
Trusco Nakayama Corporation

*Financial Statements for the Years Ended
March 31, 2010 and 2009, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trusco Nakayama Corporation:

We have audited the accompanying balance sheets of Trusco Nakayama Corporation (the "Company") as of March 31, 2010 and 2009, and the related statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trusco Nakayama Corporation as of March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 9, 2010

Trusco Nakayama Corporation

Balance Sheets March 31, 2010 and 2009

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010		2010	2009	2010
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 7)	¥ 17,813	¥ 12,976	\$ 191,537	Accounts payable - trade (Note 7)	¥ 9,840	¥ 8,180	\$ 105,807
Short-term investments (Note 4)		510		Other payables (Note 7)	1,704	1,556	18,322
Accounts receivable - trade (Note 7)	15,118	12,783	162,556	Income taxes payable (Note 7)	1,111	819	11,947
Merchandise	16,226	18,831	174,471	Accrued expenses	895	907	9,628
Deferred tax assets (Note 9)	711	685	7,644	Other current liabilities	49	38	531
Other current assets	282	420	3,039				
Allowance for doubtful accounts	(5)	(1)	(54)	Total current liabilities	13,599	11,500	146,235
Total current assets	50,145	46,204	539,193				
PROPERTY, PLANT AND EQUIPMENT (Note 10):				LONG-TERM LIABILITIES:			
Land (Notes 5 and 6)	16,351	16,511	175,819	Retirement allowances for directors and corporate auditors	166	166	1,788
Buildings and structures (Note 5)	27,306	25,176	293,610	Deposits received for guarantees (Note 7)	1,367	1,272	14,695
Machinery and equipment	1,150	1,194	12,364	Total long-term liabilities	1,533	1,438	16,483
Furniture and fixtures (Note 5)	3,006	3,101	32,327				
Construction in progress	53	1,108	573	EQUITY (Notes 8 and 12):			
Total	47,866	47,090	514,693	Common stock - authorized, 57,190,000 shares; issued, 33,004,372 shares in 2010 and 2009	5,022	5,022	54,004
Accumulated depreciation	(13,101)	(12,546)	(140,875)	Capital surplus:			
Net property, plant and equipment	34,765	34,544	373,818	Additional paid-in capital	4,710	4,710	50,644
				Retained earnings:			
INVESTMENTS AND OTHER ASSETS:				Legal reserve	1,256	1,256	13,501
Investments in affiliated companies (Note 11)	99	99	1,061	Unappropriated	63,614	62,942	684,021
Investment securities (Notes 3 and 7)	1,012	913	10,885	Land revaluation difference (Note 6)	(1,116)	(1,497)	(12,003)
Long-term receivables	12	4	125	Unrealized gain on available-for-sale securities	111	11	1,198
Software	1,857	2,701	19,972	Treasury stock - at cost 22,406 shares in 2010 and 20,745 shares in 2009	(42)	(40)	(456)
Security deposits (Note 7)	263	318	2,824	Total equity	73,555	72,404	790,909
Deferred tax assets (Note 9)	341	188	3,670				
Deferred tax assets on land revaluation difference (Note 6)	127	303	1,367				
Other	107	101	1,157				
Allowance for doubtful accounts	(41)	(33)	(445)				
Total investments and other assets	3,777	4,594	40,616				
TOTAL	¥ 88,687	¥ 85,342	\$ 953,627	TOTAL	¥ 88,687	¥ 85,342	\$ 953,627

See notes to financial statements.

