Consolidated Financial Statements

Yodogawa Steel Works, Ltd.

Years ended March 31, 2006 and 2007
with Report of Independent Auditors

Yodogawa Steel Works, Ltd.

Consolidated Financial Statements

Years ended March 31, 2006 and 2007

Contents

Consolidated Financial Statements

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, 2006 and 2007, and the related consolidated statements of income, changes in net assets, 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, 2006 and 2007, 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.

Supplemental Information

As described in Note 2(1), effective April 1, 2005, the Company and consolidated subsidiaries adopted an accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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.

Osaka, Japan
June 27, 2007

Yodogawa Steel Works, Ltd.

Consolidated Balance Sheets

March 31, 2006 and 2007

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2006	2007	2007
Assets			
Current assets:			
Cash and time deposits *(Note 4)*	¥ 13,093	¥13,271	$ 112,418
Marketable securities *(Note 6)*	1,264	10,689	90,546
Notes and accounts receivable *(Note 5)*:			
Unconsolidated subsidiaries and affiliates	11,333	13,806	116,950
Trade	26,675	31,578	267,497
Less allowance for doubtful receivables	(227)	(367)	(3,109)
Inventories	31,196	36,233	306,930
Deferred income taxes *(Note 10)*	1,339	1,291	10,936
Other current assets	5,887	4,811	40,754
Total current assets	90,560	111,312	942,922
Property, plant and equipment:			
Land *(Notes 7 and 12)*	20,908	19,805	167,768
Buildings and structures *(Note 7)*	54,171	54,185	459,000
Machinery, equipment and vehicles	126,128	129,467	1,096,713
Construction in progress	2,048	749	6,345
Less accumulated depreciation	(139,015)	(142,554)	(1,207,573)
Property, plant and equipment, net	64,240	61,652	522,253
Investments and other assets:			
Investments in securities *(Notes 6 and 8)*	47,870	49,320	417,789
Investments in and advances to unconsolidated subsidiaries and affiliates	3,490	3,874	32,817
Deferred income taxes *(Note 10)*	471	532	4,507
Other assets	2,286	2,841	24,066
Total investments and other assets	54,117	56,567	479,179
Total assets	¥ 208,917	¥ 229,531	$ 1,944,354

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Liabilities and net assets			
Current liabilities:			
Short-term bank loans *(Note 8)*	¥ –	¥ 1,044	$ 8,844
Notes and accounts payable *(Note 5)*:			
Unconsolidated subsidiaries and affiliates	786	1,113	9,428
Trade	14,617	18,574	157,341
Construction	1,466	1,555	13,172
Accrued expenses	4,200	4,699	39,805
Accrued income taxes *(Note 10)*	2,684	2,737	23,185
Secured deposits	–	7,747	65,625
Other current liabilities *(Note 8)*	2,200	4,212	35,680
Total current liabilities	25,953	41,681	353,080
Long-term liabilities:			
Accrued retirement benefits for employees *(Note 9)*	7,517	7,750	65,650
Accrued retirement benefits for directors and corporate auditors	107	78	661
Guarantee deposits *(Note 8)*	4,007	4,045	34,265
Deferred income taxes *(Note 10)*	8,877	9,099	77,078
Deferred income taxes on land revaluation reserve *(Note 10)*	2,368	2,384	20,195
Negative goodwill	–	96	813
Other long-term liabilities	537	401	3,396
Total long-term liabilities	23,413	23,853	202,058
Contingent liabilities *(Note 15)*			
Net assets:			
Shareholders’ equity *(Note 11)*			
Common stock:			
Authorized: 753,814,067 shares in 2006 and 2007			
Issued: 184,186,153 shares in 2006 and 2007	23,221	23,221	196,705
Capital surplus	23,740	23,547	199,466
Retained earnings *(Note 19)*	86,843	89,393	757,247
Treasury stock, at cost – 14,748,753 shares in 2006 and 16,655,718 shares in 2007	(5,592)	(6,235)	(52,817)
Total shareholders’ equity	128,212	129,926	1,100,601
Valuation and translation adjustments			
Unrealized holding gain on securities *(Note 6)*	17,744	17,036	144,312
Land revaluation reserve *(Note 12)*	303	1,642	13,909
Translation adjustments	(1,315)	(1,068)	(9,047)
Total valuation and translation adjustments	16,732	17,610	149,174
Stock acquisition rights	—	25	212
Minority interests	14,607	16,436	139,229
Total net assets	159,551	163,997	1,389,216
Total liabilities and net assets	¥ 208,917	¥ 229,531	$ 1,944,354

