

Financial Statements

Years ended March 31, 2003 and 2004

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Yodogawa Steel Works, Ltd.

Consolidated Financial Statements

Yodogawa Steel Works, Ltd.

*Years ended March 31, 2003 and 2004
with Report of Independent Auditors*

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. as of March 31, 2003 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, 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, 2003 and 2004, 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.

As described in Note 1(f), Yodogawa Steel Works, Ltd. changed its method of accounting for the valuation of finished goods, work-in-process and raw materials with respect to steel sheets, building materials and raw materials for rolls, from the last-in, first-out method, to the average method effective the year ended March 31, 2003 in the preparation of its consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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 2.

June 29, 2004

Shin Nihon & Co,

Yodogawa Steel Works, Ltd.

Consolidated Balance Sheets

March 31, 2003 and 2004

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2003	2004	2004
Assets			
Current assets:			
Cash and cash equivalents	¥ 17,487	¥ 19,887	\$ 188,163
Short-term investments	247	177	1,675
Marketable securities (Note 3)	3,260	2,158	20,418
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	2,215	2,529	23,928
Trade	31,564	33,045	312,660
Less allowance for doubtful receivables	(213)	(219)	(2,072)
Inventories	22,582	21,580	204,182
Deferred income taxes (Note 6)	2,012	673	6,369
Other current assets	3,518	4,537	42,927
Total current assets	<u>82,672</u>	<u>84,367</u>	<u>798,250</u>
Property, plant and equipment (Note 4):			
Land (Note 8)	24,169	23,820	225,376
Buildings and structures	53,258	52,284	494,692
Machinery, equipment and vehicles	125,612	123,615	1,169,600
Construction in progress	3,032	831	7,862
Less accumulated depreciation	(132,366)	(131,310)	(1,242,407)
Property, plant and equipment, net	<u>73,705</u>	<u>69,240</u>	<u>655,123</u>
Investments and other assets:			
Investments in securities (Notes 3 and 4)	16,213	25,451	240,808
Investments in and advances to unconsolidated subsidiaries and affiliates	3,136	3,435	32,501
Deferred income taxes (Note 6)	1,431	341	3,226
Other assets	2,665	2,069	19,576
Total investments and other assets	<u>23,445</u>	<u>31,296</u>	<u>296,111</u>
Total assets	<u>¥ 179,822</u>	<u>¥ 184,903</u>	<u>\$ 1,749,484</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2003	2004	2004
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Short-term bank loans (<i>Note 4</i>)	¥ 7,989	¥ 5,828	\$ 55,142
Current portion of long-term debt (<i>Note 4</i>)	1,100	–	–
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	557	626	5,923
Trade	14,739	14,049	132,926
Construction	1,297	1,475	13,956
Accrued expenses	2,939	4,089	38,689
Accrued income taxes (<i>Note 6</i>)	755	1,941	18,365
Other current liabilities (<i>Note 4</i>)	2,484	1,574	14,893
Total current liabilities	<u>31,860</u>	<u>29,582</u>	<u>279,894</u>
Long-term liabilities:			
Accrued retirement benefits (<i>Note 5</i>)	7,528	7,565	71,577
Guarantee deposits (<i>Note 4</i>)	4,283	4,175	39,502
Deferred income taxes (<i>Note 6</i>)	–	2,358	22,311
Deferred income taxes on land revaluation reserve (<i>Notes 6 and 8</i>)	721	677	6,406
Other long-term liabilities	677	606	5,733
Total long-term liabilities	<u>13,209</u>	<u>15,381</u>	<u>145,529</u>
Minority interests	11,889	11,941	112,981
Contingent liabilities (<i>Note 11</i>)			
Shareholders' equity (<i>Note 7</i>):			
Common stock:			
Authorized: 753,814,067 shares in 2003 and 2004			
Issued: 184,186,153 shares in 2003 and 2004	23,221	23,221	219,709
Capital surplus	23,611	23,611	223,399
Land revaluation reserve (<i>Note 8</i>)	929	874	8,269
Retained earnings (<i>Note 15</i>)	77,258	80,175	758,586
Unrealized holding gain on securities (<i>Note 3</i>)	1,230	7,136	67,518
Translation adjustments	(2,087)	(3,081)	(29,151)
Treasury stock, at cost – 6,916,693 shares in 2003 and 11,656,456 shares in 2004	(1,298)	(3,937)	(37,250)
Total shareholders' equity	<u>122,864</u>	<u>127,999</u>	<u>1,211,080</u>
Total liabilities, minority interests and shareholders' equity	<u>¥179,822</u>	<u>¥184,903</u>	<u>\$1,749,484</u>

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Income

Years ended March 31, 2003 and 2004

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	2004	(<i>Note 2</i>) 2004
Net sales	¥147,124	¥ 145,815	\$ 1,379,648
Cost of sales	123,248	119,777	1,133,286
Gross profit	23,876	26,038	246,362
Selling, general and administrative expenses (<i>Note 9</i>)	16,752	15,712	148,661
Operating income	7,124	10,326	97,701
Other income (expenses):			
Interest and dividend income	529	543	5,138
Interest expense	(325)	(171)	(1,618)
Gain on sales of investments in securities	1,765	227	2,148
Impairment loss on investments in securities (<i>Note 3</i>)	(1,594)	(38)	(360)
Gain (loss) on sales or disposal of property, plant and equipment, net	45	(608)	(5,753)
Loss on disposal of inventories	–	(383)	(3,624)
Equity in loss of an affiliate	(165)	(321)	(3,037)
Restructuring charges	(1,369)	–	–
Cumulative effect of changes in method of inventory valuation	(2,038)	–	–
Other, net (<i>Note 5</i>)	(16)	(119)	(1,126)
Income before income taxes and minority interests	3,956	9,456	89,469
Income taxes (<i>Note 6</i>):			
Current	743	2,521	23,853
Deferred	186	740	7,001
	929	3,261	30,854
Income before minority interests	3,027	6,195	58,615
Minority interests in earnings of consolidated subsidiaries	(1,802)	(2,269)	(21,469)
Net income	¥ 1,225	¥ 3,926	\$ 37,146