Trusco Nakayama Corporation

Statements of Income Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2010</u>	<u>2009</u>	<u>2010</u>
NET SALES	¥ 99,202	¥ 119,507	\$ 1,066,684
COST OF GOODS SOLD	78,419	94,256	843,218
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>17,037</u>	<u>18,761</u>	<u>183,191</u>
OPERATING INCOME	<u>3,746</u>	<u>6,490</u>	<u>40,275</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	27	39	293
Purchase discounts	826	1,137	8,878
Sales discounts	(1,014)	(1,322)	(10,905)
Gain on sales of property, plant and equipment	150	5	1,617
Loss on sales and disposals of property, plant and equipment	(212)	(22)	(2,277)
Impairment loss on property, plant and equipment (Note 5)	(315)	(152)	(3,392)
Other - net	<u>13</u>	<u>(18)</u>	<u>141</u>
Total other expenses	<u>(525)</u>	<u>(333)</u>	<u>(5,645)</u>
INCOME BEFORE INCOME TAXES	3,221	6,157	34,630
INCOME TAXES (Note 9):			
Current	1,612	2,732	17,332
Deferred	<u>1</u>	<u>(18)</u>	<u>8</u>
Total	<u>1,613</u>	<u>2,714</u>	<u>17,340</u>
NET INCOME	<u>¥ 1,608</u>	<u>¥ 3,443</u>	<u>\$ 17,290</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 2.k):			
Net income	¥48.75	¥104.39	\$0.52
Cash dividends applicable to the year	20.00	26.50	0.22

See notes to financial statements.

Trusco Nakayama Corporation
**Statements of Changes in Equity
Years Ended March 31, 2010 and 2009**

	Thousands	Millions of Yen								
	Outstanding	Capital Surplus			Retained Earnings		Land Revaluation Difference	Unrealized Gain on Available-for- Sale Securities	Treasury Stock	Total Equity
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, APRIL 1, 2008	32,983	¥ 5,022	¥ 4,710	¥ 2	¥ 1,256	¥ 60,687	¥ (1,431)	¥ 119	¥ (43)	¥ 70,322
Net income						3,443				3,443
Cash dividends, ¥38.0 per share						(1,253)				(1,253)
Net decrease of treasury stock	1								3	3
Loss on sales of treasury stock				(2)		(1)				(3)
Reversal of land revaluation difference						66				66
Net change in the year							(66)	(108)		(174)
BALANCE, MARCH 31, 2009	32,984	5,022	4,710		1,256	62,942	(1,497)	11	(40)	72,404
Net income						1,608				1,608
Cash dividends, ¥19.0 per share						(627)				(627)
Net increase of treasury stock	(2)								(2)	(2)
Loss on sales of treasury stock						(0)				(0)
Reversal of land revaluation difference						(309)				(309)
Net change in the year							381	100		481
BALANCE, MARCH 31, 2010	<u>32,982</u>	<u>¥ 5,022</u>	<u>¥ 4,710</u>	<u>—</u>	<u>¥ 1,256</u>	<u>¥ 63,614</u>	<u>¥ (1,116)</u>	<u>¥ 111</u>	<u>¥ (42)</u>	<u>¥ 73,555</u>

	Thousands of U.S. Dollars (Note 1)								
	Capital Surplus			Retained Earnings		Land Revaluation Difference	Unrealized Gain on Available-for- Sale Securities	Treasury Stock	Total Equity
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated				
BALANCE, MARCH 31, 2009	\$ 54,004	\$ 50,644		\$ 13,501	\$ 676,798	\$ (16,099)	\$ 120	\$ (434)	\$ 778,534
Net income					17,290				17,290
Cash dividends, \$0.2 per share					(6,738)				(6,738)
Net decrease of treasury stock								(22)	(22)
Loss on sales of treasury stock					(2)				(2)
Reversal of land revaluation difference					(3,327)				(3,327)
Net change in the year						4,096	1,078		5,174
BALANCE, MARCH 31, 2010	<u>\$ 54,004</u>	<u>\$ 50,644</u>	<u>—</u>	<u>\$ 13,501</u>	<u>\$ 684,021</u>	<u>\$ (12,003)</u>	<u>\$ 1,198</u>	<u>\$ (456)</u>	<u>\$ 790,909</u>

See notes to financial statements.

