Financial Statements

Years ended March 31,2001 and 2002

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

We have audited the consolidated balance sheets of Yodogawa Steel Works, Ltd. and consolidated subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the 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 consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Yodogawa Steel Works, Ltd. and consolidated subsidiaries at March 31, 2001 and 2002, and the consolidated results of their operations and their cash flows 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. and consolidated subsidiaries adopted new accounting standards for employees' retirement benefits, financial instruments and foreign currency translation effective the year ended March 31, 2001 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 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.

Shin Nihon & Co.

Osaka, Japan
June 27, 2002

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

Yodogawa Steel Works, Ltd.

Consolidated Balance Sheets

March 31, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2001	2002	2002
Assets			
Current assets:			
Cash and cash equivalents	¥ 24,313	¥ 18,208	$ 136,645
Short-term investments	464	1,447	10,859
Marketable securities *(Note 3)*	3,339	3,302	24,780
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	14,235	10,517	78,927
Trade	33,332	24,816	186,236
Less allowance for doubtful receivables	(169)	(83)	(623)
Inventories	32,528	29,315	220,000
Deferred income taxes *(Note 7)*	831	873	6,552
Other current assets	3,309	3,515	26,379
Total current assets	112,182	91,910	689,755
Property, plant and equipment *(Note 4)*:			
Land *(Note 8)*	22,958	23,472	176,150
Buildings and structures	53,657	53,862	404,218
Machinery, equipment and vehicles	132,548	135,150	1,014,259
Construction in progress	755	861	6,462
Less accumulated depreciation	(129,535)	(135,971)	(1,020,421)
Property, plant and equipment, net	80,383	77,374	580,668
Investments and other assets:			
Investments in securities *(Notes 3 and 4)*	18,711	20,694	155,302
Investments in and advances to unconsolidated subsidiaries and affiliates	3,130	3,323	24,938
Deferred income taxes *(Note 6)*	1,380	999	7,497
Other assets	4,022	3,384	25,397
Total investments and other assets	27,243	28,400	213,134
Total assets	¥ 219,808	¥ 197,684	$ 1,483,557

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2002	2002
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans *(Note 4)*	¥ 15,010	¥ 12,897	$ 98,788
Current portion of long-term debt *(Note 4)*	5,740	5,228	39,235
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	913	668	5,013
Trade	25,639	15,526	116,518
Construction	2,527	1,160	8,705
Accrued expenses	3,701	3,889	29,186
Accrued income taxes *(Note 6)*	427	399	2,994
Allowance for loss on restructuring	–	568	4,262
Other current liabilities	2,669	3,230	24,241
Total current liabilities	56,626	43,565	326,942
Long-term liabilities:			
Long-term debt *(Note 4)*	6,128	1,100	8,255
Deferred income taxes on land revaluation reserve *(Notes 6 and 8)*	570	765	5,741
Accrued retirement benefits *(Note 5)*	9,276	8,590	64,465
Guarantee deposits *(Note 4)*	5,051	4,626	34,717
Other long-term liabilities	598	571	4,285
Total long-term liabilities	21,623	15,652	117,463
Minority interests	11,278	12,215	91,670
Contingent liabilities *(Note 11)*			
Shareholders' equity *(Note 7)*:			
Common stock:			
Authorized:			
March 31, 2001 – 772,439,000 shares			
March 31, 2002 – 753,814,067 shares			
Issued:			
March 31, 2001 – 202,811,086 shares	23,221	–	–
March 31, 2002 – 184,186,153 shares	–	23,221	174,266
Additional paid-in capital	23,612	23,613	177,208
Land revaluation reserve *(Note 8)*	544	1,139	8,548
Retained earnings *(Note 14)*	86,883	76,884	576,990
Unrealized holding gain on securities	–	3,721	27,925
Translation adjustments	(1,905)	(845)	(6,341)
Treasury stock, at cost – 6,864,571 shares in 2001 and 4,951,692 shares in 2002	(2,074)	(1,481)	(11,114)
Total shareholders' equity	130,281	126,252	947,482
Total liabilities and shareholders' equity	¥219,808	¥197,684	$1,483,557

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Operations

Years ended March 31, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2001	2002	2002
Net sales	¥153,863	¥145,071	$1,088,713
Cost of sales	131,230	124,702	935,850
Gross profit	22,633	20,369	152,863
Selling, general and administrative expenses (*Note 9)*	19,786	18,538	139,122
Operating income	2,847	1,831	13,741
Other income (expenses):			
Interest and dividend income	576	562	4,218
Interest expense	(587)	(581)	(4,360)
Gain on sales of securities	991	18	135
Loss on revaluation of securities	(433)	(4,974)	(37,328)
Gain (loss) on sales or disposal of property, plant and equipment, net	2,114	(311)	(2,334)
Loss on disposal of inventories	–	(613)	(4,600)
Equity in loss of an affiliate	(164)	(1)	(8)
Loss on restructuring	(725)	–	–
Provision of allowance for loss on restructuring	–	(568)	(4,263)
Gain on contribution of securities to employees' retirement benefit trust	1,627	–	–
Net retirement benefit obligation at transition *(Notes 1(n) and 5)*	(2,559)	–	–
Other, net	337	(689)	(5,171)
Income (loss) before income taxes and minority interests	4,024	(5,326)	(39,970)
Income taxes *(Note 6)*:			
Current	600	354	2,657
Deferred	306	(2,485)	(18,649)
	906	(2,131)	(15,992)
Income (loss) before minority interests	3,118	(3,195)	(23,978)
Minority interests in earnings of consolidated subsidiaries	(771)	(560)	(4,202)
Net income (loss)	¥ 2,347	¥ (3,755)	$ (28,180)

