Consolidated Financial Statements

Yodogawa Steel Works, Ltd.

Year ended March 31, 2013
with Independent Auditor's Report

Yodogawa Steel Works, Ltd.

Consolidated Financial Statements

Year ended March 31, 2013

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Independent Auditor's Report

The Board of Directors
Yodogawa Steel Works, Ltd.

We have audited the accompanying consolidated financial statements of Yodogawa Steel Works, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yodogawa Steel Works, Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

June 27, 2013
Osaka, Japan

Ernst & Young Shinnihon LLC

Yodogawa Steel Works, Ltd.

Consolidated Balance Sheet

March 31, 2013

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2012	**2013**	**2013**
Assets			
Current assets:			
Cash and deposits *(Notes 4, 6 and 12)*	¥ 22,724	¥ 27,406	$ 291,398
Marketable securities *(Notes 4, 6 and 7)*	11,309	8,813	93,705
Notes and accounts receivable *(Notes 5 and 6)*:			
Unconsolidated subsidiaries and affiliates *(Note 23)*	12,496	12,554	133,482
Trade	23,081	22,344	237,576
Less allowance for doubtful receivables	(198)	(223)	(2,371)
Inventories *(Note 8)*	25,895	23,921	254,344
Deferred income taxes *(Note 15)*	804	739	7,858
Other current assets *(Notes 4 and 12)*	4,138	5,155	54,811
Total current assets	100,249	100,709	1,070,803
Property, plant and equipment:			
Land *(Notes 9, 18 and 24)*	18,337	18,792	199,809
Buildings and structures *(Notes 9 and 24)*	49,885	51,878	551,600
Machinery, equipment and vehicles *(Note 9)*	124,567	127,056	1,350,941
Leased assets	85	85	904
Construction in progress	478	7,717	82,052
Less accumulated depreciation	(149,701)	(153,897)	(1,636,332)
Property, plant and equipment, net *(Note 25)*	43,651	51,631	548,974
Investments and other assets:			
Investments in securities *(Notes 6, 7 and 12)*	24,229	27,213	289,346
Investments in unconsolidated subsidiaries and affiliates *(Note 25)*	6,114	4,456	47,379
Deferred income taxes *(Note 15)*	546	558	5,933
Other assets *(Note 12)*	3,167	3,237	34,418
Total investments and other assets	34,056	35,464	377,076
Total assets *(Note 25)*	¥ 177,956	¥ 187,804	$ 1,996,853

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2012	2013	2013
Liabilities and net assets			
Current liabilities:			
Current portion of finance lease obligations	¥ 19	¥ 17	$ 181
Notes and accounts payable *(Notes 5 and 6)*:			
Unconsolidated subsidiaries and affiliates	791	387	4,115
Trade	14,288	15,176	161,361
Construction	1,333	2,446	26,008
Accrued expenses	3,467	3,236	34,407
Accrued income taxes *(Note 15)*	2,489	1,234	13,121
Other current liabilities *(Note 12)*	3,469	4,028	42,828
Total current liabilities	25,856	26,524	282,021
Long-term liabilities:			
Accrued retirement benefits for employees *(Note 14)*	6,988	7,463	79,352
Accrued retirement benefits for directors and corporate auditors	69	86	914
Guarantee deposits *(Note 10)*	3,282	3,247	34,524
Finance lease obligations, less current portion	32	15	159
Negative goodwill *(Note 25)*	36	17	181
Deferred income taxes *(Note 15)*	652	1,846	19,628
Deferred income taxes on land revaluation reserve *(Note 15)*	919	917	9,750
Other long-term liabilities	406	639	6,794
Total long-term liabilities	12,384	14,230	151,302
Contingent liabilities *(Note 13)*			
Net assets:			
Shareholders' equity *(Note 17)*:			
Common stock:			
Authorized: 753,814,067 shares in 2012 and 2013			
Issued: 184,186,153 shares in 2012 and 2013	23,221	23,221	246,901
Capital surplus	23,497	23,497	249,835
Retained earnings *(Note 26)*	90,758	92,135	979,638
Treasury stock, at cost – 24,976,317 shares in 2012 and 26,402,891 shares in 2013	(9,628)	(10,132)	(107,730)
Total shareholders' equity	127,848	128,721	1,368,644
Accumulated other comprehensive income (loss):			
Unrealized holding gain on securities *(Note 7)*	3,817	6,568	69,835
Unrealized loss from hedging instruments	−	(1)	(11)
Land revaluation reserve *(Note 18)*	1,561	1,557	16,555
Translation adjustments	(5,293)	(3,431)	(36,480)
Total accumulated other comprehensive income	85	4,693	49,899
Stock acquisition rights	119	134	1,425
Minority interests	11,664	13,502	143,562
Total net assets	139,716	147,050	1,563,530
Total liabilities and net assets	¥ 177,956	¥ 187,804	$ 1,996,853

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statement of Income

Year ended March 31, 2013

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2012	**2013**	**2013**
Net sales *(Notes 23, 24 and 25)*	¥ 152,777	¥ 141,084	$ 1,500,096
Cost of sales *(Notes 8 and 24)*	132,417	122,189	1,299,192
Gross profit	20,360	18,895	200,904
Selling, general and administrative expenses *(Notes 17, 19 and 24)*	13,946	15,265	162,308
Operating income *(Note 25)*	6,414	3,630	38,596
Other income (expenses):			
Interest and dividend income	795	714	7,592
Interest expense	(51)	(57)	(606)
Gain on insurance claims	85	87	925
Foreign exchange gain, net	49	172	1,829
Amortization of negative goodwill *(Note 25)*	38	19	202
Equity in earnings of an affiliate	210	121	1,287
(Loss) gain on revaluation of derivatives	(85)	137	1,457
(Loss) gain on sales of investments in securities	(18)	285	3,030
Expenses related to employees seconded to overseas unconsolidated subsidiaries	(95)	(175)	(1,861)
Gain (loss) on sales or disposal of property, plant and equipment, net	109	(74)	(787)
Gain on compensation	100	-	-
Loss on impairment of investments in securities *(Note 7)*	(53)	(405)	(4,306)
Loss on impairment of fixed assets *(Notes 9, 24 and 25)*	(125)	(150)	(1,595)
Other, net *(Notes 24 and 25)*	148	5	53
Income before income taxes and minority interests	7,521	4,309	45,816
Income taxes *(Note 15)*:			
Current	2,816	1,475	15,683
Deferred	229	73	776
	3,045	1,548	16,459
Income before minority interests	4,476	2,761	29,357
Minority interests	(632)	(245)	(2,605)
Net income	¥ 3,844	¥ 2,516	$ 26,752

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statement of Comprehensive Income

Year ended March 31, 2013

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2012	**2013**	**2013**
Income before minority interests	¥ 4,476	¥ 2,761	$ 29,357
Other comprehensive (loss) income *(Note 16)*:			
Unrealized holding (loss) gain on securities	(192)	2,759	29,335
Unrealized loss from hedging instruments	-	(1)	(11)
Land revaluation reserve	122	-	-
Translation adjustments	(1,587)	3,565	37,906
Share of other comprehensive income of an affiliate accounted for by the equity method	44	26	276
Total other comprehensive (loss) income	(1,613)	6,349	67,506
Comprehensive income	¥ 2,863	¥ 9,110	$ 96,863
Comprehensive income attributable to:			
Shareholders of Yodogawa Steel Works, Ltd.	¥ 3,003	¥ 7,352	$ 78,171
Minority shareholders of consolidated subsidiaries	(140)	1,758	18,692