Trusco Nakayama Corporation

Statements of Cash Flows Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income before income taxes	¥ 3,221	¥ 6,157	\$ 34,630
Adjustments for:			
Depreciation and amortization	2,499	2,598	26,866
Increase in allowance for doubtful accounts	15	2	162
Interest and dividend income	(27)	(39)	(293)
Loss on sales and disposals of property, plant and equipment	41	17	445
Impairment loss on property, plant and equipment	315	152	3,392
Changes in assets and liabilities:			
Increase (decrease) in notes and accounts receivable	(2,345)	5,536	(25,214)
Decrease (increase) in inventories	2,605	(2,052)	28,008
Increase (decrease) in notes and accounts payable	1,660	(2,883)	17,855
Other - net	423	(428)	4,551
Interest and dividends received	28	39	302
Income taxes paid	(1,303)	(4,124)	(14,015)
Net cash provided by operating activities	7,132	4,975	76,689
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(2,886)	(3,761)	(31,036)
Proceeds from sales of property, plant and equipment	811	205	8,723
Purchase of intangible assets	(151)	(214)	(1,629)
Other - net	561	(12)	6,038
Net cash used in investing activities	(1,665)	(3,782)	(17,904)
FINANCING ACTIVITIES:			
Proceeds from sales of treasury stocks	0	5	5
Repurchase of treasury stock	(3)	(5)	(29)
Dividends paid	(627)	(1,252)	(6,747)
Net cash used in financing activities	(630)	(1,252)	(6,771)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,837	(59)	52,014
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,976	13,035	139,523
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 17,813	¥ 12,976	\$ 191,537

See notes to financial statements.

Trusco Nakayama Corporation

Notes to Financial Statements Years Ended March 31, 2010 and 2009

1. BASIS OF PRESENTATION

The accompanying financial statements of Trusco Nakayama Corporation (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these financial statements, certain reclassifications have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The financial statements are stated in Japanese yen, the reporting currency of the Company. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93 to \$1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Non-Consolidation* - The Company has no subsidiaries. Investments in two affiliated companies (20% - 50% ownership) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying financial statements would not be material.
- b. Cash Equivalents* - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits that mature within three months of the date of acquisition.
- c. Inventories* - Inventories are stated at the lower of cost, determined by the average method, or net selling value.
- d. Investment Securities* - Investment securities are classified and accounted for, based on management's intent, as available-for-sale securities and are reported at fair value with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Non-marketable investment securities are stated at cost as determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are written down to net realizable value as a new cost basis and the amount of the write-down is included in income.

- e. Property, Plant and Equipment* - Property, plant and equipment is stated at cost. Depreciation is computed by the declining-balance method except for buildings acquired after April 1, 1998, for which the straight-line method is used. The range of useful lives is principally from 10 to 50 years for buildings and structures, from 2 to 12 years for machinery and equipment, and from 3 to 6 years for furniture and fixtures.

- f. Long-lived Assets* - The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment is recognized if the carrying amount of an asset or asset group exceeds its fair value. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- g. Software* - In accordance with accounting standards for research and development costs and computer software, expenditures relating to the cost of computer software intended for internal use are charged to income as incurred, except when these costs are deemed to contribute to generating future income or cost savings. In such cases, these expenditures are capitalized as other assets and amortized by the straight-line method over their useful lives, generally over a period of 5 years.
- h. Allowance for Doubtful Accounts* - The allowance for doubtful accounts is determined based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- i. Retirement Allowances for Directors and Corporate Auditors* - Effective March 31, 2004, the Company terminated its unfunded retirement allowance plan for all directors and corporate auditors by resolution of the Board of Directors on March 28, 2004. Retirement allowances for all directors and corporate auditors are recorded at the amount that would be required to pay all present directors and corporate auditors assuming they had retired at March 31, 2004.
- j. Income Taxes* - The provision for income taxes is computed based on the pretax income included in the statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- k. Per Share Information* - Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because the Company has no dilutive securities.

Cash dividends per share presented in the accompanying statements of income include dividends to be paid after the end of the year.

3. INVESTMENT SECURITIES

Investment securities at March 31, 2010 and 2009 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>
Non-current:			
Equity securities	¥ 530	¥ 428	\$ 5,700
Government and corporate bonds	404	420	4,346
Trust fund investments and other	<u>78</u>	<u>65</u>	<u>839</u>
Total	<u>¥ 1,012</u>	<u>¥ 913</u>	<u>\$ 10,885</u>

The costs and aggregate fair values of investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			Fair Value
	2010			
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as available-for-sale:				
Equity securities	¥ 317	¥ 205	¥ 3	¥ 519
Government and corporate bonds	431	0	28	404
Trust fund investments and other	<u>40</u>	<u>12</u>	<u>—</u>	<u>52</u>
Total	<u>¥ 788</u>	<u>¥ 217</u>	<u>¥ 31</u>	<u>¥ 975</u>

