SANYO
SPECIAL
STEEL

2011 ANNUAL REPORT

APRIL 1.2010-MARCH 31.2011

SANYO SPECIAL STEEL-THE CONFIDENT CHOICE

Profile

Sanyo Special Steel manufactures and distributes special steel products such as bearing steel, engineering steel, stainless steel, heat resistant steel and tool steel, metal powders and heat/corrosion resistant alloys, and formed and fabricated materials made from special steel bars/tubes.

We enjoy a high level of market confidence in every aspect of our undertakings - development, product quality and stable supply - based on our high cleanliness steel manufacturing technology, which controls the sizes of inclusions in steel and reduces oxygen content to a minimum.

Featuring superior quality characteristics such as fatigue life, cold workability and impact resistance, our highly reliable steel is used in a broad range of industrial applications, most notably in automobiles, industrial machinery, railways and wind-power generation equipment, as materials for their essential components for which a high level of reliability is required. Above all, the unmatched quality of our bearing steel means that Sanyo Special Steel is the world's leading bearing steel manufacturer.

Contents

Earnings forecasts contained in this annual report have been prepared by the Sanyo Special Steel Group based on information available at the time of their preparation. Please note that these forecasts involve various uncertainties and that actual performance may differ from the forecasted figures.

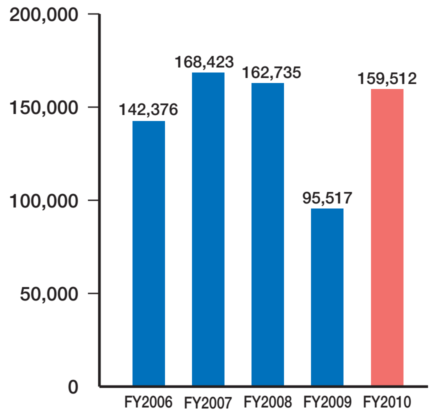
CONSOLIDATED FINANCIAL HIGHLIGHTS

Sanyo Special Steel Co., Ltd. and consolidated subsidiaries

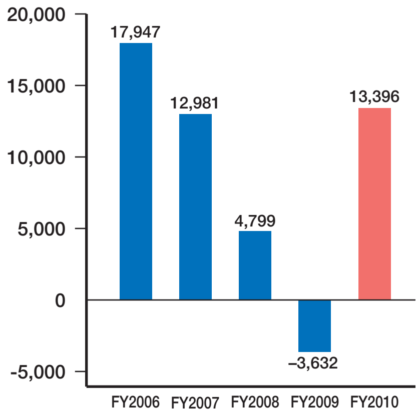
	FY2008	FY2009	FY2010	Change FY2009 / FY2010	FY2010
Operating Results (for the year)			(Millions of Yen)	(%)	(Thousands of US Dollars)*1
Net Sales	¥ 162,735	¥ 95,517	¥ 159,512	67.0	$ 1,918,368
Operating income (loss)	5,148	(3,946)	14,200	—	170,774
Ordinary income (loss)	4,799	(3,632)	13,396	—	161,105
Net income (loss)	(1,023)	(2,585)	7,822	—	94,076
Financial Position (at year-end)			(Millions of Yen)	(%)	(Thousands of US Dollars)*1
Net assets *2	87,027	86,415	92,591	7.1	1,113,543
Total assets	147,779	159,733	188,213	17.8	2,263,541
Financial Indicator			(%)		
ROS (Ordinary income to Net sales)	2.9	—3.8	8.4	—	—
ROE (Net income to Net assets)	—1.2	—3.0	8.8	—	—
Net D/E Ratio *3	0.23	0.42 (0.21) *4	0.42 (0.14) *4	—	—
			(Yen)		(US Dollars)*1
Net income (loss) per share	(6.3)	(16.01)	48.47	—	0.58
Net assets per share	536	533	571	7.1	6.87
Cash dividends per share	5.00	—	10.00	—	0.06

*1 US dollar amounts are converted, for convenience purpose only, at the rate of ¥83.15=US$1, the approximate rate of exchange on March 31, 2011.
*2 Minority interests are included in net assets.
*3 Net debt equity ratio ・・・ (gross interest-bearing dept — cash and deposits) / equity
*4 We did not liquidize receivables at the end of March 2010 and end of March 2011.
(0.21) (0.14)・・・Net debt equity ratio if we had liquidized receivables.

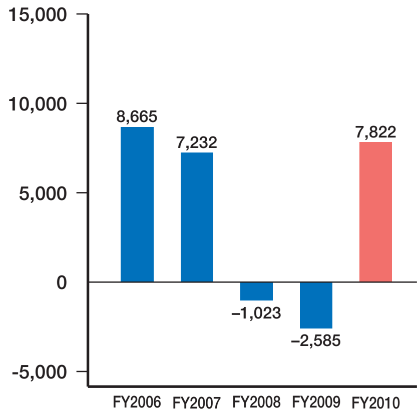
Net Sales
(Millions of Yen)



Ordinary income
(Millions of Yen)



Net income
(Millions of Yen)



Fiscal 2010 Overview

Let me start with an overview of fiscal 2010:
During the first half of fiscal 2010 the Japanese economy continued to recover gradually on the back of rising exports to emerging countries with rapidly growing economies, particularly China and India, and a pick-up in personal spending. The recovery subsequently slowed due to the termination of subsidy programs and sharp appreciation of the yen and, since the beginning of 2011, domestic demand had remained stagnant. Amid mounting expectations for re-acceleration of the global economy fueled by emerging countries and the U.S. and subsequent export improvements, the Great East Japan Earthquake occurred on March 11, 2011 and the fiscal year ended with concerns over the serious impact the disaster would have.
In the special steel industry, production of hot-rolled special steel products stood at higher levels compared to the previous fiscal year due to brisk production in the automobile industry, among key customer sectors, and also the production pick-up in the industrial machinery and construction machinery sectors.
Against this backdrop, the Sanyo Special Steel Group reported consolidated net sales of ¥159,512 million, which represented an increase of ¥63,996 million over fiscal 2009, due primarily to sales volume expansion. In terms of profitability, the group posted ordinary income of ¥13,396 million (vs. an ordinary loss of ¥3,632 million for fiscal 2009) and net income of ¥7,822 million (vs. a net loss of ¥2,585 million for fiscal 2009) through focused efforts for cost-cutting in addition to expansion of sales volume.
Regarding dividend payments for fiscal 2010, we paid an annual dividend of 10 yen per share, consisting of 5 yen each in interim and year-end dividends, in line with its dividend policy.

THE 8TH MEDIUM-TERM BUSINESS PLAN

1. Strategy

Create greater corporate value through enhancing the brand power of “Sanyo Special Steel – the Confident Choice”

- ☐ Strengthen technological innovation: “Sen-no-sen - Beyond the cutting edge- “
- ☐ Further boost international competitiveness
- ☐ Improve our overall capabilities by building closer ties among our sectors (sales, technology and production) and group companies

We regard the new environment that surrounds us, namely multi-polar world economy brought about by the rise of emerging countries and a changing demand structure resulting from the advancement of low-carbon societies, as our business opportunities as well as potential risks. We seek to establish a globally competitive company by enhancing our non-price competitiveness while also improving cost competitiveness.
Through these efforts, we will pave the way for future profit growth. We will also continue to implement various measures for further consolidating our business foundation and to promote growth strategies while maintaining a sound financial basis.

Fiscal 2011 Outlook

With regard to the future outlook, the Japanese economy is expected to continue growing at a mild pace alongside recovery in production activity in various sectors and economic growth in emerging countries, especially China and India. On the other hand, the prospects for the management environment surrounding the Sanyo Special Steel Group are becoming increasingly unpredictable due to many uncertainties, including the credit crunch, mainly in Europe, triggered by Greece's financial crisis, concerns about deceleration of economic growth in emerging countries due to inflation control measures, pressure on corporate earnings resulting from weakening of the euro and the dollar against the yen, and increasingly serious nation-wide power shortages.
Under these circumstances, the Sanyo Special Steel Group, while more firmly focusing on properly responding to customer needs and demand trends and boosting its non-price competitiveness, remains committed to making all-out efforts to establish a business structure that can ensure adequate supply of high-quality special steel, including internal efforts such as more drastic cost reductions and upgrading and establishment of an iron scrap surcharge system, thereby seeking to further improve its corporate value.
Taking all of the above into consideration, although the potential impacts of uncertain factors remain unpredictable as described earlier, we expect consolidated net sales of ¥155,000 million, ordinary income of ¥11,500 million and net income of ¥6,900 million for fiscal 2011.
Regarding dividends for fiscal 2011, we are seeking to implement dividend payments based on periodic earnings performance in line with our dividend policy; however, the specific amount of dividend payments has not been decided at this point.
To our shareholders and investors, we would like to ask for your continued support and understanding of the Sanyo Special Steel Group in the coming years.

September 2011

Nobuyoshi Fujiwara
Representative Director and President

2. Key Action Programs

【1】Recognize changes in the demand structure due to growing demand in emerging countries and the advancement of low-carbon societies, and realize development and market launches of new products.

Accurately ascertain the needs of customers that operate in Japan and abroad, whether they are Japanese or non-Japanese, and provide those customers with appropriate products that have non-price competitiveness, thereby helping them improve their competitiveness while pursuing profitability for our group.

Increase the group's export ratio in light of the growing overseas markets; develop our overseas bases, particularly in China, India and ASEAN, and secure/boost sales volume.

【2】Ensure adequate profit margins

Further spread/expand application of the iron scrap surcharge system to prices of raw materials and fuel, which are expected to fluctuate over the medium and long terms, including prices for iron scrap, in order to ensure adequate margins.

【3】Further boost non-price competitiveness

Promote expansion of technological innovation beyond the cutting edge, including development of highly functional, differentiated products and manufacturing technologies, and timely development of appropriate product lines in response to the changing market structure, and maintain/boost our capabilities for assuring product quality, meeting requested delivery dates and providing solutions to users, thereby responding to the needs of customers in a swift and appropriate manner.

【4】Ensure upward flexibility to adequately respond to the changing demand structure

While seeking comprehensive improvement in capacity utilization rates and efficient production, ensure upward flexibility that allows us to respond effectively to the changing demand structure by making use of the capital investments implemented in the 7th Medium-term Business Plan.

【5】Pursue environment-friendly manufacturing

Our group has been contributing to the creation of a recycling-oriented society by recycling iron scrap generated mainly in Japan and manufacturing products from such recycled material. We have also been contributing to the advancement of low-carbon societies by developing highly functional product lines designed to support low-carbon societies, such as large-size bearing steel for wind power generation, and providing such products to customers.

In the 8th Medium-term Business Plan, we will continue to proactively address energy- and resource-saving issues and work on the development of new products that contribute to the efforts of customers to reduce energy and resources consumption, as we did in the 7th Medium-term Business Plan.

【6】Develop human resources to realize sustainable growth

Develop personnel who are capable of responding to globalization of the business environment and consequently strengthen international competition in a carefully planned manner.

Continue with ongoing measures for promoting work-life balance and creating a work environment that allows female employees to take active roles.

Basic Management Policies

We adhere to "confidence-based management" as our corporate philosophy, seeking to establish the "confidence of society," "confidence of customers" and "confidence among people."
Guided by this corporate philosophy, we aim to balance our economic activity with social development by fulfilling our responsibilities required as a member of society, including steadily implementing measures to protect the global environment and ensuring compliance with our corporate ethical standards while further reinforcing the brand power of "Sanyo Special Steel – the Confident Choice."
Through these efforts, we strive to improve our corporate value and pursue our objective of becoming a corporation that can earn greater confidence among all our stakeholders, including shareholders, customers, employees and society.

Dividend Policy

Our basic policy on profit distribution is to reward our shareholders by strengthening our business foundation and increasing profits available for distribution. As for dividend payments, we intend to meet the expectations of our shareholders, primarily through appropriate distribution of profits based on periodic business performance, with due attention being given to both the payout ratio and the amount of funds required for investments and other activities to increase our corporate value. We basically refer to a consolidated payout ratio of about 20% and a non-consolidated payout ratio of about 30% as our measure of profit distribution based on our consolidated performance. However, since reinforcing the business foundation and reforming the financial structure for the purpose of improving corporate value is our highest priority, at least for the present, we have decided to use slightly lower reference values - a consolidated payout ratio of 15%~20% and a non-consolidated payout ratio of 20%~30% - than the standard values in implementing interim and year-end dividend payments from retained earnings.