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2013

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2011	184,186,153	¥ 23,221	¥ 23,739	¥ 88,288	¥ (9,275)	¥ 125,973
Cash dividends	–	–	–	(1,597)	–	(1,597)
Net income	–	–	–	3,844	–	3,844
Acquisition of treasury stock	–	–	–	–	(358)	(358)
Disposition of treasury stock	–	–	0	–	5	5
Reversal of land revaluation reserve	–	–	–	(19)	–	(19)
Transfer to retained earnings from capital surplus	–	–	(242)	242	–	–
Other changes	–	–	–	–	–	–
Balance at April 1, 2012	184,186,153	¥ 23,221	¥ 23,497	¥ 90,758	¥ (9,628)	¥ 127,848
Cash dividends	–	–	–	(1,194)	–	(1,194)
Net income	–	–	–	2,516	–	2,516
Acquisition of treasury stock	–	–	–	–	(505)	(505)
Disposition of treasury stock	–	–	(0)	–	1	1
Change in scope of consolidation	–	–	–	51	–	51
Reversal of land revaluation reserve	–	–	–	4	–	4
Other changes	–	–	–	–	–	–
Balance at March 31, 2013	184,186,153	¥ 23,221	¥ 23,497	¥ 92,135	¥ (10,132)	¥ 128,721

				Millions of yen				
	Unrealized holding gain on securities	Unrealized loss from hedging instruments	Land revaluation reserve	Translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2011	¥ 3,995	¥ –	¥ 1,386	¥ (4,474)	¥ 907	¥ 110	¥ 11,967	¥ 138,957
Cash dividends	–	–	–	–	–	–	–	(1,597)
Net income	–	–	–	–	–	–	–	3,844
Acquisition of treasury stock	–	–	–	–	–	–	–	(358)
Disposition of treasury stock	–	–	–	–	–	–	–	5
Reversal of land revaluation reserve	–	–	–	–	–	–	–	(19)
Transfer to retained earnings from capital surplus	–	–	–	–	–	–	–	–
Other changes	(178)	–	175	(819)	(822)	9	(303)	(1,116)
Balance at April 1, 2012	¥ 3,817	¥ –	¥ 1,561	¥ (5,293)	¥ 85	¥ 119	¥ 11,664	¥ 139,716
Cash dividends	–	–	–	–	–	–	–	(1,194)
Net income	–	–	–	–	–	–	–	2,516
Acquisition of treasury stock	–	–	–	–	–	–	–	(505)
Disposition of treasury stock	–	–	–	–	–	–	–	1
Change in scope of consolidation	–	–	–	–	–	–	–	51
Reversal of land revaluation reserve	–	–	–	–	–	–	–	4
Other changes	2,751	(1)	(4)	1,862	4,608	15	1,838	6,461
Balance at March 31, 2013	¥ 6,568	¥ (1)	¥ 1,557	¥ (3,431)	¥ 4,693	¥ 134	¥ 13,502	¥ 147,050

Yodogawa Steel Works, Ltd.

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2013

	Thousands of U.S. dollars (Note 3)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	$ 246,901	$ 249,835	$ 964,997	$ (102,371)	$ 1,359,362
Cash dividends	–	–	(12,696)	–	(12,696)
Net income	–	–	26,752	–	26,752
Acquisition of treasury stock	–	–	–	(5,370)	(5,370)
Disposition of treasury stock	–	0	–	11	11
Change in scope of consolidation	–	–	542	–	542
Reversal of land revaluation reserve	–	–	43	–	43
Other changes	–	–	–	–	–
Balance at March 31, 2013	$ 246,901	$ 249,835	$ 979,638	$ (107,730)	$ 1,368,644

	Thousands of U.S. dollars (Note 3)							
	Unrealized holding gain on securities	Unrealized loss from hedging instruments	Land revaluation reserve	Translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2012	$ 40,585	$ –	$ 16,598	$ (56,278)	$ 905	$ 1,265	$ 124,019	$ 1,485,551
Cash dividends	–	–	–	–	–	–	–	(12,696)
Net income	–	–	–	–	–	–	–	26,752
Acquisition of treasury stock	–	–	–	–	–	–	–	(5,370)
Disposition of treasury stock	–	–	–	–	–	–	–	11
Change in scope of consolidation	–	–	–	–	–	–	–	542
Reversal of land revaluation reserve	–	–	–	–	–	–	–	43
Other changes	29,250	(11)	(43)	19,798	48,994	160	19,543	68,697
Balance at March 31, 2013	$ 69,835	$ (11)	$ 16,555	$ (36,480)	$ 49,899	$ 1,425	$ 143,562	$ 1,563,530

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statement of Cash Flows

Year ended March 31, 2013

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2012	**2013**	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 7,521	¥ 4,309	$ 45,816
Adjustments for:			
Depreciation and amortization	4,881	3,988	42,403
Amortization of negative goodwill	(38)	(19)	(202)
Equity in earnings of an affiliate	(210)	(121)	(1,287)
(Decrease) increase in accrued retirement benefits	(264)	153	1,627
Increase (decrease) in accrued bonuses	52	(54)	(574)
(Decrease) increase in allowance for doubtful receivables	(69)	29	309
Interest and dividend income	(795)	(714)	(7,592)
Interest expense	51	57	606
Loss (gain) on revaluation of derivatives	85	(137)	(1,457)
Loss (gain) on sales of investments in securities	18	(285)	(3,030)
Loss on impairment of investments in securities	53	405	4,306
(Gain) loss on sales or disposal of property, plant and equipment, net	(109)	74	787
Loss on impairment of fixed assets	125	150	1,595
(Increase) decrease in notes and accounts receivable	(3,673)	1,076	11,441
Decrease in inventories	1,521	2,817	29,952
(Decrease) increase in notes and accounts payable	(760)	288	3,062
Other	(414)	128	1,361
Subtotal	7,975	12,144	129,123
Insurance claims received	85	87	925
Interest and dividends received	835	765	8,134
Interest paid	(51)	(57)	(606)
Income taxes paid	(871)	(2,749)	(29,229)
Net cash provided by operating activities	¥ 7,973	¥ 10,190	$ 108,347

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2013

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	2012	**2013**	**2013**
Cash flows from investing activities:			
Investments in time deposits with a maturity of more than three months	¥ (700)	¥ (100)	$ (1,063)
Proceeds from time deposits with a maturity of more than three months	813	300	3,190
Proceeds from sales of marketable securities	900	0	0
Purchases of property, plant and equipment	(1,904)	(8,208)	(87,273)
Proceeds from sales of property, plant and equipment	323	70	744
Purchases of intangible fixed assets	(25)	(481)	(5,114)
Purchases of investments in securities	(920)	(31)	(329)
Payments for investments in unconsolidated subsidiaries	(1,180)	-	-
Proceeds from sales of investments in securities	1,123	1,055	11,217
Payment for loans receivable	(264)	(705)	(7,496)
Collection of loans receivable	364	636	6,762
Other	1	15	159
Net cash used in investing activities	(1,469)	(7,449)	(79,203)
Cash flows from financing activities:			
Proceeds from sales of treasury stock	5	0	0
Purchases of treasury stock	(355)	(502)	(5,337)
Cash dividends paid to the Company's shareholders	(1,609)	(1,203)	(12,791)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(158)	(455)	(4,838)
Other	(18)	(19)	(202)
Net cash used in financing activities	(2,135)	(2,179)	(23,168)
Effect of exchange rate changes on cash and cash equivalents	(294)	626	6,656
Net increase in cash and cash equivalents	4,075	1,188	12,632
Cash and cash equivalents at beginning of the year	29,750	33,825	359,649
Increase in cash and cash equivalents resulting from change in scope of consolidation	-	1,325	14,088
Cash and cash equivalents at end of the year *(Note 4)*	¥ 33,825	¥ 36,338	$ 386,369

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements

March 31, 2013

1. Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

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

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended March 31, 2012 to the 2013 presentation. Such reclassifications had no effect on consolidated net income or net assets.

