

Non-Consolidated Financial Statements

Yodogawa Steel Works, Ltd.

*Years ended March 31, 2000 and 2001
with Independent Auditors' Report*

Yodogawa Steel Works, Ltd.

Non-Consolidated Financial Statements

Years ended March 31, 2000 and 2001

Contents

Non-Consolidated Financial Statements

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Independent Auditors' Report on Non-Consolidated Financial Statements

The Board of Directors and the Shareholders
Yodogawa Steel Works, Ltd.

We have audited the non-consolidated balance sheets of Yodogawa Steel Works, Ltd. as of March 31, 2000 and 2001, and the related non-consolidated statements of income and shareholders' equity for the two years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in yen, present fairly the financial position of Yodogawa Steel Works, Ltd. at March 31, 2000 and 2001, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1, Yodogawa Steel Works, Ltd. has adopted new accounting standards for tax-effect accounting effective the year ended March 31, 2000 and for employees' retirement benefits, financial instruments and foreign currency translation effective the year ended March 31, 2001 in the preparation of its non-consolidated financial statements.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Osaka, Japan
June 28, 2001

See Note 1 which explains the basis of preparation of the non-consolidated financial statements of Yodogawa Steel Works, Ltd. under Japanese accounting principles and practices.

Yodogawa Steel Works, Ltd.

Non-Consolidated Balance Sheets

March 31, 2000 and 2001

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2000</u>	<u>2001</u>	<u>2001</u>
Assets			
Current assets:			
Cash and cash equivalents	¥ 25,157	¥ 19,072	\$ 153,931
Short-term investments	2,000	–	–
Marketable securities (Note 3)	20,729	3,132	25,278
Notes and accounts receivable:			
Subsidiaries and affiliates	19,341	22,052	177,982
Trade	22,041	23,392	188,797
Less allowance for doubtful receivables	(153)	(130)	(1,049)
Inventories (Note 4)	26,356	27,520	222,115
Deferred income taxes (Note 7)	327	422	3,406
Other current assets	4,241	2,506	20,226
Total current assets	<u>120,039</u>	<u>97,966</u>	<u>790,686</u>
Property, plant and equipment, at cost (Note 5):			
Land	18,494	18,270	147,457
Buildings and structures	40,198	41,877	337,990
Machinery, equipment and vehicles	101,932	103,567	835,892
Construction in progress	3,436	134	1,082
Less accumulated depreciation	(105,074)	(106,587)	(860,266)
Property, plant and equipment, net	<u>58,986</u>	<u>57,261</u>	<u>462,155</u>
Investments and other assets:			
Investments in securities (Note 3)	1,018	17,867	144,205
Investments in and advances to subsidiaries and affiliates (Note 3)	14,024	12,922	104,294
Deferred income taxes (Note 7)	1,097	685	5,529
Other assets	1,586	1,674	13,510
Total investments and other assets	<u>17,725</u>	<u>33,148</u>	<u>267,538</u>
Total assets	<u>¥ 196,750</u>	<u>¥ 188,375</u>	<u>\$1,520,379</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	2000	2001	2001
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans (<i>Note 5</i>)	¥ 10,000	¥ 9,780	\$ 78,935
Current portion of long-term debt (<i>Note 5</i>)	–	5,000	40,355
Notes and accounts payable:			
Subsidiaries and affiliates	2,087	2,359	19,040
Trade	19,868	21,204	171,138
Construction	2,180	1,044	8,426
Accrued expenses	3,444	3,342	26,973
Accrued income taxes (<i>Note 7</i>)	80	29	234
Reserve for loss on restructuring	269	–	–
Other current liabilities	1,971	2,010	16,223
Total current liabilities	39,899	44,768	361,324
Long-term liabilities:			
Long-term debt (<i>Note 5</i>)	15,000	5,000	40,355
Accrued retirement benefits	7,582	7,550	60,936
Guarantee deposits (<i>Note 5</i>)	1,454	1,252	10,105
Total long-term liabilities	24,036	13,802	111,396
Contingent liabilities (<i>Note 10</i>)			
Shareholders' equity (<i>Note 6</i>):			
Common stock, ¥ 50 par value:			
Authorized:			
March 31, 2000 - 781,945,000 shares			
March 31, 2001 - 772,439,000 shares			
Issued:			
March 31, 2000 - 212,317,086 shares	23,221	–	–
March 31, 2001 - 202,811,086 shares	–	23,221	187,417
Additional paid-in capital	23,497	23,497	189,645
Legal reserve (<i>Note 11</i>)	3,250	3,402	27,457
Retained earnings (<i>Note 11</i>)	82,847	79,685	643,140
Total shareholders' equity	132,815	129,805	1,047,659
Total liabilities and shareholders' equity	¥ 196,750	¥ 188,375	\$1,520,379