Basic Policy on Corporate Control

We consider that anyone in a position that involves control over decisions on the Company's financial and operating policies must fully understand the above 'Basic Management Policies', and must seek to maintain and improve our corporate value and the common interests of our shareholders in the future.
Consequently, in order to protect our corporate value and the common interests of our shareholders against the potential harm that could result from a substantial share acquisition by any third party, we consider it necessary to establish in advance proper rules on substantial share acquisitions to be observed by any third party that initiates such an acquisition.
In other words, we think that, in the event of any large-scale purchase offer (buyout offer) from a third party, the decision as to whether or not to accept such an offer rests with the shareholders, once the offer has been made. We also think that, in order to maintain and enhance our corporate value and the common interests of our shareholders, we need to enable shareholders to make considered judgments on any buyout offer within a reasonable period of time, based on adequate information.

CORPORATE GOVERNANCE STRUCTURE

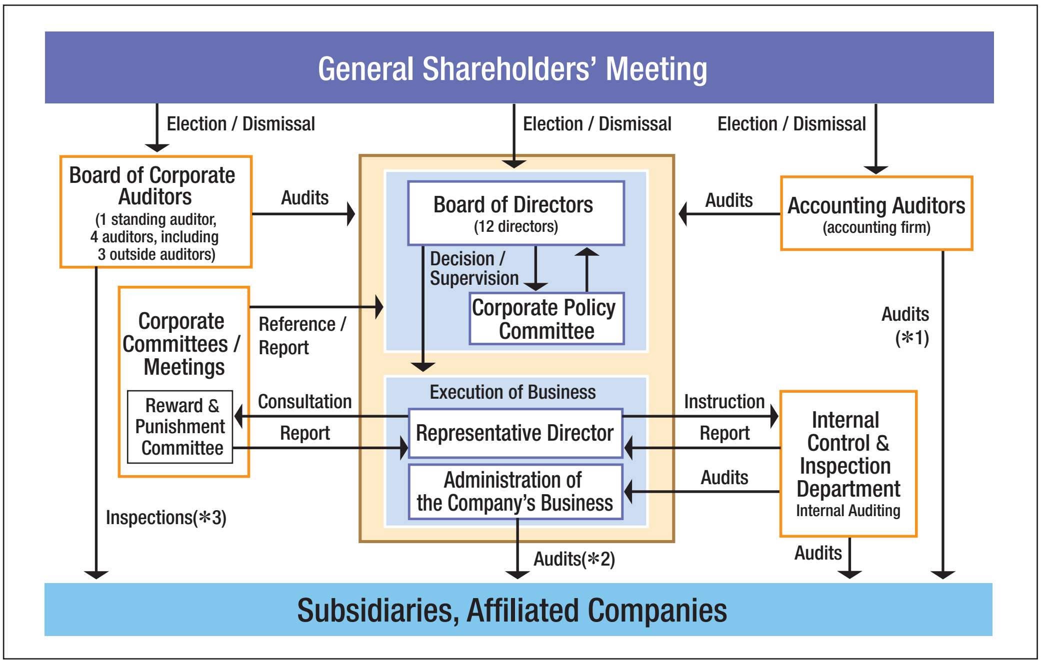
We have been enhancing the corporate governance and internal control systems that form part of our management infrastructure to ensure the integrity, fairness, and transparency of our operations.

Fundamental Measures for Corporate Governance

The Company has adopted a corporate auditor system.
With respect to business execution, the Company makes decisions concerning important issues and supervises the execution of business operations at meetings of the Board of Directors (held monthly) and at extraordinary meetings of the Board of Directors (held as necessary).
We have set up company-wide committees and meetings to discuss important matters regarding operations. These include the Corporate Policy Committee to facilitate efficient management decision-making such as meetings of the Board of Directors, the Corporate Behavior and Ethics Special Committee to ensure thorough compliance and solid corporate governance, the Security & Trade Control Committee, the Environmental Conservation Committee and the Corporate Budget Committee.
Corporate auditors' audits are conducted as necessary based on the auditing policies formulated each year by the Board of Corporate Auditors. Audits are conducted in a broad range of areas including not only directors' execution of their duties but also risk management and compliance from an internal control perspective. Based on the audit results, the auditors express their opinions to the representative director and, if necessary, business execution functions. We have a standing corporate auditor system in place in order to further strengthen our auditing structure.
As for accounting audits, audit policies are formulated through discussions between corporate auditors and accounting auditors, and then audits are performed on these policies.
Internal audits are also performed by the Internal Control & Inspection Department on business execution by our respective functions and subsidiaries.

Our organizational structure for corporate governance and internal control

As of June 29, 2011



(∗1) Auditing of our subsidiaries and affiliated companies is conducted through the auditing of consolidated financial statements by an accounting firm.
(∗2) Each of our subsidiaries and affiliated companies has a supervisory department.
(∗3) Corporate auditors perform inspections as necessary on the operations and asset status of subsidiaries. Full-time corporate auditors serve concurrently as corporate auditors of Sanyo Special Steel's domestic subsidiaries, and fulfill their responsibilities in that capacity.

Development and Operation of Internal Control Systems

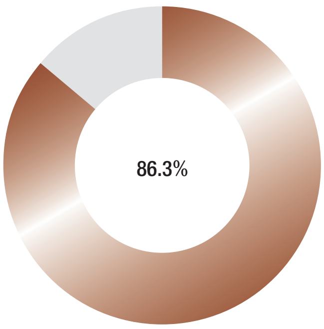
At the Board of Directors meeting held on May 9, 2006, in order to improve our internal control systems, we settled on a basic policy for the creation of internal control systems in accordance with the Company Law of Japan and relevant laws and ordinances.
Under this policy, we have been developing our internal control systems, on which our corporate management approach, which emphasizes integrity, fairness, and transparency, is built.
In addition, the Internal Control & Inspection Department was established in October 2007 as a function to evaluate the Sanyo Special Steel Group's internal control systems, and we have been working on the development and operation of a system that supports "Management's Report on Internal Control Over Financial Reporting," which has been a requirement since fiscal 2008 under the Financial Instruments and Exchange Act.
In this regard, in April 2008, we set up a working group for internal control management, which is a cross-functional committee composed of members from across the Sanyo Special Steel Group, in order to address risks in financial reporting, share relevant information, and discuss educational guidelines, and we are working to further reinforce our internal control systems in order to ensure the adequacy of information in financial reporting.

Specialty Steel

In the Special Steel segment, we manufacture and distribute various special steel products, capitalizing on our high cleanliness steel manufacturing technology, including bearing steel, for which we have a dominant share of domestic production, engineering steel, stainless steel, heat resistant steel and tool steel. Our steel products have attained the world's highest level of cleanliness, which has been underpinned by our steelmaking and operation technologies including the SNRP (Sanyo New Refining Process) developed based on our unique concept of "controlling the size of the largest inclusion in steel for maximizing the inherent performance of steel." Another of our distinctive characteristics is that we are the only special steel manufacturer in Japan which has seamless steel tube manufacturing equipment.

Overview

Demand, which had plunged in the early autumn of fiscal 2008, resurged in the middle of fiscal 2009 and continued to pick up during the first half of fiscal 2010. Although the pace of recovery slowed slightly in the second half, demand generally remained at higher levels compared to fiscal 2009. Due primarily to an increase in sales volume backed by the rebound in demand, net sales rose to ¥148,364 million. Operating income increased to ¥12,204 million, reflecting the growth in sales volume and the implementation of cost reductions.



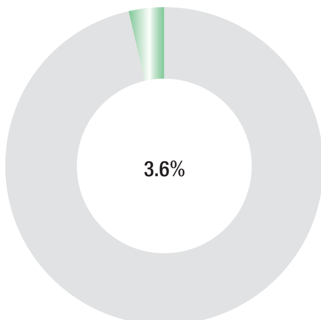
Sales Breakdown
(FY 2010)

Special Materials

The Special Materials segment is engaged in manufacture and sales of metal powder products and heat/corrosion-resistant alloys.

Overview

The Special Materials segment generated net sales of ¥5,672 million and operating income of ¥1,039 million.



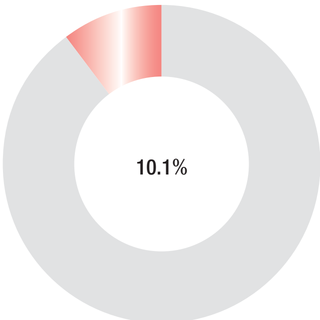
Sales Breakdown
(FY 2010)

Formed & Fabricated Materials

The Formed & Fabricated Materials segment uses an integrated, serial process to manufacture high-quality formed and fabricated materials from "steel you can count on," which is produced using our high cleanliness steel manufacturing technology. Our formed and fabricated materials include cut rings produced by cutting special steel tubes with high precision, forged rings/die forged products/hot rolled rings made from steel bars, and cold roll formed rings made from ring materials.

Overview

The Formed & Fabricated Materials segment posted net sales of ¥16,072 million and operating income of ¥1,351 million due mainly to increased sales volume, in similar manner to the Specialty Steel segment.



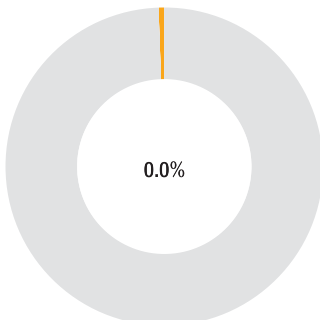
Sales Breakdown
(FY 2010)

Other

We provide information processing services through our subsidiaries.

Overview

Net sales and operating income amounted to ¥1,047 million and ¥105 million, respectively.



Sales Breakdown
(FY 2010)

Notes:
Net sales for each business segment include intersegment transactions. However, the sales breakdown is calculated based on net sales by each segment to outside customers.

RESEARCH AND DEVELOPMENT

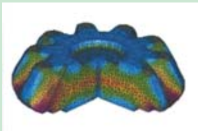
We identify actual customer needs through a thorough analysis of data on social and industrial developments collected through a customer satisfaction-oriented marketing approach and respond to such customer needs with fast-paced research and development. We promote R&D that contributes to the expansion of technological innovation with a view to preserving the global environment and addressing soaring resource/fuel prices and the depletion of fuel and other resources, thereby further enhancing the brand power of “Sanyo Special Steel – the confident choice.”

SANYO SPECIAL STEEL
– the Confident Choice

Analytical Technology

- Analysis of inclusions and precipitates
- Rapid analysis of fatigue characteristics
- Advanced CAE simulation ranging from fluid dynamics and thermal analysis to deformation analysis

Ultrasonic fatigue testing equipment



Strain distribution of a cold forged gear

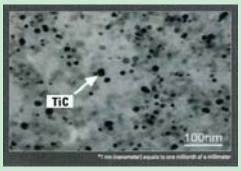
Technological Development

- Steelmaking process
- Manufacturing process
- Forming and fabricating process
- Powder-producing process

Electric furnace operation

Materials Development

- Development of state-of-the-art bearing steel
- Development of high-functional engineering steel
- Development of materials related to energy use and the environment
- Development of steel for highly functional dies
- Development of materials for electronics components
- Development of high-functional powder materials



Electron microscopic image of TiC in TMAX steel

Fundamental Research

High-resolution field emission scanning electron microscope

Topics

Technical Development Award received from the Japan Institute of Metals

In September 2010, a “Technical Development Award” was presented by the Japan Institute of Metals to recognize the “Development of 1200HV-Class Gas Atomized Fe-Cr-B Alloy Powder for Shot Peening.”

Shot peening is a surface treatment method used to improve the fatigue strength of parts by blasting them with powdered projection materials. Using our unique technology, we succeeded in developing a new metal powder for projection materials that have a high degree of hardness and density with excellent life characteristics and mass producibility.

The Technological Development Award is given to an engineer who has worked to develop creative technologies, including new technologies and products in the metal engineering and related fields. The outcome of our innovative technological development efforts supported by our outstanding technological innovation and product development capabilities was highly rated.

Technical Development Award winners: From left, Yanagitani (Managing Director) and Sawada (Manager, Technology Group)

Our Major Original Products/Technologies

Premium Cleanliness Steel

Steel with its characteristics improved to the limit

Premium cleanliness steel was developed based on our unique concept of "controlling the size of the largest inclusion in steel to utilize its essential characteristics to the full." Its higher fatigue strength and reliability satisfy our customers' needs, especially those of our customers in the automobile industry, who require "small, lightweight high-performance parts that are also friendly to the environment."

Ball bearings

ECOMAX

High-strength case-hardening steel without the need for the addition of nickel and molybdenum

ECOMAX is a resource-saving, high-strength steel, the strength of which is achieved without the use of rare metals such as nickel and molybdenum.
ECOMAX meets the need for more compact and lighter automotive drive components designed to reduce CO2 emissions, and shows promise as a material for parts requiring high strength, such as automobile gears and shafts.

