <td style="text-align: right;">¥491 million</td> </tr> <tr> <td><u>Current liabilities</u></td> <td style="text-align: right;"><u>(¥1,124 million)</u></td> </tr> <tr> <td>Acquisition cost of shares</td> <td style="text-align: right;">¥24 million</td> </tr> <tr> <td><u>Cash and cash equivalents</u></td> <td style="text-align: right;"><u>(¥20 million)</u></td> </tr> <tr> <td>Net disbursement due to the acquisition</td> <td style="text-align: right;">¥3 million</td> </tr> </table>	SN Refractory Tokai Co., Ltd. (as of April 1, 2007)		Current assets	¥899 million	Noncurrent assets	¥491 million	<u>Current liabilities</u>	<u>(¥1,124 million)</u>	Acquisition cost of shares	¥24 million	<u>Cash and cash equivalents</u>	<u>(¥20 million)</u>	Net disbursement due to the acquisition	¥3 million	*2. —		
SN Refractory Tokai Co., Ltd. (as of April 1, 2007)																	
Current assets	¥899 million																
Noncurrent assets	¥491 million																
<u>Current liabilities</u>	<u>(¥1,124 million)</u>																
Acquisition cost of shares	¥24 million																
<u>Cash and cash equivalents</u>	<u>(¥20 million)</u>																
Net disbursement due to the acquisition	¥3 million																

(Segment Information)

[Business Segment Information]

For the year ended March 31, 2008 (from April 1, 2007, to March 31, 2008):

(Millions of yen)

	Refractories	Furnace Construction	Advanced Ceramics	Real Estate	Others	Total	Eliminations/Corporate	Consolidated
I Net sales and operating income (loss)								
Net sales								
(1) Net sales to external customers	69,490	17,149	4,648	1,016	3,071	95,376	—	95,376
(2) Internal sales and transfers	3	—	—	—	—	3	(3)	—
Total	69,494	17,149	4,648	1,016	3,071	95,379	(3)	95,376
Operating expenses	66,334	15,075	4,306	724	2,976	89,417	963	90,381
Operating income (loss)	3,160	2,073	341	292	94	5,962	(967)	4,994
II Assets, depreciation, impairment loss and capital expenditures								
Total assets	56,727	8,009	3,783	4,599	1,941	75,061	3,956	79,017
Depreciation	2,389	537	300	593	87	3,909	233	4,142
Impairment loss	60	—	—	—	—	60	—	60
Capital expenditures	3,895	455	222	—	101	4,675	381	5,057

For the year ended March 31, 2009 (from April 1, 2008, to March 31, 2009):

(Millions of yen)

	Refractories	Furnace Construction	Advanced Ceramics	Real Estate	Others	Total	Eliminations/Corporate	Consolidated
I Net sales and operating income (loss)								
Net sales								
(1) Net sales to external customers	72,796	16,121	3,652	1,012	2,739	96,322	—	96,322
(2) Internal sales and transfers	—	—	—	—	—	—	—	—
Total	72,796	16,121	3,652	1,012	2,739	96,322	—	96,322
Operating expenses	69,293	14,980	3,706	717	2,667	91,365	1,345	92,711
Operating income (loss)	3,502	1,141	(53)	294	71	4,956	(1,345)	3,611
II Assets, depreciation, impairment loss and capital expenditures								
Total assets	60,529	7,689	3,111	4,197	1,221	76,749	6,534	83,284
Depreciation	3,014	597	287	574	121	4,595	252	4,848
Impairment loss	171	—	—	—	4	176	43	219
Capital expenditures	5,889	332	59	—	126	6,408	306	6,714

Notes:

1. (1) Business segments were determined according to the categorization of sales.

(2) Primary sources of income in each segment:

Refractories: sale of refractory materials for the fiscal year ended March 2008, whereas sale of refractory materials and technological know-how for the fiscal year ended March 2009

Furnace Construction: work of furnace construction and related services and sale of equipment and technological know-how for the fiscal year ended March 2008, whereas work of furnace construction and related services and sale of equipment for the fiscal year ended March 2009

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. The operating expenses that are not allocatable and included in "Eliminations/Corporate" amounted to ¥968 million for the fiscal year ended March 2008 and ¥1,346 million for the fiscal year ended March 2009. These expenses represent the expenses in the administrative section of the parent company.