See accompanying notes to non-consolidated financial statements.

Yodogawa Steel Works, Ltd.

Non-Consolidated Statements of Income

Years ended March 31, 2000 and 2001

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2000	2001	(<i>Note 2</i>) 2001
Net sales	¥ 117,382	¥ 111,066	\$896,416
Cost of sales	99,396	93,455	754,277
Gross profit	17,986	17,611	142,139
Selling, general and administrative expenses (<i>Note 8</i>)	16,995	16,515	133,293
Operating income	991	1,096	8,846
Other income (expenses):			
Interest and dividend income	1,186	1,528	12,333
Interest expense	(420)	(373)	(3,010)
Gain on sales of securities	2,332	991	7,998
Loss on revaluation of securities	(332)	(392)	(3,164)
Gain on sales of property, plant and equipment	162	2,301	18,571
Loss on disposal of property, plant and equipment	(328)	(176)	(1,421)
Loss on liquidation of a subsidiary	(1,266)	–	–
Provision for reserve for loss on restructuring	(269)	–	–
Gain on contribution of securities to employees' retirement benefit trust	–	1,627	13,132
Loss on restructuring	–	(725)	(5,851)
Net retirement benefit obligation at transition (<i>Note 1(l)</i>)	–	(2,087)	(16,844)
Other, net	179	(2,123)	(17,136)
Income before income taxes	2,235	1,667	13,454
Income taxes (<i>Note 7</i>):			
Current	867	236	1,905
Deferred	(37)	318	2,566
	830	554	4,471
Net income	¥ 1,405	¥ 1,113	\$ 8,983
		<i>Yen</i>	<i>U.S. dollars</i> (<i>Note 2</i>)
Amounts per share:			
Net income	¥ 6.44	¥ 5.35	\$0.04
Cash dividends	7.00	7.00	0.06

See accompanying notes to non-consolidated financial statements.

Yodogawa Steel Works, Ltd.

Non-Consolidated Statements of Shareholders' Equity

Years ended March 31, 2000 and 2001

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	<u>2000</u>	<u>2001</u>	<u>2001</u>
Common stock			
Balance at beginning and end of the year	<u>¥ 23,221</u>	<u>¥ 23,221</u>	<u>\$187,417</u>
Additional paid-in capital			
Balance at beginning and end of the year	<u>¥ 23,497</u>	<u>¥ 23,497</u>	<u>\$189,645</u>
Legal reserve			
Balance at beginning of the year	¥ 3,089	¥ 3,250	\$ 26,230
Add:			
Transfer from retained earnings	<u>161</u>	<u>152</u>	<u>1,227</u>
Balance at end of the year	<u>¥ 3,250</u>	<u>¥ 3,402</u>	<u>\$ 27,457</u>
Retained earnings			
Balance at beginning of the year	¥ 85,803	¥ 82,847	\$668,660
Add:			
Net income	1,405	1,113	8,983
Cumulative adjustment arising from initial adoption of tax-effect accounting (Note 1(k))	<u>1,387</u>	<u>—</u>	<u>—</u>
Deduct:			
Cash dividends paid	1,544	1,470	11,864
Bonuses to directors and statutory auditors	60	50	403
Transfer to legal reserve	161	152	1,227
Retirement of treasury stock	<u>3,983</u>	<u>2,603</u>	<u>21,009</u>
Balance at end of the year	<u>¥ 82,847</u>	<u>¥ 79,685</u>	<u>\$643,140</u>