Automotive gears and shafts

SPMR8

Powder metallurgy high-speed steel with significantly improved toughness and corrosion resistance

SPMR8 provides significantly improved toughness and corrosion resistance realized by optimizing carbide dispersion in steel and alloy composition of matrix structures, while retaining the same level of hardness and wear resistance as that of SPM23, general-purpose P/M (powder metallurgy) high-speed steel. Its enhanced characteristics contribute to life extension of dies by reducing the early formation of cracks and chips and the occurrence of unusual corrosion and wear in their use. SPMR8 is especially suitable for punches and dies for cold forging, cold work tools (mandrels, rolls, etc.), and screws for plastic molding.

Mandrel

Fuel cell separator technology

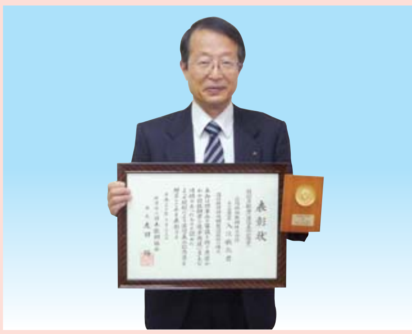
The world's first separator technology that triples fuel cell power generation output

Fuel cells are environmentally friendly sources of clean energy based on a chemical reaction whereby water is produced from hydrogen and oxygen.
By adopting an innovative structure using our spherical metal powders in the separators that are major components of fuel cells, the company has achieved a significant improvement in fuel cell power generation output, which has long been a challenge to practical use.

Technical Achievement Contribution Prize (G. Watanabe Commemorative Prize) awarded by the Iron and Steel Institute of Japan

In March 2011, a "Technical Achievement Contribution Prize (G. Watanabe Commemorative Prize)" was presented by the Iron and Steel Institute of Japan.
This accolade is awarded to a member who has made a significant contribution to the development and advancement of Japan's steel industry. Toshihiro Irie, Executive Councilor, was awarded the prize for his contribution to the establishment of technologies for manufacturing special steel of high reliability, including the development/improvement of highly productive operational technologies for high cleanliness steel in steelmaking processes and the upgrading of quality assurance systems.

Major achievements:
- Establishment of stable manufacturing technologies for premium cleanliness steel
- Establishment of continuous casting technologies with high quality/productivity
- Upgrading of quality assurance systems



Technical Achievement Contribution Prize winner:
Mr. Irie (Executive Councilor)

CSR-CONSCIOUS MANAGEMENT

While promoting corporate management with integrity, fairness, and transparency through the practice of our corporate philosophy, "confidence-based management," we fulfill our economic and social missions in order to gain the confidence of all our stakeholders and to build a sustainable relationship with society.

Conceptual Diagram

Corporate Philosophy:

Confidence-based Management

CSR-conscious Management

Corporate Management with Integrity, Fairness, and Transparency

Environmental Management
Compliance Management
Social Contributions

CSR in Pursuit of Economic Goals

We aim for sustained company growth and the well-being of society by gaining the confidence of the market through our provision of high-quality special steel products, and by returning our modest profits to society.

Continuous improvement in quality,
Increasing customer satisfaction,
Development of environmentally friendly products, etc.

CSR in Pursuit of Social Goals

We aim to enhance our corporate brand image through achieving harmonious coexistence with society by focusing on the creation of a resource-recycling society, environmental protection, and cultural promotion.

Environmental protection,
Volunteer activities,
Support for cultural activities, etc.

We are working to improve our corporate structure and implement training programs that support our compliance-based management.

Clearly-defined Company Rules

Guidelines for Corporate Behavior	The Guidelines for Corporate Behavior indicate how we should behave as a corporation. They underpin all corporate activities.
Code of Conduct	The Code of Conduct provides "guidance on conduct" to be observed in the course of our business activities within the framework set by the Guidelines for Corporate Behavior.
Corporate Behavior and Ethics Regulations	The Corporate Behavior and Ethics Regulations specify the systems and structure used to ensure compliance.

Establishment of a Corporate Behavior and Ethics Special Committee

The Committee discusses compliance policies and specific measures based on these policies. If any situation or behavior deviates or is likely to deviate from laws and regulations, etc., the Committee investigates the actual situation, deliberates on appropriate corrective measures, and takes other relevant actions.

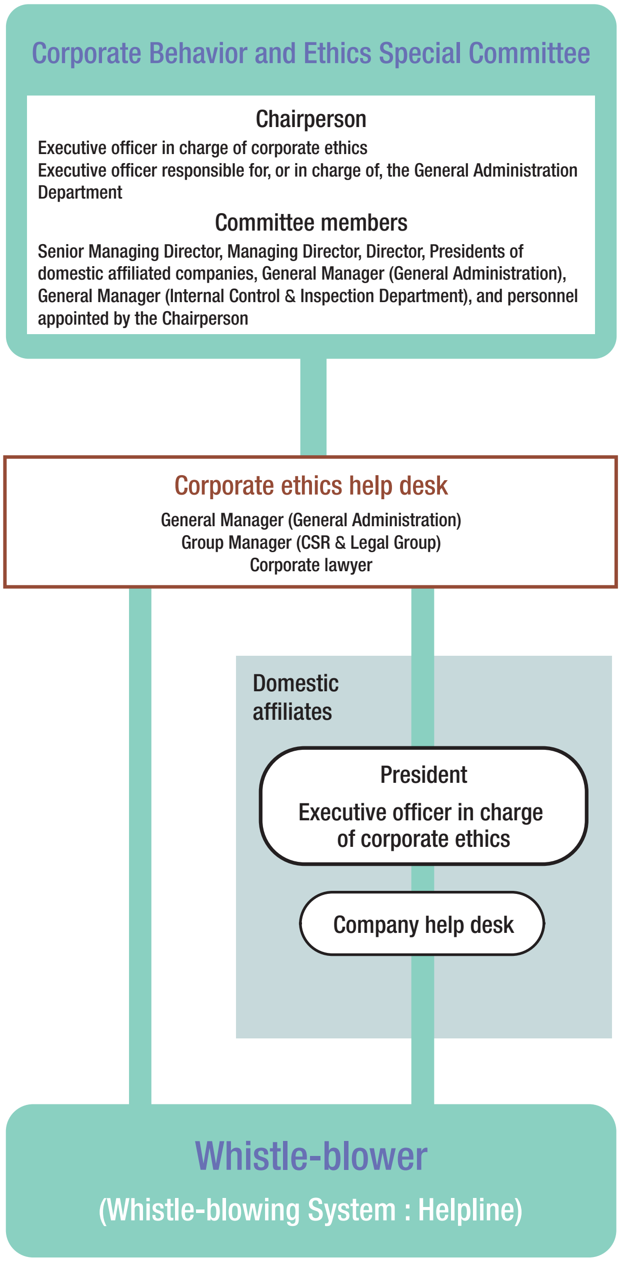
Establishment of a Whistle-blowing System

We have initiated a "Helpline," a whistle-blowing system designed to help prevent occurrence or recurrence of misconduct.
The "Helpline" is aimed at detecting at an early stage any apparent or probable circumstances/acts which are deemed inappropriate in light of laws and regulations, social norms, and/or company rules, and allowing prompt and appropriate action to be taken to prevent misconduct.

Implementation of Compliance Education Programs

We arrange lectures to improve compliance awareness and provide e-learning programs for compliance education.

Compliance Structure



ENVIRONMENTAL CONSERVATION

We conduct our business keeping environmental conservation in mind, and seek to create a recycling society.

Environmental Policy

Philosophy

We, Sanyo Special Steel, are aware that environmental conservation is an important issue common to all mankind. With this in mind, and as a company operating in a rich environment with a wonderful view of Himeji Castle, a designated UNESCO World Heritage Site and our national treasure, to the north, and the Seto Inland Sea National Park to the south, we seek to contribute to the creation of a recycling society by promoting eco-friendly practices throughout all stages of our operations.

Environmental policy

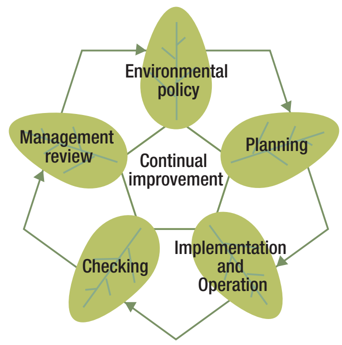
Based on our company mission statements, which are listed below, we, Sanyo Special Steel, promote environmental management as a producer and a seller of special steels and nonferrous metals.

1. We contribute to the recycling of metal as we manufacture steel products from steel scrap.
2. We abide by laws, regulations, and agreements related to the environment, constantly work hard to improve our environmental preservation systems, and strictly control its business activities that may impact the environment.
3. In order to reduce the environmental burden at every stage of our operations and contribute to environmental conservation, we promote resource and energy savings, the recycling of by-products, waste reduction and pollutant discharge control, and strive to prevent environmental pollution.
4. We set environmental goals and targets, review these environmental aims at least once a year and make revisions as necessary, in order to accomplish these environmental missions.
5. The general manager of the Environmental Management Department is designated as the chief administrator of the environmental system, with the purpose of making these environmental missions known to all of our employees and ensuring the environmental system is implemented.

Environmental Management System

In 1997, Sanyo Special Steel acquired ISO 14001 certification, which represents the international standard for environmental management systems. Since then, we have been working hard to improve and enhance our environmental management system.

Environmental management system model



Topics

Our “steel you can count on” widely used in the field of clean energy

Wind power generation, which is a clean source of electricity, is being rapidly introduced in many parts of the world in order to reduce CO2 emissions. While wind power generation facilities require stable operation over a long period, their primary equipment is installed on higher ground, leading to considerable difficulty with regard to maintenance. Therefore, their equipment parts need to have both high longevity and high reliability. Sanyo Special Steel’s long-life, highly reliable ”steel you can count on” is also used as a bearing material in the field of wind power generation, and is highly rated for its quality and performance characteristics.

In order to build greater confidence among all stakeholders and develop in harmony with society, we are actively engaged in social contribution programs.

Community Activities

Beautification of the surrounding area

As part of our community contribution programs, our employees engage in cleanup activities in the area surrounding our plant. In fiscal 2010, some 250 employees took part in the activities, and collected garbage discarded in the surrounding streets, center dividers, and green belts.

Blood Donation Campaign

We operate a periodic blood donation campaign. In November 2010, we received a letter of appreciation from the Japan Red Cross for our contribution to its activities through our cooperation on blood donations.

感謝状

山陽特殊製鋼株式会社献血会様

献血協力・推進活動を通して
日本赤十字社の事業の推進に
尽くされた功績は誠に顕著であります
よって支部創立百二十周年記念
兵庫県赤十字大会にあたりその
功績をたたえ感謝の意を表します

平成二十二年十一月八日

日本赤十字社兵庫県支部支部長
兵庫県知事 井戸敏三

Company personnel participate as guest runners in a marathon for elementary school pupils.

Members of our athletics club took part as guest runners in a marathon held by Himeji City Tegara Elementary School as part of our community contribution activities,

Our athletes accompanied the pupils as pacemakers, encouraging them to run with all their might.

Holding of Cultural Lectures (Sanyo Special Steel Cultural Promotion Foundation program)

We hold cultural lectures under the sponsorship of the Sanyo Special Steel Cultural Promotion Foundation, for the purpose of fostering local culture and education of local citizens.

In the lecture held on April 2011, we invited Ms. Yoshiko Sakurai, international journalist and president of the Japan Institute for National Fundamentals, to present a guest lecture entitled "*Nihon yo tsuyoki kuni to nare* (Japan, Be a Strong Nation)" to an audience of around a thousand persons.

FINANCIAL SECTION

Financial Position

Total assets at the end of fiscal 2010 amounted to ¥188,213 million (¥28,480 million up on the balance at the end of fiscal 2009) due mainly to an increase in trade notes and accounts receivable, an increase in inventories and an increase in cash and deposits, despite a decrease in deferred tax assets.

Total liabilities increased to ¥95,622 million (¥22,304 million up on the balance at the end of fiscal 2009) due to an increase in long-term borrowings and an increase in trade notes and accounts payable.

Net assets increased to ¥92,591 million (¥6,176 million up on the balance at the end of fiscal 2009), reflecting the net income posted for the period, despite a decrease in net unrealized holding gains on securities.

Cash Flows

Cash flows in fiscal 2010 can be summarized as follows. Operating activities generated a net cash inflow of ¥10,487 million (vs. net cash outflow of ¥5,270 million in fiscal 2009), reflecting net income before income taxes (¥12,662 million), depreciation expenses (¥9,980 million), an increase in trade receivables (minus ¥15,277 million), an increase in inventories (minus ¥9,695 million) and an increase in trade payables (¥8,753 million). The Company did not liquidize receivables during the period, as had been the case in fiscal 2009.

Net cash used in investing activities amounted to ¥12,458 million (an increase of ¥2,090 million in cash outflow compared to fiscal 2009) due to capital investments for productivity improvement, environmental measures and replacement of existing equipment.

