

Consolidated Financial Statements

Yodogawa Steel Works, Ltd.

*Years ended March 31, 2010 and 2011
with Report of Independent Auditors*

Yodogawa Steel Works, Ltd.
Consolidated Financial Statements
Years ended March 31, 2010 and 2011

Contents

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Balance Sheets.....	2
Consolidated Statements of Operations	4
Consolidated Statement of Comprehensive Loss	5
Consolidated Statements of Changes in Net Assets	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10

Report of Independent Auditors

The Board of Directors
Yodogawa Steel Works, Ltd.

We have audited the accompanying consolidated balance sheets of Yodogawa Steel Works, Ltd. and consolidated subsidiaries as of March 31, 2010 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive loss for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yodogawa Steel Works, Ltd. and consolidated subsidiaries at March 31, 2010 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young Shin Nihon LLC

Osaka, Japan
June 28, 2011

Yodogawa Steel Works, Ltd.

Consolidated Balance Sheets

March 31, 2010 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2010	2011	2011
Assets			
Current assets:			
Cash and deposits (<i>Notes 4, 5 and 12</i>)	¥ 15,709	¥ 14,867	\$ 178,797
Marketable securities (<i>Notes 5 and 6</i>)	12,003	15,272	183,668
Notes and accounts receivable (<i>Note 5</i>):			
Unconsolidated subsidiaries and affiliates (<i>Note 21</i>)	9,992	10,611	127,613
Trade	23,089	21,453	258,003
Less allowance for doubtful receivables	(199)	(235)	(2,826)
Inventories (<i>Note 7</i>)	26,329	27,783	334,131
Deferred income taxes (<i>Note 14</i>)	1,156	668	8,034
Other current assets	2,414	3,181	38,256
Total current assets	<u>90,493</u>	<u>93,600</u>	<u>1,125,676</u>
Property, plant and equipment:			
Land (<i>Notes 8, 16 and 22</i>)	19,006	18,817	226,302
Buildings and structures (<i>Notes 8 and 22</i>)	50,701	50,641	609,032
Machinery, equipment and vehicles	126,762	126,156	1,517,210
Leased assets	58	75	902
Construction in progress	562	378	4,546
Less accumulated depreciation	<u>(145,648)</u>	<u>(148,500)</u>	<u>(1,785,929)</u>
Property, plant and equipment, net	51,441	47,567	572,063
Investments and other assets:			
Investments in securities (<i>Notes 5, 6 and 12</i>)	29,333	25,299	304,258
Investments in unconsolidated subsidiaries and affiliates	4,646	4,735	56,945
Deferred income taxes (<i>Note 14</i>)	898	761	9,152
Other assets (<i>Note 12</i>)	<u>3,102</u>	<u>3,207</u>	<u>38,569</u>
Total investments and other assets	37,979	34,002	408,924
Total assets (<i>Note 23</i>)	<u>¥ 179,913</u>	<u>¥ 175,169</u>	<u>\$ 2,106,663</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2010	2011	2011
Liabilities and net assets			
Current liabilities:			
Current portion of finance lease obligations	¥ 14	¥ 17	\$ 204
Notes and accounts payable (Note 5):			
Unconsolidated subsidiaries and affiliates	320	945	11,365
Trade	16,021	14,981	180,168
Construction	891	1,042	12,531
Accrued expenses	3,095	3,234	38,894
Accrued income taxes (Note 14)	106	561	6,747
Other current liabilities (Note 12)	1,619	1,899	22,839
Total current liabilities	<u>22,066</u>	<u>22,679</u>	<u>272,748</u>
Long-term liabilities:			
Accrued retirement benefits for employees (Note 13)	7,323	7,418	89,212
Accrued retirement benefits for directors and corporate auditors	83	58	698
Guarantee deposits (Note 10)	3,670	3,450	41,491
Finance lease obligations, less current portion	43	42	505
Negative goodwill (Note 23)	112	74	890
Deferred income taxes (Note 14)	2,117	1,048	12,603
Deferred income taxes on land revaluation reserve (Note 14)	1,041	1,041	12,520
Other long-term liabilities	119	402	4,835
Total long-term liabilities	<u>14,508</u>	<u>13,533</u>	<u>162,754</u>
Net assets:			
Shareholders' equity (Note 15):			
Common stock:			
Authorized: 753,814,067 shares in 2010 and 2011			
Issued: 184,186,153 shares in 2010 and 2011	23,221	23,221	279,266
Capital surplus	23,755	23,739	285,496
Retained earnings (Notes 20 and 24)	88,271	88,288	1,061,792
Treasury stock, at cost – 18,479,353 shares in 2010 and 23,913,491 shares in 2011	(7,429)	(9,275)	(111,545)
Total shareholders' equity	<u>127,818</u>	<u>125,973</u>	<u>1,515,009</u>
Accumulated other comprehensive income (loss):			
Unrealized holding gain on securities (Note 6)	6,019	3,995	48,046
Land revaluation reserve (Note 16)	1,321	1,386	16,668
Translation adjustments	(4,199)	(4,474)	(53,806)
Total accumulated other comprehensive income	<u>3,141</u>	<u>907</u>	<u>10,908</u>
Stock acquisition rights	95	110	1,323
Minority interests	12,285	11,967	143,921
Total net assets	<u>143,339</u>	<u>138,957</u>	<u>1,671,161</u>
Total liabilities and net assets	<u>¥ 179,913</u>	<u>¥ 175,169</u>	<u>\$ 2,106,663</u>

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Operations

Years ended March 31, 2010 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2010	2011	2011
Net sales (Notes 21, 22 and 23)	¥ 132,419	¥ 144,774	\$ 1,741,118
Cost of sales (Note 22)	117,113	126,976	1,527,071
Gross profit	15,306	17,798	214,047
Selling, general and administrative expenses (Notes 17 and 22)	13,305	13,574	163,247
Operating income (Note 23)	2,001	4,224	50,800
Other income (expenses):			
Interest and dividend income	633	618	7,432
Interest expense	(52)	(50)	(601)
Loss on impairment of investments in securities (Note 6)	(244)	(798)	(9,597)
Loss on sales or disposal of property, plant and equipment, net	(182)	(91)	(1,094)
Equity in earnings (loss) of an affiliate	75	(95)	(1,143)
Loss on impairment of fixed assets (Notes 8, 22 and 23)	(27)	(51)	(613)
Foreign exchange gain (loss)	15	(140)	(1,684)
Gain on revaluation of derivatives	82	58	697
Surcharge levied in relation to violation of the Antimonopoly Law	(3,765)	–	–
Loss on disaster (Note 9)	–	(608)	(7,312)
Loss on adjustment due to application of accounting standard for asset retirement obligations	–	(215)	(2,586)
Other, net (Notes 22 and 23)	(387)	143	1,720
(Loss) income before income taxes and minority interests	(1,851)	2,995	36,019
Income taxes (Note 14):			
Current	34	678	8,154
Deferred	1,325	468	5,628
	1,359	1,146	13,782
(Loss) income before minority interests	(3,210)	1,849	22,237
Minority interests	(86)	(122)	(1,467)
Net (loss) income	¥ (3,296)	¥ 1,727	\$ 20,770

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statement of Comprehensive Loss

Year ended March 31, 2011

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars (Note 3)</i>
	2011	2011
Income before minority interests	¥ 1,849	\$ 22,237
Other comprehensive loss:		
Unrealized holding loss on securities	(2,084)	(25,063)
Translation adjustments	(528)	(6,350)
Share of other comprehensive loss of an affiliate accounted for by the equity method	(4)	(48)
Total other comprehensive loss	(2,616)	(31,461)
Comprehensive loss	¥ (767)	\$ (9,224)
Comprehensive loss attributable to:		
Shareholders of Yodogawa Steel Works, Ltd.	¥ (572)	\$ (6,879)
Minority shareholders of consolidated subsidiaries	(195)	(2,345)