3. As stated in the "Basis of Preparation of the Consolidated Financial Statements," the Company adopted the Accounting Standard

for Measurement of Inventories (ASBJ Statement No. 9 issued on July 5, 2006), effective from the fiscal year ended March 31, 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 ¥268 million compared with the amount that would have been obtained under the previous valuation method.

4. As stated in the “Basis of Preparation of the Consolidated Financial Statements,” 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 business, effective from the year ended March 31, 2009. This change was made because, upon the revision of the related contracts with the user during the fiscal year ended March 2009, it was judged that the declining-balance depreciation method would more appropriately reflect the profit and loss for the period for property, plant and equipment acquired on or after October 1, 2008. This change decreased operating income by ¥9 million in the Furnace Construction segment for the fiscal year ended March 2009 compared with the amount that would have been obtained under the previous method.
5. As stated in the “Basis of Preparation of the Consolidated Financial Statements,” 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 property, plant and equipment, effective from the fiscal year ended March 2009. This change decreased operating income by ¥240 million in the Refractories segment, ¥0 million in the Furnace Construction segment, ¥17 million in the Advanced Ceramics segment and ¥16 million in the Others segment for the fiscal year ended March 2009 compared with the results that would have been obtained with the previous useful lives.
6. The corporate assets included in “Eliminations/Corporate” amounted to ¥4,521 million for the fiscal year ended March 2008 and ¥6,751 million for the fiscal year ended March 2009. These assets primarily consist of the long-term investment funds (investment securities) of the parent company and the assets relating to its administrative section.
7. “Depreciation” and “Capital expenditures” include long-term prepared expenses and goodwill, as well as the amount of depreciation of these accounts.

(Change in the categorization of business segments)

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 fiscal year ended 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. Business segment information under the previous categorization is as follows.

For the year ended March 31, 2009 (from April 1, 2008, to March 31, 2009):

(Millions of yen)

	Refractories	Furnace Construction	Advanced Ceramics	Real Estate	Others	Total	Eliminations/Corporate	Consolidated
I Net sales and operating income (loss)								
Net sales								
(1) Net sales to external customers	72,085	16,831	3,652	1,012	2,739	96,322	—	96,322
(2) Internal sales and transfers	—	—	—	—	—	—	—	—
Total	72,085	16,831	3,652	1,012	2,739	96,322	—	96,322
Operating expenses	69,218	15,055	3,706	717	2,667	91,365	1,345	92,711
Operating income (loss)	2,867	1,776	(53)	294	71	4,956	(1,345)	3,611
II Assets, depreciation, impairment loss and capital expenditures								
Total assets	60,529	7,689	3,111	4,197	1,221	76,749	6,534	83,284
Depreciation	3,014	597	287	574	121	4,595	252	4,848
Impairment loss	171	—	—	—	4	176	43	219
Capital expenditures	5,889	332	59	—	126	6,408	306	6,719

[Geographical Segment Information]

For the year ended March 31, 2008 (from April 1, 2007, to March 31, 2008):

(Millions of yen)

	Japan	China	Spain	USA	Total	Eliminations/ Corporate	Consolidated
I Net sales and operating income (loss)							
Net sales							
(1) Net sales to external customers	86,764	1,166	5,050	2,394	95,376	—	95,376
(2) Internal sales and transfers	2,845	2,836	28	3	5,714	(5,714)	—
Total	89,610	4,002	5,078	2,398	101,090	(5,714)	95,376
Operating expenses	84,355	3,635	4,680	2,344	95,015	(4,634)	90,381
Operating income (loss)	5,255	367	398	54	6,075	(1,080)	4,994
II Assets	67,541	3,881	4,090	2,012	77,525	1,492	79,017

For the year ended March 31, 2009 (from April 1, 2008, to March 31, 2009):

(Millions of yen)

	Japan	China	Spain	USA	Total	Eliminations/ Corporate	Consolidated
I Net sales and operating income (loss)							
Net sales							
(1) Net sales to external customers	87,941	1,027	4,562	2,791	96,322	—	96,322
(2) Internal sales and transfers	2,799	2,868	39	0	5,707	(5,707)	—
Total	90,741	3,895	4,601	2,791	102,030	(5,707)	96,322
Operating expenses	86,673	3,451	4,193	2,658	96,976	(4,265)	92,711
Operating income (loss)	4,067	444	408	133	5,054	(1,442)	3,611
II Assets	67,246	3,562	5,982	1,901	78,693	4,590	83,284