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Income

Years ended March 31, 2006 and 2007

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2006	2007	2007
Net sales	¥ 180,036	¥ 192,319	$ 1,629,132
Cost of sales	150,478	162,186	1,373,876
Gross profit	29,558	30,133	255,256
Selling, general and administrative expenses (*Note 13)*	16,210	17,181	145,540
Operating income	13,348	12,952	109,716
Other income (expenses):			
Interest and dividend income	754	804	6,811
Interest expense	(71)	(78)	(661)
Gain on sales of investments in securities *(Note 6)*	8	1,245	10,546
Loss on impairment of investments in securities *(Note 6)*	–	(71)	(601)
Loss on sales or disposal of property, plant and equipment, net	(216)	(252)	(2,135)
Equity in earnings of an affiliate	484	144	1,220
Loss on impairment of fixed assets *(Notes 2 and 7)*	(3,381)	(525)	(4,447)
Other, net	541	(152)	(1,288)
Income before income taxes and minority interests	11,467	14,067	119,161
Income taxes *(Note 10)*:			
Current	5,813	4,674	39,593
Deferred	(522)	694	5,879
	5,291	5,368	45,472
Income before minority interests	6,176	8,699	73,689
Minority interests	(1,584)	(2,324)	(19,686)
Net income	¥ 4,592	¥ 6,375	$ 54,003

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2006 and 2007

		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 valuation and translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2005	184,186,153	¥ 23,221	¥ 23,222	¥ 86,300	¥ (4,687)	¥ 128,056	¥ 8,335	¥ 871	¥ (2,686)	¥ 6,520	¥ –	¥ 13,922	¥148,498
Adjustment for reserve for land value increment tax of an overseas subsidiary	–	–	128	–	–	128	–	–	–	–	–	–	128
Transfer from retained earnings to capital surplus	–	–	390	(390)	–	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	(2,699)	–	(2,699)	–	–	–	–	–	–	(2,699)
Bonuses to directors and corporate auditors	–	–	–	(77)	–	(77)	–	–	–	–	–	–	(77)
Bonuses to employees of an overseas subsidiary	–	–	–	(38)	–	(38)	–	–	–	–	–	–	(38)
Net income	–	–	–	4,592	–	4,592	–	–	–	–	–	–	4,592
Acquisition of treasury stock	–	–	–	–	(906)	(906)	–	–	–	–	–	–	(906)
Disposition of treasury stock	–	–	0	–	1	1	–	–	–	–	–	–	1
Reversal of land revaluation reserve	–	–	–	(845)	–	(845)	–	–	–	–	–	–	(845)
Other changes	–	–	–	–	–	–	9,409	(568)	1,371	10,212	–	685	10,897
Balance at March 31, 2006	184,186,153	23,221	23,740	86,843	(5,592)	128,212	17,744	303	(1,315)	16,732	–	14,607	159,551
Cash dividends	–	–	–	(2,349)	–	(2,349)	–	–	–	–	–	–	(2,349)
Bonuses to directors and corporate auditors	–	–	–	(78)	–	(78)	–	–	–	–	–	–	(78)
Bonuses to employees of an overseas subsidiary	–	–	–	(22)	–	(22)	–	–	–	–	–	–	(22)
Net income	–	–	–	6,375	–	6,375	–	–	–	–	–	–	6,375
Acquisition of treasury stock	–	–	–	–	(645)	(645)	–	–	–	–	–	–	(645)
Disposition of treasury stock	–	–	(193)	–	2	(191)	–	–	–	–	–	–	(191)
Reversal of land revaluation reserve	–	–	–	(1,376)	–	(1,376)	–	–	–	–	–	–	(1,376)
Other changes	–	–	–	–	–	–	(708)	1,339	247	878	25	1,829	2,732
Balance at March 31, 2007	184,186,153	¥ 23,221	¥ 23,547	¥ 89,393	¥ (6,235)	¥ 129,926	¥ 17,036	¥ 1,642	¥ (1,068)	¥ 17,610	¥ 25	¥ 16,436	¥163,997

Yodogawa Steel Works, Ltd.