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2001	2002	2002
Common stock			
Balance at beginning and end of the year	¥23,221	¥23,221	$174,266
Additional paid-in capital			
Balance at beginning of the year	¥23,611	¥23,612	$177,201
Add:			
Transfer from retained earnings	1	1	7
Balance at end of the year	¥23,612	¥23,613	$177,208
Land revaluation reserve			
Balance at beginning of the year	¥ 393	¥ 544	$ 4,083
Net change during the year	151	595	4,465
Balance at end of the year	¥ 544	¥ 1,139	$ 8,548
Retained earnings			
Balance at beginning of the year	¥90,940	¥86,883	$652,030
Add:			
Net income	2,347	–	–
Reversal of land revaluation reserve	–	144	1,080
Increase resulting from merger of a consolidated subsidiary	8	–	–
Deduct:			
Net loss	–	3,755	28,180
Decrease resulting from initial inclusion of a subsidiary in consolidation	2,308	142	1,066
Cash dividends paid	1,416	1,342	10,071
Bonuses to directors and statutory auditors	67	66	496
Bonuses to employees of an overseas subsidiary	17	14	105
Transfer to additional paid-in capital	1	1	7
Retirement of treasury stock	2,603	4,823	36,195
Balance at end of the year	¥86,883	¥76,884	$576,990
Unrealized holding gain on securities *(Note 3)*			
Balance at beginning of the year	¥ –	¥ –	$ –
Net change during the year	–	3,721	27,925
Balance at end of the year	¥ –	¥ 3,721	$ 27,925
Translation adjustments			
Balance at beginning of the year	¥ –	¥ (1,905)	$ (14,296)
Net change during the year	(1,905)	1,060	7,955
Balance at end of the year	¥(1,905)	¥ (845)	$ (6,341)

See accompanying notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Consolidated Statements of Cash Flows

Years ended March 31, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2001	2002	2002
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥ 4,024	¥ (5,326)	$ (39,970)
Adjustments for:			
Depreciation and amortization	8,626	7,744	58,116
Amortization of goodwill arising from consolidation	(61)	(41)	(308)
Equity in loss of an affiliate	164	1	8
Loss on revaluation of investments in securities	225	4,974	37,328
Increase (decrease) in accrued retirement benefits	633	(771)	(5,786)
Decrease in accrued bonuses	(201)	(44)	(330)
Decrease in allowance for doubtful receivables	(246)	(619)	(4,645)
Interest and dividend income	(576)	(562)	(4,218)
Interest expense	587	581	4,360
Gain on sales of securities	(991)	(19)	(143)
Gain on sales of property, plant and equipment	(2,301)	(31)	(233)
Loss on disposal of property, plant and equipment	107	341	2,559
Loss on restructuring	725	–	–
Provision of allowance for loss on restructuring	–	568	4,263
Net retirement benefit obligation at transition	459	–	–
(Increase) decrease in notes and accounts receivable	(2,320)	12,424	93,238
(Increase) decrease in inventories	(400)	4,404	33,051
Increase (decrease) in notes and accounts payable	464	(10,532)	(79,039)
Bonus payments to directors, statutory auditors and employees of an overseas subsidiary	(84)	(80)	(600)
Other	(338)	825	6,191
Subtotal	8,496	13,837	103,842
Interest and dividends received	584	567	4,255
Interest paid	(638)	(586)	(4,398)
Loss on restructuring	(158)	–	–
Income taxes paid	(638)	(402)	(3,017)
Other	–	(277)	(2,078)
Net cash provided by operating activities	¥ 7,646	¥ 13,139	$ 98,604

Yodogawa Steel Works, Ltd.

Consolidated Statements of Cash Flows (continued)

Years ended March 31, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2001	2002	2002
Cash flows from investing activities			
Increase in time deposits with a maturity of more than three months	¥ (2,845)	¥ (4,445)	$ (33,358)
Proceeds from time deposits with a maturity of more than three months	4,545	3,463	25,989
Purchases of marketable securities	(2,835)	(3,399)	(25,508)
Proceeds from sales of marketable securities	3,810	3,822	28,683
Purchases of property, plant and equipment	(11,518)	(4,113)	(30,867)
Proceeds from sales of property, plant and equipment	2,564	471	3,534
Purchases of other assets	(31)	(40)	(300)
Purchases of investments in securities	(2,185)	(1,031)	(7,737)
Proceeds from sales of investments in securities	2,177	174	1,305
Increase in loans receivable	(101)	(464)	(3,482)
Collection of loans receivable	1,129	473	3,550
Other	30	8	60
Net cash used in investing activities	(5,260)	(5,081)	(38,131)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	1,668	(2,421)	(18,169)
Issuance of long-term debt	1,100	200	1,501
Repayment of long-term debt	(940)	(5,740)	(43,077)
Redemption of bonds	(6,918)	–	–
Purchases of treasury stock	(2,603)	(4,331)	(32,503)
Cash dividends paid to the Company’s shareholders	(1,417)	(1,342)	(10,071)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(850)	(676)	(5,073)
Other	–	2	14
Net cash used in financing activities	(9,960)	(14,308)	(107,378)
Effect of exchange rate changes on cash and cash equivalents	205	145	1,088
Net decrease in cash and cash equivalents	(7,369)	(6,105)	(45,817)
Cash and cash equivalents at beginning of the year	31,578	24,313	182,462
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	104	–	–
Cash and cash equivalents at end of the year	¥ 24,313	¥ 18,208	$136,645

See notes to consolidated financial statements.

Yodogawa Steel Works, Ltd.

Notes to Consolidated Financial Statements

March 31, 2002

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying consolidated financial statements of Yodogawa Steel Works, Ltd. (the "Company") and its consolidated subsidiaries 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 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 consolidated financial statements for the year ended March 31, 2001 to conform them to the 2002 presentation. Such reclassifications had no effect on consolidated net income or shareholders' equity.

(b) Basis of Consolidation

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

(c) Foreign Currency Translation

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

The balance sheet accounts of the foreign consolidated subsidiary (except for shareholders' equity) are translated into yen at the rates of exchange in effect at the balance sheet date. Components of shareholders' equity are translated at their respective historical rates of exchange. Revenue and expense accounts are translated into yen at the average rate of exchange in effect during the year.