Notes:

- Geographical segments were determined by the mutual relevance of business operations.
- The operating expenses that are not allocatable and included in “Eliminations/Corporate” amounted to ¥968 million for the fiscal year ended March 2008 and ¥1,346 million for the fiscal year ended March 2009. These expenses represent the expenses in the administrative section of the parent company.
- As stated in the “Basis of Preparation of the Consolidated Financial Statements,” the Company adopted the Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 5, 2006), effective from the fiscal year ended March 31, 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 ¥268 million compared with the amount that would have been obtained under the previous valuation method.
- As stated in the “Basis of Preparation of the Consolidated Financial Statements,” 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 business in Japan, effective from the year ended March 31, 2009. This change was made because, upon the revision of the related contracts with the user during the fiscal year ended March 2009, it was judged that the declining-balance depreciation method would more appropriately reflect the profit and loss for the period from property, plant and equipment acquired on or after October 1, 2008. This change decreased operating income by ¥9 million in the Japan segment for the fiscal year ended March 2009 compared with the amount that would have been obtained under the previous method.
- As stated in the “Basis of Preparation of the Consolidated Financial Statements,” 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 property, plant and equipment, effective from the fiscal year ended March 2009. This change decreased operating income by ¥282 million in the Japan segment compared with the amount that would have been obtained with the previous useful lives.

6. The corporate assets included in “Eliminations/Corporate” amounted to ¥4,521 million for the fiscal year ended March 2008 and ¥6,751 million for the fiscal year ended March 2009. These assets primarily consist of the long-term investment funds (investment securities) of the parent company and the assets relating to its administrative section.

[Overseas Sales]

For the year ended March 31, 2008 (from April 1, 2007, to March 31, 2008):

	Asia	Europe	Other Regions	Total
I. Overseas sales (Millions of yen)	6,858	6,368	4,520	17,746
II. Consolidated net sales (Millions of yen)	—	—	—	95,376
III. Ratio of overseas sales to consolidated net sales (%)	7.2	6.7	4.7	18.6

For the year ended March 31, 2009 (from April 1, 2008, to March 31, 2009):

	Asia	Europe	Other Regions	Total
I. Overseas sales (Millions of yen)	5,243	5,580	5,130	15,953
II. Consolidated net sales (Millions of yen)	—	—	—	96,322
III. Ratio of overseas sales to consolidated net sales (%)	5.5	5.8	5.3	16.6

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.

(Lease transactions)

The disclosure of information on lease transactions is omitted because the necessity of disclosing such information in this summary of financial results is not regarded as significant.

(Transactions with related parties)

The disclosure of information on transactions with related parties is omitted because the necessity of disclosing such information in this summary of financial results is not regarded as significant.

(Tax-effect accounting)

The disclosure of information on tax-effect accounting is omitted because the necessity of disclosing such information in this summary of financial results is not regarded as significant.

(Securities)

For the year ended March 31, 2008 (from April 1, 2007, to March 31, 2008)

1. Securities for trading (as of March 31, 2008)

There were no applicable securities.

2. Held-to-maturity debt securities with a readily determinable market value (as of March 31, 2008)

There were no applicable securities.

3. Other securities with a readily determinable market value (as of March 31, 2008)

	Acquisition cost (¥Million)	Carrying value (¥Million)	Unrealized gain (loss) (¥Million)
Securities for which the carrying value exceeds the acquisition cost:			
(1) Stock	1,330	3,767	2,436
(2) Bonds	—	—	—
(3) Others	5	9	3
Subtotal	1,336	3,776	2,440
Securities for which the carrying value does not exceed the acquisition cost:			
(1) Stock	145	127	(17)
Subtotal	145	127	(17)
Total	1,481	3,904	2,422

4. Other securities sold in the fiscal year from April 1, 2007, to March 31, 2008

Sales proceeds (¥Million)	Total gain (¥Million)	Total loss (¥Million)
66	64	—

5. Major securities without a readily determinable market value and their carrying values (as of March 31, 2008)

(1) Other securities:

Unlisted stocks ¥98 million

Others ¥209 million

(2) Stocks of subsidiaries and affiliates ¥438 million

6. Redemption schedule after the fiscal year-end for other securities with maturity dates and held-to-maturity debt securities

Type of securities	Due within one year (¥Million)	Due after one year, but within five years	Due after five years, but within 10 years	Due after 10 years
Bonds:				
Other	209	—	—	—
Total	209	—	—	—

Note:

The above acquisition costs of securities represent their book values after recognizing the impairment of the securities. The impairment of stocks for which the rate of decline in market value is between 30% and 50% is based on an overall judgment by taking into account the status of the market value of the relevant stocks held by the Company, including a discrepancy between their book values and the highest and lowest prices during the period under review, as well as the quantitative evaluation of the credit risk of the stock issuers based on their credit ratings and financial indicators on the basis of their disclosed financial statements.

For the year ended March 31, 2009 (from April 1, 2008, to March 31, 2009)

1. Securities for trading (as of March 31, 2009)

There were no applicable securities.

2. Held-to-maturity debt securities with a readily determinable market value (as of March 31, 2009)

There were no applicable securities.

3. Other securities with a readily determinable market value (as of March 31, 2009)

	Acquisition cost (¥Million)	Carrying value (¥Million)	Unrealized gain (loss) (¥Million)
Securities for which the carrying value exceeds the acquisition cost:			
(1) Stock	1,259	2,043	784
(2) Bonds	—	—	—
(3) Others	5	5	0
Subtotal	1,264	2,048	784
Securities for which the carrying value does not exceed the acquisition cost:			
(1) Stock	1,547	1,520	(26)
(2) Bonds	—	—	—
(3) Others	—	—	—
Subtotal	1,547	1,520	(26)
Total	2,812	3,569	757

4. Other securities sold in the fiscal year from April 1, 2008, to March 31, 2009

Sales proceeds (¥Million)	Total gain (¥Million)	Total loss (¥Million)
5	3	—

5. Major securities without a readily determinable market value and their carrying values (as of March 31, 2008)

(1) Other securities:

Unlisted stocks ¥102 million

Others — million

(2) Stocks of subsidiaries and affiliates ¥427 million

6. Redemption schedule after the fiscal year-end for other securities with maturity dates and held-to-maturity debt securities

There are no applicable securities.

Note:

The above acquisition costs of securities represent their book values after recognizing the impairment of the securities. The impairment of stocks for which the rate of decline in market value is between 30% and 50% is based on an overall judgment by taking into account the status of the market value of the relevant stocks held by the Company, including a discrepancy between their book values and the highest and lowest prices during the period under review, as well as the quantitative evaluation of the credit risk of the stock issuers based on their credit ratings and financial indicators on the basis of their disclosed financial statements.

(Derivative transactions)

The disclosure of information on derivative transactions is omitted because the necessity of disclosing such information in this summary of financial results is not regarded as significant.

(Retirement benefits)

The disclosure of information on retirement benefits is omitted because the necessity of disclosing such information in this summary of financial results is not regarded as significant.

(Stock options)

There is no applicable information for the fiscal years ended March 2008 and March 2009.

(Business combinations)

The disclosure of information on business combinations is omitted because the necessity of disclosing such information in this summary of financial results is not regarded as significant.

(Per Share Information)

Fiscal Year Ended March 31, 2008 (From April 1, 2007, to March 31, 2008)	Fiscal Year Ended March 31, 2009 (From April 1, 2008, to March 31, 2009)
Net assets per share ¥362.66	Net assets per share ¥305.26
Basic net income per share ¥36.15 Diluted net income per share is not stated because there are no potential stocks	Basic net loss per share (¥33.1) Diluted net loss per share is not stated because there are no potential stocks

Note: The basis of calculation is as follows.