Consolidated Statements of Changes in Net Assets (continued)

	Thousands of dollars											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized holding gain on securities	Land revaluation reserve	Translation adjustments	Total valuation and translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2006	$ 196,705	$ 201,101	$ 735,646	$(47,370)	$ 1,086,082	$ 150,309	$ 2,567	$ (11,139)	$141,737	$ –	$123,736	$1,351,555
Cash dividends	–	–	(19,898)	–	(19,898)	–	–	–	–	–	–	(19,898)
Bonuses to directors and corporate auditors	–	–	(659)	–	(659)	–	–	–	–	–	–	(659)
Bonuses to employees of an overseas subsidiary	–	–	(188)	–	(188)	–	–	–	–	–	–	(188)
Net income	–	–	54,003	–	54,003	–	–	–	–	–	–	54,003
Acquisition of treasury stock	–	–	–	(5,464)	(5,464)	–	–	–	–	–	–	(5,464)
Disposition of treasury stock	–	(1,635)	–	17	(1,618)	–	–	–	–	–	–	(1,618)
Reversal of land revaluation reserve	–	–	(11,657)	–	(11,657)	–	–	–	–	–	–	(11,657)
Other changes	–	–	–	–	–	(5,997)	11,342	2,092	7,437	212	15,493	23,142
Balance at March 31, 2007	$ 196,705	$ 199,466	$ 757,247	$(52,817)	$ 1,100,601	$144,312	$ 13,909	$ (9,047)	$149,174	$ 212	$139,229	$1,389,216

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Cash Flows

Years ended March 31, 2006 and 2007

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2006	2007	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥11,467	¥14,067	$119,161
Adjustments for:			
Depreciation and amortization	5,361	5,269	44,634
Equity in earnings of an affiliate	(484)	(144)	(1,220)
Loss on impairment of investments in securities	–	71	601
(Decrease) increase in accrued retirement benefits	(2)	168	1,423
Decrease in accrued bonuses	(1)	(78)	(661)
(Decrease) increase in allowance for doubtful receivables	(297)	139	1,177
Interest and dividend income	(754)	(804)	(6,811)
Interest expense	71	78	661
Gain on sales of investments in securities	(8)	(1,245)	(10,546)
Loss on sales or disposal of property, plant and equipment, net	216	252	2,135
Loss on impairment of fixed assets	3,381	525	4,447
Decrease (increase) in notes and accounts receivable	7,310	(7,282)	(61,686)
Increase in inventories	(6,706)	(4,832)	(40,932)
(Decrease) increase in notes and accounts payable	(1,713)	4,248	35,985
Bonuses to directors, corporate auditors and employees of an overseas subsidiary	(115)	(100)	(847)
Other	147	(370)	(3,133)
Subtotal	17,873	9,962	84,388
Interest and dividends received	781	831	7,039
Interest paid	(73)	(79)	(669)
Income taxes paid	(8,868)	(4,832)	(40,932)
Net cash provided by operating activities	¥ 9,713	¥ 5,882	$ 49,826

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Yodogawa Steel Works, Ltd.

Consolidated Statements of Cash Flows (continued)

Years ended March 31, 2006 and 2007

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2006	2007	2007
Cash flows from investing activities:			
Increase in time deposits with a maturity of more than three months	¥ (2,675)	¥ (861)	$ (7,294)
Proceeds from time deposits with a maturity of more than three months	3,075	75	635
Purchases of marketable securities	(1,231)	—	—
Proceeds from sales of marketable securities	1,518	692	5,862
Purchases of property, plant and equipment	(5,018)	(3,843)	(32,554)
Proceeds from sales of property, plant and equipment	81	830	7,031
Purchases of intangible fixed assets	(35)	(78)	(661)
Purchases of investments in securities	(3,725)	(6,858)	(58,094)
Proceeds from sales of investments in securities	4,095	2,913	24,676
Increase in loans receivable	(927)	(769)	(6,514)
Collection of loans receivable	1,210	851	7,209
Other	60	5	43
Net cash used in investing activities	(3,572)	(7,043)	(59,661)
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans	(4,600)	1,024	8,674
Increase in secured deposits	—	7,747	65,625
Purchases of treasury stock	(903)	(135)	(1,144)
Cash dividends paid to the Company's shareholders	(2,716)	(2,364)	(20,025)
Cash dividends paid to shareholders of minority interests	(2,275)	(1,106)	(9,369)
Other	1	—	—
Net cash (used in) provided by financing activities	(10,493)	5,166	43,761
Effect of exchange rate changes on cash and cash equivalents	176	8	68
Net (decrease) increase in cash and cash equivalents	(4,176)	4,013	33,994
Cash and cash equivalents at beginning of the year	20,363	16,187	137,120
Cash and cash equivalents at end of the year *(Note 4)*	¥ 16,187	¥ 20,200	$ 171,114

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements

March 31, 2007

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 their 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 Securities and Exchange Law 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.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2006 to the 2007 presentation. Such reclassifications had no effect on consolidated net income.

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

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, 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 5 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.

(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 charged or credited 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 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.

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, are 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) Inventories

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

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 (other than 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.

1. Summary of Significant Accounting Policies (continued)

(h) Intangible assets and amortization

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 5 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.

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 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 a period of 15 years, which is 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.