See accompanying notes to non-consolidated financial statements.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements

March 31, 2001

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying non-consolidated financial statements of Yodogawa Steel Works, Ltd. (the "Company") have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and have been compiled from those prepared by the Company as required under the Securities and Exchange Law of Japan.

In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to the non-consolidated financial statements for the year ended March 31, 2000 to conform them to the 2001 presentation. Such reclassifications had no effect on net income or shareholders' equity.

(b) Foreign Currency Translation

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

Effective April 1, 2000, the Company adopted a revised accounting standard for foreign currency translation. The effect of the adoption of the revised standard on the non-consolidated financial statements was immaterial for the year ended March 31, 2001.

(c) Cash Equivalents

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

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(d) Securities

Up to the year ended March 31, 2000, marketable securities were stated at the lower of cost or market, cost being determined by the moving average method, and securities other than marketable securities were stated at cost determined by the moving average method.

Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments which requires that securities be classified into three categories: trading securities, held-to-maturity debt securities or other securities. Under this standard, trading securities are carried at fair value and gain and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are carried at their amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost.

As permitted under the new standard, the Company has postponed recording marketable securities classified as other securities at fair value, from the current year, to the year ending March 31, 2002. The following pro forma amounts represent the carrying value, fair value, unrealized holding gain (net of the applicable income taxes) and the deferred tax liability (the applicable income taxes on the unrealized holding gain), which would have been reflected in the non-consolidated balance sheet as of March 31, 2001 if marketable securities classified as other securities were carried at fair value:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Carrying value	¥ 20,833	\$168,144
Fair value	31,334	252,897
Unrealized holding gain	6,091	49,160
Deferred tax liability	4,410	35,593

As of April 1, 2000, the Company assessed its intent in holding its securities, classified them as "held-to-maturity debt securities" and "other securities," and accounted for the securities at March 31, 2001 in accordance with the new standard referred to above. As a result, securities of ¥ 17,599 million (\$142,042 thousand), which had been included in marketable securities at March 31, 2000, were reclassified to investments in securities as of April 1, 2000. The effect of the adoption of this standard for financial instruments was to increase income before income taxes by ¥ 1,428 million (\$11,525 thousand).

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(e) Inventories

Finished goods, work in process and raw materials are stated at cost principally determined by the last-in, first-out method. Supplies are stated at cost determined by the first-in, first-out method.

Real estate held for sale is stated at cost determined by the specific identification method.

(f) Property, Plant and Equipment and Depreciation

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

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

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

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 17 years

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

(g) Intangible Assets

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

(h) Allowance for Doubtful Receivables

Up to the year ended March 31, 2000, the Company provided an allowance for doubtful receivables principally at an estimated aggregate amount of probable bad debts plus the maximum amount permitted to be charged to income under the Corporation Tax Law of Japan.

Effective April 1, 2000, the Company has adopted a new accounting standard for financial instruments. Under this accounting standard, the Company has provided an allowance for doubtful receivables at an amount calculated based on the Company's historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties. The aggregate effect of the adoption of the new standard is disclosed in Note 1(d), "Securities."

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(i) Research and Development Expenses and Computer Software

Research and development expenses are charged to income as incurred.

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

(j) Leases

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

(k) Income Taxes

Up to the year ended March 31, 1999, deferred income taxes were not provided for timing differences in the recognition of income and expenses for financial and tax reporting purposes.