	Millions of Yen			Fair Value
	2009			
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as available-for-sale:				
Equity securities	¥ 317	¥ 114	¥ 15	¥ 417
Government and corporate bonds	500	—	80	420
Trust fund investments and other	<u>40</u>	<u>—</u>	<u>1</u>	<u>39</u>
Total	<u>¥ 857</u>	<u>¥ 114</u>	<u>¥ 96</u>	<u>¥ 876</u>

	Thousands of U.S. Dollars			Fair Value
	2010			
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as available-for-sale:				
Equity securities	\$ 3,409	\$ 2,205	\$ 34	\$ 5,580
Government and corporate bonds	4,639	3	296	4,346
Trust fund investments and other	<u>425</u>	<u>132</u>	<u>—</u>	<u>557</u>
Total	<u>\$ 8,473</u>	<u>\$ 2,340</u>	<u>\$ 330</u>	<u>\$ 10,483</u>

4. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2010 and 2009 consist of the following:

	Millions of Yen		Thousands of
	2010	2009	U.S. Dollars
			2010
Time deposits other than cash equivalents			¥510

5. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of March 31, 2010 and 2009. As a result, the Company recognized an impairment loss of ¥315 million (\$3,392 thousand) and ¥152 million, respectively, as other expense for a certain asset group due to continuous operating losses expected by that unit, and the carrying amount of the relevant land, building, and other assets were written down to the recoverable amount. The recoverable amount of each asset group was measured at its net selling price determined by quotation from a third-party vendor.

6. LAND REVALUATION

Under the "Law of Land Revaluation" promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, the Company selected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation difference represents the net unrealized devaluation of land values and is stated, net of income taxes, as a separate component of equity. There is no effect on the statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be added to the land revaluation difference account and related deferred tax assets. When a revalued piece of land is sold off or an impairment loss is recognized, the related land revaluation difference is directly reversed to retained earnings.

At March 31, 2010, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,683 million (\$18,092 thousand).

7. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the Accounting Standards Board of Japan (the "ASBJ") revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments", and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". This accounting standard and guidance are applicable to financial instruments and related disclosures at the end of fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Company applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Company policy for financial instruments

The Company uses financial instruments, mainly shareholders' equity, based on its capital financing plan. Cash surpluses, if any, are invested only in current deposits and available-for-sale securities within ¥500 million.

(2) Nature and extent of risks arising from financial instruments

Financial instruments mainly include accounts receivable - trade, investment securities (equity securities and bonds), security deposits related to operating transactions and real estate lease transactions, accounts payable - trade, income taxes payable, deposit received for guarantees related to operating transactions, and real estate lease transactions.

Accounts receivable - trade arise from regular operating activities, and are exposed to customer credit risk. Among investment securities, equity securities are acquired in order to strengthen the relationship with customers, and are exposed to the risk of market price fluctuations.

(3) Risk management for financial instruments

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Company manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages.

With respect to investment securities, which mainly include equity securities, the Company manages its exposure to credit risk by monitoring market values and financial position of issuers on a regular basis in accordance with its internal guidelines.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead.

(a) Fair value of financial instruments

<u>March 31, 2010</u>	Millions of Yen		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	¥ 17,813	¥ 17,813	¥
Accounts receivable - trade	15,118	15,118	
Investment securities	975	975	
Security deposits	263	250	13
Total	<u>¥ 34,169</u>	<u>¥ 34,156</u>	<u>¥ 13</u>
Accounts payable - trade	¥ 9,840	¥ 9,840	¥
Other payables	1,704	1,704	
Income taxes payable	1,111	1,111	
Deposits received for guarantees	1,367	1,364	3
Total	<u>¥ 14,022</u>	<u>¥ 14,019</u>	<u>¥ 3</u>

<u>March 31, 2010</u>	Thousands of U.S. Dollars		
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrealized Gain/Loss</u>
Cash and cash equivalents	\$ 191,537	\$ 191,537	\$
Accounts receivable - trade	162,556	162,556	
Investment securities	10,483	10,483	
Security deposits	2,824	2,686	138
Total	<u>\$ 367,400</u>	<u>\$ 367,262</u>	<u>\$ 138</u>
Accounts payable - trade	\$ 105,807	\$ 105,807	\$
Other payables	18,322	18,322	
Income taxes payable	11,947	11,947	
Deposits received for guarantees	14,695	14,668	27
Total	<u>\$ 150,771</u>	<u>\$ 150,744</u>	<u>\$ 27</u>

Cash and cash equivalents, accounts receivable - trade

The carrying values of cash and cash equivalents and accounts receivable - trade approximate fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 3.