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

Due to a change effective the year ended March 31, 2001 in the regulations relating to the presentation of translation adjustments, translation adjustments have been presented as a component of shareholders' equity and minority interests in consolidated subsidiaries (instead of as a component of assets or liabilities) in the accompanying consolidated financial statements for the years ended March 31, 2001 and 2002.

(d) Cash Equivalents

For the purpose of the consolidated statements of cash flows, 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.

1. Summary of Significant Accounting Policies (continued)

(e) Securities

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

Effective April 1, 2000, the Company and its consolidated subsidiaries 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 any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost.

As permitted under the new standard, the Company and its consolidated subsidiaries postponed recording marketable securities classified as other securities at fair value to the year ended 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) and minority interests, which would have been reflected in the consolidated balance sheet at March 31, 2001 if marketable securities classified as other securities had been carried at fair value:

	Millions of yen
Carrying value	¥ 21,106
Fair value	31,719
Unrealized holding gain	6,122
Deferred tax liability	4,457
Minority interests	34

As of April 1, 2000, the Company and its consolidates subsidiaries assessed their intent in holding their 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 ¥ 17,215 million, 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 and minority interests by ¥ 1,647 million for the year ended March 31, 2001.

1. Summary of Significant Accounting Policies (continued)

(e) Securities (continued)

Effective April 1, 2001, the Company and its consolidated subsidiaries have recorded marketable securities classified as other securities at fair value as required under the new accounting standard for financial instruments.

At March 31, 2002 the effect of this treatment was to record initially unrealized holding gain on securities of ¥3,721 million ($27,925 thousand) and to increase marketable securities, investments in securities, deferred tax liabilities and minority interests by ¥2 million ($15 thousand), ¥6,519 million ($48,923 thousand), ¥2,756 million ($20,683 thousand) and ¥44 million ($330 thousand), respectively.

(f) Inventories

Inventories are stated at cost determined principally by the last-in, first-out method.

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

(g) Property, Plant and Equipment and Depreciation

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

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

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

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

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

(h) Intangible Assets

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

1. Summary of Significant Accounting Policies (continued)

(i) Allowance for Doubtful Receivables

Up to the year ended March 31, 2000, the Company and its domestic consolidated subsidiaries 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 and its consolidated subsidiaries adopted a new accounting standard for financial instruments. Under the new accounting standard, the Company and its consolidated subsidiaries provided 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. The aggregate effect of the adoption of the new standard is disclosed in Note 1(e), "Securities."

(j) Research and Development Costs and Computer Software

Research and development costs are charged to income as incurred.

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

(k) Leases

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

(l) Income Taxes

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

(m) Allowance for Loss on Restructuring

The Company has provided an allowance for loss on restructuring arising from the discontinuation of its household articles business at an estimated amount of the loss to be incurred.

1. Summary of Significant Accounting Policies (continued)

(n) Retirement Benefits

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

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 plans voluntarily terminated their employment at the balance sheet date, less the assets of the pension plans.

Effective April 1, 2000, the Company and the domestic consolidated subsidiaries adopted a new accounting standard for retirement benefits. In accordance with this standard, accrued retirement benefits for employees at March 31, 2001 were provided mainly at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets as of March 31, 2001, as adjusted for unrecognized actuarial loss. The retirement benefit obligation is allocated 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 ¥2,559 million was fully charged to income for the year ended March 31, 2001. The effect of the adoption of this standard for retirement benefits was to decrease income before income taxes and minority interests by ¥1,133 million 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 principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over 15 years, which is within the estimated average remaining years of service of the eligible employees.

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

1. Summary of Significant Accounting Policies (continued)

(o) Hedge Accounting

Under the new accounting standard for financial instruments which became 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.

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 ¥133.25 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2002. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Securities

Marketable securities classified as held-to-maturity debt securities at March 31, 2001 and 2002 are summarized as follows:

	2001		
	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 26	¥ 28	¥ 2
Other	600	600	0
	626	628	2
Securities whose fair value does not exceed their carrying value:			
Corporate bonds	500	487	(13)
Other	968	906	(62)
	1,468	1,393	(75)
Total	¥2,094	¥2,021	¥(73)

	2002		
	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 31	¥ 31	¥ 0
Securities whose fair value does not exceed their carrying value:			
Government bonds	65	64	(1)
Other	2,341	2,294	(47)
	2,406	2,358	(48)
Total	¥ 2,437	¥ 2,389	¥ (48)

	2002		
	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	$ 233	$ 233	$ 0
Securities whose fair value does not exceed their carrying value:			
Government bonds	488	480	(8)
Other	17,568	17,216	(352)
	18,056	17,696	(360)
Total	$18,289	$17,929	$(360)

3. Securities (continued)

Other securities with determinable market value at March 31, 2002 are summarized as follows:

	Millions of yen		
	Acquisition costs	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	¥ 8,979	¥16,100	¥ 7,121
Corporate bonds	100	100	1
Other	900	911	11
	9,979	17,111	7,133
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	2,503	2,137	(366)
Corporate bonds	1,003	886	(117)
Other	401	323	(77)
	3,906	3,346	(560)
Total	¥13,885	¥20,457	¥ 6,573

	Thousands of U.S. dollars		
	Acquisition costs	Estimated fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	$ 67,385	$120,826	$53,441
Corporate bonds	750	750	8
Other	6,754	6,837	83
	74,889	128,413	53,532
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	18,784	16,038	(2,747)
Corporate bonds	7,527	6,649	(878)
Other	3,009	2,424	(578)
	29,320	25,111	(4,203)
Total	$104,209	$153,524	$49,329

3. Securities (continued)

Sales of investments in securities for the years ended March 31, 2001 and 2002 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Sales	¥2,910	¥209	$1,568
Aggregate gain	991	19	143
Aggregate loss	125	0	0