1. Net assets per share

	Fiscal Year Ended March 31, 2008 (As of March 31, 2008)	Fiscal Year Ended March 31, 2009 (As of March 31, 2009)
Total net assets (¥Million)	33,245	26,815
Net assets attributable to shares of common stock (¥Million)	32,142	25,787
Major component of the difference (¥Million): Minority interests	1,103	1,028
The number of shares of common stock issued and outstanding (Thousand)	91,145	91,145
The number of treasury shares of common stock (Thousand)	2,515	6,666
The number of shares of common stock used for the calculation of net assets per share (Thousand)	88,629	84,478

2. Net income or loss per share

	Fiscal Year Ended March 31, 2008 (As of March 31, 2008)	Fiscal Year Ended March 31, 2009 (As of March 31, 2009)
Net income (loss) on the consolidated statements of income (¥Million)	3,233	(2,879)
Net income (loss) attributable to shares of common stock (¥Million)	3,233	(2,879)
Net income (loss) not attributable to shares of common stock (¥Million)	—	—
Average number of shares of common stock during the period (Thousand)	89,443	87,223

(Significant subsequent events)

Fiscal Year Ended March 31, 2008 (From April 1, 2007, to March 31, 2008)	Fiscal Year Ended March 31, 2009 (From April 1, 2008, to March 31, 2009)												
<p>1. Dissolution and liquidation of a consolidated subsidiary The Company resolved at a meeting of the Board of Directors held on April 25, 2008, to dissolve and liquidate its consolidated subsidiary Kurosaki Rozai Corporation (hereinafter “Kurosaki Rozai”).</p> <p>(1) Reason for the dissolution and liquidation To improve the efficiency of the Group’s overall business operations, it was decided to transfer the businesses handled by Kurosaki Rozai to the Company and dissolve and liquidate Kurosaki Rozai.</p> <p>(2) Outline of the subsidiary: 1) Trade name: Kurosaki Rozai Corporation 2) Head office location: 3610 Honami, Bizen-shi, Okayama, Japan 3) Business: Manufacturing of refractory products 4) Establishment: October 1, 1956 5) Capital: ¥60 million 6) Net assets: ¥497 million (as of March 31, 2008) 7) Total assets: ¥1,179 million (as of March 31, 2008) 8) Major customer: the Company 9) Major shareholder and ownership: 100% owned by the Company 10) Performance for the year ended March 2008: <table data-bbox="245 913 654 999"> <tr> <td>Net sales</td> <td>¥2,075 million</td> </tr> <tr> <td>Ordinary income</td> <td>¥173 million</td> </tr> <tr> <td>Net income</td> <td>¥96 million</td> </tr> </table> </p> <p>(3) Date of occurrence of this event and future schedule: <table data-bbox="209 1048 756 1160"> <tr> <td>April 25, 2008</td> <td>Board of Directors’ resolution to dissolve the company was made.</td> </tr> <tr> <td>March 31, 2009</td> <td>To be dissolved.</td> </tr> <tr> <td>Late September 2009</td> <td>Liquidation to be completed.</td> </tr> </table> </p> <p>(4) Material effects on business activities of the Group The dissolution and liquidation of Kurosaki Rozai do not have material effects on the business and other activities of the Group.</p> <p>2. Capital participation in MAGNESITA of Brazil As of June 17, 2008, the Company concluded a final agreement with MAGNESITA REFRACTORIOS S.A. (hereinafter “MAGNESITA”), a leading refractory manufacturer in Brazil, and its shareholders that are parties to a shareholders’ agreement on MAGNESITA, under which the Company agreed to enter into the shareholders’ agreement by newly making a 3% capital participation in MAGNESITA through the method of third-party allotment. The outline of the capital participation is as follows.</p> <p>(1) Purpose Through the capital participation in MAGNESITA, the Company intends to further develop good relationships between the two companies and enjoy a range of benefits associated with the strengthening of ties, thereby further enhancing the corporate value of both companies and reinforcing the Group’s global development.</p> <p>(2) Profile of the investee: 1) Company name: MAGNESITA REFRACTORIOS S.A. 2) Business: Manufacturing of refractory products; management of mining operations for refractory materials, such as magnesia and dolomite; furnace construction; engineering; transportation; software development; and refractory solution services for steelmakers. 3) Location: Municipio de Contagem, Estado de Minas Gerais, Brazil 4) President: Ronaldo Iabrudi</p>	Net sales	¥2,075 million	Ordinary income	¥173 million	Net income	¥96 million	April 25, 2008	Board of Directors’ resolution to dissolve the company was made.	March 31, 2009	To be dissolved.	Late September 2009	Liquidation to be completed.	<p>—</p>
Net sales	¥2,075 million												
Ordinary income	¥173 million												
Net income	¥96 million												
April 25, 2008	Board of Directors’ resolution to dissolve the company was made.												
March 31, 2009	To be dissolved.												
Late September 2009	Liquidation to be completed.												

