

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

February 10, 2011

Listed Company Name: KROSAKI HARIMA CORPORATION

Listed on the Tokyo Stock Exchange and the Fukuoka Stock Exchange

Securities Code: 5352 URL: <http://www.krosaki.co.jp/>

Representative: Yasuo Hamamoto, President

Scheduled date of submitting the quarterly financial statements: February 14, 2011

Scheduled date of starting distributing dividends:

Supplementary documents for this summary of financial statements: None

Explanation meeting for analysts on this summary of financial statements: None

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

1. Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 2011 (April 1, 2010, to December 31, 2010)

(1) Consolidated Business Results

(The percentages indicate the rates of increase or decrease compared with the preceding fiscal year.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First 3 Qs FY Ending March 2011	69,695	16.1	5,154	212.3	4,864	168.6
First 3 Qs FY Ending March 2010	60,041	(22.2)	1,643	(53.1)	1,811	(39.4)

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
First 3 Qs Ending March 2011	3,120	173.8	36.96	—
First 3 Qs Ending March 2010	1,139	—	13.49	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2010	87,580	34,020	37.6	389.80
March 31, 2010	86,280	33,269	37.3	381.50

Reference: Equity capital was ¥32,909 million as of December 31, 2010, and ¥32,219 million as of March 31, 2010.

2. Dividends

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

Note: Revision to dividend forecasts made during the period under review: None

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

(The percentages indicate the rates of increase or decrease compared with the same period of the preceding fiscal year.)

Full year	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
	92,300	11.4	5,500	87.4	5,200	72.2

Full year	Net income		Net income per share
	Millions of yen	%	Yen
	3,300	(16.8)	39.08

Note: Revision to performance forecasts made during the period under review: None

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

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

Newly included: — Excluded: —

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

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

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

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

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

2. Changes other than the above: None

Note: These refer to changes in accounting policies and procedures and the method of presentation for preparing the quarterly consolidated financial statements stated in “Changes in Basis of Presentation of Quarterly Consolidated Financial Statements.”

(4) Number of shares issued and outstanding (common stock)

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

3Q FY ending March 2011:	91,145,280	FY ending March 2010:	91,145,280
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2. Number of treasury shares as of the period-end:

3Q FY ending March 2011:	6,719,420	FY ending March 2010:	6,690,606
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3. Average number of shares outstanding:

3Q FY ending March 2011:	84,433,141	3Q FY ending March 2010:	84,465,610
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Status of execution of the quarterly review of financial statements:

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

Statement regarding the proper use of financial forecasts and other special remarks:

The above forecasts are based on certain assumptions available at present. Please understand that actual results may differ from those forecasts, depending on changes in business circumstances that may happen in the future. For details of the forecasts of business results, see “(3) Qualitative Information on the Forecast of Consolidated Business Results” under “1. Qualitative Information on Consolidated Business Results, etc., during the Period under Review” on page 3 of the Attachment.

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

(1) Qualitative Information on Consolidated Business Results

During the first three quarters of the fiscal year ending March 31, 2011, an increase in steel demand, chiefly for exports, led to an increase in the crude steel output of Japan's steel industry, a major customer of the Krosaki Harima Group, achieving an 18.8% rise compared with the same period of the previous fiscal year. In response to the increased steel output, consolidated net sales for the period under review advanced 16.1% from the same period of the previous fiscal year to ¥69,695 million.

Owing to the net sales increase and continued cost cuts, the Group's consolidated operating income surged 212.3% to ¥5,134 million and ordinary income jumped 168.6% to ¥4,864 million compared with the same period of the previous year.

Net income for the period under review advanced 173.8% from a year earlier to ¥3,120 million. As a result, net income per share rose significantly to ¥36.96 from ¥13.49 for the same period of the previous year.

Consolidated business performance by industry segment was as follows.

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

[Refractories]

Due to an increase in refractory demand and continued cost cuts, the Refractories segment's net sales for the first three quarters of the fiscal year ending March 31, 2011, amounted to ¥52,306 million and segment profit was ¥4,424 million.

[Furnace]

The Furnace segment achieved net sales of ¥11,327 million. Segment profit was ¥284 million, reflecting the decreased profitability of furnace construction and increased labor costs.

[Ceramics]

The improvement of the market environment surrounding the semiconductor manufacturing equipment industry, a leading user of the Ceramics segment's products, increased the net sales and segment profit of the Ceramics segment to ¥4,658 million and ¥163 million, respectively.

[Real Estate]

The Real Estate segment achieved net sales of ¥751 million and segment profit of ¥232 million.

[Others]

The Others segment achieved net sales of ¥651 million and segment profit of ¥26 million.