The carrying value of other securities without determinable market value at March 31, 2001 and 2002 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Non-marketable equity securities	¥1,053	¥ 1,010	$ 7,580
Money management funds	2,845	1,532	11,497
Medium-term government bond funds	1,521	–	–
Free financial funds	4,705	–	–

The redemption schedule for other securities with maturities and held-to-maturity debt securities as of March 31, 2002 is summarized as follows:

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds	¥ 20	¥ 16	¥ 60
Corporate bonds	200	900	–
Other debt securities	2,155	140	–
Total	¥ 2,375	¥ 1,056	¥ 60

	Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds	$ 150	$ 120	$450
Corporate bonds	1,501	6,754	–
Other debt securities	16,173	1,051	–
Total	$17,824	$7,925	$450

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

Short-term bank loans at March 31, 2001 and 2002 represented overdrafts and notes payable to banks. At March 31, 2001, overdrafts and notes payable to banks amounted to ¥14,160 million at an annual interest rate of approximately 1.58% and ¥850 million at an annual interest rate of approximately 1.44%, respectively. At March 31, 2002, overdrafts and notes payable to banks amounted to ¥12,797 million ($96,038 thousand) at an annual interest rate of approximately 1.27%, and ¥100 million ($750 thousand) at an annual interest rate of approximately 1.375%, respectively.

Long-term debt at March 31, 2001 and 2002 was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2001
1.8% unsecured bonds, payable in yen, due 2003	¥ 5,000	¥ 5,000	$ 37,523
Unsecured loans from banks and an insurance company, due from 2002 through 2004, at interest rates ranging from 1.90% to 2.30%	6,868	1,328	9,967
	11,868	6,328	47,490
Less current portion	(5,740)	(5,228)	(39,235)
	¥6,128	¥ 1,100	$ 8,255

The aggregate annual maturities of long-term debt subsequent to March 31, 2002 are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2003	¥5,228	$39,235
2004	1,100	8,255
	¥6,328	$47,490

The assets pledged as collateral for short-term bank loans and other current liabilities at March 31, 2002 were as follows:

	Millions of yen	*Thousands of U.S. dollars*
Property, plant and equipment, at net book value	¥28,725	$215,572
Investments in securities	50	375
	¥ 28,775	$215,947

Guarantee deposits, principally from customers, have an average annual interest rate of 2.01%. These guarantee deposits fall due during the years ending March 31, 2008 and thereafter.

5. Retirement Benefits

The funded and accrued status of the employees' defined benefit plans of the Company and its domestic consolidated subsidiaries, and the amounts recognized in the consolidated balance sheets at March 31, 2001 and 2002 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Retirement benefit obligation	¥(15,336)	¥ (14,642)	$(109,883)
Plan assets at fair value	6,116	4,998	37,508
Unfunded retirement benefit obligation	(9,220)	(9,644)	(72,375)
Unrecognized actuarial loss	1,805	2,173	16,308
Unrecognized prior service cost	51	48	360
Net retirement benefit obligation	(7,364)	(7,423)	(55,707)
Prepaid pension cost	462	606	4,548
Accrued retirement benefits	¥ (7,826)	¥ (8,029)	$ (60,255)

The components of retirement benefit expenses for the years ended March 31, 2001 and 2002 are outlined as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Service cost	¥ 803	¥ 821	$ 6,161
Interest cost	489	403	3,024
Expected return on plan assets	(163)	(73)	(548)
Amortization of net retirement benefit obligation at transition	2,559	–	–
Amortization of actuarial loss	6	163	1,224
Amortization of prior service cost	7	8	60
	¥3,701	¥ 1,322	$9,921

The assumptions used in accounting for the above benefit plans for the years ended March 31, 2001 and 2002 were as follows:

	2001	2002
Discount rates	Principally 2.5%; 3.5 at April 1, 2000	Principally 2.5%
Expected rates of return on plan assets	Principally 4.5%	Principally 1.6%

The Company and its domestic consolidated subsidiaries recorded accrued retirement benefits to directors and statutory auditors of ¥1,450 million and ¥561 million ($4,210 thousand) at March 31, 2001 and 2002, respectively.

6. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 42.0% for the years ended March 31, 2001 and 2002.

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

	2001
Statutory tax rate	42.0%
Investment tax credits	(10.2)
Nontaxable income	(3.5)
Unrecognized deferred tax assets arising from tax loss carryforwards of subsidiaries	(15.5)
Differences in tax rates applicable to foreign subsidiaries	(7.6)
Cash dividends received from foreign subsidiaries	3.8
Other	13.5
Effective tax rate	22.5%

6. Income Taxes (continued)

The corresponding information for the year ended March 31, 2002 has been omitted because a loss before income taxes and minority interests was recorded. The significant components of the deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2001 and 2002 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Deferred tax assets:			
Accrued retirement benefits	¥ 2,427	¥ 2,220	$ 16,660
Investment tax credits	452	592	4,443
Allowance for doubtful receivables	528	315	2,364
Accrued bonuses	181	251	1,884
Inventories	101	123	923
Allowance for loss on restructuring	–	239	1,794
Excess foreign tax deduction	161	241	1,808
Depreciation	201	99	743
Tax loss carryforward	–	1,764	13,238
Other	324	1,109	8,323
Gross deferred tax assets	4,375	6,953	52,180
Less valuation allowance	(618)	(910)	(6,829)
Total deferred tax assets	3,757	6,043	45,351
Deferred tax liabilities:			
Dividends from foreign subsidiaries	–	(55)	(413)
Unrealized holding gain on securities	–	(2,702)	(20,278)
Land revaluation reserve	(570)	(765)	(5,741)
Reserve for deferred taxation on contributions for acquisition of property	(1,546)	(1,413)	(10,604)
Total deferred tax liabilities	(2,116)	(4,935)	(37,036)
Net deferred tax assets	¥ 1,641	¥ 1,108	$ 8,315

Net deferred tax assets as of March 31, 2001 and 2002 are classified as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Current assets	¥ 831	¥ 874	$ 6,559
Noncurrent assets	1,380	999	7,497
Noncurrent liabilities	(570)	(765)	(5,741)
	¥1,641	¥ 1,108	$8,315

7. Shareholders' Equity

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash dividends paid and bonuses to directors and statutory auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of stated capital. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors. The Company's legal reserve, which is included in retained earnings, amounted to ¥3,402 million and ¥3,478 million ($26,101 thousand) at March 31, 2001 and 2002, respectively.