(n) Hedge accounting

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

2. Changes in Accounting Policy

(1) Effective the year ended March 31, 2006, the Company and its consolidated subsidiaries have adopted an accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies are required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. The standard states that impairment losses are to be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs, and (2) the present value of future cash flows arising from ongoing utilization of the asset and from its disposal after use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are to be grouped at the lowest level for which there are identifiable cash flows which are independent of the cash flows from other groups of assets.

As a result of the adoption of this accounting standard, a loss on impairment of fixed assets in the aggregate amount of ¥3,381 million was recognized for the year ended March 31, 2006. Income before income taxes and minority interests decreased by the same amount for the year ended March 31, 2006 from the corresponding amount which would have been recorded under the previous method.

(2) Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted a new accounting standard for share-based payments.

As a result of the adoption of this accounting standard, operating income and income before income taxes and minority interests decreased by ¥25 million ($211 thousand) for the year ended March 31, 2007 from the amounts which would have been recorded under the method applied in the previous year.

2. Changes in Accounting Policy (continued)

(3) Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statement of shareholders' equity for the year then ended have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007. Through March 31, 2006, the Company voluntarily prepared the statement of shareholders' equity for the convenience of readers outside Japan. Under this accounting standard, certain items which were previously presented as assets and liabilities are now presented as components of net assets. Such items include minority interests. Total shareholders' equity under the previous method of presentation amounted to ¥147,536 million ($1,249,775 thousand) at March 31, 2007.

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 ¥118.05 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2007. 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 time deposits shown in the consolidated balance sheets to cash and cash equivalents shown in the consolidated statements of cash flows at March 31, 2006 and 2007 is presented as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Cash and time deposits	¥13,093	¥13,271	$ 112,418
Investment trust funds	470	5,798	49,115
Beneficiary interests in trusts and others	2,700	1,500	12,706
Time deposits with original maturities of more than three months	(76)	(369)	(3,125)
Cash and cash equivalents	¥16,187	¥20,200	$ 171,114

5. Notes Receivable and Notes Payable

The balance sheet date of the year ended March 31, 2007 fell on a bank holiday. Consequently, notes receivable, trade of ¥1,110 million ($9,403 thousand), notes payable, trade of ¥661 million ($5,599 thousand), and notes payable, construction of ¥149 million ($1,262 thousand) with maturity dates of March 31, 2007 were included in the respective balances and were settled on the next business day.

6. Securities

Marketable securities classified as held-to-maturity debt securities at March 31, 2006 and 2007 are summarized as follows:

	2006		
	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	¥ 10	¥ 10	¥ 0
Corporate bonds	500	501	1
	510	511	1
Securities whose estimated fair value does not exceed their carrying value:			
Government bonds	70	70	(0)
Corporate bonds	1,597	1,383	(214)
Other	200	198	(2)
	1,867	1,651	(216)
Total	¥ 2,377	¥ 2,162	¥ (215)

	2007		
	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	¥ 60	¥ 60	¥ 0
Corporate bonds	300	310	10
	360	370	10
Securities whose estimated fair value does not exceed their carrying value:			
Government bonds	10	10	(0)
Corporate bonds	12,203	11,865	(338)
Other	200	199	(1)
	12,413	12,074	(339)
Total	¥ 12,773	¥ 12,444	¥ (329)

6. Securities (continued)

	2007		
	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	$ 508	$ 508	$ 0
Corporate bonds	2,542	2,626	84
	3,050	3,134	84
Securities whose estimated fair value does not exceed their carrying value:			
Government bonds	85	85	(0)
Corporate bonds	103,371	100,508	(2,863)
Other	1,694	1,686	(8)
	105,150	102,279	(2,871)
Total	$ 108,200	$ 105,413	$(2,787)

Other securities with determinable market value at March 31, 2006 and 2007 are summarized as follows:

	2006		
	Millions of yen		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥12,315	¥42,339	¥30,024
Other	98	108	10
	12,413	42,447	30,034
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	163	137	(26)
Corporate bonds	600	579	(21)
Other	713	693	(20)
	1,476	1,409	(67)
Total	¥13,889	¥43,856	¥29,967

6. Securities (continued)

	2007		
	Millions of yen		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥12,722	¥41,849	¥29,127
Other	98	108	10
	12,820	41,957	29,137
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	587	526	(61)
Corporate bonds	990	985	(5)
	1,577	1,511	(66)
Total	¥14,397	¥43,468	¥29,071

	2007		
	Thousands of U.S. dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$107,768	$354,502	$246,734
Other	830	915	85
	108,598	355,417	246,819
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	4,973	4,456	(517)
Corporate bonds	8,386	8,344	(42)
	13,359	12,800	(559)
Total	$121,957	$368,217	$246,260