(2) Qualitative Information on the Consolidated Financial Position

1) Assets

The Group's consolidated total assets at December 31, 2010, the closing date of the third quarter of the year ending March 31, 2011, increased ¥1,300 million from the previous fiscal year-end to ¥87,580 million. Current assets rose ¥5,690 million to ¥47,979 million. Noncurrent assets declined ¥4,381 million to ¥39,565 million.

Primary factors for the increase in current assets included increases in cash and deposits and notes and accounts receivable—trade. The decrease in noncurrent assets was chiefly caused by a decrease

in investment securities due to a fall in the value of shares held by the Group.

2) Liabilities

The Group's consolidated total liabilities at December 31, 2010, the closing date of the third quarter of the year ending March 31, 2011, increased ¥549 million from the previous fiscal year-end to ¥53,560 million. Current liabilities declined ¥3,193 million to ¥25,159 million, whereas noncurrent liabilities increased ¥3,742 million to ¥28,400 million.

A primary factor for the decrease in current liabilities was a decrease in short-term loans payable, whereas a main reason for the increase in noncurrent liabilities was an increase in long-term loans payable.

3) Net assets

The Group's consolidated net assets at December 31, 2010, the closing date of the third quarter of the year ending March 31, 2011, increased ¥751 million from the previous fiscal year-end to ¥34,020 million, as a result of an increase in retained earnings and decreases in the valuation difference on available-for-sale securities and valuation and translation adjustments.

As a result, the Group's equity ratio at the end of the third quarter was 37.6%.

Net assets per share increased from ¥381.50 at the previous fiscal year-end to ¥389.80.

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

The forecast of consolidated business results for the full year ending March 31, 2011, remains unchanged from that announced on November 10, 2010.

Actual results might differ significantly from our projections due to a change in refractory demand caused by fluctuations of crude steel output.

2. Other Information

(1) Changes in important subsidiaries: None

(2) Simplified accounting methods and special accounting treatment

1) Simplified accounting methods

i. Computation method for an estimated amount of the allowance for doubtful accounts on normal receivables

Because no significant difference was recognized between the past data on uncollected receivables and an estimate of the collectability of individual receivables at December 31, 2010, the closing date of the third quarter under review, and those at the previous fiscal year-end, we used the data at the previous fiscal year-end to compute an allowance for doubtful accounts for the third quarter under review.

ii. Computation method for inventories

For computation of inventories at December 31, 2010, the closing date of the third quarter of the year ending March 2011, we omitted the physical inventory check and adopted a reasonable computation method based on the result of the physical inventory check conducted at the end of the previous fiscal year or at the end of the previous quarter.

iii. Computation method for noncurrent assets

Noncurrent assets that are depreciated principally by the declining-balance method are equally amortized over the period of the consolidated fiscal year.

iv. Computation method for income taxes, deferred tax assets and deferred tax liabilities

Income taxes payable are computed limiting items to be added or subtracted and tax deductions to important items.

Recognizing no significant changes in the management environment and other factors that incur temporary differences since the end of the previous fiscal year, the collectivity of deferred tax assets was assessed based on the future performance projections and the tax planning used for the previous fiscal year.

v. Method to estimate total construction contract costs

To estimate total construction contract costs at December 31, 2010, the closing date of the third quarter under review, we applied the total construction contract costs estimated at the end of the previous quarter as those at December 31, 2010, the closing date of the third quarter under review, except for construction contracts for which total costs are recognized to have changed significantly from the amounts estimated at the end of the previous quarter.

2) Special accounting treatment: None

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

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

Effective from April 1, 2010, the Company applied the Accounting Standard for the Equity Method of Accounting for Investments (ASBJ Statement No. 16, released on March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24, dated March 10, 2008).

There was no effect of this application on the profits and losses during the period under review.

2) Application of the Accounting Standard for Asset Retirement Obligations

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

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

3) Application of the Accounting Standard for Business Combinations and other related standards
Effective from April 1, 2010, the Company applied the Accounting Standard for Business Combinations (ASBJ Statement No. 21, dated December 26, 2008), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, dated December 26, 2008), partial amendments to the Accounting Standard for Research and Development Costs (ASBJ Statement No. 23, dated December 26, 2008), the revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, revised on December 26, 2008), the revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16, released on December 26, 2008) and the revised Guidance on Accounting Standard for Business Combinations and

Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, revised on December 26, 2008).