8. Revaluation of Land

At March 31, 2000 and 2002, certain consolidated subsidiaries and an affiliate revalued their land held for business use in accordance with the "Law on Land Revaluation." Differences on land revaluation have been accounted for as land revaluation reserve under shareholders' equity 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 carrying value of revalued land at March 31, 2000 was as follows:

	Millions of yen
Carrying value before revaluation	¥1,019
Carrying value after revaluation	2,375

As of March 31, 2002, the carrying value of ¥2,375 million ($17,824 thousand) exceeded the fair value by ¥218 million ($1,636 thousand).

The carrying value of land revalued at March 31, 2002 was as follows:

	Millions of yen	*Thousands of U.S. dollars*
Carrying value before revaluation	¥ 10,059	$75,490
Carrying value after revaluation	11,512	86,394

9. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2001 and 2002 were as follows:

Millions of yen		*Thousands of U.S. dollars*
2001	2002	2002
¥696	¥705	$5,291

10. Leases

The following pro forma amounts present the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2001 and 2002, which would have been reflected in the balance sheets if finance leases other than those which transfer the ownership of the leased property of the Company and its consolidated subsidiaries (which are currently accounted for as operating leases) were capitalized:

	Millions of yen					
	2001			2002		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥606	¥359	¥247	¥629	¥397	¥232

	Thousands of U.S. dollars		
	2002		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	$4,720	$2,979	$1,741

The related lease payments and depreciation for the years ended March 31, 2001 and 2002 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Lease payments	¥119	¥118	$886
Depreciation	119	118	886

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

10. Leases (continued)

The related future minimum payments (including the interest portion thereon) subsequent to March 31, 2002 under finance leases other than those which transfer the ownership of the leased property to the Company and its consolidated subsidiaries are summarized as follows:

	Millions of yen	*Thousands of U.S. dollars*
Year ending March 31,		
2003	¥109	$ 818
2004 and thereafter	123	923
	¥232	$1,741

11. Contingent Liabilities

As of March 31, 2002, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	*Thousands of U.S. dollars*
Guarantees of housing loans of employees and indebtedness of unconsolidated subsidiaries	¥2,522	$18,927
Contingent liability for an in-substance defeasance on bonds	5,002	37,538

12. Derivatives

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

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

At March 31, 2001 and 2002, all derivatives positions qualified for the application of deferred hedge accounting and, thus, have not been separately disclosed.

13. Amounts per Share

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

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

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.

Amounts per share at March 31, 2001 and 2002 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2001	2002	2002
Net assets	¥664.88	¥704.39	$5.29
Net income (loss)	11.66	(19.52)	(0.15)
Cash dividends applicable to the year	7.00	7.00	0.05

14. Segment Information

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

14. Segment Information (continued)

The business and geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2001 and 2002 are outlined as follows:

Business Segments

	Millions of yen					
	Year ended March 31, 2001					
	Steel sheet products	Electric furnace products	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
Sales to third parties	¥132,979	¥10,423	¥10,461	¥153,863	¥ –	¥153,863
Intergroup sales and transfers	0	4	7,069	7,073	(7,073)	–
Total sales	132,979	10,427	17,530	160,936	(7,073)	153,863
Operating expenses	130,565	10,165	16,374	157,104	(6,088)	151,016
Operating income	¥ 2,414	¥ 262	¥ 1,156	¥ 3,832	¥ (985)	¥ 2,847
II. Assets, depreciation and capital expenditures						
Total assets	¥135,672	¥ 11,998	¥22,032	¥169,702	¥50,106	¥219,808
Depreciation	7,420	536	555	8,511	115	8,626
Capital expenditures	20,448	213	825	21,486	142	21,628

	Millions of yen					
	Year ended March 31, 2002					
	Steel sheet products	Electric furnace products	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
Sales to third parties	¥127,020	¥ 9,229	¥ 8,822	¥145,071	¥ –	¥145,071
Intergroup sales and transfers	0	–	4,527	4,527	(4,527)	–
Total sales	127,020	9,229	13,349	149,598	(4,527)	145,071
Operating expenses	125,270	9,181	12,433	146,884	(3,644)	143,240
Operating income	¥ 1,750	¥ 48	¥ 916	¥ 2,714	¥ (883)	¥ 1,831
II. Assets, depreciation and capital expenditures						
Total assets	¥119,342	¥10,098	¥24,295	¥153,735	¥ 43,949	¥197,684
Depreciation	6,638	452	535	7,625	123	7,748
Capital expenditures	2,083	173	410	2,666	102	2,768

14. Segment Information (continued)

Business Segments (continued)

	Thousands of U.S. dollars					
	Year ended March 31, 2002					
	Steel sheet products	Electric furnace products	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
Sales to third parties	$ 953,246	$69,261	$ 66,206	$1,088,713	$ –	$1,088,713
Intergroup sales and transfers	0	–	33,974	33,974	(33,974)	–
Total sales	953,246	69,261	100,180	1,122,687	(33,974)	1,088,713
Operating expenses	940,113	68,901	93,306	1,102,320	(27,348)	1,074,972
Operating income	$ 13,133	$ 360	$ 6,874	$ 20,367	$ (6,626)	$ 13,741
II. Assets, depreciation and capital expenditures						
Total assets	$ 895,625	$75,782	$182,326	$1,153,733	$329,824	$1,483,557
Depreciation	49,816	3,392	4,015	57,223	923	58,146
Capital expenditures	15,632	1,298	3,077	20,007	765	20,772