Net cash provided by financing activities amounted to ¥9,051 million (an increase of ¥3,851 million in cash inflow compared to fiscal 2009) due primarily to an increase in borrowings (¥9,882 million).

The balance of cash and cash equivalents at the end of fiscal 2010 stood at ¥18,988 million (¥6,933 higher than the balance at the end of fiscal 2009).

Sanyo Special Steel Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

As of March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2010	**2011**	**2011**
Current Assets:			
Cash and bank deposits (Note 5 and 15)	¥ 12,062	¥ **18,990**	$ **228,383**
Notes and accounts receivable, trade (Note 5 and 18)	37,628	**52,848**	**635,568**
Less: Allowance for doubtful accounts	(51)	**(13)**	**(155)**
Inventories (Note 7)	32,575	**42,139**	**506,787**
Deferred tax assets (Note 11)	4,099	**2,322**	**27,922**
Refundable income taxes	895	**—**	**—**
Other	1,085	**877**	**10,547**
Total current assets	88,293	**117,163**	**1,409,052**
Property, Plant and Equipment:			
Land (Note 8)	7,081	**7,084**	**85,202**
Buildings and structures (Note 8)	43,174	**43,344**	**521,277**
Machinery and equipment (Note 8)	164,238	**170,740**	**2,053,397**
Construction in progress	2,537	**3,472**	**41,755**
	217,030	**224,640**	**2,701,631**
Less: Accumulated depreciation	(159,514)	**(165,813)**	**(1,994,145)**
Total property, plant and equipment	57,516	**58,827**	**707,486**
Intangibles	863	**740**	**8,904**
Investments and Others			
Investments in securities (Note 5 and 6)	9,283	**8,511**	**102,360**
Long-term loans receivable	301	**30**	**355**
Deferred tax assets (Note 11)	357	**222**	**2,673**
Prepaid pension cost (Note 10)	2,225	**2,034**	**24,464**
Other	1,331	**969**	**11,652**
Less: Allowance for doubtful accounts	(436)	**(283)**	**(3,405)**
Total investments and other assets	13,061	**11,483**	**138,099**
Total assets	¥ 159,733	¥ **188,213**	$ **2,263,541**

The accompanying notes are integral parts of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars (Note 3) 2011
Current Liabilities:			
Short-term loans (Note 5 and 9)	¥ 31,515	¥ **31,390**	$ **377,509**
Current portion of long-term loans (Notes 5, 8 and 9)	1,095	**4,015**	**48,286**
Notes and accounts payable, trade (Note 5)	10,724	**17,040**	**204,935**
Accounts payable, other	6,132	**6,238**	**75,018**
Accrued income taxes	85	**2,664**	**32,041**
Accrued expenses	5,579	**8,431**	**101,395**
Other	350	**901**	**10,833**
Total current liabilities	55,480	**70,679**	**850,017**
Long-term Liabilities:			
Long-term loans (Notes 5, 8 and 9)	15,532	**22,517**	**270,800**
Accrued employees' retirement benefits (Note 10)	1,193	**1,310**	**15,760**
Accrued directors' and corporate auditors' retirement benefits	107	**57**	**682**
Reserve for loss on guarantees	197	—	—
Reserve for environmental measures	376	**376**	**4,522**
Deferred tax liabilities (Note 11)	252	**483**	**5,814**
Other	181	**200**	**2,403**
Total long-term liabilities	17,838	**24,943**	**299,981**
Total liabilities	73,318	**95,622**	**1,149,998**
Contingent Liabilities (Note 18)			
Net Assets (Note 12)			
Shareholders' Equity:			
Common stock:			
Authorized - 474,392,000 shares			
Issued - 167,124,036 shares	¥ 20,183	¥ **20,183**	$ **242,726**
Capital surplus	22,594	**22,595**	**271,740**
Retained earnings	43,123	**50,139**	**602,992**
Less: Treasury stock, at cost (5,715,891 shares in 2010, 5,749,745 shares in 2011)	(1,741)	**(1,757)**	**(21,123)**
Total shareholders' equity	84,159	**91,160**	**1,096,335**
Accumulated Other Comprehensive Income			
Valuation difference on available-for-sale securities	2,352	**1,728**	**20,784**
Foreign currency translation adjustments	(499)	**(706)**	**(8,497)**
Total accumulated other comprehensive income	1,853	**1,022**	**12,287**
Minority Interests	403	**409**	**4,921**
Total net assets	86,415	**92,591**	**1,113,543**
Total liabilities and net assets	¥ 159,733	¥ **188,213**	$ **2,263,541**

The accompanying notes are integral parts of these statements.

Sanyo Special Steel Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	**2011**	**2011**
Net Sales	¥ 95,517	**¥ 159,512**	**$ 1,918,368**
Cost of Sales (Note 13)	90,423	**133,560**	**1,606,263**
Gross profit	5,094	**25,952**	**312,105**
Selling, General and Administrative Expenses (Note 13)	9,040	**11,752**	**141,331**
Operating income (loss)	(3,946)	**14,200**	**170,774**
Other Income:			
Interest and dividend	144	**171**	**2,056**
Other	1,005	**394**	**4,740**
	1,149	**565**	**6,796**
Other Expenses:			
Interest	(554)	**(504)**	**(6,061)**
Other	(281)	**(865)**	**(10,404)**
	(835)	**(1,369)**	**(16,465)**
Ordinary income (loss)	(3,632)	**13,396**	**161,105**
Extraordinary:			
Gain on sale of land	—	**266**	**3,204**
Loss on sale and disposition of property, plant and equipment	(250)	**(1,102)**	**(13,263)**
Loss on evaluation of investments in securities and others	(153)	**(238)**	**(2,862)**
Gain (loss) on sale of investments in securities and others	35	**(3)**	**(40)**
Provision for doubtful accounts	(66)	—	—
Reversal of allowance for doubtful accounts	—	**169**	**2,038**
Provision for loss on guarantees	(197)	—	—
Reversal of reserve for loss on guarantees	—	**174**	**2,093**
	(631)	**(734)**	**(8,830)**
Income (loss) before income taxes and minority interests	(4,263)	**12,662**	**152,275**
Income Taxes (Note 11):			
Current	94	**2,674**	**32,158**
Deferred	(1,762)	**2,129**	**25,601**
	(1,668)	**4,803**	**57,759**
Income (loss) before minority interest	(2,595)	**7,859**	**94,516**
Minority Interests in Net Income (Loss) of Consolidated Subsidiaries	(10)	**37**	**440**
Net income (loss)	¥ (2,585)	**¥ 7,822**	**$ 94,076**

	Yen		U.S. dollars (Note 3)
	2010	**2011**	**2011**
Per Share:			
Net income (loss) (Note 14)	¥ (16.01)	**¥ 48.47**	**$ 0.58**
Cash dividends	¥ —	**¥ 10.00**	**$ 0.06**
Net assets	¥ 532.88	**¥ 571.23**	**$ 6.87**

The accompanying notes are integral parts of these statements.

Sanyo Special Steel Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	**2011**	**2011**
Income Before Minority Interest	¥ —	**¥ 7,859**	**$ 94,516**
Other Comprehensive Income			
Valuation difference on available-for-sale securities	—	**(624)**	**(7,501)**
Foreign currency translation adjustments	—	**(164)**	**(1,970)**
Share of other comprehensive income of an affiliate accounted for by the equity method	—	**(63)**	**(767)**
Total other comprehensive income	—	**(851)**	**(10,238)**
Comprehensive Income	—	**7,008**	**84,278**
Comprehensive income attributable to:			
Owners of the parent	—	**6,992**	**84,086**
Minority interests	—	**16**	**192**

The accompanying notes are integral parts of these statements.

Sanyo Special Steel Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2010

	Number of outstanding common shares	Millions of yen			
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at March 31, 2009:	167,124,036	¥ 20,183	¥ 22,593	¥ 45,869	¥ (1,727)
Net income	—	—	—	(2,585)	—
Cash dividends paid	—	—	—	(161)	—
Acquisition of treasury stock	—	—	—	—	(24)
Disposal of treasury stock	—	—	1	—	10
Other changes for fiscal year 2009, net	—	—	—	—	—
Total changes for this fiscal year 2009	—	—	1	(2,746)	(14)
Balance at March 31, 2010:	167,124,036	¥ 20,183	¥ 22,594	¥ 43,123	¥ (1,741)

	Millions of yen			
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2009:	¥ 182	¥ (489)	¥ 416	¥ 87,027
Net income	—	—	—	(2,585)
Cash dividends paid	—	—	—	(161)
Acquisition of treasury stock	—	—	—	(24)
Disposal of treasury stock	—	—	—	11
Other changes for fiscal year 2009, net	2,170	(10)	(13)	2,147
Total changes for this fiscal year 2009	2,170	(10)	(13)	(612)
Balance at March 31, 2010:	¥ 2,352	¥ (499)	¥ 403	¥ 86,415

The accompanying notes are integral parts of these statements.

Sanyo Special Steel Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2011

	Number of outstanding common share	Millions of yen			
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at March 31, 2010:	**167,124,036**	**¥ 20,183**	**¥ 22,594**	**¥ 43,123**	**¥ (1,741)**
Net income	—	—	—	**7,822**	—
Cash dividends paid	—	—	—	**(806)**	—
Acquisition of treasury stock	—	—	—	—	**(18)**
Disposal of treasury stock	—	—	**1**	—	**2**
Other changes for fiscal year 2010, net	—	—	—	—	—
Total changes for this fiscal year 2010	—	—	**1**	**7,016**	**(16)**
Balance at March 31, 2011:	**167,124,036**	**¥ 20,183**	**¥ 22,595**	**¥ 50,139**	**¥ (1,757)**

	Millions of yen			
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2010:	**¥ 2,352**	**¥ (499)**	**¥ 403**	**¥ 86,415**
Net income	—	—	—	**7,822**
Cash dividends paid	—	—	—	**(806)**
Acquisition of treasury stock	—	—	—	**(18)**
Disposal of treasury stock	—	—	—	**3**
Other changes for fiscal year 2010, net	**(624)**	**(207)**	**6**	**(825)**
Total changes for this fiscal year 2010	**(624)**	**(207)**	**6**	**6,176**
Balance at March 31, 2011:	**¥ 1,728**	**¥ (706)**	**¥ 409**	**¥ 92,591**

	Number of outstanding common shares	Thousands of U.S. dollars (Note 3)			
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at March 31, 2010:	**167,124,036**	**$ 242,726**	**$ 271,729**	**$ 518,620**	**$ (20,936)**
Net income	—	—	—	**94,076**	—
Cash dividends paid	—	—	—	**(9,704)**	—
Acquisition of treasury stock	—	—	—	—	**(214)**
Disposal of treasury stock	—	—	**11**	—	**27**
Other changes for fiscal year 2010, net	—	—	—	—	—
Total changes for this fiscal year 2010	—	—	**11**	**84,372**	**(187)**
Balance at March 31, 2011:	**167,124,036**	**$ 242,726**	**$ 271,740**	**$ 602,992**	**$ (21,123)**

	Thousands of U.S. dollars (Note 3)			
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Minority interests	Total
Balance at March 31, 2010:	**$ 28,285**	**$ (6,007)**	**$ 4,848**	**$ 1,039,265**
Net income	—	—	—	**94,076**
Cash dividends paid	—	—	—	**(9,704)**
Acquisition of treasury stock	—	—	—	**(214)**
Disposal of treasury stock	—	—	—	**38**
Other changes for fiscal year 2010, net	**(7,501)**	**(2,490)**	**73**	**(9,918)**
Total changes for this fiscal year 2010	**(7,501)**	**(2,490)**	**73**	**74,278**
Balance at March 31, 2011:	**$ 20,784**	**$ (8,497)**	**$ 4,921**	**$ 1,113,543**

The accompanying notes are integral parts of these statements.