Additional Information

The First Three Quarters of the Fiscal Year Ending March 31, 2011 (From April 1, 2010, to December 31, 2010)
<p>As a result of a partial review of its retirement benefit system, the Company uniformly adopted a point-based method for measuring estimated retirement benefits under the Company's defined benefits pension plan, effective from October 1, 2010.</p> <p>This revision decreased the estimated retirement benefit obligation by ¥102 million and caused the same amount of prior service cost.</p> <p>The prior service cost is amortized by the straight-line method over a certain period (10 years) within the average remaining service period of employees at the time of accrual.</p> <p>The effects of this change on the business results of the period under review were immaterial.</p>

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY Ending March 2011 Third Quarter (As of December 31, 2010)	Condensed Balance Sheet for FY Ending March 2010 (As of March 31, 2010)
ASSETS		
Current assets:		
Cash and deposits	7,761	3,258
Notes and accounts receivable—trade	24,836	20,932
Merchandise and finished goods	6,212	5,612
Work in process	2,235	2,997
Raw materials and supplies	3,981	3,843
Deferred tax assets	1,026	1,921
Other	1,925	3,724
Allowance for doubtful accounts	(0)	(1)
Total current assets	47,979	42,289
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	35,255	34,081
Accumulated depreciation	(23,811)	(23,197)
Buildings and structures (net)	11,443	10,883
Machinery, equipment and vehicles	49,950	48,312
Accumulated depreciation	(42,290)	(41,007)
Machinery, equipment and vehicles (net)	7,660	7,305
Tools, furniture and fixtures	3,759	3,547
Accumulated depreciation	(3,024)	(2,811)
Tools, furniture and fixtures (net)	735	736
Land	7,438	7,494
Construction in progress	507	3,725
Total property, plant and equipment	27,786	30,145
Intangible assets:		
Goodwill	27	74
Other	584	613
Total intangible assets	612	687
Investments and other assets:		
Investment securities	8,159	10,188
Long-term loans receivable	398	482
Deferred tax assets	320	339
Other	2,369	2,212
Allowance for doubtful accounts	(81)	(108)
Total investments and other assets	11,167	13,114
Total noncurrent assets	39,565	43,947
Deferred assets		
Bond issuance costs	35	43
Total deferred assets	35	43
Total assets	87,580	86,280

(Millions of yen)

	FY Ending March 2011 Third Quarter (As of December 31, 2010)	Condensed Balance Sheet for FY Ending March 2010 (As of March 31, 2010)
LIABILITIES		
Current liabilities:		
Notes and accounts payable—trade	16,955	12,885
Short-term loans payable	2,097	8,548
Income taxes payable	355	275
Deferred tax liabilities	—	14
Provision for bonuses	958	1,670
Provision for loss on construction contracts	—	65
Other current liabilities	4,792	4,892
Total current liabilities	25,159	28,353
Noncurrent liabilities:		
Bonds	10,000	10,000
Long-term loans payable	10,694	5,500
Deferred tax liabilities	1,508	1,954
Provision for retirement benefits	450	525
Provision for directors' retirement benefits	425	407
Provision for product warranties	8	7
Asset retirement obligations	25	—
Negative goodwill	701	849
Other	4,587	5,414
Total long-term liabilities	28,400	24,658
Total liabilities	53,560	53,011
NET ASSETS		
Shareholders' equity:		
Capital stock	5,537	5,537
Capital surplus	5,138	5,138
Retained earnings	23,744	20,886
Treasury stock	(1,558)	(1,547)
Total shareholders' equity	32,862	30,015
Valuation and translation adjustments:		
Valuation difference on available-for-sale securities	1,501	2,751
Deferred gains or losses on hedges	(33)	3
Foreign currency translation adjustment	(1,420)	(551)
Total valuation and translation adjustments	46	2,203
Minority interests	1,111	1,049
Total net assets	34,020	33,269
Total liabilities and net assets	87,580	86,280

(2) Quarterly Consolidated Statement of Income (Cumulative)

(Millions of yen)

	FY Ending March 2010 First 3 Quarters (April 1, 2009, to December 31, 2009)	FY Ending March 2011 First 3 Quarters (April 1, 2010, to December 31, 2010)
Net sales	60,041	69,695
Cost of sales	49,744	55,379
Gross profit	10,296	14,316
Selling, general and administrative expenses	8,653	9,182
Operating income (loss)	1,643	5,134
Non-operating income:		
Interest income	6	17
Dividends income	90	77
Subsidy income	252	—
Amortization of negative goodwill	147	147
Equity in earnings of affiliates	101	—
Other	137	117
Total non-operating income	737	360
Non-operating expenses:		
Interest expenses	275	273
Loss on transfer of receivables	116	—
Equity in losses of affiliates	—	12
Other	177	343
Total non-operating expenses	569	629
Ordinary income (loss)	1,811	4,864
Extraordinary income:		
Gain on sales of noncurrent assets	335	363
Other	124	78
Total extraordinary income	460	441
Extraordinary loss:		
Loss on retirement of noncurrent assets	41	62
Loss on sales of noncurrent assets	3	7
Impairment loss	15	—
Environmental measures	35	—
Special addition to retirement benefits	—	163
Other	65	67
Total extraordinary loss	160	300
Income before income taxes and minority interests	2,110	5,006
Income taxes—current	172	509
Income taxes—deferred	727	1,260
Total income taxes	900	1,769
Income before minority interests	—	3,236
Minority interests	70	115
Net income (loss)	1,139	3,120