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2010 and 2011

Millions of yen

	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain on securities	Land revaluation reserve	Translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2009	184,186,153	¥ 23,221	¥ 23,764	¥ 93,061	¥ (7,429)	¥ 132,617	¥ 2,567	¥ 1,334	¥ (4,547)	¥ (646)	¥ 74	¥ 12,564	¥ 144,609
Cash dividends	-	-	-	(1,492)	-	(1,492)	-	-	-	-	-	-	(1,492)
Net loss	-	-	-	(3,296)	-	(3,296)	-	-	-	-	-	-	(3,296)
Acquisition of treasury stock	-	-	-	-	(11)	(11)	-	-	-	-	-	-	(11)
Disposition of treasury stock	-	-	(9)	-	11	2	-	-	-	-	-	-	2
Reversal of land revaluation reserve	-	-	-	(2)	-	(2)	-	-	-	-	-	-	(2)
Other changes	-	-	-	-	-	-	3,452	(13)	348	3,787	21	(279)	3,529
Balance at March 31, 2010	184,186,153	23,221	23,755	88,271	(7,429)	127,818	6,019	1,321	(4,199)	3,141	95	12,285	143,339
Cash dividends	-	-	-	(1,645)	-	(1,645)	-	-	-	-	-	-	(1,645)
Net income	-	-	-	1,727	-	1,727	-	-	-	-	-	-	1,727
Acquisition of treasury stock	-	-	-	-	(1,877)	(1,877)	-	-	-	-	-	-	(1,877)
Disposition of treasury stock	-	-	(16)	-	31	15	-	-	-	-	-	-	15
Reversal of land revaluation reserve	-	-	-	(65)	-	(65)	-	-	-	-	-	-	(65)
Other changes	-	-	-	-	-	-	(2,024)	65	(275)	(2,234)	15	(318)	(2,537)
Balance at March 31, 2011	184,186,153	¥ 23,221	¥ 23,739	¥ 88,288	¥ (9,275)	¥ 125,973	¥ 3,995	¥ 1,386	¥ (4,474)	¥ 907	¥ 110	¥ 11,967	¥ 138,957

Yodogawa Steel Works, Ltd.

Consolidated Statements of Changes in Net Assets (continued)

Years ended March 31, 2010 and 2011

Thousands of U.S. dollars (Note 3)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain on securities	Land revaluation reserve	Translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2010	\$ 279,266	\$ 285,689	\$ 1,061,588	\$ (89,345)	\$ 1,537,198	\$ 72,387	\$ 15,887	\$ (50,499)	\$ 37,775	\$ 1,143	\$ 147,745	\$ 1,723,861
Cash dividends	-	-	(19,784)	-	(19,784)	-	-	-	-	-	-	(19,784)
Net income	-	-	20,770	-	20,770	-	-	-	-	-	-	20,770
Acquisition of treasury stock	-	-	-	(22,573)	(22,573)	-	-	-	-	-	-	(22,573)
Disposition of treasury stock	-	(193)	-	373	180	-	-	-	-	-	-	180
Reversal of land revaluation reserve	-	-	(782)	-	(782)	-	-	-	-	-	-	(782)
Other changes	-	-	-	-	-	(24,341)	781	(3,307)	(26,867)	180	(3,824)	(30,511)
Balance at March 31, 2011	<u>\$ 279,266</u>	<u>\$ 285,496</u>	<u>\$ 1,061,792</u>	<u>\$ (111,545)</u>	<u>\$ 1,515,009</u>	<u>\$ 48,046</u>	<u>\$ 16,668</u>	<u>\$ (53,806)</u>	<u>\$ 10,908</u>	<u>\$ 1,323</u>	<u>\$ 143,921</u>	<u>\$ 1,671,161</u>

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Cash Flows

Years ended March 31, 2010 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2010	2011	2011
Cash flows from operating activities:			
(Loss) income before income taxes and minority interests	¥ (1,851)	¥ 2,995	\$ 36,019
Adjustments for:			
Depreciation and amortization	5,899	5,596	67,300
Amortization of negative goodwill	(31)	(38)	(457)
Equity in (earnings) loss of an affiliate	(75)	95	1,143
Increase in accrued retirement benefits	89	113	1,359
(Decrease) increase in accrued bonuses	(27)	25	301
Increase in allowance for doubtful receivables	39	32	385
Interest and dividend income	(633)	(618)	(7,432)
Interest expense	52	50	601
Loss (gain) on sales of investments in securities	24	(10)	(120)
Loss on impairment of investments in securities	244	798	9,597
Loss on sales or disposal of property, plant and equipment, net	182	91	1,094
Loss on impairment of fixed assets	27	51	613
(Increase) decrease in notes and accounts receivable	(1,861)	950	11,425
Decrease (increase) in inventories	5,402	(1,528)	(18,376)
Increase (decrease) in notes and accounts payable	2,236	(378)	(4,546)
Gain on revaluation of derivatives	(82)	(58)	(698)
Other	4,171	243	2,922
Subtotal	13,805	8,409	101,130
Insurance claim	—	124	1,492
Interest and dividends received	689	673	8,094
Interest paid	(51)	(49)	(589)
Surcharge levied in relation to violation of the Antimonopoly Law	(3,765)	—	—
Income taxes paid	(1,787)	(251)	(3,019)
Net cash provided by operating activities	¥ 8,891	¥ 8,906	\$ 107,108

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Cash Flows (continued)

Years ended March 31, 2010 and 2011

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2010	2011	2011
Cash flows from investing activities:			
Investments in time deposits with a maturity of more than three months	¥ (520)	¥ (929)	\$ (11,173)
Proceeds from time deposits with a maturity of more than three months	904	862	10,367
Proceeds from sales of marketable securities	210	800	9,621
Purchases of property, plant and equipment	(4,584)	(2,019)	(24,281)
Proceeds from sales of property, plant and equipment	28	146	1,756
Purchases of intangible fixed assets	(47)	(33)	(397)
Purchases of investments in securities	(883)	(823)	(9,898)
Payment for investment in capital of an unconsolidated subsidiary	-	(245)	(2,946)
Proceeds from sales of investments in securities	146	146	1,756
Payment for loans receivable	(586)	(462)	(5,556)
Collection of loans receivable	634	410	4,931
Other	7	(1)	(13)
Net cash used in investing activities	(4,691)	(2,148)	(25,833)
Cash flows from financing activities:			
Proceeds from sales of treasury stock	2	14	168
Purchases of treasury stock	(8)	(1,874)	(22,538)
Cash dividends paid to the Company's shareholders	(1,502)	(1,656)	(19,916)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(680)	(113)	(1,359)
Other	(12)	(14)	(167)
Net cash used in financing activities	(2,200)	(3,643)	(43,812)
Effect of exchange rate changes on cash and cash equivalents	134	(55)	(662)
Net increase in cash and cash equivalents	2,134	3,060	36,801
Cash and cash equivalents at beginning of the year	24,556	26,690	320,986
Cash and cash equivalents at end of the year (Note 4)	¥ 26,690	¥ 29,750	\$ 357,787

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements

March 31, 2011

1. Summary of Significant Accounting Policies

(a) Basis of preparation

Yodogawa Steel Works, Ltd. (the “Company”) and its domestic subsidiaries maintain their books of account and records in accordance with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements of the Company and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

(b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

An investment in one affiliate (a company over which the Company has the ability to exercise significant influence) is stated at cost plus equity in its undistributed earnings or undisposed loss. Consolidated net income or loss includes the Company’s equity in the current net income or loss of this company after the elimination of unrealized intercompany profits.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(b) Basis of consolidation (continued)

All assets and liabilities of the consolidated subsidiaries are revalued on acquisition, if applicable. The difference between the cost of investments in subsidiaries and the equity in their net assets at their respective dates of acquisition is amortized over a period of 5 years on a straight-line basis. Negative goodwill arising from transactions that occurred on or after April 1, 2010 is credited to income when incurred.

The financial statements of one consolidated subsidiary whose fiscal year end is December 31 have been included in consolidation on the basis of a full fiscal year after making the appropriate adjustments for significant transactions during the period from its fiscal year end to the Company's balance sheet date.

(c) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Other assets and liabilities denominated in foreign currencies are translated at their historical rates. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gain or loss is credited or charged to income.

The balance sheet accounts of the overseas consolidated subsidiary (except for net assets excluding minority interests) are translated into yen at the rate of exchange in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their respective historical rates of exchange. Revenue and expense accounts are translated into yen at the average rate of exchange in effect during the year.