Sanyo Special Steel Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	**2011**	**2011**
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ (4,263)	¥ **12,662**	$ **152,275**
Adjustments -			
Depreciation and amortization	9,376	**9,980**	**120,018**
Increase (decrease) in allowance for doubtful accounts	66	**(169)**	**(2,038)**
Provision for accrued employees' retirement benefits, less payments	327	**117**	**1,413**
Increase in prepaid pension cost	208	**191**	**2,293**
Provision for accrued directors' and corporate auditors' retirement benefits, less payments	10	**(50)**	**(602)**
Increase (decrease) in reserve for loss on guarantees	197	**(174)**	**(2,093)**
Interest and dividend income	(144)	**(171)**	**(2,056)**
Interest expense	554	**504**	**6,061**
Gain on sale of investments in securities	(36)	—	—
Loss on evaluation of investments in securities	148	**217**	**2,615**
Loss on sale and disposition of property, plant and equipment	250	**836**	**10,059**
Changes in assets and liabilities:			
Notes and accounts receivable, trade	(23,175)	**(15,277)**	**(183,727)**
Inventories	6,846	**(9,695)**	**(116,597)**
Notes and accounts payable, trade	5,879	**9,889**	**118,925**
Other, net	(931)	**1,230**	**14,804**
Subtotal	(4,688)	**10,090**	**121,350**
Interest and dividend income received	131	**184**	**2,212**
Interest expense paid	(577)	**(466)**	**(5,606)**
Income taxes (paid) refunded	(136)	**679**	**8,167**
Net cash provided by (used in) operating activities	(5,270)	**10,487**	**126,123**
Cash Flows from Investing Activities:			
Acquisition of property, plant and equipment	(10,105)	**(12,486)**	**(150,165)**
Acquisition of intangible assets	(71)	**(79)**	**(948)**
Proceeds from sale of investments in securities	48	**(83)**	**(1,004)**
Decrease in long-term loans receivable	64	**244**	**2,937**
Other, net	(303)	**(54)**	**(640)**
Net cash used in investing activities	(10,367)	**(12,458)**	**(149,820)**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term loans	3,063	**(47)**	**(566)**
Proceeds from long-term loans	2,400	**11,000**	**132,291**
Repayment of long-term loans	(79)	**(1,071)**	**(12,880)**
Payments for purchases of treasury stock	(24)	**(18)**	**(214)**
Proceeds from sales of treasury stock	11	**3**	**38**
Cash dividends	(161)	**(806)**	**(9,705)**
Cash dividends to minority shareholders	(11)	**(10)**	**(119)**
Net cash provided by financing activities	5,199	**9,051**	**108,845**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	25	**(147)**	**(1,772)**
Net Increase (Decrease) in Cash and Cash Equivalents	(10,413)	**6,933**	**83,376**
Cash and Cash Equivalents at Beginning of the Year	22,468	**12,055**	**144,984**
Cash and Cash Equivalents at End of the Year (Note 15)	¥ 12,055	¥ **18,988**	$ **228,360**

The accompanying notes are integral parts of these statements.

Sanyo Special Steel Co., Ltd. and Consolidated Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements:

The accompanying consolidated financial statements of Sanyo Special Steel Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

2. Summary of Significant Accounting Policies:

(1) Consolidation and investments in affiliates -

(a) Scope of consolidation and elimination

The Company has 10 subsidiaries as of March 31, 2011 (9 subsidiaries as of March 31, 2010). The consolidated financial statements include the accounts of the Company and 10 of its subsidiaries. The 10 subsidiaries that have been consolidated for 2011 are listed below:

Yohkoh Bussan Co., Ltd.
Santoku Seiken Co., Ltd.
Santoku Kogyo Co., Ltd.
Santoku Tech Co., Ltd.
Santoku Computer Service Co., Ltd.
SKJ Metal Industries Co., Ltd.
P.T. Sanyo Special Steel Indonesia
Sanyo Special Steel U.S.A., Inc.
Ningbo Sanyo Special Steel Products Co., Ltd.
Sanyo Special Steel Trading (Shanghai) Co., Ltd.

During the year ended March 31, 2011, Sanyo Special Steel Trading (Shanghai) Co., Ltd. was established and newly consolidated.

The consolidated subsidiaries, except for the 5 foreign subsidiaries (SKJ Metal Industries Co., Ltd., P.T. Sanyo Special Steel Indonesia, Sanyo Special Steel U.S.A., Inc., Ningbo Sanyo Special Steel Products Co., Ltd., and Sanyo Special Steel Trading (Shanghai) Co., Ltd.), use a fiscal year ending March 31, which is the same as that of the Company. With respect to Sanyo Special Steel Trading (Shanghai) Co., Ltd. which has been newly established in the current year, its financial statements were consolidated as of the date of inception. The other 4 foreign subsidiaries use a fiscal year ending December 31. For these 4 subsidiaries, certain adjustments are made, if appropriate, in preparing the consolidated financial statements to reflect material transactions which occurred between their fiscal year end and March 31.

For the purpose of preparing the consolidated financial statements, all significant intercompany transactions and balances and unrealized profits among the Companies have been eliminated.

(b) Investments in affiliates

Investment in Advanced Green Components, LLC, an affiliate of the Company, on which the Company have significant influence is accounted for by the equity method.

The equity method has not been applied to the investment in another affiliate since adoption of the equity method for this investment in the affiliate would not have a material effect on the consolidated net income and retained earnings of the Companies.

Change in accounting policy

Effective April 1, 2010, the Company adopted “Accounting Standard for Equity Method of Accounting for Investments” (Accounting Standards Board of Japan ("ASBJ") Statement No. 16, issued on March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (Practical Issues Task Force ("PITF") No. 24, issued on March 10, 2008). This change had no material impact on the consolidated financial statements for the year ended March 31, 2011.

(2) Foreign currency translation -

Foreign currency transactions are translated into Japanese yen at the exchange rate prevailing at the respective transaction date. All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rate prevailing at the each balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

All assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the exchange rate prevailing at each balance sheet date. All income and expense accounts for the year are also translated at the rate. These differences are recorded as foreign currency translation adjustments.

(3) Securities -

The accounting standard for financial instruments (“Accounting Standards for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 10)) requires that securities be classified into 4 categories: trading securities, held-to-maturity debt securities, the equity securities issued by subsidiaries and affiliates or available-for-sale securities. Except for the equity securities issued by subsidiaries and affiliates, securities that the Company has are all classified as available-for-sale securities.

Under the standard, marketable securities classified as available-for-sale securities are carried at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, are included directly in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost. A decline in the value of available-for-sale securities is reflected in net profit or loss for the period unless deemed to be temporary. Cost of securities sold is determined by the moving average method.

(4) Derivative Transactions -

The Companies use foreign exchange forward contracts and interest rate swaps to reduce their exposure to market risks from fluctuations in foreign currencies and interest rates. The Companies do not hold or issue financial derivative instruments for trading purposes. If derivative transactions are used as hedges and meet certain hedging criteria, the Companies use the deferred hedge accounting method.

In addition, with regard to interest rate swap transactions that meet the criteria, the exceptional method is adopted. Using this method, the Companies do not account for gains or losses on those interest rate swap transactions on a fair value basis, but recognize the interest on an accrual basis.

The Companies compare the total change in cash flow or rate fluctuation of hedging instruments and those of hedged items every half year, and evaluate the hedge effectiveness based on the differences.

(5) Inventories -

Inventories are stated at the lower of weighted-average cost or net realizable value.

(6) Depreciation and amortization -

The Company computes depreciation using the straight-line method for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) which have been acquired on or after April 1, 1998. The Companies compute depreciation mainly using the declining-balance method for property, plant and equipment other than those described above.

Amortization of capitalized software costs for internal use is computed on the straight-line method, based on the useful life estimated to be 5 years. Amortization of other intangible assets is computed on the straight-line method.

(7) Research and development costs -

Research and development costs are charged to profit or loss as incurred.

(8) Allowance for doubtful accounts -

Allowance for doubtful accounts is provided at the amount calculated based on past loss experience plus the amount estimated to be uncollectible on an individual account basis.

(9) Accrued employees' retirement benefits -

Employees whose service with the Company and its principal consolidated subsidiaries are terminated, under most circumstances, are entitled to retirement benefits determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur.

Accrued employees' retirement benefits are calculated based on an actuarial valuation of the projected benefit obligation and the fair value of the plan assets. Prior service costs are amortized on a straight-line basis over the period of 10 years from the year when they arise. Actuarial differences are amortized on a straight-line basis over the period of 10 years from the year after the year when they arise.

Change in accounting policy

Effective from the fiscal year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no material impact on the consolidated financial statements for the year ended March 31, 2010.

(10) Accrued directors' and corporate auditors' retirement benefits -

Certain consolidated subsidiaries provide for lump-sum payments to retiring directors and corporate auditors, subject to shareholders' approval. Accrued directors' retirement benefits are based on internal rules.

(11) Reserve for loss on guarantees

Reserve for loss on guarantees is stated as an estimated cost at the end of the fiscal year.

(12) Reserve for environmental measures

Reserve for environmental measures for obligatory PCB treatment is stated as an estimated cost at the end of the fiscal year.

(13) Income taxes -

The asset and liability method is used to recognize deferred tax assets and liabilities for the expected future tax consequences of the temporary differences between the carrying amounts and the tax base of assets and liabilities.

(14) Revenue recognition -

Sales are generally recognized at the time the goods are delivered or shipped to the customers.

(15) Net income and cash dividends per share -

Net income per share is computed by dividing net income available for distribution to shareholders of common stock by the weighted-average number of shares of common stock outstanding during the year.

Cash dividends per share shown for each year in the consolidated statements of operations represent dividends declared as applicable to the respective years rather than those paid during the years.

(16) Cash and cash equivalents -

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuations in value.

(17) Consumption tax -

In Japan, a consumption tax, with certain exemptions, is imposed on domestic consumption of goods and services at the rate of 5%. The consumption tax imposed on the Company and its domestic subsidiaries sales to customers is withheld at the time of sale and is subsequently paid to the national government. The consumption tax withheld upon sale is not included in the amount of "net sales" in the consolidated statements of operations but is recorded as liabilities. The consumption tax imposed on the purchases of products, merchandise and services from vendors borne by the Company and its domestic subsidiaries, is not included in the amounts of costs and expenses but is recorded as assets. The balance of consumption tax withheld, net of consumption tax paid, is included in "Other current liabilities" in the consolidated balance sheets.

(18) Reclassifications and restatement -

Certain prior year amounts have been reclassified to conform to the current year presentation.

Change in accounting policy-

Effective April 1, 2010, the Company and its consolidated domestic subsidiaries adopted “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008). This change had no material impact on the consolidated financial statements for the year ended March 31, 2011.

Additional information-

Effective March 31, 2011, the Company adopted “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, revised on June 30, 2010). The amounts of “Valuation, translation adjustments and others” and “Total valuation, translation adjustments and others” are presented as “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” for the year ended March 31, 2010.

3. U.S. Dollar Amounts:

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars. The rate of ¥83.15 = U.S.$1.00, the approximate rate of exchange as at March 31, 2011, has been used for the purpose of such translations.

4. Consolidated Statement of Comprehensive Income

Comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of yen
Comprehensive income attributable to owners of the parent	**(425)**
Comprehensive income attributable to minority interests	**(3)**
Total comprehensive income	**(428)**

Other comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of yen
Valuation difference on available-for-sale securities	**2,170**
Foreign currency translation adjustments	**(9)**
Share of other comprehensive income of an affiliate accounted for by the equity method	**6**
Total other comprehensive income	**2,167**

5. Financial Instruments:

Additional information

Effective from the fiscal year ended March 31, 2010, the Companies adopted the revised Accounting Standard, “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, revised on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, revised on March 10, 2008). Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards is as follows.

Information on financial instruments for the year ended March 31, 2010 was follows:

(1) Status of financial instruments -

The Companies procure funds required in light of our business plan through bank loans, and temporary surplus funds are to be utilized in short-term bank deposits, etc., with low probability of loss of principal. The Companies utilize derivative transactions mainly to hedge interest rate fluctuation risk and limit the amount to actual demand.

Notes and accounts receivable are exposed to the credit risks of customers. In order to reduce such risks, the Companies regularly monitor the maturity dates and the balances of receivables of all customers’ accounts and evaluate the main customers' credit risk due to deterioration of the financial situation, etc., according to the company regulation. Notes and accounts receivable denominated in foreign currencies are exposed to exchange rate risks. The Companies reduce such risks by settling both notes and accounts receivable and notes and accounts payable with the same foreign currencies.

Investments in securities, which are mainly shares in companies that have business relationships with us, are exposed to market price risks. The Companies regularly review the fair values and financial positions of the companies and revise the portfolio considering the relationships with them.

The notes and accounts payable are paid within one year. Notes and accounts payable denominated in foreign currencies arising from the import of raw materials, etc., are exposed to exchange rate risks. The Companies reduce such risks by settling both notes and accounts receivable and notes and accounts payable with the same foreign currencies.

Bank loans are primarily for funding related to operating and investing activities. Bank loans with variable interest rates are exposed to interest rate fluctuation risks. The Companies reduce such risks with long-term loans among them by interest rate swap contracts.

The Companies establish regulations which stipulate the authorization of and manage derivative transactions. See Note 2(4), "Derivative Transactions," about hedge accounting.

Notes and accounts payable and bank loans are exposed to liquidity risks. The Companies reduce such risks by making monthly cash flow plans. The Company has commitment line contracts in preparation for contingencies.

Fair values of financial instruments include values based on market price, and values obtained by reasonable estimates when the financial instruments do not have market price. Since certain assumptions are adopted for calculating such values, they may differ when adopting different assumptions.