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

(Millions of yen)

	FY Ending March 2010 First 3 Quarters (April 1, 2009, to December 31, 2009)	FY Ending March 2011 First 3 Quarters (April 1, 2010, to December 31, 2010)
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	2,110	5,006
Depreciation and amortization	3,375	3,312
Impairment loss	15	—
Amortization of goodwill	45	46
Amortization of negative goodwill	(147)	(147)
Amortization of long-term prepaid expenses	5	3
Increase (decrease) in allowance for doubtful accounts	(25)	(27)
Increase (decrease) in provision for bonuses	(963)	(712)
Increase (decrease) in provision for retirement benefits	(139)	(75)
Increase (decrease) in other provision	82	(46)
Interest and dividends income	(97)	(95)
Interest expenses	275	273
Foreign exchange losses (gains)	(25)	(77)
Equity in (earnings) losses of affiliates	(101)	12
Loss on retirement of property, plant and equipment	41	62
Loss (gain) on sales and retirement of property, plant and equipment	(332)	(356)
Advisory commission	28	—
Decrease (increase) in notes and accounts receivable—trade	(1,924)	(3,879)
Decrease (increase) in inventories	4,568	(193)
Increase (decrease) in notes and accounts payable—trade	(809)	4,104
Loss (gain) on revaluation of investment securities	8	—
Other	263	(347)
Subtotal	<u>6,253</u>	<u>6,863</u>
Interest and dividends income received	104	99
Interest expenses paid	(262)	(326)
Special retirement benefits paid	—	(320)
Income taxes paid	(459)	(352)
Net cash used by operating activities	<u>5,636</u>	<u>5,964</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,210)	(1,622)
Proceeds from sales of property, plant and equipment	537	2,079
Payments for retirement of property, plant and equipment	(28)	(81)
Purchase of intangible assets	(55)	(55)
Purchase of investment securities	(1,910)	(60)
Payments of loans receivable	(451)	(9)
Proceeds from collection of loans	22	159
Payments of advisory commission	(28)	—
Proceeds from business transfer	44	—
Other	(33)	28
Net cash used in investing activities	<u>(5,114)</u>	<u>438</u>

(Millions of yen)

	FY Ending March 2010 First 3 Quarters (April 1, 2009, to December 31, 2009)	FY Ending March 2011 First 3 Quarters (April 1, 2010, to December 31, 2010)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable	(12,129)	(1,981)
Proceeds from long-term borrowing	1,000	5,400
Repayment of long-term loans payable	(30)	(4,359)
Proceeds from issuance of bonds	9,947	—
Repayment of lease deposits received	(649)	(650)
Purchase of treasury stock	(3)	(11)
Cash dividends paid	(170)	(253)
Cash dividends paid to minority shareholders	(26)	(41)
Proceeds from investment by minority shareholders	—	27
Other	(3)	(3)
Net cash provided by financing activities	(2,066)	(1,873)
Effect of exchange rate change on cash and cash equivalents	(48)	(151)
Net increase (decrease) in cash and cash equivalents	(1,592)	4,378
Cash and cash equivalents at beginning of period	4,342	3,258
Increase in cash and cash equivalents resulting from a change in the scope of consolidation	—	124
Cash and cash equivalents at end of period	2,749	7,761

(4) Notes on the premise of a going concern

None

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

None

Significant Subsequent Events

The First Three Quarters of the Fiscal Year Ending March 31, 2011 (From April 1, 2010, to December 31, 2010)
(Significant business transfer) The Company resolved at a meeting of the Board of Directors held on February 10, 2011, to approve a basic agreement on the transfer of its building material business, a part of the Ceramics businesses, and concluded said agreement on the same day.
(1) Reason for the business transfer Upon the request to transfer the Company's building material business, which involves the manufacture and sale of housing exterior wall materials, by Sekisui House, Ltd., a purchaser of these materials, the Company examined the possibility and decided to accept the request.
(2) Name of the company to which said business is to be transferred Sekisui House, Ltd.
(3) Outline and scale of the business to be transferred 1. Outline: Manufacture and sale of housing exterior wall materials 2. Scale: Net sales of ¥658 million for the year ended March 2010

(4) Amount of assets and liabilities to be transferred

1. Assets to be transferred: Inventories and noncurrent assets, excluding land and buildings.

For some assets, the range for transfer is still under negotiation and remains to be defined.

2. Liabilities to be transferred: None

(5) Period of transfer

Planned for April 1, 2011

(6) Price of transfer

¥1,400 million

(7) Other important provisions, etc.

None