Translation adjustments have been presented as a component of net assets in the accompanying consolidated financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible into cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(e) Securities

The accounting standard for financial instruments requires that securities other than those of subsidiaries and affiliates be classified into three categories: trading securities, held-to-maturity debt securities or other securities. Under this standard, trading securities are carried at fair value and gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

(f) Derivatives

Derivatives are measured at fair value.

(g) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are principally stated at the lower of cost or net selling value, cost being determined by the average method. Inventories of the overseas consolidated subsidiary are stated at the lower of cost or net selling value, cost being determined by the moving average method.

(h) Property, plant and equipment and depreciation (except for leased assets)

Depreciation of property, plant and equipment is calculated by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or after April 1, 1998.

Depreciation of property, plant and equipment at the overseas consolidated subsidiary is calculated by the straight-line method.

The useful lives adopted for calculating depreciation are principally as follows:

Buildings and structures	3 to 60 years
Machinery, equipment and vehicles	3 to 36 years

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(i) Intangible assets and amortization (except for leased assets)

Intangible assets are stated on the basis of cost. Amortization is calculated by the straight-line method over the estimated useful lives of the respective assets.

(j) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to the development of computer software intended for internal use are charged to income when incurred, unless these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their estimated useful life of 5 years.

(k) Leases

Leased assets under finance lease transactions which do not transfer ownership of the leased assets to the lessee are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life. Among the finance lease transactions which do not transfer ownership of the leased assets to the lessees, those that started on or before March 31, 2008 are accounted for in the same manner as operating leases.

(l) Allowance for doubtful receivables

The Company and its consolidated subsidiaries provide an allowance for doubtful receivables at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(m) Income taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities for financial reporting purposes and the corresponding balances for tax reporting purposes.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(n) Retirement benefits

Employees of the Company and its consolidated subsidiaries are covered by employees' retirement benefit and employees' pension plans. The employees' retirement benefit plans provide for a lump-sum payment determined by reference to their basic salary, length of service and conditions under which termination occurs.

Accrued retirement benefits for employees are provided principally at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized principally by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over periods of 15 years and 10 years for the years ended March 31, 2010 and 2011, respectively, which are within the estimated average remaining years of service of the eligible employees.

The directors and corporate auditors of the Company's domestic consolidated subsidiaries have customarily been entitled to lump-sum payments under the unfunded retirement benefit plans. The provision for retirement benefits for directors and corporate auditors has been made at an estimated amount based on the Company's or each consolidated subsidiary's internal rules.

Supplementary Information

The Company previously had a lump-sum retirement benefit plan and a tax-qualified defined benefit pension plan. At March 31, 2011, the Company transferred the tax-qualified defined benefit pension plan to a non-qualified defined benefit pension plan. As a result, prior service cost of ¥16 million (\$192 thousand) was incurred. Prior service cost is being amortized as incurred by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible employees.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(o) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be adopted for contracts for which the percentage of completion cannot be reliably estimated.

(p) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Receivables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

2. Changes in Accounting Policies

(a) Recognition of revenues and costs of construction contracts

Until the year ended March 31, 2009, revenues and costs of construction contracts were recognized by the completed-contract method. Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries applied “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (“ASBJ”) Statement No.15 issued on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18 issued on December 27, 2007). Under the new accounting standard and guidance, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated. As a result, net sales increased by ¥99 million, operating income increased by ¥15 million and loss before income taxes and minority interests decreased by ¥15 million for the year ended March 31, 2010 from the corresponding amounts which would have been recorded under the method applied in the previous year.

(b) Retirement benefits

Effective the year ended March 31, 2010, “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No.19 issued on July 31, 2008) was applied. There was no effect of this change on operating income and loss before income taxes and minority interests.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Changes in Accounting Policies (continued)

(c) Financial instruments

Effective the year ended March 31, 2010, “Accounting Standard for Financial Instruments” (ASBJ Statement No.10 issued on March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 10, 2008) were applied.

(d) Investment, rental and idle properties

Effective the year ended March 31, 2010, “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20 issued on November 28, 2008) and “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23 issued on November 28, 2010) were applied.

(e) Segment information

Effective the year ended March 31, 2011, the Company has applied “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No.17 issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No.20 issued on March 21, 2008).

(f) Equity method of accounting for investments

Effective the year ended March 31, 2011, the Company has applied “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16 issued on March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issues Task Force (“PITF”) No.24 issued on March 10, 2008). There was no effect of this change on operating income and income before income taxes and minority interests.

(g) Asset retirement obligations

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have applied “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 issued on March 31, 2008) and “Implementation Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008). As a result, operating income decreased by ¥13 million (\$156 thousand) and income before income taxes and minority interests decreased by ¥228 million (\$2,742 thousand) for the year ended March 31, 2011.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

2. Changes in Accounting Policies (continued)

(h) Business combinations and others

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have applied “Accounting Standard for Business Combinations” (ASBJ Statement No.21 issued on December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 issued on December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No.23 issued on December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No.7 issued on December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16 issued on December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10 issued on December 26, 2008).

(i) Presentation of comprehensive income

Effective the year ended March 31, 2011, the Company has applied “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No.25 issued on June 30, 2010). However, “Valuation and translation adjustments” and “Total valuation and translation adjustments” of prior years are now presented as “Accumulated other comprehensive income (loss)” and “Total accumulated other comprehensive income,” respectively, in the accompanying consolidated balance sheets.

Total comprehensive income attributable to shareholders of the Company and minority shareholders of consolidated subsidiaries and other comprehensive income (loss) for the year ended March 31, 2010 were as follows:

	<i>Millions of yen</i>
	2010
Total comprehensive income attributable to:	
Shareholders of Yodogawa Steel Works, Ltd.	¥ 490
Minority shareholders of consolidated subsidiaries	449
Total	¥ 939
	<i>Millions of yen</i>
	2010
Other comprehensive income (loss):	
Unrealized holding gain on securities	¥ 3,183
Land revaluation reserve	(15)
Translation adjustments	667
Share of other comprehensive income of an affiliate accounted for by the equity method	314
Total	¥ 4,149

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥83.15 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2011. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Cash and Cash Equivalents

A reconciliation of cash and deposits shown in the accompanying consolidated balance sheets to cash and cash equivalents shown in the accompanying consolidated statements of cash flows at March 31, 2010 and 2011 is presented as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2010</u>	<u>2011</u>	<u>2011</u>
Cash and deposits	¥ 15,709	¥ 14,867	\$ 178,797
Investment trust funds	11,203	14,302	172,002
Beneficiary interests in trusts and other	500	1,000	12,027
Time deposits with a maturity of more than three months	(722)	(419)	(5,039)
Cash and cash equivalents	<u>¥ 26,690</u>	<u>¥ 29,750</u>	<u>\$ 357,787</u>

5. Financial Instruments

Overview

(a) Policy for financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries (collectively, the “Group”) primarily utilize cash in hand. In case of a lack of cash in hand, the Group raises funds by bank borrowings and bond issuances. The Group manages temporary cash surpluses through low-risk financial assets. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative purposes. In addition, compound financial instruments that contain embedded derivatives are utilized by the Group in order to manage surplus funds.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Overview (continued)

(b) Types of financial instruments and related risk

Trade receivables, notes and accounts receivables, are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from trade receivables denominated in foreign currencies.

Investments in securities and marketable securities are exposed to market risk. The former is composed of mainly held-to-maturity debt securities and the shares of common stock of other companies with which the Group has business relationships. The latter is composed of mainly negotiable certificates of deposits and commercial paper.

Trade payables, notes and accounts payable, have payment due dates within six months. The Group is exposed to foreign currency exchange risk arising from trade payables denominated in foreign currencies. In case of financing, the interest rate for short-term borrowings is fixed.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from trade receivables denominated in foreign currencies.

Information regarding the method of hedge accounting is found in Note 1(p).

(c) Risk management for financial instruments

Regarding trade receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer. In addition, the Company and its domestic consolidated subsidiaries are making efforts to identify and mitigate risks of bad debts from customers who have financial difficulties.

The overseas consolidated subsidiary requests customers to issue non-cancelable letters of credit to hedge credit risk.