(2) Fair values of financial instruments -

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2010 were as follows. Certain financial instruments are excluded from the following table as the fair values were not available (see Note 2 below).

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and bank deposits	¥ **12,062**	¥ **12,062**	¥ —
(2) Notes and accounts receivable, trade	¥ **37,628**	¥ **37,628**	¥ —
(3) Investments in securities			
Available-for-sale securities	¥ **8,145**	¥ **8,145**	¥ —
(4) Notes and accounts payable, trade	¥ **(10,724)**	¥ **(10,724)**	¥ —
(5) Short-term loans	¥ **(32,595)**	¥ **(32,595)**	¥ —
(6) Long-term loans	¥ **(15,400)**	¥ **(15,515)**	¥ **△115**
(7) Derivative transactions			
①Hedge accounting is not applied	¥ **(0)**	¥ **(0)**	¥ —
②Hedge accounting is applied	¥ —	¥ —	¥ —

(※) The debt is displayed by ( ).

1. The method of estimating fair values of financial instruments and matters about investments in securities and derivative transactions.

(1) Cash and bank deposits and (2) Notes and accounts receivable, trade

The book value approximates the fair value because of the short-term maturities of these instruments.

(3) Investments in securities

Market prices and quoted prices are used for equity securities.

See Note 6, "Securities."

(4) Notes and accounts payable, trade and (5) Short-term loans

The book value approximates the fair value because of the short-term maturities of these instruments.

Short-term loans payable includes the current portion of long-term loans.

(6) Long-term loans

The discounted cash flow method is used to estimate the fair value of long-term loans, by using marginal borrowing rates as the discount rate.

(7) Derivative transaction

See Note 17, "Derivatives."

2. Non-listed equity securities of ¥583 million were excluded from the table. These instruments were not included in investment in securities (available-for sale securities) as the fair values were not available.

3. The aggregate maturities subsequent to March 31, 2010 for financial assets with maturities were as follows:

	Millions of yen			
	Within 1 year	1 year or more but within 5 years	5 years or more but within 10 years	Ten years or more
Cash and bank deposits	¥ **12,062**	¥ —	¥ —	¥ —
Notes and accounts receivable, trade	¥ **37,628**	¥ —	¥ —	¥ —
Total	¥ **49,690**	¥ —	¥ —	¥ —

4. The aggregate maturities subsequent to March 31, 2010 for long-term loans and other interest-bearing debt were as follows:

	Millions of yen			
	Within 1 year	1 year or more but within 5 years	5 years or more but within 10 years	Ten years or more
Long-term loans	¥ —	¥ **15,400**	¥ —	¥ —
Other interest-bearing debt	¥ **15**	¥ **60**	¥ **69**	¥ **3**
Total	¥ **15**	¥ **15,460**	¥ **69**	¥ **3**

Information on financial instruments for the year ended March 31, 2011 is as follows:

(1) Status of financial instruments -

The Companies procure funds required in light of our business plan through bank loans, and temporary surplus funds are to be utilized in short-term bank deposits, etc., with low probability of loss of principal. The Companies utilize derivative transactions mainly to hedge interest rate fluctuation risk and limit the amount to actual demand.

Notes and accounts receivable are exposed to the credit risks of customers. In order to reduce such risks, the Companies regularly monitor the maturity dates and the balances of receivables of all customers' accounts and evaluate the main customers' credit risk due to deterioration of the financial situation, etc., according to the company regulation. Notes and accounts receivable denominated in foreign currencies are exposed to exchange rate risks. The Companies reduce such risks by settling both notes and accounts receivable and notes and accounts payable with the same foreign currencies.

Investments in securities, which are mainly shares in companies that have business relationships with us, are exposed to market price risks. The Companies regularly review the fair values and financial positions of the companies and revise the portfolio considering the relationships with them.

The notes and accounts payable are paid within one year. Notes and accounts payable denominated in foreign currencies arising from the import of raw materials, etc., are exposed to exchange rate risks. The Companies reduce such risks by settling both notes and accounts receivable and notes and accounts payable with the same foreign currencies.

Bank loans are primarily for funding related to operating and investing activities. Bank loans with variable interest rates are exposed to interest rate fluctuation risks. The Companies reduce such risks with long-term loans among them by interest rate swap contracts.

The Companies establish regulations which stipulate the authorization of and manage derivative transactions. See Note 2(4), "Derivative Transactions," about hedge accounting.

Notes and accounts payable and bank loans are exposed to liquidity risks. The Companies reduce such risks by making monthly cash flow plans. The Company has commitment line contracts in preparation for contingencies.

Fair values of financial instruments include values based on market price, and values obtained by reasonable estimates when the financial instruments do not have market price. Since certain assumptions are adopted for calculating such values, they may differ when adopting different assumptions.

(2) Fair values of financial instruments -

Book values and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2011 are as follows. Certain financial instruments are excluded from the following table as the fair values are not available (see Note 2 below).

	Millions of yen			Thousands of U.S. Dollars		
	Book value	Fair value	Difference	Book value	Fair values	Difference
(1) Cash and bank deposits	¥ **18,990**	¥ **18,990**	¥ —	$ **228,383**	$ **228,383**	$ —
(2) Notes and accounts receivable, trade	¥ **52,848**	¥ **52,848**	¥ —	$ **635,568**	$ **635,568**	$ —
(3) Investments in securities						
Available-for-sale securities	¥ **7,509**	¥ **7,509**	¥ —	$ **228,383**	$ **228,383**	$ —
(4) Notes and accounts payable, trade	¥ **(17,040)**	¥ **(17,040)**	¥ —	$ **(204,935)**	$ **(204,935)**	$ —
(5) Short-term loans	¥ **(35,390)**	¥ **(35,390)**	¥ —	$ **(425,615)**	$ **(425,615)**	$ —
(6) Long-term loans	¥ **(22,400)**	¥ **(22,499)**	¥ **△99**	$ **(269,393)**	$ **(270,582)**	$ **△1,189**
(7) Derivative transactions						
①Hedge accounting is not applied	¥ **(0)**	¥ **(0)**	¥ —	$ **(0)**	$ **(0)**	$ —
②Hedge accounting is applied	¥ —	¥ —	¥ —	$ —	$ —	$ —

(※) The debt is displayed by ( ).

1. The method of estimating fair values of financial instruments and matters about investments in securities and derivative transactions.

(1) Cash and bank deposits and (2) Notes and accounts receivable, trade

The book value approximates the fair value because of the short-term maturities of these instruments.

(3) Investments in securities

Market prices and quoted prices are used for equity securities.

See Note 6, "Securities."

(4) Notes and accounts payable, trade and (5) Short-term loans

The book value approximates the fair value because of the short-term maturities of these instruments.

Short-term loans payable includes the current portion of long-term loans.

(6) Long-term loans

The discounted cash flow method is used to estimate the fair value of long-term loans, by using marginal borrowing rates as the discount rate.

(7) Derivative transaction

See Note 17, "Derivatives."

2. Non-listed equity securities of ¥488 million ($5,868 thousand) are excluded from the table. These instruments are not included in investment in securities (available-for sale securities) as the fair values are not available.

3. The aggregate maturities subsequent to March 31, 2011 for financial assets with maturities are as follows:

	Millions of yen			
	Within 1 year	1 year or more but within 5 years	5 years or more but within 10 years	Ten years or more
Cash and bank deposits	¥ **18,990**	¥ —	¥ —	¥ —
Notes and accounts receivable, trade	¥ **52,848**	¥ —	¥ —	¥ —
Total	¥ **71,838**	¥ —	¥ —	¥ —
	Thousands of U.S. dollars			
	Within 1 year	1 year or more but within 5 years	5 years or more but within 10 years	Ten years or more
Cash and bank deposits	$ **228,383**	$ —	$ —	$ —
Notes and accounts receivable, trade	$ **635,568**	$ —	$ —	$ —
Total	$ **863,951**	$ —	$ —	$ —

4. The aggregate maturities subsequent to March 31, 2011 for long-term loans and other interest-bearing debt are as follows:

	Millions of yen			
	Within 1 year	1 year or more but within 5 years	5 years or more but within 10 years	Ten years or more
Long-term loans	¥ —	¥ **22,150**	¥ **250**	¥ —
Other interest-bearing debt	¥ **15**	¥ **60**	¥ **57**	¥ —
Total	¥ **15**	¥ **22,210**	¥ **307**	¥ —
	Thousands of U.S. dollars			
	Within 1 year	1 year or more but within 5 years	5 years or more but within 10 years	Ten years or more
Long-term loans	$ —	$ **266,386**	$ **3,007**	$ —
Other interest-bearing debt	$ **181**	$ **723**	$ **684**	$ —
Total	$ **181**	$ **267,109**	$ **3,691**	$ —

6. Securities:

(1) The aggregate acquisition costs and fair values (book values) of marketable securities classified as available-for-sale securities as of March 31, 2010 and 2011 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2010			**2011**			**2011**		
	Acquisition cost	Fair value (Book value)	Unrealized gain (loss)	Acquisition cost	Fair value (Book value)	Unrealized gain (loss)	Acquisition cost	Fair value (Book value)	Unrealized gain (loss)
Securities whose book value exceeds their acquisition cost:									
Stock	¥ 4,534	¥ 7,384	¥ 2,850	**¥ 4,632**	**¥ 6,887**	**¥ 2,255**	**$ 55,704**	**$ 82,818**	**$ 27,114**
Securities whose acquisition cost exceeds their book value:									
Stock	¥ 829	¥ 760	¥ (69)	**¥ 681**	**¥ 622**	**¥ (59)**	**$ 8,190**	**$ 7,484**	**$ (706)**
Total	¥ 5,363	¥ 8,144	¥ 2,781	**¥ 5,313**	**¥ 7,509**	**¥ 2,196**	**$ 63,894**	**$ 90,302**	**$ 26,408**

(2) For the year ended March 31, 2010, sales of other securities amounted to ¥49 million with gross realized gains on those sales of ¥36 million. For the year ended March 31, 2011, there were no sales of securities classified as other securities.

(3) The Companies recognize impairment losses on available-for-sale securities when the market value declines by more than 50 percent, or the market value declines by more than 30 percent but less than 50 percent and the Companies' management determines the decline to be other than temporary. Impairment losses recognized for the years ended March 31, 2010 and 2011 are ¥148 million and ¥217 million ($2,615 thousand), respectively.

7. Inventories:

Inventories held by the Companies at March 31, 2010 and 2011 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Merchandise	¥ 1,237	**¥ 1,469**	**$ 17,671**
Finished products	5,199	**5,559**	**66,855**
Work-in-process	15,650	**21,031**	**252,928**
Raw materials and supplies	10,489	**14,080**	**169,333**
Total	¥ 32,575	**¥ 42,139**	**$ 506,787**

8. Assets Pledged as Collateral:

A breakdown of assets pledged as collateral and the related secured liabilities as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Assets pledged as collateral:			
Land	¥ 4,595	**¥ 4,591**	**$ 55,206**
Buildings and structures	4,957	**5,918**	**71,173**
Machinery and equipment	4,413	**12,773**	**153,615**
	¥ 13,965	**¥ 23,282**	**$ 279,994**
Secured liabilities:			
Long-term debt (including those due within one year)	16,400	**14,000**	**168,370**
	¥ 16,400	**¥ 14,000**	**$ 168,370**

9. Short-term Loans and Long-term Loans:

Short-term loans at March 31, 2010 and 2011 represent bank overdrafts with weighted-average interest rates of 0.63% and 0.55%, respectively. It is normal business custom in Japan for short-term borrowings to be rolled over every year. The Company has commitment line contracts for short-term financing arrangements with 8 financial institutions for an aggregated maximum amount of ¥15,000 million ($180,397 thousand). At March 31 2011, the total ¥15,000 million ($180,397 thousand) is unused.

Long-term loans at March 31, 2010 and 2011, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Loans from banks and other financial institutions due 2010 to 2013 with interest rates ranging from 0.70% to 4.59% at March 31, 2010 and due 2011 to 2013 with interest rates ranging from 0.37% to 1.75% at March 31, 2011	¥ 16,480	**¥ 26,400**	**$ 317,498**
Other payables due 2010 to 2021 with interest of 4.05% at March 31, 2010 and due 2010 to 2021 with interest of 4.05% at March 31, 2011	147	**132**	**1,588**
	16,627	**26,532**	**319,086**
Less: Current portion of long-term loans	(1,095)	**(4,015)**	**(48,286)**
	¥ 15,532	**¥ 22,517**	**$ 270,800**

The annual maturities of long-term loans outstanding at March 31, 2011 are as follows:

Year ending at March 31,	Millions of yen	Thousands of U.S. dollars
2012	**¥ 4,015**	**$ 48,286**
2013	**4,546**	**54,673**
2014	**5,973**	**71,834**
2015	**11,073**	**133,169**
2016 and thereafter	**925**	**11,124**
	¥ 26,532	**$ 319,086**

10. Retirement benefits:

The Company and certain consolidated subsidiaries have severance indemnity plans and defined contribution pension plans. Certain consolidated subsidiaries have severance indemnity plans.