(b) Basis of consolidation

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

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

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

1. Summary of Significant Accounting Policies (continued)

(b) Basis of consolidation (continued)

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

(c) Foreign currency translation

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

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

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

(d) Cash and cash equivalents

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

1. Summary of Significant Accounting Policies (continued)

(e) Securities

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

(f) Derivatives

Derivatives are measured at fair value.

(g) Inventories

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

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

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

Depreciation of property, plant and equipment at overseas consolidated subsidiaries 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)

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

Intangible assets are stated on the basis of cost. Amortization is calculated by the straight-line method over the estimated useful life of the respective assets, which is 5 years.

(j) Research and development costs and computer software

Research and development costs are charged to income as incurred.

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

(k) Leases

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

(l) Allowance for doubtful receivables

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

(m) Income taxes

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

(n) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Consumption taxes and local consumption taxes paid not offset by consumption taxes and local consumption taxes received in accordance with Consumption Tax Act of Japan are charged to income when incurred.

1. Summary of Significant Accounting Policies (continued)

(o) Retirement benefits

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 principally 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 principally 10 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. Accrued retirement benefits for directors and corporate auditors have been provided at an estimated amount based on each consolidated subsidiary's internal rules.

(p) Recognition of revenues and costs of construction contracts

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

(q) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Receivables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates ("Allocation method"). The evaluation of effectiveness of such forward foreign exchange contracts is omitted because significant terms of the hedging instruments and underlying hedged items are the same and the Company assumes that movements of cash flows are completely offset.

1. Summary of Significant Accounting Policies (continued)

(r) Accounting standards issued but not yet effective

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

Under these revised accounting standards, unrecognized actuarial gains and losses and prior service cost shall be recognized within net assets after adjusting for tax effects, and the unfunded retirement benefit obligations or plan the underfunded or overfunded status of a pension plan shall be assets in excess of the retirement benefit obligation shall be recognized as a liability or asset. In addition, the expected retirement benefit obligation can be attributed to each period by the benefit formula basis or by the straight-line method. The calculation method for the discount rate shall also be changed.

The Company and its domestic consolidated subsidiaries will apply these revised accounting standards effective the year ending March 31, 2014. However, the revision of the method of attributing expected benefits to each period will be applied effective April 1, 2014. These accounting standards will not be applied retrospectively to the prior year financial statements.

The Company anticipates the impact on its consolidated financial statements due to the adoption of these accounting standards will be material. Net assets of the Company and its consolidated subsidiaries may fluctuate more mainly because actuarial gains and losses shall be charged to income as incurred. The Company is currently evaluating the effect on the consolidated financial statements a result of adoption of these revised accounting standards.

2. Change in Accounting Policies

Effective the year ended March 31, 2013, the Company and its domestic consolidated subsidiaries changed their depreciation method for property, plant and equipment (except for buildings) acquired on or after April 1, 2012 in accordance with the amended Corporation Tax Law of Japan. The previously applied 250% declining-balance method was changed to the 200% declining-balance method. The effect of this change on the consolidated results of operations for the year ended March 31, 2013 was immaterial.

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 ¥94.05 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2013. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Cash and Cash Equivalents

A reconciliation of cash and deposits shown in the accompanying consolidated balance sheet to cash and cash equivalents shown in the accompanying consolidated statement of cash flows at March 31, 2012 and 2013 is presented as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Cash and deposits	¥ 22,724	¥ 27,406	$ 291,398
Investment trust funds included in “Marketable securities”	10,303	8,303	88,283
Beneficiary interests in trusts included in “Other current assets”	1,000	1,000	10,633
Time deposits with a maturity of more than three months	(202)	(371)	(3,945)
Cash and cash equivalents	¥ 33,825	¥ 36,338	$ 386,369

5. Notes Receivable and Notes Payable

Although the balance sheet dates for the years ended March 31, 2012 and 2013 fell on a bank holiday, notes receivable, unconsolidated subsidiaries and affiliates of ¥89 million and ¥178 million ($1,893 thousand), notes receivable, trade of ¥759 million and ¥727 million ($7,730 thousand), notes payable, trade of ¥434 million and ¥453 million ($4,817 thousand), and notes payable, construction of ¥44 million and ¥5 million ($53 thousand) with maturity dates of March 31, 2012 and 2013, respectively, were excluded from the respective balances but were settled on the next business day.

6. Financial Instruments

Overview

(a) Policy for financial instruments

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

(b) Types of financial instruments and related risk

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

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

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

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

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

6. Financial Instruments (continued)

Overview (continued)

(c) Risk management for financial instruments

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

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

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

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

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

The Group uses derivatives for hedging purposes. Derivative transactions are limited to those that correspond to on-balance sheet items, such as bank deposits, debt securities and others, and does not enter into contracts for which the notional amounts are not based on corresponding items.

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

6. Financial Instruments (continued)

Overview (continued)

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

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

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet, estimated fair value and unrealized loss as of March 31, 2012 and 2013 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2012		
	Carrying value	Estimated fair value	Unrealized loss
Assets:			
Cash and deposits	¥ 22,724	¥ 22,724	¥ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	12,496	12,496	–
Trade	23,081	23,081	–
Marketable securities and investments in securities	28,293	27,917	(376)
Total assets	¥ 86,594	¥ 86,218	¥ (376)
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	¥ 791	¥ 791	¥ –
Trade	14,288	14,288	–
Total liabilities	¥ 15,079	¥ 15,079	¥ –
Derivative transactions*	¥ –	¥ –	¥ –

6. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	Millions of yen		
	2013		
	Carrying value	Estimated fair value	Unrealized loss
Assets:			
Cash and deposits	¥ 27,406	¥ 27,406	¥ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	12,554	12,554	–
Trade	22,344	22,344	–
Marketable securities and investments in securities	30,410	30,273	(137)
Total assets	¥ 92,714	¥ 92,577	¥ (137)
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	¥ 387	¥ 387	¥ –
Trade	15,176	15,176	–
Total liabilities	¥ 15,563	¥ 15,563	¥ –
Derivative transactions*	¥ (20)	¥ (20)	¥ –

	Thousands of U.S. dollars		
	2013		
	Carrying value	Estimated fair value	Unrealized loss
Assets:			
Cash and deposits	$ 291,398	$ 291,398	$ –
Notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	133,482	133,482	–
Trade	237,576	237,576	–
Marketable securities and investments in securities	323,338	321,882	(1,456)
Total assets	$ 985,794	$ 984,338	$ (1,456)
Liabilities:			
Notes and accounts payable			
Unconsolidated subsidiaries and affiliates	$ 4,115	$ 4,115	$ –
Trade	161,361	161,361	–
Total liabilities	$ 165,476	$ 165,476	$ –
Derivative transactions*	$ (212)	$ (212)	$ –

* The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

6. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

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

Cash, deposits, notes and accounts receivable
Since these items are settled in a short period of time, their carrying value approximates the fair value.