Geographical Segments

	Millions of yen				
	Year ended March 31, 2001				
	Japan	Southeast Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income					
Sales to third parties	¥123,326	¥30,537	¥153,863	¥ –	¥153,863
Interarea sales and transfers	575	–	575	(575)	–
Total sales	123,901	30,537	154,438	(575)	153,863
Operating expenses	122,621	28,970	151,591	(575)	151,016
Operating income	¥ 1,280	¥ 1,567	¥ 2,847	¥ –	¥ 2,847
II. Assets	¥153,483	¥26,119	¥179,602	¥40,206	¥219,808

14. Segment Information (continued)

Geographical Segments (continued)

	Millions of yen				
	Year ended March 31, 2002				
	Japan	Southeast Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income					
Sales to third parties	¥104,337	¥40,734	¥145,071	¥ –	¥145,071
Interarea sales and transfers	60	–	60	(60)	–
Total sales	104,397	40,734	145,131	(60)	145,071
Operating expenses	103,956	39,413	143,369	(129)	143,240
Operating income	¥ 441	¥ 1,321	¥ 1,762	¥ 69	¥ 1,831
II. Assets	¥131,031	¥30,000	¥161,031	¥36,653	¥197,684

	Thousands of U.S. dollars				
	Year ended March 31, 2002				
	Japan	Southeast Asia	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income					
Sales to third parties	$783,017	$305,696	$1,088,713	$ –	$1,088,713
Interarea sales and transfers	450	–	450	(450)	–
Total sales	783,467	305,696	1,089,163	(450)	1,088,713
Operating expenses	780,158	295,782	1,075,940	(968)	1,074,972
Operating income	$ 3,309	$ 9,914	$ 13,223	$ 518	$ 13,741
II. Assets	$983,347	$225,140	$1,208,488	$275,069	$1,483,557

As described in Note 1(n), the Company and its domestic consolidated subsidiaries adopted a new accounting standard for retirement benefits effective April 1, 2000. The effects of this adoption on the above segment information for the year ended March 31, 2001 are summarized as follows:

	Millions of yen
By business segment:	
Decrease in operating income in the “steel sheet products” segment	¥ 112
Decrease in operating income in the “electric furnace products” segment	44
Decrease in operating income in the “other” segment	45
By geographic area:	
Decrease in operating income in the “Japan” area	¥201

14. Segment Information (continued)

Geographical Segments (continued)

Overseas sales which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiary for the years ended March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		
	Year ended March 31, 2001		
	Asia	Other	Total
Overseas sales	¥25,224	¥11,576	¥ 36,800
Consolidated net sales			153,863
Overseas sales as a percentage of consolidated net sales	16.4%	7.5%	23.9%

	Millions of yen		
	Year ended March 31, 2002		
	Asia	Other	Total
Overseas sales	¥36,958	¥9,227	¥ 46,185
Consolidated net sales			145,071
Overseas sales as a percentage of consolidated net sales	25.5%	6.3%	31.8%

	Thousands of U.S. dollars		
	Year ended March 31, 2002		
	Asia	Other	Total
Overseas sales	$277,358	$69,246	$ 346,604
Consolidated net sales			1,088,713

15. Subsequent Events

On May 27, 2002, the Board of Directors approved a resolution for the Company to dispose a pressing and a plating production line at the Kure Plant in September 2002. The Company anticipates the related loss, which will be recorded in the year ending March 31, 2003, to be approximately ¥950 million ($7,129 thousand).

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2002, were approved at a shareholders' meeting held on June 27, 2002:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends of ¥ 3.5 ($0.03) per share	¥645	$4,841

Non-Consolidated Financial Statements

Yodogawa Steel Works, Ltd.

Years ended March 31, 2001 and 2002
with Independent Auditors' Report

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, 2001 and 2002, and the related non-consolidated statements of operations and shareholders' equity for the 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, 2001 and 2002, 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. adopted new accounting standards 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, 2002 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.

Shin Nihon & Co.,

Osaka, Japan
June 27, 2002

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, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2001	2002	2002
Assets			
Current assets:			
Cash and cash equivalents	¥ 19,072	¥ 14,025	$ 105,253
Short-term investments	–	1,000	7,505
Marketable securities *(Note 3)*	3,132	3,112	23,354
Notes and accounts receivable:			
Subsidiaries and affiliates	22,052	15,380	115,422
Trade	23,392	14,747	110,672
Less allowance for doubtful receivables	(130)	(59)	(442)
Inventories *(Note 4)*	27,520	24,556	184,285
Deferred income taxes *(Note 6)*	422	583	4,375
Other current assets	2,506	4,774	35,827
Total current assets	97,966	78,118	586,251
Property, plant and equipment *(Note 5)*:			
Land	18,270	12,176	91,377
Buildings and structures	41,877	40,781	306,049
Machinery, equipment and vehicles	103,567	102,788	771,392
Construction in progress	134	270	2,026
Less accumulated depreciation	(106,587)	(109,968)	(825,276)
Property, plant and equipment, net	57,261	46,047	345,568
Investments and other assets:			
Investments in securities *(Note 3)*	17,867	19,533	146,589
Investments in and advances to subsidiaries and affiliates *(Note 3)*	12,922	18,829	141,306
Deferred income taxes *(Note 6)*	685	242	1,816
Other assets	1,674	1,629	12,226
Total investments and other assets	33,148	40,233	301,937
Total assets	¥ 188,375	¥ 164,398	$1,233,756