- 5) Capital: R\$1,369 million
- 6) Sales: R\$1,529 million (2007, consolidated)
- 7) After-tax income: R\$107 million (2007, consolidated)
- 8) Major shareholders: Funds established by Brazil GP and others (ALUMINA, GPCP4, GIF-II, GIF MINING and FIPMAG) have executed the shareholders' agreement and own a 59% stake.

(3) Outline of the capital participation

- 1) Amount of capital participation (cost of acquiring shares):
R\$110.9 million
(about ¥7,000 million, ¥60/R\$ as of June 2, 2008)
- 2) Ratio of capital contribution: around 3%
- 3) Scheduled period for the acquisition: not yet determined
- 4) The acquisition was financed by borrowing.

3. Large borrowing to finance the capital participation

As of June 17, 2008, the Company concluded a final agreement with MAGNESITA REFRACTORIOS S.A. (hereinafter "MAGNESITA"), a leading refractory manufacturer in Brazil, and its shareholders that are parties to a shareholders' agreement on MAGNESITA, under which the Company agreed to enter into the shareholders' agreement by newly making a 3% capital participation in MAGNESITA through the method of third-party allotment. Accordingly, the Company concluded and executed a contract of borrowing as follows mainly for the purpose of financing the acquisition of shares in MAGNESITA.

- (1) Lender:
Mizuho Corporate Bank, Ltd.
- (2) Amount of borrowing:
¥7,200 million
- (3) Terms of repayment:
Short-term borrowing (monthly refinancing)
- (4) Borrowing rate:
Based on open market short-term interest rates
- (5) Date of executing the borrowing:
June 5, 2008
- (6) Period of borrowing:
Three months as a target until long-term funds are procured

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2008 (As of March 31, 2008)	Fiscal Year Ended March 31, 2009 (As of March 31, 2009)
ASSETS		
Current assets:		
Cash and deposits	610	2,717
Notes receivable—trade	1,263	702
Accounts receivable—trade	17,399	17,036
Merchandise and finished goods	4,435	6,311
Work in process	1,133	1,808
Partly-finished construction	153	—
Costs on uncompleted construction	754	—
Raw materials and supplies	2,619	3,827
Advance payments—trade	241	86
Prepaid expenses	184	154
Income taxes receivable	310	—
Consumption taxes receivable	28	—
Deferred tax assets	762	999
Other	724	754
Allowance for doubtful accounts	(9)	(1)
Total current assets	30,611	34,397
Noncurrent assets:		
Property, plant and equipment		
Buildings, net	7,490	7,116
Structures, net	1,456	1,330
Machinery and equipment, net	7,297	6,105
Vehicles, net	118	118
Tools, furniture and fixtures, net	576	522
Land	4,522	4,856
Construction in progress	321	962
Total property, plant and equipment	21,782	21,012
Intangible assets		
Goodwill	174	116
Software	164	175
Other	65	176
Total intangible assets	405	469
Investments and other assets		
Investment securities	2,919	2,958
Stocks of subsidiaries and affiliates	4,329	4,252
Investments in capital	1	1
Investments in capital of subsidiaries and affiliates	2,229	2,337
Long-term loans receivable	42	41
Long-term loans receivable from subsidiaries and affiliates	583	882
Long-term prepaid expenses	34	6
Deferred tax assets	—	2,183
Other	210	382
Allowance for doubtful accounts	(62)	(60)
Total investments and other assets	10,288	12,984
Total noncurrent assets	32,476	34,465
Total assets	63,087	68,863

(Millions of yen)