(1) Funded status of retirement benefit obligation at March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Projected benefit obligation	¥ (8,372)	¥ **(8,350)**	$ **(100,424)**
Plan assets at fair value	7,905	**7,959**	**95,720**
Unfunded projected benefit obligation	(467)	**(391)**	**(4,704)**
Unrecognized actuarial loss	1,645	**1,213**	**14,586**
Unrecognized prior service costs	(146)	**(98)**	**(1,178)**
Net of Accrued employees' retirement benefits recognized in the consolidated balance sheets	1,032	**724**	**8,704**
Prepaid pension cost	2,225	**2,034**	**24,464**
Accrued employees' retirement benefits recognized in the consolidated balance sheets	¥ (1,193)	¥ **(1,310)**	$ **(15,760)**

Consolidated subsidiaries have adopted a simplified method to calculate their projected benefit obligation, which is permitted under the accounting standard for retirement benefits in Japan.

(2) Components of net retirement benefit expenses for the years ended March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Service cost	¥ 378	¥ **394**	$ **4,738**
Interest cost	226	**223**	**2,681**
Expected return on plan assets	(50)	**(91)**	**(1,102)**
Amortization of prior service costs	(49)	**(49)**	**(589)**
Amortization of actuarial loss	529	**287**	**3,454**
Payments for the defined contribution pension plan	184	**184**	**2,215**
Total	¥ 1,218	¥ **948**	$ **11,397**

Expenses for employees' retirement benefits of consolidated subsidiaries are included in service cost.

(3) Assumptions used in the calculation of retirement benefit obligations for the years ended March 31, 2010 and 2011 are as follows:

	2010	**2011**
Discount rate	2.8%	**2.8%**
Expected rate of return on plan assets	0.9%	**1.2%**
Method of attributing the projected benefits to periods of service	Straight-line basis	**Straight-line basis**
Amortization period for unrecognized prior service costs	10 years	**10 years**
Amortization period for unrecognized actuarial differences	10 years	**10 years**

11. Income Taxes:

The Companies are subject to a number of different income taxes which, in the aggregate, resulted in a statutory income tax rate in Japan of approximately 40.6% for the years ended March 31, 2010 and 2011, respectively. At March 31, 2010 and 2011, significant components of deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Deferred tax assets:			
Amortization of transition obligations corresponding to contribution of certain marketable securities to employee retirement benefit trust	¥ 2,961	**¥ 2,961**	**$ 35,615**
Devaluation loss on inventories	382	**169**	**2,028**
Accrued bonuses	550	**971**	**11,681**
Devaluation loss on marketable securities	1,252	**1,308**	**15,730**
Accrued employees' retirement benefits	810	**906**	**10,891**
Tax losses carried forward	3,948	**231**	**2,776**
Unrealized intercompany profit eliminated in consolidation	—	**277**	**3,337**
Allowance for doubtful accounts	165	—	—
Reserve for environmental measures	153	**153**	**1,836**
Other	1,083	**1,555**	**18,704**
Gross deferred tax assets	11,304	**8,531**	**102,598**
Less: Valuation allowance	(2,357)	**(1,937)**	**(23,299)**
Total deferred tax assets	¥ 8,947	**¥ 6,594**	**$ 79,299**
Deferred tax liabilities:			
Unrealized holding gains on securities	¥ (430)	**¥ (468)**	**$ (5,624)**
Gain on contribution of certain marketable securities to employee retirement benefit trust	(1,597)	**(1,597)**	**(19,211)**
Reserve for deferred capital gains from property, plant and equipment	(1,383)	**(1,382)**	**(16,626)**
Prepaid pension cost	(903)	**(826)**	**(9,932)**
Reserve for special depreciation	(64)	**(81)**	**(970)**
Other	(365)	**(179)**	**(2,155)**
Total deferred tax liabilities	(4,742)	**(4,533)**	**(54,518)**
Net deferred tax assets	¥ 4,205	**¥ 2,061**	**$ 24,781**

The reconciliation between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2010, was not required to be disclosed due to the insignificance of the difference. The reconciliation between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2011 is as follows:

Statutory income tax rate	**40.6%**
Add (deduct)	
Nondeductible expenses, including entertainment expenses	**0.8**
Nontaxable income, including dividend income	**(0.7)**
Equalization tax	**0.1**
Other	**(2.9)**
Effective income tax rate	**37.9%**

12. Net Assets:

There were no cash dividends in the consolidated financial statements as of March 31, 2010.

At the Company's Board of Directors meeting held on May 16, 2011, the directors approved cash dividends amounting to ¥807 million ($9,704 thousand).

13. Research and Development Costs:

Research and development costs charged to manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2010 and 2011 totaled ¥1,610 million and ¥1,937 million ($23,292 thousand), respectively.

14. Net Income Per Share:

Basis for calculations of net income (loss) per share for the years ended March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Net income (loss)	¥ (2,585)	**¥ 7,822**	**$ 94,076**
Net income (loss) for common stockholders	¥ (2,585)	**¥ 7,822**	**$ 94,076**

	Thousands of shares	
	2010	**2011**
The weighted-average number of shares of common stock	161,434	**161,391**

	Yen		U.S. dollars
	2010	**2011**	**2011**
Net income (loss) per share	¥ (16.01)	**¥ 48.47**	**$ 0.58**

The Companies have no dilutive securities for the years ended March 31, 2010 and 2011.

15. Cash and Cash Equivalents:

Cash and cash equivalents at March 31, 2010 and 2011 consist of:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Cash and bank deposits	¥ 12,062	**¥ 18,990**	**$ 228,383**
Time deposits with deposit term of over 3 months	(7)	**(2)**	**(23)**
Cash and cash equivalents	¥ 12,055	**¥ 18,988**	**$ 228,360**

16. Accounting for Leases:

(1) Finance leases -

Information on non-capitalized finance leases at March 31, 2010 and 2011 is as follows:

As a lessee

Periodic lease charges to the Companies, as a lessee, which are charged to profit or loss for the years ended March 31, 2010 and 2011 are ¥217 million and ¥200 million ($2,405 thousand), respectively.

Lease assets under finance leases, if capitalized, at March 31, 2010 and 2011 comprise the following:

	Millions of yen				Thousands of U.S. dollars	
	2010		**2011**		**2011**	
	Machinery and vehicles	Other	Machinery and vehicles	Other	Machinery and vehicles	Other
Acquisition cost	¥ 1,517	¥ 268	**¥ 1,508**	**¥ 133**	**$ 18,136**	**$ 1,601**
Accumulated depreciation	837	201	**982**	**111**	**11,812**	**1,340**
Net book value	¥ 680	¥ 67	**¥ 526**	**¥ 22**	**$ 6,324**	**$ 261**

Depreciation expense for lease assets computed by the straight-line method over the period of the finance leases with no residual value for the years ended March 31, 2010 and 2011 are ¥217 million and ¥200 million ($2,405 thousand), respectively.

Outstanding future lease payments due at March 31, 2010 and 2011, including interest, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Due within one year	¥ 199	**¥ 170**	**$ 2,037**
Due after one year	548	**378**	**4,549**
Total	¥ 747	**¥ 548**	**$ 6,586**

(2) Non-cancelable operating leases -

As a lessee

Outstanding future lease payments under non-cancelable operating leases at March 31, 2010 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Due within one year	¥ 22	**¥ 10**	**$ 123**
Due after one year	12	**8**	**97**
Total	¥ 34	**¥ 18**	**$ 220**

17. Derivatives:

(1) Derivative transactions to which hedge accounting is not applied.

The contracted amount, fair value and unrealized gain (loss) of the forward exchange contract recognized for the year ended March 31, 2010 were as follows:

	Millions of yen		
	Contract amount	Fair value	Unrealized gain (loss)
Forward exchange contract:			
Buying			
U.S. dollars	¥ 137	¥ 137	¥ (0)
Japanese yen	67	67	(0)
Total	¥ 204	¥ 204	¥ (0)

The contracted amount, fair value and unrealized gain (loss) of the forward exchange contract recognized for the year ended March 31, 2011 are as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Contract amount	Fair value	Unrealized gain (loss)	Contract Amount	Fair value	Unrealized gain (loss)
Forward exchange contract:						
Buying						
U.S. dollars	**¥ 39**	**¥ 0**	**¥ 0**	**$ 463**	**$ 0**	**$ 0**
Japanese yen	**20**	**(0)**	**(0)**	**241**	**(0)**	**(0)**
Total	**¥ 59**	**¥ (0)**	**¥ (0)**	**$ 704**	**$ (0)**	**$ (0)**

(2) Derivative transactions to which hedge accounting is applied.

Derivative transactions to which hedge accounting is applied for the years ended March 31, 2010 and 2011 are as follows:

Method of hedge accounting	Exceptional method for interest rate swap transactions	**Exceptional method for interest rate swap transactions**
Type of derivative transactions	Interest rate swap transactions Payment fixation, Receipt change	**Interest rate swap transactions Payment fixation, Receipt change**
The main hedged items	Long-term loans	**Long-term loans**
Contract amount	¥10,500 million	**¥10,770 million ($129,525 thousand)**
1 year or more of amount of contract	¥9,770 million	**¥7,850 million ($94,408 thousand)**
Fair value	※	※

※Because interest rate swap transactions accounted for by the exceptional method are managed together with long-term loans that are hedged items, the fair value is included in the fair value of long-term loans.

18. Contingent Liabilities:

Guarantees against bank loans of employees and affiliates at March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Employees	¥ 79	**¥ 63**	**$ 754**
Advanced Green Components, LLC	367	**387**	**4,652**
Total	¥ 446	**¥ 450**	**$ 5,406**

Notes discounted with banks and notes endorsed, as of March 31, 2010 and 2011 are at ¥124 million and ¥205 million ($2,471 thousand), respectively. Notes discounted with banks and notes endorsed are netted against "Notes and accounts receivable, trade" in the consolidated balance sheets.

19. Segment Information:

Segment information for the year ended March 31, 2010 was as follows:

(1) Industry segment information -

	For the year ended March 31, 2010					
	Millions of yen					
	Specialty Steel	Formed & Fabricated Materials	Other	Total	Elimination and corporate assets	Consolidated total
(a) Sales and operating income:						
Net sales						
Outside customers	¥ 84,489	¥10,969	¥ 59	¥ 95,517	¥ —	¥ 95,517
Intersegment transactions	7,410	—	866	8,276	(8,276)	—
Total	91,899	10,969	925	103,793	(8,276)	95,517
Costs and expenses	95,096	11,714	896	107,706	(8,243)	99,463
Operating income	¥ (3,197)	¥ (745)	¥ 29	¥ (3,913)	¥ (33)	¥ (3,946)
(b) Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Assets	¥ 127,751	¥ 12,444	¥ 456	¥ 140,651	¥ 19,082	¥ 159,733
Depreciation	¥ 8,642	¥ 582	¥ 5	¥ 9,229	¥ (13)	¥ 9,216
Loss on impairment of fixed assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Capital expenditures	¥ 12,565	¥ 163	¥ 2	¥ 12,730	¥ (8)	¥ 12,722

(2) Geographical segment information -

As Japan, which consisted of Sanyo Special Steel Co., Ltd. and its domestic consolidated subsidiaries, represented more than 90% of the Companies' combined assets as of March 31, 2010 and combined sales for the years then ended, the Companies were not required to disclose the geographical segment information.

(3) Overseas sales -

Overseas sales information for the years ended March 31, 2010 was as follows:

	For the year ended March 31, 2010				
	Millions of yen				
	Asia	North America	Europe	Others	Total
Overseas sales (A)	¥ 12,508	¥ 1,339	¥ 894	¥ 175	¥ 14,916
Consolidated sales (B)	—	—	—	—	¥ 95,517
(A) / (B)	13.1%	1.4%	0.9%	0.2%	15.6%

Segment information for the year ended March 31, 2011 is as follows:

(1) General information about reportable segments

The Companies' reportable segments are the business units for which the Company is able to obtain separated financial information in order for the Board of Directors to conduct investigations to determine the distribution of management resources and evaluate business results regularly. Each operating division develops business activities and establishes a comprehensive strategy for domestic and overseas markets according to the products it handles. Therefore, the Companies consist of business segments according to products based on operating divisions and have determined the reportable segments, "Specialty Steel," "Special Materials" and "Formed and Fabricated Materials. "

The "Specialty Steel" segment includes the manufacture and sale of various special steel products such as bearing steel, engineering steel, stainless steel, heat resistant steel and tool steel. The "Special Materials" segment includes the manufacture and sale of metal powder products, heat/corrosion-resistant alloys, etc. The "Formed and Fabricated Materials" segment includes the manufacture and sale of formed and fabricated materials made from special steel bars/tubes.