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2003 and 2004

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2003	2004	2004
Common stock			
Balance at beginning and end of the year	¥23,221	¥23,221	\$ 219,709
Capital surplus			
Balance at beginning of the year	¥23,613	¥23,611	\$ 223,399
Add:			
Gain on disposal of treasury stock	–	1	9
Deduct:			
Transfer to retained earnings	(2)	–	–
Decrease resulting from change in ownership ratio of a consolidated subsidiary	–	(1)	(9)
Balance at end of the year	¥23,611	¥23,611	\$ 223,399
Land revaluation reserve (Note 8)			
Balance at beginning of the year	¥ 1,139	¥ 929	\$ 8,790
Net change during the year	(210)	(55)	(521)
Balance at end of the year	¥ 929	¥ 874	\$ 8,269
Retained earnings			
Balance at beginning of the year	¥76,884	¥77,258	\$ 730,987
Add:			
Net income	1,225	3,926	37,146
Reversal of land revaluation reserve	37	43	407
Transfer from capital surplus	2	–	–
Increase resulting from change in ownership ratio of an affiliate	203	–	–
Deduct:			
Cash dividends paid	(1,070)	(972)	(9,197)
Bonuses to directors and statutory auditors	(14)	(18)	(171)
Bonuses to employees of an overseas subsidiary	(9)	(22)	(208)
Decrease resulting from change in ownership ratio of a consolidated subsidiary	–	(40)	(378)
Balance at end of the year	¥77,258	¥80,175	\$ 758,586
Unrealized holding gain on securities (Note 3)			
Balance at beginning of the year	¥ 3,721	¥ 1,230	\$ 11,638
Net change during the year	(2,491)	5,906	55,880
Balance at end of the year	¥ 1,230	¥ 7,136	\$ 67,518
Translation adjustments			
Balance at beginning of the year	¥ (845)	¥ (2,087)	\$ (19,746)
Net change during the year	(1,242)	(994)	(9,405)
Balance at end of the year	¥(2,087)	¥ (3,081)	\$ (29,151)

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Cash Flows

Years ended March 31, 2003 and 2004

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	2004	(Note 2) 2004
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,956	¥ 9,456	\$ 89,469
Adjustments for:			
Depreciation and amortization	6,775	6,118	57,886
Amortization of goodwill arising from consolidation	(30)	—	—
Equity in loss of an affiliate	165	321	3,037
Impairment loss on investments in securities	1,594	38	360
(Decrease) increase in accrued retirement benefits	(952)	140	1,325
(Decrease) increase in accrued bonuses	(29)	72	681
Decrease in allowance for doubtful receivables	(196)	(190)	(1,798)
Interest and dividend income	(529)	(543)	(5,138)
Interest expense	325	171	1,618
Gain on sales of investments in securities	(1,765)	(227)	(2,148)
(Gain) loss on sales or disposal of property, plant and equipment, net	(45)	608	5,753
Restructuring charges	1,369	—	—
Decrease (increase) in notes and accounts receivable	1,239	(2,025)	(19,160)
Decrease in inventories	6,311	670	6,339
Decrease in notes and accounts payable	(675)	(520)	(4,920)
Bonus payments to directors, statutory auditors and employees of an overseas subsidiary	(23)	(39)	(369)
Other	(767)	294	2,782
Subtotal	16,723	14,344	135,717
Interest and dividends received	529	571	5,403
Interest paid	(319)	(170)	(1,608)
Additional retirement benefits paid	(1,253)	—	—
Income taxes paid	(347)	(1,272)	(12,035)
Net cash provided by operating activities	¥15,333	¥13,473	\$ 127,477

Yodogawa Steel Works, Ltd.

Consolidated Statements of Cash Flows (continued)

Years ended March 31, 2003 and 2004

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2003	2004	2004
Cash flows from investing activities:			
Increase in time deposits with a maturity of more than three months	¥ (1,525)	¥ (365)	\$ (3,453)
Proceeds from time deposits with a maturity of more than three months	2,725	435	4,116
Purchases of marketable securities	(10,497)	(1,500)	(14,192)
Proceeds from sales of marketable securities	12,397	1,500	14,192
Purchases of property, plant and equipment	(4,957)	(3,656)	(34,592)
Proceeds from sales of property, plant and equipment	441	120	1,135
Purchases of other assets	(23)	(25)	(237)
Purchases of investments in securities	(6,743)	(3,066)	(29,009)
Proceeds from sales of investments in securities	4,504	4,279	40,486
Increase in loans receivable	(1,414)	(1,535)	(14,524)
Collection of loans receivable	709	1,043	9,868
Other	19	8	77
Net cash used in investing activities	(4,364)	(2,762)	(26,133)
Cash flows from financing activities:			
Decrease in short-term bank loans	(4,592)	(2,118)	(20,040)
Repayment of long-term loans	(228)	(1,100)	(10,408)
Redemption of bonds	(5,000)	–	–
Purchases of treasury stock	(51)	(2,689)	(25,442)
Cash dividends paid to the Company's shareholders	(1,070)	(977)	(9,244)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(557)	(1,226)	(11,600)
Other	(35)	2	19
Net cash used in financing activities	(11,533)	(8,108)	(76,715)
Effect of exchange rate changes on cash and cash equivalents	(157)	(203)	(1,921)
Net (decrease) increase in cash and cash equivalents	(721)	2,400	22,708
Cash and cash equivalents at beginning of the year	18,208	17,487	165,455
Cash and cash equivalents at end of the year	¥ 17,487	¥ 19,887	\$ 188,163

See notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements

March 31, 2004

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying consolidated financial statements of Yodogawa Steel Works, Ltd. (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 are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of 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.

Investment in an 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 includes the Company's equity in the current net income or loss of this company after the elimination of unrealized intercompany profits.

All assets and liabilities of the consolidated subsidiaries are revalued on acquisition, if applicable. The difference, not significant in amount, between the cost of investments in subsidiaries and the equity in their net assets at their respective dates of acquisition is charged to income as incurred or amortized over a period of five years on a straight-line basis.

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.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(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 loss and gain are charged or credited to income.

The balance sheet accounts of the foreign consolidated subsidiary (except for shareholders' equity) are translated into yen at the rates of exchange in effect at the balance sheet date. Components of shareholders' equity 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 shareholders' equity and minority interests in consolidated subsidiaries in the accompanying consolidated financial statements.

(d) 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 to cash subject to an insignificant risk of changes in their value and which were purchased with an original maturity of three months or less.

(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 and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are carried at their 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 shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(f) Inventories

Inventories are stated at cost determined principally by the average method.

Up to the year ended March 31, 2002, inventories at the Company were stated at cost determined principally by the last-in, first-out method.

Effective April 1, 2002, the Company changed its method of accounting for the valuation of finished goods, work-in-process and raw materials with respect to steel sheets, building materials and raw materials for rolls, from the last-in, first-out method, to the average method. This change was made to mitigate the impact of any material fluctuation in the purchase prices of raw materials and to minimize the differences between the carrying and market value of these inventories. The effect of this change was to decrease inventories at March 31, 2003 by ¥901 million, to increase operating income for the year then ended by ¥1,137 million and to decrease income before income taxes and minority interests for the year then ended by ¥901 million as a result of recognizing the cumulative effect of the change in inventory valuation of ¥2,038 million for the year then ended.