	Fiscal Year Ended March 31, 2008 (As of March 31, 2008)	Fiscal Year Ended March 31, 2009 (As of March 31, 2009)
LIABILITIES		
Current liabilities:		
Accounts payable—trade	12,393	11,192
Short-term loans payable	2,900	16,479
Current portion of long-term loans payable	40	10
Accounts payable—other	1,117	1,603
Accrued business office taxes	115	—
Accrued expenses	1,399	885
Advances received	130	61
Deposits received	1,916	2,357
Provision for bonuses	1,448	1,290
Other	26	167
Total current liabilities	21,488	34,047
Noncurrent liabilities:		
Long-term loans payable	8,810	8,800
Deferred tax liabilities	554	—
Provision for retirement benefits	73	70
Provision for directors' retirement benefits	235	303
Provision for product warranties	40	47
Long-term lease and guarantee deposited	5,577	4,930
Total noncurrent liabilities	15,293	14,151
Total liabilities	36,781	48,199
NET ASSETS		
Shareholders' equity		
Capital stock	5,537	5,537
Capital surplus		
Legal capital surplus	5,138	5,138
Total capital surpluses	5,138	5,138
Retained earnings		
Legal retained earnings	1,250	1,250
Other retained earnings		
Reserve for reduction entry	1,179	1,265
Reserve for special account for advanced depreciation of noncurrent assets	107	—
General reserve	4,517	4,517
Retained earnings brought forward	8,088	4,150
Total retained earnings	15,142	11,182
Treasury stock	(702)	(1,542)
Total shareholders' equity	25,116	20,317
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,199	347
Deferred gains or losses on hedges	(10)	(0)
Total valuation and translation adjustments	1,189	346
Total net assets	26,306	20,664
Total liabilities and net assets	63,087	68,863

(2) Non-Consolidated Statements of Income

(Millions of yen)

	Fiscal Year from April 1, 2007, to March 31, 2008	Fiscal Year from April 1, 2008, to March 31, 2009
Net sales	85,226	87,556
Cost of sales	72,988	76,404
Gross profit	12,237	11,152
Selling, general and administrative expenses	9,641	9,526
Operating income	2,596	1,626
Non-operating income		
Interest income	12	15
Dividends income	508	273
Rent and management commission	93	82
Other	35	82
Total non-operating income	649	455
Non-operating expenses		
Interest expenses	139	254
Loss on transfer of receivables	224	227
Cost of removal of noncurrent assets	100	99
Foreign exchange losses	98	126
Other	228	138
Total non-operating expenses	790	846
Ordinary income	2,455	1,235
Extraordinary income		
Gain on prior period adjustment	27	—
Gain on sales of noncurrent assets	366	199
Gain on disposal of noncurrent assets	—	75
Gain on sales of investment securities	64	—
Gain on extinguishment of tie-in shares	—	34
Compensation income	213	62
State subsidy	225	—
Other	32	22
Total extraordinary income	929	393
Extraordinary loss		
Loss on prior period adjustment	—	12
Loss on sales of noncurrent assets	—	1
Loss on retirement of noncurrent assets	643	187
Loss on reduction of noncurrent assets	74	—
Impairment loss	39	47
Loss on valuation of investment securities	—	6,237
Environmental measures	—	774
Advisory commission	269	98
Loss on closing of factories	54	—
Other	23	9
Total extraordinary losses	1,104	7,369
Income (loss) before income taxes	2,280	(5,740)
Income taxes—current	246	41
Income taxes for prior periods	(214)	129
Income taxes—deferred	366	(2,395)
Total income taxes	399	(2,223)
Net income (loss)	1,880	(3,516)

(3) Non-Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal Year from April 1, 2007, to March 31, 2008	Fiscal Year from April 1, 2008, to March 31, 2009
Shareholders' Equity		
Capital stock		
Balance at previous year-end	5,537	5,537
Changes of items during the period		
Total changes of items during the period	—	—
Balance at year-end	5,537	5,537
Capital surplus		
Legal capital surplus		
Balance at previous year-end	3,521	5,138
Changes of items during the period:		
Increase by share exchanges	1,617	—
Total changes of items during the period	1,617	—
Balance at year-end	5,138	5,138
Total capital surplus		
Balance at previous year-end	3,521	5,138
Changes of items during the period		
Increase by share exchanges	1,617	—
Total changes of items during the period	1,617	—
Balance at year-end	5,138	5,138
Retained earnings		
Legal retained earnings		
Balance at previous year-end	1,250	1,250
Changes of items during the period		
Total changes of items during the period	—	—
Balance at year-end	1,250	1,250
Other retained earnings		
Reserve for reduction entry		
Balance at previous year-end	967	1,179
Changes of items during the period:		
Provision of reserve for reduction entry	261	168
Reversal of reserve for reduction entry	(50)	(82)
Total changes of items during the period	211	85
Balance at year-end	1,179	1,265
Reserve for special account for advanced depreciation of noncurrent assets		
Balance at previous year-end	—	107
Changes of items during the period:		
Provision of reserve for special account for advanced depreciation of noncurrent assets	107	(107)
Total changes of items during the period	107	(107)
Balance at year-end	107	—
General reserve		
Balance at previous year-end	4,517	4,517
Changes of items during the period:		
Total changes of items during the period	—	—
Balance at year-end	4,517	4,517