Marketable securities and investments in securities
The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 7.

Notes and accounts payable
Since this item is settled in a short period of time, its carrying value approximates the fair value.

Derivative transactions
Please refer to Note 21.

The carrying value of financial instruments without determinable market value at March 31, 2012 and 2013 is presented as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Unlisted stocks	¥ 297	¥ 216	$ 2,297
Money trusts	3,804	4,304	45,763
Negotiable certificates of deposit	2,000	–	–
Investment in a limited liability partnership	287	213	2,265
Preferred stocks	857	883	9,388
Total	¥ 7,245	¥ 5,616	$ 59,713

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

6. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

The redemption schedule for monetary assets and investments by maturity dates at March 31, 2012 and 2013 is as follows:

	Millions of yen			
	2012			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 22,681	¥ -	¥ -	¥ -
Notes and accounts receivable	35,577	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	6	10	20	-
Corporate bonds	5,500	–	500	2,500
Other marketable securities with maturities				
Bonds	-	300	200	-
Other	5,600	-	-	-
Total	¥ 69,364	¥ 310	¥ 720	¥ 2,500

	Millions of yen			
	2013			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 27,359	¥ -	¥ -	¥ -
Notes and accounts receivable	34,898	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	10	-	40	-
Corporate bonds	4,500	–	500	2,500
Other marketable securities with maturities				
Bonds	-	300	200	-
Other	4,100	-	-	-
Total	¥ 70,867	¥ 300	¥ 740	¥ 2,500

6. Financial Instruments (continued)

Estimated Fair Value of Financial Instruments (continued)

	Thousands of U.S. dollars			
	2013			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	$ 290,898	$ -	$ -	$ -
Notes and accounts receivable	371,058	-	-	-
Marketable securities and investments in securities				
Held-to-maturity debt securities				
National and local government bonds	106	-	425	-
Corporate bonds	47,847	-	5,316	26,582
Other marketable securities with maturities				
Bonds	-	3,190	2,127	-
Other	43,594	-	-	-
Total	$ 753,503	$ 3,190	$ 7,868	$ 26,582

7. Securities

Marketable securities classified as held-to-maturity debt securities at March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		
	2012		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	¥ 16	¥ 16	¥ 0
Corporate bonds	1,433	1,461	28
	1,449	1,477	28
Securities whose estimated fair value does not exceed their carrying value:			
Government bonds	20	20	(0)
Corporate bonds	6,742	6,339	(403)
	6,762	6,359	(403)
Total	¥ 8,211	¥ 7,836	¥ (375)

	Millions of yen		
	2013		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	¥ 50	¥ 51	¥ 1
Corporate bonds	3,438	3,506	68
	3,488	3,557	69
Securities whose estimated fair value does not exceed their carrying value:			
Government bonds	-	-	-
Corporate bonds	3,879	3,673	(206)
	3,879	3,673	(206)
Total	¥ 7,367	¥ 7,230	¥ (137)

7. Securities (continued)

	Thousands of U.S. dollars		
	2013		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:			
Government bonds	$ 531	$ 542	$ 11
Corporate bonds	36,555	37,278	723
	37,086	37,820	734
Securities whose estimated fair value does not exceed their carrying value:			
Government bonds	-	-	-
Corporate bonds	41,244	39,054	(2,190)
	41,244	39,054	(2,190)
Total	$ 78,330	$ 76,874	$ (1,456)

Other securities with determinable market value at March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		
	2012		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 8,742	¥ 15,322	¥ 6,580
Corporate bonds	500	503	3
Other	-	-	-
	9,242	15,825	6,583
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	4,561	3,659	(902)
Corporate bonds	501	501	-
Other	98	97	(1)
	5,160	4,257	(903)
Total	¥ 14,402	¥ 20,082	¥ 5,680

7. Securities (continued)

	Millions of yen		
	2013		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 8,495	¥ 18,960	¥ 10,465
Corporate bonds	700	710	10
Other	97	104	7
	9,292	19,774	10,482
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	3,838	2,976	(862)
Corporate bonds	301	293	(8)
Other	-	-	-
	4,139	3,269	(870)
Total	¥ 13,431	¥ 23,043	¥ 9,612

	Thousands of U.S. dollars		
	2013		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$ 90,325	$ 201,595	$ 111,270
Corporate bonds	7,443	7,549	106
Other	1,031	1,106	75
	98,799	210,250	111,451
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	40,808	31,643	(9,165)
Corporate bonds	3,200	3,115	(85)
Other	-	-	-
	44,008	34,758	(9,250)
Total	$ 142,807	$ 245,008	$ 102,201

Sales of securities classified as other securities for the years ended March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Sales	¥ 138	¥ 1,002	$ 10,654
Aggregate gain	37	334	3,551
Aggregate loss	(42)	-	-

7. Securities (continued)

The Group recorded loss on impairment of investments in securities with determinable market value of ¥53 million and ¥405 million ($4,306 thousand) for the years ended March 31, 2012 and 2013, respectively.

8. Inventories

The following is a summary of inventories at March 31, 2012 and 2013:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Finished goods	¥ 13,112	¥ 12,213	$ 129,857
Work in process	3,427	3,216	34,195
Raw materials and supplies	9,356	8,492	90,292
	¥ 25,895	¥ 23,921	$ 254,344

Loss on devaluation of inventories included in cost of sales totaled ¥437 million for the year ended March 31, 2012. Reversal of loss on devaluation of inventories included in cost of sales totaled ¥495 million ($5,263 thousand) for the year ended March 31, 2013.

9. Loss on Impairment of Fixed Assets

The Company and its consolidated subsidiaries recognized loss on impairment of fixed assets for the years ended March 31, 2012 and 2013 as follows:

			Millions of yen		*Thousands of U.S. dollars*
Location	Use	Classification	**2012**	**2013**	**2013**
Nishiwaki City, Hyogo Prefecture	Golf course	Land, buildings and structures and machinery, equipment and vehicles	¥ -	¥133	$ 1,414
Miyazaki City, Miyazaki Prefecture	Idle assets	Land	107	10	106
Nerima City, Tokyo Prefecture	Idle assets	Land	-	6	64
Ishioka City, Ibaraki Prefecture	Idle assets	Land	2	-	-
Village of Hakuba, Nagano Prefecture	Idle assets	Land	1	1	11
Suzaka City, Nagano Prefecture	Idle assets	Land	0	0	0
Kure City, Hiroshima Prefecture	Idle assets	Land	10	–	–
Gobou City, Wakayama Prefecture	Idle assets	Land	5	–	–
Nerima City, Tokyo Prefecture	Idle assets	Buildings	0	–	–
Total			¥125	¥150	$ 1,595

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

Consequently, the Company and its consolidated subsidiaries have written down the carrying values of the golf course and its asset group whose operating income has been continuously negative to their respective net recoverable values, and have recorded a related loss on impairment of fixed assets of ¥133 million ($1,414 thousand) for the year ended March 31, 2013, which consisted of land of ¥98 million ($1,041 thousand), buildings and structures of ¥34 million ($362 thousand) and machinery, equipment and vehicles of ¥1 million ($11 thousand).