Inventories at the Company's overseas consolidated subsidiary are stated at the lower of cost or market, cost being determined by the moving average method.

(g) Property, Plant and Equipment and Depreciation

Depreciation of property, plant and equipment is calculated by the declining-balance method over the useful lives of the respective assets, except that the straight-line method is applied to buildings (except for structures attached to the buildings) acquired on and 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)

(h) Intangible Assets

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

(i) 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.

(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 five years.

(k) Leases

The Company and its consolidated subsidiaries lease certain equipment under noncancelable leases referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the lessee are accounted for as operating leases.

(l) 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)

(m) 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 the basic salary, length of service and conditions under which the termination occurs. The employees' pension plans, which are funded non-contributory plans, partially cover the benefits under the employees' retirement benefit plans to employees who retire after fifteen or more years of service.

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 and loss are amortized in the year following the year in which the gain or loss is recognized principally by the straight-line method over 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 15 years, which is within the estimated average remaining years of service of the eligible employees.

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

(n) Hedge Accounting

Gain or loss on derivatives designed as hedging instruments is deferred until the gain or loss on the underlying hedged item is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

(o) Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the stockholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such appropriations.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Securities (continued)

	2004		
	<i>Thousands of U.S. dollars</i>		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	\$ 814	\$ 823	\$ 9
Other	95	104	9
	909	927	18
Securities whose fair value does not exceed their carrying value:			
Government bonds	9,462	9,462	(0)
Corporate bonds	9,972	9,868	(104)
Other	6,944	6,897	(47)
	26,378	26,227	(151)
Total	<u>\$27,287</u>	<u>\$27,154</u>	<u>\$ (133)</u>

Other securities with determinable market value at March 31, 2003 and 2004 are summarized as follows:

	2003		
	<i>Millions of yen</i>		
	Acquisition costs	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 6,116	¥ 8,921	¥ 2,805
Corporate bonds	301	301	0
	6,417	9,222	2,805
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	3,418	2,902	(516)
Corporate bonds	901	900	(1)
Other bonds	322	322	(0)
Other	499	330	(169)
	5,140	4,454	(686)
Total	<u>¥11,557</u>	<u>¥ 13,676</u>	<u>¥ 2,119</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Securities (continued)

	2004		
	<i>Millions of yen</i>		
	Acquisition costs	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 8,858	¥20,903	¥12,045
Other	98	98	0
	<u>8,956</u>	<u>21,001</u>	<u>12,045</u>
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	376	359	(17)
Government bonds	70	70	(0)
	<u>446</u>	<u>429</u>	<u>(17)</u>
Total	<u>¥ 9,402</u>	<u>¥21,430</u>	<u>¥12,028</u>

	2004		
	<i>Thousands of U.S. dollars</i>		
	Acquisition costs	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$83,811	\$197,776	\$ 113,965
Other	927	927	0
	<u>84,738</u>	<u>198,703</u>	<u>113,965</u>
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	3,558	3,398	(160)
Government bonds	662	662	(0)
	<u>4,220</u>	<u>4,060</u>	<u>(160)</u>
Total	<u>\$88,958</u>	<u>\$202,763</u>	<u>\$113,805</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Securities (continued)

Sales of securities classified as other securities for the years ended March 31, 2003 and 2004 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2003	2004	<i>U.S. dollars</i>
Sales	¥ 3,137	¥ 1,728	\$16,350
Aggregate gain	1,765	446	4,220
Aggregate loss	1	243	2,299

The carrying value of securities without determinable market value at March 31, 2003 and 2004 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2003	2004	<i>U.S. dollars</i>
Held-to-maturity debt securities:			
Interest-bearing financial bonds	¥ –	¥ 40	\$ 378
Other securities:			
Non-marketable equity securities	829	654	6,188
Money management funds	894	2,347	22,206
Free financial funds	1,000	1,000	9,462
Preferred stock	1,100	1,100	10,408
Preferred subscription certificates	1,500	1,500	14,192

The Company and its consolidated subsidiaries recorded an impairment loss on securities of ¥1,594 million and ¥38 million (\$360 thousand) for the years ended March 31, 2003 and 2004, respectively. At the year end, the Company and its consolidated subsidiaries compare the market value and carrying value of their marketable equity securities and record an impairment loss on those whose market value shows a substantial decline of 50% or more, or those whose decline is within a range of 30% or more, but less than 50%, and is not deemed recoverable.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

3. Securities (continued)

The redemption schedule for other securities with maturities and held-to-maturity debt securities as of March 31, 2004 is summarized as follows:

	<i>Millions of yen</i>			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	¥ 1,006	¥ 60	¥ 60	¥ –
Corporate bonds	620	–	–	500
Other debt securities	520	210	–	–
Other	–	1,500	1,000	–
Total	¥ 2,146	¥ 1,770	¥ 1,060	¥ 500

	<i>Thousands of U.S. dollars</i>			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Government bonds	\$ 9,518	\$ 568	\$ 568	\$ –
Corporate bonds	5,866	–	–	4,731
Other debt securities	4,920	1,987	–	–
Other	–	14,192	9,462	–
Total	\$ 20,304	\$ 16,747	\$ 10,030	\$ 4,731

4. Short-Term Bank Loans, Long-Term Debt and Guarantee Deposits

Short-term bank loans represent overdrafts at average annual interest rates of approximately 0.798% and approximately 0.567% at March 31, 2003 and 2004, respectively.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

4. Short-Term Bank Loans, Long-Term Debt and Guarantee Deposits (continued)

Long-term debt at March 31, 2003 and 2004 was as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<u>2003</u>	<u>2004</u>	<u>U.S. dollars</u>
			2004
Unsecured loans from banks and an insurance company, due 2004 at an average interest rate of 2.1%	¥ 1,100	¥ –	\$ –
	1,100	–	–
Less current portion	(1,100)	–	–
	<u>¥ –</u>	<u>¥ –</u>	<u>\$ –</u>

At March 31, 2004, investments in securities of ¥50 million (\$473 thousand) were pledged as collateral for employees' internal deposits of ¥47 million (\$445 thousand), a component of other current liabilities.