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2001	2002	2002
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank loans *(Note 5)*	¥ 9,780	¥ 7,780	$ 58,386
Current portion of long-term debt *(Note 5)*	5,000	5,000	37,523
Notes and accounts payable:			
Subsidiaries and affiliates	2,359	1,686	12,653
Trade	21,204	11,184	83,932
Construction	1,044	1,091	8,188
Accrued expenses	3,342	2,902	21,779
Accrued income taxes *(Note 6)*	29	135	1,013
Allowance for loss on restructuring	–	568	4,263
Other current liabilities	2,010	2,271	17,043
Total current liabilities	44,768	32,617	244,780
Long-term liabilities:			
Long-term debt *(Note 5)*	5,000	–	–
Accrued retirement benefits	7,550	6,783	50,904
Guarantee deposits *(Note 5)*	1,252	1,041	7,812
Total long-term liabilities	13,802	7,824	58,716
Contingent liabilities *(Note 10)*			
Shareholders' equity *(Note 7)*:			
Common stock:			
Authorized:			
March 31, 2001 – 772,439,000 shares			
March 31, 2002 – 753,814,067 shares			
Issued:			
March 31, 2001 – 202,811,086 shares	23,221	–	–
March 31, 2002 – 184,186,153 shares	–	23,221	174,266
Additional paid-in capital	23,497	23,497	176,338
Legal reserve *(Note 12)*	3,402	3,478	26,101
Retained earnings *(Note 12)*	79,685	70,041	525,636
Unrealized holding gain on securities *(Note 3)*	–	3,722	27,933
Treasury stock, at cost	–	(2)	(14)
Total shareholders' equity	129,805	123,957	930,260
Total liabilities and shareholders' equity	¥ 188,375	¥ 164,398	$1,233,756

See accompanying notes to non-consolidated financial statements.

Yodogawa Steel Works, Ltd.

Non-Consolidated Statements Operations

Years ended March 31, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2001	2002	2002
Net sales	¥ 111,066	¥ 93,688	$703,099
Cost of sales	93,455	78,096	586,086
Gross profit	17,611	15,592	117,013
Selling, general and administrative expenses *(Note 8)*	16,515	15,061	113,028
Operating income	1,096	531	3,985
Other income (expenses):			
Interest and dividend income	1,528	1,109	8,322
Interest expense	(373)	(230)	(1,726)
Gain (loss) on sales of securities	991	(82)	(615)
Loss on revaluation of securities	(392)	(5,065)	(38,011)
Gain (loss) on sales or disposal of property, plant and equipment, net	2,125	(298)	(2,237)
Loss on disposal of inventories	–	(583)	(4,375)
Loss on restructuring	(725)	–	–
Provision of allowance for loss on restructuring	–	(568)	(4,263)
Gain on contribution of securities to employees' retirement benefit trust	1,627	–	–
Net retirement benefit obligation at transition *(Note 1(m))*	(2,087)	–	–
Other, net	(2,123)	(385)	(2,889)
Income (loss) before income taxes	1,667	(5,571)	(41,809)
Income taxes *(Note 6)*:			
Current	236	142	1,066
Deferred	318	(2,414)	(18,116)
	554	2,272	17,051
Net income (loss)	¥ 1,113	¥ (3,299)	$ (24,758)

See accompanying notes to non-consolidated financial statements.

Yodogawa Steel Works, Ltd.

Non-Consolidated Statements of Shareholders' Equity

Years ended March 31, 2001 and 2002

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	2001	2002	2002
Common stock			
Balance at beginning and end of the year	¥ 23,221	¥ 23,221	$174,266
Additional paid-in capital			
Balance at beginning and end of the year	¥ 23,497	¥ 23,497	$176,338
Legal reserve			
Balance at beginning of the year	¥ 3,250	¥ 3,402	$ 25,531
Add:			
Transfer from retained earnings	152	76	570
Balance at end of the year	¥ 3,402	¥ 3,478	$ 26,101
Retained earnings			
Balance at beginning of the year	¥ 82,847	¥ 79,685	$598,011
Add:			
Net income	1,113	–	–
Deduct:			
Net loss	–	3,299	24,758
Cash dividends paid	1,470	1,396	10,477
Bonuses to directors and statutory auditors	50	50	375
Transfer to legal reserve	152	76	570
Retirement of treasury stock	2,603	4,823	36,195
Balance at end of the year	¥ 79,685	¥ 70,041	$525,636
Unrealized holding gain on securities *(Note 3)*			
Balance at beginning of the year	¥ –	¥ –	$ –
Net change during the year	–	3,722	27,933
Balance at end of the year	¥ –	¥ 3,722	$ 27,933

See accompanying notes to non-consolidated financial statements.

Yodogawa Steel Works, Ltd.

Notes to Non-Consolidated Financial Statements

March 31, 2002

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, 2001 to conform them to the 2002 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.

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 any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost.

As permitted under the new standard, the Company postponed recording marketable securities classified as other securities at fair value, from the current year, to the year ended 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 at March 31, 2001 if marketable securities classified as other securities had been carried at fair value:

	Millions of yen
Carrying value	¥20,883
Fair value	31,334
Unrealized holding gain	6,091
Deferred tax liability	4,410

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, 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 for the year ended March 31, 2001.

1. Summary of Significant Accounting Policies (continued)

(d) Securities (continued)

Effective April 1, 2001, the Company recorded marketable securities classified as other securities at fair value as required under the new accounting standard for financial instruments.

At March 31, 2002, the effect of this treatment was to record initially unrealized holding gain on securities of ¥3,721 million ($27,925 thousand) and to increase marketable securities, investments in securities and deferred tax liabilities by ¥2 million ($15 thousand), ¥6,414 million ($48,135 thousand) and ¥2,695 million ($20,225 thousand), respectively.

(e) Inventories

Finished goods, work in process and raw materials are stated at cost determined principally 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.

1. Summary of Significant Accounting Policies (continued)

(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 adopted a new accounting standard for financial instruments. Under the new accounting standard, the Company 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."

(i) Research and Development Costs and Computer Software

Research and development costs are charged to income as incurred.

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

(j) Leases

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

(k) Income Taxes

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

(l) Allowance for Loss on Restructuring

The Company has provided an allowance for loss on restructuring arising from the discontinuation of its household articles business at an estimated amount of the loss to be incurred.

1. Summary of Significant Accounting Policies (continued)

(m) Retirement Benefits

Employees of the Company are covered by an employees' retirement benefit plan and an employees' pension plan. The employees' retirement benefit plan provides for a lump-sum payment determined by reference to the basic salary, length of service and the 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.