The Group only acquires held-to-maturity debt securities and commercial paper issued by companies with high credit ratings or sound credit profiles. Accordingly, the Group believes that the credit risk deriving from such securities is insignificant. The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Overview (continued)

(c) Risk management for financial instruments (continued)

For trade receivables denominated in foreign currencies, the Group enters into forward foreign exchange contracts to hedge the risks arising from fluctuations in foreign exchanges rates.

For marketable securities and investments in securities, the Group periodically reviews the fair value of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether or not securities other than those classified as held-to-maturity debt securities should be maintained taking into account their fair value and relationships with the issuers.

The Group has established policies for approving and reporting the purpose, nature, counterparty, inherent risk, limit on loss and the level of risk of each transaction. Under these policies governing derivatives, trading is not entered into for speculative purposes.

Based on a report from each division, the Group prepares and updates its cash flow plans on a timely basis and maintains adequate solvency to manage liquidity risk. In order to provide for unexpected cash requirements, the Company enters into the line-of-credit agreements with certain financial institutions and its overseas consolidated subsidiary is able to obtain short-term borrowings by certain financial institutions.

(d) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2010 and 2011 and unrealized loss are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	<i>Millions of yen</i>		
	2010		
	Carrying value	Estimated fair value	Unrealized loss
Assets:			
Cash and deposits	¥ 15,709	¥ 15,709	¥ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	9,992	9,992	–
Trade	23,089	23,089	–
Marketable securities and investment in securities	30,917	30,527	(390)
Total assets	<u>¥ 79,707</u>	<u>¥ 79,317</u>	<u>¥ (390)</u>
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	¥ 320	¥ 320	¥ –
Trade	16,021	16,021	–
Total liabilities	<u>¥ 16,341</u>	<u>¥ 16,341</u>	<u>¥ –</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	<i>Millions of yen</i>		
	2011		
	<u>Carrying value</u>	<u>Estimated fair value</u>	<u>Unrealized loss</u>
Assets:			
Cash and deposits	¥ 14,867	¥ 14,867	¥ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	10,611	10,611	–
Trade	21,453	21,453	–
Marketable securities and investments in securities	32,070	31,659	(411)
Total assets	<u>¥ 79,001</u>	<u>¥ 78,590</u>	<u>¥ (411)</u>
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	¥ 945	¥ 945	¥ –
Trade	14,981	14,981	–
Total liabilities	<u>¥ 15,926</u>	<u>¥ 15,926</u>	<u>¥ –</u>

	<i>Thousands of U.S. dollars</i>		
	2011		
	<u>Carrying value</u>	<u>Estimated fair value</u>	<u>Unrealized loss</u>
Assets:			
Cash and deposits	\$ 178,797	\$ 178,797	\$ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	127,613	127,613	–
Trade	258,003	258,003	–
Marketable securities and investments in securities	385,689	380,746	(4,943)
Total assets	<u>\$ 950,102</u>	<u>\$ 945,159</u>	<u>\$ (4,943)</u>
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	\$ 11,365	\$ 11,365	\$ –
Trade	180,168	180,168	–
Total liabilities	<u>\$ 191,533</u>	<u>\$ 191,533</u>	<u>\$ –</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

Calculation method of estimated fair value of financial instruments is as follows:

Cash, deposits, notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

Marketable securities and investments in securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 6.

Notes and accounts payable

Since these items are settled in a short period of time, their carrying value approximates the fair value.

The carrying value of financial instruments without determinable market value at March 31, 2010 and 2011 is presented as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2010	2011	2011
Unlisted stocks	¥ 728	¥ 304	\$ 3,656
Money trusts	3,704	4,303	51,750
Negotiable certificates of deposit	4,500	3,000	36,079
Investment in a limited liability partnership	387	361	4,342
Preferred stocks	1,100	533	6,410
Total	¥ 10,419	¥ 8,501	\$ 102,237

Because no quoted market price is available, it is extremely difficult to determine the fair value. Therefore, the above financial instruments are not included as part of the amounts presented in the preceding fair value of financial instruments table.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

The redemption schedule for monetary assets and investments by maturity dates at March 31, 2010 and 2011 are as follows:

<i>Millions of yen</i>				
2010				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 15,647	¥ –	¥ –	¥ –
Notes and accounts receivable	33,081	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	0	480	–	–
Corporate bonds	3,800	200	500	3,500
Other marketable securities with maturities				
Other	8,000	–	–	–
Total	<u>¥ 60,528</u>	<u>¥ 680</u>	<u>¥ 500</u>	<u>¥ 3,500</u>
<i>Millions of yen</i>				
2011				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 14,798	¥ –	¥ –	¥ –
Notes and accounts receivable	32,064	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	70	410	–	–
Corporate bonds	7,900	–	500	2,500
Other marketable securities with maturities				
Other	7,100	–	–	–
Total	<u>¥ 61,932</u>	<u>¥ 410</u>	<u>¥ 500</u>	<u>¥ 2,500</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	<i>Thousands of U.S. dollars</i>			
	2011			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	\$ 177,968	\$ –	\$ –	\$ –
Notes and accounts receivable	385,616	–	–	–
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	842	4,931	–	–
Corporate bonds	95,009	–	6,013	30,066
Other marketable securities with maturities				
Other	85,388	–	–	–
Total	<u>\$ 744,823</u>	<u>\$ 4,931</u>	<u>\$ 6,013</u>	<u>\$ 30,066</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

6. Securities

Marketable securities classified as held-to-maturity debt securities at March 31, 2010 and 2011 are summarized as follows:

	<i>Millions of yen</i>		
	2010		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	¥ 481	¥ 485	¥ 4
Corporate bonds	2,000	2,008	8
	<u>2,481</u>	<u>2,493</u>	<u>12</u>
Securities whose estimated fair value does not exceed their carrying value:			
Corporate bonds	5,192	4,790	(402)
	<u>5,192</u>	<u>4,790</u>	<u>(402)</u>
Total	<u>¥ 7,673</u>	<u>¥ 7,283</u>	<u>¥ (390)</u>

	<i>Millions of yen</i>		
	2011		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	¥ 480	¥ 485	¥ 5
Corporate bonds	1,829	1,834	5
	<u>2,309</u>	<u>2,319</u>	<u>10</u>
Securities whose estimated fair value does not exceed their carrying value:			
Corporate bonds	8,827	8,405	(422)
	<u>8,827</u>	<u>8,405</u>	<u>(422)</u>
Total	<u>¥ 11,136</u>	<u>¥ 10,724</u>	<u>¥ (412)</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

6. Securities (continued)

	<i>Thousands of U.S. dollars</i>		
	2011		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	\$ 5,773	\$ 5,833	\$ 60
Corporate bonds	21,996	22,056	60
	<u>27,769</u>	<u>27,889</u>	<u>120</u>
Securities whose estimated fair value does not exceed their carrying value:			
Corporate bonds	106,158	101,083	(5,075)
	<u>106,158</u>	<u>101,083</u>	<u>(5,075)</u>
Total	<u>\$ 133,927</u>	<u>\$ 128,972</u>	<u>\$ (4,955)</u>

Other securities with determinable market value at March 31, 2010 and 2011 are summarized as follows:

	<i>Millions of yen</i>		
	2010		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 12,232	¥ 21,474	¥ 9,242
Corporate bonds	490	493	3
	<u>12,722</u>	<u>21,967</u>	<u>9,245</u>
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	1,264	1,181	(83)
Other	98	96	(2)
	<u>1,362</u>	<u>1,277</u>	<u>(85)</u>
Total	<u>¥ 14,084</u>	<u>¥ 23,244</u>	<u>¥ 9,160</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

6. Securities (continued)

	<i>Millions of yen</i>		
	2011		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 9,847	¥ 16,406	¥ 6,559
Corporate bonds	490	497	7
Other	—	—	—
	<u>10,337</u>	<u>16,903</u>	<u>6,566</u>
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	3,589	3,436	(153)
Corporate bonds	500	500	—
Other	97	95	(2)
	<u>4,186</u>	<u>4,031</u>	<u>(155)</u>
Total	<u>¥ 14,523</u>	<u>¥ 20,934</u>	<u>¥ 6,411</u>

	<i>Thousands of U.S. dollars</i>		
	2011		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 118,424	\$ 197,306	\$ 78,882
Corporate bonds	5,893	5,977	84
	<u>124,317</u>	<u>203,283</u>	<u>78,966</u>
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	43,163	41,323	(1,840)
Corporate bonds	6,013	6,013	—
Other	1,167	1,143	(24)
	<u>50,343</u>	<u>48,479</u>	<u>(1,864)</u>
Total	<u>\$ 174,660</u>	<u>\$ 251,762</u>	<u>\$ 77,102</u>

Sales of securities classified as other securities for the years ended March 31, 2010 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Sales	¥ —	¥ 121	\$ 1,455
Aggregate gain	—	54	649
Aggregate loss	—	(29)	(349)

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

6. Securities (continued)

The Group recorded losses on impairment of investments in securities with determinable market value of ¥235 million and ¥231 million (\$2,778 thousand) for the years ended March 31, 2010 and 2011, respectively.