Guarantee deposits consisted of interest-free deposits, most of which were golf membership deposits, and interest-bearing deposits, which were principally deposits from customers at average annual interest rates of 0.61% and 0.53% at March 31, 2003 and 2004, respectively. Interest-free deposits and interest-bearing deposits at March 31, 2003, and 2004 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<u>2003</u>	<u>2004</u>	<u>U.S. dollars</u>
			2004
Interest-free deposits	¥ 3,895	¥ 3,683	\$ 34,847
Interest-bearing deposits	388	492	4,655
	<u>¥ 4,283</u>	<u>¥ 4,175</u>	<u>\$ 39,502</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

4. Short-Term Bank Loans, Long-Term Debt and Guarantee Deposits (continued)

The aggregate annual maturities of guarantee deposits subsequent to March 31, 2004 are summarized as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2005	¥ 3	\$ 28
2006	2	19
2007	—	—
2008	—	—
2009	—	—
2010 and thereafter	4,170	39,455
	<u>¥ 4,175</u>	<u>\$ 39,502</u>

All interest-bearing deposits are scheduled to mature during the years ending March 31, 2010 and thereafter.

5. Retirement Benefits

The funded and accrued status of the employees' defined benefit plans of the Company and its consolidated subsidiaries, and the amounts recognized in the consolidated balance sheets at March 31, 2003 and 2004 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	2004	2004
Retirement benefit obligation	¥(13,631)	¥(13,892)	\$(131,441)
Plan assets at fair value	4,038	4,170	39,455
Unfunded retirement benefit obligation	(9,593)	(9,722)	(91,986)
Unrecognized actuarial loss	3,221	2,975	28,148
Unrecognized prior service cost	36	26	246
Net retirement benefit obligation	(6,336)	(6,721)	(63,592)
Prepaid pension cost	557	425	4,021
Accrued retirement benefits	<u>¥ (6,893)</u>	<u>¥ (7,146)</u>	<u>\$ (67,613)</u>

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

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

5. Retirement Benefits (continued)

The components of retirement benefit expenses for the years ended March 31, 2003 and 2004 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	2003	2004	<i>U.S. dollars</i>
Service cost	¥ 803	¥ 608	\$ 5,753
Interest cost	376	330	3,122
Expected return on plan assets	(43)	(12)	(113)
Amortization of actuarial loss	230	302	2,857
Amortization of prior service cost	8	7	66
	<u>¥ 1,374</u>	<u>¥ 1,235</u>	<u>\$ 11,685</u>

Further to the retirement benefit expenses presented in the above table, the Company paid additional retirement benefits of ¥1,258 million which are included in “Other income (expenses) – other, net” in the consolidated statement of income for the year ended March 31, 2003.

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, 2003 and 2004 were as follows:

	2003	2004
Discount rate	Principally 2.5%	Principally 2.5%
Expected rates of return on plan assets	Principally 0.9%	Principally 0.0%

The Company and its domestic consolidated subsidiaries recorded accrued retirement benefits to directors and statutory auditors of ¥635 million and ¥419 million (\$3,964 thousand) at March 31, 2003 and 2004, respectively.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

6. 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 42.0% for the years ended March 31, 2003 and 2004.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2003 and 2004 as a percentage of income before income taxes and minority interests is as follows:

	2003	2004
Statutory tax rate	42.0%	42.0%
Investment tax credits	(2.0)	(4.5)
Nondeductible expenses	1.1	0.5
Per capita portion of inhabitants' taxes	1.7	0.6
Difference in tax rate applicable to the overseas subsidiary	(20.2)	(9.9)
Cash dividends received from the overseas subsidiary	2.5	2.2
Equity in loss of an affiliate	1.7	1.6
Other	(3.3)	2.0
Effective tax rates	23.5%	34.5%

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

6. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2003 and 2004 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	2004	2004
Deferred tax assets:			
Accrued retirement benefits	¥ 2,197	¥ 2,515	\$ 23,796
Allowance for doubtful receivables	258	233	2,204
Accrued bonuses	334	442	4,182
Inventories	124	141	1,334
Foreign tax credit	410	607	5,743
Depreciation	68	23	218
Tax loss carryforwards	1,406	335	3,170
Other	1,429	1,392	13,170
Gross deferred tax assets	<u>6,226</u>	<u>5,688</u>	<u>53,817</u>
Less valuation allowance	<u>(545)</u>	<u>(893)</u>	<u>(8,449)</u>
Total deferred tax assets	<u>5,681</u>	<u>4,795</u>	<u>45,368</u>
Deferred tax liabilities:			
Dividends from an overseas subsidiary	(44)	(113)	(1,069)
Unrealized holding gain on securities	(941)	(4,871)	(46,087)
Land revaluation reserve	(721)	(677)	(6,406)
Reserve for deferred taxation on contributions for acquisition of property	<u>(1,253)</u>	<u>(1,155)</u>	<u>(10,928)</u>
Total deferred tax liabilities	<u>(2,959)</u>	<u>(6,816)</u>	<u>(64,490)</u>
Net deferred tax assets (liabilities)	<u>¥ 2,722</u>	<u>¥(2,021)</u>	<u>\$ (19,122)</u>

In accordance with a law on amendments to local tax laws, etc. announced on March 31, 2003, the Company and its domestic consolidated subsidiaries applied a statutory tax rate of 40.5% to the calculation of deferred tax assets and liabilities at March 31, 2003, which are expected to be reversed on April 1, 2004 and thereafter. The effect of this change in the statutory tax rate applied was to decrease non-current deferred tax assets (net of non-current deferred tax liabilities) and deferred tax liabilities with respect to the land revaluation reserve of ¥27 million and ¥26 million, respectively, and to increase the land revaluation reserve and unrealized holding gain on securities by ¥31 million and ¥32 million, respectively at March 31, 2003. The effect of this change was also to increase income taxes – deferred and to decrease net income by ¥59 million each for the year ended March 31, 2003.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

7. Shareholders' Equity

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash dividends paid and bonuses to directors and statutory auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of stated capital. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. Additional paid-in capital and the legal reserve are included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets and statements of shareholders' equity. The Company's legal reserve amounted to ¥3,478 million and nil at March 31, 2003 and 2004, respectively.

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted a new accounting standard for treasury stock and reversal of legal reserves. The effect of the adoption of this standard on the consolidated results of their operations for the year ended March 31, 2003 was immaterial.