9. Loss on Impairment of Fixed Assets (continued)

In addition, the Company and its consolidated subsidiaries have written down the carrying values of the idle assets owned by the Company and its consolidated subsidiaries for the years ended March 31, 2012 and 2013, which are not expected to be utilized in the future, to their respective net recoverable values, and have recorded a related loss on impairment of fixed assets of ¥125 million and ¥17 million ($181 thousand) for the years ended March 31, 2012 and 2013, respectively. This loss on impairment of fixed assets consisted of land of ¥125 million and buildings of ¥0 million for the year ended March 31, 2012, and land of ¥17 million ($181 thousand) for the year ended March 31, 2013.

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.

10. Guarantee Deposits

Guarantee deposits consisted of interest-free deposits, most of which were golf-club membership deposits, and interest-bearing deposits, which were principally deposits from customers at average annual interest rates of 0.80% and 0.82% at March 31, 2012 and 2013, respectively.

Interest-free deposits and interest-bearing deposits at March 31, 2012 and 2013 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Interest-free deposits	¥ 2,581	¥ 2,524	$ 26,837
Interest-bearing deposits	701	723	7,687
	¥ 3,282	¥ 3,247	$ 34,524

11. Line-of-credit Agreements

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2012 and 2013 was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Lines of credit	¥ 19,450	¥ 19,450	$ 206,805
Credit utilized	-	-	-
Available credit	¥ 19,450	¥ 19,450	$ 206,805

12. Pledged Assets

Assets pledged as collateral for indebtedness at March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Cash and deposits	¥ 60	¥ 60	$ 638
Other current assets	-	69	734
Investments in securities	16	17	181
Other assets	167	179	1,903
	¥ 243	¥ 325	$ 3,456

Indebtedness secured by these assets as collateral was ¥52 million and ¥52 million ($553 thousand), a component of other current liabilities at March 31, 2012 and 2013 respectively.

13. Contingent Liabilities

The Company was contingently liable for guarantees of borrowings from financial institutions and others of an unconsolidated subsidiary in the aggregate amounts of ¥47 million ($500 thousand) at March 31, 2013.

In addition, the Company is repairing machinery supplied to a customer located in Africa due to a product defect, damages during the shipment and other reasons. The Company was contingently liable for additional repair costs in the amount of approximately ¥300 million ($3,190 thousand). The total amount to be paid by the Company will depend on future negotiations with the manufacturer of the machinery.

14. Retirement Benefits

The Company and its domestic consolidated subsidiaries have two types of defined benefit retirement plans: a defined benefit pension plan and a lump sum payment plan. Moreover, two of overseas consolidated subsidiaries have a defined benefit pension plan. Additional severance payments may also be provided for an early retirement program. Furthermore, the Company has adopted a retirement allowance trust.

The funded and accrued status of the employees' defined-benefits retirement plans of the Group, and the amounts recognized in the accompanying consolidated balance sheet at March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Retirement benefit obligation	¥ (12,597)	¥ (14,155)	$ (150,505)
Plan assets at fair value	3,768	4,208	44,742
Unfunded retirement benefit obligation	(8,829)	(9,947)	(105,763)
Unrecognized actuarial loss	2,484	3,111	33,078
Unrecognized prior service cost	(15)	(13)	(138)
Net retirement benefit obligation	(6,360)	(6,849)	(72,823)
Prepaid pension cost	628	614	6,529
Accrued retirement benefits	¥ (6,988)	¥ (7,463)	$ (79,352)

As permitted under the accounting standards for retirement benefits, certain domestic consolidated subsidiaries have calculated their retirement benefit obligation based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily and the amount of liability reserve noted in the most recent pension financing for retired employees.

14. Retirement Benefits (continued)

The components of retirement benefit expenses for the years ended March 31, 2012 and 2013 are outlined as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Service cost	¥ 580	¥ 639	$ 6,794
Interest cost	236	226	2,403
Expected return on plan assets	(73)	(66)	(702)
Amortization of actuarial loss	187	195	2,074
Amortization of prior service cost	(2)	(1)	(11)
Total	¥ 928	¥ 993	$ 10,558

Retirement benefit expenses for certain domestic subsidiaries, whose benefit obligation is calculated based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily, have been fully included in service cost.

The assumptions used in accounting for the above benefit plans for the years ended March 31, 2012 and 2013 were as follows:

	2012	**2013**
Discount rates	Principally 2.0%	Principally 1.3%
Expected rates of return on plan assets	Principally 2.0%	Principally 1.9%

15. 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 statutory tax rates of approximately 40.5% and 37.9% for the years ended March 31, 2012 and 2013, respectively.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2012 was omitted because the difference between these rates was less than 5% of the statutory tax rate.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2013 as a percentage of income before income taxes and minority interests is as follows:

	2013
Statutory tax rate	37.9 %
Permanently non-deductible expenses	0.9
Per capita portion of inhabitants' taxes	1.3
Difference in tax rates applicable to the overseas consolidated subsidiary	(1.7)
Cash dividends received from the overseas consolidated subsidiary	(1.4)
Adjustments of accounting standards applied by the overseas consolidated subsidiary	(1.9)
Foreign tax credit	1.6
Tax loss carryforwards of consolidated subsidiaries	1.8
Increase in valuation allowance	1.7
Permanently non-taxable income	(2.1)
Tax credit for research and development costs	(0.4)
Equity in earnings of an affiliate	(0.8)
Other	(1.0)
Effective tax rate	35.9 %

15. Income Taxes (continued)

The significant components of the deferred tax assets and liabilities of the Group at March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Deferred tax assets:			
Accrued retirement benefits	¥ 2,079	¥ 2,179	$ 23,169
Allowance for doubtful receivables	62	83	883
Accrued enterprise taxes	175	118	1,255
Accrued bonuses	333	312	3,317
Loss on devaluation of inventories	296	143	1,520
Foreign tax credit	404	3	32
Tax loss carryforwards	582	620	6,592
Loss on impairment of investments in securities and golf-club memberships	844	781	8,304
Loss on impairment of fixed assets	147	219	2,329
Unrealized loss from hedging instruments	-	1	11
Other	888	1,015	10,791
Gross deferred tax assets	5,810	5,474	58,203
Less valuation allowance	(2,399)	(2,152)	(22,881)
Total deferred tax assets	3,411	3,322	35,322
Deferred tax liabilities:			
Dividends from an overseas consolidated subsidiary	(113)	(45)	(478)
Unrealized holding gain on securities	(1,782)	(3,007)	(31,972)
Land revaluation reserve	(919)	(917)	(9,750)
Reserve for deferred taxation on contributions for acquisition of property	(694)	(668)	(7,103)
Reserve for special depreciation	-	(7)	(74)
Other	(124)	(144)	(1,532)
Total deferred tax liabilities	(3,632)	(4,788)	(50,909)
Net deferred tax liabilities	¥ (221)	¥ (1,466)	$ (15,587)

16. Other Comprehensive (Loss) Income

Reclassification adjustments and tax effects of other comprehensive (loss) income for the years ended March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Unrealized holding (loss) gain on securities:			
(Loss) gain arising during the year	¥ (842)	¥ 3,863	$ 41,074
Reclassification adjustments	75	121	1,286
Before tax effect	(767)	3,984	42,360
Tax effect	575	(1,225)	(13,025)
Total	(192)	2,759	29,335
Unrealized loss from hedging instruments:			
Loss arising during the year	-	(1)	(11)
Before tax effect	-	(1)	(11)
Tax effect	-	0	0
Total	-	(1)	(11)
Land revaluation reserve:			
Tax effect	122	-	-
Translation adjustments:			
Amount arising during the year	(1,587)	3,565	37,906
Share of other comprehensive income of an affiliate accounted for by the equity method:			
Amount arising during the year	44	26	276
Total other comprehensive (loss) income	¥ (1,613)	¥ 6,349	$ 67,506

17. Shareholders’ Equity

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

The legal reserve of the Company was nil at March 31, 2012 and 2013.