7. Inventories

The following is a summary of inventories at March 31, 2010 and 2011:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Finished goods	¥ 11,464	¥11,530	\$138,665
Work in process	3,873	3,849	46,290
Raw materials and supplies	10,992	12,404	149,176
	¥ 26,329	¥27,783	\$ 334,131

8. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries recognized loss on impairment of fixed assets for the years ended March 31, 2010 and 2011 as follows:

Location	Use	Classification	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
			2010	2011	2011
Kure City, Hiroshima Prefecture	Idle assets	Land	¥ 1	¥ 8	\$ 96
Hiki District, Saitama Prefecture	Idle assets	Land	–	35	421
Sakai City, Fukui Prefecture	Idle assets	Land	–	7	84
Village of Hakuba, Nagano Prefecture	Idle assets	Land	0	0	0
Ishioka City, Ibaraki Prefecture	Idle assets	Land	–	1	12
Kawaguchi City, Saitama Prefecture	Idle assets	Land, buildings and structures	16	–	–
Suzaka City, Nagano Prefecture	Idle assets	Land	10	0	0
Total			¥ 27	¥ 51	\$ 613

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

8. Loss on Impairment of Fixed Assets (continued)

The Company and its consolidated subsidiaries group fixed assets by management segment, each of which continuously records cash receipts and payments. They group idle assets which are not utilized in their operations on an individual asset basis.

Consequently, the Company and its consolidated subsidiaries have written down the carrying values of the idle assets owned by the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2011, which are not expected to be utilized in the future, to their respective net recoverable values, and have recorded a related loss on impairment of fixed assets of ¥27 million and ¥51 million (\$613 thousand) for the years ended March 31, 2010 and 2011, respectively. This loss on impairment of fixed assets consisted of land of ¥22 million and buildings and structures of ¥5 million for the year ended March 31, 2010, and land of ¥51 million (\$613 thousand) for the year ended March 31, 2011. The recoverable amounts of these assets are measured at estimated selling value, at a valuation assessed for property tax purposes or at the comparable published land prices.

9. Loss on Disaster

In connection with the Great East Japan Earthquake in March 2011, the Group recorded a loss on disaster consisting of fixed costs for manufacturing incurred during suspensions of operations of its plants and a provision for repair expense for property, plant and equipment.

10. Guarantee Deposits

Guarantee deposits consisted of interest-free deposits, most of which were golf-club membership deposits, and interest-bearing deposits, which were principally deposits from customers at average annual interest rates of 1.00% and 0.73% at March 31, 2010 and 2011, respectively.

Interest-free deposits and interest-bearing deposits at March 31, 2010 and 2011 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2010</u>	<u>2011</u>	<u>2011</u>
Interest-free deposits	¥ 2,988	¥ 2,765	\$ 33,253
Interest-bearing deposits	682	685	8,238
	<u>¥ 3,670</u>	<u>¥ 3,450</u>	<u>\$ 41,491</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

11. Line-of-credit Agreements

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2010 and 2011 was as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Lines of credit	¥ 20,700	¥ 20,200	\$ 242,934
Credit utilized	—	—	—
Available credit	<u>¥ 20,700</u>	<u>¥ 20,200</u>	<u>\$ 242,934</u>

12. Pledged Assets

Assets pledged as collateral for indebtedness at March 31, 2010 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Cash and deposits	¥ 60	¥ 60	\$ 722
Investments in securities	16	16	192
Other assets	—	167	2,008
	<u>¥ 76</u>	<u>¥ 243</u>	<u>\$ 2,922</u>

Indebtedness secured by these assets as collateral was ¥49 million and ¥51 million (\$613 thousand), a component of other current liabilities at March 31, 2010 and 2011, respectively.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

13. Retirement Benefits

The funded and accrued status of the employees' defined benefit pension plans of the Group, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2010 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Retirement benefit obligation	¥ (13,200)	¥ (12,779)	\$ (153,686)
Plan assets at fair value	4,496	3,929	47,252
Unfunded retirement benefit obligation	(8,704)	(8,850)	(106,434)
Unrecognized actuarial loss	2,184	2,134	25,664
Unrecognized prior service cost	–	(16)	(192)
Net retirement benefit obligation	(6,520)	(6,732)	(80,962)
Prepaid pension cost	803	686	8,250
Accrued retirement benefits	¥ (7,323)	¥ (7,418)	\$ (89,212)

As permitted under the accounting standards for retirement benefits, certain domestic consolidated subsidiaries calculate accrued retirement benefits for their employees by simplified methods.

The components of retirement benefit expenses for the years ended March 31, 2010 and 2011 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Service cost	¥ 566	¥ 627	\$ 7,541
Interest cost	255	245	2,946
Expected return on plan assets	(74)	(88)	(1,058)
Amortization of actuarial loss	370	317	3,812
Total	¥ 1,117	¥ 1,101	\$ 13,241

The retirement benefit expenses of certain domestic consolidated subsidiaries which were calculated by simplified methods have been included in service cost in the above table.

The assumptions used in accounting for the above benefit plans for the years ended March 31, 2010 and 2011 were as follows:

	2010	2011
Discount rate	Principally 2.0%	Principally 2.0%
Expected rates of return on plan assets	Principally 1.8%	Principally 2.1%

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

14. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% for the years ended March 31, 2010 and 2011.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2011 as a percentage of income before income taxes and minority interests is as follows:

	2011
Statutory tax rate	40.5 %
Permanently non-deductible expenses	1.0
Per capita portion of inhabitants' taxes	1.8
Difference in tax rates applicable to the overseas consolidated subsidiary	(1.7)
Cash dividends received from the overseas consolidated subsidiary	0.9
Adjustments of accounting standards applied by the overseas consolidated subsidiary	1.1
Foreign tax credit	0.7
Tax loss carryforwards of consolidated subsidiaries	3.9
Valuation allowance	(4.2)
Permanently non-taxable income	(2.7)
Tax credit for research and development costs	(0.6)
Reversal of land revaluation reserve	(0.9)
Equity in loss of an affiliate	(1.2)
Other	(0.3)
Effective tax rate	38.3 %

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2010 has not been provided due to the recording of a loss before income taxes and minority interests.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

14. Income Taxes (continued)

The significant components of the deferred tax assets and liabilities of the Group at March 31, 2010 and 2011 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2010	2011	2011
			<i>U.S. dollars</i>
Deferred tax assets:			
Accrued retirement benefits	¥ 2,423	¥ 2,450	\$ 29,465
Allowance for doubtful receivables	78	98	1,179
Accrued bonuses	325	335	4,029
Valuation loss on inventories	135	170	2,044
Foreign tax credits	402	404	4,859
Tax loss carryforwards	1,580	783	9,417
Loss on impairment of investments in securities and golf-club memberships	984	914	10,992
Loss on impairment of fixed assets	146	167	2,008
Other	953	1,180	14,191
Gross deferred tax assets	7,026	6,501	78,184
Less valuation allowance	(2,783)	(2,768)	(33,289)
Total deferred tax assets	4,243	3,733	44,895
Deferred tax liabilities:			
Dividends from an overseas consolidated subsidiary	(25)	(36)	(433)
Unrealized holding gain on securities	(3,287)	(2,358)	(28,358)
Land revaluation reserve	(1,041)	(1,041)	(12,520)
Reserve for deferred taxation on contributions for acquisition of property	(856)	(823)	(9,898)
Other	(138)	(135)	(1,623)
Total deferred tax liabilities	(5,347)	(4,393)	(52,832)
Net deferred tax liabilities	¥ (1,104)	¥ (660)	\$ (7,937)

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

15. Shareholders' Equity

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve was nil at March 31, 2010 and 2011.