8. Revaluation of Land

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 shareholders' equity 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, 2003 and 2004.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2003</u>	<u>2004</u>	<u>2004</u>
Land revalued at March 31, 2000	¥ (134)	¥ (115)	\$ (1,088)
Land revalued at March 31, 2002	(931)	(1,081)	(10,228)
	<u>¥(1,065)</u>	<u>¥(1,196)</u>	<u>\$(11,316)</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

9. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2003 and 2004 were as follows:

<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
2003	2004	2004
¥654	¥613	\$5,800

10. Leases

The following pro forma amounts present the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2003 and 2004, which would have been reflected in the balance sheets if finance leases other than those which transfer the ownership of the leased property of the Company and its consolidated subsidiaries (which are currently accounted for as operating leases) were capitalized:

	<i>Millions of yen</i>					
	2003			2004		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥580	¥432	¥148	¥ 619	¥ 468	¥ 151

	<i>Thousands of U.S dollars</i>		
	2004		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	\$5,857	\$4,428	\$1,429

The related lease payments and depreciation for the years ended March 31, 2003 and 2004 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	2004	2004
Lease payments	¥112	¥91	\$861
Depreciation	112	91	861

Depreciation is calculated by the straight-line method over the respective lease terms.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

10. Leases (continued)

The related future minimum payments (including the interest portion thereon) subsequent to March 31, 2004 under finance leases other than those which transfer the ownership of the leased property to the Company and its consolidated subsidiaries are summarized as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2005	¥ 62	\$ 587
2006 and thereafter	89	842
	¥151	\$1,429

11. Contingent Liabilities

At March 31, 2004, the Company and its consolidated subsidiaries had the following contingent liabilities:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Guarantees of housing loans of employees and indebtedness of unconsolidated subsidiaries and other	¥2,742	\$25,944

12. Derivatives

The Company and its consolidated subsidiaries have entered into various transactions involving derivatives in order to manage risk arising from adverse fluctuation in foreign currency exchange rates and interest rates. Derivatives positions involve the risk that the counterparties may default on their obligations. Forward foreign exchange contracts and interest-rate swaps entail the risk of fluctuation in foreign currency exchange rates and interest rates, respectively. The Company and its consolidated subsidiaries select only financial institutions with high credit ratings as counterparties in order to minimize their risk.

The Company and its consolidated subsidiaries have not entered into derivatives transactions whose fluctuation in fair value is material and which could thus impact significantly on their operations. The Company and its consolidated subsidiaries have established policies to report and approve the purpose, nature, counterparties, inherent risk, limit on loss and the level of risk of each transaction. Under their policies for derivatives, trading is not entered into for speculative purposes.

At March 31, 2003 and 2004, all derivatives positions qualified for the application of deferral hedge accounting and, thus, have not been separately disclosed.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

13. Amounts per Share

Amounts per share at March 31, 2003 and 2004 and for the years then ended were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2003	2004	2004
Net assets	¥683.16	¥741.41	\$7.01
Net income	6.59	21.66	0.20
Cash dividends applicable to the year	5.00	8.00	0.08

Diluted net income has not been presented for the years ended March 31, 2003 and 2004 since the Company had not issued any potentially dilutive stocks at March 31, 2003 or 2004.

The amount per share of net assets is computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end. Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

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)

14. Segment Information

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

The business and geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2004 are outlined as follows:

Business Segments

<i>Millions of yen</i>						
Year ended March 31, 2003						
	Steel sheet products	Electric furnace products	Other	Total	Elimina- tions and general corporate assets	Consoli- dated
I. Sales and operating income						
Sales to third parties	¥ 130,649	¥ 7,517	¥ 8,958	¥ 147,124	¥ –	¥ 147,124
Intergroup sales and transfers	0	–	6,415	6,415	(6,415)	–
Total sales	130,649	7,517	15,373	153,539	(6,415)	147,124
Operating expenses	123,883	7,783	13,858	145,524	(5,524)	140,000
Operating income (loss)	<u>¥ 6,766</u>	<u>¥ (266)</u>	<u>¥ 1,515</u>	<u>¥ 8,015</u>	<u>¥ (891)</u>	<u>¥ 7,124</u>
II. Assets, depreciation and capital expenditures						
Total assets	¥ 106,388	¥ 9,075	¥ 23,188	¥ 138,651	¥ 41,171	¥ 179,822
Depreciation	5,821	401	441	6,663	115	6,778
Capital expenditures	2,325	216	260	2,801	27	2,828
<i>Millions of yen</i>						
Year ended March 31, 2004						
	Steel sheet products	Electric furnace products	Other	Total	Elimina- tions and general corporate assets	Consoli- dated
I. Sales and operating income						
Sales to third parties	¥ 130,281	¥ 7,540	¥ 7,994	¥ 145,815	¥ –	¥ 145,815
Intergroup sales and transfers	1	–	4,640	4,641	(4,641)	–
Total sales	130,282	7,540	12,634	150,456	(4,641)	145,815
Operating expenses	119,743	7,789	11,650	139,182	(3,693)	135,489
Operating income (loss)	<u>¥ 10,539</u>	<u>¥ (249)</u>	<u>¥ 984</u>	<u>¥ 11,274</u>	<u>¥ (948)</u>	<u>¥ 10,326</u>
II. Assets, depreciation and capital expenditures						
Total assets	¥ 104,588	¥ 8,517	¥ 22,990	¥ 136,095	¥ 48,808	¥ 184,903
Depreciation	5,228	375	418	6,021	106	6,127
Capital expenditures	5,617	102	246	5,965	19	5,984

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

14. Segment Information (continued)

Business Segments (continued)

	<i>Thousands of U.S. dollars</i>					
	Year ended March 31, 2004					
	Steel sheet products	Electric furnace products	Other	Total	Elimina- tions and general corporate assets	Consoli- dated
I. Sales and operating income						
Sales to third parties	\$ 1,232,671	\$ 71,341	\$ 75,636	\$ 1,379,648	\$ –	\$ 1,379,648
Intergroup sales and transfers	9	–	43,902	43,911	(43,911)	–
Total sales	1,232,680	71,341	119,538	1,423,559	(43,911)	1,379,648
Operating expenses	1,132,964	73,697	110,228	1,316,889	(34,942)	1,281,947
Operating income (loss)	<u>\$ 99,716</u>	<u>\$ (2,356)</u>	<u>\$ 9,310</u>	<u>\$ 106,670</u>	<u>\$ (8,969)</u>	<u>\$ 97,701</u>
II. Assets, depreciation and capital expenditures						
Total assets	\$ 989,573	\$ 80,585	\$ 217,523	\$ 1,287,681	\$ 461,803	\$ 1,749,484
Depreciation	49,465	3,548	3,955	56,968	1,003	57,971
Capital expenditures	53,146	965	2,328	56,439	179	56,618