Sales of securities classified as other securities for the years ended March 31, 2006 and 2007 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Sales	¥13	¥1,781	$15,087
Aggregate gain	8	1,245	10,546

6. Securities (continued)

The carrying value of securities without determinable market value at March 31, 2006 and 2007 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Held-to-maturity debt securities:			
Interest-bearing financial bonds	¥ 550	¥ 50	$ 424
Other securities:			
Non-marketable equity securities	594	580	4,913
Money management funds	470	—	—
Money trusts	–	1,701	14,409
Investment in a limited liability partnership	187	317	2,685
Preferred subscription certificates	1,100	1,100	9,318

The Company recorded a loss on impairment of securities of ¥71 million ($601 thousand) for the year ended March 31, 2007.

The redemption schedule for other securities with maturities and held-to-maturity debt securities at March 31, 2007 is summarized as follows:

	Millions of yen			
	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	¥ —	¥ 10	¥60	¥ –
Corporate bonds	9,001	–	–	4,028
Other	1,500	250	–	—
Total	¥10,501	¥260	¥60	¥4,028

	Thousands of U.S. dollars			
	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	$ –	$ 85	$508	$ –
Corporate bonds	76,247	–	–	34,121
Other	12,707	2,117	–	–
Total	$88,954	$2,202	$508	$34,121

7. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries recognized a loss on impairment of fixed assets for the years ended March 31, 2006 and 2007 as follows:

			Millions of yen		Thousands of U.S. dollars
Location	Use	Classification	2006	2007	2007
Nishiwaki City, Hyogo Prefecture	Golf courses	Land, buildings and structures, and other	¥ 2,175	¥ –	$ –
Miyazaki City, Miyazaki Prefecture	Hotel	Land, buildings and structures, and other	1,154	325	2,753
Takarazuka City, Hyogo Prefecture, and other	Idle assets	Land, buildings and structures, and other	52	–	–
Nishinomiya City, Hyogo Prefecture	Idle assets	Land, buildings and structures, and other	–	155	1,313
Shirahama Town, Wakayama Prefecture	Idle assets	Land, buildings and structures, and other	–	39	330
Village of Yamanakako, Yamanashi Prefecture	Idle assets	Buildings and structures, and other	–	6	51
Total			¥ 3,381	¥ 525	$ 4,447

The Company and its consolidated subsidiaries group fixed assets by management segment, each of which continuously records 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 golf courses group and the hotel group for the year ended March 31, 2006 and the hotel group for the year ended March 31, 2007 to their net recoverable value due to a significant decline in their fair value, and have recorded a related loss on impairment of fixed assets of ¥3,329 million and ¥325 million ($2,753 thousand) in the consolidated statements of income for the years ended March 31, 2006 and 2007, respectively. This loss on impairment of fixed assets consisted of land of ¥2,289 million and ¥300 million ($2,541 thousand), buildings and structures of ¥1,016 million and ¥22 million ($186 thousand), machinery, equipment and vehicles of ¥5 million and ¥1 million ($8 thousand), and other of ¥19 million and ¥2 million ($18 thousand) for the years ended March 31, 2006 and 2007, respectively. The recoverable amounts of these assets are measured at estimated selling value and valuation amounts are measured at net realizable value based on appraisals conducted by real estate appraisers.

7. Loss on Impairment of Fixed Assets (continued)

In addition, the Company and its consolidated subsidiaries have written down the idle assets owned by one domestic consolidated subsidiary for the year ended March 31, 2006 and the Company for the year ended March 31, 2007, which are not expected to be utilized in the future to their respective net recoverable value, and have recorded a related loss on impairment of fixed assets of ¥52 million and ¥200 million ($1,694 thousand) in the consolidated statements of income for the years ended March 31, 2006 and 2007, respectively. This loss on impairment of fixed assets consisted of land of ¥40 million and ¥175 million ($1,482 thousand), and buildings and structures of ¥12 million and ¥25 million ($212 thousand) for the years ended March 31, 2006 and 2007, respectively. 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 as they were not material.

8. Short-Term Bank Loans and Guarantee Deposits

Short-term bank loans were nil at March 31, 2006. Short-term bank loans at March 31, 2007 represented overdrafts at an average annual interest rate of approximately 3.18%.

At March 31, 2007, investments in securities of ¥10,936 million ($92,639 thousand) were pledged as collateral for internal deposits held for employees of ¥325 million ($2,753 thousand), a component of other current liabilities.

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 0.66% and 0.58% at March 31, 2006 and 2007, respectively.