Stock options

Stock option expenses charged to income for the years ended March 31, 2010 and 2011 amounted to ¥25 million and ¥29 million (\$349 thousand), respectively.

In accordance with the former Commercial Code of Japan ("the Code"), a stock option plan for certain directors and executive officers of the Company was approved at the annual general meeting of the shareholders held on June 29, 2004. Under the terms of this plan, up to 81,000 shares of common stock were granted at ¥1 (\$0.01) per share. The options became exercisable on July 13, 2004 and are scheduled to expire on June 29, 2024.

In accordance with the Code, a stock option plan for certain directors and executive officers of the Company was approved at the annual general meeting of the shareholders held on June 29, 2005. Under the terms of this plan, up to 62,000 shares of common stock were granted at ¥1 (\$0.01) per share. The options became exercisable on July 15, 2005 and are scheduled to expire on June 29, 2025.

In accordance with the Code, a stock option plan for certain directors and executive officers of the Company was approved at the annual general meeting of the shareholders held on June 29, 2006. Under the terms of this plan, up to 53,000 shares of common stock were granted at ¥1 (\$0.01) per share. The options became exercisable on August 1, 2006 and are scheduled to expire on June 29, 2026.

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 17, 2007. Under the terms of this plan, up to 43,000 shares of common stock were granted at ¥1 (\$0.01) per share. The options became exercisable on August 2, 2007 and are scheduled to expire on June 29, 2027.

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 15, 2008. Under the terms of this plan, up to 60,000 shares of common stock were granted at ¥1 (\$0.01) per share. The options became exercisable on July 31, 2008 and are scheduled to expire on June 29, 2028.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

15. Shareholders' Equity (continued)

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 15, 2009. Under the terms of this plan, up to 69,000 shares of common stock were granted at ¥1 (\$0.01) per share. The options became exercisable on July 31, 2009 and are scheduled to expire on June 29, 2029.

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 15, 2010. Under the terms of this plan, up to 102,000 shares of common stock were granted at ¥1 (\$0.01) per share. The options became exercisable on July 30, 2010 and are scheduled to expire on June 29, 2030.

Treasury stock

Movements in treasury stock during the years ended March 31, 2010 and 2011 are summarized as follows:

<i>Thousands of Shares</i>				
2010				
	March 31, 2009	Increase	Decrease	March 31, 2010
Treasury stock	18,475	26	22	18,479
<i>Thousands of Shares</i>				
2011				
	March 31, 2010	Increase	Decrease	March 31, 2011
Treasury stock	18,479	5,497	63	23,913

16. Land Revaluation

At March 31, 2000 and 2002, certain consolidated subsidiaries and an affiliate revalued their land held for business use in accordance with the "Law on Land Revaluation." Differences on land revaluation have been accounted for as land revaluation reserve under net assets and are stated at the Company's share of the net amount of the relevant tax effect. The method followed for land revaluation was determined in accordance with the "Enforcement Act Concerning Land Revaluation."

The fair value of the land revalued at March 31, 2000 and 2002 was less than the corresponding carrying value by the following amounts at March 31, 2010 and 2011:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Land revalued at March 31, 2000	¥ (223)	¥ (255)	\$ (3,067)
Land revalued at March 31, 2002	(435)	(454)	(5,460)
	¥ (658)	¥ (709)	\$ (8,527)

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

16. Land Revaluation (continued)

A certain portion of land revalued at March 31, 2000 and 2002 is related to real estate for investment, rental and idle properties at March 31, 2010 in the amounts of ¥7 million and ¥46 million, respectively.

A certain portion of a land revalued at March 31, 2000 and 2002 is related to real estate for investment, rental and idle properties at March 31, 2011 in the amounts of ¥14 million (\$168 thousand) and ¥125 million (\$1,503 thousand), respectively.

17. Research and Development Costs

Research and development costs included in selling, general and administrative expenses totaled ¥488 million and ¥456 million (\$5,484 thousand) for the years ended March 31, 2010 and 2011, respectively.

18. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2010 and 2011, which would have been reflected in the accompanying consolidated balance sheets if finance leases other than those which transfer the ownership of the leased assets to the Group (currently accounted for as operating leases) were capitalized:

	<i>Millions of yen</i>					
	2010			2011		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥ 90	¥ 62	¥ 28	¥ 62	¥ 51	¥ 11

	<i>Thousands of U.S dollars</i>		
	2011		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	\$ 745	\$ 613	\$ 132

The related lease payments and depreciation for the years ended March 31, 2010 and 2011 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2010	2011	2011
Lease payments	¥ 45	¥ 16	\$ 192
Depreciation	45	16	192

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

18. Leases (continued)

Depreciation is calculated by the straight-line method over the respective lease terms assuming a nil residual value.

No loss on impairment has been recorded on leased assets for the years ended March 31, 2010 and 2011.

The related future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2011 under finance leases other than those which transfer the ownership of the leased assets to the Group are summarized as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2012	¥ 8	\$ 96
2013 and thereafter	3	36
	¥ 11	\$ 132

19. Derivatives

The open currency-related derivatives positions designated as hedging instruments at March 31, 2010 and 2011 are as follows:

		<i>Millions of yen</i>					
		2010			2011		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:						
	Selling USD, Accounts receivable	¥ 488	¥ -	¥ -	¥ 518	¥ -	¥ -
	Total	¥ 488	¥ -	¥ -	¥ 518	¥ -	¥ -
		<i>Thousands of U.S. dollars</i>					
		2011					
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value			
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts:						
	Selling USD, Accounts receivable	\$ 6,230	\$ -	\$ -			
	Total	\$ 6,230	\$ -	\$ -			

The fair value of forward foreign exchange contracts that qualify for deferral hedge accounting is included in the carrying value of hedged accounts receivable.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

20. Amounts per Share

Amounts per share at March 31, 2010 and 2011 and for the years then ended were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2010	2011	2011
Net assets	¥ 790.30	¥ 791.65	\$ 9.52
Net (loss) income:			
Basic	(19.89)	10.57	0.13
Diluted	—	10.55	0.13
Cash dividends	10.00	10.00	0.12

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end.

Basic net (loss) income per share is computed based on the net (loss) income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock acquisition rights.

Diluted net income per share for the year ended March 31, 2010 has not been presented since the Group recorded a net loss for the year, although there were potentially dilutive shares outstanding as of March 31, 2010.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

21. Transactions with Related Parties

Transactions and balances with related parties for the years ended March 31, 2010 and 2011 and as of those dates are summarized as follows:

Name of affiliated company	Type of transaction	<i>Transactions</i>		<i>Thousands of U.S. dollars</i>
		<i>Millions of yen</i>		
		2010	2011	2011
	Sales	¥ 25,348	¥ 27,279	\$ 328,070

Sadoshima Corporation	Account name	<i>Balances</i>		<i>Thousands of U.S. dollars</i>
		<i>Millions of yen</i>		
		2010	2011	2011
	Notes and accounts receivable	¥ 9,330	¥ 9,989	\$ 120,132

The Company owns 50.0% of the voting rights of Sadoshima Corporation, a steel product wholesaler for the Company. Certain of its board members serve concurrently as board members of the Company. Selling prices of products are determined based on price negotiations each fiscal year, after considering market prices, overall costs and the Company's proposals regarding desired prices.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

22. Investment, Rental and Idle Properties

The Company and certain consolidated subsidiaries own office buildings, land, and parking lots as rental properties and idle properties mainly in Osaka Prefecture, other domestic areas and Taiwan.