Geographical Segments

	<i>Millions of yen</i>				
	Year ended March 31, 2003				
	Japan	Southeast Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income					
Sales to third parties	¥ 99,073	¥ 48,051	¥ 147,124	¥ –	¥ 147,124
Interarea sales and transfers	1,826	–	1,826	(1,826)	–
Total sales	100,899	48,051	148,950	(1,826)	147,124
Operating expenses	98,726	43,193	141,919	(1,919)	140,000
Operating income	<u>¥ 2,173</u>	<u>¥ 4,858</u>	<u>¥ 7,031</u>	<u>¥ 93</u>	<u>¥ 7,124</u>
II. Assets	<u>¥ 116,152</u>	<u>¥ 28,815</u>	<u>¥ 144,967</u>	<u>¥ 34,855</u>	<u>¥ 179,822</u>

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

14. Segment Information (continued)

Geographical Segments (continued)

<i>Millions of yen</i>					
Year ended March 31, 2004					
	Japan	Southeast Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income					
Sales to third parties	¥ 99,717	¥ 46,098	¥ 145,815	¥ –	¥ 145,815
Interarea sales and transfers	79	–	79	(79)	–
Total sales	99,796	46,098	145,894	(79)	145,815
Operating expenses	95,203	40,436	135,639	(150)	135,489
Operating income	¥ 4,593	¥ 5,662	¥ 10,255	¥ 71	¥ 10,326
II. Assets	¥ 114,505	¥ 26,289	¥ 140,794	¥ 44,109	¥ 184,903

<i>Thousands of U.S. dollars</i>					
Year ended March 31, 2004					
	Japan	Southeast Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income					
Sales to third parties	\$ 943,486	\$ 436,162	\$ 1,379,648	\$ –	\$ 1,379,648
Interarea sales and transfers	747	–	747	(747)	–
Total sales	944,233	436,162	1,380,395	(747)	1,379,648
Operating expenses	900,776	382,590	1,283,366	(1,419)	1,281,947
Operating income	\$ 43,457	\$ 53,572	\$ 97,029	\$ 672	\$ 97,701
II. Assets	\$ 1,083,404	\$ 248,737	\$ 1,332,141	\$ 417,343	\$ 1,749,484

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements (continued)

14. Segment Information (continued)

Geographical Segments (continued)

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 years ended March 31, 2003 and 2004 are summarized as follows:

	<i>Millions of yen</i>		
	Year ended March 31, 2003		
	Asia	Other	Total
Overseas sales	¥50,113	¥ 6,691	¥ 56,804
Consolidated net sales			147,124
Overseas sales as a percentage of consolidated net sales	34.1%	4.5%	38.6%
	<i>Millions of yen</i>		
	Year ended March 31, 2004		
	Asia	Other	Total
Overseas sales	¥45,657	¥ 6,963	¥ 52,620
Consolidated net sales			145,815
Overseas sales as a percentage of consolidated net sales	31.3%	4.8%	36.1%
	<i>Thousands of U.S. dollars</i>		
	Year ended March 31, 2004		
	Asia	Other	Total
Overseas sales	\$431,990	\$65,881	\$ 497,871
Consolidated net sales			1,379,648

15. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2004, were approved at a shareholders' meeting held on June 29, 2004:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Cash dividends of ¥5 (\$0.05) per share	¥883	\$8,355

Non-Consolidated Financial Statements

Yodogawa Steel Works, Ltd.

*Years ended March 31, 2003 and 2004
with Report of Independent Auditors*

Report of Independent Auditors

The Board of Directors
Yodogawa Steel Works, Ltd.

We have audited the accompanying non-consolidated balance sheets of Yodogawa Steel Works, Ltd. as of March 31, 2003 and 2004, and the related non-consolidated statements of income and shareholders' equity for the years then ended, 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 financial position of Yodogawa Steel Works, Ltd. at March 31, 2003 and 2004, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 1(e), Yodogawa Steel Works, Ltd. changed its method of accounting for the valuation of finished goods, work-in-process and raw materials with respect to steel sheets, building materials and raw materials for rolls, from the last-in, first-out method, to the average method effective the year ended March 31, 2003 in the preparation of its non-consolidated financial statements.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2004 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 2.

June 29, 2004

Shin Nihon & Co.

Yodogawa Steel Works, Ltd.

Non-Consolidated Balance Sheets

March 31, 2003 and 2004

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2003	2004	2004
Assets			
Current assets:			
Cash and cash equivalents	¥ 15,112	¥ 15,225	\$ 144,053
Marketable securities	2,523	2,124	20,097
Notes and accounts receivable:			
Subsidiaries and affiliates	13,956	15,890	150,345
Trade	13,775	14,977	141,707
Less allowance for doubtful receivables	(25)	(24)	(227)
Inventories (Note 4)	18,145	17,790	168,322
Deferred income taxes (Note 6)	1,836	568	5,374
Other current assets	5,928	8,215	77,728
Total current assets	71,250	74,765	707,399
Property, plant and equipment (Note 5):			
Land	12,180	12,184	115,281
Buildings and structures	40,688	39,897	377,491
Machinery, equipment and vehicles	95,870	95,531	903,879
Construction in progress	654	531	5,024
Less accumulated depreciation	(106,788)	(108,189)	(1,023,645)
Property, plant and equipment, net	42,604	39,954	378,030
Investments and other assets:			
Investments in securities	15,316	24,359	230,476
Investments in and advances to subsidiaries and affiliates (Note 3)	18,873	18,873	178,569
Deferred income taxes (Note 6)	936	—	—
Other assets	1,579	1,315	12,442
Total investments and other assets	36,704	44,547	421,487
Total assets	¥ 150,558	¥ 159,266	\$ 1506,916

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2003	2004	2004
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans (<i>Note 5</i>)	¥ 6,270	¥ 5,800	\$ 54,877
Notes and accounts payable:			
Subsidiaries and affiliates	1,590	1,536	14,533
Trade	10,781	11,083	104,863
Construction	1,252	1,237	11,704
Accrued expenses	2,555	3,090	29,237
Accrued income taxes (<i>Note 6</i>)	37	1,138	10,767
Other current liabilities	1,052	799	7,560
Total current liabilities	<u>23,537</u>	<u>24,683</u>	<u>233,541</u>
Long-term liabilities:			
Accrued retirement benefits	5,507	5,545	52,465
Guarantee deposits (<i>Note 5</i>)	991	964	9,121
Deferred income taxes (<i>Note 6</i>)	–	2,416	22,859
Total long-term liabilities	<u>6,498</u>	<u>8,925</u>	<u>84,445</u>
Contingent liabilities (<i>Note 10</i>)			
Shareholders' equity (<i>Note 7</i>):			
Common stock:			
Authorized: 753,814,067 shares in 2003 and 2004			
Issued: 184,186,153 shares in 2003 and 2004	23,221	23,221	219,709
Capital surplus	23,497	23,497	222,320
Retained earnings (<i>Note 12</i>)	72,645	74,651	706,320
Unrealized holding gain on securities (<i>Note 3</i>)	1,205	7,015	66,373
Treasury stock, at cost – 157,901 shares in 2003 and 7,564,251 shares in 2004	(45)	(2,726)	(25,792)
Total shareholders' equity	<u>120,523</u>	<u>125,658</u>	<u>1,188,930</u>
Total liabilities and shareholders' equity	<u>¥ 150,558</u>	<u>¥ 159,266</u>	<u>\$ 1,506,916</u>

See accompanying notes to non-consolidated financial statements.