Security deposits

Security deposits are paid for operating transactions and real estate lease transactions. These are all repaid when the transactions are settled.

Security deposits related to operating transactions are paid to suppliers. The carrying values of security deposits related to operating transactions approximate fair value because of their short maturities. The fair values of security deposits related to real estate lease transactions are measured at the amount to be received or paid at maturity discounted at the Company's assumed corporate discount rate.

Accounts payable - trade, other payables and income taxes payable

The carrying values of accounts payable - trade, other payables, and income taxes payable approximate fair value because of their short maturities.

Deposits received for guarantees

These deposits are received for operating transactions and real estate lease transactions. These are all returned when the transactions are settled.

Deposits for guarantees related to operating transactions are received from customers. The carrying values of these deposits approximate fair value because of their short maturities. The fair values of deposits received for guarantees related to real estate lease transactions are measured at the amount to be received or paid at maturity discounted at the Company's assumed corporate discount rate.

(b) Financial instruments whose fair value cannot be reliably determined

<u>March 31, 2010</u>	<u>Carrying Amount</u>	
	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Investments in equity instruments that do not have a quoted market price in an active market	¥136	\$1,463

(5) Maturity analysis for financial assets and securities with contractual maturities

<u>March 31, 2010</u>	<u>Millions of Yen</u>			
	<u>Due in One Year or Less</u>	<u>Due after One Year through Five Years</u>	<u>Due after Five Years through Ten Years</u>	<u>Due after Ten Years</u>
Cash and cash equivalents	¥ 17,813	¥	¥	¥
Accounts receivable - trade	15,118			
Investment securities:				
Available-for-sale securities with contractual maturities		100		304
Security deposits	104	140		19
Total	<u>¥ 33,035</u>	<u>¥ 240</u>	<u>¥</u>	<u>¥ 323</u>

	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
<u>March 31, 2010</u>				
Cash and cash equivalents	\$ 191,537	\$	\$	\$
Accounts receivable - trade	162,556			
Investment securities:				
Available-for-sale securities with contractual maturities		1,079		3,268
Security deposits	<u>1,122</u>	<u>1,502</u>	<u> </u>	<u>200</u>
Total	<u>\$ 355,215</u>	<u>\$ 2,581</u>	<u>\$</u>	<u>\$ 3,468</u>

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) having a term of service for its directors prescribed in its articles of incorporation as one year rather than two years of normal term, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases (decreases) and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2010</u>	<u>2009</u>	<u>U.S. Dollars</u>
			<u>2010</u>
Deferred tax assets - current:			
Enterprise taxes	¥ 87	¥ 69	\$ 937
Accrued employee bonuses	308	312	3,306
Other payables	114	161	1,228
Other	<u>202</u>	<u>143</u>	<u>2,173</u>
Total	<u>¥ 711</u>	<u>¥ 685</u>	<u>\$ 7,644</u>
Net deferred tax assets - current	<u>¥ 711</u>	<u>¥ 685</u>	<u>\$ 7,644</u>
Deferred tax assets - non-current:			
Retirement allowances for directors and corporate auditors	¥ 67	¥ 67	\$ 723
Impairment loss on property, plant and equipment	378	62	4,060
Other	103	123	1,111
Valuation allowance	<u>(67)</u>		<u>(723)</u>
Total	<u>¥ 481</u>	<u>¥ 252</u>	<u>\$ 5,171</u>
Deferred tax liabilities - non-current:			
Tax reserves regulated by Japanese tax law	¥ 79	¥ 56	\$ 850
Net unrealized gain on available-for-sale securities	<u>61</u>	<u>8</u>	<u>651</u>
Total	<u>¥ 140</u>	<u>¥ 64</u>	<u>\$ 1,501</u>
Net deferred tax assets - non-current	<u>¥ 341</u>	<u>¥ 188</u>	<u>\$ 3,670</u>