Effective April 1, 1999, the Company adopted tax-effect accounting for the interperiod allocation of income taxes. The cumulative effect of this change in method of accounting was reported as "Cumulative adjustment arising from initial adoption of tax-effect accounting" in the non-consolidated statement of shareholders' equity for the year ended March 31, 2000. The effect of this change was that deferred income taxes - current assets, deferred income taxes - non-current assets, and retained earnings at March 31, 2000 increased by ¥ 327 million, ¥ 1,097 million and ¥ 2,374 million, respectively, and net income for the year then ended increased by ¥ 37 million.

(l) Retirement Benefits

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

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(l) Retirement Benefits (continued)

Up to the year ended March 31, 2000, accrued retirement benefits were stated at the amount which would be required to be paid if all employees covered by the retirement benefit plan voluntarily terminated their employment at the balance sheet date, less the assets of the pension plan.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits. In accordance with this standard, accrued retirement benefits for employees at March 31, 2001 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of March 31, 2001, as adjusted for unrecognized actuarial loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. The net retirement benefit obligation at transition of ¥ 2,087 million (\$16,844 thousand) has been fully charged to income for the year ended March 31, 2001. The effect of the adoption of the new standard for retirement benefits was to decrease income before income taxes by ¥ 582 million (¥ 4,697 thousand) for the year ended March 31, 2001.

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

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

(m) Hedge Accounting

Under the new accounting standard for financial instruments effective April 1, 2000, gain or loss on derivatives designed as hedging instruments is deferred until the loss or gain on the underlying hedged item is recognized. Interest rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt and others. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(n) Amounts Per Share

The computation of non-consolidated net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥ 123.90 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2001. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Fair Value of Securities

Information with respect to marketable securities at March 31, 2000 and 2001 is disclosed on a consolidation basis. See Note 3 to the consolidated financial statements.

Information with respect to the carrying and fair value of and unrealized loss on marketable securities included in investments in subsidiaries as of March 31, 2001 is summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>		
	<u>Carrying value</u>	<u>Fair value</u>	<u>Unrealized loss</u>	<u>Carrying value</u>	<u>Fair value</u>	<u>Unrealized loss</u>
Investments in subsidiaries	¥ 11,310	¥ 8,712	¥ (2,598)	\$91,283	\$70,314	\$(20,969)

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

4. Inventories

Inventories at March 31, 2000 and 2001 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2000</u>	<u>2001</u>	<u>2001</u>
Finished goods	¥ 15,243	¥ 16,652	\$134,399
Work in process	3,813	3,554	28,684
Raw materials and supplies	7,128	7,185	57,991
Real estate held for sale	172	129	1,041
	<u>¥ 26,356</u>	<u>¥ 27,520</u>	<u>\$222,115</u>

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

Short-term bank loans represent overdrafts at annual interest rates of approximately 0.58% and 0.846% at March 31, 2000 and 2001, respectively.

Long-term debt at March 31, 2000 and 2001 was as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2000</u>	<u>2001</u>	<u>2001</u>
1.8% unsecured bonds, payable in yen, due 2003	¥ 5,000	¥ 5,000	\$ 40,355
2.0% unsecured bonds, payable in yen, due 2004	5,000	-	-
Unsecured loans from banks and an insurance company, due 2002, at an interest rate of 1.72%	5,000	5,000	40,355
	<u>15,000</u>	<u>10,000</u>	<u>80,710</u>
Less current portion	-	(5,000)	(40,355)
	<u>¥ 15,000</u>	<u>¥ 5,000</u>	<u>\$ 40,355</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 are summarized as follows:

<u>Year ending March 31,</u>	<u><i>Millions of yen</i></u>	<u><i>Thousands of U.S. dollars</i></u>
2002	¥ 5,000	\$40,355

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

2003	<u>5,000</u>	<u>40,355</u>
	<u>¥ 10,000</u>	<u>\$80,710</u>

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

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

The assets pledged as collateral for short-term bank loans at March 31, 2001 were as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Property, plant and equipment, at net book value	¥ 32,495	\$262,268

Guarantee deposits consisted principally of guarantee deposits from tenants at annual interest rates ranging from 1% to 4%. The aggregate annual maturities of guarantee deposits subsequent to March 31, 2001 are summarized as follows:

<u>Year ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2002	¥ 4	\$ 32
2003	4	32
2004	4	32
2005	4	32
2006	—	—
2007 and thereafter	1,236	9,977
	¥ 1,252	\$10,105

6. Shareholders' Equity

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash dividends paid and bonuses to directors and statutory auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until such reserve equals 25% of stated capital. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors.

7. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 42.0% for the years ended March 31, 2000 and 2001.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

7. Income Taxes (continued)

A reconciliation of the statutory tax rate and the effective tax rates for the years ended March 31, 2000 and 2001, as a percentage of income before income taxes, is as follows:

	2000	2001
Statutory tax rate	42.0%	42.0%
Non-deductible expenses	2.6	3.4
Non-taxable income	(6.0)	(8.3)
Foreign tax credit	(3.2)	(3.8)
Per capita portion of inhabitants' taxes	2.4	3.1
Other	(0.7)	(3.2)
Effective tax rates	37.1%	33.2%

Deferred income taxes reflect the tax effect of the temporary differences between the amounts of the assets and liabilities recorded for financial and tax reporting purposes. The significant components of the Company's deferred tax assets and liabilities as of March 31, 2000 and 2001 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2000	2001	2001
Deferred tax assets:			
Accrued retirement benefits for employees	¥ 1,426	¥ 1,520	\$12,268
Accrued retirement benefits for directors and statutory auditors	452	484	3,906
Accrued bonuses	159	165	1,332
Allowances for doubtful receivables	123	127	1,025
Excess foreign tax deduction	–	161	1,299
Loss on revaluation of securities	–	161	1,299
Reserve for losses on restructuring	113	–	–
Other	114	35	284
Total deferred tax assets	2,387	2,653	21,413
Deferred tax liabilities:			
Reserve for deferred taxation on contributions for acquisition of property	(963)	(1,546)	(12,478)
Total deferred tax liabilities	(963)	(1,546)	(12,478)
Net deferred tax assets	¥ 1,424	¥ 1,107	\$ 8,935

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

8. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2000 and 2001 were as follows:

<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
2000	2001	2001
¥ 573	¥ 490	\$3,955

9. Leases

The following pro forma amounts present the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2000 and 2001, which would have been reflected in the balance sheets if finance leases other than those which transfer the ownership of the leased property to the Company (which are currently accounted for as operating leases) were capitalized:

	<i>Millions of yen</i>					
	2000			2001		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥ 297	¥ 166	¥ 131	¥ 317	¥ 199	¥ 118
	<i>Thousands of U.S. dollars</i>					
	2001					
	Acquisition costs	Accumulated depreciation	Net book value			
Machinery, equipment and vehicles	\$2,558	\$1,606	\$952			

The related lease payments and depreciation expense for the years ended March 31, 2000 and 2001 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2000	2001	2001
	Lease payments	¥ 59	¥ 67
Depreciation expense	59	67	541

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

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

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements (continued)

9. Leases (continued)

The related future minimum payments (including the interest portion thereon) subsequent to March 31, 2001 under finance leases other than those which transfer the ownership of the leased property to the Company are summarized as follows:

<u>Year ending March 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2002	¥ 48	\$387
2003 and thereafter	70	565
	¥ 118	\$952

10. Contingent Liabilities

At March 31, 2001, the Company had the following contingent liabilities:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Guarantees of housing loans of employees and indebtedness of a subsidiary	¥ 163	\$ 1,316
Contingent liability for in-substance defeasance on bonds	5,002	40,371

11. Subsequent Event

The following appropriations of retained earnings, which have not been reflected in the accompanying non-consolidated financial statements for the year ended March 31, 2001, were approved at a shareholders' meeting held on June 28, 2001:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends of ¥ 3.5 (\$0.03) per share	¥ 710	\$5,730
Transfer to legal reserve	76	613
Bonuses to directors and statutory auditors	50	404