Stock options

Stock option expenses charged to income for the years ended March 31, 2012 and 2013 amounted to ¥19 million and ¥16 million ($170 thousand), respectively.

In accordance with the former Commercial Code of Japan (“the Code”), a stock option plan for certain directors and executive officers of the Company was approved at the annual general meeting of the shareholders held on June 29, 2004 (the 2004 plan). Under the terms of this plan, up to 81,000 shares of common stock were granted at ¥1 ($0.01) per share. The options are exercisable from June 30, 2023 to June 29, 2024. In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation until 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 (the 2005 plan). Under the terms of this plan, up to 62,000 shares of common stock were granted at ¥1 ($0.01) per share. The options are exercisable from June 30, 2024 to June 29, 2025. In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation until June 29, 2025.

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 14, 2006 (the 2006 plan). Under the terms of this plan, up to 53,000 shares of common stock were granted at ¥1 ($0.01) per share. The options are exercisable from June 30, 2025 to June 29, 2026. In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation until June 29, 2026.

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 17, 2007 (the 2007 plan). Under the terms of this plan, up to 43,000 shares of common stock were granted at ¥1 ($0.01) per share. The options are exercisable from June 30, 2026 to June 29, 2027. In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation until June 29, 2027.

17. Shareholders' Equity (continued)

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 15, 2008 (the 2008 plan). Under the terms of this plan, up to 60,000 shares of common stock were granted at ¥1 ($0.01) per share. The options are exercisable from June 30, 2027 to June 29, 2028. In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation until June 29, 2028.

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 15, 2009 (the 2009 plan). Under the terms of this plan, up to 69,000 shares of common stock were granted at ¥1 ($0.01) per share. The options are exercisable from June 30, 2028 to June 29, 2029. In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation until June 29, 2029.

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 14, 2010 (the 2010 plan). Under the terms of this plan, up to 102,000 shares of common stock were granted at ¥1 ($0.01) per share. The options are exercisable from June 30, 2029 to June 29, 2030. In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation until June 29, 2030.

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 15, 2011 (the 2011 plan). Under the terms of this plan, up to 98,000 shares of common stock were granted at ¥1 ($0.01) per share. The options are exercisable from June 30, 2030 to June 29, 2031. In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation until June 29, 2031.

In accordance with the Law, a stock option plan for certain directors and executive officers of the Company was approved at a meeting of the Board of Directors held on July 17, 2012 (the 2012 plan). Under the terms of this plan, up to 77,000 shares of common stock were granted at ¥1 ($0.01) per share. The options are exercisable from June 30, 2031 to June 29, 2032. In the event a grantee resigns from both positions of director and executive officer, the options are exercisable from the day following their resignation until June 29, 2032.

17. Shareholders' Equity (continued)

Stock option activity plans is summarized as follows:

	The 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan
Number of stock options which are not yet vested:									
Outstanding at April 1, 2012	21,000	16,000	25,000	27,000	40,000	66,000	80,000	78,000	–
Granted	-	–	–	–	–	–	–	–	77,000
Forfeited	–	–	–	–	–	–	–	–	–
Vested	6,000	4,000	6,000	6,000	9,000	18,000	19,000	19,000	-
Outstanding at March 31, 2013	15,000	12,000	19,000	21,000	31,000	48,000	61,000	59,000	77,000
Number of stock options which have already been vested:									
Outstanding at April 1, 2012	-	–	2,000	2,000	14,000	3,000	4,000	–	–
Vested	6,000	4,000	6,000	6,000	9,000	18,000	19,000	19,000	–
Exercised	–	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–	–
Outstanding at March 31, 2013	6,000	4,000	8,000	8,000	23,000	21,000	23,000	19,000	–
Fair value of stock options as of the grant date	¥ -	¥ –	¥ 478	¥ 546	¥ 416	¥ 365	¥ 280	¥ 240	¥ 204

17. Shareholders' Equity (continued)

Valuation method for estimating fair value was the Black-Scholes model. The major assumptions used were as follows:

Major assumptions	Note	The 2012 plan
Expected volatility	(a)	28.358%
Expected holding period		10 years
Expected dividend	(b)	¥10 per share
Risk-free rate	(c)	0.773%

(a) Expected volatility was computed by the actual stock price of the Company during the period from August 2002 to July 2012.

(b) The expected dividend was calculated at the actual amount paid for the year ended March 31, 2012.

(c) The risk-free rate was determined based on Japanese government bonds whose redemption period corresponds to the expected holding period described above.

Because it is difficult to reasonably estimate the number of stock options that will expire, the estimation reflects only the actual number of expired stock options.

Treasury stock

Movements in treasury stock during the years ended March 31, 2012 and 2013 are summarized as follows:

	Number of shares			
	2012			
	April 1, 2011	Increase	Decrease	March 31, 2012
Treasury stock	23,913,491	1,073,702	10,876	24,976,317

	Number of shares			
	2013			
	April 1, 2012	Increase	Decrease	March 31, 2013
Treasury stock	24,976,317	1,427,843	1,269	26,402,891

18. 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, 2012 and 2013:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Land revalued at March 31, 2000	¥ (280)	¥ (293)	$ (3,116)
Land revalued at March 31, 2002	(521)	(623)	(6,624)
	¥ (801)	¥ (916)	$ (9,740)

A certain portion of land revalued at March 31, 2000 and 2002 is related to real estate for investment, rental and idle properties at March 31, 2012 in the amounts of ¥15 million and ¥196 million, respectively.

A certain portion of land revalued at March 31, 2000 and 2002 is related to real estate for investment, rental and idle properties at March 31, 2013 in the amounts of ¥11 million ($117 thousand) and ¥239 million ($2,541 thousand), respectively.

19. Research and Development Costs

Research and development costs included in selling, general and administrative expenses totaled ¥457 million and ¥427 million ($4,540 thousand) for the years ended March 31, 2012 and 2013, respectively.

20. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2012 and 2013, which would have been reflected in the accompanying consolidated balance sheets if finance leases other than those which transfer the ownership of the leased assets to the Group (currently accounted for as operating leases) were capitalized:

	Millions of yen					
	2012			**2013**		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥ 31	¥ 27	¥ 4	¥ 10	¥ 8	¥ 2

	Thousands of U.S dollars		
	2013		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	$ 107	$ 85	$ 22

The related lease payments and depreciation for the years ended March 31, 2012 and 2013 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2012	**2013**	**2013**
Lease payments	¥ 11	¥ 2	$ 22
Depreciation	11	2	22

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

No loss on impairment has been recorded on leased assets for the years ended March 31, 2012 and 2013.