Yodogawa Steel Works, Ltd.

Non-Consolidated Statements of Income

Years ended March 31, 2003 and 2004

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	2004	(Note 2) 2004
Net sales	¥ 90,829	¥ 89,651	\$ 848,245
Cost of sales	74,987	72,430	685,306
Gross profit	15,842	17,221	162,939
Selling, general and administrative expenses (Note 8)	13,553	12,867	121,743
Operating income	2,289	4,354	41,196
Other income (expenses):			
Interest and dividend income	941	1,652	15,631
Interest expense	(117)	(64)	(606)
Gain on sales of investments in securities	1,765	227	2,148
Impairment loss on investments in securities	(1,536)	(0)	(0)
Gain (loss) on sales or disposal of property, plant and equipment, net	78	(558)	(5,280)
Loss on disposal of inventories	–	(381)	(3,604)
Restructuring charges	(1,369)	–	–
Cumulative effect of changes in method of inventory valuation	(2,038)	–	–
Other, net	180	(139)	(1,316)
Income before income taxes	193	5,091	48,169
Income taxes (Note 6):			
Current	51	1,398	13,227
Deferred	(89)	683	6,462
	(38)	2,081	19,689
Net income	¥ 231	¥ 3,010	\$ 28,480

See accompanying notes to non-consolidated financial statements.

Yodogawa Steel Works, Ltd.

Non-Consolidated Statements of Shareholders' Equity

Years ended March 31, 2003 and 2004

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2003</u>	<u>2004</u>	<u>2004</u>
Common stock			
Balance at beginning and end of the year	<u>¥23,221</u>	<u>¥23,221</u>	<u>\$ 219,709</u>
Capital surplus			
Balance at beginning of the year	¥23,497	¥23,497	\$ 222,320
Add:			
Gain on disposal of treasury stock	—	0	0
Balance at end of the year	<u>¥23,497</u>	<u>¥23,497</u>	<u>\$ 222,320</u>
Retained earnings			
Balance at beginning of the year	¥73,519	¥72,645	\$ 687,340
Add:			
Net income	231	3,010	28,480
Deduct:			
Cash dividends paid	(1,105)	(1,004)	(9,500)
Balance at end of the year	<u>¥72,645</u>	<u>¥74,651</u>	<u>\$ 706,320</u>
Unrealized holding gain on securities (Note 3)			
Balance at beginning of the year	¥ 3,722	¥ 1,205	\$ 11,401
Net change during the year	(2,517)	5,810	54,972
Balance at end of the year	<u>¥ 1,205</u>	<u>¥ 7,015</u>	<u>\$ 66,373</u>

See accompanying notes to non-consolidated financial statements.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements

March 31, 2004

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying non-consolidated financial statements of Yodogawa Steel Works, Ltd. (the “Company”) 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 are compiled from the non-consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

(b) 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 loss and gain are charged or credited to income.

(c) 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 to cash subject to an insignificant risk of changes in their value and which were purchased with an original maturity of three months or less.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(d) 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 and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are carried at their 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 shareholders' equity. Non-marketable securities are classified as other securities and investments in subsidiaries and an affiliate are carried at cost. Cost of securities sold is determined by the moving average method.

(e) Inventories

Finished goods, work-in-process and raw materials of steel sheets, building materials and raw materials for rolls are stated at cost determined by the average method.

Up to the year ended March 31, 2002, inventories were stated at cost determined principally by the last-in, first-out method.

Effective April 1, 2002, the Company changed its method of accounting for the valuation of finished goods, work-in-process and raw materials with respect to steel sheets, building materials and raw materials for rolls, from the last-in, first-out method, to the average method. This change was made to mitigate the impact of any material fluctuation in the purchase prices of raw materials and to minimize the differences between the carrying and market value of these inventories. The effect of this change was to decrease inventories at March 31, 2003 by ¥901 million, to increase operating income for the year then ended by ¥1,137 million and to decrease income before income taxes for the year then ended by ¥901 million as a result of recognizing the cumulative effect of the change in inventory valuation of ¥2,038 million for the year then ended.

Finished goods and work-in-process of roll products and real estate held for sale are stated at cost determined by the specific identification method.

Supplies are stated at cost determined by the first-in, first-out method.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated on the basis of cost.

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

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

Buildings and structures	3 to 60 years
Machinery, equipment and vehicles	3 to 17 years

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

(g) Intangible Assets

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

(h) Allowance for Doubtful Receivables

The Company provides an allowance for doubtful receivables at an amount calculated based on the Company's historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(i) 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 five years.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(j) Leases

The Company leases certain equipment under noncancelable leases referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the Company are accounted for as operating leases.

(k) 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.

(l) Retirement Benefits

Employees of the Company are covered by an employees' retirement benefit plan and an employees' pension plan. The employees' retirement benefit plan provides for a lump-sum payment determined by reference to the basic salary, length of service and conditions under which the termination occurs. The employees' pension plan, which is a funded non-contributory plan, partially covers the benefits under the employees' retirement benefit plan to employees who retire after fifteen or more years of service.

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

The directors and statutory auditors of the Company are customarily entitled to lump-sum payments under the unfunded retirement benefit plan. The provision for retirement benefits for directors and statutory auditors has been made at an estimated amount based on the Company's internal rules.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(m) Hedge Accounting

Gain or loss on derivatives designed as hedging instruments is deferred until the gain or loss on the underlying hedged item is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

(n) Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the stockholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such appropriations.

2. 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 ¥105.69 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2004. 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.