(Millions of yen)

	Fiscal Year from April 1, 2007, to March 31, 2008	Fiscal Year from April 1, 2008, to March 31, 2009
Retained earnings brought forward		
Balance at previous year-end	6,963	8,088
Changes of items during the period:		
Dividends from surplus	(437)	(443)
Provision of reserve for reduction entry	(261)	(168)
Reversal of reserve for reduction entry	50	82
Provision of reserve for special account for advanced depreciation of noncurrent assets	(107)	107
Net income (loss)	1,880	(3,516)
Total changes of items during the period	1,124	(3,937)
Balance at year-end	8,088	4,150
Total retained earnings		
Balance at previous year-end	13,698	15,142
Changes of items during the period:		
Dividends from surplus	(437)	(443)
Provision of reserve for reduction entry	—	—
Reversal of reserve for reduction entry	—	—
Provision of reserve for special account for advanced depreciation of noncurrent assets	—	—
Net income (loss)	1,880	(3,516)
Total changes of items during the period	1,443	(3,959)
Balance at year-end	15,142	11,182
Treasury stock		
Balance at previous year-end	(118)	(702)
Changes of items during the period:		
Purchase of treasury stock	(583)	(839)
Total changes of items during the period	(583)	(839)
Balance at year-end	(702)	(1,542)
Total shareholders' equity		
Balance at previous year-end	22,639	25,116
Changes of items during the period:		
Dividends from surplus	(437)	(443)
Net income (loss)	1,880	(3,516)
Purchase of treasury stock	(583)	(839)
Increase by share exchanges	1,617	—
Total changes of items during the period	2,477	(4,799)
Balance at year-end	25,116	20,317

(Millions of yen)

	Fiscal Year from April 1, 2007, to March 31, 2008	Fiscal Year from April 1, 2008, to March 31, 2009
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at previous year-end	2,563	1,199
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,363)	(851)
Total changes of items during the period	(1,363)	(851)
Balance at year-end	1,199	347
Deferred gains and losses on hedges		
Balance at previous year-end	12	(10)
Changes of items during the period		
Net changes of items other than shareholders' equity	(22)	9
Total changes of items during the period	(22)	9
Balance at year-end	(10)	(0)
Total valuation and translation adjustments		
Balance at previous year-end	2,575	1,189
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,386)	(842)
Total changes of items during the period	(1,386)	(842)
Balance at year-end	1,189	346
Total net assets		
Balance at previous year-end	25,215	26,306
Changes of items during the period		
Dividends from surplus	(437)	(443)
Net income (loss)	1,880	(3,516)
Purchase of treasury stock	(583)	(839)
Increase by share exchanges	1,617	—
Net changes of items other than shareholders' equity	(1,386)	(842)
Total changes of items during the period	1,091	(5,641)
Balance at year-end	26,306	20,664

(4) Notes on the Premise of a Going Concern

There are no applicable notes for the fiscal years ended March 31, 2008, and March 31, 2009.

6. Other

(1) Changes in directors and corporate auditors

1. Changes in representative directors

There are no changes in representative directors.

2. Changes in other directors (to be effective as of June 26, 2009)

(a) Candidate for newly appointed director:

Yasuo Hamamoto, who is currently a corporate advisor for the Company and the director of Nippon Steel Corporation, is a candidate for the position of Vice President.

(b) Candidate for newly appointed corporate auditor:

Makoto Akagi, who is currently Affiliates Group Leader and General Manager of Corporate Planning Division, Nippon Steel Corporation.

Note: Makoto Akagi is a candidate for external corporate auditor as stipulated in Article 2, Paragraph 16, of the Companies Act.

(c) Retiring auditor:

Auditor Akihiko Yamazaki

Note: Akihiko Yamazaki is an external corporate auditor as stipulated in Article 2, Paragraph 16, of the Companies Act.