The carrying value in the consolidated balance sheets at March 31, 2010 and 2011 and its corresponding fair value of rental properties and idle properties are as follows:

	<i>Millions of yen</i>			Fair value 2010
	Carrying value		2010	
	2009	Net change		
Rental properties and idle properties	¥ 4,871	¥ 3	¥ 4,874	¥ 9,082
Properties of which a part are used as rental properties	5,089	(87)	5,002	14,472
Total	¥ 9,960	¥ (84)	¥ 9,876	¥ 23,554

	<i>Millions of yen</i>			Fair value 2011
	Carrying value		2011	
	2010	Net change		
Rental properties and idle properties	¥ 4,874	¥ (129)	¥ 4,745	¥ 9,006
Properties of which a part are used as rental properties	5,002	(115)	4,887	11,796
Total	¥ 9,876	¥ (244)	¥ 9,632	¥ 20,802

	<i>Thousands of U.S. dollars</i>			Fair value 2011
	Carrying value		2011	
	2010	Net change		
Rental properties and idle properties	\$ 58,617	\$ (1,551)	\$ 57,066	\$ 108,310
Properties of which a part are used as rental properties	60,156	(1,383)	58,773	141,864
Total	\$ 118,773	\$ (2,934)	\$ 115,839	\$ 250,174

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

22. Investment, Rental and Idle Properties (continued)

The carrying value represents the acquisition cost less accumulated depreciation and cumulative impairment loss.

The components of net change in carrying value for the year ended March 31, 2010 included increases mainly due to acquisitions of land in the amount of ¥91 million and translation adjustments in the amount of ¥43 million and decreases mainly due to impairment loss recognized in the amount of ¥27 million and sales in the amount of ¥14 million and depreciation of buildings in the amount of ¥173 million.

The components of net change in carrying value for the year ended March 31, 2011 included decreases mainly due to impairment loss recognized in the amount of ¥9 million (\$108 thousand), translation adjustments in the amount of ¥35 million (\$421 thousand), disposal of buildings in the amount of ¥29 million (\$349 thousand) and depreciation of buildings in the amount of ¥170 million (\$2,044 thousand).

Fair value of domestic rental properties are principally measured based on the real-estate appraisal assessed by the external real-estate appraiser. However, unless the appraisal or indicators that are regarded to reflect the fair value of the properties appropriately change significantly since the date of acquisition or the date of the latest appraisal, the Company and certain domestic consolidated subsidiaries measure the fair value of the properties based on such appraisal or indicators obtained previously and adjusted as appropriately.

Fair value of rental properties in Taiwan is measured based on the property price announced by the government.

Revenues, costs and expenses relevant to investment, rental and idle properties for the years ended March 31, 2010 and 2011 are as follows:

<i>Millions of yen</i>			
2010			
<u>Rental revenues</u>	<u>Rental costs</u>	<u>Difference</u>	<u>Other gain (loss), net on sales and others</u>
¥ 1,144	¥ 626	¥ 518	¥ (25)
<i>Millions of yen</i>			
2011			
<u>Rental revenues</u>	<u>Rental costs</u>	<u>Difference</u>	<u>Other gain (loss), net on sales and others</u>
¥ 1,048	¥ 617	¥ 431	¥ (39)
<i>Thousands of U.S. dollars</i>			
2011			
<u>Rental revenues</u>	<u>Rental costs</u>	<u>Difference</u>	<u>Other gain (loss), net on sales and others</u>
\$ 12,604	\$ 7,420	\$ 5,184	\$ (469)

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

22. Investment, Rental and Idle Properties (continued)

The rental revenues and rental costs for certain properties of which only a part are used as rental properties are not included in the above table because the Company and certain consolidated subsidiaries use a portion of these properties for the purposes of rendering services and conducting management activities. The rental revenues are recorded under net sales or other income and the rental costs are recorded under cost of sales, selling, general and administrative expenses or other, net, as part of other expenses, in the consolidated statements of operations.

23. Segment Information

(a) Segment information for the year ended March 31, 2011

i) Outline of segment information

The reportable segments of the Group are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors of the Company in order to make decisions about resource allocation and to assess business performance.

The Group's business units are divided by the similarity of the products or services sold by each business unit. Each business unit develops its own strategies and operates its businesses independently.

Therefore, the Group consists four reportable segments based on business units: "Steel Sheet Segment," "Roll Segment," "Grating Segment" and "Real Estate Segment."

The "Steel Sheet Segment" engages in the manufacture and sale of cold rolled steel, polished hoop steel, hot dip galvanizing steel sheets, painted hot dip galvanizing steel sheets, other construction materials, building materials and exterior products and others and in designing and engineering of construction work. The "Roll Segment" engages in the manufacture and sale of rolls for iron, steel and non-ferrous products and others. The "Grating Segment" engages in the manufacture and sales of gratings. The "Real Estate Segment" engages in the sale, purchase and lease of real estate such as buildings and car parking lots.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(a) Segment information for the year ended March 31, 2011 (continued)

ii) Calculation methods used for net sales, income or loss, assets, liabilities and other items of each reportable segment

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 1. In addition, segment income (loss) is adjusted to be consistent with operating income in the consolidated statements of operations.

iii) Information on net sales, income or loss, assets, liabilities and other items of each reportable segment

Under the new segmentation policy applied by the Group, effective the year ended March 31, 2011, reportable segment information for the year ended March 31, 2010 would have been presented as follows:

		<i>Millions of yen</i>								
		Year ended March 31, 2010								
		Reportable Segments							Adjustments and eliminations	Consolidated
		Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other	Total		
Net sales										
Sales to third parties		¥ 120,195	¥ 4,459	¥ 3,702	¥ 1,119	¥ 129,475	¥ 2,944	¥ 132,419	¥ –	¥ 132,419
Inter-segment sales and transfers		0	–	–	493	493	2,515	3,008	(3,008)	–
Total		¥ 120,195	¥ 4,459	¥ 3,702	¥ 1,612	¥ 129,968	¥ 5,459	¥ 135,427	¥ (3,008)	¥ 132,419
Segment income		¥ 1,458	¥ 298	¥ 140	¥ 949	¥ 2,845	¥ 17	¥ 2,862	¥ (861)	¥ 2,001
Segment assets		¥ 98,019	¥ 4,348	¥ 3,573	¥ 8,825	¥ 114,765	¥ 7,392	¥ 122,157	¥ 57,756	¥ 179,913
Other items										
Depreciation and amortization		¥ 4,950	¥ 455	¥ 85	¥ 104	¥ 5,594	¥ 204	¥ 5,798	¥ 101	¥ 5,899
Investment in an affiliate accounted for by the equity method		3,058	–	298	2	3,358	–	3,358	–	3,358
Increase in property, plant and equipment and intangible assets		3,822	272	15	12	4,121	38	4,159	18	4,177

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(a) Segment information for the year ended March 31, 2011 (continued)

Information by reportable segment for the year ended March 31, 2011 is as follows:

		<i>Millions of yen</i>								
		Year ended March 31, 2011								
		Reportable Segments						Adjustments and eliminations		Consolidated
		Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other	Total		
Net sales										
Sales to third parties		¥ 133,463	¥ 4,147	¥ 3,261	¥ 1,023	¥ 141,894	¥ 2,880	¥ 144,774	¥ –	¥ 144,774
Inter-segment sales and transfers		1	–	–	493	494	2,637	3,131	(3,131)	–
Total		¥ 133,464	¥ 4,147	¥ 3,261	¥ 1,516	¥ 142,388	¥ 5,517	¥ 147,905	¥ (3,131)	¥ 144,774
Segment income (loss)		¥ 4,163	¥ 284	¥ (1)	¥ 823	¥ 5,269	¥ 49	¥ 5,318	¥ (1,094)	¥ 4,224
Segment assets		¥ 95,056	¥ 4,401	¥ 3,381	¥ 8,666	¥ 111,504	¥ 6,951	¥ 118,455	¥ 56,714	¥ 175,169
Other items										
Depreciation and amortization		¥ 4,746	¥ 420	¥ 91	¥ 96	¥ 5,353	¥ 178	¥ 5,531	¥ 65	¥ 5,596
Investment in an affiliate accounted for by the equity method		2,920	–	284	2	3,206	–	3,206	–	3,206
Increase in property, plant and equipment and intangible assets		1,875	109	198	17	2,199	99	2,298	26	2,324
		<i>Thousands of U.S. dollars</i>								
		Year ended March 31, 2011								
		Reportable Segments						Adjustments and eliminations		Consolidated
		Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other	Total		
Net sales										
Sales to third parties		\$1,605,087	\$ 49,874	\$ 39,218	\$ 12,303	\$ 1,706,482	\$ 34,636	\$ 1,741,118	\$ –	\$ 1,741,118
Inter-segment sales and transfers		12	–	–	5,929	5,941	31,714	37,655	(37,655)	–
Total		\$1,605,099	\$ 49,874	\$ 39,218	\$ 18,232	\$ 1,712,423	\$ 66,350	\$ 1,778,773	\$ (37,655)	\$ 1,741,118
Segment income (loss)		\$ 50,066	\$ 3,416	\$ (12)	\$ 9,898	\$ 63,368	\$ 589	\$ 63,957	\$ (13,157)	\$ 50,800
Segment assets		\$1,143,187	\$ 52,929	\$ 40,661	\$ 104,221	\$ 1,340,998	\$ 83,596	\$ 1,424,594	\$ 682,069	\$ 2,106,663
Other items										
Depreciation and amortization		\$ 57,078	\$ 5,051	\$ 1,094	\$ 1,155	\$ 64,378	\$ 2,140	\$ 66,518	\$ 782	\$ 67,300
Investment in an affiliate accounted for by the equity method		35,117	–	3,416	24	38,557	–	38,557	–	38,557
Increase in property, plant and equipment and intangible assets		22,550	1,311	2,381	204	26,446	1,191	27,637	312	27,949