Interest-free deposits and interest-bearing deposits at March 31, 2006 and 2007 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Interest-free deposits	¥ 3,396	¥ 3,386	$ 28,683
Interest-bearing deposits	611	659	5,582
	¥ 4,007	¥ 4,045	$ 34,265

8. Short-Term Bank Loans and Guarantee Deposits (continued)

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, 2006 and 2007 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Lines of credit	¥ 22,300	¥ 21,400	$ 181,279
Credit utilized	–	–	–
Available credit	¥ 22,300	¥21,400	$ 181,279

9. 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, 2006 and 2007 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Retirement benefit obligation	¥ (14,530)	¥ (14,693)	$ (124,464)
Plan assets at fair value	7,960	7,567	64,100
Unfunded retirement benefit obligation	(6,570)	(7,126)	(60,364)
Unrecognized actuarial gain	(575)	(38)	(322)
Unrecognized prior service cost	15	10	85
Net retirement benefit obligation	(7,130)	(7,154)	(60,601)
Prepaid pension cost	387	596	5,049
Accrued retirement benefits	¥ (7,517)	¥ (7,750)	$ (65,650)

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

9. Retirement Benefits (continued)

The components of retirement benefit expenses for the years ended March 31, 2006 and 2007 are outlined as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Service cost	¥ 579	¥ 683	$ 5,786
Interest cost	330	331	2,804
Expected return on plan assets	(65)	(105)	(889)
Amortization of actuarial loss	151	6	50
Amortization of prior service cost	7	7	59
	¥ 1,002	¥ 922	$ 7,810

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, 2006 and 2007 were as follows:

	2006	2007
Discount rate	Principally 2.5%	Principally 2.5%
Expected rates of return on plan assets	Principally 1.5%	Principally 1.4%

10. 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, 2006 and 2007.

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2006 and 2007 as a percentage of income before income taxes and minority interests is as follows:

	2006	2007
Statutory tax rate	40.5%	40.5%
Investment tax credits	(0.7)	(1.3)
Nondeductible expenses	0.4	0.3
Per capita portion of inhabitants' taxes	0.5	0.5
Difference in tax rates applicable to the overseas consolidated subsidiary	(5.5)	(6.6)
Cash dividends received from the overseas consolidated subsidiary	4.1	1.3
Tax exemption of the overseas consolidated subsidiary	(1.1)	(1.4)
Equity in earnings of an affiliate	(1.7)	(0.4)
Tax loss carryforward of a consolidated subsidiary	4.6	1.1
Loss on impairment of revalued land	4.1	1.0
Valuation allowance	–	3.3
Other	0.9	(0.1)
Effective tax rates	46.1%	38.2%

10. Income Taxes (continued)

The significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2006 and 2007 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Deferred tax assets:			
Accrued retirement benefits	¥ 2,806	¥ 2,758	$ 23,363
Allowance for doubtful receivables	68	99	839
Accrued bonuses	497	437	3,702
Valuation loss on inventories	186	190	1,609
Foreign tax credits	328	132	1,118
Tax loss carryforwards	412	1,004	8,505
Loss on impairment of investments in securities and golf club memberships	859	862	7,302
Loss on impairment of fixed assets	1,328	1,524	12,910
Other	935	1,000	8,471
Gross deferred tax assets	7,419	8,006	67,819
Less valuation allowance	(1,212)	(2,380)	(20,161)
Total deferred tax assets	6,207	5,626	47,658
Deferred tax liabilities:			
Dividends from an overseas subsidiary	(86)	(132)	(1,118)
Unrealized holding gain on securities	(12,158)	(11,778)	(99,772)
Land revaluation reserve	(2,368)	(2,384)	(20,195)
Reserve for deferred taxation on contributions for acquisition of property	(1,030)	(992)	(8,403)
Total deferred tax liabilities	(15,642)	(15,286)	(129,488)
Net deferred tax liabilities	¥(9,435)	¥(9,660)	$ (81,830)

11. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan (the "Code"), went into effect on May 1, 2006. 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.

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, 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.

12. 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, 2006 and 2007:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Land revalued at March 31, 2000	¥ (167)	¥ (187)	$ (1,584)
Land revalued at March 31, 2002	(2,289)	(1,313)	(11,122)
	¥(2,456)	¥(1,500)	$(12,706)

13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses totaled ¥483 million and ¥553 million ($4,684 thousand) for the years ended March 31, 2006 and 2007, respectively.

14. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2006 and 2007, which would have been reflected in the consolidated balance sheets if finance leases other than those which transfer the ownership of the leased property of the Company and its consolidated subsidiaries (currently accounted for as operating leases) were capitalized:

	Millions of yen					
	2006			2007		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥362	¥136	¥226	¥410	¥195	¥215

	Thousands of U.S dollars		
	2007		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	$3,473	$1,652	$1,821

The related lease payments and depreciation for the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2007	2007
Lease payments	¥82	¥78	$661
Depreciation	82	78	661

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 property for the years ended March 31, 2006 and 2007.