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 were provided mainly at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets as of March 31, 2001, as adjusted for unrecognized actuarial loss. The retirement benefit obligation is allocated 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 was fully charged to income for the year ended March 31, 2001. The effect of the adoption of this standard for retirement benefits was to decrease income before income taxes by ¥582 million 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.

1. Summary of Significant Accounting Policies (continued)

(n) Hedge Accounting

Under the new accounting standard for financial instruments which became 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.

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 ¥133.25 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2002. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Securities

Information with respect to securities at March 31, 2001 and 2002 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, securities with determinable market value included in investments in and advances to subsidiaries and affiliates at March 31, 2001 and 2002 is summarized as follows:

	Millions of yen					
	2001			2002		
	Carrying value	Fair value	Unrealized loss	Carrying value	Fair value	Unrealized loss
Investments in a subsidiary	¥11,310	¥ 8,712	¥ (2,598)	¥11,310	¥8,699	¥(2,611)

	Thousands of U.S. dollars		
	2002		
	Carrying value	Fair value	Unrealized loss
Investments in a subsidiary	$84,878	$65,283	$(19,595)

4. Inventories

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

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Finished goods	¥ 16,652	¥ 13,632	$102,304
Work in process	3,554	3,275	24,578
Raw materials and supplies	7,185	6,932	52,022
Real estate held for sale	129	717	5,381
	¥ 27,520	¥ 24,556	$184,285

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, 2001 and 2002, respectively.

Long-term debt at March 31, 2001 and 2002 was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
1.8% unsecured bonds, payable in yen, due 2003	¥ 5,000	¥ 5,000	$ 37,523
Unsecured loans from banks and an insurance company, due 2002, at an interest rate of 1.72%	5,000	–	–
	10,000	5,000	37,523
Less current portion	(5,000)	(5,000)	(37,523)
	¥ 5,000	¥ –	$ –

The assets pledged as collateral for short-term bank loans at March 31, 2002 were as follows:

	Millions of yen	*Thousands of U.S. dollars*
Property, plant and equipment, at net book value	¥ 28,725	$215,572

Guarantee deposits, principally from customers, have an average annual interest rate of 2.12%. These guarantee deposits fall due during the years ending March 31, 2008 and thereafter.

6. Income Taxes

Income taxes applicable to the Company comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 42.0% for the years ended March 31, 2001 and 2002.

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

	2001
Statutory tax rate	42.0%
Nondeductible expenses	3.4
Nontaxable income	(8.3)
Foreign tax credit	(3.8)
Per capita portion of inhabitants' taxes	3.1
Other	(3.2)
Effective tax rate	33.2%

The corresponding information for the year ended March 31, 2002 has been omitted because a loss before income taxes was recorded.

The significant components of the Company's deferred tax assets and liabilities at March 31, 2001 and 2002 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Deferred tax assets:			
Accrued retirement benefits for employees	¥ 1,520	¥ 1,590	$ 11,932
Accrued retirement benefits for directors and statutory auditors	484	174	1,306
Accrued bonuses	165	225	1,689
Allowances for doubtful receivables	127	81	608
Allowance for loss on restructuring	–	239	1,794
Excess foreign tax deduction	161	241	1,809
Loss on revaluation of securities	161	524	3,932
Tax loss carryforward	–	1,764	13,238
Other	35	95	713
Total deferred tax assets	2,653	4,933	37,021
Deferred tax liabilities:			
Unrealized holding gain on securities	–	(2,695)	(20,225)
Reserve for deferred taxation on contributions for acquisition of property	(1,546)	(1,412)	(10,597)
Total deferred tax liabilities	(1,546)	(4,107)	(30,822)
Net deferred tax assets	¥ 1,107	¥ 826	$ 6,199

7. Shareholders' Equity

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

Due to a change effective the year ended March 31, 2002 in the regulations relating to the presentation of treasury stock, treasury stock has been presented as a deductive component of shareholders' equity in the accompanying non-consolidated balance sheet at March 31, 2002.

8. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2001 and 2002 were as follows:

Millions of yen		*Thousands of U.S. dollars*
2001	2002	2002
¥ 490	¥ 453	$3,400

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, 2001 and 2002, 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:

	Millions of yen					
	2001			2002		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥ 317	¥ 199	¥ 118	¥ 329	¥ 186	¥ 143

	Thousands of U.S. dollars		
	2002		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	$2,469	$1,396	$1,073

The related lease payments and depreciation for the years ended March 31, 2001 and 2002 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2001	2002	2002
Lease payments	¥ 67	¥ 66	$495
Depreciation	67	66	495

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

The related future minimum payments (including the interest portion thereon) subsequent to March 31, 2002 under finance leases other than those which transfer the ownership of the leased property to the Company are summarized as follows:

Year ending March 31,	*Millions of yen*	*Thousands of U.S. dollars*
2003	¥ 58	$ 435
2004 and thereafter	85	638
	¥ 143	$1,073

10. Contingent Liabilities

At March 31, 2002, the Company had the following contingent liabilities:

	Millions of yen	*Thousands of U.S. dollars*
Guarantees of housing loans of employees and indebtedness of subsidiaries	¥ 261	$ 1,959
Contingent liability for in-substance defeasance on bonds	5,002	37,538

11. Amounts per Share

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

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

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.

Effective the year ended March 31, 2002, the number of shares of treasury stock is deducted from the outstanding shares of common stock in computing the amounts per share in accordance with an amendment to the Securities and Exchange Law of Japan.

Amounts per share at March 31, 2001 and 2002 and for the years then ended were as follows:

	Yen		*U.S. dollars*
	2001	2002	2002
Net assets	¥ 640.03	¥ 673.02	$5.05
Net income (loss)	5.35	(16.94)	(0.13)
Cash dividends applicable to the year	7.00	7.00	0.05

12. Subsequent Events

See Note 15 to the consolidated financial statements.