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(a) Segment information for the year ended March 31, 2011 (continued)

Net sales categorized by country and region based on locations of customers within the Group for the year ended March 31, 2011 are summarized as follows:

<i>Millions of yen</i>			
2011			
Japan	Taiwan	Other	Total
¥ 88,338	¥ 21,582	¥ 34,854	¥ 144,774

<i>Thousands of U.S. dollars</i>			
2011			
Japan	Taiwan	Other	Total
\$ 1,062,393	\$ 259,555	\$419,170	\$ 1,741,118

Property, plant and equipment, net categorized by geographical area at March 31, 2011 are summarized as follows:

<i>Millions of yen</i>		
2011		
Japan	Taiwan	Total
¥ 35,994	¥ 11,573	¥ 47,567

<i>Thousands of U.S. dollars</i>		
2011		
Japan	Taiwan	Total
\$ 432,880	\$ 139,183	\$ 572,063

Major customers for the year ended March 31, 2011 are as follows:

Customer name	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	Related Segments
	Net Sales	Net Sales	
Sadoshima Corporation	¥ 27,279	\$ 328,070	“Steel Sheet Segment,” “Grating Segment,” “Real Estate Segment” and “Other”

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(a) Segment information for the year ended March 31, 2011 (continued)

Loss on impairment of fixed assets by reportable segment for the year ended March 31, 2011 is summarized as follows:

<i>Millions of yen</i>							
Year ended March 31, 2011							
	Reportable Segments				Other	Adjustments and eliminations	Total
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment			
Loss on impairment of fixed assets	¥ 9	¥ –	¥ –	¥ –	¥ 0	¥ 42	¥ 51

<i>Thousands of U.S. dollars</i>							
Year ended March 31, 2011							
	Reportable Segments				Other	Adjustments and eliminations	Total
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment			
Loss on impairment of fixed assets	\$ 108	\$ –	\$ –	\$ –	\$ 0	\$ 505	\$ 613

The amortization and balance of negative goodwill by reportable segment as of and for the year ended March 31, 2011:

<i>Millions of yen</i>							
Year ended March 31, 2011							
	Reportable Segments				Other	Adjustments and eliminations	Total
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment			
Amortization	¥ 13	¥ 0	¥ 0	¥ –	¥ 21	¥ 4	¥ 38
Balance at the year end	39	0	1	–	24	10	74

<i>Thousands of U.S. dollars</i>							
Year ended March 31, 2011							
	Reportable Segments				Other	Adjustments and eliminations	Total
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment			
Amortization	\$ 156	\$ 0	\$ 0	\$ –	\$ 253	\$ 48	\$ 457
Balance at the year end	469	0	12	–	289	120	890

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(a) Segment information for the year ended March 31, 2011 (continued)

Negative goodwill credited to income by reportable segment for the year ended March 31, 2011 is summarized as follows:

		<i>Millions of yen</i>					
		Year ended March 31, 2011					
		Reportable Segments					
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Negative goodwill credited to income	¥ 5	¥ 0	¥ 0	¥ –	¥ 1	¥ 2	¥ 8

		<i>Thousands of U.S. dollars</i>					
		Year ended March 31, 2011					
		Reportable Segments					
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Negative goodwill credited to income	\$ 60	\$ 0	\$ 0	\$ –	\$ 12	\$ 24	\$ 96

Negative goodwill was credited to income for the year ended March 31, 2011 due to purchases of a subsidiary's shares.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(b) Segment information for the year ended March 31, 2010

Under the former segmentation policy applied by the Group up to the year ended March 31, 2010, segment information for the year ended March 31, 2010 was as follows:

The Group primarily engaged in the manufacture and sale of a variety of steel products such as steel sheets, construction materials, prefabricated structures, home furnishings, and steel rolls and gratings. The Company also engaged in other activities such as real estate rental and engineering projects.

The business and geographical segments of the Group for the year ended March 31, 2010 were outlined as follows:

Business segments

The business segment information for the Group for the year ended March 31, 2010 was as follows:

	<i>Millions of yen</i>					
	Year ended March 31, 2010					
	Steel sheet products	Electric furnace products	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income:						
Sales to third parties	¥ 119,314	¥ 8,126	¥ 4,979	¥ 132,419	¥ –	¥ 132,419
Intersegment sales and transfers	0	–	2,986	2,986	(2,986)	–
Net sales	119,314	8,126	7,965	135,405	(2,986)	132,419
Operating expenses	118,190	7,693	6,946	132,829	(2,411)	130,418
Operating income	<u>¥ 1,124</u>	<u>¥ 433</u>	<u>¥ 1,019</u>	<u>¥ 2,576</u>	<u>¥ (575)</u>	<u>¥ 2,001</u>
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥ 97,078	¥ 7,897	¥ 17,158	¥ 122,133	¥ 57,780	¥ 179,913
Depreciation and amortization	4,938	540	320	5,798	101	5,899
Loss on impairment of fixed assets	17	–	10	27	0	27
Capital expenditures	5,075	340	52	5,467	18	5,485

As described in Note 2 (a) effective the year ended March 31, 2010, the Group applied “Accounting Standard for Construction Contracts” (ASBJ Statement No.15 issued on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18 issued on December 27, 2007). As a result, sales to third parties and operating income in the steel sheet products segment for the year ended March 31, 2010 increased by ¥99 million and ¥15 million respectively, from the corresponding amounts which would have been recorded under the method applied in the previous year.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(b) Segment information for the year ended March 31, 2010

Geographical segments

	<i>Millions of yen</i>				
	Year ended March 31, 2010				
	Japan	Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income:					
Sales to third parties	¥ 93,147	¥ 39,272	¥ 132,419	¥ –	¥ 132,419
Intersegment sales and transfers	13	–	13	(13)	–
Net sales	93,160	39,272	132,432	(13)	132,419
Operating expenses	90,716	39,140	129,856	562	130,418
Operating income	¥ 2,444	¥ 132	¥ 2,576	¥ (575)	¥ 2,001
II. Total assets	¥ 107,375	¥ 25,331	¥ 132,706	¥ 47,207	¥ 179,913

The principal country in the Asia segment was Taiwan.

As described in Note 2 (a) effective the year ended March 31, 2010, the Group applied “Accounting Standard for Construction Contracts” (ASBJ Statement No.15 issued on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18 issued on December 27, 2007). As a result, sales to third parties and operating income in the Japan segment for the year ended March 31, 2010 increased by ¥99 million and ¥15 million, respectively, from the corresponding amounts which would have been recorded under the method applied in the previous year.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

(b) Segment information for the year ended March 31, 2010 (continued)

Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiary, for the year ended March 31, 2010 were summarized as follows:

	<i>Millions of yen</i>		
	Year ended March 31, 2010		
	Asia	Other	Total
Overseas sales	¥ 32,886	¥ 15,752	¥ 48,638
Consolidated net sales			132,419
Overseas sales as a percentage of consolidated net sales	24.8%	11.9%	36.7%

24. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was approved at a meeting of the Board of Directors held on May 13, 2011:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	¥	\$
Cash dividends of ¥5 (\$0.06) per share	¥ 807	\$ 9,705