(2) Basis of measurement about reportable segment profit or loss and other material items

The accounting methods applied to the reportable segments are generally the same as those described in Note 2, " Summary of Significant Accounting Policies," except that inventories are stated at cost to evaluate business results. Segment income is based on operating income. Intersegment transactions are based on market prices.

(3) Information about reportable segment profit or loss and other material items

	For the year ended March 31, 2011						
	Millions of yen						
	Reportable segment						
	Specialty Steel	Special Materials	Formed & Fabricated Materials	Other	Total	Adjustments	Consolidated total
(a) Sales and operating income:							
Net sales							
Outside customers	¥ 137,709	¥ 5,672	¥ 16,072	¥ 59	¥ 159,512	¥ —	¥ 159,512
Intersegment transactions	¥ 10,655	¥ —	¥ —	¥ 988	¥ 11,643	¥ (11,643)	¥ —
Total	148,364	5,672	16,072	1,047	171,155	(11,643)	159,512
Segment income	¥ 12,204	¥ 1,039	¥ 1,351	¥ 105	¥ 14,699	¥ (499)	¥ 14,200
(b) Other:							
Depreciation	¥ 9,080	¥ 347	¥ 501	¥ 5	¥ 9,933	¥ (17)	¥ 9,916

	Thousands of U.S. dollars						
	Reportable segment						
	Specialty Steel	Special Materials	Formed & Fabricated Materials	Other	Total	Adjustments	Consolidated total
(a) Sales and operating income:							
Net sales							
Outside customers	$ 1,656,147	$ 68,220	$ 193,284	$ 717	$ 1,918,368	$ —	$ 1,918,368
Intersegment transactions	$ 128,142	$ —	$ —	$ 11,872	$ 140,014	$ (140,014)	$ —
Total	1,784,289	68,220	193,284	12,589	2,058,382	(140,014)	1,918,368
Segment income	$ 146,764	$ 12,506	$ 16,247	$ 1,257	$ 176,774	$ (6,000)	$ 170,774
(b) Other:							
Depreciation	$ 109,206	$ 4,179	$ 6,022	$ 58	$ 119,465	$ (212)	$ 119,253

1. The "Other" category is the information service segment not included in reportable segments.
2. Segment income adjustments of ¥499 million ($6,000 thousand) are adjustments for inventories of ¥488 million ($5,878 thousand), corporate expenses not allocated to each reportable segment of ¥38 million ($454 thousand) and intersegment elimination of ¥28 million ($332 thousand). Corporate expenses are general and administrative expenses not attributed to reportable segments.
3. Segment income is adjusted with operating income in the consolidated statements of operations.
4. As information about segment assets and liabilities is not used to determine the distribution of management resources and evaluate business results, the Companies are not required to disclose information about segment assets and liabilities.

5. Segment information as of and for the year ended March 31, 2011, which is in conformity with the former Standard applicable to the prior fiscal year-

	For the year ended March 31, 2011 Millions of yen					
	Specialty Steel	Formed & Fabricated Materials	Other	Total	Elimination and corporate assets	Consolidated total
(a) Sales and operating income:						
Net sales						
Outside customers	¥ 143,381	¥ 16,072	¥ 59	¥ 159,512	¥ —	¥ 159,512
Intersegment transactions	8,936	—	988	9,924	(9,924)	—
Total	152,317	16,072	1,047	169,436	(9,924)	159,512
Costs and expenses	139,175	15,109	942	155,226	(9,914)	145,312
Operating income	¥ 13,142	¥ 963	¥ 105	¥ 14,210	¥ (10)	¥ 14,200
(b) Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Assets	¥ 152,806	¥ 12,501	¥ 609	¥ 165,916	¥ 22,297	¥ 188,213
Depreciation	¥ 9,427	¥ 501	¥ 5	¥ 9,933	¥ (17)	¥ 9,916
Loss on impairment of fixed assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Capital expenditures	¥ 11,555	¥ 302	¥ —	¥ 11,857	¥ (29)	¥ 11,828

	Thousands of U.S. dollars					
	Specialty Steel	Formed & Fabricated Materials	Other	Total	Elimination and corporate assets	Consolidated total
(a) Sales and operating income:						
Net sales						
Outside customers	$ 1,724,367	$ 193,284	$ 717	$ 1,918,368	$ —	$ 1,918,368
Intersegment transactions	107,480	—	11,872	119,352	(119,352)	—
Total	1,831,847	193,284	12,589	2,037,720	(119,352)	1,918,368
Costs and expenses	1,673,789	181,702	11,332	1,866,823	(119,229)	1,747,594
Operating income	$ 158,058	$ 11,582	$ 1,257	$ 170,897	$ (123)	$ 170,774
(b) Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Assets	$ 1,837,716	$ 150,337	$ 7,328	$ 1,995,381	$ 268,160	$ 2,263,541
Depreciation	$ 113,385	$ 6,022	$ 58	$ 119,465	$ (212)	$ 119,253
Loss on impairment of fixed assets	$ —	$ —	$ —	$ —	$ —	$ —
Capital expenditures	$ 138,960	$ 3,637	$ —	$ 142,597	$ (352)	$ 142,245

Additional information

Effective April 1, 2010, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

Related Information

(1) Information about products and services -

As described in "General Information about reportable segments," the Companies are not required to disclose information about products and services.

(2) Information about geographic areas -

1. Net sales

	For the year ended March 31, 2011					
	Millions of yen					
	Japan	Asia	North America	Europe	Others	Total
Net sales	¥ 130,250	¥ 24,114	¥ 3,302	¥ 1,520	¥ 326	¥ 159,512

	Thousands of U.S. dollars					
	Japan	Asia	North America	Europe	Others	Total
Net sales	$ 1,566,448	$ 290,008	$ 39,720	$ 18,283	$ 3,909	$ 1,918,368

2. Property, plant and equipment

As Japan, which consist of Sanyo Special Steel Co., Ltd. and its domestic consolidated subsidiaries, represents more than 90% of the amount of property, plant and equipment on the consolidated balance sheet as of March 31, 2011, the Companies are not required to disclose the information about property, plant and equipment.

(3) Information about major customers -

	For the year ended March 31, 2011		
	Net sales		Related segment
	Millions of yen	Thousands of U.S. dollars	
Marubeni-Itochu Steel Inc.	¥ 33,964	$ 408,471	Specialty Steel
Mitsui & Co., Ltd.	¥ 19,888	$ 239,184	Specialty Steel

Independent Auditors' Report

To the Board of Directors of Sanyo Special Steel Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Sanyo Special Steel Co., Ltd. and its consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of operations and comprehensive income for the year ended March 31, 2011, statement of operations for the year ended March 31, 2010, and statements of changes in net assets and cash flows for each of the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sanyo Special Steel Co., Ltd. and its consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 4 to the consolidated financial statements, in which the comprehensive income for the year ended March 31, 2010 is disclosed.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLP

Osaka, Japan
June 28, 2011

Complete View of our Head Office / Plant

Corporate Data

(As of March 31,2011)

Corporate Name	Sanyo Special Steel Co., Ltd.
Head Office	3007, Nakashima, Shikama-ku, Himeji, Hyogo 672-8677 Japan / phone (+81) 79-235-6003
URL	http://www.sanyo-steel.co.jp/english/index.html
Established	January 11, 1935
Paid-in Capital	20,183 millions of yen
Number of Employees	2,858(consolidated basis) 1,374(non-consolidated basis)
Register of Shareholders	The Chuo Mitsui Trust & Banking Co., Ltd.
Total Number of Shares Authorized to be Issued	474,392,000
Total Number of Shares Issued	167,124,036
Stock Listings	Tokyo Stock Exchange (1st Section)
Book Closing	March 31
Number of Shareholders	17,459
Branches and Offices	Tokyo Regional Office, Osaka Branch, Nagoya Branch, Hiroshima Branch, Kyusyu Sales Office

Consolidated Subsidiaries and Equity-Method Affiliates

(As of March 31, 2011)

Corporate Name	Business Activities
Consolidated Subsidiaries	
Yohkoh Bussan Co., Ltd.	Trading of special steel products, steelmaking raw materials and other materials
Santoku Seiken Co., Ltd.	Manufacturing and marketing of special steel products
Santoku Kogyo Co., Ltd.	Processing of special steel, machinery maintenance
Santoku Tech Co., Ltd.	Manufacturing of special steel products (formed & fabricated materials)
Santoku Computer Service Co., Ltd.	Construction and operation of, and consulting services for, information systems
SKJ Metal Industries Co., Ltd. (Thailand)	Manufacturing and marketing of special steel products
P.T. SANYO SPECIAL STEEL INDONESIA (Indonesia)	Manufacturing and marketing of special steel products
SANYO SPECIAL STEEL U.S.A., Inc. (U.S.A)	Trading of special steel products
Ningbo Sanyo Special Steel Products Co., Ltd. (China)	Manufacturing and marketing of special steel products (formed & fabricated materials)
SANYO SPECIAL STEEL TRADING (SHANGHAI) CO., LTD. (China)	Information gathering concerning sales of special steel products in China
Equity-method Affiliates	
Advanced Green Components, LLC (U.S.A.)	Manufacturing of special steel products (formed & fabricated materials)

Board of Directors

(As of June 29, 2011)

President, Representative Director	Nobuyoshi Fujiwara
Senior Managing Director	Tetsuo Kiriyama, Nobuyuki Tanaka, Yutaka Tsukamoto
Managing Director	Hideki Nakamura, Tatsuro Isomoto, Shin-ichi Tominaga, Akihiko Yanagitani
Director	Wataru Nishihama, Hiroyuki Eiyama, Masaharu Kobayashi, Shigehiro Oi
Corporate Auditor	Hiroaki Kimura (Standing Corporate Auditor), Seiji Tsutsumi, Hideyuki Sasaki*, Masatoshi Murakami*, Shinji Shibao*

* Outside Corporate Auditor

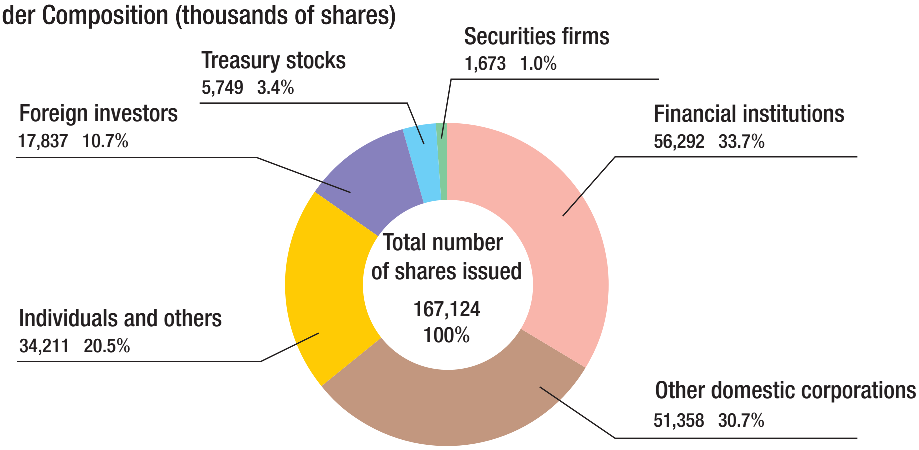
Principal Shareholders

(As of March 31, 2011)

Name of Shareholder	Number of Shares Held (thousands of shares)	Percentage of Voting Rights (%)
Nippon Steel Corporation	24,256	15.14
The Master Trust Bank of Japan, Ltd. (trust account)	11,626	7.26
Japan Trustee Services Bank, Ltd. (trust account)	8,895	5.55
Company's Kyoeikai Association	8,617	5.38
NSK Ltd.	7,470	4.66
Sumitomo Mitsui Banking Corporation	5,696	3.56
Mizuho Corporate Bank, Ltd.	3,642	2.27
Marubeni-Itochu Steel Inc.	3,108	1.94
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,849	1.78
The Dai-ichi Life Insurance Company, Limited	2,436	1.52

Notes: (1) The number of shares omits fractions of less than 1,000 shares.
(2) The Company holds 5,749 thousand shares of its own stock in treasury, but is excluded from the above list of major shareholders.

Shareholder Composition (thousands of shares)



SANYO SPECIAL STEEL CO., LTD.
3007,NAKASHIMA,SHIKAMA-KU HIMEJI, JAPAN
http://www.sanyo-steel.co.jp/english/index.html

This annual report can also be found at our website.
Printed in japan.