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2010 and 2009 and the actual effective tax rates reflected in the statements of income is as follows:

	<u>2010</u>	<u>2009</u>
Normal effective statutory tax rate	40.4 %	40.4 %
Inhabitant tax (per capital levy)	3.2	0.7
Permanently non-deductible expenses	2.5	2.4
Tax credit	(0.1)	(0.1)
Valuation allowance	2.1	
Other - net	<u>2.0</u>	<u>0.7</u>
Actual effective tax rate	<u>50.1 %</u>	<u>44.1 %</u>

10. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures", and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures". This accounting standard and guidance are applicable to investment property and related disclosures at the end of fiscal years ending on or after March 31, 2010. The Company applied the new accounting standard and guidance effective March 31, 2010.

The Company holds some idle properties for which use in the future is not expected, including rental properties such as office buildings and land in Kyoto prefecture and other areas. A portion of office buildings in Osaka prefecture and Kyoto prefecture are treated as real estate, including certain portions used as investment property.

The carrying amounts, changes in such balances, and market prices of such properties are as follows:

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2009	Increase	March 31, 2010	March 31, 2010
Idle properties	¥ 731	¥ 228	¥ 959	¥ 1,035
Rental properties	925	686	1,611	1,160
Real estate including certain portions used as investment property	<u>197</u>	<u>156</u>	<u>353</u>	<u>463</u>
Total	<u>¥ 1,853</u>	<u>¥ 1,070</u>	<u>¥ 2,923</u>	<u>¥ 2,658</u>
	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	April 1, 2009	Increase	March 31, 2010	March 31, 2010
Idle properties	\$ 7,859	\$ 2,452	\$ 10,311	\$ 11,128
Rental properties	9,948	7,374	17,322	12,469
Real estate including certain portions used as investment property	<u>2,123</u>	<u>1,675</u>	<u>3,798</u>	<u>4,976</u>
Total	<u>\$ 19,930</u>	<u>\$ 11,501</u>	<u>\$ 31,431</u>	<u>\$ 28,573</u>

Notes:

- 1) Carrying amounts recognized in the balance sheets are net of accumulated depreciation.
- 2) Increase during the fiscal year ended March 31, 2010 primarily represents the acquisition of certain properties of ¥1,950 million (\$20,965 thousand), and the decrease primarily represents the sale of certain properties of ¥793 million (\$8,527 thousand).
- 3) Fair value of properties as of March 31, 2010 is measured by the Company in accordance with the Real Estate Appraisal Standard. The carrying values of properties acquired in this fiscal year approximate fair value because the change in fair value is negligible.

Net of income and operating expenses for those properties are as follows.

	Millions of Yen			
	Income	Operating Expenses	Net Income	Other Expenses
Idle properties		¥ 45	¥ (45)	¥ 303
Rental properties	¥ 63	21	42	
Real estate including certain portions used as investment property	<u>102</u>	<u>35</u>	<u>67</u>	
Total	<u>¥ 165</u>	<u>¥ 101</u>	<u>¥ 64</u>	<u>¥ 303</u>

	Thousands of U.S. Dollars			
	Income	Operating Expenses	Net Income	Other Expenses
Idle properties		\$ 486	\$ (486)	\$ 3,254
Rental properties	\$ 676	221	455	
Real estate including certain portions used as investment property	<u>1,093</u>	<u>374</u>	<u>719</u>	
Total	<u>\$ 1,769</u>	<u>\$ 1,081</u>	<u>\$ 688</u>	<u>\$ 3,254</u>

11. RELATED PARTY DISCLOSURES

The Company owned the following affiliated companies as of March 31, 2010 and 2009:

	Percentage of Ownership	
	<u>2010</u>	<u>2009</u>
Toyo Steel Corporation	28.0%	28.0%
Union Steel Corporation	29.3%	29.3%

Transactions with the affiliated companies for the years ended March 31, 2010 and 2009 were immaterial.

The balances due to or from the affiliated companies at March 31, 2010 and 2009 were also immaterial.

12. SUBSEQUENT EVENT

Appropriations of Retained Earnings - The following appropriations of retained earnings at March 31, 2010 were resolved at the meeting of the Board of Directors held on May 7, 2010:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Cash dividends ¥10.0 (\$0.11) per share	¥330	\$3,546

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