The related future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2013 under finance leases other than those which transfer the ownership of the leased assets to the Group are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2014	¥ 1	$ 11
2015 and thereafter	1	11
	¥ 2	$ 22

21. Derivatives

The open currency-related derivatives positions not designated as hedging instruments at March 31, 2012 and 2013 are as follows:

	Thousands of New Taiwan dollars		*Millions of yen*	
	2012			
Type of transaction	Contract value (notional principal amount)	Contract value over one year	Estimated fair value	Unrealized gain
Over-the-counter transactions				
Forward foreign exchange contracts:				
Selling USD	TWD 174,802	TWD –	¥ 2	¥ 2

	Thousands of New Taiwan dollars		*Millions of yen*		*Thousands of U.S. dollars*	
	2013					
Type of transaction	Contract value (notional principal amount)	Contract value over one year	Estimated fair value	Unrealized loss	Estimated fair value	Unrealized loss
Over-the-counter transactions						
Forward foreign exchange contracts:						
Selling USD	TWD 243,109	TWD –	¥ (0)	¥ (0)	$ (0)	$ (0)

	Millions of yen				*Thousands of U.S. dollars*	
	2013					
Type of transaction	Contract value (notional principal amount)	Contract value over one year	Estimated fair value	Unrealized loss	Estimated fair value	Unrealized loss
Over-the-counter transactions						
Forward foreign exchange contracts:						
Selling RMB	¥ 1,131	¥ 1,131	¥ (18)	¥ (18)	$ (191)	$ (191)

Fair value is based on the prices obtained from financial institutions.

21. Derivatives (continued)

The open currency-related derivatives positions designated as hedging instruments at March 31, 2012 and 2013 are as follows:

		Millions of yen		
		2012		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Deferral hedge accounting	Forecasted transactions in foreign currencies: Selling USD, Accounts receivable	¥ –	¥ –	¥ –
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Selling USD, Accounts receivable	¥ 719	¥ –	¥ –

		Millions of yen		
		2013		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Deferral hedge accounting	Forecasted transactions in foreign currencies: Selling USD, Accounts receivable	¥ 12	¥ –	¥ (2)
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Selling USD, Accounts receivable	¥ 850	¥ –	¥ –

		Thousands of U.S. dollars		
		2013		
Method of hedge accounting	Hedge transactions and major hedged items	Contract value (notional principal amount)	Contract value over one year	Estimated fair value
Deferral hedge accounting	Forecasted transactions in foreign currencies: Selling USD, Accounts receivable	$ 128	$ –	$ (21)
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts: Selling USD, Accounts receivable	$ 9,038	$ –	$ –

Fair value is based on the prices obtained from financial institutions.

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

22. Amounts per Share

Amounts per share at March 31, 2012 and 2013 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2012	**2013**	**2013**
Net assets	¥ 803.55	¥ 845.55	$ 8.99
Net income:			
Basic	24.07	15.82	0.17
Diluted	24.01	15.78	0.17
Cash dividends	10.00	7.50	0.08

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

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

The average number of shares of common stock used to compute basic net income per share for the years ended March 31, 2012 and 2013 were 159,698 thousand and 159,033 thousand, respectively. The dilutive potential of shares of common stock for the years ended March 31, 2012 and 2013 were 384 thousand and 425 thousand, respectively.

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.

23. Transactions with Related Parties

Transactions and balances with related parties as of and for the years ended March 31, 2012 and 2013 are summarized as follows:

Transactions

Name of affiliated company	Type of transaction	*Millions of yen* 2012	*Millions of yen* 2013	*Thousands of U.S. dollars* 2013
Sadoshima Corporation	Sales	¥ 30,560	¥ 31,361	$ 333,450

Balances

Name of affiliated company	Account name	*Millions of yen* 2012	*Millions of yen* 2013	*Thousands of U.S. dollars* 2013
Sadoshima Corporation	Notes and accounts receivable	¥ 11,086	¥ 11,418	$ 121,404

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

24. Investment, Rental and Idle Properties

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

The carrying value in the consolidated balance sheet at March 31, 2012 and 2013 and the corresponding fair value of rental properties and idle properties are as follows:

	Millions of yen			
	Carrying value			Fair value
	2011	**Net change**	**2012**	**2012**
Rental properties and idle properties	¥ 4,745	¥ (319)	¥ 4,426	¥ 8,620
Properties of which a part are used as rental properties	4,887	(69)	4,818	9,641
Total	¥ 9,632	¥ (388)	¥ 9,244	¥ 18,261

	Millions of yen			
	Carrying value			Fair value
	2012	**Net change**	**2013**	**2013**
Rental properties and idle properties	¥ 4,426	¥ (35)	¥ 4,391	¥ 7,650
Properties of which a part are used as rental properties	4,818	(64)	4,754	11,408
Total	¥ 9,244	¥ (99)	¥ 9,145	¥ 19,058

	Thousands of U.S. dollars			
	Carrying value			Fair value
	2012	**Net change**	**2013**	**2013**
Rental properties and idle properties	$ 47,060	$ (372)	$ 46,688	$ 81,340
Properties of which a part are used as rental properties	51,228	(680)	50,548	121,297
Total	$ 98,288	$ (1,052)	$ 97,236	$ 202,637

24. Investment, Rental and Idle Properties (continued)

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

The components of net change in carrying value for the year ended March 31, 2012 included decreases mainly due to impairment loss recognized in the amount of ¥125 million, translation adjustments in the amount of ¥99 million and depreciation of buildings in the amount of ¥160 million.

The components of net change in carrying value for the year ended March 31, 2013 included depreciation of buildings in the amount of ¥139 million ($1,478 thousand) and sales of properties in the amount of ¥76 million ($808 thousand).

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

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

Revenues, costs and expenses relevant to investment, rental and idle properties for the years ended March 31, 2012 and 2013 are as follows:

Millions of yen			
2012			
Rental revenues	Rental costs	Difference	Other gain (loss), net on sales and others
¥ 850	¥ 598	¥ 252	¥ 66

Millions of yen			
2013			
Rental revenues	Rental costs	Difference	Other gain (loss), net on sales and others
¥ 851	¥ 576	¥ 275	¥ (25)

Thousands of U.S. dollars			
2013			
Rental revenues	Rental costs	Difference	Other gain (loss), net on sales and others
$ 9,048	$ 6,124	$ 2,924	$ (266)

24. Investment, Rental and Idle Properties (continued)

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

25. Segment Information

i) Outline of segment information

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

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

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

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

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

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

25. Segment Information (continued)

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

Information by reportable segment for the years ended March 31, 2012 and 2013 are summarized as follows:

	Millions of yen								
	Year ended March 31, 2012								
	Reportable Segments							Adjustments and eliminations	Consolidated
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other	Total		
Net sales									
Sales to third parties	¥ 140,660	¥ 5,053	¥ 3,147	¥ 886	¥ 149,746	¥ 3,031	¥ 152,777	¥ –	¥ 152,777
Inter-segment sales and transfers	–	–	–	479	479	2,759	3,238	(3,238)	–
Total	¥ 140,660	¥ 5,053	¥ 3,147	¥ 1,365	¥ 150,225	¥ 5,790	¥ 156,015	¥ (3,238)	¥ 152,777
Segment income (loss)	¥ 6,383	¥ 519	¥ (141)	¥ 706	¥ 7,467	¥ 52	¥ 7,519	¥ (1,105)	¥ 6,414
Segment assets	¥ 99,804	¥ 4,498	¥ 3,263	¥ 8,559	¥ 116,124	¥ 7,034	¥ 123,158	¥ 54,798	¥ 177,956
Other items									
Depreciation and amortization	¥ 4,109	¥ 347	¥ 118	¥ 85	¥ 4,659	¥ 161	¥ 4,820	¥ 61	¥ 4,881
Investment in an affiliate accounted for by the equity method	3,117	–	301	2	3,420	–	3,420	–	3,420
Increase in property, plant and equipment and intangible assets	1,711	366	27	19	2,123	62	2,185	29	2,214