3. Securities

Information with respect to the carrying and fair value of and unrealized gain on securities with determinable fair value included in investments in and advances to subsidiaries and affiliates at March 31, 2003 and 2004 is summarized as follows:

	<i>Millions of yen</i>					
	2003			2004		
	Carrying value	Fair value	Unrealized gain	Carrying value	Fair value	Unrealized gain
Investments in a subsidiary	¥11,310	¥21,626	¥10,316	¥11,310	¥21,527	¥10,217

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

3. Securities (continued)

	<i>Thousands of U.S. dollars</i>		
	<u>2004</u>		
	<u>Carrying value</u>	<u>Fair value</u>	<u>Unrealized gain</u>
Investments in a subsidiary	\$107,011	\$203,681	\$96,670

4. Inventories

Inventories at March 31, 2003 and 2004 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2003</u>	<u>2004</u>	<u>2004</u>
Finished goods	¥10,506	¥ 9,813	\$ 92,847
Work-in-process	2,766	2,652	25,092
Raw materials and supplies	4,299	4,805	45,463
Real estate held for sale	574	520	4,920
	<u>¥18,145</u>	<u>¥17,790</u>	<u>\$168,322</u>

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

5. Short-Term Bank Loans and Guarantee Deposits

Short-term bank loans represent overdrafts at average annual interest rates of 0.562% and 0.561% at March 31, 2003 and 2004, respectively.

Guarantee deposits consisted of interest-free deposits, most of which were from tenants, and interest-bearing deposits, which were principally deposits from customers at average annual interest rate of 0.5% at March 31, 2003 and 2004. Interest-free deposits and interest-bearing deposits at March 31, 2003 and 2004 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	2004	2004
Interest-free deposits	¥678	¥ 575	\$5,440
Interest-bearing deposits	313	389	3,681
	¥991	¥ 964	\$9,121

The aggregate annual maturities of guarantee deposits subsequent to March 31, 2004 are summarized as follows:

<u>Year ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2005	¥ 3	\$ 28
2006	2	19
2007	—	—
2008	—	—
2009	—	—
2010 and thereafter	959	9,074
	¥ 964	\$9,121

All interest-bearing deposits are scheduled to mature during the years ending March 31, 2010 and thereafter.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

6. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 42.0% for the years ended March 31, 2003 and 2004.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2003 as a percentage of income before income taxes was as follows:

	<u>2003</u>
Statutory tax rate	42.0%
Nondeductible expenses	12.9
Nontaxable income	(33.7)
Foreign tax credit	(74.5)
Per capita portion of inhabitants' taxes	26.4
Other	<u>7.2</u>
Effective tax rate	<u><u>(19.7)%</u></u>

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2004 has been omitted since the difference between the statutory tax rate and the effective tax rate is within 5% of the statutory tax rate.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

6. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company at March 31, 2003 and 2004 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	2004	2004
Deferred tax assets:			
Accrued retirement benefits	¥ 1,552	¥ 1,886	\$ 17,845
Accrued bonuses	285	372	3,520
Allowances for doubtful receivables	34	8	75
Foreign tax credit	410	607	5,743
Loss on devaluation of securities	1,045	847	8,014
Tax loss carryforwards	1,406	–	–
Other	130	361	3,416
Total deferred tax assets	4,862	4,081	38,613
Deferred tax liabilities:			
Unrealized holding gain on securities	(837)	(4,774)	(45,170)
Reserve for deferred taxation on contributions for acquisition of property	(1,253)	(1,155)	(10,928)
Total deferred tax liabilities	(2,090)	(5,929)	(56,098)
Net deferred tax assets (liabilities)	¥ 2,772	¥(1,848)	\$(17,485)

In accordance with a law on amendments to local tax laws, etc. announced on March 31, 2003, the Company applied a statutory tax rate of 40.5% to the calculation of deferred tax assets and liabilities at March 31, 2003, which are expected to be reversed on April 1, 2004 and thereafter. The effect of this change in the statutory tax rate applied was to decrease non-current deferred tax assets (net of non-current deferred tax liabilities) by ¥19 million and to increase unrealized holding gain on securities by ¥31 million at March 31, 2003 and to decrease income taxes – deferred (credit) and net income by ¥50 million for the year ended March 31, 2003.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

7. Shareholders' Equity

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash dividends paid and bonuses to directors and statutory auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of stated capital. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. Additional paid-in capital and the legal reserve are included in capital surplus and retained earnings, respectively, in the accompanying non-consolidated balance sheets and statements of shareholders' equity. The Company's legal reserve amounted to ¥3,478 million and nil at March 31, 2003 and 2004, respectively.

Effective April 1, 2002, the Company adopted a new accounting standard for treasury stock and reversal of legal reserves. The effect of the adoption of this standard on the result of its operations for the year ended March 31, 2003 was immaterial.

8. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2003 and 2004 were as follows:

<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
<u>2003</u>	<u>2004</u>	<u>2004</u>
¥364	¥328	\$3,103

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

9. Leases

The following pro forma amounts present the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2003 and 2004, which would have been reflected in the balance sheets if finance leases other than those which transfer the ownership of the leased property to the Company (which are currently accounted for as operating leases) were capitalized:

	<i>Millions of yen</i>					
	2003			2004		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥279	¥175	¥104	¥ 261	¥ 204	¥57
	<i>Thousands of U.S. dollars</i>					
	2004					
	Acquisition costs	Accumulated depreciation	Net book value			
Machinery, equipment and vehicles	\$2,469	\$1,930	\$539			

The related lease payments and depreciation for the years ended March 31, 2003 and 2004 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2003	2004	2004
Lease payments	¥61	¥55	\$520
Depreciation	61	55	520

Depreciation is calculated by the straight-line method over the respective lease terms.

The related future minimum payments (including the interest portion thereon) subsequent to March 31, 2004 under finance leases other than those which transfer the ownership of the leased property to the Company are summarized as follows:

Year ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2005	¥ 38	\$359

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

2006 and thereafter	19	180
	<u>¥ 57</u>	<u>\$539</u>

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

10. Contingent Liabilities

At March 31, 2004, the Company had the following contingent liabilities:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Guarantees of housing loans of employees and indebtedness of a subsidiary	¥ 118	\$ 1,116

11. Amounts per Share

Amounts per share at March 31, 2003 and 2004 and for the years then ended were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2003	2004	2004
Net assets	¥654.91	¥711.25	\$6.73
Net income	1.25	16.38	0.15
Cash dividends applicable to the year	5.00	8.00	0.08

Diluted net income has not been presented for the years ended March 31, 2003 and 2004 since the Company had not issued any potentially dilutive stocks at March 31, 2003 or 2004.

The amount per share of net assets is computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end. Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

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.

12. Subsequent Event

See Note 15 to the consolidated financial statements.