14. Leases (continued)

The related future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 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,	*Millions of yen*	*Thousands of U.S. dollars*
2008	¥ 84	$ 712
2009 and thereafter	131	1,109
	¥215	$1,821

15. Contingent Liabilities

At March 31, 2007, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	*Thousands of U.S. dollars*
Guarantees of housing loans of employees and indebtedness of an unconsolidated subsidiary, and other	¥270	$2,287

16. Derivatives

The Company and its consolidated subsidiaries enter into various transactions involving derivatives in order to manage risk arising from adverse fluctuation in foreign currency exchange rates. Forward foreign exchange contracts entail the market risk of fluctuation in foreign currency exchange rates. Derivatives positions involve the credit risk that the counterparties may default on their obligations. The Company and its consolidated subsidiaries select only financial institutions with high credit ratings as counterparties in order to minimize their credit risk. The Company and its consolidated subsidiaries do not enter into derivatives transactions whose fluctuation in fair value is material and which could thus impact their operations significantly.

The Company and its consolidated subsidiaries have 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.

At March 31, 2006 and 2007, all open derivatives positions qualified for the application of deferral hedge accounting and, thus, disclosure of fair value information has been omitted.

17. Amounts per Share

Amounts per share at March 31, 2006 and 2007 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2006	2007	2007
Net assets	¥ 854.83	¥ 880.42	$ 7.46
Net income:			
Basic	26.44	37.65	0.32
Diluted	26.42	37.61	0.32
Cash dividends applicable to the year	16.00	12.00	0.10

Amounts per share of net assets are 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.

Basic 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. 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.

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.

18. 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, and 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, 2006 and 2007 are outlined as follows:

Business Segments

	Millions of yen					
	Year ended March 31, 2006					
	Steel sheet products	Electric furnace products	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income (loss)						
Sales to third parties	¥163,439	¥ 8,843	¥ 7,754	¥180,036	¥ –	¥180,036
Intergroup sales and transfers	–	–	4,395	4,395	(4,395)	–
Net sales	163,439	8,843	12,149	184,431	(4,395)	180,036
Operating expenses	150,154	8,965	11,016	170,135	(3,447)	166,688
Operating income (loss)	¥ 13,285	¥ (122)	¥ 1,133	¥ 14,296	¥ (948)	¥ 13,348
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures						
Total assets	¥112,504	¥10,251	¥18,272	¥141,027	¥67,890	¥208,917
Depreciation	4,186	316	321	4,823	557	5,380
Loss on impairment of fixed assets	–	–	3,381	3,381	–	3,381
Capital expenditures	2,670	272	197	3,139	1,174	4,313

18. Segment Information (continued)

Business Segments (continued)

	Millions of yen					
	Year ended March 31, 2007					
	Steel sheet products	Electric furnace products	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income (loss)						
Sales to third parties	¥ 175,568	¥ 8,437	¥ 8,314	¥ 192,319	¥ –	¥ 192,319
Intergroup sales and transfers	–	–	6,141	6,141	(6,141)	–
Net sales	175,568	8,437	14,455	198,460	(6,141)	192,319
Operating expenses	163,316	8,550	12,757	184,623	(5,256)	179,367
Operating income (loss)	¥ 12,252	¥ (113)	¥ 1,698	¥ 13,837	¥ (885)	¥ 12,952
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures						
Total assets	¥ 123,504	¥ 9,641	¥ 16,635	¥ 149,780	¥ 79,751	¥ 229,531
Depreciation	4,524	304	339	5,167	122	5,289
Loss on impairment of fixed assets	–	–	325	325	200	525
Capital expenditures	4,528	271	456	5,255	25	5,280

	Thousands of U.S. dollars					
	Year ended March 31, 2007					
	Steel sheet products	Electric furnace products	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income (loss)						
Sales to third parties	$ 1,487,234	$ 71,470	$ 70,428	$ 1,629,132	$ –	$ 1,629,132
Intergroup sales and transfers	–	–	52,020	52,020	(52,020)	–
Net sales	1,487,234	71,470	122,448	1,681,152	(52,020)	1,629,132
Operating expenses	1,383,448	72,427	108,064	1,563,939	(44,523)	1,519,416
Operating income (loss)	$ 103,786	$ (957)	$ 14,384	$ 117,213	$ (7,497)	$ 109,716
II. Total assets, depreciation, loss on impairment of fixed assets and capital expenditures						
Total assets	$ 1,046,201	$ 81,669	$ 140,914	$ 1,268,784	$ 675,570	$ 1,944,354
Depreciation	38,323	2,575	2,872	43,770	1,033	44,803
Loss on impairment of fixed assets	–	–	2,753	2,753	1,694	4,447
Capital expenditures	38,357	2,296	3,862	44,515	212	44,727