25. Segment Information (continued)

	Millions of yen								
	Year ended March 31, 2013								
	Reportable Segments							Adjustments	
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other	Total	and eliminations	Consolidated
Net sales									
Sales to third parties	¥ 130,549	¥ 3,535	¥ 3,350	¥ 901	¥ 138,335	¥ 2,749	¥ 141,084	¥ –	¥ 141,084
Inter-segment sales and transfers	–	–	–	424	424	3,737	4,161	(4,161)	–
Total	¥ 130,549	¥ 3,535	¥ 3,350	¥ 1,325	¥ 138,759	¥ 6,486	¥ 145,245	¥ (4,161)	¥ 141,084
Segment income (loss)	¥ 4,522	¥ (188)	¥ 76	¥ 664	¥ 5,074	¥ (243)	¥ 4,831	¥ (1,201)	¥ 3,630
Segment assets	¥ 108,462	¥ 3,534	¥ 3,238	¥ 8,477	¥ 123,711	¥ 8,108	¥ 131,819	¥ 55,985	¥ 187,804
Other items									
Depreciation and amortization	¥ 3,325	¥ 276	¥ 87	¥ 71	¥ 3,759	¥ 168	¥ 3,927	¥ 61	¥ 3,988
Investment in an affiliate accounted for by the equity method	3,202	–	309	2	3,513	–	3,513	–	3,513
Increase in property, plant and equipment and intangible assets	8,763	113	8	13	8,897	874	9,771	17	9,788

	Thousands of U.S. dollars								
	Year ended March 31, 2013								
	Reportable Segments							Adjustments	
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Sub-Total	Other	Total	and eliminations	Consolidated
Net sales									
Sales to third parties	$ 1,388,081	$ 37,586	$ 35,620	$ 9,580	$ 1,470,867	$29,229	$ 1,500,096	$ –	$ 1,500,096
Inter-segment sales and transfers	–	–	–	4,508	4,508	39,734	44,242	(44,242)	–
Total	$ 1,388,081	$ 37,586	$ 35,620	$ 14,088	$ 1,475,375	$ 68,963	$ 1,544,338	$ (44,242)	$ 1,500,096
Segment income (loss)	$ 48,081	$ (1,999)	$ 808	$ 7,060	$ 53,950	$ (2,584)	$ 51,366	$ (12,770)	$ 38,596
Segment assets	$ 1,153,238	$ 37,576	$ 34,428	$ 90,133	$ 1,315,375	$ 86,209	$ 1,401,584	$ 595,269	$ 1,996,853
Other items									
Depreciation and amortization	$ 35,353	$ 2,935	$ 925	$ 755	$ 39,968	$ 1,786	$ 41,754	$ 649	$ 42,403
Investment in an affiliate accounted for by the equity method	34,046	–	3,285	21	37,352	–	37,352	–	37,352
Increase in property, plant and equipment and intangible assets	93,174	1,202	85	138	94,599	9,293	103,892	180	104,072

25. Segment Information (continued)

As described in Note 2, effective the year ended March 31, 2013, the Company and its domestic consolidated subsidiaries changed their depreciation method for property, plant and equipment (except for buildings) acquired on or after April 1, 2012 in accordance with the amended Corporation Tax Law of Japan. The effect of this change on the segment income (loss) for the year ended March 31, 2013 was immaterial.

Net sales categorized by country and region based on locations of customers within the Group for the years ended March 31, 2012 and 2013 are summarized as follows:

Millions of yen			
2012			
Japan	Taiwan	Other	Total
¥ 98,561	¥ 23,993	¥ 30,223	¥ 152,777

Millions of yen			
2013			
Japan	Taiwan	Other	Total
¥ 93,531	¥ 20,152	¥ 27,401	¥ 141,084

Thousands of U.S. dollars			
2013			
Japan	Taiwan	Other	Total
$ 994,482	$ 214,269	$ 291,345	$ 1,500,096

Property, plant and equipment, net, categorized by geographical area at March 31, 2012 and 2013 are summarized as follows:

Millions of yen			
2012			
Japan	Taiwan	Other	Total
¥ 33,949	¥ 9,635	¥ 67	¥ 43,651

Millions of yen			
2013			
Japan	Taiwan	Other	Total
¥ 33,094	¥ 10,313	¥ 8,224	¥ 51,631

Thousands of U.S. dollars			
2013			
Japan	Taiwan	Other	Total
$ 351,877	$ 109,654	$ 87,443	$ 548,974

25. Segment Information (continued)

Net sales to major customers for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		*Thousands of U.S. dollars*	
Customer name	**2012**	**2013**	**2013**	Related Segments
Sadoshima Corporation	¥ 30,560	¥ 31,361	$ 333,450	"Steel Sheet Segment," "Grating Segment," "Real Estate Segment" and "Other"

Loss on impairment of fixed assets by reportable segment for the years ended March 31, 2012 and 2013 is summarized as follows:

	Millions of yen						
	Year ended March 31, 2012						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥ 0	¥ 125	¥ 125

	Millions of yen						
	Year ended March 31, 2013						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥140	¥ 10	¥ 150

	Thousands of U.S. dollars						
	Year ended March 31, 2013						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Loss on impairment of fixed assets	$ –	$ –	$ –	$ –	$ 1,489	$ 106	$ 1,595

25. Segment Information (continued)

The amortization and balance of negative goodwill by reportable segment as of and for the years ended March 31, 2012 and 2013 :

	Millions of yen						
	Year ended March 31, 2012						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Amortization	¥ 14	¥ 0	¥ 0	¥ –	¥ 21	¥ 3	¥ 38
Balance at the year end	26	0	1	–	3	6	36

	Millions of yen						
	Year ended March 31, 2013						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Amortization	¥ 13	¥ –	¥ 0	¥ –	¥ 2	¥ 4	¥ 19
Balance at the year end	12	–	0	–	1	4	17

	Thousands of U.S. dollars						
	Year ended March 31, 2013						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Amortization	$138	$ –	$ 0	$ –	$ 21	$ 43	$ 202
Balance at the year end	127	–	0	–	11	43	181

25. Segment Information (continued)

Negative goodwill credited to income by reportable segment for the year ended March 31, 2012 is summarized as follows:

	Millions of yen						
	Year ended March 31, 2012						
	Reportable Segments						
	Steel Sheet Segment	Roll Segment	Grating Segment	Real Estate Segment	Other	Adjustments and eliminations	Total
Negative goodwill credited to income	¥ 3	¥ 0	¥ 0	¥ –	¥ 0	¥ 1	¥ 4

Negative goodwill was credited to income for the year ended March 31, 2012 due to purchases of a subsidiary's shares and recorded under other, net, as part of other expenses in the consolidated statement of income.

There was no

26. Subsequent Events

(a) Cash dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2013, was approved at a meeting of the Board of Directors held on May 13, 2013:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends of ¥5 ($0.05) per share	¥ 795	$ 8,453

(b) Purchase of treasury stock

A plan to purchase up to 1,300 thousand shares of the Company's common stock at a cost up to ¥500 million ($5,316 thousand) was approved at the meeting of the Board of Directors held on May 13, 2013. This is intended to contribute to the execution of a flexible capital management policy in response to changes in the business environment. By June 5, 2013, the Company purchased 1,218 thousand shares of the Company's common stock at a cost of ¥500 million ($5,316 thousand) in the market.