18. Segment Information (continued)

As described in Note 2(2), effective the year ended March 31, 2007 the Company and its consolidated subsidiaries have adopted a new accounting standard for share-based payments. As a result of the adoption of this accounting standard, operating expenses in the steel sheet products segment, electric furnace products segment and other segment for the year ended March 31, 2007 decreased by ¥22 million ($186 thousand), ¥1 million ($8 thousand) and ¥1 million ($8 thousand), respectively, and operating income for these segments decreased by the same amounts from the amounts which would have been recorded under the method applied in the previous year.

Geographical Segments

	Millions of yen				
	Year ended March 31, 2006				
	Japan	Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income					
Sales to third parties	¥ 118,625	¥ 61,411	¥ 180,036	¥ –	¥180,036
Interarea sales and transfers	17	279	296	(296)	–
Net sales	118,642	61,690	180,332	(296)	180,036
Operating expenses	108,988	58,071	167,059	(371)	166,688
Operating income	¥ 9,654	¥ 3,619	¥ 13,273	¥ 75	¥ 13,348
II. Total assets	¥ 115,483	¥ 31,210	¥ 146,693	¥62,224	¥208,917

	Millions of yen				
	Year ended March 31, 2007				
	Japan	Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income					
Sales to third parties	¥ 124,692	¥ 67,627	¥ 192,319	¥ –	¥ 192,319
Interarea sales and transfers	1,042	—	1,042	(1,042)	–
Net sales	125,734	67,627	193,361	(1,042)	192,319
Operating expenses	119,056	61,417	180,473	(1,106)	179,367
Operating income	¥ 6,678	¥ 6,210	¥ 12,888	¥ 64	¥ 12,952
II. Total assets	¥ 120,865	¥ 37,030	¥ 157,895	¥ 71,636	¥ 229,531

18. Segment Information (continued)

Geographical Segments (continued)

	Thousands of U.S. dollars				
	Year ended March 31, 2007				
	Japan	Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income					
Sales to third parties	$1,056,264	$ 572,868	$1,629,132	$ –	$ 1,629,132
Interarea sales and transfers	8,827	—	8,827	(8,827)	–
Net sales	1,065,091	572,868	1,637,959	(8,827)	1,629,132
Operating expenses	1,008,522	520,263	1,528,785	(9,369)	1,519,416
Operating income	$ 56,569	$ 52,605	$ 109,174	$ 542	$ 109,716
II. Total assets	$1,023,846	$ 313,680	$1,337,526	$606,828	$ 1,944,354

As described in Note 2(2), effective the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted a new accounting standard for share-based payments. As a result of the adoption of this accounting standard, operating expenses in the Japan segment for the year ended March 31, 2007 increased by ¥25 million ($211 thousand) and operating income decreased by the same amounts from the amount which would have been recorded under the method applied in the previous year.

The principal country in the Asia segment is Taiwan.

18. Segment Information (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 years ended March 31, 2006 and 2007 are summarized as follows:

	Millions of yen		
	Year ended March 31, 2006		
	Asia	Other	Total
Overseas sales	¥ 51,989	¥ 15,087	¥ 67,076
Consolidated net sales			180,036
Overseas sales as a percentage of consolidated net sales	28.9%	8.4%	37.3%

	Millions of yen			
	Year ended March 31, 2007			
	Asia	North America	Other	Total
Overseas sales	¥ 48,889	¥ 20,267	¥ 9,822	¥ 78,978
Consolidated net sales				192,319
Overseas sales as a percentage of consolidated net sales	25.4%	10.5%	5.1%	41.0%

	Thousands of U.S. dollars			
	Year ended March 31, 2007			
	Asia	North America	Other	Total
Overseas sales	$414,138	$171,681	$ 83,203	$ 669,022
Consolidated net sales				1,629,132

Until the year ended March 31, 2006, overseas sales in the North America area were included in those in other area. Effective the year ended March 31, 2007, overseas sales in the North America area were separately presented as the percentage of overseas sales in the North America area against consolidated net sales was in excess of 10%. Overseas sales in the North America area for the year ended March 31, 2006 were ¥9,193 million.

19. Subsequent Event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, was approved at a meeting of the Board of Directors held on May 22, 2007:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends of ¥7 (U.S.$0.06) per share	¥1,180	$9,996